

Agenda for a meeting of the Audit & Risk Committee of the Waikato District Council to be held in Committee Rooms 1 & 2, District Office, 15 Galileo Street, Ngaruawahia on **THURSDAY 27 JUNE 2019** commencing at **9.00am**.

Information and recommendations are included in the reports to assist the Committee in the decision making process and may not constitute Council's decision or policy until considered by the Committee.

1. APOLOGIES AND LEAVE OF ABSENCE

2. CONFIRMATION OF STATUS OF AGENDA

Representatives from Audit New Zealand will be in attendance.

3. DISCLOSURES OF INTEREST

4. CONFIRMATION OF MINUTES

Meeting held on Wednesday 13 March 2019

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GJ Ion
CHIEF EXECUTIVE

Committee members have been invited to a Zero Harm site visit to the Ngaruawahia Water Treatment Plant following the conclusion of the Meeting.

Open Meeting

| | |
|---------------------------------|---|
| To | Audit & Risk Committee |
| From | Gavin Ion Chief Executive |
| Date | 21 March 2019 |
| Prepared by | Lynette Wainwright Committee Secretary |
| Chief Executive Approved | Y |
| Reference # | GOV1318 |
| Report Title | Confirmation of Minutes |

1. EXECUTIVE SUMMARY

To confirm the minutes of the Audit & Risk Committee held on Wednesday 13 March 2019.

2. RECOMMENDATION

THAT the minutes of the Audit & Risk Committee held on Wednesday 13 March 2019 be confirmed as a true and correct record of that meeting.

3. ATTACHMENTS

A&R Committee Minutes – 13 March 2019

MINUTES of a meeting of the Audit & Risk Committee of the Waikato District Council held in the Committee Rooms 1 and 2, District Office, 15 Galileo Street, Ngaruawahia held on **WEDNESDAY 13 MARCH 2019** commencing at **9.02am**.

Present:

Ms M Devlin (Chairperson)
His Worship the Mayor Mr AM Sanson
Cr AD Bech
Cr JM Gibb
Cr BL Main [*until 10.18am and from 10.22am until 12.05pm*]

Attending:

Mr GJ Ion (Chief Executive)
Mr TG Whittaker (Chief Operating Officer)
Mrs S O’Gorman (General Manager Customer Delivery)
Mr C Morgan (General Manager Community Growth) – Item 5.1.6
Mr R MacCulloch (Deputy General Manager – Service Delivery)
Mrs LM Wainwright (Committee Secretary)
Ms A Diaz (Chief Financial Officer)
Mr K Abbott (Projects & Innovation Manager)
Mr J Ebenhoh (Planning and Policy Manager) – Item 5.1.6
Mr D MacDougall (Open Spaces Team Leader) – Item 5.1.4
Mr N Barber (Reserves Team, Raglan) – Item 5.1.4
Mrs K Jenkins (Project Management Advisor)
Ms M Russo (Acting Corporate Planning Team Leader)
Mrs M Baena-Escamilla (Continuous Improvement Analyst)
Mr L Pieterse (Director Audit New Zealand)
Mrs L Shirley (Zero Harm Manager)

APOLOGIES AND LEAVE OF ABSENCE

Resolved: (Crs Bech/Gibb)

THAT an apology be received from **Cr Sedgwick**.

CARRIED on the voices

A&R1903/01

CONFIRMATION OF STATUS OF AGENDA ITEMS

Resolved: (Crs Main/Gibb)

THAT the agenda for a meeting of the Audit & Risk Committee held on Wednesday 13 March 2019 be confirmed and all items therein be considered in open meeting with the exception of those items detailed at agenda item 6 which shall be discussed with the public excluded.

CARRIED on the voices

A&R1903/02

DISCLOSURES OF INTEREST

The Chair, Ms Devlin, advised members of the Committee that there were references to Watercare and Waikato Regional Airport in reports in the agenda. She declared an interest as a Director of Watercare and Waikato Regional Airport. It was also noted that there were no decisions required in respect of Watercare nor of Waikato Regional Airport.

The Chief Executive advised members of the Committee that he would declare a non financial conflict of interest in item PEX 2.3 [*Risk Assessment of Council Controlled Organisations' draft Statements of Intent*].

CONFIRMATION OF MINUTES

Resolved: (Crs Bech/Main)

THAT the minutes of a meeting of the Audit & Risk Committee held on Wednesday 12 December 2018 be confirmed as a true and correct record of that meeting.

CARRIED on the voices

A&R1903/03

REPORTS

Strategic Risk Register March 2019

Agenda Item 5.1.1

The report was taken as read. In speaking to the report the following points were highlighted by the Project Management Advisor:

- GAP analysis. Analysis has identified where further work is required to close the gap between the effect of the mitigations and the agreed Risk Appetite;
- Physical space changes at the Ngaruawahia office – congratulations to organisation; and
- Contract management, procurement – work to be carried out on the interdependencies of the new staff roles. An Audit & Compliance Officer has recently been appointed to Service Delivery.

Resolved: (Cr Gibb/His Worship the Mayor)**THAT the report from the Chief Operating Officer be received.****CARRIED on the voices****A&R1903/04**Risk Framework March 2019

Agenda Item 5.1.2

The report was taken as read. In speaking to the report the Project Management Advisor highlighted the following points:

- 3C risk register with internal team for testing;
- External engagement being worked on – other Councils have requested copies of our risk register/framework;
- Case studies are being worked on;
- Risk culture – where is this sitting at the moment? Executive level at this stage. Survey going out in April 2019 on culture to enable a GAP analysis to be prepared;
- Communication of risk appetite is happening within the organisation;
- Risk is discussed monthly at Executive Leadership Team meeting; and
- Education campaign with teams – risk will be part of this education process as it is part of the organisation's day-to-day life.

Resolved: (His Worship the Mayor/Cr Bech)**THAT the report from the Chief Operating Officer be received.****CARRIED on the voices****A&R1903/05**Emerging Risks March 2019

Agenda Item 5.1.3

The report was taken as read and in speaking to the report, the Project Management Advisor highlighted the following points:

- Employee wellbeing – maintaining momentum. Question on whether there are different cultures within the teams at Waikato District Council. A utilisation study has been carried out and project work is currently happening;
- Flexible work arrangements – staff are looking at policy and procedures, including where Council's responsibility and liability sit;
- Zero Harm risk - contractors need to be included in this process;
- Climate change – looking at business resilience risks within the organisation; work is ongoing in this area. Question on the area of waste – this has been captured and is an ongoing project;
- The Solid Waste Team Leader has just been recruited;
- Waste Minimisation Plan has been subscribed to. A Community Resilience Officer is being employed; and
- The Committee endorsed the inclusion of affordable housing as an emerging risk.

Resolved: (Crs Bech/Gibb)

THAT the report from the Chief Operating Officer be received.

CARRIED on the voices

A&R1903/06

Risk Conversations – Open Spaces Team, Wainui Reserve Farm
Agenda Item 5.1.4

The report was taken as read and in speaking to the report, the Open Spaces Team Leader and Reserves Team, Raglan Team Leader highlighted the following points:

- Farming and public activities – aware of risk to public. Public safety is a key concern;
- Trials are being carried out on quad bike scenarios – working with our Zero Harm team;
- Cattle on Wainui Farm - the farm now selects its own cattle which are hand raised;
- No backup person in the Raglan team to cover sickness, annual leave and resignation;
- There is cellphone coverage at the Wainui Reserve if an emergency happens;
- Common sense approach is required when farming. EPERP (satellite tower based) required for safety – Zero Harm team looking into this; and
- Reserve Management Plan for Wainui Reserve is being worked through at this stage. The reserve is a significant regional park and is widely used.

The Committee queried whether someone from a rural background had assessed the risk report as it was felt that there were some missing gaps. It was agreed that this would be further discussed with Cr Main, who volunteered to assist as required.

Resolved: (Cr Main/His Worship the Mayor)

THAT the report from the General Manager Service Delivery be received.

CARRIED on the voices

A&R1903/07

Audit New Zealand Broader Audit Risk Assessment
Agenda Item 5.1.5

The report was taken as read and in speaking to the report, the Chief Operating Officer highlighted the following points:

- Risk assessment, contract management, procurement and asset management had been assessed; and
- Audit NZ outlined the area of risk assessment carried out.

Resolved: (Crs Gibb/Main)

THAT the report from the Chief Operating Officer be received.

CARRIED on the voices

A&R1903/08

Regional/National Strategic Planning Strategic Risk Deep Dive Report
Agenda Item 5.1.6

The report was taken as read and in speaking to the report, the Planning & Policy Manager highlighted the following points:

- There are a number of components with Regional/National Strategic Planning;
- Engagement needs to be carried out in the right way;
- Staying informed and involved, good planning and keeping the organisation's strategic framework tuned up is necessary; and
- District development strategy – culture and empowering people is important. Staff were encouraged to challenge everything as there may be a better way of doing things. This all links into the Gearing for Growth and Greatness process.

Support was given for the recommendations relating to the current strategic risks on page 135 of the Open Agenda.

Resolved: (Cr Bech/His Worship the Mayor)

THAT the report from the General Manager Community Growth be received.

CARRIED on the voices

A&R1903/09

Cr Main withdrew from the meeting at 10.18am and re-entered the meeting at 10.22am during discussion on the above item.

The meeting adjourned at 10.28am and resumed at 10.45am.

Tax Risk Governance Framework
Agenda Item 5.2.1

The report was taken as read and in speaking to the report, the Chief Financial Officer referred to minor changes made to the framework.

Resolved: (Crs Gibb/Bech)

THAT the report from the Chief Operating Officer be received;

AND THAT the Audit & Risk Committee approves the updated Tax Risk Governance Framework.

CARRIED on the voices

A&R1903/10

Internal Audit Programme

Agenda Item 5.2.2

The report was taken as read and in speaking to the report, the Chief Operating Officer highlighted the following points:

- Internal audit is not consultancy;
- The internal audit programme is determined with regard to the Strategic Risk Register; and
- Clear view on internal audit requirements, ensuring that the scope of the internal audits are clearly defined.

Resolved: (Crs Gibb/Main)

THAT the report from the Chief Operating Officer be received;

AND THAT the Audit & Risk Committee provide direction to staff on the development of an updated internal audit programme.

CARRIED on the voices

A&R1903/11

Waikato District Council Zero Harm Safety Management System

Agenda Item 5.3.1

The report was taken as read and in speaking to the report, the Zero Harm Manager highlighted the following points:

- Key points on the strategic plan is being worked on;
- A risk assessment is being carried out on contracts and contractors from a Health & Safety perspective. Education with contractors is required; and
- Managing risk around volunteers. Job safety analysis/suite of tools had been put together with Council's Legal Counsel.

Resolved: (Crs Gibb/Main)

THAT the report from the Chief Executive be received.

CARRIED on the voices

A&R1903/12

Update on Process Audit and Quality Improvement

Agenda Item 5.3.2

The report was taken as read and no questions were raised.

Resolved: (His Worship the Mayor/Cr Gibb)

THAT the report from the Chief Operating Officer be received.

CARRIED on the voices

A&R1903/13

Team Up – Gearing for Growth & Greatness Launch Post Implementation Report
Agenda Item 5.3.3

The report was taken as read and in speaking to the report, the Change Manager highlighted the following points:

- Video showing the Team Up 2019 at Hampton Downs was presented;
- Events coming up:
 - Drop in sessions for staff are planned;
 - April 2019 - placemaking competition;
 - May 2019 - change management training series;
 - Business planning;
 - People leaders design; and
 - Staff survey.

Resolved: (Crs Main/Bech)

THAT the report from the Chief Operating Officer be received.

CARRIED on the voices

A&R1903/14

Updated Future Work Plan and Action List

Agenda Item 5.3.4

The report was taken as read and no questions were raised.

Resolved: (Cr Main/His Worship the Mayor)

THAT the report from the Chief Operating Officer be received.

CARRIED on the voices

A&R1903/15

Aon New Zealand Renewal Report

Agenda Item 5.3.5

The report was taken as read and no questions were raised.

Resolved: (Crs Gibb/Main)

THAT the report from the Chief Operating Officer be received.

CARRIED on the voices

A&R1903/16

2018-19 Annual Report

Agenda Item 5.3.6

The report was taken as read and in speaking to the report, the Acting Corporate Planner Team Leader highlighted the following points:

- The second interim audit will be earlier than usual;
- Annual Report to be presented to the Committee on 18 September 2019; presented to the Council for adoption on 7 October 2019; and
- All issues will be completed by the end of the calendar year.

Resolved: (Crs Bech/Main)

THAT the report from the General Manager Community Growth be received.

CARRIED on the voices

A&R1903/17

Update on Progress against Audit Issues – March 2019

Agenda Item 5.3.7

The report was taken as read and in speaking to the report, Mr Pieterse highlighted the focus from Audit NZ this year will be:

- Revaluation of fair valuations of plant and equipment;
- Development contributions;
- 3 waters – change process;
- Risk of management override of internal controls;
- Bribery & corruption;
- Good practice guidance on communication; and
- Health & Safety.

The Committee requested that Sensitive Expenditure be included as an Audit Issue for the 2018/19 Audit.

Resolved: (Crs Gibb/Bech)

THAT the report from the General Manager Community Growth be received.

CARRIED on the voices

A&R1903/18

EXCLUSION OF THE PUBLIC

Agenda Item 6

Resolved: (Crs Gibb/Bech)**THAT** the report from the Chief Executive be received;**AND THAT** the public be excluded from the meeting to enable the Audit & Risk Committee to deliberate and make decisions on the following items of business:

- a. **Confirmation of Minutes dated Wednesday 12 December 2019**

REPORTS

- a. **Contract Spend Review**

The general subject of the matter to be considered while the public is excluded, the reason, and the specific grounds under section 48(1) of the Local Government Official Information and Meetings Act 1987 are as follows:

Reason for passing this resolution to withhold exists under: **Ground(s) under section 48(1) for the passing of this resolution is:**

Section 7(2)(b)(ii) & (i)

Section 48(1)(3)(d)

- b. **Procurement Manager Report**

The general subject of the matter to be considered while the public is excluded, the reason, and the specific grounds under section 48(1) of the Local Government Official Information and Meetings Act 1987 are as follows:

Reason for passing this resolution to withhold exists under: **Ground(s) under section 48(1) for the passing of this resolution is:**

Section 7(2)(b)(ii) & (i)

Section 48(1)(3)(d)

- c. **Risk Assessment of Council Controlled Organisations' draft Statements of Intent**

The general subject of the matter to be considered while the public is excluded, the reason, and the specific grounds under section 48(1) of the Local Government Official Information and Meetings Act 1987 are as follows:

Reason for passing this resolution to withhold exists under: **Ground(s) under section 48(1) for the passing of this resolution is:**

Section 7(2)(b)(ii) & (i)

Section 48(1)(3)(d)

d. Register of Members' Interests Elected Members and Senior Staff

The general subject of the matter to be considered while the public is excluded, the reason, and the specific grounds under section 48(1) of the Local Government Official Information and Meetings Act 1987 are as follows:

Reason for passing this resolution to withhold exists under: Ground(s) under section 48(1) for the passing of this resolution is:

Section 7(2)(f)(h)(i)(j)

Section 48(1)(3)(a)(d)

e. Fraud Declaration

The general subject of the matter to be considered while the public is excluded, the reason, and the specific grounds under section 48(1) of the Local Government Official Information and Meetings Act 1987 are as follows:

Reason for passing this resolution to withhold exists under: Ground(s) under section 48(1) for the passing of this resolution is:

Section 7(2)(a)

Section 48(1)(a)(d)

f. Committee Time with Audit New Zealand

The general subject of the matter to be considered while the public is excluded, the reason, and the specific grounds under section 48(1) of the Local Government Official Information and Meetings Act 1987 are as follows:

Reason for passing this resolution to withhold exists under: Ground(s) under section 48(1) for the passing of this resolution is:

Section 7(2)(f)(g)(h)(i)(j)

Section 48(1)(a)(d)

AND FURTHER THAT Mr Pieterse (Audit New Zealand) remains in the meeting after the public has been excluded to contribute to the discussion on items in PEX 6 [Public excluded items] in the public excluded section of the meeting.

CARRIED on the voices

A&R1903/19

Resolutions A&R1903/20 - A&R1903/24 are contained in the public excluded section of these minutes.

It was resolved [Resolution No. A&R1903/22] during the public excluded section of the meeting that the following resolution be released into open meeting but the report remain confidential and unavailable to the public:

Risk Assessment of Council Controlled Organisations' Draft Statements of Intent

Agenda Item PEX 2.3

"THAT the report from the Chief Operating Officer be received;

AND THAT any Audit & Risk Committee feedback is incorporated in Council's response to the draft Statement of Intents for Council Controlled Organisations;

AND FURTHER THAT the resolution be released into Open Meeting but the report remain confidential and unavailable to the public."

CARRIED on the voices"

Having resumed open meeting and there being no further business the meeting was declared closed at 12.09pm.

Minutes approved and confirmed this day of 2019.

Margaret Devlin
CHAIRPERSON

Meeting

| | |
|---------------------------------|---|
| To | Audit & Risk Committee |
| From | Tony Whittaker Chief Operating Officer |
| Date | 23 May 2019 |
| Prepared by | Katja Jenkins Risk Advisor |
| Chief Executive Approved | Y |
| Reference # | GOV1318 / 2255138 |
| Report Title | Strategic Risk Register June 2019 |

I. EXECUTIVE SUMMARY

This report details:

- Strategic risks; risk appetite gap analysis last quarter;
- Recommendation for key strategic risk deep dive activity for next quarter;
- Strategic risk activities.

2. RECOMMENDATION

THAT the report from the Chief Operating Officer be received.

3. DISCUSSION

Key Strategic Risks – Last Quarter

R00184 – Zero Harm: *Significant harm is caused to workers, or others, due to poor or inactive health and safety procedures, non-compliance with legislative requirements, or inadequate governance/ management of contractual health and safety requirements.*

The Zero Harm Team has commenced a complete review of Councils processes and procedures for managing contractor health and safety. This work is being undertaken in conjunction with Procurement and Community Projects Teams. The review will systematically work through the contractor management process.

Outcomes from the review are being trialled using a variety of new contracts. A key change is the requirement for contract managers to complete a health and safety Risk Assessment.

The risk assessment produces a score which is used to determine what level of contractor health and safety management is applied.

The Zero Harm Team are also working on the required provision of health and safety information in the Request for Quotation (“RFQ”), Request for Proposal (“RFP”), Tender documents to potential tenderers/suppliers and how a tender is evaluated from a health and safety point of view.

