

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

Date: Tuesday, 14 May 2024
Time: 2.00pm
Meeting Room: Room 1, Level 26
Venue: 135 Albert Street
Auckland

Komiti mō te Tātari me te Mātai Tūraru / Audit and Risk Committee

OPEN AGENDA

MEMBERSHIP

Chairperson	Paul Connell
Deputy Chairperson	Cr Lotu Fuli
Members	Cassandra Crowley Cr Angela Dalton Cr Christine Fletcher, QSO Cr Shane Henderson Martin Matthews
Ex-officio	Mayor Wayne Brown Houkura Member Tony Kake, MNZM Deputy Mayor Cr Desley Simpson, JP

(Quorum 3 members)

Mike Giddey
Kaitohutohu Mana Whakahaere /
Governance Advisor

7 May 2024

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1 Ngā Tamōtanga | Apologies

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) whakaū / confirm the ordinary minutes of its meeting, held on [Monday, 19 February 2024](#), 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 2023-2024

File No.: CP2024/03372

Te take mō te pūrongo Purpose of the report

1. To review and approve the remaining elements of the Audit and Risk Committee's Forward Work Programme 2023-2024 (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:
 - A summary of Audit and Risk Committee information memoranda, workshops and briefings will now be a regular report to ensure transparency of information provided to members of this committee.
 - A report on the Auckland International Airport Limited share sale process will be presented at this committee meeting.
 - An additional update on Local Water Done Well formerly known as Three Water Reforms will be presented at the December 2024 committee meeting to report on progress. Local Water Done Well is the government's plan for water replacing the previous approach.
 - An additional workshop item will take place prior to the December 2024 meeting of this committee to provide a progress update on Auckland Emergency Managements remedial actions.
 - A workshop item has been added prior to this committee meeting for an update on the Long-term Plan 2024-2034.
 - The data and privacy management workshop item has been brought forward from August 2024 and will be presented prior to this committee meeting.
 - The cyber security workshop item has been deferred from this committee meeting to August 2024.

Ngā tūtohunga Recommendation/s

That the Audit and Risk Committee:

- a) whakaae / approve the Audit and Risk Committee forward work programme, noting that:
 - i) a summary of Audit and Risk Committee information memoranda, workshops and briefings will be a regular report to this committee meeting going forward
 - ii) a report on the Auckland International Airport Limited shares sale process will be presented at this committee meeting
 - iii) an additional update on Local Water Done Well will be presented at the December 2024 committee meeting

- iv) an Auckland Emergency Management workshop item will be presented prior to the December 2024 meeting of this committee
- v) a Long-term Plan 2024-2034 workshop item will be presented prior to this committee meeting
- vi) a data and privacy management workshop item will be presented prior to this committee meeting
- vii) the cyber security workshop item has been deferred from this committee meeting to August 2024.

Ngā tāpirihanga Attachments

No.	Title	Page
A⇒	Forward Work Programme	

Ngā kaihaina Signatories

Authors	Neil Rodrigues - Risk Advisor Simon Stewart - Senior Risk Advisor
Authorisers	Emma Burke - General Manager Risk and Assurance Anna Bray - Acting Director - Governance and CCO Partnerships

Long-term Plan 2024-2034 (LTP): approach to risk and assurance to support final decision-making

File No.: CP2024/05002

Item 9

Te take mō te pūrongo

Purpose of the report

1. To support the Audit and Risk Committee in its role to review the effectiveness of governance over risks, design, and operation of internal controls to support final decision-making for the Long-term Plan 2024-2034.

Whakarāpopototanga matua

Executive summary

2. This report provides a status update on key controls and management of risks related to the final phase and decision-making for the Long-term Plan 2024-2034.
3. Under the Local Government Act 2002 (LGA), all councils are required to adopt a new long-term plan every three years. The LGA also specifies the use of the special consultative procedure in adopting the long-term plan.
4. Consultation items were agreed by the Budget Committee on 6 December 2023. The Consultation Document and Supporting Information were adopted by the Budget Committee on 20 February 2024. Public consultation ran between 28 February and 28 March 2024.
5. We received a total of 27,978 pieces of feedback, including 2,142 pieces of feedback at in-person events. We heard from 391 organisations (including 38 attending one of three organisation / interest group Have Your Say events), and 23 Māori entities. This is the largest number of responses we have received during any long-term plan consultation.
6. Since consultation, staff have provided drop-in sessions, online briefings, workshops and facilitated discussions on key topics to support the Budget Committee leading up to decision-making on 16 May 2024.
7. At the time of writing this report, staff reports to support the final Mayoral Proposal were being finalised for public release on the agenda for the Budget Committee and Governing Body meetings on 16 May 2024.
8. Engagement with Audit New Zealand has continued throughout this period in support of the final audit of the Long-term Plan 2024-2034. Audit New Zealand will provide this committee with a report on their audit findings in June 2024.
9. An update on the controls and status of top risks for the Long-term Plan 2024-2034, with particular focus on the final phase of decision-making, is included in the body of this report.

Ngā tūtohunga

Recommendation/s

That the Audit and Risk Committee:

- a) whiwhi / receive the report on key controls and risks relating to the final phase and decision-making for the Long-term Plan 2024-2034
- b) tuhi ā-taipitopito / note that the controls and risk management processes to support final decision-making for the Long-term Plan 2024-2034 are ongoing and have been working effectively to date.

Horopaki Context

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10. On 19 February 2024, we provided this committee with an update on the controls and sign-offs for key areas of the Long-term Plan 2024-2034, with particular focus on the preparation of consultation material.
11. Today's update on controls has a focus on the final phase of decision-making for the Long-term Plan 2024-2034.
12. A final update on the audit of the Long-term Plan 2024-2034 will be provided to this committee on 24 June 2024 ahead of the Governing Body adoption meeting on 27 June 2024.

Tātaritanga me ngā tohutohu Analysis and advice







13. The following table provides an update relating to the controls and sign-offs for key areas of the LTP as they relate to final decision-making.

Area	Key controls and sign-offs	Update
Programme management and governance	<ul style="list-style-type: none"> • An LTP Project Control Group monitors LTP alignment with council priorities and ensures that significant risks are being actively managed. • Issues are escalated and actions identified to keep project on track at weekly meeting with project sponsors. • Project sponsors provide sign-off of final advice to support decision-making. 	<ul style="list-style-type: none"> • Fortnightly risk reporting to the Project Control Group has continued throughout the final phase of the LTP. • Project sponsors are reviewing all advice to support final decision-making including presentations, memos and reports.
Assumptions	<ul style="list-style-type: none"> • Ensure assumptions are documented in the final long-term plan, and are complete, reasonable and supportable. These are also subject to a sign-off process by the Group Chief Financial Officer. • Financial statements will include documentation of significant forecasting assumptions, the level of uncertainty, and the potential impacts of that uncertainty. • Sign-off of budgets by business financial managers to confirm consistent application of assumptions. 	<ul style="list-style-type: none"> • A memo has been provided to Audit New Zealand outlining our approach to key assumptions in support of the final audit of the LTP. • Relevant assumptions have been disclosed in the advice to support final decisions. • These assumptions will be discussed with the Audit and Risk Committee in a workshop prior to today's meeting.









Area	Key controls and sign-offs	Update
Legal sign off/Document preparation	<ul style="list-style-type: none"> Council has an experienced legal team who will conduct a review of the advice to support decision-making as well as the final LTP and provide legal support and guidance during the process. 	<ul style="list-style-type: none"> At the time of writing this report, our legal team were reviewing final advice to support decision-making. No legal issues have been raised to date.
Budget refresh for Final LTP	<ul style="list-style-type: none"> Prior to submission of final budgets, there will be a review and signoff by boards and executives of council-controlled organisations and council's Executive Leadership Team. 	<ul style="list-style-type: none"> Budget information in the staff reports to support final decision-making includes approved updates to budgets.








Update on risks and controls

14. The following table provides a status update of some of the top project risks as they relate to final decision-making.

Risk title	Description	Controls existing at present for risk mitigation	Status
			 Low risk  Medium risk  High risk  Critical risk
Auckland Future Fund Proposal: delivery of advice	The proposal is complex and has several components to it that require multiple inputs and review. Given the short timeframe to decision-making, there is a risk the advice isn't ready or completed in time.	A separate workstream/small project team with a project lead has been set up to manage the provision of advice and therefore, mitigate potential risks related to the delivery of advice. Project sponsors are overseeing this work.	
Change of government policy direction	The risk that, in addition to water reform, changes in government policy direction in areas such as housing, transport and climate has significant implications for the LTP, which are unable to be properly considered due to the timeframe.	We are closely monitoring central government decision-making and regularly engaging with central government at different levels. Where appropriate, key assumptions and other disclosures will set out the implications of potential future changes to central government policy direction for the LTP.	

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Risk title	Description	Controls existing at present for risk mitigation	Status  Low risk  Medium risk  High risk  Critical risk
Consideration of climate risks and opportunities	<p>Auckland Council group will need to describe how climate-related risks and opportunities serve as an input to its internal capital deployment and funding decision-making processes in its climate disclosure.</p> <p>The risk that elected members do not sufficiently consider these risks and opportunities, and/or that this consideration cannot be clearly demonstrated.</p>	<p>A climate assessment of the proposals included in consultation has been provided to the Budget Committee to support their decision-making. This assessment covers considerations on resilience and emissions.</p>	
Uncertain economic environment	<p>The risk that unexpected changes in population projections, economic growth, employment, inflation and interest rates could impact the context of the priorities, decisions, options and advice that support the development of the LTP.</p>	<p>We are continuing to closely monitor economic trends and undertake sensitivity analysis and ensure that final advice and documents adequately address the potential impact of that uncertainty.</p>	
Delay in political decision-making	<p>The risk that elected members do not feel ready or informed enough to make decisions (this could be due to a delay in advice being provided to elected members due to slippage with timeframes).</p>	<p>We are providing as much information as possible to elected members in workshops, briefings and pre-reading material ahead of decision-making. Contingency plans and advice have been provided to the Project Control Group including assessment of implications related to any delay in decision-making.</p>	
Key person dependencies	<p>The risk that specific knowledge about the LTP process or systems is held by a single person and/or a small group of stakeholders, resulting in delays or problems should that person no longer be available.</p>	<p>Workstreams for the delivery of specific advice have been set up and include a wider pool of resource from across the group as opposed to a smaller set of staff. A plan to cover key staff who are critical to the delivery of the project has been created.</p>	

Risk title	Description	Controls existing at present for risk mitigation	Status  Low risk  Medium risk  High risk  Critical risk
Management of audit process	The risk that poor coordination or communication between council and Audit NZ results in slippage to key deliverables and elements of the audit process. As a result of the change in audit scope, there is a greater need to manage the audit process effectively to ensure there are adequate checks and assurances provided to support the audit of the final LTP.	Audit New Zealand relationship is clearly owned by one workstream within the LTP project. Close communication with Audit NZ is being maintained (despite the change in audit scope) and planning continues to progress to support the audit of the final LTP.	
Timeline pressure	Staff unable to meet deadlines associated with the delivery of staff advice (reports, workshop material etc.) due to the compressed timeline.	We have clear and regular project management communication with staff that includes daily standups, tracking activities and outputs, and setting clear expectations around deadlines and slippage.	
Data management	The risk that data is inadequate or of poor quality which in turn impacts the ability to analyse or understand potential impacts of decisions.	We are undertaking robust reviews of data as part of the internal review processes for the financial and infrastructure workstreams. Our internal risk and audit teams are working with relevant workstream leads and key staff to ensure review processes of data are adequate and, where necessary, make recommendations for improvement.	

Tauākī whakaaweawe āhuarangi Climate impact statement

15. A climate assessment of the proposals included for consultation was provided to the Budget Committee as part of a wider trade-off discussion during a workshop on 1 May 2024. This assessment considers impacts to resilience and emissions.

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

16. Council controlled organisations (CCOs) have been key to the development of the advice to support final decision-making.
17. CCO boards and executives have reviewed and signed-off on their relative budgets that are included in final advice.

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

18. Workshops have been open to local board chairs and briefings have been provided for all local board members to support their legislative role in providing input into regional decision-making.
19. The views of local boards were provided to the Budget Committee at a workshop on 8 May 2024. A formal report summarising these views will be included on the agenda to support final decision-making on 16 May 2024.

Tauākī whakaaweawe Māori Māori impact statement

20. Before and during the consultation period, a series of online workshops were held with mana whenua and mataawaka groups to support their engagement and submission. A specific 'Have your say' event was held at Auckland Council Town Hall for mana whenua and mataawaka to present in person or online on 21 March 2024.
21. Feedback from Māori is reported separately as part of the Summary of Feedback report which was made publicly available on 24 April 2024.
22. An impact assessment of the proposals included for consultation was provided to the Budget Committee as part of a wider trade-off discussion during a workshop on 1 May 2024. This assessment considers impacts to Māori outcomes, along with climate and equity considerations.

