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## Reviewing aspects of the Auckland Manukau Eastern Transport Initiative



# Reviewing aspects of the Auckland Manukau Eastern Transport Initiative

Presented to the House of  
Representatives under section 20 of  
the Public Audit Act 2001.

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# Auditor-General's overview

The Auckland Manukau Eastern Transport Initiative (AMETI) is a major programme of work to improve strategic transport links in Auckland's eastern suburbs. It involves improvements and changes to public transport and roads.

When fully in place, AMETI will affect the lives of hundreds of thousands of Aucklanders. If put in place effectively, AMETI should improve access to transport, increase transport choices, reduce congestion, and unlock economic potential.

AMETI consists of a set of projects that the former local authorities of Auckland and Manukau and the regional transport agency prepared. Now, the council-controlled organisation Auckland Transport is responsible for delivering AMETI. Auckland Transport estimates that AMETI will cost about \$1.1 billion.

AMETI will not be fully complete until 2028. This means that AMETI's governors and programme managers will change many times. It is important that strong systems and processes support decision-making, sustain programme delivery, and help to build and maintain important strategic relationships.

I have reviewed Auckland Transport's governance, accountability, and programme management arrangements for AMETI as part of my mandate to review service performance under section 104 of the Local Government (Auckland Council) Act 2009. Good governance, accountability, and programme management are important in ensuring that services are delivered effectively.

Most of the governance, accountability, and programme management arrangements have been designed in a way that should help to deliver AMETI. The Board of Auckland Transport has approved the overall strategic purpose and delivery plan, and has set expectations and accountability requirements.

My review used two case studies to look at how the governance, accountability, and programme management arrangements helped to progress AMETI works – at Pakuranga Town Centre and near Mokoia Pā.

Progress with technical aspects – such as reaching design solutions, developing procurement options, and budget management – has been strong.

However, the way that Auckland Transport has dealt with AMETI's stakeholders has not consistently reflected the aspirations of Auckland Transport's communications and engagement strategy.

Auckland Transport's communications and engagement strategy for AMETI is based on good principles. These include being proactive, timely, frank, helpful, and detailed, and stakeholders having a right to have their views and concerns considered.

Many people told us that Auckland Transport had engaged with them well on the first stage of the programme, which included building a new train station at Panmure. However, engagement had not gone as well in progressing aspects of the second stage of the programme. Engaging with some stakeholders late and ineffectively led to problems.

I have made 12 recommendations to help Auckland Transport strengthen AMETI's governance, accountability, and programme management arrangements. Acting on these recommendations should reduce risks to the programme's future governance and programme management. Auckland Transport has already started to act on the recommendations, and I include its response in the Appendix to this report.

Several of my recommendations focus on AMETI's Programme Control Group. This group's responsibilities include approving strategies for projects, reviewing and managing programme delivery risks, reviewing costs and changes to costs, and reporting to Auckland Transport and Auckland Council.

Auckland Transport needs to ensure that the chairperson of the Programme Control Group is independent from day-to-day management of the programme. Auckland Transport also needs to ensure that members of the group clearly understand their roles and responsibilities, and have the collective capability to exercise them.

Good records are vital to keeping Auckland Transport's institutional memory of the programme, so that future members of the Board of Auckland Transport know why decisions were made. To improve record keeping, Auckland Transport needs to use more formal communication to keep Programme Control Group members up to date. All reporting to the Board of Auckland Transport should be formally recorded.

I recommend that Auckland Transport focus more on the health of relationships with stakeholders, on contractor performance, and on the benefits delivered to date, as part of monitoring and reporting on programmes.

Without paying more attention to the benefits being realised, Auckland Transport and Auckland Council can have only limited assurance about whether AMETI is on track to deliver value for money.

I thank the many people who helped my staff with this work, including the Board of Auckland Transport, Auckland Transport and Auckland Council staff, the New Zealand Transport Agency, the Ministry of Transport, the Maungakiekie-Tāmaki and Howick local boards, Ngāti Paoa, and local business representatives in Panmure and Pakuranga.

A handwritten signature in blue ink, appearing to read 'Lyn Provost', is centered on a light grey rectangular background.

Lyn Provost  
Controller and Auditor-General

8 October 2015

# Our recommendations

We recommend that, to strengthen its governance, accountability, and programme management arrangements generally, the Board of Auckland Transport:

1. clearly define the project's and programme's expected benefits and report regularly to funders on the benefits realised;
2. regularly monitor major projects to ensure that risks are being managed and that projects are on track to deliver their intended outcomes;
3. ensure that Gateway reviews of major transport projects, including those that comprise the Auckland Manukau Eastern Transport Initiative, include an assessment of how likely it is that a project will successfully deliver the intended outcomes; and
4. ensure that those conducting Gateway and other assurance reviews have appropriate independence relative to the project's risks, scale, and nature.

We recommend that, to strengthen the governance, accountability, and programme management arrangements for the Auckland Manukau Eastern Transport Initiative, Auckland Transport:

5. clearly define the roles and responsibilities of staff charged with making financial decisions for getting quality assurance and the form that quality assurance should take;
6. prepare guidance on significant matters that should be referred upwards – for example, to programme control groups, senior managers, or the Board of Auckland Transport;
7. when reporting on programme performance, include information about how contractors perform and the health of stakeholder relationships, so that these matters can be better managed and governed; and
8. decide what value the Key Stakeholder Forum has in the programme governance structure. If Auckland Transport decides to keep the Forum, it needs to use the Forum to share programme and project information with stakeholders effectively.

## **Recommendations for the Programme Control Group**

We recommend that, to strengthen the governance, accountability, and programme management arrangements for the Auckland Manukau Eastern Transport Initiative, Auckland Transport:

9. ensure that Programme Control Group members have the full range of skills and experience needed and that the Group's chairperson is not involved in managing the programme;

10. address inconsistencies in the Programme Control Group's roles and responsibilities and ensure that all staff working in or with the Group are aware of any revisions to documents and practice;
11. review the logistics of providing information and meeting cycles for the Programme Control Group to provide information earlier and get information and meeting times more in line; and
12. use more formal channels of communication to and from the Programme Control Group and to the Board of Auckland Transport.

Auckland Transport told us that it has already started to act on several of our recommendations. We have included its response in the Appendix.



# 1

## Introduction

- 1.1 In this Part, we explain:
- why we carried out this audit;
  - Auckland Transport's role;
  - what the Auckland Manukau Eastern Transport Initiative (AMETI) is;
  - AMETI's main stakeholders;
  - the main risks for the AMETI programme;
  - the scope of our audit;
  - our approach and expectations;
  - what we did not look at; and
  - the structure of this report.

### Why we carried out this audit

- 1.2 On 1 November 2010, Auckland's seven territorial local authorities and one regional council were replaced by a single Auckland Council (the Council). Section 104 of the Local Government (Auckland Council) Act 2009 requires the Auditor-General to review the service performance of the Council and its council-controlled organisations (CCOs).
- 1.3 For our third such review, we decided to look at a major Auckland Transport programme. We chose AMETI because of its significance to people in Auckland, its complex history, the long duration of the programme, and its estimated \$1.1 billion cost to taxpayers and Auckland ratepayers.
- 1.4 In 2013, 43.8% of respondents to a survey ranked transport as the biggest issue facing Auckland.<sup>1</sup> In 2015, most of those who made a submission to the Council about Auckland's long-term plan wanted investment in the transport network.
- 1.5 Our decision to look at the AMETI programme was consistent with the *Governance and Accountability* theme in our 2014/15 work programme. Our audits and other work for 2014/15 focused on assessing whether good governance is helping entities to spend and invest public money wisely. An important aspect of good governance is running major programmes successfully, so that they deliver their intended benefits, at the intended price, at the intended time.

### Auckland Transport's role

- 1.6 The Local Government (Auckland Council) Amendment Act 2010 set up Auckland Transport as the regional transport authority. Auckland Transport is a CCO bringing together all the region's transport functions. These functions include:

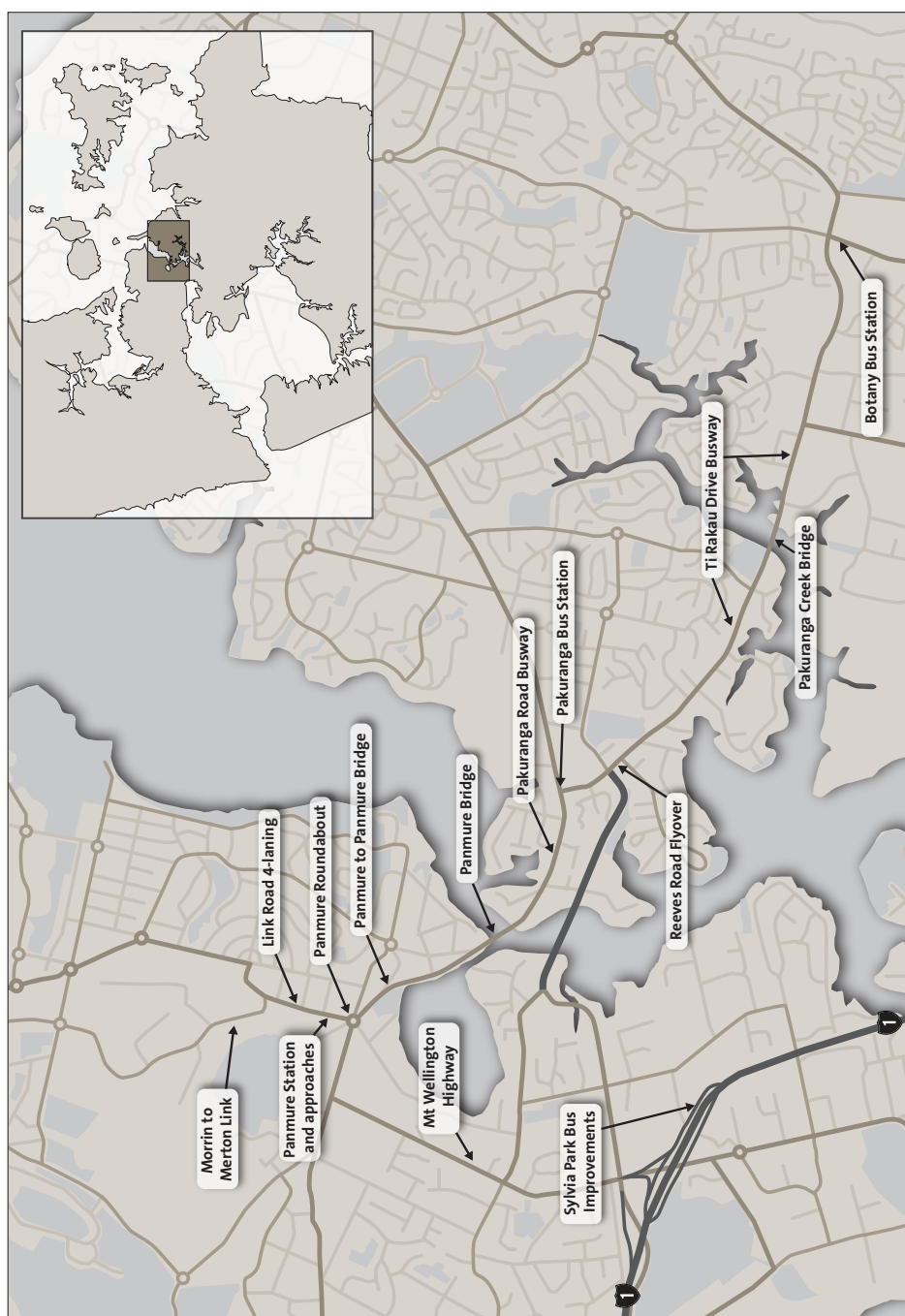
- building and maintaining roads (except state highways and motorways);
- building and maintaining railway and bus stations, and cycle-ways; and
- managing public transport services, such as ferries, trains, and buses.