R00191 – Projects & Initiatives: *Council fails to produce required project benefits due to poor delivery of projects and programmes caused by a lack of procedure or capability.*

The Project Management Framework was officially launched in April, supported by the Project Management Forum. The framework was tested in a pilot with the Community Projects team who manage many of the high value projects and is now being systematically rolled out to the whole organisation. Community Connections are the focus during June due to the high number of projects in that area.

As well as whole of organisation framework training improvements are being made on project data quality and the monthly reporting discipline. A dedicated Project Management webpage (internal) and an electronic projects noticeboard are also in the pipeline; planned to go live the end of June 2019.

The Portfolio Governance Group (“PGG”) has been meeting monthly since August 2018 to review portfolio performance and approve new project proposals. After an initial settling period the group has now established solid processes in their gatekeeper role. To date they have processed 17 new project proposals:

- 13 approved
- 2 approved (on hold)
- 2 declined

It should be noted that Long Term Plan projects are taken as pre-approved. In response to this the PGG is developing its understanding and capability to monitor the volume of internal projects to moderate the work burden for staff. Placing projects on hold and declining non-priority projects is a strategy that mitigates this risk.

R00231 – Waters Services Delivery Model: *Council experiences significant disruption to business operations during contract modelling, transition and implementation, caused by the loss of personnel and or a lack of governance.*

On Tuesday 29 May 2019 the Waters Governance Board met to discuss the current state of contract negotiations with Watercare. As a result it was resolved that Council needs to develop a higher level of comfort that the proposed contract is in the best interests of Waikato District in the long term.

Contract terms, conditions and scope will be reviewed by the Waters Governance Board and outcomes will be communicated to Watercare by 28 June 2019. This action will incur a delay in signing of the contract which may increase risk of Councils Waters staff opting to exit the business prior to negotiations being finalised and could impact the ability for Council and Watercare to provide the required levels of service to our community. Council will

continue to closely monitor the associated risks and apply contingency actions as outlined through the Watercare Transition Project.

R00053 – Business Resilience: *Business function is significantly interrupted due to a lack of business continuity planning and organisational resilience.*

A project proposal has been developed in consultation with the Emergency Management, Incident Management and Risk Management Teams. The proposal has been approved through the Portfolio Governance Group; commencing August 2019. The project aims to develop and communicate a cross organisational business continuity framework as part of the Resilience work programme. The work includes:

- Development of a Business Continuity Framework that seamlessly integrates with Emergency Management, Incident Management and Risk Management practices;
- Creation of relevant and effective BC processes to support:
 - Co-ordination, development and maintenance of impact assessments;
 - Development and progression of business continuity plans;
- Development of an engagement plan to raise awareness and promote the importance of business continuity at Council;
- Development of an appropriate schedule to support ongoing organisational engagement with business continuity planning;
- Implementation of appropriate business continuity tools.

R00128 – Cyber Security: *Council function is significantly interrupted due to unauthorized access or theft of privileged information caused by external cyber-attack or employee behaviour.*

Progress toward increased mobility is on track for a pilot in July. Firewall and network improvement preparatory work continues; on 22 May Ngaruawahia was connected to ultrafast fibre which enables final configuration. This work will ensure that mobility is secure.

R00185 – Asset Management: *Council fails to provide sustained delivery of core services as the result of critical assets failing or becoming unfit for purpose.*

Review of the position descriptions in the Asset Management area identified a need to redraft and resize a number of the existing positions. This has been completed and the recruitment process has been initiated. Two of the four vacant roles have been successfully filled (commencing June 2019).

Whilst recruitment for the Asset Manager role is underway it has been deemed prudent to engage Becca to deliver the Asset Management Planning review process (for the Long Term Plan) to prevent delays in delivering the annual programme of works. The Asset Manager will adopt responsibility for this project once on board.

Other work streams that mitigate this risk include:

- Preparation for the annual asset re-valuation. This work has begun. The process will enable financial planning to inform the 2020 Annual Plan.

- Project scoping (in consultation with the Community Growth Team) to confirm growth assumptions for the next draft of the Infrastructure Strategy and Asset Management Plans.
- Engagement of consultant services to update the Roding Asset Management Plans.

Key Risk – Next Quarter Deep Dive

It is recommended that the next deep dive is focused on the “Council Partnerships” risk. This risk currently sits within appetite however it requires review and re-assessment with consideration to circumstances associated with existing and new contracting arrangements.

R00183 – Council Partnerships: *Council experiences diminished public confidence and or operations are significantly impacted due to actions, representations or conduct of partnership enterprises or associations.*

Strategic Risk Activities

Critical Incident Workshop – Waikato District Council and Watercare:

On 2 May 2019, Head of Risk & Resilience Watercare, facilitated a workshop with Council teams for the purpose of informing a joint incident management plan (for the transition period). Attendees included communications and operations representatives from both organisations, as well as members of Councils Emergency Management, Risk Management and Incident Management Teams. The draft plan is currently under review and subsequent workshops are expected prior to 1 July.

Waikato District Hazard Workshop:

On 14 June 2019, a number of Council representatives will attend the Waikato District Hazard Workshop, hosted by the Group Emergency Management Office and Waikato Regional Councils Hazards Team. The workshop aims to gain local knowledge to inform the development of the Waikato Hazards portal and to develop a common understanding of the natural and man-made hazards and risks in the Waikato district by:

- Raising awareness of the Waikato Hazards Portal project
- Identifying suitable information for incorporation into the Hazards Portal
- Providing opportunity to share hazard knowledge
- Identifying gaps through collective knowledge
- Discussing future research opportunities
- Relationship and network building
- Identification of common themes across the Waikato Area
- Supporting the prioritization of Emergency Management efforts within the District.

4. CONCLUSION

Work towards reducing the gaps between Councils risk appetite and the existing strategic risk assessments is on-going. Regular review and update of the Strategic Risk Register at the

Executive level is required to facilitate timely communication and ensure currency whilst maintaining momentum to socialise the register across the whole of the organisation.

5. ATTACHMENTS

Appendix I: Strategic Risk Register

Risk Register

Filter: Classification(s): STRATEGIC (A&R Committee)

RESIDUAL
20.0
EXTREME

INHERENT
25.0

R00184

COMPLIANCE/ REGULATORY, PEOPLE, STRATEGIC (A&R COMMITTEE)

**Zero Harm;
Significant harm is caused to workers, or others, due to poor or inactive health and safety procedures, non-compliance with legislative requirements, or inadequate governance/ management of contractual health and safety requirements.**

People are harmed as a result of the Council failing to implement and or maintain appropriate health and safety policies, procedures, and processes or sustain an H&S aware culture

OWNER Gavin Ion

CREATED 9/5/2016 10:47:22 AM

RISK LIKELIHOOD Almost Certain (5)
DESCRIPTORS

RISK CONSEQUENCE Catastrophic (5)
DESCRIPTORS

RESIDUAL RISK LIKELIHOOD Likely (4)
DESCRIPTORS

RESIDUAL RISK CONSEQUENCE Catastrophic (5)
DESCRIPTORS

TREATMENT MC00415

Zero Harm Strategic Plan

The strategic plan identifies high level strategic health and safety improvement activities to deliver on the Organisation's Zero Harm vision. The plan is developed by the Zero Harm Team and reviewed and approved by the ELT, SLT and Safety Action Team. Progress on achieving the plan is reported on to the Council via the Monthly Council Report and to the ELT on a weekly basis.

This treatment impacts the likelihood of the risk by providing clear expectation of organisational requirements and describing agreed governance and management methods.

TREATMENT MC00416

Monitor and maintain operational Zero Harm critical risk and hazard registers. Critical risks are identified and managed using the BowTie Risk Management approach. Critical risks are contained in an organisational risks register. Operational hazards are identified and recorded in hazard registers.

This treatment impacts the likelihood of harm by identifying and prioritizing operational risks across the organisation and planning mitigation to reduce, transfer or avoid the risk.

TREATMENT MC00435

Council Health and Safety management systems and processes are audited to AS/NZS 4801 Standard, currently Council has achieved ACC WSMP tertiary level. The chief executive and management team carry out due-diligence site visits in compliance with the Health and Safety at Work Act 2015. Contractors are audited on an on going schedule.

This treatment impacts the likelihood of the risk by ensuring that our systems and processes meet the required standards however, it should be noted that they may not meet the legislative requirements.

SIGNOFF(S): Lynn Shirley

DUE DATE: 01 Dec 2019

FREQUENCY: 1st day of every 6 months

SIGNOFF(S): Kylie Anderson
Lynn Shirley

DUE DATE: 01 Dec 2019

FREQUENCY: 1st day of every 6 months

SIGNOFF(S): Lynn Shirley

DUE DATE: 01 Feb 2020

FREQUENCY: The first Day of every 12 months

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TREATMENT MC00437

The Executive Leadership Team review the organisation critical risk register 6mthly. Service delivery review risks specific to their operational group monthly.

The Executive Leadership Team hold safety conversations with staff around the critical risks to ensure what we say we do and what is actually done is in agreement or note any differences. The conversation also uncovers whether there are any other outstanding or important matters from a zero harm perspective that should be considered. This treatment impacts the likelihood of the risk by ensuring the Executive Leadership Team and Managers are aware of the risks and relevant treatment processes.

TREATMENT MC00545

Waikato District Council has a Risk and Hazard management system known as BWare. BWare is used to record identified critical risks and hazards. Controls to manage critical risks and hazards are documented in BWare and actions can be assigned for control implementation. BWare is managed by the Zero Harm Team however it is the responsibility of all workers, management and contractors to comply with risk and hazard identification and management processes and procedures. The completion of actions is tracked weekly by the Zero Harm Team and status reports provided and discussed with the Executive Leadership Team (ELT) on a weekly basis.

This treatment impacts the likelihood of the risk by detailing site and occupation specific hazards and capturing and communicating relevant safety requirements.

TREATMENT MC00584

The contract and tendering process has specifications which ensure that all contractors that are selected to undertake works (long or short term) supply details of H&S practices, including how and who will manage them. This process includes the contractor being added to the SHE Prequalified Contractor Database and ensures that all selected contracts include and meet Councils requirements for H&S and H&S legislative standards.

Periodic checks are performed by Councils Zero Harm team to monitor contractor compliance.

This treatment impacts the likelihood of the risk by providing clear and documented expectations to contractors during the selection and on-boarding process, reducing the risk of non-compliance.

SIGNOFF(S):

Gavin Ion

DUE DATE:

26 Dec 2019

FREQUENCY:

The last Thursday of every 6 months

SIGNOFF(S):

Lynn Shirley
Kylie Anderson

DUE DATE:

31 Jul 2019

FREQUENCY:

The last Day of every 12 months

SIGNOFF(S):

Lynn Shirley

DUE DATE:

01 Aug 2019

FREQUENCY:

The first Weekday of every 12 months

RESIDUAL
20.0
EXTREME

INHERENT
25.0

R00191

POLITICAL, REPUTATION/ IMAGE, STRATEGIC (A&R COMMITTEE)

**Projects & Initiatives;
Council fails to produce required project benefits due to poor delivery of projects and programmes caused by a lack of procedure or capability.**

Inconsistent knowledge, practices and or efficiency results in Council failing to deliver or perform against expected programme or project outcomes.

OWNER Kurt Abbot

CREATED 9/5/2016 12:23:20 PM

RISK LIKELIHOOD Almost Certain (5)
DESCRIPTORS

RISK CONSEQUENCE Catastrophic (5)
DESCRIPTORS

RESIDUAL RISK LIKELIHOOD Likely (4)
DESCRIPTORS

RESIDUAL RISK CONSEQUENCE Catastrophic (5)
DESCRIPTORS

22

TREATMENT MC00430

Every three years Council creates Long Term Plan (LTP) works streams that capture programmed works scheduled to deliver the LTP commitments. These work streams include annual Activity Management Plans (AMPs) that dictate which programmes will be undertaken (through projects and initiatives) for the subsequent period.

This treatment impacts the likelihood of the risk by detailing and documenting Councils annual and triannual work plan.

TREATMENT MC00431

In 2010 Council introduced a business specific Project Management Framework based on best practice project management methodology. In 2018 the methodology was reviewed and is currently being tested and rolled out to the business. The methodology provides a common and widely understood set of processes and tools to be used across Council to:

1. Deliver a consistent project approach
2. Align projects to strategic goals and outcomes
3. Facilitate collaboration between organisational teams
4. Offer an organisational view of all project work
5. Improve status/progress reporting
6. Increase project management knowledge
7. Identify opportunity for improvement and development

Dedicated project support staff augment and administrate the framework including delivery of system and methodology based training programmes.

This treatment impacts the likelihood by providing a higher level of transparency, by facilitating the identification and assessment of risks during planning and by providing a consistent approach to planning and managing project work.

TREATMENT MC00436

Implementation of Project Management Forum. The forum was mandated in September 2016 in response to recommendations of an external audit commissioned by Audit & Risk Committee during 2016. The Forum is primarily tasked to deliver priority recommendations that both aim to improve future project delivery at Council and provide greater consistency in project management and understanding across the organisation.

This treatment impacts the likelihood by promoting cross organisation buy-in and developing a consistent project minded culture.

SIGNOFF(S):

Ian Cathcart
Sue O’Gorman

DUE DATE:

01 Feb 2020

FREQUENCY:

1st day of every 12 months

SIGNOFF(S):

Kurt Abbot

DUE DATE:

01 Aug 2019

FREQUENCY:

1st day of every 6 months

SIGNOFF(S):

Kurt Abbot

DUE DATE:

01 Aug 2019

FREQUENCY:

1st day of every 6 months

23

TREATMENT MC00438

Portfolio Management governance structure

The purpose of the governance structure is to:
- to prioritise a programme of work that delivers the Our Plan objectives

- to support and work with Project Managers to ensure projects are set up and executed correctly
- provide a level of governance and reporting medium for the programme to ensure transparency in project progress
- make decisions on project/programme specifics including; funding; resource allocation; prioritizing issues

This treatment impacts the consequence of the risk by ensuring that issues are identified and addressed in a timely manner and the likelihood by providing an additional, high level of governance and structure to projects that are likely to have strategic impact.

SIGNOFF(S):

Kurt Abbot

DUE DATE:

01 Aug 2019

FREQUENCY:

1st day of every 12 months

RESIDUAL
12.0
HIGH

INHERENT
15.0

R00053

BUSINESS CONTINUITY, STRATEGIC (A&R COMMITTEE)

**Business Resilience;
Business function is significantly interrupted due to a
lack of business continuity planning and
organisational resilience.**

Council operations are impacted through failure to and create
prioritize action plans for implementation in the event of a business
impact incident.

OWNER Kurt Abbot

CREATED

RISK LIKELIHOOD
DESCRIPTORS Possibly (3)

RISK CONSEQUENCE
DESCRIPTORS Catastrophic (5)

RESIDUAL RISK LIKELIHOOD
DESCRIPTORS Possibly (3)

RESIDUAL RISK
CONSEQUENCE
DESCRIPTORS Major (4)

24

TREATMENT MC00138

The Business Continuity Project was completed as part of the Our Plan 2015/16 programme of work. As a result of the project the following business resilience planning and analysis has taken place;

- departmental business continuity impact analysis has been performed and documented
- Potential governance was considered as part of the project closure resulting in the implementation of a structured incident management team (including associated communication procedures and processes) and is now monitored by the Process Improvement Forum

This impacts the consequence by identifying and prioritizing critical business function in the event of an incident. It also provides a defined method of governance and communication to ensure management, support and recovery procedures are conducted in a coordinated manner.

A complete refresh and relaunch is being planned first half of 2019. Business continuity has now also been assigned as a key portfolio under the Risk Advisor role.

TREATMENT MC00456

Civil Defence & Emergency Management (CDEM) Waikato District Council is part of the CDEM group. The role of the group is to work in partnership with communities to ensure the effective and efficient delivery of emergency management within the Waikato region. Council employees are obligated to provide support where necessary as part of their roles (subject to situation specific circumstance). Council staff are trained in specific emergency management roles and have processes and procedures that aim to both reduce the impact of incidents and (where possible) to maintain the provision of Council services.

This treatment impacts the consequences of the risk by ensuring there is an organisational understanding of Councils commitment to maintain and manage the on-going delivery of Council services during an incident.

SIGNOFF(S):

Kurt Abbot

DUE DATE:

01 Dec 2019

FREQUENCY:

1st day of every 12 months

SIGNOFF(S):

Kelly Newell

DUE DATE:

01 Aug 2019

FREQUENCY:

1st day of every 6 months

RESIDUAL
12.0
HIGH

INHERENT
15.0

R00128

BUSINESS CONTINUITY, TECHNICAL, STRATEGIC (A&R COMMITTEE)

**Cyber Security;
Council is exposed to significant business disruption
caused by unauthorized access to privileged
information and or reduced data integrity resulting
from cyber-attack or employee behaviour.**

Council systems are compromised by cyber-crime or a lack of compliance with process resulting in significant financial and or business impact.

OWNER Mark Willcock

CREATED

RISK LIKELIHOOD
DESCRIPTORS Possibly (3)

RISK CONSEQUENCE
DESCRIPTORS Catastrophic (5)

RESIDUAL RISK LIKELIHOOD
DESCRIPTORS Possibly (3)

RESIDUAL RISK
CONSEQUENCE
DESCRIPTORS Major (4)

25

TREATMENT MC00427

Cyber security insurance cover (CyberEdge Liability Insurance) has been purchased.

Inclusions listed are:

- Data administrative investigations
- Data administrative fines
- Electronic data
- Repair of policy holders reputation
- Repair of individuals reputation
- Notification and monitoring costs
- Forensic service costs
- Media content library
- Cyber extortion
- Network interruption insurance

This impacts the consequence of the risk by facilitating expert resources, financial support and remedial works in the event of an incident.

TREATMENT MC00428

IM Business Continuity Plan:

The IM team have in place a BCP including a disaster recovery plan to align the technical IT recovery procedures to the overall enterprise BCP. It includes;

- a communication plan
- prioritising the critical systems for recovery first
- regular tests of back up and recovering procedures
- simulations with various scenarios

This treatment impacts the consequence by detailing priority procedures in the case of an incident, ensures systems/process are fully functional and that staff are aware of their responsibilities and trained to manage them in the case of an event.

TREATMENT MC00433

Cyber security is managed using best practise methodologies by using security measures at various layers of connection.