Ngā ritenga ā-pūtea Financial implications

23. An audit engagement letter containing audit fees, scope and deadlines was signed by the Mayor on 18 April 2024. This letter was provided to the chair under delegation and is attached to this report (Attachment A).
24. A provision for long-term plan audit fees has been included within the existing operating budget for 2023/2024.

Ngā raru tūpono me ngā whakamaurutanga Risks and mitigations

25. Risks and mitigations have been outlined in the body of this report.

Ngā koringa ā-muri Next steps

26. On 16 May 2024, the Budget Committee and then Governing Body will meet to make final decisions on the Long-term Plan 2024-2034.
27. Once decisions are made, staff will prepare final documents to be audited ahead of the Governing Body adoption meeting on 27 June 2024.

28. An update on the audit of the final documents will be provided to the Audit and Risk Committee at an extraordinary committee meeting on 24 June 2024.

Ngā tāpirihanga Attachments

No.	Title	Page
A⇒	Audit NZ Engagement Letter	

Ngā kaihaina Signatories

Authors	Tamsyn Matchett - Programme Manager Michael Burns - Manager Financial Strategy
Authorisers	Ross Tucker - General Manager, Financial Strategy and Planning Nicola Mills - Acting Group Chief Financial Officer Anna Bray - Acting Director - Governance and CCO Partnerships

City Rail Link risk update

File No.: CP2024/02814

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. Auckland Council and the Crown are joint project Sponsors and funders of the CRL. CRL Ltd, a Crown company, has full governance, operational and financial responsibility for CRL, with delivery targets and performance expectations.
3. Sponsors' risks are focused on the project as a long-term, region shaping asset rather than the day-to-day delivery risks, which are the responsibility of CRL Ltd. Key Sponsor risk areas fall into three broad areas: cost, time and reputation.
4. The Practical Project Completion date for the CRL is 26 November 2025. CRL Ltd reporting indicates that the CRL project is still on track to meet this date and be within budget.
5. The CRL project is entering the systems installation and integration, and testing and commissioning phase. This is a high-risk phase and the capacity to address risks reduces as the project progresses.
6. A One Client Alliance (CRL, Auckland Transport, KiwiRail and Auckland One Rail) has been established to address the coordination necessary during the testing and commissioning phase, and to ensure the parties are aligned and focusing on Day-1 readiness and customer experience. The Alliance is proving effective to date in managing risks in relation to integration, testing and commissioning.
7. Sponsors have a total of 30 live risks. All are rated low to moderate and do not require additional action at this point. The top nine live risks and associated mitigations are noted in this report.

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

8. Auckland Council and the Crown are joint project Sponsors and funders of the CRL. CRL Ltd, a Crown company, has full governance, operational and financial responsibility for CRL, with delivery targets and performance expectations.
9. Staff last reported formally to this committee in December 2023. This report noted that the CRL project was now focusing on station fit out, systems integration, and testing and commissioning. It also provided an update on the Office of the Auditor General's recommendations and the new governance arrangements (the One Client Alliance) that had been put in place in response.

10. The One Client Alliance is between CRL Ltd, Auckland Transport, Auckland One Rail and KiwiRail and addresses the coordination necessary during the testing and commissioning phase and ensures the parties are aligned and focusing on Day 1 readiness and customer experience. There are 75 personnel working collectively and co-locating to ensure that the project is a success. The Alliance has been very effective to date in managing risks in relation to integration, testing and commissioning.
11. CRL Ltd continue to report twice yearly to Auckland Council's Transport and Infrastructure Committee. The most recent presentation by CRL Ltd was in March 2024 and KiwiRail also presented to the Committee on the overall rail network rebuild programme and how this supports the City Rail Link.
12. The Sponsors have an independent Assurance Manager, who provides informed advice to Sponsors on the progress of the CRL project in respect of time, costs, and quality. The Assurance Manager regularly meet with CRL Ltd and provides sponsors with monthly and quarterly reports that comment on both CRL Ltd and Sponsors' key risks.
13. The Assurance Manager supports Sponsors with Sponsors' risk register and facilitate two risk workshops a year to review and update Sponsor's risk register. The last workshop was held on 16 April 2024.
14. The Assurance Manager also undertakes two deep dives per annum. The last deep dive into operational readiness (October 2023) led to two recommendations: that a single source of accountability is nominated for the Dynamic Testing process and greater clarity on defining the terms relating to operational readiness is required^[2]. The One Client Alliance has addressed both recommendations, with a person appointed to oversee the dynamic testing process and an operational readiness programme being developed. This is discussed further below.

Tātaritanga me ngā tohutohu Analysis and advice

15. Sponsors' risks fall into three broad categories: programme delivery, cost and reputation.
16. The Practical Project Completion date for the CRL is 26 November 2025. CRL Ltd reporting indicates that the CRL project is still forecast to be delivered on time and within budget. The civil construction work is largely complete.
17. The next phase focuses on systems installation and integration, and testing and commissioning. The risk profile changes from completion of fit out through to testing and commissioning and is entering a critical and high-risk phase where the capacity to address risk reduces. CRL Limited and Sponsors are actively monitoring these risks and CRL Limited are seeking mitigation strategies to address any issues that may arise.
18. As the project transitions from Link Alliance's work to Auckland Transport and KiwiRail over the next 12-18 months, there is a risk that there is misalignment between operational and user requirements, and this may delay documentation processes, prolong project finalisation and/or impact on asset acceptance. This risk is currently rated medium at the moment, and is being mitigated by the One Client Alliance, who are:
 - implementing progressive assurance processes to reduce acceptance issues, continuously monitoring tracking power, signalling and station readiness workstreams
 - ensuring there is clarity among partners regarding the testing, commissioning, and documentation requirements
 - ensuring there are clear sign-off processes for practical completion.
19. Another risk that CRL Ltd are aware of and working to mitigate is the retention of key CRL Ltd and Link Alliance staff.
20. At the recent risk workshop an additional mitigation measure for delivery partners was recommended, which requires the development of a comprehensive handover strategy incorporating lessons learned from previous asset handovers.

21. The One Client Alliance are also actively monitoring the risk associated with operational readiness, where the opening of CRL to passengers may be delayed. Coordination and integration of all delivery partners' various workstreams are critical for successful Day-1 operations. This risk is currently rated medium. All delivery partners are in the process of aligning workstreams to ensure visibility and coordination among interdependent projects. A key recommendation of the recent risk workshop is to develop a dashboard to track progress, risk, and trade-offs for Day-1 operations.
22. Sponsors are actively interested in understanding wider impacts on customer experience and operational readiness, beyond physical works. A significant amount of testing, driver training, security and station staff training is required prior to Day-1 opening and members of the public are likely to see empty trains running, which are not in service and activity at stations. A communication strategy is being developed by AT, KiwiRail and CRL Ltd to ensure that the community understands that completion of the stations will not mean that CRL is ready for operation. Work is also underway around wayfinding and customer experience once CRL is operational.

Summary of Sponsors' risk register

23. Sponsors have a total of 30 live risks. All are rated low to moderate and do not require additional action at this point. The top nine live risks are provided below. These risks focus primarily on asset completion, testing and commissioning, and asset hand over.

	Risk	Likelihood	Consequence	Mitigation/Action
1	Programme Auckland Transport, Auckland One Rail and / or KiwiRail are not ready to start on Day 1	Possible	Moderate	Regular meetings between KRG, AT and CSAM now established and the One Client Alliance is actively working together to address risks here.
2	Costs Cost escalation beyond budget (P50)	Possible	Moderate	Regular monitoring of the project by CRL Limited and Sponsors. CRL Limited are actively suggesting mitigations and supporting the Link Alliance to reduce risks where possible.
3	Programme Relationship between CRL Ltd, Link Alliance and Delivery Partners deteriorates resulting in interface issues and delays to the project	Possible	Moderate	One Client Alliance has been established and has governance in place to mitigate risks in this area. The Alliance is working well and there is on-going work to clarify responsibilities. CRL Ltd and delivery partners are regularly meeting with Link Alliance and are providing active support where possible.
4	Programme Owners receive assets that do not meet operational requirements	Possible	Moderate	KiwiRail and Auckland Transport have been involved throughout the programme and are on various technical groups. A handover strategy has been recommended following the last Risk workshop. Several mitigations are in place to address this risk, and these are discussed in paragraph 18.

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	Risk	Likelihood	Consequence	Mitigation/Action
5	Programme Owners may not accept the asset or impose conditions on the asset handover, resulting in delayed start	Possible	Moderate	Several mitigations are in place to address this risk and these are discussed in paragraph 18.
6	Programme Inadequate sponsor oversight – no single accountability for ensuring all aspects of the project is delivered	Possible	Minor	One Client Alliance has been established and has governance in place to mitigate risks in this area.
7	Regulations Waka Kotahi do not grant licences required to operate	Unlikely	Moderate	Regular meetings occur with Waka Kotahi to ensure any risks are identified and dealt with early.
8	Customer experience CRL service does not meet public expectations	Possible	Minor	A day-1 and beyond strategy is being sought from KiwiRail and Auckland Transport.
9	Reputational Benefits of CRL project are not fully realised	Possible	Moderate	A Benefit Realisation Plan has been drafted. Benefit realisation is subject to wider funding, policy and prioritisation decisions by Sponsors.

Risks to CRL benefit realisation

24. A significant risk to realising the benefits of the CRL project is securing sustainable funding to ensure that rail network is maintained, reliable and resilient to run the desired frequency. KiwiRail, Waka Kotahi, Auckland Transport and Auckland One Rail are involved in workshops to solve this, and all parties recognise the urgency of this and the risks. Auckland Council is including on-going operational costs as part of the Long-term Plan. KiwiRail are seeking additional funding for on-going operation costs as part of the Government's budget process. If funding is not secured, network disruption levels will increase in FY27 and FY29 and continue until FY34. To mitigate these risks, KiwiRail are focusing on the core services of work required and are implementing new ways of working to improve technology and automation and machine led efficient preventative maintenance.
25. Another risk relates to precinct integration and oversite development, particularly at Maungawhau, where development is not expected for several years after the rail station opens. This creates reputation, customer and business disruption and safety risks. Eke Panuku and Auckland Transport are being encouraged to consider interim improvements to mitigate these risks.
26. Once CRL opens, and as patronage and train frequency increase mitigating the risks associated with 42 level crossings will be key to the achieving the benefits of the CRL. A strategic removal programme is planned post-CRL Day 1. Engagement with stakeholders and regulators has been positive. However, funding for a full removal programme has yet to be confirmed and is unlikely to be affordable for Auckland under the current funding constraints.

27. The immediate priority is mitigation of risk prior to completion of the CRL and introduction of the CRL 'Day 1' timetable with higher frequency services. Three crossings have been removed by CRL in the inner west area (Porters Avenue, Normanby Road and Fenton Street). In addition, funding has been secured to remove an additional vehicle level crossing at Church Street East, and six pedestrian level crossings. Auckland Transport are currently completing additional risk assessments of all remaining level crossings to identify interventions other than closure that can be delivered prior to CRL Day 1. These are expected to be of the nature of maintenance activities such as vegetation removal, additional signage and road markings. Information campaigns prior to introduction of the new timetable will also be undertaken.

Tauākī whakaaweawe āhuarangi **Climate impact statement**

28. 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. These are considered well-controlled by those delivering the project and are not a particular focus for Sponsors currently.

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

29. Auckland Transport 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 on the One Client Governance Group and One Client Executive Group.

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

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

Tauākī whakaaweawe Māori **Māori impact statement**

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

Ngā ritenga ā-pūtea **Financial implications**

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

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

33. This report is about the management of Auckland Council's Sponsors risk in the CRL Project, and these risks are discussed in the Analysis and Advice section.

Ngā koringa ā-muri **Next steps**

34. Further updates on Sponsors' risks for the CRL Project will be provided to this committee in six months.

Ngā tāpirihanga Attachments

There are no attachments for this report.

Ngā kaihaina Signatories

Author	Claire Gomas - Principal Advisor
Authorisers	Alastair Cameron - Manager - CCO Governance & External Partnerships Barry Potter - Director Infrastructure and Environmental Services Anna Bray - Acting Director - Governance and CCO Partnerships

Health Safety and Wellbeing Performance Report

File No.: CP2024/04759

Te take mō te pūrongo

Purpose of the report

1. To provide an update on enterprise risk controls for health, safety, and wellbeing; initiatives underway to improve controls, and the current state of selected key performance indicators as at 31 March 2024.