- 1.7 Auckland Transport works at arm’s length from the Council, its only shareholder. The Board of Auckland Transport governs the organisation.
- 1.8 The Council and the New Zealand Transport Agency (NZTA) fund Auckland Transport’s activities. Ratepayers fund the Council, and revenue from road tax funds NZTA.
- 1.9 The general governance and accountability framework for Auckland Transport is set out in law. The Council sets out annual expectations and other expectations from time to time. We say more about this in Part 2.

## The Auckland Manukau Eastern Transport Initiative

- 1.10 AMETI is a package of transport improvements proposed for routes connecting Glen Innes, Panmure, Pakuranga, and Botany, and Mt Wellington with Sylvia Park, to serve the eastern suburbs (see Figure 1). The Auckland Plan states that “growth of business, employment and residential in eastern Auckland has created a pressing demand for transport investment”.
- 1.11 The Plan forecasts that the population of the eastern suburbs will grow by up to 25,000 people during the next 20 years. This projection includes the Tamaki priority growth area. The Council hopes that providing good transport links will unlock the economic potential of the eastern suburbs.
- 1.12 Roads in Auckland’s eastern suburbs are congested at peak times. Auckland Transport predicts that, without AMETI, some of this congestion will reach a critical point by 2021. Residents rely heavily on private car journeys because, historically, public transport has not been a viable alternative.
- 1.13 Auckland Transport hopes that AMETI’s improvements will reduce local journey times and provide faster public transport journeys on the “Panmure Bridge” route to central Auckland. Auckland Transport hopes that this will encourage local journeys and more public transport use. Freight and business traffic will be routed by the Waipuna Bridge and the South-Eastern Highway to central Auckland.

**Figure 1**  
Map showing the Auckland Manukau Eastern Transport Initiative programme of works in Auckland's eastern suburbs



Source: Adapted from an Auckland Transport map, and provided for indicative purposes only.

- 1.14 Auckland Transport is delivering AMETI in five stages (see Figure 2). Each of the stages includes at least one project.

**Figure 2**  
**Stages of the Auckland Manukau Eastern Transport Initiative**

Stage	Projects
Stage 1	Panmure Station, bus interchange, and approaches (completed in 2014).
Stage 2a	Improvements to the Panmure Roundabout, road changes from Panmure to Panmure Bridge, the Pakuranga bus way, and the Reeves Road Flyover (in progress).
Stage 2b	The Pakuranga to Botany bus way.
Stage 3	Morrin to Merton, Quarry Link Road improvements, and increasing AMETI Link Road to four lanes.
Stage 4	Sylvia Park bus improvements.

Source: Auckland Transport's AMETI programme initiation document (adapted).

- 1.15 AMETI has a long history. In 2003, Auckland City Council, Manukau City Council, and the Auckland Regional Transport Authority brought together many individual projects to form AMETI. Regional transport plans included a commitment to deliver AMETI. However, the programme was not funded, and little progress was made during the next eight years.
- 1.16 With AMETI's long history and a planned delivery timescale that stretches to 2028, it is important that the people now responsible for governing and managing the programme clearly understand its purpose and continuing strategic fit with other regional plans for Auckland, such as the Council's long-term plan and the Integrated Transport plan.
- 1.17 Those involved with AMETI's governance and programme management will change many times during the years. This makes it especially important that good systems, processes, and records are in place to support Auckland Transport's institutional memory of the programme.

## The stakeholders

- 1.18 Many people, groups, and organisations have an interest in AMETI. These include the people of Auckland, government departments, individual households and business owners on affected routes, and special interest groups, such as those promoting cycling.
- 1.19 Auckland Transport recognises its two funding organisations, NZTA and the Council, as important stakeholders in AMETI. Auckland Transport lists the Council's

business units – such as planning, parks, and City Transformation, and some other CCOs – as important stakeholders. All of these stakeholders have a place on one of the advisory groups within AMETI’s governance structure.

- 1.20 Auckland Transport recognises that it has special relationships with iwi and local boards. It has arrangements in place to maintain and enhance those relationships. These arrangements include supporting monthly hui with mana whenua and regular briefings to local boards. Mana whenua and local boards are not represented on AMETI’s advisory groups.
- 1.21 AMETI’s communications and engagement strategy requires programme and project teams to prepare a plan to say how they will inform and consult with stakeholders at each stage of the AMETI programme.

### The scope of our audit

- 1.22 Our audit covers Stage 2a of AMETI – improvements to the Panmure Roundabout, road changes from Panmure to Panmure Bridge, the Pakuranga bus way, and the Reeves Road Flyover.
- 1.23 When we carried out this audit in February and March 2015, some of the projects were under evaluation and others were in design. Stage 2a is due to be completed in the second quarter of 2021.
- 1.24 We looked at the governance and programme management structure that Auckland Transport set up to support the effective delivery of Stage 2a and to fulfil its accountability obligations. By accountability, we mean how Auckland Transport formally accounts for its use of public money and how it communicates and engages with stakeholders.
- 1.25 Auckland Transport’s governance structure includes:
- the Board of Auckland Transport and its committees;
  - the Board’s framework of policies that provide direction to the staff of Auckland Transport; and
  - the management structure that the Board put in place to oversee AMETI’s delivery, which includes a Programme Control Group.
- 1.26 Some aspects of programme management, such as a steering group made up of staff, are sometimes referred to as “programme governance”. In this report, we refer to the functions and direction of the Board of Auckland Transport, including its policy framework, as governance. We consider the work of staff such as the Programme Control Group to be programme management rather than governance.

## Our approach and expectations

- 1.27 In our audit, we looked at whether:
- the governance, programme management, and accountability structure had been **designed** in a way that supports effective governance and programme management;
  - those with governance and programme management responsibilities **practised** those responsibilities in keeping with that structure; and
  - the governance, programme management, and accountability structure was having a positive **effect** on programme delivery.
- 1.28 We used two case studies to analyse and explain the effect of the governance, programme management, and accountability structure.
- 1.29 For each case study, we spoke to members of the Board of Auckland Transport, Council and Auckland Transport staff, and external stakeholders such as local board chairpersons, mana whenua, business representatives, and NZTA. We also reviewed project documents, including dashboard reports, meeting minutes, and reports to the Programme Control Group and the Board. We then compared our observations against the direction that the Board set.
- 1.30 Figure 3 sets out our expectations of good governance and programme management. These expectations are not exhaustive. We refer to elements of them throughout our report. To prepare these expectations, we drew on other reports, such as our report on *Governance and Oversight of Large Information Technology Projects*, the *Report of the Ministerial Inquiry into the Novopay Project*, and other relevant literature.<sup>2</sup>

**Figure 3**  
**What we expect of Auckland Manukau Eastern Transport Initiative governance and programme management**

Clarity of purpose	The Board of Auckland Transport should set a clear strategic purpose for the AMETI programme and provide direction that supports Auckland Transport in achieving that purpose.
Leadership	Leadership should be shown at all tiers of the AMETI governance and programme management structure.
Roles and responsibilities	Each part of the AMETI governance and programme management structure should have clear roles and responsibilities that are complementary and in line with strategy.

<sup>2</sup> Other reports that we drew on were our *Inquiry into the Mangawhai community wastewater scheme* (2013) and *Maintaining a future focus in governing Crown-owned companies* (2014), available on our website, [www.oag.govt.nz](http://www.oag.govt.nz).

Information and reporting	Information and reporting for monitoring performance, managing risks, making decisions, and providing direction should support AMETI's governance and programme management arrangements.
Capability and participation	The right people should be involved in the governance and programme management of AMETI.
Accountability	AMETI's governance and programme management structure should support clear accountabilities.

- 1.31 Where the Council's expectations were strongly linked with the matters we audited, we have considered them in our audit. When we discuss those expectations, we draw from the Council's *Shareholder Expectation Guide for CCOs*. The Council sets out six principles for a good governance relationship between its governing body and CCOs. These are leadership, empowerment, accountability, transparency, public service ethos, and trust.

### What we did not look at

- 1.32 Our audit focused on the governance and programme management of AMETI and the framework of policies to help people carry out their roles. We did not audit:
- the effectiveness of governance and accountability for Auckland Transport's programme management of Stage 1 of AMETI or for stages of the programme beyond Stage 2a;
  - the overall effectiveness of the Board of Auckland Transport;
  - how Auckland Transport governs and manages other major projects; or
  - the role of the Council's CCO Monitoring and Governance Committee or other institutional governance bodies in the Council.
- 1.33 We did not assess AMETI's overall deliverability. Because we looked at only the early work on Stage 2a of AMETI, we did not consider the effect of governance throughout the whole programme or at Auckland Transport more generally.

### Structure of this report

- 1.34 In Part 2, we look at whether Auckland Transport designed the governance, programme management, and accountability structure for AMETI effectively.
- 1.35 In Part 3, we look at how well the governance and accountability arrangements are working. We report on the progress of the programme at Pakuranga Town Centre and Mokoia Pā, drawing out strengths and weaknesses in how the governance and accountability framework for AMETI works in practice.
- 1.36 In Part 4, we look at how well the programme management arrangements are working.