- Firewalls
- Server
- PC
- User
- Physical
- Wireless access
- WDC website

This impacts the likelihood by increasing the security of the environment.

TREATMENT MC00434

Internal and external audit and review (as part of the annual audit programme). This impacts the likelihood of the risk occurring by identifying possible weaknesses in process.

SIGNOFF(S):

Alison Diaz

DUE DATE:

01 Dec 2019

FREQUENCY:

The first Day of every 12 months

SIGNOFF(S):

Mark Willcock

DUE DATE:

01 Feb 2020

FREQUENCY:

1st day of every 12 months

SIGNOFF(S):

Mark Willcock

DUE DATE:

01 Feb 2020

FREQUENCY:

1st day of every 12 months

SIGNOFF(S):

Mark Willcock

DUE DATE:

01 Feb 2020

FREQUENCY:

1st day of every 12 months

RESIDUAL
12.0
HIGH

INHERENT
20.0

R00230

BUSINESS CONTINUITY, STRATEGIC (A&R COMMITTEE)

**Growth;
Council experiences significant business and
community disruption caused by district growth.**

This may include but is not limited to; decay in LOS, unmanageable funding allocations, speed of growth exceeding or not meeting growth forecasts, etc.

OWNER Clive Morgan

CREATED 8/14/2018 2:19:14 PM

RISK LIKELIHOOD
DESCRIPTORS Likely (4)

RISK CONSEQUENCE
DESCRIPTORS Catastrophic (5)

RESIDUAL RISK LIKELIHOOD
DESCRIPTORS Possibly (3)

RESIDUAL RISK
CONSEQUENCE
DESCRIPTORS Major (4)

26

TREATMENT MC00500

District Development (Growth) Strategy

The purpose of the District Development Strategy is to provide the Council with a strategic spatial framework for development planning. The District Development Strategy links to the District Plan Review, the Long Term Plan, the Economic Development Strategy, the Infrastructure Strategy and the Integrated Land Transport Strategy.

This treatment impacts the likelihood of the risk by ensuring Council has an integrated strategic framework for regulation and growth related decision making. This assists with better economies of scale and enables provision of affordable infrastructure. The strategy is subject to periodic review.

TREATMENT MC00590

Hamilton to Auckland Corridor Programme and Future Proof Partnership

This project examines growth pressures and opportunities across district boundaries.

This treatment impacts the likelihood of the risk through an enduring partnership approach, coordination of growth challenges and opportunities with the intention of giving effect to governments Urban Growth Agenda. It also impacts the consequence of the risk by ensuring transparency allowing for mitigation strategies to be implemented should developments arise.

TREATMENT MC00592

District wide & Local Area Blueprints

These documents capture communities visions and will help to inform future work programmes (including funding allocation).

This activity impacts the likelihood of the risk by ensuring that our growth management approach reflects community aspirations and provides a platform of understanding for Council to facilitate planning. Furthermore it provides an idea of the disruption that Council is trying to avoid. It also informs the growth strategy in coordination with other sub-regional initiatives e.g. corridor plan.

TREATMENT MC00593

District Plan Review

Incremental reviews are performed e.g. plan changes. Council is in the process of a comprehensive review (since 2014).

This treatment impacts the likelihood of the risk by setting the regulatory framework for sustainable use of natural resources and growth management to ensure it reflects strategic direction of Council and partners.

SIGNOFF(S): Jim Ebenhoh

DUE DATE: 01 Feb 2020

FREQUENCY: The first Day of every 12 months

SIGNOFF(S): Vishal Ramduny

DUE DATE: 31 Aug 2019

FREQUENCY: The last Day of every 6 months

SIGNOFF(S): Jim Ebenhoh

DUE DATE: 31 Aug 2019

FREQUENCY: The last Day of every 6 months

SIGNOFF(S): Jim Ebenhoh

DUE DATE: 31 Aug 2019

FREQUENCY: The last Day of every 6 months

TREATMENT MC00595

Integrated Land Use & Infrastructure Planning
This treatment is not stand alone, it informs all strategic, policy and infrastructure planning undertaken by Council.

This approach includes;

- Recognition of the need within Council for a more integrate, focused and agile approach e.g. the creation of the Community Growth Group
- Development and maintenance of relationships with partners/agencies/service providers to enable a more unified planning approach as well as increasingly collaborative work with our neighboring councils (Hamilton and Auckland) to manage cross-boundary effects of growth.
- Addressing climate change mitigation by factoring such considerations into our network infrastructure planning, protecting highly versatile soils for food production, and identification of hazards
- Ensuring that this integrated planning approach flows through into funding decisions in the next Long Term Plan.

This treatment impacts the likelihood and consequences of the risk.

TREATMENT MC00596

Community Growth Group

This group was created as part of the restructure in response to identified growth impact. The intent of the group is to ensure an integrated approach to land use, infrastructure planning and economic and social development across Council.

Within the Community Growth Group a Growth Analytics function has been created to monitor growth and population changes to better prepare us to respond to growth pressures.

This treatment impacts the likelihood of the risk by providing a dedicated team focusing on growth, growth management and community development.

TREATMENT MC00597

Implementation of National Policy Statement on Urban Development Capacity.

This action impacts the likelihood of the risk by ensuring that Council monitors the adequacy of residential and business land to meet forecast demand.

SIGNOFF(S):

Clive Morgan

DUE DATE:

29 Feb 2020

FREQUENCY:

The last Day of every 12 months

SIGNOFF(S):

Clive Morgan

DUE DATE:

01 Feb 2020

FREQUENCY:

The first Day of every 12 months

SIGNOFF(S):

Vishal Ramduny
Jim Ebenhoh

DUE DATE:

31 Aug 2019

FREQUENCY:

The last Day of every 6 months

RESIDUAL
12.0
HIGH

INHERENT
25.0

R00231

BUSINESS CONTINUITY, PEOPLE, STRATEGIC (A&R COMMITTEE)

**Water Services Delivery Model;
Council experiences significant disruption to
business operations during contract modelling,
transition and implementation, caused by the loss of
personnel and or a lack of governance.**

Loss of staff results in a loss of organisational knowledge and or inability to provide core services, or the waters contract process is unsuitable/inappropriate due to poor governance.

OWNER Ian Cathcart

CREATED 12/12/2018 2:48:50 PM

RISK LIKELIHOOD Almost Certain (5)
DESCRIPTORS

RISK CONSEQUENCE Catastrophic (5)
DESCRIPTORS

RESIDUAL RISK LIKELIHOOD Likely (4)
DESCRIPTORS

RESIDUAL RISK CONSEQUENCE Moderate (3)
DESCRIPTORS

28

TREATMENT MC00467

Communications Plan

A detailed communications plan is being developed that aims to ensure that both internal staff, external organisations (including other councils), and the public are informed of developments relating to the Waters contract.

This plan includes, but is not limited to:

- Cross council communications updates
- Periodic internal communications specific to impacted teams
- Whole organisational communications (ad-hoc where a requirement is identified)

This treatment impacts the likelihood by removing uncertainty through pro-active engagement with key internal and external stakeholders.

TREATMENT MC00468

Waters Governance Group

A WGB has been appointed. The group, comprising three (3) external members and the CE from Council, meet periodically to discuss and represent Council on Waters decisions, future development and associated actions. This group will have the delegations to meet collectively with other councils and external bodies.

The treatment impacts the likelihood of the risk by ensuring Council is well informed, has opportunity to consider developments and provides avenue for internal, cross council, and external communication pathways.

TREATMENT MC00486

Waters Project Group

The group (staff based at General Manager level) meet fortnightly to discuss CCO associated progress/changes and inform the governance group of any progress and any emerging issues or risks associated with project.

This treatment impacts the likelihood of the risk by ensuring that all stakeholders are aware of current situation and likely progress associated with CCO.

SIGNOFF(S):

Jacob Quinn

DUE DATE:

01 Sep 2019

FREQUENCY:

The first Day of every 3 months

SIGNOFF(S):

Roger MacCulloch
Ian Cathcart

DUE DATE:

01 Dec 2019

FREQUENCY:

The first Day of every 6 months

SIGNOFF(S):

Roger MacCulloch
Ian Cathcart

DUE DATE:

01 Oct 2019

FREQUENCY:

The first Day of every 6 months

29

TREATMENT MC00586

Staff Retention Policy.

A retention policy that incentivises staff remaining with Council until the transition date has been implemented. The policy includes three incremental payment scheduled as;

- 15%

-15%

- 70%

The final will be delivered when the contract is in place and hand-over occurs.

This treatment impacts the likelihood of the risk due to financial benefits for staff.

TREATMENT MC00587

Watercare Transition Project

A project has been launched to develop and manage a detailed transition plan. The project has a dedicated project manager and will be supported by Councils PMO. Associated risks will be managed by the project team throughout the negotiations period.

This treatment reduces the likelihood of the risk by ensuring a coordinated and controlled approach to the transition. It also impacts the consequences through the project risk management process and contingency planning.

TREATMENT MC00588

Supplementary Resource Requisition

Whilst the Waters Team will continue to provide BAU services during the transition, maintenance of agreed services has been secured through the implementation of the following arrangements;

- budget allocation to facilitate contractor/consultant appointment
- Fixed term appointments
- WSL secondment opportunity (specifically to fill technical vacancies)
- External technical expertise support

TREATMENT MC00589

Structure & Transferal of Staff

As part of the negotiations Council has negotiated a contract inclusion that ensures that all existing staff are guaranteed a role in the WSL structure. The draft proposed structure is due to be finalized prior to 21 December 2018.

This treatment reduces the likelihood of the risk by removing uncertainty in employment status during and after transition.

SIGNOFF(S): Karl Pavlovich

DUE DATE:

FREQUENCY: Once

SIGNOFF(S): Carole Nutt

DUE DATE: 01 Sep 2019

FREQUENCY: 1st day of every 3 months

SIGNOFF(S): Karl Pavlovich

DUE DATE: 01 Sep 2019

FREQUENCY: The first Day of every 3 months

SIGNOFF(S): Roger MacCulloch
Ian Cathcart

DUE DATE:

FREQUENCY: Once

RESIDUAL
9.0
MODERATE

INHERENT
20.0

R00190

BUSINESS CONTINUITY, PEOPLE, STRATEGIC (A&R COMMITTEE)

People & Culture;
Business outcomes are significantly impacted due to an inability to attract and or retain suitable personnel.

Council are unable to recruit, promote or keep staff in core service positions due to a lack of appropriately trained people, industry competition or perceived or actual Council culture.

OWNER Vanessa Jenkins

CREATED 9/5/2016 12:22:54 PM

RISK LIKELIHOOD Almost Certain (5)
DESCRIPTORS

RISK CONSEQUENCE Major (4)
DESCRIPTORS

RESIDUAL RISK LIKELIHOOD Possibly (3)
DESCRIPTORS

RESIDUAL RISK CONSEQUENCE Moderate (3)
DESCRIPTORS

30

TREATMENT MC00474

HR Strategy

The HR Strategy guides the direction of Councils personnel management including but not limited to;

- Succession, recruitment and workforce planning
- Initiatives
- Support requirements (inc technology, market analytics and metrics)

This treatment impacts the likelihood by providing the structure to implement pro-active actions associated with attracting and maintaining resources.

TREATMENT MC00475

Maintenance of peripheral workforce.

Council's business groups maintain relationships with key consultancy practices for the purpose of employing specialist services and/or for providing resources where personnel vacancies exist or where it is identified that supplementary personnel are required in addition to the permanent workforce.

This treatment impacts the consequence of the risk by providing options for temporarily filling vacancies facilitating time for recruitment whilst maintaining business as usual.

TREATMENT MC00476

An organisational change program has been implemented to deliver initiatives associated with improved workplace culture and leadership. The program comprises a number of project work-streams championed by the Executive Leadership Team.

A Change Manager has been appointed to oversee and lead the process. Implementation is underway of new staff structure and reporting lines.

This treatment impacts the likelihood of the risk by providing a strategic approach to changing the organisational culture.

TREATMENT MC00600

Council has used new recruitment strategies with new media channels and new messaging which have increased the quality and quantity of applicants.

SIGNOFF(S): Vanessa Jenkins

DUE DATE: 01 Sep 2019

FREQUENCY: The first Day of every 6 months

SIGNOFF(S): Roger MacCulloch
Ian Cathcart
Sue O'Gorman
Tony Whittaker

DUE DATE: 01 Oct 2019

FREQUENCY: The first Day of every 6 months

SIGNOFF(S): Gavin Ion

DUE DATE: 01 Aug 2019

FREQUENCY: The first Day of every 3 months

SIGNOFF(S): Jacob Quinn

DUE DATE: 07 Jun 2019

FREQUENCY: Once

RESIDUAL
9.0
MODERATE

INHERENT
20.0

R00192

COMPLIANCE/ REGULATORY, FINANCIAL, STRATEGIC (A&R COMMITTEE)

**Compliance Management;
Council is exposed to significant financial loss or
business disruption caused by non-compliance with
legislative, regulatory or policy requirements.**

Council are impacted as a result of being uninformed and or failing to comply with legal requirements.

OWNER Alison Diaz

CREATED 9/5/2016 12:23:40 PM

RISK LIKELIHOOD
DESCRIPTORS Likely (4)

RISK CONSEQUENCE
DESCRIPTORS Catastrophic (5)

RESIDUAL RISK LIKELIHOOD
DESCRIPTORS Possibly (3)

RESIDUAL RISK
CONSEQUENCE
DESCRIPTORS Moderate (3)

31

TREATMENT MC00493

Council Committees

Council has regular committee and council meetings where proposals and issues are considered and decisions are made. The format of Committee and Council reports requires staff to refer to any legislative or policy aspects and implications, i.e. statutory authorities or duties to act, or policy consideration, pertaining to the information and recommendations of the reports. Councillors are informed of proposed, new or amended legislation at Council or Committee meetings.

This treatment impacts the likelihood of the risk by providing information to reduce the possibility of Council acting in contravention of statutes or policies.

TREATMENT MC00494

In-House Legal Team

council has a legal team which provides advice on legislative requirements across the organisation. The team promotes early involvement and input in projects and activities in respect of legal aspects.

This treatment reduces the likelihood of Council being unaware of, or ignoring legal obligations in the course of conducting business.

TREATMENT MC00495

Corporate Documents

Long Term and Annual Plans and Reports, finance policies and documented processes mitigate Councils exposure to financial risk by documenting planning activities and financial forecasts.

This treatment reduces the likelihood of Councils planning and expenditure being undertaken in contravention of good stewardship and governance principles required under the Local Government Act 2002.

TREATMENT MC00496

Council Reporting

Regular Council function includes scheduled reporting that captures key considerations (such as financial and legal matters). Furthermore, Council is actively managing compliance with corporate procurement practices through data analytics. A report is prepared and presented to the Audit and Risk Committee every six months.

This treatment impacts the likelihood of the risk by providing Council confidence when making decisions that all pertinent legislative, regulatory and/or policy considerations have been taken into account.

SIGNOFF(S):

Sue O'Gorman
Roger MacCulloch
Ian Cathcart
Tony Whittaker

DUE DATE:

01 Apr 2020

FREQUENCY:

The first Day of every 12 months

SIGNOFF(S):

Alison Diaz

DUE DATE:

01 Feb 2020

FREQUENCY:

The first Day of every 12 months

SIGNOFF(S):

Gavin Ion

DUE DATE:

01 Feb 2020

FREQUENCY:

The first Day of every 12 months

SIGNOFF(S):

Tony Whittaker
Sue O'Gorman
Roger MacCulloch
Ian Cathcart

DUE DATE:

01 Apr 2020

FREQUENCY:

The first Day of every 12 months

TREATMENT MC00497

Periodic Audit (Internal/External)

Waikato District Council performs regular periodic audit (both internal and external) of processes and services for the purpose of identifying failures, weaknesses and/or exceptions. The audit process includes the provision of recommendations/mandate for improvement.

This treatment reduces the likelihood of non-compliance by ensuring the Council is meeting requirements and/or identifies non-compliance for action.

TREATMENT MC00498

Documented processes and systems that require/encourage process adherence.

Council uses an internal centralized repository (Promapp) to document organisational processes to allow cross organisational visibility for access and application.

Also, many of the organisational systems used for the purpose of capturing business work flow e.g. Property and Rating, require specific steps relating to process adherence for the user to progress with system use.

This treatment impacts the likelihood of the risk by providing a tool to guide users in the application of required standardised procedures, contributing to compliance management.

TREATMENT MC00508

Waikato District Council employs a number of Specialist Technical Roles that contribute to Compliance Management. Recruitment procedures for these roles require evidence of capability and/or certification. Where roles are unable to be filled with fully qualified personnel, training and development is facilitated to ensure staff have the required level of specialist knowledge to perform their roles in line with compliance requirements.

SIGNOFF(S):

Kurt Abbot

DUE DATE:

01 Feb 2020

FREQUENCY:

The first Day of every 12 months

SIGNOFF(S):

Madelina Baena-Escamilla

DUE DATE:

01 Feb 2020

FREQUENCY:

The first Day of every 12 months

SIGNOFF(S):

Vanessa Jenkins

DUE DATE:

30 Apr 2020

FREQUENCY:

The last Day of every 12 months

RESIDUAL
9.0
MODERATE

INHERENT
16.0

R00185

BUSINESS CONTINUITY, STRATEGIC (A&R COMMITTEE)

**Asset Management;
Council fails to provide sustained delivery of core services as the result of critical assets failing or becoming unfit for purpose.**

Assets failures (including Waters and Roding) caused by poor planning, maintenance and or management impact core services.

OWNER Ian Cathcart

CREATED 9/5/2016 11:06:29 AM

RISK LIKELIHOOD
DESCRIPTORS Likely (4)

RISK CONSEQUENCE
DESCRIPTORS Major (4)

RESIDUAL RISK LIKELIHOOD
DESCRIPTORS Possibly (3)

RESIDUAL RISK
CONSEQUENCE
DESCRIPTORS Moderate (3)

33

TREATMENT MC00162

Activity Management Policy

Councils Activity Management Policy provides statements on how Council will manage assets and deliver associated services in a cost effective, sustainable, well planned and coordinated manner to provide agreed levels of service. Its purpose is to outline the level of management appropriate for each activity for Council to achieve best management practice and meet statutory obligations.

This treatment impacts the likelihood of the risk by outlining what level of activity management the organisation is willing to commit to, therefore setting expectations for the organisation to deliver against.

TREATMENT MC00163

The WDC 2015-2045 Infrastructure Strategy documents the management philosophy that is applied to Waikato Districts' infrastructure assets.