Whakarāpopototanga matua

Executive summary

2. This is a regular 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 (HSW) risk at Auckland Council.
3. There are gaps that have been identified in the effectiveness or completeness of specific enterprise risk controls relating to the control of critical risks, and availability of risk information for kaimahi (staff). A number of controls have improved since the last report in February 2024, including work to improve critical control effectiveness, and budget considerations which have been addressed for compliance activity. The current status of improvement is reflected in Attachment A.
4. Several other projects are in progress to strengthen and improve on other already existing controls, to improve the health, safety and wellbeing of kaimahi and deliver on the recommendations of the hauora (wellbeing) review.
5. Attachment B provides key performance indicators along with historical data illustrating change over time. This report offers additional analysis and commentary on these key indicators for the committee's consideration.

Ngā tūtohunga

Recommendation/s

That the Audit and Risk Committee:

- a) tuhi ā-taipitopito / note the information in this report and the 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

6. 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.
7. 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.

Tātaritanga me ngā tohutohu Analysis and advice

Enterprise Risk Control Effectiveness

8. Enterprise risk related to health, safety, and wellbeing is risk that could potentially result in adverse consequences for the organisation as a PCBU (person conducting a business or undertaking) or its officers. Where enterprise risk is not effectively controlled, it may result in prosecution or other enforcement activity. At an enterprise level, this can lead to reputational damage, significant financial penalties, prison sentences for officers, major service interruptions, and loss of engagement of kaimahi.
9. There are two controls that have been identified as being insufficient to effectively control the associated risk, which relate to inconsistent or missing operational risk registers, and critical control management. Most controls associated with these two risks are in place and are operating as intended, although some of these have been flagged as requiring further improvement. For these enterprise-level controls, there is a need for continued improvement on the development of local risk registers for locations and activities within Donesafe, including local controls.
10. There have been positive improvements to enterprise risk control, including:
 - Addressing budgetary constraints around occupational health monitoring and health and safety considerations.
 - Injury prevention programme in place.
 - Health and Safety information system in place and is functional.
 - Majority of critical risk management standards now finalised, with final few standards being developed which relate to psychosocial risk factors.
11. Activity to address all control gaps continues with information on the improvement plans provided with Attachment A.

Critical Risk management

12. The delivery and implementation of Critical Risk Standards remains a priority. A significant number of critical risk standards have been approved and are being updated within the Donesafe Master Risk Register. A small number of risks, mostly relating to psychosocial harm factors will require workshops and control development over the next few months.
13. A full change impact analysis of the critical risk standards remains underway to determine where the risks apply, and to fully understand the range of improvement activity required to meet the minimum controls.
14. Improvement action plans for the departments and directorates to achieve the standards will be developed as part of the implementation programme, which will provide a roadmap for improvement over a sustainable and reasonably practicable period of time. Verification and assurance tools for use by the operational teams and the HSW team have also been developed.

Framework Improvements

15. Work has been undertaken with key internal and external stakeholders around contractor management to draft a high-level approach to the management of contractor health and safety. This work includes contractor classification, prequalification requirements, onboarding and inductions, reviews, and performance monitoring. Once finalised with feedback from those involved in the workshop the information will be used to establish formal procedures, tools, and processes across Auckland Council.

16. The focus of the improvements is to reduce the complexity, and associated cost, that come with highly bureaucratic and ineffective practices. The work being undertaken for contractor safety management improvement aims to ensure that any process being followed either addresses a compliance issue in a simple manner or adds value to the overall effectiveness of the relationship with the contractor. This should also improve quality and performance outcomes, which are positively correlated with safety outcomes.
17. Work has been completed to develop a group approach to the management of firearms across Auckland Council, with a new procedure now approved. A “Firearms” module has been configured and included into Donesafe to enable better oversight and control of firearms with the ability to undertake real time auditing. Completion of this module is expected by the end of May 2024.
18. Work is ongoing to implement and improve specific controls relating to the management of wellbeing.
19. The wellbeing team continue to develop bespoke inhouse training programmes that will deliver on Mental Health First Aid and Suicide Prevention capability. This will replace external courses and be specific to the needs and requirements of Auckland Council. The wellbeing team are working around the details of delivery and will be hosting a pilot of the proposed program in May 2024. The expectation is that the programme will be launched in June 2024.
20. The number of EAP sessions have increased for some divisions over the past quarter which may be related to the proposed changes within the organisation such as the leadership refresh, and group shared services. This may be being offset by Wellbeing Team interventions, which have continued to be in high demand.
21. The specialist Wellbeing Team role dedicated within Animal Management has been appointed on a fixed term contract to the end of June 2024. A review will be undertaken in Q4FY24 to determine the requirements for ongoing resourcing to meet service demands.
22. Preparations are now underway for the next ACC audit that will take place in October 2024. This will be the final audit using the current set of requirements and audit standards, as a new system will be introduced from April 2025. The new audit system closely aligns to international standards (ISO). Current work on framework development is aligned to the new standard, so the expected change will not cause disruption to the ACC accreditation.
23. Key performance indicators are provided in Attachment B, alongside historical data to show changes over time.
24. Incident reporting within 24 hours has increased from 79%, which is now meeting the target of 80%. As noted in previous reports our HSW team are working to reduce and identify barriers to increase this percentage.
25. Violence and aggression remain the most common risk involved in incidents, with 168 incidents reported over February and March 2024. Many of the incidents involving violence and aggression have not indicated any control gap or failure, so when an incident does occur the controls in place are working effectively to mitigate or prevent harm. While the cumulative impact of poor behaviours remains a risk, and interventions such as pastoral care and EAP are designed to address this, the fundamental controls are working.
26. Further work to reduce the occurrence of violent or aggressive behaviours is being developed, taking a customer experience approach to reduce frustrations experienced by customers, which is driving some of the behaviour. Other societal drivers, such as mental health or substance abuse, are not within Auckland Council’s ability to influence or control.
27. The numbers of overdue actions have slightly increased to 45% of all actions now overdue. Work will continue to review open actions and those actions ‘orphaned’ by staff changes, or actions completed but not updated in the system. There remains a requirement for leaders to ensure respective teams continue to monitor and close actions in a timely manner.

28. The next Safety Maturity Index survey will take place in May, which has been deferred from March due to resource availability and ongoing organisational change. This survey aims to understand the current safety climate from the perspective of health and safety representatives, and senior leaders.
29. An increase in the Health and Wellbeing engagement survey result brings the score back to 7.9 after a brief dip to 7.8 in the previous reporting round. This is encouraging as the survey was undertaken during a period of change within the organisation and suggests that wellbeing interventions are working as intended.

Tauākī whakaaweawe āhuarangi **Climate impact statement**

30. Te Taruke-a-Tawhiri: 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.
31. Changes to the climate can influence other health and safety related risks. Examples include but are not limited to the frequency and severity of natural disaster, emergence of new disease, and the risk of working in high temperature environments. Climate is therefore considered a factor that may escalate existing risks.

Ngā whakaaweawe me nga tirohanga a te ropu Kauninhera **Council group impacts and views**

32. This report is based on Auckland Council organisation activities only and does not provide a group-wide view.

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

33. Governing Body members including 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.
34. 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 this report to local boards for their information.

Tauākī whakaaweawe Māori **Māori impact statement**

35. While this report does not have specific impacts for Māori, staff acknowledge the importance of taking holistic, Kaupapa Māori approach to health, safety and wellbeing.
36. In particular, the hauora (wellbeing) programme arising from the Hauora Review is utilising an approach that reflects Kaupapa Māori values and interventions. The council's current mental health improvement programme, Iti Kahurangi, is based on 'Te Whare Tapa Wha', a holistic Māori health model. This model acknowledges the different elements needed to sustain hauora, including wairua (spiritual), hinengaro (mental and emotional), tinana (physical) whanau (family and social) and whenua (land and roots).

Ngā ritenga ā-pūtea **Financial implications**

37. 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

38. The risk of non-compliance with health and safety is recorded in the council's top risk register. This register entry provides an overview of the controls and mitigations in place.

Ngā koringa ā-muri Next steps

39. Following the 14 May 2024 Audit and Risk Committee meeting, it is recommended that this report be referred to the Governing Body for its information. It is also recommended the Governing Body forwards this report to the local boards for their information.

Ngā tāpirihanga Attachments

No.	Title	Page
A⇒	HSW Enterprise Risk Controls	
B⇒	Health Safety and Wellbeing Performance Dashboard	

Ngā kaihaina Signatories

Author	Darren Johnston - Health & Safety Manager
Authorisers	Paul Robertson - General Manager Health Safety and Wellbeing Richard Jarrett - Director Group Services Anna Bray - Acting Director - Governance and CCO Partnerships

Auckland International Airport Limited share sale process

File No.: CP2024/04451

Te take mō te pūrongo Purpose of the report

1. To provide the Audit and Risk Committee with:
 - an overview of the process followed by Auckland Council (council) to execute the sale of its shareholding in Auckland International Airport Limited (AIAL) equivalent to 7 per cent of AIAL shares on issue (shares)
 - the independent assessment by council's Internal Audit team of the process and controls performed to complete the sale of the shares (Attachment A).

Whakarāpopototanga matua Executive summary

2. In considering the options related to Auckland Council's shareholding in Auckland International Airport Limited, specialist independent advice was sought to ensure the council and its ratepayers achieved a sound outcome and assurance on decision-making.
3. To engage specialist external advice, Auckland Council undertook a competitive RFP (request for proposal) process evaluating suppliers' expertise and costs.
4. Flagstaff Consulting Group was appointed to advise the council, largely due to its specific market expertise. The council's sale process was also advised by UBS and Simpson Grierson.
5. Mana whenua, were engaged to confirm any registrations of interest in the sale.
6. The outcome of the sale was reported to the Governing Body meeting on 26 October 2023. In summary, the council sold 103.1 million shares via the combination of a strategic sale process and a block trade at a blended price of NZ\$8.11 per share, a 3.8 per cent premium to the last trading price on the NZX prior to the sale of \$7.81. Total proceeds (net of expenses) were \$833 million.
7. Council's Internal Audit team was asked to perform a review of the share sale process in December 2023 to support the council's report to the Audit and Risk Committee on the share sale process. A review memo was agreed as the most appropriate deliverable to accommodate the timeframe (Attachment A). The review indicated that the share sale process followed a diligent and robust process and was initiated and conducted with adherence to the Governing Body's resolutions, with only improvement opportunities raised for consideration on any future transactions of this nature.

Process

Decision - delegation and authority to sell

8. At its meeting on 8 June 2023 (reconvened on 9 June 2023), the Governing Body adopted the audited amendment to the 10-year Budget 2021-2031 enabling a partial sale of the council's shareholding in AIAL, and agreed to sell around 7 per cent of AIAL shares on issue (see resolution GB/2023/100 at clause (a)(i)) as per the minute below:

Sale of Auckland International Airport Limited Shares

- (i) *agreeing to adopt the audited long-term plan amendment as tabled to enable a partial sell-down to a target minimum of 10% shareholding and agree to sell down around 7 per cent of the council's 18.09% shareholding (that is 103,097,466 of council's current shareholding of 266,328,912 shares) in Auckland International Airport Limited to pay down debt as provided for in the amended long-term plan, to save an estimated net \$23million in 2023/24 and \$115million over the remaining term of the 2021-2031 long-term plan;*

9. At the same Governing Body meeting, there was a confidential item C1 titled “Auckland International Airport Share sale process”. This report presented information on the valuation of the shares, timing of sale, target investors and execution strategy, the execution process, Overseas Investment Office considerations and legal issues, communication and engagement strategies and confidentiality and assurance matters. The report also set out council’s objectives for the sale as follows:
- a) maximise value received;
 - b) minimise execution risk;
 - c) manage public perception of the process through confidentiality and probity requirements and ensuring the process undertaken is commercial, prudent, and defensible; and
 - d) retain flexibility and adapt to any consideration that may arise throughout the execution process.
10. As part of this item, the Governing Body resolved the following:
- a) *note that Governing Body has, following public consultation, amended council’s Long-Term Plan to permit the sale of council’s Auckland International Airport Limited shares, and has resolved to sell the shares.*
 - b) *agree that one of council’s sale objectives is to consider opportunities for mana whenua of Tāmaki Makaurau to participate in the share sale process.*
 - c) *note that council has put in place a structured process to manage the sale of the Auckland International Airport Limited shares, including professional advice and support and implementing a sales strategy that balances council’s objectives of maximising sale value within an appropriate timeframe.*
 - d) *delegate to the Chief Executive and Group Chief Financial Officer the authority to sell the shares in Auckland International Airport Limited, and take all required actions and steps to effect the sale in a manner that in their judgement is most likely to facilitate council’s sale objectives.*
11. At the same meeting, staff committed to an independent assessment of the share sale process being undertaken and reported to the Audit and Risk Committee. This assessment is set out in Attachment A of this report.
12. On 29 June 2023, the council formally adopted the Annual Budget 2023/2024, which incorporated the sell-down of the shares.
13. Council’s Internal Audit team were approached upon completion of the sale, in December 2023, to perform a retrospective review of the process. The results of this review are set out in Attachment A of this report.