# Was the governance, programme management, and accountability structure designed effectively?

# 2

2.1 In this Part, we discuss whether the governance, programme management, and accountability structure for AMETI has been designed in a way that supports effective governance and programme management. We discuss:

- the overall governance structure for Auckland Transport;
- the Council's expectations of Auckland Transport;
- the Board of Auckland Transport and its sub-committees;
- the relevant programme management structure;
- the roles and responsibilities of the Programme Control Group; and
- arrangements for communicating and engaging with stakeholders.

## Summary of our findings

2.2 Most of the governance and accountability arrangements have been designed in a way that should support effective governance of AMETI if applied in practice.

2.3 Auckland Transport has updated and brought together the projects that it inherited in eastern Auckland in a cohesive way, with a clarity of purpose. Auckland Transport has designed the programme management structure and programme documents so that they support the strategic purpose for AMETI.

2.4 However, some important aspects of the arrangements should be strengthened, particularly information used to manage project risks and to monitor performance. In our view, the governance arrangements do not have enough information for these purposes.

2.5 The Board of Auckland Transport and the Council need more information to judge whether AMETI is on track to deliver the expected benefits. Benefits need to be better defined at the beginning of a project stage. Auckland Transport cannot afford to wait until the end of the programme in 2030 to assess AMETI's success.

2.6 The Programme Control Group needs to do more routine reporting to the Board about AMETI's delivery risks.

2.7 The Board needs more independent assurance about AMETI's operation. For a programme costing \$1.1 billion, we expect a secondary level of assurance beyond information coming directly from those managing AMETI.

2.8 The value and importance of the Key Stakeholder Forum in the governance structure needs to be clearer. To date, the Forum has not met. Auckland Transport needs to decide whether to continue with it.



- 2.9 We have made three recommendations in this Part about aspects of these matters. Some of the recommendations we make in Parts 3 and 4 also relate to aspects of these matters.

### The overall governance structure

- 2.10 The Council owns Auckland Transport and Auckland's roads (except state highways). It appoints directors to the Board of Auckland Transport.
- 2.11 Auckland Transport owns the public transport network and maintains the region's roads (except state highways). It is accountable to the Council. It must consult the Council on its draft statement of intent and report to the Council on its operations every quarter.
- 2.12 Auckland Transport must "give effect to" the relevant aspects of the Council's long-term plan. It must "act consistently" with any other plan of the Council "to the extent specified in writing by the governing body of Council".

### Auckland Council's expectations of Auckland Transport

- 2.13 The Council's CCO policy sets out the Council's overall strategic direction for Auckland Transport. The policy expects that Auckland Transport will "contribute to an efficient, sustainable, energy saving and cost effective land transport system to support Auckland's social, economic, environmental and cultural well-being".
- 2.14 The Council's long-term plan sets out transport priorities for Auckland Transport. AMETI is one of three priority programmes in the long-term plan.
- 2.15 At the beginning of the annual business planning round, the Mayor of Auckland sends a Letter of Expectations to Auckland Transport. This letter sets out priority matters and detailed expectations for the coming year.
- 2.16 Auckland Transport then agrees a statement of intent with the Council. The statement of intent shows how Auckland Transport will meet expectations and contains performance measures, targets, and financial information.
- 2.17 The Council has set up institutional arrangements, including the CCO Governance and Monitoring Committee, to monitor performance. Another committee appoints members of the Board of Auckland Transport.
- 2.18 AMETI is expected to help to:
- reduce carbon dioxide emissions and public transport subsidies;
  - increase bus use and passenger satisfaction; and
  - increase the "productivity" of important roads.<sup>3</sup>

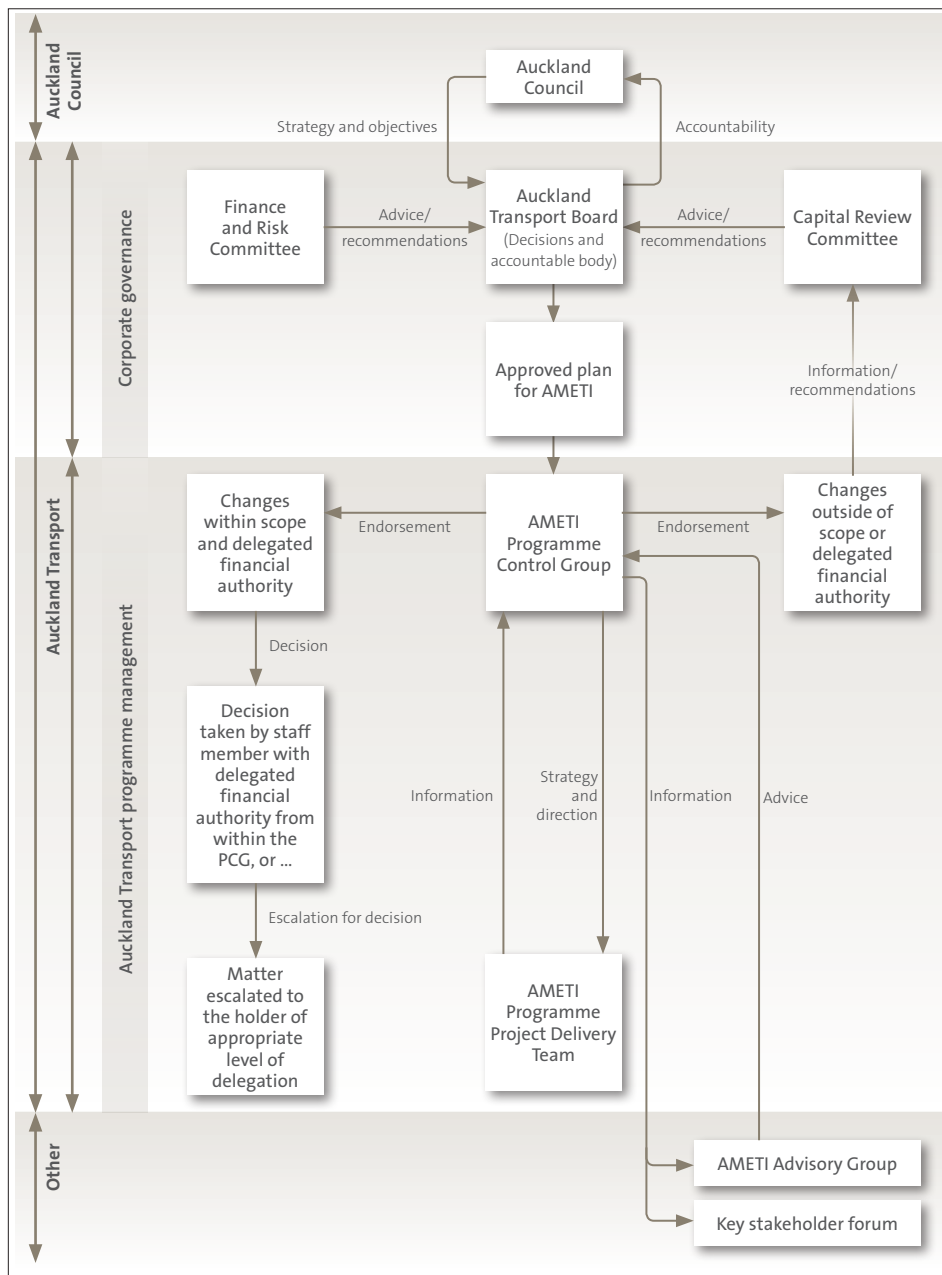
<sup>3</sup> "Productivity" is measured by counting the number of vehicles in a lane, how fast they are going, and how many people are in each vehicle.

- 2.19 Auckland Transport's 2014-17 statement of intent has only one activity measure for AMETI – to build the Reeves Road Flyover by 2019. The statement of intent contains no specific performance measures or financial reporting about AMETI.
- 2.20 Clearly, the Board of Auckland Transport is accountable to the Council for the delivery of AMETI. However, the performance and financial reporting in the statement of intent is too general to show the programme's contribution to the performance measures we describe. The Council told us that it plans to work with Auckland Transport in 2015/16 to achieve greater transparency of information and oversight of AMETI.
- 2.21 The Council sets out further expectations and accountability requirements in its *Shareholder Expectation Guide for CCOs*. This guide covers how Auckland Transport should “give effect to” the relevant aspects of the Council's long-term plan and “act consistently” with any other plan of the Council. For example, the Council expects Auckland Transport to support Māori aspirations and well-being in keeping with the Council's Māori Responsiveness Framework.
- 2.22 The Council expects that Auckland Transport will adopt a “no-surprises” approach to communications to ensure that the Council is well informed about matters that might affect Aucklanders.

### **The Board of Auckland Transport and its sub-committees**

- 2.23 Figure 4 shows AMETI's governance, programme management, and accountability structures.

**Figure 4**  
**Governance, programme management, and accountability arrangements for the Auckland Manukau Eastern Transport Initiative, February 2015**



Source: Auckland Transport (adapted from Auckland Transport's programme governance structure for AMETI).

- 2.24 The Board of Auckland Transport is ultimately accountable for delivering AMETI. Auckland Council appoints between six and eight voting directors, and two of those directors may be members of Auckland Council. Auckland Council firstly appoints directors for a one- to three-year term and may then reappoint them for a further three years. NZTA nominates one non-voting member as well.
- 2.25 The Board of Auckland Transport also meets as the Regional Transport Committee, to prepare the Regional Land Transport Plan. On those occasions, its decisions include a vote from the NZTA representative on the Board.
- 2.26 As a principle of good governance, the Board should set a clear strategic purpose for the AMETI programme and provide direction that helps Auckland Transport to achieve that purpose.
- 2.27 The Board has approved the overall strategic purpose and delivery plan for AMETI, after ensuring that it was a good strategic fit with the Auckland Plan and other strategic plans.<sup>4</sup> AMETI updates and brings together the legacy projects that Auckland Transport inherited in eastern Auckland.

### The sub-committees

- 2.28 The work of two of the Board of Auckland Transport's sub-committees – the Finance and Risk Committee and the Capital Review Committee – is directly relevant to AMETI.
- 2.29 The Finance and Risk Committee supports the Board of Auckland Transport in setting clear expectations for standards of performance, professional conduct, and achievement. Some Board policies (or "strategies") set out these expectations, including:
- a procurement strategy that includes probity checks;
  - a policy on how managers should record and report risks;
  - policies on avoiding or mitigating conflicts of interest and on dispute resolution processes; and
  - direction on how the Board expects its staff to communicate and engage with stakeholders.
- 2.30 The Board also has a policy on delegated financial authority (see paragraphs 2.62 to 2.67).
- 2.31 The Board has a Capital Review Committee because it recognised the risks inherent in legacy projects and put in place arrangements for additional scrutiny. The Capital Review Committee can spend extra time getting a thorough

<sup>4</sup> These include the Integrated Transport Programme – Auckland Transport's 30-year investment plan, the regional land transport plan, and the regional public transport plan.