The strategy covers the following asset types:

- Water Treatment and supply
- Wastewater Treatment and Disposal
- Stormwater Drainage
- Roads and Footpaths.

This treatment impacts the likelihood of the risk by detailing and providing visibility of expectations to ensure Council works to a consistent standard.

TREATMENT MC00464

The National Asset Management Standards dictate and define the Councils Activity Management Plans (AMPs). The AMPs are reviewed yearly and undergo a 3 yearly re-write to feed into Councils Long Term Plan (LTP) cycle.

This treatment impacts the likelihood of the risk by ensuring Councils AMPs adhere with national standards.

SIGNOFF(S):

Roger MacCulloch
Ian Cathcart
Sue O'Gorman

DUE DATE:

01 Sep 2019

FREQUENCY:

The first Day of every 12 months

SIGNOFF(S):

Ross Bayer
Karl Pavlovich

DUE DATE:

01 Apr 2020

FREQUENCY:

The first Day of every 12 months

SIGNOFF(S):

Roger MacCulloch
Ian Cathcart
Sue O'Gorman

DUE DATE:

01 Feb 2020

FREQUENCY:

1st day of every 12 months

34

TREATMENT MC00465

Council has a number of asset management specific strategies in place and under development. These include:

- Parks & Facilities; Toilet Strategy, Cemetery Strategy, Trails Strategy, Te Kauwhata Trails Strategy, Esplanade Strategy, Parks Strategy, Aquatic Facilities Strategy, Sport and Recreation Strategy (joint with Sport Waikato), Playground Strategy
- Roading; Waikato Integrated land transport strategy (TO DO)
- Waters; 50 year water/wastewater/storm water strategies, 30 year infrastructure plan

This treatment impacts the likelihood of the risk by detailing and making visible Councils commitments for the management and maintenance of assets along with Councils commitment to level of service requirements.

TREATMENT MC00466

Service Delivery performs regular and continual collection of asset data for the purpose of condition assessment. This data informs programmes of work associated with asset maintenance and renewals. Data collection sources include (but are not limited to):

- RAMM
- Asset Finder
- SPM
- dTIMS

This treatment impacts the likelihood of the risk by ensuring that data driven planning can take place to maintain assets. It also impacts the consequence by supplying the information required to ensure currency of asset condition reporting and any required contingency activities.

SIGNOFF(S):

Karl Pavlovich
Ross Bayer
Megan May

DUE DATE:

01 Apr 2020

FREQUENCY:

The first Day of every 12 months

SIGNOFF(S):

Karl Pavlovich
Ross Bayer
Megan May

DUE DATE:

01 Apr 2020

FREQUENCY:

The first Day of every 12 months

TREATMENT MC00121

Engagement practices, including public meetings, are conducted to provide public engagement opportunities. These include but are not limited to:

- Long Term Plan, Bylaws and Annual Plans Special Consultative Procedure
- Reserve Management Plan (RMP - as per the Act)
- Policy (statutory) Special Consultative Procedure
- Policy (non-statutory) Section 82 and significance and engagement policy specification.

This treatment impacts the likelihood by providing opportunities for people within the community to engage with Council in a variety of different mediums.

SIGNOFF(S):

Jim Ebenhoh

DUE DATE:

01 Feb 2020

FREQUENCY:

1st day of every 12 months

RESIDUAL
9.0
MODERATE

INHERENT
16.0

R00187

POLITICAL, REPUTATION/ IMAGE, STRATEGIC (A&R COMMITTEE)

**Stakeholder Engagement;
Council fails to deliver appropriate community
outcomes and or wastes resources due to unsuitable
stakeholder identification and interaction practices.**

People become/remain disengaged as a result of Council failing to communicate/consult appropriately.

OWNER Jacob Quinn

CREATED 9/5/2016 11:20:04 AM

RISK LIKELIHOOD
DESCRIPTORS Likely (4)

RISK CONSEQUENCE
DESCRIPTORS Major (4)

RESIDUAL RISK LIKELIHOOD
DESCRIPTORS Possibly (3)

RESIDUAL RISK
CONSEQUENCE
DESCRIPTORS Moderate (3)

35

TREATMENT MC00164

Engagement Strategy:

This Strategy provides WDC with guidance on its community engagement activities and practices.

The treatment impacts the likelihood of the risk by providing Council employees a practical guide to how we engage.

TREATMENT MC00165

Significance & Engagement Policy

The policy outlines how WDC will assess "significance", as required by the LGA amendment bill. A particular issue is the determination of whether an issue is of "high" significance or not in regard to the impact on communities, rather than just on economic impact which is generally the current basis for council decisions.

Environmental, social and cultural well-beings must also form part of a significance determination which should not be overshadowed by financial considerations.

This treatment impacts the likelihood of the risk by providing a practical guide that outlines how to assess the impact of action and suitable engagement practices to meet the assessment.

TREATMENT MC00457

Implementation of appropriate strategies and policies to ensure community needs are captured and met. These include, but are not limited to:
- Confirmation of the Long Term Plan priority projects

- Community engagement policy
- Significance and engagement policy
- Community engagement strategy
- Customer complaints and compliments policy

This treatment impacts the likelihood of the risk by documenting Councils commitments and associated expectations relating to how councils engages with the community.

TREATMENT MC00458

Council has a Communications Framework (a 2016 strategy) in place which guides the way we do things. A specific engagement strategy is under development as a key Our Plan project in 2019, as well as a refresh of Councils Communications Framework/Strategy.

This treatment will impact the likelihood of the risk by providing practical guidance for Council to support community engagement practices and the consequence by ensuring a consistent, defined and measured approach when planning and/or managing communications.

SIGNOFF(S): Jim Ebenhoh

DUE DATE: 01 Feb 2020

FREQUENCY: 1st day of every 12 months

SIGNOFF(S): Jim Ebenhoh

DUE DATE: 01 Feb 2020

FREQUENCY: 1st day of every 12 months

SIGNOFF(S): Jim Ebenhoh

DUE DATE: 01 Aug 2019

FREQUENCY: 1st day of every 6 months

SIGNOFF(S): Jacob Quinn

DUE DATE: 01 Aug 2019

FREQUENCY: 1st day of every 3 months

36

TREATMENT MC00459

CE and Executive Team provide updates to Councillors, Community Boards and Committees on community plans through forward facing meetings.

This treatment impacts the likelihood of the risk by ensure adequate engagement with the community by communicating relevant plans, decisions and actions and by providing opportunity (through Board or Committee, venue or other medium) for feedback.

TREATMENT MC00460

Community Development roles and Operational Field Staff.

A number of roles including Youth Engagement Advisor, Iwi Liaison and Community Development Advisor, aim to ensure that appropriate engagement is conducted with specific community groups. These roles are targeted, extending and adding to the engagement activities of front facing field staff e.g. Animal Control, Building, Libraries etc

This treatment impacts the likelihood of the risk by facilitating consideration of communication and engagement practices for community minorities, isolated groups and/or key community stakeholders.

TREATMENT MC00461

Engagement Virtual Team

It is anticipated that the establishment of an Engagement Virtual Team will be one of the actions of the 2019 Engagement Strategy. This team will pull together key people from across the business so they can collectively ensure the Strategy is implemented.

This treatment will impact the likelihood of the risk by providing a dedicated team whose function is to ensure cross organisational strategic alignment.

TREATMENT MC00462

Council operates library and Council services from a number of locations across the district. This provides outreach and accessibility for communities within the district. Along with the provision of multiple offices, late night opening hours have been implemented to accommodate availability and convenience for communities. This treatment impacts the likelihood of the risk by facilitating community engagement through the facilitation of front facing interactions.

SIGNOFF(S):

Gavin Ion

DUE DATE:

01 Aug 2019

FREQUENCY:

1st day of every 6 months

SIGNOFF(S):

Tony Whittaker

DUE DATE:

01 Apr 2020

FREQUENCY:

The first Day of every 12 months

SIGNOFF(S):

Jacob Quinn

DUE DATE:

01 Jul 2019

FREQUENCY:

1st day of every 6 months

SIGNOFF(S):

Brian Cathro

DUE DATE:

01 Apr 2020

FREQUENCY:

1st day of every 12 months

RESIDUAL
9.0
MODERATE

INHERENT
20.0

R00188

FINANCIAL, POLITICAL, STRATEGIC (A&R COMMITTEE)

**Economic & Social Development;
Waikato district suffers inhibited economic and social
development and or missed funding opportunity as a
result of poor planning, investment strategy, and or
relationships.**

Council fails to promote and or identify opportunity for economic and social growth or fails to engage appropriately to encourage growth and development.

OWNER Clive Morgan

CREATED 9/5/2016 11:32:26 AM

RISK LIKELIHOOD
DESCRIPTORS Likely (4)

RISK CONSEQUENCE
DESCRIPTORS Catastrophic (5)

RESIDUAL RISK LIKELIHOOD
DESCRIPTORS Possibly (3)

RESIDUAL RISK
CONSEQUENCE
DESCRIPTORS Moderate (3)

37

TREATMENT MC00163

The WDC 2015-2045 Infrastructure Strategy documents the management philosophy that is applied to Waikato Districts' infrastructure assets.

The strategy covers the following asset types:

- Water Treatment and supply
- Wastewater Treatment and Disposal
- Stormwater Drainage
- Roads and Footpaths.

This treatment impacts the likelihood of the risk by detailing and providing visibility of expectations to ensure Council works to a consistent standard.

TREATMENT MC00469

Economic Development Strategy

The strategy assesses the economic profile of the district and identifies SWOT for the purpose of informing strategic direction.

There is a limited reference to social development within the strategy however community development initiatives are active and drafting a social development strategy has been scheduled for late 2019 - early 2020.

A regional economic development strategy is also in place to serve the wider community at a regional level, this strategy is aligned to the Waikato District EDS.

This treatment impacts the likelihood of the risk by ensuring that communities and businesses are engaged on an on-going basis, allocates effort and funding to targeted economic development initiatives and promotes the district as a viable prospect for business investment, residential and visitor (lifestyle) growth and development.

TREATMENT MC00471

Social Development Initiatives

Council has adopted a number of socially related strategies that aim to consider and provide for the social outcomes in the districts communities.

These include, but are not limited to:

- Place Making Strategy
- Heritage Strategy
- Youth Engagement Plan
- Grant Funding Scheme

Although these initiatives impact the likelihood of the risk by providing a degree of focus and resources dedicated to social development they are essentially limited as a result of no guiding social development strategy or policy (for example, the ex-Frankin Social Wellbeing Policy).

SIGNOFF(S):

Ross Bayer
Karl Pavlovich

DUE DATE:

01 Apr 2020

FREQUENCY:

The first Day of every 12 months

SIGNOFF(S):

Clive Morgan

DUE DATE:

01 Aug 2019

FREQUENCY:

The first Day of every 6 months

SIGNOFF(S):

Julie Dolan

DUE DATE:

01 Aug 2019

FREQUENCY:

The first Day of every 6 months

38

TREATMENT MC00472

Cross Boundary Initiatives

These initiatives aim to foster integrated planning across territorial boundaries, ensuring greater efficiencies and settlement planning across boundaries.

Example:

- North Waikato Infrastructure Programme Business Case,
- Future Proof
- Waikato Plan
- MOU Auckland Council
- National Policy Statement on Urban

Development capacity (requires collaboration with HCC to make land available for infrastructure to support residential and commercial development)

This treatment impacts the likelihood of the risk by providing a holistic approach to economic development and preventing limitations associated with territorial authority boundaries.

TREATMENT MC00500

District Development (Growth) Strategy

The purpose of the District Development Strategy is to provide the Council with a strategic spatial framework for development planning. The District Development Strategy links to the District Plan Review, the Long Term Plan, the Economic Development Strategy, the Infrastructure Strategy and the Integrated Land Transport Strategy.

This treatment impacts the likelihood of the risk by ensuring Council has an integrated strategic framework for regulation and growth related decision making. This assists with better economies of scale and enables provision of affordable infrastructure. The strategy is subject to periodic review.

SIGNOFF(S):

Vishal Ramduny

DUE DATE:

01 Feb 2020

FREQUENCY:

The first Day of every 12 months

SIGNOFF(S):

Jim Ebenhoh

DUE DATE:

01 Feb 2020

FREQUENCY:

The first Day of every 12 months

RESIDUAL
6.0
MODERATE

INHERENT
12.0

R00189

TREATMENT MC00135

Council participates as a key stakeholder in the Waikato Mayoral forum, Waikato LASS and Future Proof. Through these initiatives Council proactively contributes to a single voice for the Waikato region to central government.

This treatment impacts the likelihood of the risk by capitalising on relationships with other councils in the region and by being part of a collaborative governance approach.

SIGNOFF(S):

Gavin Ion

DUE DATE:

01 Aug 2019

FREQUENCY:

1st day of every 3 months

POLITICAL, STRATEGIC (A&R COMMITTEE)

**Regional & National Strategic Planning & Legislative Reform;
Council experiences significant disruption to business function caused by structural and legislative changes by central government and or national / regional strategic planning exercises.**

Amendments to local or national legislation, government practices or other authorities require significant change to business operations.

OWNER Clive Morgan

CREATED 9/5/2016 12:21:58 PM

RISK LIKELIHOOD Likely (4)
DESCRIPTORSRISK CONSEQUENCE Moderate (3)
DESCRIPTORSRESIDUAL RISK LIKELIHOOD Possibly (3)
DESCRIPTORSRESIDUAL RISK CONSEQUENCE Minor (2)
DESCRIPTORS

TREATMENT MC00490

The Long Term Plan (LTP) and Annual Plan process provide a basis for an assessment of legislative and other external and internal influences on the business.

This treatment impacts the likelihood of the risk by ensuring Council is adequately informed of Regional and National governance development and provides a set process to accommodate currency of information to future planning.

TREATMENT MC00491

Through applied process Councils keeps abreast of Government's legislative pronouncements and becomes involved through the submissions process in any development that would advocate Councils best interest.

This treatment impacts the likelihood of the risk by ensuring that Council not only has the required information regarding developments but an avenue to respond to/influence outcomes.

TREATMENT MC00492

Councils Chief Executive (CE) is committed to building a relationship with Wellington to facilitate open communication and ensure the organisation receives timely information and has opportunity for response and contribution.

Regular meetings are held with Central Government ministers and with a key manager in the Department of Internal Affairs.

This treatment impacts the likelihood of the risk by assisting in the timely communication of information and developments.

TREATMENT MC00500

District Development (Growth) Strategy
The purpose of the District Development Strategy is to provide the Council with a strategic spatial framework for development planning. The District Development Strategy links to the District Plan Review, the Long Term Plan, the Economic Development Strategy, the Infrastructure Strategy and the Integrated Land Transport Strategy.

This treatment impacts the likelihood of the risk by ensuring Council has an integrated strategic framework for regulation and growth related decision making. This assists with better economies of scale and enables provision of affordable infrastructure. The strategy is subject to periodic review.

SIGNOFF(S): Jim Ebenhoh

DUE DATE: 01 Jul 2019

FREQUENCY: 1st day of every 3 months

SIGNOFF(S): Christine Pidduck

DUE DATE: 01 Aug 2019

FREQUENCY: 1st day of every 3 months

SIGNOFF(S): Gavin Ion

DUE DATE: 01 Aug 2019

FREQUENCY: 1st day of every 3 months

SIGNOFF(S): Jim Ebenhoh

DUE DATE: 01 Feb 2020

FREQUENCY: The first Day of every 12 months

TREATMENT MC00598

Alignment of Council's "People and Capability" function to current and potential future needs of the organisation in terms of participating in, and responding to, national and regional strategic planning and legislative reforms.

This treatment impacts the likelihood of the risk by ensuring adequate numbers of staff, with diverse, flexible skills, including negotiation and persuasion, and the ability to provide value in a variety of planning and governance frameworks.

SIGNOFF(S):

Jim Ebenhoh
Vanessa Jenkins

DUE DATE:

06 Apr 2020

FREQUENCY:

The first Monday of every 12 months

RESIDUAL
6.0
MODERATE

INHERENT
9.0

R00183

REPUTATION/ IMAGE, STRATEGIC (A&R COMMITTEE)

**Council Partnerships;
Council experiences diminished public confidence and or operations are significantly impacted due to actions, representations or conduct of partnership enterprises or associations.**

Councils reputation/operations are impacted as a result of actions, representations or conduct demonstrated by Partners and/or associates.

OWNER Sue O'Gorman

CREATED 9/5/2016 10:34:01 AM

RISK LIKELIHOOD Possibly (3)
DESCRIPTORSRISK CONSEQUENCE Moderate (3)
DESCRIPTORSRESIDUAL RISK LIKELIHOOD Unlikely (2)
DESCRIPTORSRESIDUAL RISK CONSEQUENCE Moderate (3)
DESCRIPTORS

TREATMENT MC00483

Council has in place a robust tender process that includes in-depth detail regarding contractual requirements.

Long term public facing contracts and partnerships are effected through rigorous contractual agreements and continuous management plans. These include terms relating to contractual service level agreements (monitored and reported against as key performance indicators), employee training plans, safety inductions (all employees), and audit expectations. Long term contracts and partnerships include (but are not limited to):

- Belgaria Aquatics
- City Care
- Franklin Trees
- Alliance
- Water Care
- HCC (for water supply & waste water treatment)

This treatment impacts the likelihood of the risk by ensuring that all partners and long term contracts are selected through compliance with Councils requirements, and, that they understand Councils expectations and commit to delivering an agreed level of service in a safety and appropriate manner.

SIGNOFF(S):

Karl Pavlovich
Megan May
Ross Bayer

DUE DATE:

01 Aug 2019

FREQUENCY:

The first Day of every 6 months

41

TREATMENT MC00485

Shared Services (HCC, Waipa & WDC)
Councils shared services agreements are managed using agreed processes and a governance structure which ensures they deliver against expectations. Arrangements include:
- Quarterly governance meetings
- Monthly operational meetings
- Auditing schedule (zero harm perspective).

The signed agreement can be found in ECM: Doc ID 856313

This treatment impacts the likelihood of the risk by ensuring regular communication and identification of emerging risks or issues and the consequence by providing opportunity for timely governance and action where issues are identified and/or it is deemed that expectations are not being met.

TREATMENT MC00499

TO DO

Implement a set protocol/process that defines how Council plans to implement new partnerships/long term contracts from the perspective of providing seamless integration of systems and resources at the point of requirements design and tender review.