Process to implement the decision to sell the shares

14. The public consultation process that council was required to undertake in order to approve the sale of the shares meant that council’s intention to sell the shares was widely anticipated by the market. In response a process was designed to optimise competitive tension between investors, remove investor uncertainty and ensure the broadest pool of buyers by allowing time for investors to digest AIAL’s price setting disclosures (PSE41) and year end results. Time was also required to provide mana whenua of Tāmaki Makaurau an opportunity to participate.

¹ Price Setting Event Four - Auckland Airport reset its aeronautical charges for the five-year period spanning the 2023 to 2027 financial years as these revenues are regulated.

15. Council's Treasury and Legal teams scoped and implemented a process intended to realise the best available price for the shares given market conditions, including:
 - a) contested Request for Proposal (RFP) processes to ensure council had balanced financial advice from independent financial advisors, and sale brokers;
 - b) evaluation of sale windows, and the design of appropriate sale methodologies including strategic and block trade options
 - c) obtaining legal assurance and transactional advice from appropriately qualified external legal counsel.

Financial advice

16. Council's Treasury team conducted a competitive RFP process for an independent financial advisor to provide advice in relation to the decision to sell the shares and, subject to a Governing Body decision to sell the shares, also on the sales process. Prospective financial advisors were shortlisted and interviewed by representatives from council including council's Group Chief Financial Officer and Group Treasurer.
17. On 2 May 2023, council appointed Flagstaff Partners Pty Ltd (Flagstaff) as independent financial advisors on options regarding any potential future sell down of its shareholding in AIAL. Flagstaff were also contracted, subject to a Governing Body decision to sell the shares, to provide council with independent advice on the transaction execution process and provide analysis as required to ensure that any potential future execution was completed efficiently, cost-effectively and successfully. Flagstaff, as independent financial advisor, were not paid a commission on the sale of the shares.
18. Flagstaff provided advice to council on options for the sale of council's AIAL shares. Sale options included:
 - Strategic sale – off market sale to a one or more parties interested in a substantial shareholding in AIAL;
 - Block trade sale of council's shareholding to eligible institutional and retail investors; and
 - Combined strategic and block trade processes.
19. Once Flagstaff were appointed, a project steering group was set up comprised of council staff, Flagstaff, and council's external legal advisors, Simpson Grierson. The steering group was established to progress the sales process and included weekly meetings (more frequently as required) to discuss all matters relating to the sale of the shares including potential strategic and block trade processes.
20. Following council's decision to sell the shares, a competitive process was coordinated by Flagstaff on council's behalf for the selection of the financial advisor for the strategic sale of the shares. Three prospective investment banks were shortlisted following formal evaluation of their bids by council staff, and consequently interviewed by representatives from council and Flagstaff. Following that process, UBS was selected and formally engaged on 1 July 2023.
21. Following the appointment of UBS as advisors, regular weekly calls were set up with UBS, council, Flagstaff, and council's external legal advisors, Simpson Grierson to discuss all matters relating to the strategic sale of the shares in AIAL.
22. On these calls UBS provided trading and market updates and discussion material on the strategic sale execution strategy covering the sales process (including timetable considerations, bidder engagement, information memorandum and financial model), mana whenua engagement, legal documentation, and communications strategy.
23. Once UBS were appointed, the weekly steering group meetings were moved to follow the calls with UBS and gave Flagstaff an opportunity to provide independent commentary on information and advice provided by UBS.

24. Decisions relating to the sale process were made by council's Chief Executive and Group Chief Financial Officer under the Governing Body delegation based on financial advice from Flagstaff, UBS and council's Treasury team. At each key decision point in the process, Flagstaff provided decision recommendations.

External legal advice

25. Council engaged Simpson Grierson in November 2022 to assist with the consultation process on the potential sale of the shares. In June 2023 the council engaged Simpson Grierson to provide legal advice on the sale process and to assist with execution of the sale of the shares. Simpson Grierson is on the council's legal panel and is routinely used for corporate advice. The council's general engagement with Simpson Grierson is under a Legal Services Agreement between council and Simpson Grierson dated 12 July 2021.
26. Simpson Grierson provided advice to council on the legal implications of the share sale process including a legal opinion, confirming that:
- a) the sale of shares whether effected via the strategic sale or the block trade as authorised by the Governing Body resolutions complies with the LGA requirements;
 - b) in context, the processes adopted by council for selling the shares and the transaction documents broadly reflect market norms or are otherwise conducted and documented in a manner which is at least as comprehensive and conservative as such norms; and
 - c) the transaction documents reflect council's instructions to Simpson Grierson and were in a form which was reasonable for council to sign.

Mana whenua participation

27. The Governing Body meeting of Thursday 8 June 2023 and reconvened on Friday 9 June 2023 resolved that:
- "one of council's sale objectives is to consider opportunities for mana whenua of Tāmaki Makaurau to participate in the share sale process."*
28. Council staff provided advice to the Chief Executive and Group Chief Financial Officer regarding implementation of the resolution.
29. On 4 July 2023, letters were sent to all mana whenua groups of Tāmaki Makaurau explaining how they could participate in the share sale process. Ngā Mātārae provided contact details of all mana whenua groups of Tāmaki Makaurau.
30. On 21 August 2023, follow up correspondence was sent by Flagstaff to mana whenua groups who had not responded to the letter of 4 July 2023 to confirm that no registration of interest in participating in the process has been received.
31. The process required mana whenua to register their interest as a potential purchaser with UBS. Following the letters, two iwi registered their interest as a potential purchaser.
32. Despite their registration of interest, UBS advised that no bids were received from either in the strategic sale or block trade processes.

Timeline

33. The key event timeline for the sale of the shares is set out in the table below:

Date	Event
9 June 2023	Auckland Council AIAL Shareholding Policy changed to allow partial sale of 7 per cent of shares
14 June 2023	AIAL revises dividend policy
29 June 2023	Auckland Council approves Annual Budget 2023/2024
4 July 2023	Engagement with strategic sale bidders commence
5-17 July 2023	Mana whenua interest registration period
18 July 2023	Strategic sale process launched
20 July 2023	Earliest pre AIAL annual results launch window ²
3-23 August 2023	AIAL annual results blackout period ³
17 August 2023	Release of AIAL PSE ⁴ price setting
21 August 2023	Follow up correspondence sent to mana whenua
24 August 2023	FY23 AIAL annual results released
29-30 August 2023	AIAL NZ investor meetings
31 August 2023	Council executes strategic sale and block trade sale
5 September 2023	Funds received from Auckland Council's sale of AIAL shares

Sale outcome

34. On 31 August 2023, the partial sell down of council's shareholding in AIAL, equivalent to 7 per cent of AIAL shares on issue, was undertaken with domestic and international institutional investors and New Zealand retail investors. This was executed by UBS through a combination of a strategic sale process and a block trade, realising gross proceeds to council of NZ\$836 million.
35. The outcome of the sale was reported to the Governing Body meeting on 26 October 2023. In summary, the council sold 103.1 million shares via the combination of a strategic sale process and a block trade at a blended price of NZ\$8.11 per share, a 3.8 per cent premium to the last trading price on the NZX prior to the sale of \$7.81. UBS has informed the council that the transaction was the only block trade executed at a premium to the last sale price in New Zealand or Australia since March 2015.
36. The sale price represents 21.5 times the earnings of AIAL (this figure is known as the earnings multiple). A higher earnings multiple means better value for the shares. The earnings multiple for the AIAL share sale reflects a premium against valuations of comparable global listed airport companies (typically multiples of 10 to 13 times earnings) and AIAL's 5-year pre-covid average valuation multiple of 19 times earnings.

² Considered but determined not ideal as further engagement with investors required.

³ Note it is unlikely that investors will engage in a substantial equity transaction with results from the company due imminently.

⁴ Price setting Event Four - Auckland Airport reset its aeronautical charges for the five-year period spanning the 2023 to 2027 financial years as these revenues are regulated.

Internal Audit review

37. Council's Internal Audit team was asked to perform a review of the share sale process in December 2023 to support the council's report to the Audit and Risk Committee on the share sale process. A review memo was agreed as the most appropriate deliverable to accommodate the timeframe (Attachment A).
38. The review indicated that the share sale process was initiated and conducted with adherence to the Governing Body's resolutions. The due diligence process was found to be robust, with assessments of financial, legal and operational aspects, including input from key stakeholders. Communication through the share sale process was also considered to have remained transparent, both internally and externally, and stakeholders were kept informed of key developments. Improvement opportunities intended to further enhance the integrity, efficiency and effectiveness of similar future processes were also identified.

Ngā tūtohunga Recommendation/s

That the Audit and Risk Committee:

- a) tuhi ā-taipitopito / note the process Auckland Council followed to execute the partial sale of its shareholding in Auckland International Airport Limited equivalent to 7 per cent of AIAL shares on issue on 31 August 2023
- b) tuhi ā-taipitopito / note the independent assessment by council's Internal Audit team of the process undertaken to complete the partial sale of Auckland Council's shareholding (Attachment A).

Ngā tāpirihanga Attachments

No.	Title	Page
A⇒	Internal Audit review – Auckland Council's AIAL share sale process	

Ngā kaihaina Signatories

Authors	James Colvin – Principal Legal Counsel – Projects and Transactions John Bishop - Group Treasurer Bram VanMelle - Manager Property and Commercial
Authorisers	Helen Wild - General Counsel Nicola Mills - Acting Group Chief Financial Officer Anna Bray - Acting Director - Governance and CCO Partnerships

Enterprise Risk Update - May 2024

File No.: CP2024/02194

Te take mō te pūrongo Purpose of the report

1. To update the Audit and Risk Committee on:
 - i) the progress of risk management activities in the period January 2024 to May 2024
 - ii) the process followed and review of the Auckland Council risk appetite statements
 - iii) the status of and changes to the identified Auckland Council strategic risks since the last update to the committee in December 2023
 - iv) the risk workplan for 2024/2025.
2. To seek the committee's approval of the Auckland Council Risk Appetite Statement (Attachment A).

Whakarāpopototanga matua Executive summary

3. Since last reporting an Enterprise Risk update to the committee in December 2023, the Risk team continues to facilitate progress of control improvements and treatment actions related to Auckland Council's strategic risks with risk sponsors and leads. This quarter's update was presented to the ELT in April 2024. Refer to Attachment B.
4. Auckland Council's Risk Appetite Statement (RAS) has gone through a process of review with the ELT, subject matter experts and members of the Governing Body. The body of this report details the process followed by staff and Attachment A contains the proposed Auckland Council RAS.
5. The primary focus of the Risk team remains:
 - providing risk support and risk advice to the Auckland Council's directorates, departments, Risk Champions, projects and programmes and other key stakeholders
 - lifting risk maturity through risk awareness training and capability building
 - reporting significant matters to governance committees and bodies.
6. Satisfactory progress was made towards the implementation of the Directorate Risk Profiles (DRPs), and associated directorate risk registers, with the first report going to ELT in April 2024. The Risk team acknowledges that the pending organisational change will require adaption and refresh.
7. Planning has now commenced to procure a fit-for-purpose and affordable Enterprise Risk Management solution.

Ngā tūtohunga Recommendation/s

That the Audit and Risk Committee:

- a) tuhi ā-taipitopito / note the Enterprise Risk Update – May 2024 report and updated strategic risks
- b) whakaae / approve the Risk Appetite Statement of Auckland Council
- c) tuhi ā-taipitopito / note the risk workplan for 2024/2025
- d) tūtohungia / recommend referring the Enterprise Risk Update – May 2024 report to the Governing Body for information.

Horopaki Context

- This report provides an update on Auckland Council’s risk activities and risk management, including strategic risk developments and key programmes, for the period from January 2024 to April 2024.
- This information enables the Audit and Risk Committee to fulfil their governance and oversight role of the effectiveness of risk management within Auckland Council. This includes approval of the RAS.

Tātaritanga me ngā tohutohu Analysis and advice

- This section is broken down by subject to cover all content in this Enterprise Risk update.

Risk Appetite Statements (RASs)

Context

- Auckland Council’s RAS enables informed risk-based decision making. To support the committee’s review and approval of council’s risk appetite, the Risk team has followed a thorough process to arrive at this proposal, including obtaining input from the ELT and the Governing Body.
- In late 2023, the Risk team identified areas of improvement for council’s RAS and the below timeline captures the key activities undertaken from the initiation of this work until today’s committee meeting.



Risk team pre-work

- In preparation for workshops with the ELT and the Governing Body, to improve the usability of the RAS, the Risk team rationalised categories of risk that council is exposed to through our service delivery and organisational activities. The following goals were maintained as a priority throughout this exercise:
 - Risk categories should adequately cover the ‘risk universe’ that council operates in.
 - The wording of risk appetite statements should be written in plain language, ensuring accessibility for all kaimahi.
 - Risk appetite definitions must have a clear ‘call to action’ that kaimahi can follow after assessing risk.
 - Risk appetite statements must be easily associated with categories of risk in our Risk Management Framework.