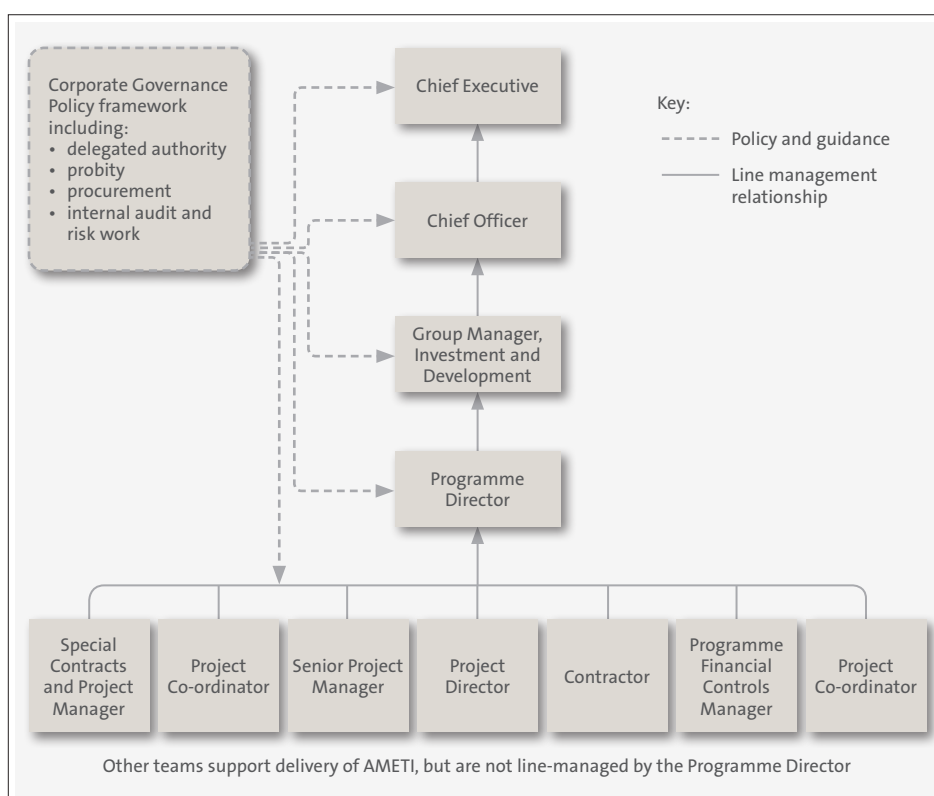
understanding of complex projects and provide better leadership and direction to staff.

- 2.32 The Capital Review Committee does not make decisions. If a major change in AMETI's scope or budget is necessary, the Capital Review Committee receives supporting papers from the Programme Control Group. The Capital Review Committee will consider those papers in detail and provide advice and recommendations to the Board. The Board makes the final decision.
- 2.33 Under its terms of reference, the Capital Review Committee is to ensure that:
- projects are planned and managed through the various phases and milestones of delivery and that the required documents are maintained and reported;
  - project and programme risks are identified and effective mitigation plans put in place; and
  - adequate reporting on the capital programme is provided to the Board.

### **Programme management structure**

- 2.34 AMETI sits within the Capital Development Division of Auckland Transport (see Figure 5). A Chief Officer heads the division and reports to the chief executive. The Executive Leadership Team for Auckland Transport comprises the chief executive and the heads of all of Auckland Transport's divisions.

**Figure 5**  
Auckland Manukau Eastern Transport Initiative's programme management structure



Source: Auckland Transport (adapted).

- 2.35 The Group Manager, Investment and Development reports to the Chief Officer and manages the AMETI Programme Director.
- 2.36 AMETI's management team contains some people specifically appointed to roles in the programme. The Programme Director manages AMETI's management team, including project directors, project managers, and project support staff. The remainder of staff on the team are functional specialists who work elsewhere in Auckland Transport but supply services to the project and programme.

## The Programme Control Group's roles and responsibilities

### The Programme Control Group's terms of reference

- 2.37 In October 2013, Auckland Transport recorded its approach to delivering the AMETI programme. The stated purpose of the Programme Control Group was to be "responsible for assurance and decision-making for the programme whilst providing independent infrastructure programme expertise and advice".

- 2.38 The Programme Control Group's purpose is to:
- control the scope, cost, and programme of the public transport development projects within the authority that the Board of Auckland Transport delegates;
  - ensure that the projects are completed on time and within budget, and meet the specified product definition objectives; and
  - provide a forum for rapidly approving matters within its delegated authority, or for endorsing proposals outside its delegated authority and referring them to the chief executive or the Board.
- 2.39 The Programme Control Group has specific responsibilities under its terms of reference. In July 2014, these responsibilities included:
- approving strategies for managing the projects, such as procurement, construction management, and engaging stakeholders;
  - regularly reviewing the risks to delivering the programme and putting in place appropriate measures to deal with any adverse trends;
  - approving the purchase of properties that any project affects;
  - reviewing costs, and approving (or otherwise) changes within delegated authority and budget, and referring any matters outside its delegated authority to the Board of Auckland Transport with appropriate recommendations; and
  - arranging for monthly reporting of costs, use of contingencies, trends, and measures put into place to deal with any adverse trends to the Board, the Council, the Mayor's Office, and others as required.
- 2.40 Although the terms of reference state that the Programme Control Group should regularly review delivery risks, they do not explicitly require the Group to report these risks. We could infer this requirement from the Programme Control Group's responsibility to report on "implementation of measures to deal with any adverse trends".
- 2.41 However, we consider that this could limit the effectiveness of reporting. The Programme Control Group could interpret adverse trends more narrowly – for example, as a potential overspend or a delay, rather than a full account of delivery risks. We consider that this is a deficiency in the terms of reference, which otherwise look appropriate.

### The Programme Control Group's leadership

- 2.42 The July 2014 terms of reference for the Programme Control Group state that the Chief Officer<sup>5</sup> of the Capital Development Division chairs the Programme Control Group. Other members are the Group Manager, Investment and Development

5 In 2014, the Chief Officer was called the Chief Development Officer. By 2015, the title had changed to Chief Infrastructure Officer.

(the “programme sponsor”), who has responsibility for the programme; AMETI’s Programme Director; the Manager, Property and Planning; and one other Group Manager.

- 2.43 Good practice requires the chairperson of the Programme Control Group to be independent of the programme. Although not fully independent of the programme, AMETI’s Programme Control Group chairperson is not directly involved in delivering AMETI and does not manage the Programme Director. As a second-tier manager, the chairperson of the Programme Control Group should be able to provide the right senior management leadership and direction.
- 2.44 In Part 4, we discuss how changes made to leadership arrangements for Stage 2a of the programme reduced the separation between those leading and those delivering the programme, and the effect of those changes.

### Communicating and engaging with stakeholders

- 2.45 Auckland Transport’s communications and engagement policy sets out guiding principles on how to involve stakeholders. These principles include:
- Auckland Transport should approach stakeholders with information rather than wait for people to come to it with inquiries.
  - Auckland Transport should communicate with affected parties before communicating more widely.
  - Responses should be timely, full, helpful, frank, and detailed. They should show that Auckland Transport is listening, even if agreement cannot be reached.
  - Stakeholders and affected parties have a right to express their views and concerns about a project that could affect them.
- 2.46 We consider that the communications and engagement strategy provides good direction to staff. It should help Auckland Transport to show genuine accountability to those with an interest in AMETI, who might not be party to a formal accountability arrangement.
- 2.47 However, the case studies in Part 3 highlight that, in practice, a variable approach meant Auckland Transport did not always meet the needs of its stakeholders or its own expectations about engaging with stakeholders.
- 2.48 Clearly understanding the purpose of AMETI should help the Board of Auckland Transport and the Programme Control Group to communicate AMETI’s benefits clearly and consistently. Regular communication with key stakeholders (including those who benefit from the project and those who fund it) should ensure that the project remains in line with stakeholders’ interests, especially if Auckland Transport needs to adjust its plans during the programme.



### Stakeholder groups in AMETI's programme structure

2.49 The AMETI Advisory Group and the Key Stakeholder Forum form part of AMETI's programme management structure. Involving stakeholders in these groups should help Auckland Transport make better informed decisions about the programme.

#### **AMETI Advisory Group**

2.50 In April 2014, the AMETI Advisory Group agreed its terms of reference. These state that the group will be made of representatives from Auckland Transport, the Council, and NZTA.

2.51 The representatives from Auckland Transport are the:

- Chief Development Officer (chairperson);
- Group Manager, Investment and Development; and
- Project Director, Key Strategic Initiatives.

2.52 The representatives from the Council are the:

- Manager, Regional and Local Planning; and
- Financial Planning Manager – CCOs.

2.53 The representative from NZTA is the Regional Manager, Planning and Investment.

2.54 The AMETI Advisory Group's main purpose is to:

*... provide strategic leadership to ensure transport infrastructure improvements within the AMETI Programme area are well-aligned with other investments and coordinated with planned growth in the Auckland region.*

2.55 The group provides a forum where Auckland Transport should share information about funding and performance against objectives, providing accountability to funders.

2.56 The group is to make decisions by consensus. Among other tasks, it is expected to:

- help the then project control group (which was changed to the Programme Control Group later – see paragraph 4.16) build and maintain effective relationships with central government agencies;
- ensure that communication between the member organisations is timely and effective; and
- assess how changes in the external environment will affect the programme.

2.57 The group is expected to meet at least every quarter and more often if necessary.

2.58 We consider that these terms of reference, if applied, should allow the group to contribute positively to AMETI's governance and management arrangements.

### **Key Stakeholder Forum**

- 2.59 The intended purpose of the Key Stakeholder Forum was for Auckland Transport to share project and programme information with important Council and CCO stakeholders, including Auckland Council Property Limited, Auckland Council Parks, the Council's planners, and City Transformation. The forum should meet every quarter but had not met at all at the time of writing this report.
- 2.60 The Key Stakeholder Forum has no terms of reference. We are unable to say whether it will help the programme governance and management arrangements.
- 2.61 If a decision is made to continue with the Key Stakeholder Forum, Auckland Transport needs to use it effectively to share programme and project information with stakeholders.

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### **Recommendation 1**

We recommend that Auckland Transport decide what value the Key Stakeholder Forum has in the programme governance structure. If Auckland Transport decides to keep the Forum, it needs to use the Forum to share programme and project information with stakeholders effectively.