This treatment aims to impact the likelihood of risk by minimizing lost efficiency and the consequence by reducing the risk of impact on customer services.

TREATMENT MC00507

Section 17a Review

Local authorities are under obligation to review and consider options for governance, funding and delivery of infrastructure, local public services and local regulation to ensure cost-effectiveness and quality of service.

Section 17A is one of several measures designed to encourage councils to seek efficiency, and to encourage councils to “partner” with each other and with other bodies to deliver services efficiently.

This treatment impacts the likelihood of the risk by acting to identify and therefore act against inefficiencies and/or inadequacies in the delivery of services.

SIGNOFF(S):

Gavin Ion

DUE DATE:

01 Apr 2020

FREQUENCY:

The first Day of every 12 months

SIGNOFF(S):

Sue O’Gorman
Tony Whittaker
Roger MacCulloch
Ian Cathcart

DUE DATE:

01 Jul 2019

FREQUENCY:

The first Day of every 3 months

SIGNOFF(S):

Tony Whittaker

DUE DATE:

30 Apr 2020

FREQUENCY:

The last Day of every 12 months

42

TREATMENT MC00584

The contract and tendering process has specifications which ensure that all contractors that are selected to undertake works (long or short term) supply details of H&S practices, including how and who will manage them. This process includes the contractor being added to the SHE Prequalified Contractor Database and ensures that all selected contracts include and meet Councils requirements for H&S and H&S legislative standards.
Periodic checks are performed by Councils Zero Harm team to monitor contractor compliance.

This treatment impacts the likelihood of the risk by providing clear and documented expectations to contractors during the selection and on-boarding process, reducing the risk of non-compliance.

SIGNOFF(S):

Lynn Shirley

DUE DATE:

01 Aug 2019

FREQUENCY:

The first Weekday of every 12 months

Open Meeting

| | |
|---------------------------------|---|
| To | Audit & Risk Committee |
| From | Tony Whittaker Chief Operating Officer |
| Date | 5 June 2019 |
| Prepared by | Katja Jenkins Risk Advisor |
| Chief Executive Approved | Y |
| Reference # | GOV1318 / 2255136 |
| Report Title | Risk Framework June 2019 |

I. EXECUTIVE SUMMARY

This report details:

- Update on organisational risk management framework;
- Updates on the level of organisational engagement in the risk management context; and
- Risk Activities.

2. RECOMMENDATION

THAT the report from the Chief Operating Officer be received.

3. DISCUSSION

Risk Management Framework

During the April Executive Leadership Strategic Meeting approval was given for the Risk Advisor to take the lead with implementing learnings from the recent risk in government congress. The following items will be implemented as part of the risk management framework:

- Standardised risk induction package (delivered as part of the Implementing Risk Culture Project);
- Integrated Business Continuity Framework. Designed and delivered in collaboration with the Emergency Management and Incident Management teams as part of the Resilience programme (project proposal attached as Appendix 1);
- Simplification of language in risk processes, associated documentation and tools (as part of risk process review);
- Stocktake (reduction) of risk documents (as part of risk process review);

- Story telling; why risk management matters inclusion in framework documentation;
- Increased involvement with audit processes (internal and external) including becoming a standard recipient of documentation;
- Implementation of a source register (for risks and framework development);
- Review and update of the risk maturity roadmap.

Organisational Engagement

The response to the risk survey was highly positive. A total of 197 respondents completed the survey over a two week period. The data collected will inform the organisational training programme and engagement plan, aiding to socialising the risk framework and Councils risk appetite. The survey itself demonstrated as an effective engagement tool and it has been decided that survey outcomes will be communicated to the whole organisation to further capitalise on this opportunity.

Case Studies for the Implementing Risk Culture Project are underway. Watercare Services Limited, Auckland City Council, SNC Lavalin and Metro Trains Melbourne participated, sharing learnings from their risk maturity journeys. A number of common themes are emerging; these will be communicated to the Executive Leadership Team and the Audit & Risk Committee through the project recommendations report (due August 2019).

Generally, proactive engagement from the organisation remains prompted by Executive and Senior Management. The ongoing engagement approach will facilitate this by creating resources to assist Leadership Teams to effectively deliver key risk messages and encourage a higher level of engagement with risk management.

Risk Activities

| Activity | Date / Due |
|---|-------------------------|
| Implement Business Continuity Relationship Meetings (on-going) | 14/05/2019 |
| CDEM Leadership Monthly Meeting – invited as key stakeholder (on-going) | 14/05/2019 |
| Implementing Risk Culture Project data analytics (risk survey and risk maturity journey case studies) | 27/05/2019 – 21/06/2019 |
| Risk Management Process Review | 04/06/2019 |
| Internal Audit Training – Risk Advisor | 05/06/2019 - 06/06/2019 |
| Business Continuity Framework Development Project to Portfolio Governance Group | 06/06/2019 |
| Contracts & Partnering Risk Identification Workshop I (Solid Waste) | 06/06/2019 |
| Hazard workshop June | 14/06/2019 |
| Earthquake Prone Buildings Risk Identification Workshop I | TBA |
| Implementing Risk Culture Project internal data collection (employee interviews and workshops) | July 2019 |
| Implementing Risk Culture Project – Programme Recommendations Report | 19/08/2019 |

4. CONCLUSION

Work to tailor the risk management framework to suit organisational requirements is ongoing. Project outcomes look likely to deliver a greater level of organisational understanding of the framework and help to expand organisational use and knowledge of the frameworks key concepts.

5. ATTACHMENTS

Proposal - Business Continuity Framework Development - PR-1390

WDC PROJECT PROPOSAL - High Level Definition

| | | | |
|--------------------------|---|--------------------------------|------------|
| Project Name: | Business Continuity Framework Development | Project Sponsor: | Kurt Abbot |
| WDC Portfolio: | Innovation | Sponsor Approval (Sign) | |
| Business Owner: | Glynn Mason | Date Approved: | |
| Project Priority: | Not yet assigned | Portfolio: | Innovation |
| Assessm't Score: | 41 | Project Size: | Small |

BUSINESS DRIVERS (Why)

| | | | |
|-------------------------------|--|-----------------------------------|-------------|
| Background: | <p>Local government has a major role to play in achieving local resilience. To address this need Council has a Resilience Programme, managed by the Emergency Management Team with oversight from the CDEM Leadership Team. The programme addresses key responsibilities for Community resilience such as anticipating risk, minimizing impact, and ensuring rapid recovery through survival, adaptation, and growth in the event of significant events.</p> <p>As part of this programme, Council has identified a need to develop a robust Business Continuity Framework. The purpose of the Framework is to provide the organisation the appropriate tools, templates and resources to create pragmatic plans that can be applied in the event of a significant incident to minimize disruption by managing and maintaining the delivery of critical services to our communities.</p> | | |
| Problem Statement: | <p>In the past Council has engaged in a variety of business continuity exercises and projects however no formal framework has been implemented. At this time it is acknowledged that the organisation has a low understanding of business continuity planning and little understanding of how to create, maintain and put into effect formal business continuity plans. The existing Risk Management, Incident Management and Emergency Management Frameworks require integration to deliver a complete BC solution.</p> | | |
| Problem Cause: | <p>Lack of resource in the business continuity space has previously been an issue for developing and progressing business continuity planning. Although a number of contributing functions (Risk Management, Incident Management, CDEM) are in place the resource constraint limits the capacity to integrate these functions to deliver consistent business continuity practices, maintain momentum or commitment to a periodic process.</p> <p>The implementation of a dedicated risk resources facilitates development of a framework that can be consistently applied. It also allows resource to engage with staff to support the business continuity process and embed business continuity practices as part of BAU.</p> | | |
| Problem Impact: | <p>Council are unable to effectively respond in the event of a significant business impact incident resulting in failure to deliver core services to support communities and maintain minimum business output requirements.</p> | | |
| Problem Impact Rating: | Medium | Date Solution Required by: | 30-Jun-2020 |
| Opportunity: | <p>This problem provides opportunity to promote and integrate the work of the CDEM team, Incident Management Team and Risk Management function to develop better community and business outcomes in the event of a significant incident. Furthermore, the business continuity planning framework will provide greater clarity and transparency of organisational expectations in the event of emergency helping our people to identify and prioritize critical business functions.</p> | | |
| Related Risk: | <p>Business Resilience; Business function is significantly interrupted due to a lack of business continuity planning and organisational resilience.</p> | | |

PROJECT DEFINITION (What)

| | | | |
|---|--|--|---------------------------|
| <p>Project Objectives:</p> | <p>This project aims to develop and communicate a cross organisational business continuity framework. The purpose of the framework is to enable business continuity planning to help ensure business processes can continue during a time of emergency or disaster enabling the business to continue to deliver core services and critical functions to our communities.</p> <ul style="list-style-type: none"> • Develop and communicate Business Continuity Framework that seamlessly integrates with Emergency Management, Civil Defence and Risk Management practices • Create relevant and effective BC processes to support <ul style="list-style-type: none"> • Coordination, development and maintenance of impact assessments • Development and progression of business continuity plans • Develop an engagement plan to raise awareness and promote the importance of business continuity • Develop an appropriate schedule to support ongoing organisational engagement with business continuity planning • Implement appropriate business continuity tools • Examine the requirement for implementation of a business continuity system | | |
| <p>In Scope:</p> | <ul style="list-style-type: none"> • Develop an integrated Business Continuity Framework • Develop an integrated Business Continuity planning process • Create annual schedule for Business Continuity planning • Source and implement standard Business Continuity Tools for WDC • Source and implement standard Business Continuity Templates for WDC • Develop an organisational engagement plan for Business Continuity | | |
| <p>Out of Scope:</p> | <ul style="list-style-type: none"> • Implement Business Continuity planning programme • Implement Organisational engagement plan for Business Continuity | | |
| <p>Impact on other areas/resources/projects:</p> | <p>CDEM - input to develop project objectives and to inform project deliverables and outcomes in relation to integration into existing process. Incident Management Team - input to develop project objectives and to inform project deliverables and outcomes in relation to integration into existing process. Risk Management Team - input to develop project objectives and to inform project deliverables and outcomes in relation to integration into existing process. All other business areas - Outputs will include impact on all of business to deliver BC plans (post project) as part of BAU.</p> | | |
| <p>Outcomes:</p> | <p>Increased timeliness in decision making associated with responses to significant incidents Improved outcomes related to obligations associated with responses to significant incidents e.g. limiting impact to critical services during disruption Improved organisational understanding of business continuity responsibilities and related functions (CDEM, Incident Management, Risk Management) Improved risk management practices associated with disruption of operations Improved integration of existing processes and frameworks (CDEM, Incident Management, Risk Management) Improved understanding and transparency of organisational expectations in the event of a disruption/emergency/incident Improved community outcomes due to organisation preparedness e.g. timeliness of response, implementation of contingency etc.</p> | | |
| <p>SIZING</p> | | | |
| <p>Estimated Costs:</p> | <p>Low (<\$25k, PhysWorks <\$15m)</p> | <p>Budgeted:</p> | <p>Yes</p> |
| <p>Resources/Team Required:</p> | <p>Medium (Team size 5-9)</p> | <p>Political Consideration:</p> | <p>Medium</p> |
| <p>Change Impact:</p> | <p>High (>50 People impacted)</p> | <p>Technology Change:</p> | <p>Low</p> |
| <p>Organisational Change:</p> | <p>Medium</p> | <p>Solution Complexity:</p> | <p>Medium</p> |
| <p>Timeline Aggressiveness:</p> | <p>Low</p> | <p>Estimated Duration:</p> | <p>More than 8 months</p> |

PROJECT VALUE ASSESSMENT

| Assessment Element | Option | Score | Comments |
|---|-----------------|-----------|---|
| Final Assessment Score | | 41 | |
| STRATEGIC GOALS/LTP ALIGNMENT | | 13 | |
| Supporting our communities | High Impact | 8 | This project will design and deliver the framework the organisation uses to plan for the delivery of core services in the event of a significant incident |
| Building our economy | No Impact | 0 | |
| Sustaining our environment | No Impact | 0 | |
| Working together with you | Moderate Impact | 5 | This project will provide the framework that includes examining customer specific data to enable the delivery of core services. This includes tolerances and vulnerabilities. |
| Providing value for money | No Impact | 0 | |
| OPERATIONAL GOALS ALIGNMENT | | 28 | |
| One highly engaged team | Moderate Impact | 5 | The outputs from this project will provide a whole organisation standard and facilitate collaboration to deliver community outcomes in the event of a significant business disruption. |
| Partnering in a proud and thriving community | Moderate Impact | 5 | This framework provides opportunity for business impact to be considered to ensure adequate planning is in place to continue to deliver critical services to the community in the event of an incident. |
| Effortless customer experiences | Moderate Impact | 5 | This framework provides opportunity for business impact to be considered to ensure adequate planning is in place to continue to deliver critical services to the community in the event of an incident. |
| Other benefits eg Team Strategies | Moderate Impact | 5 | This project delivers against the team vision; We will be accessible and make it easy for our employees to learn and apply process improvement skills effectively, to advance our communities needs in alignment with our objectives and values |
| Contributes to mitigation of WDC Enterprise risks | High Impact | 8 | This project will deliver the framework that address the ER; Business Resilience; Business function is significantly interrupted due to a lack of business continuity planning and organisational resilience. |

| Governance Requirements | | MEDIUM |
|-------------------------|--|---|
| Governance - Approvals | Group PGG | |
| Governance - Steering | Steering Group includes SLT & Execs as appropriate | |
| Project Management | Project Manager | |
| Change Management | <ul style="list-style-type: none"> - Change activities managed by PM - Comms Lead | |
| PM Lifecycle | All Phases of PM Lifecycle | |
| Documentation | <ul style="list-style-type: none"> - Project Proposal (in CAMMS) - Project Brief (in CAMMS) - Business Case on request only - Communications plan - If engagement risk high: stakeholder engagement plan - Approved Key Project Documents in ECM | |
| CAMMS Project | All key Project details in CAMMS Project | |
| Reporting | Stakeholders & Type of Report | <ul style="list-style-type: none"> - Steering Group (PSR) - Portfolio Group (Programme Dashboard) - Council/Others, if applicable (Presentation) |
| | PSR Frequency | Monthly (or more frequent by Sponsor request) |
| Project Assurance | Information Management | <ul style="list-style-type: none"> - Enterprise Architect (as required) - Solution Architect |
| | Physical Works | <ul style="list-style-type: none"> - PMO QA - Financial Analyst (as required) |
| | Business Improvement | <ul style="list-style-type: none"> - PMO QA - Financial Analyst (as required) |

Open Meeting

| | |
|---------------------------------|---|
| To | Audit & Risk Committee |
| From | Tony Whittaker Chief Operating Officer |
| Date | 23 May 2019 |
| Prepared by | Katja Jenkins Risk Advisor |
| Chief Executive Approved | Y |
| Reference # | GOV1318 / 2255139 |
| Report Title | Emerging Risks June 2019 |

1. EXECUTIVE SUMMARY

This report details emerging risks that Management have identified as having potential impact to strategy.

2. RECOMMENDATION

THAT the report from the Chief Operating Officer be received.

3. DISCUSSION

The following activities have been identified as areas that may have business impact in the risk context.

1. Earthquake Prone Buildings

Impact: **Stakeholder Engagement:** *Council fails to deliver appropriate community outcomes and or wastes resources due to unsuitable stakeholder identification and interaction practices.*

Impact: **Economic & Social Development:** *Waikato district suffers inhibited economic and social development and or missed funding opportunity as a result of poor planning, investment strategy, and or relationships.*

Impact: **Asset Management:** *Council fails to provide sustained delivery of core services as the result of critical assets failing or becoming unfit for purpose.*

On 1 July 2017, MBIE introduced a national system for managing earthquake-prone buildings (“EPB”). The system focuses on identifying vulnerable buildings, categorising them into three

seismic risk areas – high, medium and low. Waikato District Council has been assessed as falling into both the high and medium risk areas.

Under the new system Territorial Authorities must:

- identify potential EPB and notify the building owners (by 1 January 2020 in high risk areas and by 1 July 2022 in all other areas);
- consider engineering assessments provided by building owners;
- determine if a building is earthquake prone (based on assessments), and if it is, assign an earthquake rating;
- issue EPB notices to building owners;
- publish information about EPB on the EPB register;
- prioritise potential EPB based on their function e.g. hospitals, emergency buildings, schools, (known as “Priority Buildings”) in areas identified as medium to high risk;
- undertake public consultation to identify thoroughfares with sufficient vehicle and pedestrian access to “Priority Buildings”.

Owners of buildings in high risk areas that are deemed to be earthquake prone will be allowed 15 years to strengthen or demolish their building, while owners in medium risk areas will be allowed 25 years. There is a further 10 year extension available for certain heritage buildings.

“Priority Building’s” assessed to be earthquake prone will have 7.5 years for high seismic risk areas and 12.5 years for medium seismic risk areas to strengthen or demolish the building.

A number of stand-alone projects and activities associated with EPB are underway:

- Assessment of potential earthquake prone buildings;
- Assessment of Council owned facilities;
- Waikato Lifeline Utilities project (identifying critical infrastructure and priority access routes);
- Identification and assessment of Civil Defence Centres.

It is anticipated that the EPB system will have impacts across the business including; Building Quality, Emergency Management, Rates, Roading, Risk, Heritage, Communications and Community Connections. It also has potential for significant impacts on our communities and Council’s vision of Liveable Thriving Connected Communities.

The Executive Leadership Team have approved a coordinated approach to EPB and have agreed to resource associated work streams with a Programme Manager to ensure broader business and community risks are identified and outcomes are managed appropriately.

2. Climate Change

Impact: **Business Resilience:** *Business function is significantly interrupted due to a lack of business continuity planning and organisational resilience.*

On 16 May 2019, the Chief Operating Officer approved moving forward with a proposed action to create a virtual team of internal experts focused on Climate Change. The team purpose, at this stage, will be centred on information gathering to inform a risk assessment.

Known key issues that will be considered include:

- Impact from a cost perspective to existing infrastructure;
- Impact from a community welfare perspective including the potential impact of failure of non-council assets and services;
- Resilience by design (future focused) including collaboration with other local authorities and service providers;
- Potential future asset insurance constraints.

A recommendations report on appropriate response and approach is an expected output.

4. CONCLUSION

Although emerging risks are being raised and assessments are being carried out, work is required to ensure full visibility and communication of these risks.