ELT workshop

- On 4 March 2024, the Risk team engaged the ELT in a workshop to identify their collective risk appetite across 24 proposed risk categories and sub-categories. The goal of this workshop was to gather feedback without the influence of past or suggested appetite ratings, providing a better representation of the ELT’s current risk appetite.

15. The ELT was provided with a detailed pre-reading pack, including the risk categories and definitions, and given the opportunity to provide written feedback in advance of the workshop. Four ELT members provided feedback in advance, which aided in discussions during the workshop, ultimately leading to the ELT collectively agreeing on their proposed RAS.

Governing Body workshop

16. On 20 March 2024, the Governing Body were engaged for participation in an in-person only risk appetite workshop, of which eight members participated. The Risk team facilitated a decision-making centric activity where elected members were split into groups and rotated around workstations in the room focusing on ten (of the 24) key risk appetite categories.
17. After moving through each workstation and risk scenario, the Risk team collated the elected member risk appetite levels, and presented back the results allowing for real time reflection and comparability to the ELT risk appetite levels for the ten categories.

Observations and rationale for proposal

18. After consolidating feedback from both the ELT and Governing Body workshops, there was an overall lean to a more receptive risk appetite by the Governing Body than the ELT. Specifically, the reputational risk category whereby the elected members was unanimously receptive to risk and the ELT were unanimously more cautious.
19. The consolidated view was presented back to the ELT whereby confirmation on the risk appetite levels was sought.
20. The final proposed RAS is documented in Attachment A for this committee's approval.

Enterprise risk activity update

Strategic risks

21. Each quarter the council's strategic risks are reviewed by the nominated risk leads, after which they are considered and approved by the respective risk sponsor and reported to the ELT. The most recent report on strategic risks was presented to the ELT on 2 April 2024.
22. The nine strategic risks remain consistent since the last report to this committee in December 2023. Other than minor wording to the People risk description there have been no further changes to risks or risk ratings.
23. The focus during the reporting period has been on supporting the risk leads with identifying controls and documenting treatment actions. All have captured the key information with the exception of the Financially Sustainable Organisational Model strategic risk. Risk treatment actions and the target risk rating for this strategic risk are currently being re-assessed by the risk leads in conjunction with the risk sponsor. This is to ascertain whether a target risk rating can realistically be set as lower than the current residual risk rating.
24. A summary of progress includes:
 - A new risk lead was added.
 - Six treatment actions were closed.
 - Five treatment actions status were updated and one added.
 - Two controls were upgraded to 'substantially effective'.
 - New treatment action owners were nominated to support future progress.
25. Specific information on associated controls, control ratings and identified actions has been excluded from the public. Release of control effectiveness could in itself create further risk for council with the exposure of control gaps or weaknesses.
26. Refer to Attachment B for the detail on the strategic risks including risk descriptions and risk ratings (inherent, residual and target ratings).

Directorate Risk Profiles (DRP)

27. After introducing the concept of the DRP to the directorate lead teams in late 2023, the Risk team supported each directorate to draft their first DRP. These were reported to the ELT on 2 April 2024.
28. The next phase is to maintain the DRPs and for the Risk team to use these as a tool to draw out common or high/critical rated risks for inclusion in the ELT reporting, which is currently focused only on the nine strategic risks.
29. The Risk team acknowledges that the CEO's tier 2 and tier 3 reorganisation will impact on the risk profiles of directorates. The Risk team will facilitate updates during the second part of 2024 as the new directorates are formed, and are able to report confident opinions on their risk landscape.

Risk workplan

30. The risk workplan covers approximately the next 12 to 18 months of deliverables for the Auckland Council Risk team.
31. The risk workplan is designed to deliver activities across three key pillars – Enablement, Capability and Strategic spotlight. These pillars are aligned with and support the achievement of risk management objectives.
32. Immediate key activities include roll out of the risk appetite statement and realigning existing practices, tools and risk champion groups to the revised organisational structure post June 2024.
33. Refer to Attachment C for the risk workplan for 2024/2025.

Digital Risk Register & ERM system business case

34. The Risk team is continuing to explore solutions to centralise and digitise risk registers at council. The work on the SharePoint platform provided valuable insights into business requirements for Enterprise Risk Management (ERM) solutions.
 - A proposal to pursue an ERM solution was presented to EPGG's Quarterly Meeting on 8 March 2024, which was accepted and prioritised.
 - The Risk team is currently exploring options available in the market that aligns with Auckland Council's defined process and under guidance from ICT architectural team.
 - Vendor demonstrations will be initiated where the solutions are measured against pre-defined high-level solution requirements and checked for alignment with ICT's framework. Participants at these demonstrations will include the Risk team, identified members of the ICT team, other key council stakeholders and council-controlled organisations risk managers and teams, who have expressed an interest in joining the vendor demonstrations.
 - Once a preferred vendor is finalised, the detailed business case, funding and budgets for the solution will progress.

Strategic projects and programmes

35. The Risk team continues to provide support to key projects and programmes, including but not limited to the Long-Term Plan 2024 - 2034(LTP), the Tamaki Makaurau Recovery Programme (TMRP), Revaluation and Rates, Climate change disclosures as required by the Task Force on Climate-related Financial Disclosures (TCFD) and the, currently still in draft, Local Water Done Well project.

Project	Update
The Long-Term Plan 2024 - 2034	The LTP consultation period has concluded, with work commencing to analyse and collate feedback. As central government continues to implement policy change council may be required to make rapid adjustments later in the LTP process due to unforeseen impacts on funding sources and service delivery priorities. The LTP is in constant regular engagement with the Risk team and we are invited to the Project Control Group meetings, at which the GM Risk and Assurance is also a member.
Tamaki Makaurau Recovery Programme	The recovery project is entering a planning phase to transfer project activities and the associated risk management accountability to business-as-usual teams by the end of the calendar year. In anticipation of this, the project is initiating a staggered reduction in resources across the board to reduce project cost as much as possible. The project head and leadership team are engaging with the Risk team on the transition period risks and the risk-transfer plan.
Re-evaluation and Rates	The revaluation project and rates project have had their risks consolidated into a single risk register to improve oversight for the Steering Committee and alignment in mitigation actions for any related work streams.
Climate change disclosures	The Climate Risk Management component of the climate disclosures work is intended to be presented to the ELT in June 2024 covering the group climate risk assessment and the forward work programme for climate risk. Consultation is currently ongoing with council-controlled organisations and Auckland Council as an entity. The Head of Risk and Audit is a member of the Reference Group and the GM Risk and Assurance is a member of the Governance Group.
Local Water Done Well	The incoming proposed changes in legislative approach from central government to 'Local Water Done Well' are still in draft, with more certainty expected in June 2024. At this stage, central government has not signalled financial support for councils, which may result in a water rates increase for Aucklanders to enable compliance with legislation while still servicing council's debt to revenue ratio.
Section 17a Pools and Leisure review	As the review of the Pools and Leisure delivery model was approaching the decision stage the project team requested input from the Risk team on identification and management of project risk along with a probity review across procurement activity to date.

Supporting risk maturity

36. The Risk team is constantly striving to increase risk maturity at council through capability-building activities with Risk Champions and when requested by departments, directorates and projects and programmes. Below are the key focus areas in this space:
- The Quarterly Risk Korero with Risk Champions were held on 13 December 2023 and 12 March 2024 to enable cross function networking, engagement, and learning.
 - Risk management orientation sessions, customised for specific target audiences were provided to, amongst others, department lead teams, Risk Champions, the Recovery Office kaimahi and selected members of the LTP Project team.
 - Focus group meeting to allow Risk Champions within each directorate to collaborate on risk initiatives and share experiences.
 - Regular presentations to directorate lead team meetings and tier 3 kaimahi.
 - The monthly risk dashboard that is presented to the ELT.
 - Workshops with departments covering all parts of risk management process and risk assessment methodology as covered by council's risk management policy and framework.
 - Monthly drop-in sessions were held for Risk Champions to interact with the Risk team and to discuss any risk related queries.
 - Regular communication through e-mail and other channels, are shared with the Risk Champions on the key risk-related developments and initiatives.
37. The Risk page on Kotahi is continually updated and expanded with new risk-related dashboards and insights, as well as short educational video clips for all kaimahi to access and improve their risk knowledge and maturity. Feedback from kaimahi has been positive.

Tauākī whakaaweawe āhuarangi Climate impact statement

38. Climate change and its impacts remain a strategic risk for the council group and mitigations and responses remain a priority for Auckland Council.
39. The Risk and Assurance department continues 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, as well as the group's task force on climate-related financial disclosures.
40. The Risk team has also actively been engaging with the Group Climate Risk Specialist to ensure alignment across all support activities.

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

41. The Risk and Assurance department works with risk managers and key staff in 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

42. There are no direct impacts on local boards.

Tauākī whakaaweawe Māori Māori impact statement

43. The Risk team continues to promote Māori Outcomes as a prominent strategic priority for Auckland Council and the Risk team communicated the expectation that Māori Outcomes should form part of the Directorate Risk Profiles and risk management activities.
44. The Risk team engaged with the newly appointed Tumuaki Huanga Māori and are in regular contact to ensure that the Risk team's promotion and prioritisation of Māori Outcomes are aligned with the plans and strategy of Ngā Mātārae under his leadership.

Ngā ritenga ā-pūtea Financial implications

45. 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

46. 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.

Ngā koringa ā-muri Next steps

47. The risk workplan for 2024/2025 details the teams focus for the next twelve months and longer. See Attachment C.
48. The next Enterprise Risk Update will be reported to the Audit and Risk Committee in December 2024.

Ngā tāpirihanga Attachments

No.	Title	Page
A⇒	Risk Appetite Statement	
B⇒	Strategic Risks	
C⇒	Risk Workplan for 2024-2025	

Ngā kaihaina Signatories

Authors	Sathya Ashok - Head of Risk and Audit Andre de Wet - Senior Risk Advisor
Authorisers	Emma Burke - General Manager Risk and Assurance Anna Bray - Acting Director - Governance and CCO Partnerships

Process for Annual Green Bond Report 30 June 2024

File No.: CP2024/04321

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 2024 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 2023 (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 changed the independent reviewer of the Green Bond Annual Report to Sustainalytics Corporate Solutions to provide a second-party opinion for the 2024 Green Bond Annual Report (2024 report).
6. This report provides the committee with insights into the assurance process to be followed in preparation and finalisation of the 2024 report.

Ngā tūtohunga Recommendation/s

That the Audit and Risk Committee:

- a) tuhi ā-taipitopito / note that Sustainalytics Corporate Solutions has been appointed as independent assurer for Auckland Council's 2024 Green Bond Annual Report
- b) tuhi ā-taipitopito / note the assurance process to be followed by Sustainalytics Corporate Solutions
- c) tuhi ā-taipitopito / note that the draft 2024 Green Bond Annual Report will be presented to the Audit and Risk Committee for approval in September 2024, 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
 - renewable energy and green 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 issued ten green bonds, most recently, a benchmark EUR 600 million green bond issued in March 2024. The value of green bonds issued to date is the equivalent of NZD 3.8 billion (one of which has matured).
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
 - waste management
 - watermain and wastewater assets.
15. The 2023 Green Bond Annual Report was published in September 2023. 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-2023.pdf>.

Tātaritanga me ngā tohutohu Analysis and advice

16. Last year the council increased the green bond eligible asset pool to over \$3.5 billion. It includes assets that qualify under Green Bond Principles and the Climate Bonds Initiative such as water and wastewater assets, community recycling centres and public transport assets (e.g. the City Rail Link).
17. This year the council has changed the independent reviewer of the 2024 report from EY to Sustainalytics Corporate Solutions (Sustainalytics). Sustainalytics has been engaged to provide a second-party opinion (SPO) to indicate that the green bonds issued by the council continue to meet the requirements of the Climate Bonds Standard, Green Bond Principles, and relevant criteria in all material respects.
18. Sustainalytics is a leading ESG research, ratings and data firm and is one of the largest SPO providers for green, social, sustainability bonds and loans.