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## **Arrangements for making decisions and managing risks to the programme**

### **Financial decisions and mandatory quality assurance**

- 2.62 The Board of Auckland Transport delegates responsibility for money to management staff through its policy on delegated financial authority. This gives staff permission to spend money or commit resources on Auckland Transport's behalf.
- 2.63 The amount of money that staff are able to commit depends on their role. Staff with delegated financial authority can commit resources only to projects that the Board has approved, within predefined limits. They cannot exceed the project's budget or make changes to the scope without the Board's approval.
- 2.64 The Board's policy on delegated financial authority states that mandatory quality assurance is required for some financial decisions. The exact form that this assurance must take is not specified, and there is no separate policy on mandatory quality assurance.
- 2.65 The delegated financial authority policy states that one form of mandatory quality assurance could be a review by the Programme Control Group. The policy states

that, whatever form mandatory quality assurance takes, it does not absolve the delegation holder from responsibility for exercising a delegation. The delegation holder is solely responsible for all decisions made, regardless of endorsement or agreement from others.

2.66 For example, the policy says:

*... a decision by a Programme Control Group is an endorsement but an employee holding a delegated financial authority must still make the decision. The accountability for the decision sits with the manager exercising the delegation. Delegations may not be shared or split and delegation decisions may not be made jointly.*

2.67 No separate guidance or policy guides the Programme Control Group on making programme decisions that do not have an immediately quantifiable monetary value. Auckland Transport should define how staff should seek higher managers' or the Board of Auckland Transport's endorsement of non-financial project decisions. We discuss this further in Part 4.

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### Recommendation 2

We recommend that Auckland Transport clearly define the roles and responsibilities of staff charged with making financial decisions for getting quality assurance and the form that quality assurance should take.

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### Decisions about projects proceeding between phases

2.68 Auckland Transport uses a Gateway review at decision points to decide whether projects are ready to proceed to the next phase.<sup>6</sup> To help the Programme Control Group meet its responsibilities, AMETI's management team prepares the reviews for the Programme Control Group. The reviews should provide:

- a baseline that the performance of the next phase of the project can be measured against;
- a record of the project's background and work to date; and
- a plan of how to carry out the next phase of work.

2.69 We compared how Auckland Transport uses Gateway with the methodology in other parts of government. Auckland Transport has two major deviations from the standard methodology.

<sup>6</sup> Gateway is an assurance methodology for major investments. It was developed in the United Kingdom by the Office of Government Commerce in 2001. The New Zealand Treasury adopted the methodology in 2008 for use in Crown entities and government departments. Its use in other New Zealand public services is good practice but discretionary.

- 2.70 First, Gateway reviews should assess how likely it is that the project will successfully deliver the intended outcomes. This assessment was not in the AMETI documents we saw.
- 2.71 Secondly, the Gateway methodology assumes an independent review, but AMETI's reviewers are internal.
- 2.72 We consider that these deviations weaken the assurance that can be taken from the reviews.

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### Recommendation 3

We recommend that Auckland Transport ensure that Gateway reviews of major transport projects, including those that comprise the Auckland Manukau Eastern Transport Initiative, include an assessment of how likely it is that a project will successfully deliver the intended outcomes.

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### Recommendation 4

We recommend that Auckland Transport ensure that those conducting Gateway and other assurance reviews have appropriate independence relative to the project's risks, scale, and nature.

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### Main strategic risks

- 2.73 Auckland Transport identified risks associated with AMETI and has been able to reduce the likelihood of those risks. In February 2015, the following risks have a high residual risk (after mitigation) at the programme level:
- Local or national government priorities change.
  - Auckland Transport cannot organise the construction stages in the best way, which will affect traffic management, and might mean that the expected benefits are not realised.
  - The projects end up costing more than estimated.
- 2.74 Likewise, the risks that have a high residual risk (after mitigation) at the project level for Stage 2a are that:
- iwi object to proposals at Mokoia Pā, which would affect the plan for Panmure Bridge works; and
  - Pakuranga Mall owners, other property owners, and important tenants object to Auckland Transport's preferred site for the Pakuranga Bus Station because of a loss of car parking.

### Managing increasing risks

- 2.75 The Programme Control Group has responsibility for monitoring risks and taking action to deal with risks that are increasing. The terms of reference for the Programme Control Group are clear about referring financial risks upward when necessary.
- 2.76 However, there are no similar requirements for referring project risks. The Programme Control Group is expected to report only on actions taken. In paragraph 2.41, we concluded that this was a deficiency in the design of the terms of reference and was likely to reduce the effectiveness of governance. In Part 3, we discuss some of the problems this caused in practice.

# How well is governance and accountability working?

- 3.1 In this Part, we look at how well the governance arrangements, accountability arrangements, and stakeholder relationship management for AMETI work in practice. We discuss:
- strengths, and lessons to be learned from two case studies – Pakuranga Town Centre and Mokoia Pā; and
  - how effectively Auckland Transport is managing accountability relationships with the Council, local boards, and NZTA.

## Summary of our findings

- 3.2 Governance and accountability arrangements have helped progress the Pakuranga bus way and Reeves Road Flyover projects. The arrangements have particularly helped with technical aspects, such as reaching design solutions and acquiring property. In this sense, the progress has been in keeping with the clear purpose of the programme, which we noted in Part 2 as a strength.
- 3.3 However, the way that stakeholders have been engaged has not consistently reflected the aspirations of the communications and engagement strategy. Late and ineffective engagement led to problems with some stakeholders at Pakuranga and Mokoia Pā.
- 3.4 Sometimes, these problems damaged stakeholders' trust in Auckland Transport and increased perceptions that Auckland Transport was "unaccountable". Governance practices need to support accountability, an important aspect of good governance.
- 3.5 The problems lead to questions of whether, in practice, all of the right people have had the opportunity to take part in governance of the programme and whether those within the governance structure have shown leadership in the range of activities that need to be governed.

## Case study 1 – Pakuranga Town Centre

- 3.6 We had planned to look at how Auckland Transport managed the risk of objections to its choice of site for a bus station in Pakuranga. By February 2015, when we began this audit, Auckland Transport had rethought its plans for a flyover at Reeves Road. We decided to look instead at how Auckland Transport dealt with the potential changes this rethinking could lead to.
- 3.7 One of the factors that influenced the choice of site for the bus station was where the flyover would be built. The flyover was part of the solution to reducing congestion in Pakuranga Town Centre and improving east-west journey times for through traffic.

- 3.8 However, about April 2014, during preparations to lodge a “notice of requirement”,<sup>7</sup> the Project Director informed the Programme Director that the business case for the flyover no longer appeared to be the best solution. The Programme Director referred the matter to the Programme Control Group.
- 3.9 This led to a temporary halt on further progress on the flyover. This was a bold action. For more than 10 years, many people had been expecting the flyover, so any change would be controversial. The Programme Control Group then commissioned a strategic review to evaluate possible alternatives to the flyover.
- 3.10 We understand that, at first, the review work (called the High Level Sense Check) was a formality to ensure that Auckland Transport had properly recorded the rationale for the flyover. This was a requirement for the notice of requirement application.
- 3.11 We agree with Auckland Transport that it was appropriate for the programme team to do the work without consulting people outside the programme. However, by July 2014, it was increasingly clear that changes to the plans at Pakuranga were likely.
- 3.12 Between July and October 2014, Auckland Transport worked on the High Level Sense Check and arranged a series of internal workshops for its staff and consultants to look at:
- the problem that the Reeves Road Flyover was originally intended to solve;
  - how closely strategy was in line with current objectives, which had changed since the flyover was first envisaged; and
  - high-level options for possible alternatives to the flyover.
- 3.13 Programme Control Group members set the final evaluation criteria that all the identified alternatives, including the flyover, would be assessed against. The Programme Control Group then identified a lead team of internal experts and consultants to evaluate the options using the criteria. Finally, the Programme Control Group received the short-listed options from the lead team.
- 3.14 In October 2014, at about the same time that the review work finished, Stage 2a passed a Gateway review, despite the high likelihood of changes to the project. We consider that the effectiveness of the Gateway process was reduced because the people who were managing and delivering the programme also carried out the Gateway review. The “gate” should not have been passed when the plans for Pakuranga Town Centre were so uncertain.

7 A notice of requirement seeks to designate that land is needed in the future for a development such as a public works project.

- 3.15 In November 2014, the Programme Control Group approved a paper on alternative options to Reeves Road, which was to go to the Board of Auckland Transport the next month. In the paper, the Programme Control Group asked the Board to note a “possible change in the delivery strategy”, depending on further work on options and the financial implications.
- 3.16 During the seven months from May to December 2014, to the world outside Auckland Transport, it looked like “business as usual”. For example, in May 2014, the Programme Control Group endorsed the procurement of a contractor to design the Reeves Road Flyover, and had begun discussions with local people and businesses who would be affected.
- 3.17 Local board members continued to receive monthly briefings, which did not refer to the potential for change. After reviewing documents from that period, we consider that Auckland Transport should have begun to discuss its thinking with the main stakeholders in July 2014.
- 3.18 Auckland Transport has many stakeholders, including local residents, cycling groups, and utility companies. However, we consider that Auckland Transport needs to involve some stakeholders early and fully. These would include other parts of the Council group and NZTA.
- 3.19 As late as November 2014, Auckland Transport had not discussed the review work it was doing with anyone outside Auckland Transport. In November 2014, NZTA was told informally that options were being revisited.
- 3.20 Although Auckland Transport has a good communications and engagement strategy, it put it into practice poorly in this instance and failed to act on the advice of its specialist staff. A management paper to the Programme Control Group identified that working in isolation was likely to increase risks to the project by causing relationship problems with stakeholders. The paper advised the Group to change its approach.
- 3.21 We found no recorded discussion of the isolation risks that the management paper identified, and subsequent events show that the advice was not heeded. The Council’s *Shareholder Expectation Guide for CCOs* requires that staff in the Auckland “family”, including those in CCOs, ensure clear and open communication within and outside the project. However, Auckland Transport did not produce the communication and engagement plan for Stage 2a until December 2014.
- 3.22 This mattered because difficulties arose when Auckland Transport started to communicate the potential changes. For example, one affected stakeholder went straight to the media. Auckland Transport then provided an inaccurate statement to the media, which stated categorically that the Reeves Road Flyover would not



be going ahead and that the money saved would be transferred to build a new bus way earlier than expected. Auckland Transport also published this statement as a news item on the Auckland Transport website.