5. ATTACHMENTS

Nil

Open Meeting

| | |
|---------------------------------|---|
| To | Audit & Risk Committee |
| From | Tony Whittaker Chief Operating Officer |
| Date | 14 May 2019 |
| Prepared by | Colin Bailey Rates Team Leader |
| Chief Executive Approved | Y |
| Reference # | GOV1318 / 2250330 |
| Report Title | Risk Conversations – Rates Team |

I. EXECUTIVE SUMMARY

The purpose of this report is to enable key staff within the organisation who are managing risk in their everyday activities (expect this to be third tier managers and/or team leaders) to come and share “their business”, from a risk perspective, with the Audit & Risk Committee. This will provide the Committee an opportunity to dialogue with these staff to obtain assurance, from a governance perspective, that appropriate controls and culture are in place.

The intention is to have one of these conversations at every Audit & Risk Committee meeting. The Rates Team Leader will attend the June Audit & Risk meeting for this purpose.

Attached is the business risks registers and Hazard and Risks Management (“HARM”) register for the Rates Team. The registers include operational risks and controls affecting this area of the business.

2. RECOMMENDATION

THAT the report from the Chief Operating Officer be received.

3. ATTACHMENTS

- A Rates Team Risk Register (ORR)
- B Rates Team Risk Register (Operational)
- C Rates Team HARM Register

Risk Register

Filter: Classification(s): Finance

RESIDUAL
9.0
MODERATE

INHERENT
20.0

R00178

FINANCIAL, REPUTATION/ IMAGE, FINANCE, OPERATIONAL, STRATEGY & SUPPORT

Fraud
Exposure to significant financial loss and/or reputational damage as a result of theft, unlawful conversion, embezzlement or violation of Waikato District Council policies relating to employment, finance, procurement, equipment or other assets.

OWNER Alison Diaz
CREATED 5/2/2016 8:58:19 AM

RISK LIKELIHOOD Almost Certain (5)
DESCRIPTORS

RISK CONSEQUENCE Major (4)
DESCRIPTORS

RESIDUAL RISK LIKELIHOOD Possibly (3)
DESCRIPTORS

RESIDUAL RISK CONSEQUENCE Moderate (3)
DESCRIPTORS

TREATMENT MC00401

Report and Investigate Fraudulent or Suspected Fraudulent Activity - Identify suspected or real fraudulent activity

Fraud prevention is about ensuring the overall integrity and performance of Council. This process, along with the Fraud Prevention Policy, are intended to provide a consistent and transparent approach to all allegations of fraud and/or corruption within the organization.

TREATMENT MC00402

Anti-Fraud and Corruption Framework. The strategy outlines the Councils commitment to creating an anti-fraud culture and maintaining high ethical standards in its administration of public funds.

TREATMENT MC00413

Create an education program for induction purposes (and a refresher) to introduce new employees to existing fraud prevention treatments.

SIGNOFF(S):

DUE DATE:

FREQUENCY:

01 Jun 2019

1st day of every 6 months

SIGNOFF(S):

DUE DATE:

FREQUENCY:

Alison Diaz

01 Aug 2019

1st day of every 6 months

OVERDUE

SIGNOFF(S):

DUE DATE:

FREQUENCY:

Alison Diaz

01 Mar 2019

The first Day of every 3 months

Risk Register

Filter: Classification(s): STRATEGIC (A&R Committee)

RESIDUAL
9.0
MODERATE

INHERENT
16.0

R00187

POLITICAL, REPUTATION/ IMAGE, STRATEGIC (A&R COMMITTEE)

**Stakeholder Engagement;
Council fails to deliver appropriate community
outcomes and or wastes resources due to unsuitable
stakeholder identification and interaction practices.**

People become/remain disengaged as a result of Council failing to communicate/consult appropriately.

OWNER Jacob Quinn

CREATED 9/5/2016 11:20:04 AM

RISK LIKELIHOOD DESCRIPTORS Likely (4)

RISK CONSEQUENCE DESCRIPTORS Major (4)

RESIDUAL RISK LIKELIHOOD DESCRIPTORS Possibly (3)

RESIDUAL RISK CONSEQUENCE DESCRIPTORS Moderate (3)

TREATMENT MC00121

Engagement practices, including public meetings, are conducted to provide public engagement opportunities. These include but are not limited to:

- Long Term Plan, Bylaws and Annual Plans Special Consultative Procedure
 - Reserve Management Plan (RMP - as per the Act)
 - Policy (statutory) Special Consultative Procedure
 - Policy (non-statutory) Section 82 and significance and engagement policy specification.
- This treatment impacts the likelihood by providing opportunities for people within the community to engage with Council in a variety of different mediums.

TREATMENT MC00164

Engagement Strategy:
This Strategy provides WDC with guidance on its community engagement activities and practices.

The treatment impacts the likelihood of the risk by providing Council employees a practical guide to how we engage.

TREATMENT MC00165

Significance & Engagement Policy

The policy outlines how WDC will assess “significance”, as required by the LGA amendment bill. A particular issue is the determination of whether an issue is of “high” significance or not in regard to the impact on communities, rather than just on economic impact which is generally the current basis for council decisions.

Environmental, social and cultural well-beings must also form part of a significance determination which should not be overshadowed by financial considerations.

This treatment impacts the likelihood of the risk by providing a practical guide that outlines how to assess the impact of action and suitable engagement practices to meet the assessment.

SIGNOFF(S): Jim Ebenhoh
DUE DATE: 01 Feb 2020
FREQUENCY: 1st day of every 12 months

SIGNOFF(S): Jim Ebenhoh
DUE DATE: 01 Feb 2020
FREQUENCY: 1st day of every 12 months

SIGNOFF(S): Jim Ebenhoh
DUE DATE: 01 Feb 2020
FREQUENCY: 1st day of every 12 months

TREATMENT MC00457

Implementation of appropriate strategies and policies to ensure community needs are captured and met. These include, but are not limited to:

- Confirmation of the Long Term Plan priority projects
 - Community engagement policy
 - Significance and engagement policy
 - Community engagement strategy
 - Customer complaints and compliments policy
- This treatment impacts the likelihood of the risk by documenting Councils commitments and associated expectations relating to how councils engages with the community.

TREATMENT MC00458

Council has a Communications Framework (a 2016 strategy) in place which guides the way we do things. A specific engagement strategy is under development as a key Our Plan project in 2019, as well as a refresh of Councils Communications Framework/Strategy.

This treatment will impact the likelihood of the risk by providing practical guidance for Council to support community engagement practices and the consequence by ensuring a consistent, defined and measured approach when planning and/or managing communications.

TREATMENT MC00459

CE and Executive Team provide updates to Councillors, Community Boards and Committees on community plans through forward facing meetings.

This treatment impacts the likelihood of the risk by ensure adequate engagement with the community by communicating relevant plans, decisions and actions and by providing opportunity (through Board or Committee, venue or other medium) for feedback.

TREATMENT MC00460

Community Development roles and Operational Field Staff.

A number of roles including Youth Engagement Advisor, Iwi Liaison and Community Development Advisor, aim to ensure that appropriate engagement is conducted with specific community groups. These roles are targeted, extending and adding to the engagement activities of front facing field staff e.g. Animal Control, Building, Libraries etc

This treatment impacts the likelihood of the risk by facilitating consideration of communication and engagement practices for community minorities, isolated groups and/or key community stakeholders.

SIGNOFF(S):

Jim Ebenhoh

DUE DATE:

01 Aug 2019

FREQUENCY:

1st day of every 6 months

SIGNOFF(S):

Jacob Quinn

DUE DATE:

01 Aug 2019

FREQUENCY:

1st day of every 3 months

SIGNOFF(S):

Gavin Ion

DUE DATE:

01 Aug 2019

FREQUENCY:

1st day of every 6 months

SIGNOFF(S):

Tony Whittaker

DUE DATE:

01 Apr 2020

FREQUENCY:

The first Day of every 12 months

57

TREATMENT MC00461

Engagement Virtual Team

It is anticipated that the establishment of an Engagement Virtual Team will be one of the actions of the 2019 Engagement Strategy. This team will pull together key people from across the business so they can collectively ensure the Strategy is implemented.

This treatment will impact the likelihood of the risk by providing a dedicated team whose function is to ensure cross organisational strategic alignment.

TREATMENT MC00462

Council operates library and Council services from a number of locations across the district. This provides outreach and accessibility for communities within the district. Along with the provision of multiple offices, late night opening hours have been implemented to accommodate availability and convenience for communities. This treatment impacts the likelihood of the risk by facilitating community engagement through the facilitation of front facing interactions.

SIGNOFF(S):

Jacob Quinn

DUE DATE:

01 Jul 2019

FREQUENCY:

1st day of every 6 months

SIGNOFF(S):

Brian Cathro

DUE DATE:

01 Apr 2020

FREQUENCY:

1st day of every 12 months



Hazard and Risk Management (HARM) Register



| Risk / Hazard | IRA | Control methods | RRA | Status | Review Date |
|--|-----------|---|----------|-------------------|-------------|
| Hazard / Risk: | | | | | |
| Slip and/or fall in Office Environment | 12 | <p>E: Eliminate - Cleaning up any spills immediately</p> <p>M: Isolate - Signage is installed indicating any wet areas, for example during cleaning activities</p> <p>M: Isolate - Non slip mats are used in kitchen and breakout areas</p> <p>Minimise - When moving around areas especially areas covered in lino or tiles use an appropriate speed for the conditions</p> | 6 | Currently Managed | 24-05-2020 |
| Trip and/or fall in Office Environment | 12 | <p>E: Eliminate - Ensure items are not placed on the floor in pedestrian traffic areas throughout the office.</p> <p>M: Isolate - Ensure all cords and cables are secured safely</p> <p>M: Administrative - Regular visual inspections of the workplace to identify and manage any potential trip hazards.</p> <p>M: Administrative - Ensure chairs are pushed in when leaving a workstation.</p> | 6 | Currently Managed | 24-05-2020 |



Hazard and Risk Management (HARM) Register



| Risk / Hazard | IRA | Control methods | RRA | Status | Review Date |
|---|-----|---|-----|-------------------|-------------|
| Hazard / Risk: | | | | | |
| Using Visual Display Units (VDUs) in Office Environment | 15 | <p>M: Administrative - A risk assessment shall be undertaken prior to any changes being made or new equipment being brought into the workplace to identify any potential ergonomic hazards.</p> <p>M: Administrative - Training shall be provided to all workers who are required to use a Visual Display Unit. To ensure they are aware of the hazard and the controls to prevent injury for example taking regular breaks, practicing micro pauses and stretches.</p> <p>M: Administrative - All workers are informed of the requirement to report pain or discomfort to their People Leader and complete a Worker Discomfort or Pain Self-Report Form</p> <p>M: Administrative - Pre-employment health monitoring is undertaken where there is high Visual Display Unit use.</p> | 6 | Currently Managed | 04-12-2019 |



Hazard and Risk Management (HARM) Register



| Risk / Hazard | IRA | Control methods | RRA | Status | Review Date |
|--|-----------|--|-----------|-----------|-------------|
| Hazard / Risk: | | | | | |
| | | Job Hazard Cards have been documented detailing the pre-employment health monitoring requirements for each role. Minimise - Where required specific ergonomic equipment shall be purchased and provided to workers for example copy holders, foot stools etc Minimise - A Work Station Assessment is undertaken by a competent person (Occupational Health Nurse) for all new workers to ensure the correct Visual Display Unit setup. | | | |
| Hazard / Risk: On Road Driving - Light Vehicles | | | | | |
| On Road Driving - Light Vehicles | 20 | - M: Engineer - The organisation shall ensure that where items are required to be transported in light vehicles that a means of restraining items or physically separating them from vehicle occupants is in place. | 10 | Assessing | 24-05-2020 |



Hazard and Risk Management (HARM) Register



| Risk / Hazard | IRA | Control methods | RRA | Status | Review Date |
|--|-----|---|-----|--------|-------------|
| Hazard / Risk: On Road Driving - Light Vehicles | | | | | |
| | | <p>M: Administrative - A process is in place for a visual pre start check to be undertaken by the driver to ensure it is in good working order and fit for purpose.</p> <p>M: Administrative - The organisation shall ensure that it has in place a preventative maintenance regime for all light vehicles to ensure they are legally compliant to operate on road, fit for purpose and in good working condition.</p> <p>M: Administrative - Personal health monitoring e.g. blood pressure and cholesterol checks are available for all workers.</p> <p>M: Administrative - A process is in place for a weekly documented vehicle check to ensure that the vehicle is in good working order and fit for purpose.</p> <p>M: Administrative - Vision testing is available for all workers who are required to drive as a</p> | | | |



Hazard and Risk Management (HARM) Register



| Risk / Hazard | IRA | Control methods | RRA | Status | Review Date |
|--|-----|--|-----|--------|-------------|
| Hazard / Risk: On Road Driving - Light Vehicles | | | | | |
| | | <p>core function of their role</p> <p>M: Administrative - The organisation shall ensure that it has in place a process for the establishment of a preventative maintenance regime for all Council owned or leased light vehicles based on the manufacturers or suppliers recommendations.</p> <p>M: Administrative - The organisation shall ensure that a process is in place to educate workers on fatigue and how to manage fatigue.</p> <p>M: Administrative - The organisation shall ensure that it meets the requirements of the Waikato District Council Safe Use Of Council Vehicles Policy in relation to mobile communication devices.</p> <p>M: Administrative - The organisation shall ensure a process is in place to regularly check assigned emergency</p> | | | |



Hazard and Risk Management (HARM) Register



| Risk / Hazard | IRA | Control methods | RRA | Status | Review Date |
|--|-----|--|-----|--------|-------------|
| Hazard / Risk: On Road Driving - Light Vehicles | | | | | |
| | | <p>equipment for each Council owned or leased vehicle.</p> <p>M: Administrative - The organisation shall ensure a process is in place to identify roles/individual personnel who may require extra training to operate a light vehicle over and above NZ Legislation. Extra training may include but not be limited to defensive driver training</p> <p>M: Administrative - The organisation shall ensure it has in place a process that all workers as identified in the training needs analysis received the required training associated with operating a light vehicle.</p> <p>M: Administrative - The organisation shall ensure that Council owned, leased or rented vehicles are operated in accordance with the manufacturers recommendations, and/or with the instructions of the</p> | | | |



Hazard and Risk Management (HARM) Register



| Risk / Hazard | IRA | Control methods | RRA | Status | Review Date |
|--|-----|--|-----|--------|-------------|
| Hazard / Risk: On Road Driving - Light Vehicles | | | | | |
| | | <p>leasing or renting organisation (including limitations to carrying capacity</p> <p>M: Administrative - The organisation shall ensure that all Council owned, leased or rented light vehicles are roadworthy and fitted with seatbelts. The preferred choice of vehicles must be those that achieve a minimum ANCAP rating of 4 or greater.</p> <p>M: Administrative - The organisation shall ensure that it has in place a process to determine if travelling on road should be conducted during an abnormal situation or conditions. Such situations or conditions could include but not be limited to, weather conditions, natural</p> <p>M: Administrative - The organisation shall ensure that vehicle events involving any Council owned, leased or rented vehicle or private</p> | | | |



Hazard and Risk Management (HARM) Register



| Risk / Hazard | IRA | Control methods | RRA | Status | Review Date |
|--|-----|--|-----|--------|-------------|
| Hazard / Risk: On Road Driving - Light Vehicles | | | | | |
| | | <p>vehicle, while being used on Council business shall be reported to the local authorities in accordance with the requirements of the insurance</p> <p>M: Administrative - All events which have or may have resulted in harm to our workers, contractors and members of the public must be managed in such a manner that complies with the Council's Event Management Standard and also meet the business expectations around duty of care</p> <p>M: Administrative - The organisation shall ensure that a suitably charged fire extinguisher is located in all Council owned or leased light vehicles and there is a process for ensuring the fire extinguisher is maintained.</p> <p>M: Administrative - The organisation shall ensure that a process is in place to assess and monitor overtime to</p> | | | |



Hazard and Risk Management (HARM) Register



| Risk / Hazard | IRA | Control methods | RRA | Status | Review Date |
|--|-----|--|-----|--------|-------------|
| Hazard / Risk: On Road Driving - Light Vehicles | | | | | |
| | | <p>ensure light vehicle operators' fitness to safely carry out their assigned duties.</p> <p>M: Administrative - The organisation shall have in place a policy and/or procedures detailing any legal and best practice requirements regarding the safe operation of an on road light vehicle.</p> <p>M: Administrative - The organisation shall ensure it has in place an effective induction process specific to On Road Light Vehicles to ensure all workers are aware of the requirements of the WDC Safe use of Council Vehicles Policy and also risks and controls associated with</p> <p>M: Administrative - The organisation shall ensure a process is in place to ensure that all workers and contractors hold and maintain the correct licences as required by NZ Legislation to operate a</p> | | | |



Hazard and Risk Management (HARM) Register



| Risk / Hazard | IRA | Control methods | RRA | Status | Review Date |
|--|-----|--|-----|--------|-------------|
| Hazard / Risk: On Road Driving - Light Vehicles | | | | | |
| | | <p>Council owned, leased or rented light vehicle.</p> <p>M: Administrative - The organisation shall ensure a process is in place to check the validation period and status of all licence holders operating a Council owned, leased or rented light vehicle.</p> <p>M: Administrative - The organisation shall ensure that all Council owned or leased vehicles are fitted with a means of monitoring between the vehicle and its base of operations, for example GPS.</p> <p>M: Administrative - The organisation shall ensure that all Council owned or leased light vehicles are fitted with an emergency distress function to raise the alarm in the event of a vehicle accident (e.g. rollover)</p> <p>M: Administrative - All events which have or may have resulted in harm to our workers, contractors and</p> | | | |



Hazard and Risk Management (HARM) Register



| Risk / Hazard | IRA | Control methods | RRA | Status | Review Date |
|--|-----|---|-----|--------|-------------|
| Hazard / Risk: On Road Driving - Light Vehicles | | | | | |
| | | <p>members of the public must be reported and investigated as per the Council's Event Management Standard.</p> <p>M: Administrative - The organisation shall ensure that a suitably stocked first aid kit to address any minor injuries that could occur are located in all Council owned or leased light vehicles and there is a process for ensuring the contents of the kits are maintained.</p> <p>M: Administrative - The organisation has in place a process by which the organisation manages the wider impact of business continuity events, incidents or crises until it is under control and contained.</p> <p>M: Administrative - The organisation shall ensure Emergency Response procedures are in place detailing the response and action required to manage all likely potential events</p> | | | |