19. Council has decided to change providers in response to feedback received from its investors that SPOs are a preferred form of assurance as they are globally recognised and enable comparability across issuers.
20. Sustainalytics' SPOs are well received by investors globally and the New Zealand Debt Management Office and Local Government Funding Agency also use Sustainalytics as their SPO providers.
21. Sustainalytics' SPO will provide an external review of the alignment of the council's green bond programme with the International Capital Markets Association (ICMA) principles for Green, Social and Sustainability-Linked Bonds and the Asia Pacific Loan Markets Association (APLMA) principles for Green, Social and Sustainability-Linked Loans. The SPO will also provide investors with assurance that the use of proceeds of council's green bonds are aligned to market practices and corresponding principles.
22. Sustainalytics' assurance approach will be divided into two key stages; the draft timeline is as follows:

Milestone/Service	Indicative Completion Dates
Stage 1: Begin review of council's Sustainable Finance Framework	30 April 2024
Issue second-party opinion on council's Sustainable Finance Framework	15 June 2024
Stage 2: Begin review of green bonds use of proceeds statement and Climate Bonds Initiative (CBI) programmatic certification	30 June 2024
Issue second-party opinion draft report	1 August 2024
Issue second-party opinion final report	9 September 2024

23. Sustainalytics will provide the council with a SPO report. The SPO report will include the scope of work, limitations, an opinion on the council's Sustainable Finance Framework and green bonds use of proceeds statement as at financial year end containing disclosures of information relating to nominated projects and values of assets funded by council bonds and conclusions. The use of proceeds statement will be reviewed against Auckland Council's Sustainable Finance Framework, ICMA and APLMA principles.
24. The council will also seek assurance from Toitū Envirocare to review the impact assessment information disclosed in the 2024 report.
25. The 2024 report is expected to follow a similar format to that used in the 2023 report, with advice from Sustainalytics on best practice principles and feedback from other market participants (i.e., banks, investors, etc.) on how to make further improvements to the report.
26. The 2024 report will include Sustainalytics' SPO, 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 2024 report.
27. The draft 2024 report will be presented to the Audit and Risk Committee for approval in September 2024, before it is published.

Tauākī whakaaweawe āhuarangi Climate impact statement

28. 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 Sustainalytics and Toitū Envirocare as part of this process.

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

29. Auckland Council's Treasury team manages funding for the group which includes its green bond programme.

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

30. 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

31. 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

32. The assurance costs and cost of publishing the annual report will be approximately AU 56,000 (approximately NZD 60,000). These costs will be met within the overall finance cost budget.

Ngā raru tūpono me ngā whakamaurutanga Risks and mitigations

33. The Sustainalytics SPO 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

- 34.
- Auckland Council staff prepare the draft 2024 report.
 - Toitū Envirocare provide assurance on the impact assessment information.
 - Sustainalytics review the draft report and provide their second-party opinion.
 - The Audit and Risk Committee review and approve the report.
 - The 2024 Report is published and released to the market.

Ngā tāpirihanga Attachments

No.	Title	Page
A →	Sustainable Finance Framework 2023	

Ngā kaihaina Signatories

Authors	Helen Mahoney - Manager Group Sustainable Finance Andrew John - Head of Group Treasury
Authorisers	John Bishop - Group Treasurer Nicola Mills - Acting Group Chief Financial Officer Anna Bray - Acting Director - Governance and CCO Partnerships

Climate Disclosure Work Programme update May 2024

File No.: CP2024/04648

Item 15

Te take mō te pūrongo Purpose of the report

1. To provide an update on the Auckland Council Group's progress towards compliance with the Aotearoa New Zealand Climate Standards in accordance with the Financial Markets Conduct Act 2013; which comes into effect for the year ending 30 June 2024.

Whakarāpopototanga matua Executive summary

2. This report sets out information that informs the Audit and Risk Committee of the Auckland Council Climate-Related Disclosure (CRD) team's progress in preparing a climate statement that complies with relevant standards and legislation.
3. The CRD Work Programme 2024 structure reflects the four thematic areas in accordance with Aotearoa New Zealand Climate Standards. These are categorised as Governance, Strategy, Metrics and Targets, and Risk Management. The workstreams prioritise critical projects as the group works towards preparation of its first climate statement under the Financial Markets Conduct Act (FMCA) 2013.
4. The CRD team priorities for this quarter include determining the consolidation of the group's greenhouse gas (GHG) emission inventories, testing of the record keeping process, materiality assessment, transition planning, training for elected members through the Kura Kāwana (elected member development) programme and establishing a climate risk management framework.

Ngā tūtohunga Recommendation/s

That the Audit and Risk Committee:

- a) tuhi ā-taipitopito / note the Auckland Council Group's progress towards compliance with climate disclosure standards and associated legislation which comes into effect from 30 June 2024.

Horopaki Context

5. Auckland Council Group is a listed issuer of debt on the New Zealand Exchange and is subject to the Financial Markets Authority Act. As such, the group is required to prepare a group Climate Statement under the Aotearoa New Zealand Climate standards (the standards) issued by the External Reporting Board.
6. The Auckland Council climate reporting team has an ongoing work programme to ensure that the group's climate statement will be fully compliant with the standards for the year ending 30 June 2024.
7. To be compliant with the standards, the group needs to:
 - prepare an annual climate statement in accordance with climate standards (which requires a response to each disclosure within the climate standards).
 - make the climate statement available to the public.
 - prepare and maintain proper climate-related disclosure records.
 - obtain independent assurance about the part of the climate statements that relates to the disclosure of greenhouse gas (GHG) emissions for reporting years beginning on or after 27 October 2024.

- The CRD work programme includes projects focused on embedding the consideration of climate risk within the group's systems, processes and operations and that any reporting on climate matters is an unbiased and accurate reflection of the group's position and activities.

Tātaritanga me ngā tohutohu

Analysis and advice

Work programme updates

- The CRD team has continued to progress several projects as part of the 2024 work programme, which prioritises delivery of projects that are required for the group's first climate statement under the FMCA.
- The CRD Governance Group comprised of the chief financial officers and executive leadership equivalents from across the council-controlled organisations (CCOs) and Port of Auckland (POAL) are meeting more frequently to ensure a coordinated approach is taken ahead of the first mandatory climate statement.
- An overview of the programme's key workstreams to support compliance and those that support achieving compliant disclosure are set out below:

Project overview	Led by
Projects that support compliance	
Implementation of Arup (third party) recommendations where appropriate to consolidate group GHG emissions	Auckland Council - a joint project with the Chief Sustainability Office (CSO) and CRD teams, supported by CCOs and POAL sustainability teams
Develop a compliance plan for the climate statement (presented at 5 Dec 2024 ARC)	Auckland Council – CRD Team
Implement record keeping and evidence gathering process	Auckland Council – CRD Team
Confirm materiality for annual climate statements	Auckland Council – CRD Team
Projects that support a compliant disclosure	
Upskilling the Governing Body on climate risks, and assisting them to understand their role in considering the risks during long-term plan decision-making	Auckland Council – CSO and CRD teams
Mana outcomes, climate disclosure matrix	Auckland Council – CRD team and Ngā Mātārae
Determine current and future climate financial impacts	Auckland Council – CRD Team
Develop a group transition plan	Auckland Council - a joint project with teams in the Chief Planning Office, the CRD team and Financial Strategy and Planning team
Develop a group greenhouse gas emissions (GHG) calculation policy	Auckland Council - a joint project with the CSO and CRD teams
Develop methodologies for determining the percentage of assets and operations impacted by climate change	Auckland Council - CRD team

Project overview	Led by
Develop methodologies for determining anticipated financial impacts of climate risks and opportunities	Auckland Council - CRD team
Develop metrics and targets that demonstrate our performance in addressing our top climate risks – both Auckland Council and entity led	Auckland Council – CRD team
Detailed assessment of the group’s climate-related risks and the implementation of a climate risk management framework	Auckland Council – CRD team

Projects required to achieve a compliant statement

Consolidation of group GHG emissions

12. As reported to this committee in December 2023, at present, Auckland Council, the CCOs and POAL measure their GHG emissions separately at the entity level, and each entity uses their own assumptions, calculation methodologies, emissions factors and the categories of scope 3 emissions vary.
13. Since the last report to the Audit and Risk Committee in December 2023, we have engaged Arup, a third-party consultant, to review the current status of the group’s individual entity GHG emission inventories and provide recommendations for the determination of a consolidated GHG emission inventory for the group, which includes the sources of emissions which should be included in the group’s scope 1, 2 and 3 GHG emissions.
14. Staff are currently considering the advice and recommendations provided by Arup, including how the recommendations will inform the group’s formal GHG Emissions Calculation Policy, which will be incorporated into the group’s Climate Change Policy as part of the work programme in 2024 and 2025.
15. The CCOs and POAL were engaged throughout the process through externally facilitated workshops and solicitation of feedback on Arup’s draft findings and outputs, and it has been agreed by council officers that the contents of Arup’s final report will be distributed to the CCOs and POAL by way of a summary memorandum in May 2024. This report will set out:
 - a synopsis of Arup’s findings and recommendations.
 - confirmation of the group’s chosen consolidation approach – operational.
 - confirmation of the group’s reporting requirements under the FMCA:
 - to report the group’s consolidated scope 1 and 2 GHG emissions only in FY23/24 reporting year.
 - regarding the group’s consolidated scope 3 emissions, the group has decided to take the first-time adoption provision not to report these in FY23/24, but to continue to report the scope 3 emissions of each individual entity separately, in line with how the GHG emissions have been reported previously for council group entities in Volume 4 of the annual report.
 - from FY24/25 onwards, the group is required to report the group’s consolidated scope 1, 2 and 3 emissions and have these emissions audited.
 - an explanation of the GHG emissions’ information that the council will require from each entity for this FY23/24 reporting year, how this will be collected by the council, and any other entity input the council may require, such as why certain scope 1 and 2 emission sources identified by Arup will be excluded from an entity’s inventory this year.

16. A critical dependency includes receiving GHG-related information from the CCOs and POAL on time and in full. Regular meetings with each of the CCOs and POAL sustainability teams and Auckland Council CRD team have been scheduled from March to October 2024 to ensure continuous engagements are made to minimise misalignment on efforts for the final statement.

Record keeping approach

17. The FMA released record keeping guidance in October 2023 and has stated that *"the guidance sets out principles and the FMA's expectations on climate reporting entities (CREs) for creating, keeping, and maintaining proper records as evidence that climate statements comply with the Financial Markets Conduct Act (FMCA) and the Aotearoa New Zealand Climate Standards framework"*.
18. Further work on a defined approach to record keeping for the group is being developed with the intention of managing records for the climate statement centrally at the group level.
19. Further testing on the current approach of record keeping with the group proforma statement where each entity (including Auckland Council) has provided records to support their claims.
20. Where there isn't sufficient evidence to support some of the claims, at both a group and entity level, this information will not be included in the climate statement.
21. A third party will be engaged to provide an independent review of the record keeping approach alongside a review of the final statement ahead of its release on 30 September 2024.
22. To attain the right level of assurance from the organisation on the evidence gathered, we will be asking for written assurance by each of the CCOs and POAL Chief Financial Officers and Head of Sustainability. This approach aligns with the current annual report letter of representation process and was set out in the Climate Disclosure Compliance Plan as part of our update to this committee at the December 2023 meeting. An overview of the programme's key milestones and the sign-off controls above are indicated in orange in attachment A to this report.

Materiality assessment

23. In preparation for the group's first climate statement under the FMCA and in accordance with the Aotearoa New Zealand Climate Standards, the climate disclosure team is determining what is material in the context of climate-related disclosures.
24. To ensure issues that matter to key stakeholders are captured and reported, a materiality survey has been developed to gather feedback that will inform the non-financial materiality lens which will be applied to the group's climate statement.
25. The Audit and Risk Committee members and a number of council's key lenders were invited to complete this survey to help ensure that the content of this statement is relevant and useful for our primary users. Feedback is still being received and the results will be presented at the August 2024 committee meeting.
26. The intention is to apply the same group financial materiality to climate-related disclosures as we apply for the financial statements.
27. Accordingly, in considering the magnitude of error or omissions, financial materiality is based on group expenditure and the threshold for adjusting financial statement line items is \$110 million.

Projects that support our climate statements

Transition planning

28. The Aotearoa New Zealand Climate Standards require the group to disclose:
 - the transition plan aspects of its strategy, including how its business model and strategy might change to address its climate-related risks and opportunities
 - the extent to which transition plan aspects of its strategy are aligned with its internal capital deployment and funding decision-making processes.
29. The CRD team, Chief Sustainability Office, Financial Strategy and Planning team and staff from Auckland Plan, Strategy and Research department have been working on the development of a transition plan for the council group.
30. A transition plan is defined in Climate-related Disclosures (NZ CS 1) as “*an aspect of an entity’s overall strategy that describes an entity’s targets, including any interim targets, and actions for its transition towards a low-emissions, climate resilient future*”.
31. The objective of transition planning is to reposition an entity in response to what it has learnt about its climate-related risks and opportunities. Actions identified through transition planning enable an entity to build resilience to critical uncertainties, manage risks, and position itself to seize opportunities.
32. We are still in the planning stage and by nature, the work will extend beyond the 2024 work programme, however due to its criticality this remains a priority.
33. To ensure this transition plan aligns with internal capital deployment, we are working towards completing this plan by mid-2025 to inform the next Long-term Plan 2027-2037.