- 3.23 The statement misrepresented the decision that the Board of Auckland Transport had made at its December 2014 meeting. It implied that the decision had already been made, when some factors, such as funding, were outside the Board's control. The Board's chairperson had to retract the statement and publicly clarify that the Board was continuing to investigate options.
- 3.24 The media statement created problems for NZTA, implying that Auckland Transport would simply move the money it saved from not building the flyover to accelerate another part of the programme. This was not an assurance that Auckland Transport could give. In keeping with its approved budget, NZTA has strict funding criteria and processes. Auckland Transport had not discussed changes in funding with NZTA.
- 3.25 We consider that, in the circumstances, involving the right stakeholders in, at least, the problem definition workshops would have helped the review and reduced the risk of decision-makers lacking full and accurate information. This engagement would have given stakeholders the chance to contribute usefully. It was an opportunity for Auckland Transport to build understanding.

### **Our conclusions from this case study**

- 3.26 Sometimes, it is appropriate for public entities to consider matters in confidence. Generally, deciding the right time to consult stakeholders is a fine balance. Getting the timing wrong can be profound. In this instance, it led to a loss of goodwill with the local community and a major funder.
- 3.27 The late communication and engagement with stakeholders, including NZTA, on the potential changes and inaccurate communication arose from weaknesses in aspects of governance and accountability.
- 3.28 The Programme Control Group:
- did not consider enough the risks of Auckland Transport working in isolation on the potential changes;
  - did not act on advice from communications and other staff; and
  - misunderstood NZTA's funding criteria and processes.
- 3.29 Some aspects of governance and accountability worked well. These included:
- referring the question about the flyover to the Programme Control Group and the decisive action taken to halt further progress during the High Level Sense Check review; and
  - processes within Auckland Transport to evaluate alternatives to the flyover.

## Case study 2 – Mokoia Pā

- 3.30 Aspects of AMETI are likely to affect Māori cultural sites. We looked at how the Programme Control Group managed the major project risk arising from the effect of Stage 2a on Mokoia Pā. The risk was that iwi would object to the notice of requirement.
- 3.31 Mokoia Pā is a site of significant cultural importance to Māori – in particular, Ngāti Paoa:
- Mokoia and Mauinaina were the great bastions of Ngāti Paoa; and though they may have been physically removed from the landscape that now stands before us, the spirit of the people and the connection to those significant sites will remain and endure within the stories and hearts of our people.<sup>8</sup>*
- 3.32 Since it was set up, Auckland Transport has invested in engaging with mana whenua. It facilitates a monthly hui and employs dedicated Māori communications staff. It has also aided the preparation of Māori values assessments.
- 3.33 Through the Māori values assessments, some iwi note how they value Auckland Transport’s willingness to engage and comment on the sincerity of the engagement. For example, they cite Auckland Transport’s management “signalling a willingness to understand and incorporate Iwi aspirations and concerns throughout the discussions and planning for AMETI”.
- 3.34 During Stage 1 of the programme, Ngāti Paoa and the project team built good relationships. With much goodwill, the parties used any challenges they encountered to set up new ways of working together.
- 3.35 The new Panmure Station has many design elements that reflect Māori values. Auckland Transport and Ngāti Paoa worked well together to set protocols on sensitive matters, such as discovering possible kōiwi tangata<sup>9</sup> during excavations.
- 3.36 During Stage 2a, the relationship became strained. By July 2014, Ngāti Paoa had withdrawn from discussions with Auckland Transport. The disagreement centred on the reluctance of Auckland Transport to discuss offsetting remedies for works at Mokoia Pā.
- 3.37 An individual manager, not the Programme Control Group, directed the team delivering Stage 2a to discuss design mitigations only and not other aspects of remediation. We understand that this Auckland Transport manager hardened his attitude and approach deliberately, despite Auckland Transport knowing that remediation would be necessary.

<sup>8</sup> Ngāti Paoa – used with permission.

<sup>9</sup> Kōiwi tangata are human remains.

- 3.38 This is contrary to what the Council says in its Shareholder Expectation Guide for CCOs, which states that staff should “exercise judgement and caution in decision-making distinct from what may be required in a commercial environment”.
- 3.39 Because iwi objecting to the notice of requirement was a major risk for Stage 2a, we expected to see a full discussion of the change in tactical approach at the Programme Control Group meeting and the Board of Auckland Transport informed of the potentially increased risk.
- 3.40 We searched through the Programme Control Group minutes and papers, but we could not see that the Programme Control Group had endorsed the direction on the negotiation approach. In fact, the Programme Control Group discussed only technical aspects of the Panmure Bridge works affecting Mokoia Pā. This confirms that one manager had suggested the approach to take, and that the Programme Control Group was not well enough informed.
- 3.41 We conclude that the Programme Control Group had not provided enough critical challenge to the person making the decision under delegated financial authority. The Programme Control Group members had an opportunity to pick up the lack of progress, through the project dashboard information they received.
- 3.42 Because Programme Control Group members did not recognise the increasing risk, the matter was not referred upward for some time. We consider that this was because the Programme Control Group focused on the more tangible aspects of the delivery plans, such as acquiring property.
- 3.43 In November 2014, Auckland Transport’s chief executive and the kaumatua of Ngāti Paoa re-established relationships. The chief executive has entered into a series of “without prejudice” discussions on a broad range of matters, reflecting Māori values such as kaitiakitanga and rangatiratanga. Ngāti Paoa describe the relationship as progressing.
- 3.44 Although we cannot say with any certainty, because the outcome is not settled, we consider that the risk to the programme appears to have reduced since July 2014.

### **Our conclusions from this case study**

- 3.45 Spending time and resources engaging with mana whenua and reducing risk by re-establishing constructive relationships with Ngāti Paoa after an earlier ineffective approach were two aspects of governance and accountability that worked well.

- 3.46 Auckland Transport's earlier ineffective approach to discussions with Ngāti Paoa on mitigations for works at Mokoia Pā seemed to have stemmed from aspects of governance and accountability that did not work well and from which lessons can be learned:
- The Programme Control Group did not consider the non-technical aspects of the works affecting Mokoia Pā enough, particularly the effect on Māori cultural values.
  - The increasing risks to engagement with Ngāti Paoa were recognised late and referred to the Programme Control Group, senior managers, and the Board of Auckland Transport late.
  - Action was taken that the Programme Control Group did not challenge enough or endorse.

### Important findings from the case studies

- 3.47 In Part 2, we reported that the Board of Auckland Transport is ultimately accountable for AMETI. In practice, once the Board had approved the delivery strategy, the Board required the Programme Control Group to report only exceptions to the approved plan.
- 3.48 Although the Capital Review Committee's terms of reference state that it will have a role in monitoring AMETI, the records of its meetings provided no evidence that this was happening in practice. Although the Board receives routine performance information on several key transport measures, these measures tell the Board nothing about how well AMETI is doing.
- 3.49 It is reasonable to expect that major projects manage their activities under delegation and for the project team to manage risks day to day. However, it is important that there is a process in place to provide the Board with timely information on emerging and increasing risks, such as those arising at Mokoia Pā and Pakuranga.
- 3.50 From our review of information going to the Board, we consider that the AMETI team focused on obtaining approval too much and not enough on seeking direction early enough. We consider that having a policy on significant matters would help to set expectations about what information should be "pushed" up to the Board, but the Board should also be "pulling" information from the programme team for regular scrutiny.
- 3.51 For example, we consider that the Board should be regularly and formally monitoring major project information as part of its responsibilities. Ensuring regular reporting of the AMETI programme encourages proper consideration of

project risks, costs, and performance, and is an important discipline. It would also be good practice for the information to be periodically verified by people external to the project team.

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**Recommendation 5**

We recommend that the Board of Auckland Transport regularly monitor major projects to ensure that risks are being managed and that projects are on track to deliver their intended outcomes.

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## How Auckland Transport manages accountability relationships

- 3.52 Accountability in the context of this audit means how Auckland Transport accounts for its use of public money, and how it communicates and engages with those who the AMETI programme affects.

### Relationship with Auckland Council

- 3.53 The Council is the sole shareholder of Auckland Transport. It also commissions services from Auckland Transport through the long-term plan. Finally, it also regulates Auckland Transport through its CCO monitoring and performance framework. All of these roles require different accountability arrangements and different information. The Council sets out these requirements in its *Shareholder Expectation Guide for CCOs*. On paper, the expectations are clear.
- 3.54 In practice, the formal accountability arrangements for AMETI were challenging. The matters raised were similar to some of those we heard in 2012 when we published our report *Auckland Council: Transition and emerging challenges* (our Transition report).<sup>10</sup>
- 3.55 In our Transition report, we recommended that the Council improve its reporting of large projects and related contracts that involve the Council and CCOs. We highlighted that governing bodies, and the Council, needed better reporting on these projects to limit the risk of project problems and cost overruns.
- 3.56 We consider that the Council has not achieved greater transparency of information or oversight of the AMETI programme in line with what we recommended in our Transition report.
- 3.57 The measures contained in the formal performance agreement between the Council and Auckland Transport are too general for the Council to know whether AMETI's benefits are being realised. The problem with measures being set at too

general a level is contributing to the problems we identified with reporting to the Board of Auckland Transport in paragraphs 3.47-3.51.

- 3.58 The Council would like to have more detail on projects of major regional significance, to see whether it is getting a good return on its investment. Auckland Transport considers that this is the responsibility of the Board of Auckland Transport.
- 3.59 We recognise that one of the benefits of a CCO is that it safeguards against undue political direction. However, this independence should not be at the expense of a lack of accountability to taxpayers and ratepayers. The Council told us that it plans to work with Auckland Transport on reporting requirements for major projects in 2015/16.

### **Relationship with the New Zealand Transport Agency**

- 3.60 Auckland Transport is not formally accountable to NZTA. NZTA focuses on achieving the Government's national priorities, but it works with the Council and Auckland Transport to plan for their land transport needs. NZTA has agreed "in principle" to co-fund the AMETI programme to its conclusion in 2028.
- 3.61 NZTA's budget is separated into different pots for different purposes, such as funding road projects and public transport projects. These projects are shortlisted through the national and regional transport planning process. The successful ones are built into NZTA's financial projections. Auckland Transport prepares business cases for each step within each AMETI project (such as design or feasibility studies) and applies to NZTA for funding.
- 3.62 Since 2011, the relationship between NZTA and Auckland Transport has matured, and the two organisations worked well on Stage 1. NZTA is represented on the AMETI Advisory Group.
- 3.63 However, as described in our Pakuranga Town Centre case study (see paragraphs 3.6-3.29), we found that Auckland Transport failed to engage openly and transparently with NZTA as an important funding partner.
- 3.64 In April and May 2015, Auckland Transport did much to remedy the situation. For example, it has a detailed plan to involve NZTA in finding a solution for traffic management in Pakuranga Town Centre.
- 3.65 Auckland Transport has an opportunity to work with NZTA to make better connections between AMETI and another major project, the East-West connection. In our view, this could have been achieved earlier had Auckland Transport used the AMETI Advisory Group better.