Hazard and Risk Management (HARM) Register



| Risk / Hazard | IRA | Control methods | RRA | Status | Review Date |
|--|-----|---|-----|--------|-------------|
| Hazard / Risk: On Road Driving - Light Vehicles | | | | | |
| | | <p>related to this risk. The emergency response procedures should provide a structure that identifies w</p> <p>M: Administrative - The organisation shall ensure that a process is in place to annually test and review emergency response procedures for all likely potential events and to identify any areas for improvement.</p> <p>M: Administrative - The organisation shall ensure that where required physical maps and/or GPS units are available to prevent staff getting lost.</p> <p>M: PPE Controls - The organisation shall ensure that sufficient, fit for purpose personal protective eyewear is available for drivers e.g. polarised safety sunglasses for high risk drivers and safety sunglasses are available for adhoc vehicle users.</p> <p>M: PPE Controls - The organisation shall ensure that where a vehicle is</p> | | | |



Hazard and Risk Management (HARM) Register



| Risk / Hazard | IRA | Control methods | RRA | Status | Review Date |
|---|-----------|---|-----------|-----------|-------------|
| Hazard / Risk: On Road Driving - Light Vehicles | | | | | |
| | | being used as a tool of trade, the vehicle shall be fitted with a first aid kit, fire extinguisher, high visibility vest and safety triangle | | | |
| Hazard / Risk: Workplace Violence and Aggression | | | | | |
| Workplace violence and aggression is defined as violent acts, including physical assaults and threat of assaults, directed toward persons at work or on duty. Workplace violence ranges from offensive or threatening language to homicide. | 20 | <p>M: Engineer - Factors with the potential to impact the risk of violence are considered during the design phase of all new facilities. These shall include but are not limited to separating workers from the public, controlling access and providing a safe retreat.</p> <p>M: Administrative - A process is in place to provide training and refreshers for identified first aiders; to notify workers, contractors and visitors who the identified first aiders are; and to ensure suitably stocked and maintained first aid kits to address any minor injury</p> <p>M: Administrative - A process is in place to annually test and review</p> | 15 | Assessing | 20-05-2020 |



Hazard and Risk Management (HARM) Register



| Risk / Hazard | IRA | Control methods | RRA | Status | Review Date |
|---|-----|---|-----|--------|-------------|
| Hazard / Risk: Workplace Violence and Aggression | | | | | |
| | | <p>Emergency Response Plans for all likely potential events.</p> <p>M: Administrative - A process is in place to review emergency events to ascertain how the emergency response plan operated, was it effective, did the plan operate as intended and what if any amendments are required</p> <p>M: Administrative - The minimum training for roles is identified in the Emergency Response Plan, when this should be completed (e.g. changes to responsibilities, procedures, legal requirements and technology take place), re-training requirements.</p> <p>M: Administrative - The Emergency Response Plan details authority levels, responsibilities and reporting relationships for control and liaison between all parties involved during an emergency.</p> | | | |



Hazard and Risk Management (HARM) Register



| Risk / Hazard | IRA | Control methods | RRA | Status | Review Date |
|---|-----|---|-----|--------|-------------|
| Hazard / Risk: Workplace Violence and Aggression | | | | | |
| | | <p>M: Administrative - A process is in place to identify the customer experience skills and competencies required for each roles/individual personnel to deliver on the customer experience</p> <p>M: Administrative - Processes are in place to enable Manager/Leaders to have an understanding of what impacts exist with an individual's personal circumstances that may impede work performance and support accordingly</p> <p>M: Administrative - The Emergency Response Plan has a structure that identifies workers / managers, individually or teams, who are responsible for co-ordinating the response plan and who are responsible for specific duties during an emergency.</p> <p>M: Administrative - A designated individual is responsible for the implementation and</p> | | | |



Hazard and Risk Management (HARM) Register



| Risk / Hazard | IRA | Control methods | RRA | Status | Review Date |
|---|-----|---|-----|--------|-------------|
| Hazard / Risk: Workplace Violence and Aggression | | | | | |
| | | <p>maintenance of the Emergency Response Plans</p> <p>M: Administrative - Emergency Response Plans are in place detailing the response and actions required to manage all likely potential events.</p> <p>M: Administrative - A process is in place to ensure that all workers as identified in the training needs analysis received the required customer experience training</p> <p>M: Administrative - Organisation to verify that is has in place documented procedures for the management and security of desirable assets</p> <p>M: Administrative - A process is in place to manage all workplace violence documentation including but not limited to: risk assessments, training records etc. to ensure they are retained and available for workers</p> <p>M: Administrative -</p> | | | |



Hazard and Risk Management (HARM) Register



| Risk / Hazard | IRA | Control methods | RRA | Status | Review Date |
|---|-----|---|-----|--------|-------------|
| Hazard / Risk: Workplace Violence and Aggression | | | | | |
| | | <p>Documented procedures are in place for recording and alerting workers of potential "high risk" customers or properties</p> <p>M: Administrative - A register or alert system is in place to identify premises or property where customers have been identified as "high risk"</p> <p>M: Administrative - A register or alert system is in place to record the details of persons who's access to Council services has been restricted for example those who have been issued a Trespass Notice</p> <p>M: Administrative - Documented procedures are in place to access and review alerts before undertaking work with high risk clients or in high crime areas/situations</p> <p>M: Administrative - A process in place for conducting risk assessments for contracted work and the process includes</p> | | | |



Hazard and Risk Management (HARM) Register



| Risk / Hazard | IRA | Control methods | RRA | Status | Review Date |
|---|-----|---|-----|--------|-------------|
| Hazard / Risk: Workplace Violence and Aggression | | | | | |
| | | <p>consideration of workplace violence as a potential risk</p> <p>M: Administrative - A process is in place for monitoring and managing contracted work</p> <p>M: Administrative - Where relevant the risk of workplace violence is formally communicated to the contractor and controls for managing the risk are discussed and agreed by the organisation and the contractor before contracted work is commenced</p> <p>M: Administrative - A contractor management process in place that covers all contracted works</p> <p>M: Administrative - An Event Reporting Procedure is in place and it is also compliant with legislative requirements.</p> <p>M: Administrative - A process is in place to manage the outcomes of any harm to workers, contractors or visitors in</p> | | | |



Hazard and Risk Management (HARM) Register



| Risk / Hazard | IRA | Control methods | RRA | Status | Review Date |
|---|-----|--|-----|--------|-------------|
| Hazard / Risk: Workplace Violence and Aggression | | | | | |
| | | <p>such a manner that complies with the WDC Event Management Standard and also meet the businesses expectations around duty of care.</p> <p>M: Administrative - Documented procedures are place to initiate and provide early psychological and welfare support for any worker involved in a serious or traumatic event</p> <p>M: Administrative - Rehabilitation processes are in place for workers who are affected by workplace violence and are unable to continue in their present role</p> <p>M: Administrative - A worker induction process is in place to ensure all workers are aware of the risk of workplace violence and the controls to manage this risk.</p> <p>M: Administrative - A process is in place to ensure a documented risk assessment is completed as per the</p> | | | |



Hazard and Risk Management (HARM) Register



| Risk / Hazard | IRA | Control methods | RRA | Status | Review Date |
|---|-----|---|-----|--------|-------------|
| Hazard / Risk: Workplace Violence and Aggression | | | | | |
| | | <p>Change Control Procedure to ensure the risk of workplace violence is considered before any new additions or modifications to the workplace, equipment, processes, service</p> <p>M: Administrative - A documented Change Control Procedure is in place to clearly articulate and inform all parties of any new additions or modifications to the workplace, equipment or changes to existing procedures.</p> <p>M: Administrative - Documented procedures are in place for tasks that may expose workers to the risk of workplace violence and detail the actions to be taken to protect workers and others from violence</p> <p>M: Administrative - A process is in place to ensure that all workers as identified in the training needs analysis received the required training to manage the risk of workplace</p> | | | |



Hazard and Risk Management (HARM) Register



| Risk / Hazard | IRA | Control methods | RRA | Status | Review Date |
|---|-----|--|-----|--------|-------------|
| Hazard / Risk: Workplace Violence and Aggression | | | | | |
| | | <p>violence</p> <p>M: Administrative - A process is in place to identify roles/individual personnel who may or are at risk of workplace violence</p> <p>M: Administrative - For high risk roles a daily check process is in place to ensure there are sufficient competent workers available to complete planned work safely</p> <p>M: Administrative - Planning processes are in place to allow for adjustments in staffing levels to manage situations or periods of additional risk</p> <p>M: Administrative - Trigger points for stopping work activity due to inadequate staffing levels or other extraordinary factors are established and communicated to all workers</p> <p>M: Administrative - There is a process whereby managers/leaders</p> | | | |



Hazard and Risk Management (HARM) Register



| Risk / Hazard | IRA | Control methods | RRA | Status | Review Date |
|---|-----|--|-----|--------|-------------|
| Hazard / Risk: Workplace Violence and Aggression | | | | | |
| | | <p>interact with workers daily as a means to assessing exposure to workplace violence and how individuals are coping</p> <p>M: Administrative - Effective processes are in place to inform workers and others of managements commitment to zero-tolerance of workplace violence</p> <p>M: Administrative - A policy statement or similar is in place detailing management's commitment to zero-tolerance of workplace violence</p> <p>M: Administrative - Documented organisational risk assessments are completed as required by the ZHSMS 3.2 Workplace Violence Management Standard for facilities and workgroups.</p> <p>M: Administrative - A process is in place to capture and implement any corrective actions</p> | | | |



Hazard and Risk Management (HARM) Register



| Risk / Hazard | IRA | Control methods | RRA | Status | Review Date |
|---|-----|--|-----|--------|-------------|
| Hazard / Risk: Workplace Violence and Aggression | | | | | |
| | | <p>arising from the workplace violence risk assessment</p> <p>M: Administrative - A process is in place to undertake a risk assessment when workers are required to work with high risk clients or in high crime areas/situations</p> <p>M: Administrative - Personnel facilitating risk assessments are suitably trained and competent and the risk assessments included a physical observation and worker consultation.</p> <p>M: Administrative - Documented procedures are in place for the opening and closing of facilities including the provision of security services where required</p> <p>M: Administrative - Documented procedures are in place for all emergency alarm systems (for example panic or duress alarms) detailing how to use them</p> <p>M: Administrative -</p> | | | |



Hazard and Risk Management (HARM) Register



| Risk / Hazard | IRA | Control methods | RRA | Status | Review Date |
|---|-----|---|-----|--------|-------------|
| Hazard / Risk: Workplace Violence and Aggression | | | | | |
| | | <p>Processes are in place to monitor lone workers who are working in the community or away from the workplace.</p> <p>M: Administrative - Documented procedures are in place for managing the risk of working alone</p> <p>M: Administrative - A risk assessment is completed when workers are required to work alone and considers the hazard of workplace violence where applicable.</p> <p>M: Administrative - Pre-employment procedures are in place that outline the minimum suitability standards that must be met by candidates</p> <p>M: Administrative - A screening process is in place as part of recruitment to check individual job candidates for their role suitability for example Police Checks</p> <p>M: Administrative - An Employee Assistance</p> | | | |



Hazard and Risk Management (HARM) Register



| Risk / Hazard | IRA | Control methods | RRA | Status | Review Date |
|---|-----|---|-----|--------|-------------|
| Hazard / Risk: Workplace Violence and Aggression | | | | | |
| | | <p>Program is in place and available to all workers</p> <p>M: Administrative - A policy statement or similar is in place detailing management's commitment to zero-tolerance of workplace bullying and harassment</p> <p>M: Administrative - There is a documented Code of Conduct and a process is in place to ensure all workers are aware of its content</p> <p>M: Administrative - A process is in place to regularly check assigned security equipment</p> <p>M: Administrative - Organisation to verify that it has in place a register of all security equipment (for example panic and duress alarms)</p> <p>M: PPE Controls - Sufficient, fit for purpose personal protective equipment is available for workers as identified in the risk assessment process</p> | | | |

| | |
|---------------------------------|---|
| To | Audit & Risk Committee |
| From | Jacob Quinn Communications, Marketing & Engagement Manager |
| Date | 7 June 2019 |
| Chief Executive Approved | Y |
| Reference # | GOV1318 |
| Report Title | Stakeholder Engagement Strategic Risk Deep Dive |

I. EXECUTIVE SUMMARY

The Deep Dive report aims to provide an opportunity for Governance to gain a true understanding of how Management views risk and to assess Management's control actions and mitigation procedures.

The report includes:

- Risk background
- Internal/external threats & impact
- Examination of associated treatments
- Residual risk assessment
- Forecast
- Recommendations

This report relates to the strategic risk of:

Stakeholder Engagement: *Council fails to deliver appropriate community outcomes and/or wastes resources due to unsuitable stakeholder identification and interaction practices.*

People become/remain disengaged as a result of Council failing to communicate/consult appropriately.

2. RECOMMENDATION

THAT the report from the Communications, Marketing & Engagement Manager be received.

3. BACKGROUND

3.1 RISK BACKGROUND

“Stakeholder Engagement” as a risk falls within the “political, reputational/image” portfolio and is classified as a “strategic” risk. The risk appears on the strategic risk register because Council operates within a political environment, where positive relationships make it easier for us to do our job, and vice versa.

The importance of having a positive reputation in the private sector is well understood. The reputation of a business is essential to its survival. The trust and confidence of the consumer can have a direct and profound effect on a company's bottom line. A good reputation is a competitive advantage for a company. Whilst the notion of reputation in public sector administration is less well understood, it is increasingly being taken seriously.

Communications, marketing, branding and other community engagement staff are now common within Councils. Part of their job is to ensure the community and other stakeholders get every reasonable opportunity to participate meaningfully in organisational decision making, project design and ultimately, influencing the “look and feel” of the communities they reside in. This process is known as Stakeholder Engagement activity, and the risk-mitigation that relates to it, is the subject of this report.

4. DISCUSSION AND ANALYSIS

4.1 INTERNAL/EXTERNAL THREATS & IMPACT

- *Council fails to deliver appropriate community outcomes.*
- *Council wastes resources due to unsuitable stakeholder identification and interaction practices.*

This risk essentially states that if we have bad community engagement practices, or a lack of planning, we risk losing public support. This means we will have to re-do things (or just do them badly) because our customers won't like them or be satisfied with them. This leads to deterioration in our reputation which makes ‘doing council business’ more difficult – ratepayers would believe they aren't getting value or would not be able to trust that council can do an appropriate job, even when they should.

This risk links to Council's vision of delivering “Liveable, Thriving and Connected Communities”. Engaging and consulting with our community is one of the primary ways we connect with them. Reflecting their voice in our plans and decisions (taking people with us) contributes to creating a thriving environment where people want to live.

The following information describes the identified risk components and their impact within scope of the risk.

| RISK PORTFOLIO | RISK DESCRIPTION | RISK TRIGGERS | THREAT IMPACT |
|--------------------|---|---|--|
| Political | We erode our relationships with key stakeholders such as Councillors, Community Boards, or Community Groups. We undermine faith in the integrity of our democratic processes because we are seen to have not followed due process. | Examples could include: - doing things that have not been properly consulted on through key decision making and planning processes such as the Long Term Plan or Annual Plans. - undertaking actions that have not been approved at the appropriate delegation level or within political awareness. | These risks can negatively affect key relationships and partnerships, lead to rework (which costs money and undermines public confidence) |
| Reputation / Image | We erode our reputation or image in the eyes of our residents and ratepayers. | We do things a majority of these people don't want or like (such as clearly going against the outcome of a public consultation process), or we don't check in with people along the way and allow them to have their say on things that are important to them. | We lose our mandate to represent them and spend their rates money. As a public organisation that is funded by rates we must maintain the confidence of the majority of our ratepayers. |

Associated strategic risks that may have an impact or be impacted by Stakeholder Engagement have been considered as part of the risk assessment process.

| RISK DESCRIPTION | ASSOCIATION |
|---|---|
| Projects & Initiatives: Council fails to produce required project benefits due to poor delivery of projects and programmes caused by a lack of procedure or capability. | If we fail to deliver projects and initiatives we risk being viewed as incompetent or lacking control, which can damage our reputation. We mitigate this by working with good partners, trusted suppliers, engaging with stakeholders at the right times and having good working relationships with other councils. |
| People & Culture: Business outcomes are significantly impacted due to an inability to attract and or retain suitable personnel. | If we fail to attract and retain suitable personnel, and cannot deliver on our promises to the community, we risk damaging our reputation and risk, wasting resources by having to outsource work that should be able to be delivered by our teams. |
| Compliance Management: Council is exposed to significant financial loss or business disruption caused by non-compliance with legislative, regulatory or policy requirements. | If we are shown to be non-compliant with legislative, regulatory or policy requirements, especially around those that relate to matters of high public interest (such as building regulation, animal welfare or environmental health) we may be seen as reckless or incompetent, which would damage our reputation. |

| RISK DESCRIPTION | ASSOCIATION |
|--|---|
| <p>Council Partnerships:</p> <p>Council experiences diminished public confidence and/or operations are significantly impacted due to actions, representations or conduct of partnership enterprises or associations.</p> | <p>When our partners fail, or are set up to fail, we suffer too. The health of our partnerships affects the reputations of both us, and our partners.</p> |

A number of direct and indirect risks have been identified and considered as part of the risk assessment process.

| RISK PORTFOLIO | RISK DESCRIPTION |
|---------------------------|--|
| <p>Reputation / Image</p> | <p>Council's vision of Liveable, Thriving and Connected Communities. To us that means we must prioritise a strong focus on community engagement, and specifically "co-design" with our community (design projects with the people who are affected or will use them). Co-design de-risks project delivery as we ensure the community and users voice is captured. This reduces the potential for reputational risk down the line.</p> |
| <p>Financial</p> | <p>We must be financially prudent, and be viewed as if we are spending rate payers' money as if it was our own. If we make poor financial decisions, or are seen to be having budget "blow-outs", we risk perceptions of financial mismanagement or instability, which if not appropriately understood can adversely affect our reputation.</p> |
| <p>Environmental</p> | <p>We must be environmentally responsible, in part because that is one of our jobs as local government (to protect communal assets for the benefit of the community), but also because we are both a regulator and a consent holder. If we breach our consents (for things like waste water discharge), or mismanage the environment (through mismanaging parks and open spaces, freedom camping or illegal dumping) we can adversely affect our reputation.</p> |

Inherent Risk Score

With consideration to identified internal and external impacts and associated risks, Management has assessed the inherent risk as follows:

Likelihood: **Likely** (4)

- Strong probability of occurrence in the foreseeable future / history of frequent occurrence.