Training for elected members

34. A third party will be engaged to develop training modules for a range of topics that will support elected members in understanding their obligations under the climate disclosure regulations and make informed decisions on climate-related matters.
35. It is intended that the learning module series will be delivered by staff over a period of approximately one year, or as scheduling permits.
36. To ensure consistency and accuracy of training content, all modules will be shared with the CCOs and POAL sustainability teams.

Climate risk management

37. We have started the development of a group climate risk management framework which covers the council, the substantive CCOs and POAL. A working draft has been developed which is currently being reviewed by key stakeholders before going to a wider set of stakeholders across the group for feedback. We have also engaged a third party to complete a review of the framework to ensure it meets best practise.
38. The framework will be presented to this committee for review at the August 2024 committee meeting.
39. We have also commenced a detailed assessment of the group’s climate-related risks that were identified in late 2022 and were subsequently reviewed and refined from 78 to 16 risks in 2023. The risks are being assessed using the methodology that is incorporated into the draft climate risk management framework and is based on national standards. This methodology is being applied to both the group and entity level risks. This work is being delivered in collaboration with the CCOs and POAL.
40. Our intention is to complete the assessment before September 2024 so that the results of the assessment can be included in the group’s FY23/24 climate statement. We will review mitigations and the management of risks post September 2024.

41. All of the work related to group climate risk management is being conducted as a coordinated effort between Auckland Council's Chief Sustainability Office, Risk and Assurance and Finance teams, along with the substantive CCOs and POAL.

Tauākī whakaaweawe āhuarangi **Climate impact statement**

42. The work programme includes activities that will highlight and quantify the impacts of the most material climate risks on the group and seeks to ensure that measures and activities are put in place to avoid, reduce, eliminate or mitigate those impacts.

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

43. The CRD programme structure is designed to regularly engage with all group entities at a leadership and operational level through its working and governance groups. All group entities are supportive of the climate disclosure work programme although, resourcing and capacity continues to be an ongoing challenge.
44. The summary memo of contents of Arup's final report will provide clarity on how the council is proposing to advance the group GHG emissions work and how the council, CCOs and POAL can work together to deliver the group climate statement.

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

45. The overall work programme currently sets out workstreams and activities at a group level, therefore local board views have not been sought.

Tauākī whakaaweawe Māori **Māori impact statement**

46. The impact of climate risks on Māori has been considered and ongoing alignment with the Mana Outcomes mahi continues.

Ngā ritenga ā-pūtea **Financial implications**

47. This is an information report to provide this committee with a level of oversight on the work programme progress towards achieving compliance and therefore does not contain any decision that might have a financial impact on the council.
48. This work has and will be funded from existing departmental consultancy budgets and we are on track for spend with no request for additional budget to date.

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

49. The CRD work programme includes projects to establish processes and structures that enable the effective and meaningful management of the group's climate-risks and opportunities and in turn, a compliant disclosure.
50. There are risks of delays within the work programme due to resourcing and staff capacity particularly the GHG emissions reporting requirements which are at risk of non-delivery and could lead to non-compliance and reputational damage. Stronger project management is being implemented to ensure this work will be delivered on time for inclusion in the FY23/24 climate statement.
51. A critical dependency for the success of this programme includes receiving GHG-related information from the CCOs and POAL on time and in full.

52. To be compliant with the standards, the group is required to prepare a full and truthful climate statement and ensure all material information is included. This may result in the disclosure of information that reflects negatively on the group. The CRD team will work with the applicable teams across the group to ensure all material information is included and where information reflects negatively, full explanations are provided in the climate statement and actions to improve are identified.

Ngā koringa ā-muri

Next steps

53. Another progress report on the overall work programme 2024 is expected before this committee at its meeting in August 2024.

Ngā tāpirihanga

Attachments

No.	Title	Page
A	CRD Milestones	

Ngā kaihaina Signatories

Authors	Helen Mahoney - Manager Group Sustainable Finance Hinewairere Warren - Programme Manager Francis Caetano - Group Financial Controller
Authorisers	John Bishop - Group Treasurer Nicola Mills - Acting Group Chief Financial Officer Anna Bray - Acting Director - Governance and CCO Partnerships

The Auditor-General's report to council on the review engagement for the six months ended 31 December 2023

File No.: CP2024/04419

Item 16

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 2023, 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 2023 review engagement of the group's interim report is attached (Attachment A).
4. A number of recommendations were raised, namely:
 - reviewing the risk category 3 property buy-out provision, considering any necessary updates or revisions to assumptions and judgements based on latest available information at year-end
 - establishing a clear accounting position in relation to the risk category 2 properties
 - establishing a reliable valuation methodology to estimate the council's liability related to the risk category 2 properties, where necessary
 - ensuring revaluation of stormwater, restricted parks, reserves and buildings and operational land and buildings are completed in time for annual report audit
 - monitoring and ensuring completely constructed projects are capitalised in the period they are completed.
 - analysing and providing commentary on the new active weathertightness claims and consider whether this may imply that the reported and/or unreported liability assumptions should be updated
 - reassessing the non-current assets held-for-sale classification and considering the additional disclosures for the Auckland Film Studio (AFS) and multiple properties under the council's Own Your Home Scheme (OYOH) and management's accounting assessment of the lease, including the treatment of assets associated with the Materials Recovery Facility for the 30 June 2024 annual report.
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 2023, 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 2023 and outlines how management is addressing those matters.
7. Audit New Zealand, on behalf of the Auditor-General, conducted a review of the 31 December 2023 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 an emphasis of matter paragraph in his review opinion to draw attention to the disclosures in the interim financial statements relating to:
 - The significant uncertainties inherent in the risk category 3 property buy-out provision estimate and the contingent liability disclosures about the inability to establish a reliable estimate for risk category 2 properties.
11. The report includes three 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.
 - The weathertightness provision is overstated by \$15.449 million, due to the final judgement for Bianco Apartments claim which was received at a late stage of the finalisation of interim report (20 February 2024). The amount was immaterial to the readers of the half yearly report.
 - A \$10.435 million demolition costs adjustment related to the risk category 3 property buy-out provision. Audit New Zealand believe that this should not be included in the provisions. However, the council's position is that we owe a health and safety duty of care to the public to make the properties safe which requires the council to demolish, deconstruct or remove the houses on acquisition. The properties all pose an intolerable risk to life in respect of flooding.

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

Matter	Management's response
<p><u>Provision for the property buy-out scheme</u></p> <p>Council should review the risk category 3 buy-out provision, considering any necessary updates or revisions to assumptions and judgements based on latest available information at year-end, establish a clear accounting position in relation to the risk category 2 properties, and establish a reliable valuation methodology to estimate the Council's liability related to the risk category 2 properties, where necessary.</p>	<p>Management continues to monitor the property buy-out scheme status and discuss with our independent actuary the requirement to update the risk category 2 and 3 provisions.</p>
<p><u>Revaluation of property, plant and equipment</u></p> <p>The group review the value of these asset classes and ensure the revaluations are completed in sufficient time to allow adjustments to the 2024 annual report audit, if required.</p>	<p>The group have engaged the respective valuers to undertake full revaluation of stormwater, restricted parks and reserves and operational land and buildings asset classes as at 30 June 2024.</p>
<p><u>Accounting for impairment and capitalisation of work in progress</u></p> <p>Council review and ensure completely constructed projects are capitalised in the period they are completed</p>	<p>Management is endeavouring to ensure assets are capitalised in a timely manner.</p>
<p><u>Weathertightness and associated building defect claims provision</u></p> <p>The council to analyse and provide commentary on the new active claims and consider whether this may imply that the reported and/or unreported liability assumptions should be updated.</p>	<p>Management is in discussions with our legal advisors and the independent weathertightness actuary to further analyse the active claim liability and provide analysis and commentary to Audit New Zealand prior to the finalisation of the 30 June 2024 provision.</p>
<p><u>Non-current assets held for sale and Materials Recovery Facility</u></p> <p>Council to reassess the held for sale classification and considering the additional disclosures for the Auckland Film Studio (AFS) and multiple properties under the Council's Own Your Home Scheme (OYOH) and management's accounting assessment of the lease, including the treatment of assets associated with the Materials Recovery Facility for the 30 June 2024 annual report.</p>	<p>Management reassesses all properties as at 30 June 2024 to ensure correct classification and will disclose any reclassifications out of assets held-for-sale, if material.</p> <p>For the Materials Recovery Facility we are obtaining accounting advice from PwC on the arrangement, and we will prepare our assessment based on this technical accounting opinion.</p>

Tauākī whakaaweawe āhuarangi **Climate impact statement**

13. 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**

14. The council will work with council-controlled organisations (CCOs) directly impacted by any recommendation.

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

15. There are no issues or recommendations at a local board level. Accordingly, the views of local boards have not been sought.

Tauākī whakaaweawe Māori **Māori impact statement**

16. 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**

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

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

18. 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 2023/2024 annual report.

Ngā koringa ā-muri **Next steps**

19. 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 2023	

Ngā kaihaina Signatories

Authors	Yvonne Teo - Financial Accounting Manager Francis Caetano - Group Financial Controller
Authorisers	John Bishop - Group Treasurer Nicola Mills - Acting Group Chief Financial Officer Anna Bray - Acting Director - Governance and CCO Partnerships

Auckland Council Group's 30 June 2024 year-end reporting and audit considerations

File No.: CP2024/02709

Item 17

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 20 August 2024 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 17 September 2024 Audit and Risk Committee meeting, the Governing Body adopts the annual report at its 26 September 2024 meeting.
4. This open report provides the committee with information and insights into the preparation processes for these documents including:
 - reporting requirements
 - committee and auditor's responsibilities
 - accounting policies adopted during the 2023/2024 financial year
 - financial reporting 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 2024 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:
- accounting policy amendments during the year and the effect of changes on the financial statements
 - key areas of 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
 - pro forma financial and climate statements for the year ending 30 June 2024:
 - 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 2024 year-end reporting and audit considerations” as part of executing their responsibility to review and monitor the integrity of the Auckland Council Group’s annual report.

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), Port 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 2024 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 17 September 2024 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

Accounting policies adopted during the 2023/2024 financial year

19. The accounting policies applied in the pro forma financial statements are consistent with those used at 30 June 2023 except for the 2022 Omnibus Amendments to PBE Standards, issued in June 2022. The amendments include several general updates and amendments to several Tier 1 and Tier 2 PBE accounting standards. The revised PBE standards are effective from the year ending 30 June 2024. The adoption did not result in a significant impact on the group financial statements.

Financial reporting year-end processes

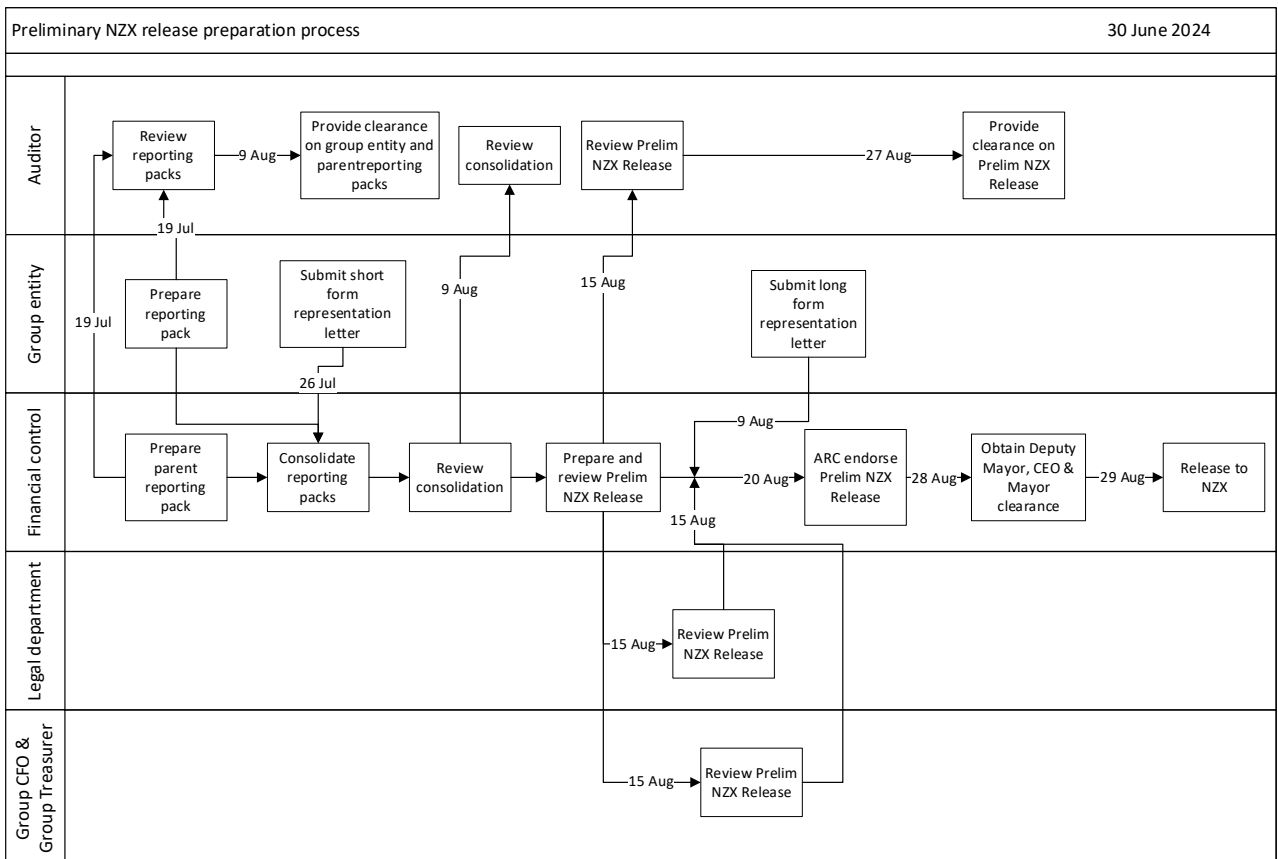
20. The group's annual report and summary annual report are produced for the year ending 30 June 2024. The annual report includes:
 - volume one: overview and service performance
 - volume two: local boards (comprising 21 local board reports)
 - volume three: financial statements
 - volume four: climate 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 9 August 2024.
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.