### Relationship with local boards

- 3.66 When preparing budgets and carrying out work in local boards' areas, CCOs are expected to consider local boards' objectives and priorities.
- 3.67 Auckland Transport has regular contact with local boards and has resources to support this. Chairpersons of local boards told us that they appreciated the regular updating from Auckland Transport but emphasised that the information flowed one way. One described this as Auckland Transport "asking for feedback, not input".
- 3.68 In our Transition report, we noted that:  
*Governing body and local board members were frequently surprised by late information about matters such as project and budget changes.*
- 3.69 This remained the case in 2015. The Howick Local Board did not find out until early 2015 that Auckland Transport was considering changes to the AMETI plans in Pakuranga. Members of the local board were particularly unhappy, because they had put their "Town Centre Master Plan" on hold at Auckland Transport's request and were eager to finalise it. Members were disappointed that Auckland Transport had not been transparent with them.
- 3.70 When we reviewed the briefings that the Howick Local Board received, we confirmed that there had been no indication of possible changes.
- 3.71 Auckland Transport told us that it found getting the right balance a challenge. It had tried to consult early, but it found that stakeholders were unwilling to engage until they had something "concrete" to discuss.
- 3.72 Auckland Transport also recognises that going too far with ideas and design on its own means that stakeholders can feel that the outcome is pre-determined. In our view, this is not a unique challenge and is something that Auckland Transport needs to work harder on.

# How well are the programme management arrangements working?

# 4

- 4.1 In this Part, we assess how well the programme management arrangements are working. We look at:
- how the Programme Control Group works – in terms of composition, independence of the people involved, understanding of roles and responsibilities, and management of risks;
  - how the AMETI Advisory Group works;
  - how information is used to manage the programme; and
  - whether reporting of progress towards benefits realised is adequate.
- 4.2 We expected that the Programme Control Group would consist of people chosen to bring the right balance of skills and experience to assessing the programme's delivery risks. In practice, the Programme Control Group has stronger skills and experience in technical aspects of the programme than in communication and stakeholder engagement, which are significant risks for the programme. This imbalance in skills and experience has implications for the breadth of leadership that the Programme Control Group can provide.
- 4.3 Auckland Transport needs to ensure that the chairperson of the Programme Control Group is not involved in day-to-day management of the programme. It also needs to ensure that members of the group clearly understand their roles and responsibilities, have the collective capability to exercise those, and rely less on informal reporting of information to the group. Formal reporting must be enough to support programme monitoring and management, and risk management within the programme.

## How the Programme Control Group works

### Composition of the Programme Control Group

- 4.4 When we began our audit in February 2015, there had been some changes to the Programme Control Group membership from that set out in the July 2014 terms of reference and that we discussed in Part 2.
- 4.5 The changed composition of the Programme Control Group brings together an experienced group of Auckland Transport staff with mainly technical skills. Most members are senior people with authority, and group meetings are well attended. The group has a member with commercial contracting expertise and another who can advise on the strategic fit of AMETI with other projects in Auckland.
- 4.6 We consider that the Programme Control Group has made a positive contribution on the technical aspects of the programme, such as design, procurement, and budget management.



- 4.7 However, our case studies showed that the Programme Control Group did not always manage stakeholder relationships well. We understand that Project Directors have the main responsibility for communication about a project stage and that a communications person is attached to the AMETI programme management team. However, the programme has many stakeholders, and the two biggest risks to Stage 2a involved stakeholders.
- 4.8 In this context, we expected the Programme Control Group to have a member who brought a specialist communications and stakeholder engagement perspective. Staff told us that this was the case in Stage 1 and did not know why it changed for Stage 2a. We observed that the Group Manager had taken on some of this responsibility by, for example, becoming involved in the discussions with Ngāti Paoa about Mokoia Pā.
- 4.9 Auckland Transport needs to ensure that, collectively, the members of the Programme Control Group have the full range of skills and experience to lead the programme’s technical direction and stakeholder relationships and are able to hold staff to account for how they manage all the programme’s aspects.

### Independence of the Programme Control Group

- 4.10 We noted in paragraph 2.43 that it is good practice for the chairperson of the Programme Control Group to be independent of programme delivery, to bring an impartial perspective. This also introduces more assurance and ensures that people are not overseeing their own work.
- 4.11 The previous chairperson of the Programme Control Group was more independent from programme delivery than the current chairperson. This is because the previous chairperson held a higher management role than the current chairperson (second tier rather than third tier) and did not have line management responsibility for programme delivery. Our comments on these arrangements refer to the structural arrangements and not the individual people in those roles.

**Figure 6**  
**Programme Control Group membership, February 2015**

Group Manager, Investment and Development (3rd tier) – Programme sponsor and chairperson  
Group Manager, Construction (3rd tier)  
Manager, Property and Planning (4th tier)  
Group Manager, Road Design and Development (3rd tier)  
Group Manager, Public Transport (3rd tier)  
Project Director, Key Strategic Initiatives

Source: Auckland Transport project initiation document for AMETI.

- 4.12 When the composition of the Programme Control Group was changed, a third-tier manager became the chairperson of the Programme Control Group (see Figure 6). This Group Manager also sponsors the programme, manages the division responsible for delivery, and is the line manager of AMETI's Programme Director.
- 4.13 This Group Manager also chairs the AMETI Advisory Group and would chair any main stakeholder forum. In our view, this places too much responsibility in the hands of one person. It has reduced the assurance that the Board of Auckland Transport should place on the Programme Control Group for independent guidance and advice.
- 4.14 Auckland Transport is considering asking the Capital Review Committee to "sign off" all appointments to the Programme Control Group for major capital projects from now on. This should help to ensure that a formal assessment of skills, experience, and independence informs the composition of programme control groups.

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#### **Recommendation 6**

We recommend that Auckland Transport ensure that Programme Control Group members have the full range of skills and experience needed and that the Group's chairperson is not involved in managing the programme.

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#### **Understanding the Programme Control Group's roles and responsibilities**

- 4.15 The purpose of the Programme Control Group was not well understood. There were inconsistencies between the Group's stated purpose and practice.
- 4.16 Changing from individual project control groups to an overall Programme Control Group is likely to have contributed to this confusion. In our view, that change was sensible because it meant that governance and programme management were more in keeping with AMETI's purpose.
- 4.17 In paragraphs 2.37 to 2.41, we set out the purpose and responsibilities of the Programme Control Group as they are described in October 2013 documents and the July 2014 terms of reference.
- 4.18 In summary, these terms of reference state that the purpose of the Programme Control Group is to be responsible for assurance and decision-making for the programme; to control the scope, cost, and programme of projects within the authority that the Board of Auckland Transport delegates; and to be the focus of project management.

- 4.19 In the main AMETI programme document, dated July 2014, the stated role is to “provide guidance, and endorsement of recommendations”. The group meets monthly and deals with “contract variations, project changes, departures from standard processes or policies, and commercial proposals”.
- 4.20 However, at the April 2014 meeting of the Programme Control Group, the chairperson (Group Manager, Investment and Development) stated that the Group’s purpose was to provide guidance, rather than manage the programme. In future, the focus would be on what was coming up, the main risks and problems, getting consent for plans, and accelerating the programme. The group would no longer routinely scrutinise budgetary information.
- 4.21 The Programme Control Group endorses papers for submission to the Board of Auckland Transport, although any or all of the Programme Sponsor, the Chief Infrastructure Officer, and the Chief Executive can amend papers after the Programme Control Group meeting.
- 4.22 The Programme Control Group’s role was unclear to us. When we asked the Programme Control Group members directly, most considered that their role was to bringing a wider perspective to the programme, together with critical peer challenge and support. However, some stated that the role was to “make decisions” or to work on strategy.
- 4.23 Many staff – including members of the Programme Control Group and the programme management team – were confused about how and where some decisions were made. We considered that the main cause of the confusion was that the Group Manager was directing the Programme Control Group as chairperson and also making decisions as a line manager and delegated financial authority holder.

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**Recommendation 7**

We recommend that Auckland Transport address inconsistencies in the Programme Control Group’s roles and responsibilities and ensure that all staff working in or with the Group are aware of any revisions to documents and practice.

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**How the Programme Control Group manages risks to the project**

- 4.24 If managers do not refer problems to the Programme Control Group promptly, they limit the group’s effectiveness. AMETI has no clear process on what should be referred upward. When a matter is reported to the programme management team, it decides whether the matter needs to be referred upward. Auckland

Transport told us that the lack of strict rules or criteria for referral is because it is difficult to be consistent throughout all the projects.

- 4.25 In our view, the confusion about the purpose of the Programme Control Group increases the risk of problems not being referred upward promptly.
- 4.26 Further, the Programme Control Group has no formal process for referring matters to the Board of Auckland Transport. The Board expects that it will be told of project risks when necessary, but no process gives effect to that expectation.
- 4.27 We consider that Auckland Transport should prepare guidance on matters of significance that should be referred to the Programme Control Group and from the Programme Control Group to the Board. Without such guidance, the Board cannot be certain that its advice and direction is always sought when it is needed.

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#### **Recommendation 8**

We recommend that Auckland Transport prepare guidance on significant matters that should be referred upwards – for example, to programme control groups, senior managers, or the Board of Auckland Transport.

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- 4.28 The Programme Control Group needs to provide guidance and advice on managing project risks more effectively. It should evaluate risks and look at what mitigations are in place, to get assurance that the programme management team and project teams are dealing with day-to-day risks. The group should also ensure that residual risks are referred to the Executive Leadership team or to the Board of Auckland Transport, as appropriate.
- 4.29 In practice, we saw evidence that some risks were scrutinised, but these were mostly technical matters. The Programme Control Group provided no direction on the stakeholder relationship problems that our case studies raise. Some members of the group knew about the risks informally because they had heard discussions outside the group's meetings.
- 4.30 Also, members of the Programme Control Group said that their role was to give advice on risks and not necessarily to follow through to see whether the project teams had taken action or that the Group Manager had referred a problem upward.