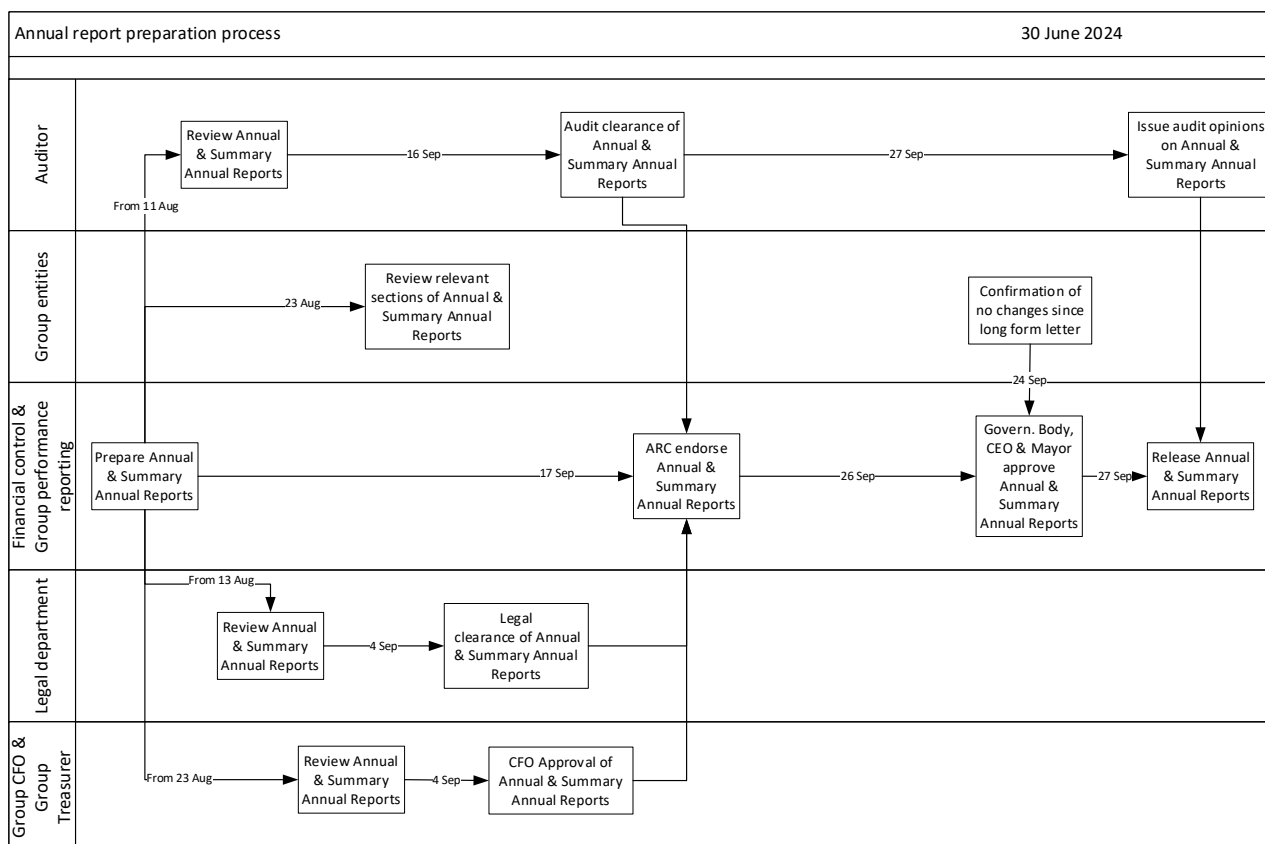
NZX preliminary announcement

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 provided in the confidential report as confidential attachments D-I.
27. The process for the final approvals is as follows:
 - on 20 August 2024, 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 Financial Control, Group Sustainable Finance and Chief Sustainability Office teams.
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 17 September 2024, an Audit and Risk Committee meeting is held for the committee to recommend the annual reports to the Governing Body for adoption.
 - on 26 September 2024, the Governing Body meeting is held to approve the annual reports. The Governing Body will consider financial performance of the group at either their August or September meeting in confidence.
 - on 27 September 2024, 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		✓	✓	✓
Group treasurer*	✓	✓	✓	✓
General manager financial strategy and planning	✓	✓	✓	✓
Group financial controller*	✓	✓	✓	✓
Manager group performance reporting		✓	✓	✓
External stakeholder group reporting manager*	✓	✓	✓	✓
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 I.

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 F is for the preliminary release and attachment H 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, Port 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 2024, financial performance and cash flows for the year ended 30 June 2024.
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.

Audit and Risk Committee's oversight of the management of fraud

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 significantly from prior years and will be presented in draft to the committee at the 20 August 2024 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 the 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, Port 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 2024 Annual Report.
51. It is acknowledged that the activities undertaken by the group and reported on within the 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.

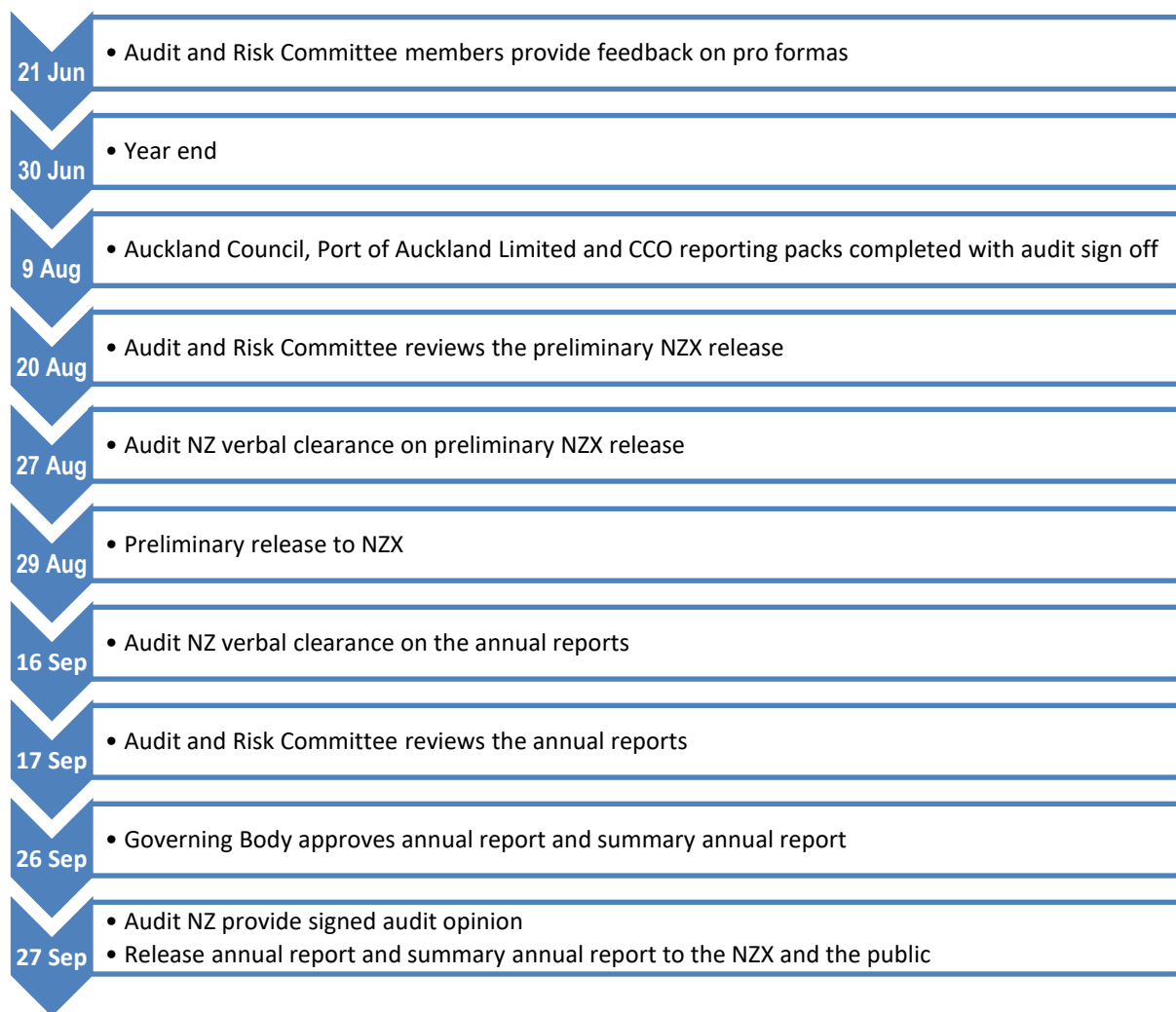
Ngā raru tūpono me ngā whakamaurutanga Risks and mitigations

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 2024 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 2024 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	Yvonne Teo - Financial Accounting Manager Francis Caetano - Group Financial Controller
Authorisers	John Bishop - Group Treasurer Nicola Mills - Acting Group Chief Financial Officer Anna Bray - Acting Director - Governance and CCO Partnerships

Summary of Audit and Risk Committee information memoranda, workshops and briefings - 14 May 2024

File No.: CP2024/05170

Item 18

Te take mō te pūrongo

Purpose of the report

1. To whiwhi / receive a summary and provide a public record of memoranda, workshop and briefing papers that may have been held or been distributed to committee members.

Whakarāpopototanga matua

Executive summary

2. This is a regular information-only report which aims to provide greater visibility of information circulated to committee members via memoranda/workshops and briefings or other means, where no decisions are required.
3. The following workshops/briefings have taken place for the committee:

Date	Subject
19/02/2024	Workshop - Long-term Plan 2024-2034 approach to assumptions underpinning the consultation material

5. These documents can be found on the Auckland Council website, at the following link: <http://infocouncil.aucklandcouncil.govt.nz/>
 - at the top left of the page, select meeting/te hui “Audit and Risk Committee” from the drop-down tab and click “View”;
 - under ‘Attachments’, select either the HTML or PDF version of the document entitled ‘Extra Attachments’.
6. Note that, unlike an agenda report, **staff will not be present to answer questions about the items referred to in this summary.** Governing Body members should direct any questions to the authors.

Ngā tūtohunga

Recommendation/s

That the Audit and Risk Committee:

- a) whiwhi / receive the Summary of Audit and Risk Committee information memoranda, workshops and briefings – 14 May 2024.

Ngā tāpirihanga Attachments

No.	Title	Page
A⇒	Workshop combined papers - 19 February 2024 (<i>Under Separate Cover</i>)	

Ngā kaihaina Signatories

Author	Mike Giddey - Kaitohutohu Mana Whakahaere / Governance Advisor
Authoriser	Anna Bray - Acting Director - Governance and CCO Partnerships

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

That the **Audit and Risk Committee**

- a) whakaae / agree to 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 2024**

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 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: Local Water Done Well

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)(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 information regarding the ongoing negotiations on Local Water Done Well.</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: Legal Risk 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.	<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>

C4 CONFIDENTIAL: Enterprise Risk Update - May 2024

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 detailed information on the mitigation activities of the strategic risks that could be detrimental to risk management objectives if in the public arena.</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>

C5 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
<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>s7(2)(c)(ii) - 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 damage the public interest.</p> <p>In particular, the report contains information which if released would jeopardise the effective delivery of the Internal Audit work programme.</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>

C6 CONFIDENTIAL: Auckland Council Group's 30 June 2024 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.	<p>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.</p> <p>In particular, the report and attachments contain information regarding the annual report and financial results of Auckland Council and Auckland Council Group as at 30 June 2024 which cannot be released to the public before it is released on the NZX.</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>

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.	<p>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.</p> <p>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 2024 which cannot be made public until released to the NZX.</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>