## How the Advisory Group works

- 4.31 The purpose of the AMETI Advisory Group is to provide advice to Auckland Transport. In contrast, the Key Stakeholder Forum is meant to share programme and project information with the main stakeholders.
- 4.32 Members of the AMETI Advisory Group told us that they understand their roles and responsibilities – to provide advice and to bring a wider Auckland perspective. Group members felt that the Group’s involvement was now “about right”, as long as their meetings were held at the right time. During Stage 1, some AMETI Advisory Group members had served on the Programme Control Group and found that they received too much detailed information.
- 4.33 Since Stage 2a began, the AMETI Advisory Group met in July, September, and November 2014, and then not until April 2015. This is at odds with its terms of reference, which provide that meetings will take place every quarter and more often if necessary. Less frequent meetings mean members are less well appraised and less involved than intended. This might also limit the Group’s effectiveness in fulfilling its objectives of assuring that strategy is in line throughout Auckland.
- 4.34 We tracked the two case studies we discussed in Part 3 through the Group’s agendas and minutes, and spoke to the members of the AMETI Advisory Group individually. The AMETI Advisory Group knew little about the potential changes in Pakuranga and did not know about the relationship problems with Ngāti Paoa arising from Stage 2a at Mokoia Pā.
- 4.35 Although we did not expect the AMETI Advisory Group members to know the details of programme delivery, we expected them to be aware of changes to risks within the programme, because this could have wider implications.
- 4.36 At the time of our audit, we concluded that Auckland Transport needed to more effectively use the AMETI Advisory Group as a forum for sharing information about plans. This would mean that the Group is fully effective in fulfilling its objectives of ensuring that strategy is in line throughout Auckland.

## How information for programme management is used

- 4.37 The Programme Control Group received good and improving information. Information was being made available with more time for the Group to consider it. In our view, the Group needs to share the information it receives and its decisions more formally. It relies too much on sharing information informally.

### **Reporting to the Programme Control Group**

- 4.38 Members of the Programme Control Group, and managers and governors generally, need relevant, good, and timely information to monitor performance and risks so that they can fulfil their responsibilities. Relevant information that is targeted and fit for the purpose and the user supports delivery of, and accountability for, the programme outcomes. Good information is accurate, complete, and reliable. Timely information is up to date, available when needed, and can be acted on.

### **Relevance and quality of information**

- 4.39 Project directors report mainly with a monthly project highlight report, along with monthly programme dashboard reports and more specific reporting as and when required. Auckland Transport's AMETI Planning Strategy helps managers to get the information they need to manage risk and performance. Programme governors also get other reports, including those commissioned from experts.
- 4.40 The format and quality of the project highlight report and monthly dashboard reports are good and improving. Individual projects or work streams report in more detail.
- 4.41 We expected that the project highlight reports would contain information about contractors' performance. They did not. This information would be useful when deciding about future contracts and should alert the Programme Control Group to any risks. We understand that Auckland Transport has started to roll out a method that will allow it to capture performance information about all its contracted suppliers.
- 4.42 We also expected to see more information about the health of stakeholder relationships. Although relationships do not have an easily quantifiable monetary value, they can significantly affect the deliverability and costs of a project, particularly where the stakeholder might object to Auckland Transport's plans. Again, this information was absent from the project highlight and monthly dashboard reports.

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### **Recommendation 9**

We recommend that Auckland Transport, when reporting on programme performance, include information about how contractors perform and the health of stakeholder relationships, so that these matters can be better managed and governed.

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**Timeliness of information**

- 4.43 Although Programme Control Group meetings were well attended, Group members sometimes lacked time to prepare for meetings. The main cause was receiving information late, but Group members would also like the production of information and meeting cycles to be more in line. Auckland Transport has told us that this has improved since our visit, with members receiving papers at least 48 hours before a meeting.
- 4.44 In our view, this is something Auckland Transport should keep under review, to see whether the 48-hour threshold is supporting effective programme management. In our experience, at least five working days is more usual. More regular timetables allow managers to set aside preparation time, and meetings can be cancelled if there is no business to discuss.

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**Recommendation 10**

We recommend that Auckland Transport review the logistics of providing information and meeting cycles for the Programme Control Group to provide information earlier and get information and meeting times more in line.

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**Sharing information**

- 4.45 Some members of the Programme Control Group told us that, if their only source of information was what they received in the meeting packs, they would struggle to understand what was going on.
- 4.46 Many people, including members of the Executive Leadership Team, told us that a lot of information is passed on informally. One senior person told us that much informal conversation, such as discussions with individual management team members and informal catch-ups, takes place outside Programme Control Group meetings.
- 4.47 He felt that the combination of these activities and the information provided directly to the Programme Control Group is enough. Others found the haphazard nature of communication to be a problem – great if you were in the right place at the right time, but not so good otherwise.
- 4.48 Members of the management team told us that the outcomes of discussions at the Programme Control Group were sometimes ambiguous and that reading the minutes did not help. In those instances, they sought out someone who had attended the meeting to elaborate. This indicates that the flow of communication from the Programme Control Group needs to be more formalised. For example, the project team could be briefed after each Programme Control Group meeting.

- 4.49 Information to the Board of Auckland Transport is often not presented in a board paper. Instead, information is provided through Programme Control Group slides and presentations. Although minutes of decisions are recorded, working in this way carries potentially serious accountability risks. This is because it is difficult to see:
- what advice was given;
  - how direction was given;
  - how conflicts were managed; and
  - how decisions were arrived at.

- 4.50 AMETI is a long programme, and before it ends many different members will have served on the Board of Auckland Transport. It will be important for the Board, at any time, to know how its predecessors got to a decision. In our 2012 report, *Inquiry into the Mangawhai community wastewater scheme*,<sup>11</sup> we said:

*Good records are the foundation for any accountability process. Records need to be able to explain what happened and why, and can also protect an organisation by providing evidence to rebut unfounded allegations of improper action.*

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#### **Recommendation 11**

We recommend that Auckland Transport use more formal channels of communication to and from the Programme Control Group and to the Board of Auckland Transport.

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### **Reporting benefits realised**

- 4.51 The Programme Control Group receives some information on the expected benefits of AMETI, but Auckland Transport does not yet have a systematic approach to defining and measuring AMETI's benefits.
- 4.52 The programme documents link the outputs and outcomes to the programme's anticipated benefits, but, in April 2015, Auckland Transport had not yet set quantifiable measures for most of the benefits.
- 4.53 We looked at a year's worth of papers that went to the Programme Control Group. Some of those papers contained calculations about the projected benefits that would arise when the project team delivered a completed "asset", such as a bus station or changes to road intersections.

11 Available on our website, [www.oag.govt.nz](http://www.oag.govt.nz).



- 4.54 These benefits were expressed in four ways:
- the strategic fit with the Auckland Plan and the Integrated Transport plan;
  - those that could be measured when the asset was delivered, such as increased passenger boarding numbers or reduced journey times;
  - those that would arise only when several or all of the project elements were delivered, such as further increases in passenger boarding numbers at a train station when it was connected to a rapid transit bus way; and
  - theoretical benefit-to-cost ratios for the programme and individual parts of it.<sup>12</sup>
- 4.55 Auckland Transport told us it relies on NZTA's funding and review processes to define benefits in a way that can be measured in future. NZTA requires Auckland Transport to provide a rigorous assessment of effectiveness, efficiency, and strategic fit before NZTA approves funding. We acknowledge that this appears to be a very robust process. However, it should be a secondary source, not a primary source, of assurance for Auckland Transport.
- 4.56 Auckland Transport also told us that some of AMETI's benefits depended on completing other projects, such as City Rail Link. If Auckland Transport is unable to distinguish the effect of AMETI from those of other initiatives, it is difficult to work out whether the programme represents value for money.
- 4.57 Auckland Transport told us that it is now preparing a formal process and timetable for Board reporting to its two funding partners on major capital projects.

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**Recommendation 12**

We recommend that Auckland Transport clearly define the project's and programme's expected benefits and report regularly to funders on the benefits realised.

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<sup>12</sup> Benefit-to-cost ratios model the anticipated benefits in economic terms, and express this as a ratio of the cost of doing the project. Benefit-to-cost ratios of greater than 1.0:1.0 indicate that a project will return benefits greater than the cost of the doing the project.

# Appendix

## Auckland Transport's response to our recommendations

Auckland Transport told us that it has started the following actions after our audit. We have not verified these changes but will follow up on the implementation of our recommendations as part of our normal programme of work.

1. The Programme Control Group is now chaired by the Chief Infrastructure Officer, who is independent of the daily management of the project.
2. A Project Management Office has been set up. It has an overview of all project controls, reporting, forecasting, commercial management, and programme management for all capital infrastructure projects. The Project Management Office reports directly to the Chief Infrastructure Officer.
3. A monthly major projects review forum has been set up. It consists of all Senior Group Managers in the Infrastructure Group (chaired by Chief Infrastructure Officer), who review all major capital projects (including AMETI).
4. The Top 20 Projects (which includes AMETI) are now reported monthly by the Chief Infrastructure Officer through a Project Highlights Report. This report goes to the Capital Review Committee (the full Board of Auckland Transport), which is chaired by an Auckland Transport Director.
5. A monthly contractor performance measurement system has been developed and incorporated into the Project Highlights Report to measure contractor performance for a range of elements.
6. A review of the Key Stakeholders Forum and the value it would provide is under way. This will help decide whether to establish the Forum. If established, then formal terms of reference will be prepared.
7. If the decision is not to establish the Key Stakeholders Forum, then a review of the AMETI Advisory Group members will be carried out to broaden the participants and consider local board and iwi representation.
8. A review of the composition of the Programme Control Group is currently under way with a view to improve the communications experience and broaden the participants' external views.







# Publications by the Auditor-General

Other publications issued by the Auditor-General recently have been:

- Annual Report 2014/15
- Service performance reporting: Results of the annual audits of TEIs for the year ended 31 December 2014
- Request for inquiry into the regulation of the ancient swamp kauri industry
- Kaipara District Council: The Auditor-General's decision on requests to make a report under section 44 of the Local Government Act 2002
- Consulting the community about local authorities' 10-year plans
- New Zealand Police: Enforcing drink-driving laws – Progress in responding to the Auditor-General's recommendation
- Response to queries about recovery from the Canterbury earthquakes
- Annual Plan 2015/16
- Reflections from our audits: *Service delivery*
- Being accountable to the public: Timeliness of reporting by public entities
- Effectiveness of governance arrangements in the arts, culture, and heritage sector
- Health Promotion Agency – Katherine Rich – Possible conflicts of interest
- Whānau Ora: The first four years
- Inland Revenue Department: Governance of the Business Transformation programme
- Auckland Council: How it deals with building consents
- Draft annual plan 2015/16
- Auditor-General's findings about AgResearch's Future Footprint project

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