Consequence: **Major** (4)

- Significant but short term political attention with major impact to timing or deliverables associated with Long Term Plan objectives within one given year.
- High profile adverse national media attention (less than one week) or sustained (in excess of 2 weeks) cumulative adverse local media attention or loss of confidence from significant portion of community sector.

The inherent risk factor is therefore considered to be **High**.

Despite having multiple controls in place, the reality is we operate and deliver a wide range of projects and initiatives in a political and contested space. There will always be people

who want more information, more communication, more input, and those that want the exact opposite. Our job in mitigating this risk is to find an acceptable balance according to our risk appetite.

Note: all identified risks have been documented and will be managed in accordance with Councils risk management policy and associated processes.

Refer to Appendix I for full risk guide

4.2 EXAMINE ASSOCIATED TREATMENTS

To ensure a holistic approach, treatments have been established with consideration to the Stakeholder Engagement, and the identified associated, direct and indirect risks.

The treatments we have in place are considered to be effective and wide-ranging. However, there will always be occasions when our process, advice and communication and engagement strategies are not followed, either because of human error, poor project management or political expediency. For example there are times when an outcome becomes so urgent that proper process cannot be followed. This can create reputational (and other) risk and it is important that Council understands these risks and factors them into its decision making.

Like any company or organisation operating within a political environment, when we do things well we build up social capital. We expend that social capital when we make decisions people don't like, or we do things badly. We must maintain enough social capital to be able to weather the occasional storm. The treatments we have in place for stakeholder engagement address this.

4.3 RESIDUAL RISK ASSESSMENT

This residual risk assessment considers all identified risk areas, risk treatments and treatment impacts affecting the strategic risk.

Stakeholder Engagement;

Council fails to deliver appropriate community outcomes and/or wastes resources due to unsuitable stakeholder identification and interaction practices.

The assessment has been broken down into the main risk portfolios identified through the assessment process.

Portfolio I: Political & Strategic

- Likelihood - 3
Description - Possible
- Consequence - 3
Description - Moderate

The residual risk factor in this area is **Moderate**.

Portfolio 2: Reputational / Image

- Likelihood - 3
Description – Possible
- Consequence - 3
Description - Moderate

The residual risk factor in this area is **Moderate**.

This exceeds Council's risk appetite at this time however the additional resourcing, changes in focus, and improvements in culture being embedded through the Gearing for Growth & Greatness restructure in 2018 and its associated strategy (Our Plan), should reduce over time.

Reputation / Image – Council has an aspirational risk appetite in this area however our actual appetite is possibly higher because we balance cost to ratepayers against desired outcomes. We accept that gold-plated outcomes (which could reduce risks to near zero) are often unaffordable for our ratepayers.

Being a public sector organisation the risk appetite is driven by Council and the Executives' desire to make our communities trust Council (reputation, image and branding) and for our customers to understand that we have their best interests at heart. We want our customers to view us as experts whose purpose is to provide for them. For this reason, Council and the Executive prefer to make decisions on items that may positively impact reputation or community relationships.

Political / Strategic – is within current risk appetite. Council seeks opportunities to enhance the value it delivers to its customers. Lack of action in the strategic forum can impact our ability to remain relevant to our customers. Council is willing to take a moderate amount of risk in achieving strategic objectives through key investment such as digital transformation, economic development, and innovation.

4.4 FORECAST

The strategic risk forecast is, on balance, positive. While there is an ongoing level of uncertainty in our sector (i.e. changes forced by government regulation, political change, climate risk, economic risk, social upheaval, pandemic, etc.), overall the recent cultural and structural changes Council has made to ensure it is "Geared up for Growth & Greatness" mean that our reputational risk exposure is expected to decrease.

We have hired 30 new FTE staff since this time last year, and the calibre of the staff we are attracting is, in our opinion, very high. We have added capacity to our Communication, Marketing & Engagement team, our Community Connections (parks and community assets) team, as well as in our Projects & Contract management staff, and Community Growth and Planning teams.

We are on a pathway of significant improvement as a business. Having the right people in the right roles, partnering with the right external parties and stakeholders, and being adequately resourced for the challenges they face, means that we will get better community outcomes in the future.

This is what our community wants (and deserves), what they have been calling out for, and what we are now in a much better place to deliver.

Open Meeting

| | |
|---------------------------------|---|
| To | Audit & Risk Committee |
| From | Tony Whittaker Chief Operating Officer |
| Date | 6 June 2019 |
| Prepared by | Alison Diaz Chief Financial Officer |
| Chief Executive Approved | Y |
| Reference # | GOV1318 |
| Report Title | Internal Audit Proposals |

I. EXECUTIVE SUMMARY

The Audit & Risk Committee (“the Committee”) received suggestions on a number of internal audit topics in June 2015 following a facilitated workshop by PwC with the Executive Team. These topics were validated by PwC based on their knowledge of Local Government risks for which a degree of internal audit activity would add value. The Committee also referred these topics to the strategic risks they had developed.

The key internal audit topics areas suggested in that initial list included:

- Cyber Security
- Business Continuity
- Project Management
- Contract Management/Procurement
- Revenue Process
- Payments Process

Council has supported a \$30,000 investment per annum in strategic internal audit activity through its Long Term Plan process. Two internal audits are expected to be commissioned each financial year by the Committee within this budget.

The priorities confirmed by the Committee in 2015 were Cyber Security and Project Management. Additional budget was also set aside at that time to also complete a Procurement/Contract Management audit and a Risk Maturity Assessment. The completion of these audits generated a number of recommendations for staff and management to work through over a period of 2-3 years.

In March 2019, the Committee agreed that the Internal Audit programme should re-commence. Two specific scopes have been developed with KPMG on the revenue process.

A further scope was requested in relation to the Health & Safety Governance Framework. The recommendation from staff would be that this particular review is commenced first to be delivered before the end of the 2019 calendar year, with the revenue process reviews being scheduled to take place over the first and second half of 2020.

2. RECOMMENDATION

THAT the report from the Chief Operating Officer be received;

AND THAT the Audit & Risk Committee agrees to the following programme of internal audit:

- **2019 Health & Safety Governance review;**
- **2020 Resource Consenting Revenue Process review;**
- **2020 Rates Processes review.**

3. ATTACHMENTS

KPMG internal audit draft scopes:

- A Health & Safety Governance Review
- B Resource Consenting Revenue Process Review
- C Rates Processes Review



Health & safety governance review

Waikato District Council

DRAFT

June 2019

kpmg.com/nz

Health & safety governance review

Background

Waikato District Council ("WDC") recognises health and safety within its key strategic risks. Whilst there has been extensive work performed over the improvement of health and safety across WDC, there has not yet been an independent review over WDC's health and safety governance framework.

This document outlines the terms of reference for the WDC health and safety governance review and is subject to KPMG's Internal Audit Service Agreement with Waikato Local Authority Shared Services, dated 1 June 2016.

Objectives and scope

The key objectives of this review are to:

- Understand how WDC has identified and responded to the obligations of officers to exercise due diligence as outlined in Section 44 of the Health and Safety at Work Act 2015 ("HSWA") (as far as is reasonably practicable)
- Identify and report on areas and opportunities for improvement in relation to the above.

This review will cover the following key areas:

| Area | HSWA section | Review focus |
|------------------------------|--------------|--|
| General | 44 | Overall governance charter and officer due diligence programme. |
| Competence | 44(4)(a) | Programmes to address officer duties to acquire knowledge and apply that knowledge to WDC's operational context, including targeted training programmes, engagement, information and awareness sessions etc. |
| Knowledge of risks | 44(4)(b) | Officer involvement in regards to health and safety risk management, particularly in setting and reviewing WDC's health and safety risk appetite. |
| Resourcing health and safety | 44(4)(c) | Officer involvement in developing, reviewing and approving WDC's health and safety policy and strategy with cascading objectives. Roles and resources, including people, systems, and equipment. |
| Monitoring | 44(4)(d) | Performance measuring and monitoring and evidence of two-way communication. Officer involvement in incident investigation and external regulatory reporting for identified risk. |

| Area | HSWA section | Review focus |
|------------|--------------|---|
| Compliance | 44(4)(e) | Audit programmes and compliance plans as well as other mechanisms to achieve, maintain, and demonstrate legislative compliance. Evidence of officer leadership in assisting with achieving legal compliance. |
| Verifying | 44(4)(f) | Health and safety assurance programme. Mechanisms for, and evidence of, officer communications and recognition of success. |

This scope does not indicate full coverage or satisfaction of WDC's strategic health and safety risk(s), as strategic risks are managed through a number of business processes and control procedures. Obligations for health and safety performance rests primarily with Persons Conducting a Business or Undertaking – in this case WDC. Therefore, KPMG is not responsible for, nor able to provide assurance around, WDC's future and ongoing compliance with these obligations, as this is outside the scope of this review.

The scope of this review will specifically exclude the following:

- Assurances of detailed legislative compliance against health and safety legislation, regulations, codes and standards.
- Human resource-related activities including, but not limited to, employment contracts, grievance and dispute resolution, harassment, anti-discrimination, and disciplinary processes.
- Assurances relating to equipment, plant, property safety, product, transport, food and public safety.
- WDC's contractor management framework, and compliance with Section 34 of HSWA.

Approach

KPMG's approach for this review will include:

Planning

- Obtaining and reviewing key documents on governance, leadership and risk management with reference to health and safety.
- Identifying key leadership and health and safety personnel for interviews and agreeing timings for the interviews.

Fieldwork

- Conducting interviews to understand and discuss roles, responsibilities and actions.
- Identify potential opportunities to improve the effectiveness of health and safety governance at WDC.

Reporting

- Develop a draft report detailing the review findings and opportunities for improvement / recommendations, and provide to Management for documentation of their intended action plan.
- Issue final report including Management actions plans to address recommendations.

Deliverables

The draft report will be provided to the Project Sponsor and Zero Harm Manager for review, comment and approval prior to it being finalised. The report will be prepared in the KPMG Internal Audit Report template and will cover areas highlighted in the "Objectives and scope" section of this document.

Management will be made aware of significant issues as and when they are identified to provide early notification and facilitate resolution.

Project Sponsor

Alison Diaz, Chief Financial Officer, will be the Project Sponsor of this review. Alison will retain ultimate responsibility for ensuring timely provision of the required information, and ensuring recommendations arising from this review are actioned.

Fees

Our estimate for this review is \$15,500 - \$17,000 plus GST and disbursements. The proposed fee is based on the assumption that we will have ready access to necessary interviewees and documentation throughout the duration of our review. We will promptly inform the Project Sponsor of any constraints in performing this review and of any additional work requested that could result in any variation of this scope.

KPMG team

| Name | Title | Area of responsibility |
|------------------|--------------------|--|
| David Sutton | Partner | Overall lead and quality control of the work performed and deliverables |
| Erica Miles | Director | Provides subject matter specialist support Leads the review, including the interviews with key leadership personnel |
| Gabrielle Wyborn | Associate Director | Manages the delivery of the review and provides quality control of the work performed |

Additional KPMG resource will be used as appropriate to support the delivery of this review.

Indicative timetable

| Task | Date |
|--|---------------------|
| Planning and preparation | Late September 2019 |
| Fieldwork – Commence | 30 September 2019 |
| Close-out meeting with Project Sponsor | W/b 14 October 2019 |
| Draft report issued to Management | W/b 21 October 2019 |
| Management comments received | W/b 28 October 2019 |
| Final report issued to Management | 8 November 2019 |

Distribution

| Name | Title | Audit scope | Draft report | Final report |
|--------------------------|-------------------------|-------------|--------------|--------------|
| Gavin Ion | Chief Executive | ✓ | ✓ | ✓ |
| Alison Diaz | Chief Financial Officer | ✓ | ✓ | ✓ |
| Lynn Shirley | Zero Harm Manager | ✓ | ✓ | ✓ |
| Audit and Risk Committee | | ✓ | | ✓ |

Approval of review scope

Approved by:

Approved by:

David Sutton
Partner, KPMG
Date:

Alison Diaz
Chief Financial Officer, Waikato District
Council
Date:

DRAFT

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Resource consent revenue process review

Waikato District Council

DRAFT

June 2019

kpmg.com/nz

Resource consent revenue process review

Background

Waikato District Council ("WDC") has identified an opportunity to improve the effectiveness of their revenue processes through internal audit. The processes to recover revenue for the costs incurred to process resource consents and consent compliance activities have not been recently reviewed. Accordingly, WDC has requested KPMG to perform a review of these processes.

This document outlines the terms of reference for the review and is subject to KPMG's Internal Audit Service Agreement with Waikato Local Authority Shared Services.

Objectives and scope

The objective of this review will be to assess the adequacy and effectiveness of the processes performed by the Consents Team relating to the invoicing and collection of revenue associated with the granting of resource consents.

The scope of the review will be to:

1. Assess the adequacy and effectiveness of WDC's controls in regards to:
 - Tracking and managing costs incurred during the granting of resource consents
 - Invoicing the costs incurred in the granting of resource consents
 - Monitoring and managing outstanding resource consent invoices.
2. Understand and assess the adequacy of the interface between the Consents Team and Finance Team.
3. Perform a high level benchmarking to other councils in regards to the basis of resource consent charging.

This review will exclude processes relating to building consents.

Approach

KPMG will perform this review as follows:

Planning

- Obtain and review relevant information relating to the resource consents revenue process including strategies, policies, procedures and process documents.
- Identify key individuals for interviews and agree timings for the interviews.

Fieldwork

- Perform walkthroughs to gain an understanding of the processes performed by the Consents Team to:
 - Track and manage costs incurred in the granting of resource consents
 - Invoice costs incurred during the granting of resource consents
 - Manage the receipting of revenue and any outstanding invoices.
- Document key risks and controls, and use the risk and control assessment to target fieldwork to areas of significant risk.
- Perform testing of key controls identified within the processes to assess the effectiveness of such controls. Detailed testing will be performed in line with KPMG's Internal Audit Methodology as required to support our conclusions.
- Identify potential opportunities to improve the effectiveness and efficiency of the resource consents revenue process.

— Perform high level benchmarking in regards to the basis of resource consent charging.

Reporting

— Develop a draft report detailing the internal audit findings and opportunities for improvement / recommendations, and provide to Management for documentation of their intended action plan.

— Issue final report including Management actions plans to address recommendations.

Deliverables

The draft report will be provided to the Project Sponsor and GM Customer Support for review, comment and approval prior to it being finalised. The report will be prepared in the KPMG Internal Audit Report template and will cover areas highlighted in the “Objectives and scope” section of this document.

Management will be made aware of significant issues as and when they are identified to provide early notification and facilitate resolution.

Project Sponsor

Alison Diaz, Chief Financial Officer, will be the Project Sponsor of this review. Alison will retain ultimate responsibility for ensuring timely provision of the required information, and ensuring recommendations arising from this review are actioned.

Fees

Our estimate for this review is \$13,500 - \$15,000 plus GST and disbursements. The proposed fee is based on the assumption that we will have ready access to necessary interviewees, data and documentation throughout the duration of our review. We will promptly inform the Project Sponsor of any constraints in performing this review and of any additional work requested that could result in any variation of this scope.

KPMG team

| Name | Title | Area of responsibility |
|------------------|--------------------|---|
| David Sutton | Partner | Overall lead and quality control of the work performed and deliverables |
| Cushla Parish | Director | Provide guidance to delivery team |
| Gabrielle Wyborn | Associate Director | Manage the delivery and quality control of the work performed |

Additional KPMG resource will be used as appropriate to support the delivery of this review.

Indicative timetable

| Task | Date |
|--|-----------------|
| Planning and preparation | Late April 2020 |
| Fieldwork – Commence | 4 May 2020 |
| Close-out meeting with Project Sponsor | W/b 18 May 2020 |
| Draft report issued to Management | W/b 25 May 2020 |
| Management comments received | W/b 1 June 2020 |
| Final report issued to Management | 12 June 2020 |

Distribution

| Name | Title | Audit scope | Draft report | Final report |
|--------------------------|-------------------------|-------------|--------------|--------------|
| Gavin Ion | Chief Executive | ✓ | ✓ | ✓ |
| Alison Diaz | Chief Financial Officer | ✓ | ✓ | ✓ |
| Sue O’Gorman | GM Customer Support | ✓ | ✓ | ✓ |
| Audit and Risk Committee | | ✓ | | ✓ |

Approval of internal audit scope

Approved by:

Approved by:

David Sutton
Partner, KPMG
Date:

Alison Diaz
Chief Financial Officer, Waikato District
Council
Date:

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Rates processes review

Waikato District Council

DRAFT

June 2019

kpmg.com/nz

Rates processes review

Background

Waikato District Council ("WDC") has identified an opportunity to improve the effectiveness of their revenue processes through internal audit. Rates provide the most significant contribution to the revenue earned by WDC. As a result, accurate, complete, and timely rates invoicing, reconciliation processes are critical to WDC's financial stability.

This document outlines the terms of reference for a rates processes review and is subject to KPMG's Internal Audit Service Agreement with Waikato Local Authority Shared Services.

Objectives and scope

The objective of this review will be to assess the adequacy and effectiveness of the processes performed by the Finance Team relating to the invoicing and collection of revenue associated with rates.

The scope of the review will be to assess the adequacy and effectiveness of WDC's controls in regards to ensuring:

- The rates calculation is correctly applied to determine rates invoices
- Rates adjustments are appropriately applied
- Over payments are managed and accurately repaid in a timely manner
- Debtors are managed to recover rates on time, in full, and any write offs applied are appropriately.

This review will exclude the underlying rates calculation/model.

Approach

KPMG will perform this review as follows:

Planning

- Obtain and review relevant information relating to the rates invoicing process including strategies, policies, procedures and process documents.
- Identify key individuals for interviews and agree timings for the interviews.

Fieldwork

- Perform walkthroughs to gain an understanding of the rates invoicing process.
- Document key risks and controls, and use the risk and control assessment to target fieldwork to areas of significant risk.
- Perform testing of key controls identified within the process to assess the effectiveness of such controls. Detailed testing will be performed in line with KPMG's Internal Audit Methodology as required to support our conclusions.
- Identify potential opportunities to improve the effectiveness and efficiency of the process.

Reporting

- Develop a draft report detailing the internal audit findings and opportunities for improvement / recommendations, and provide to Management for documentation of their intended action plan.
- Issue final report including Management actions plans to address recommendations.

Deliverables

The draft report will be provided to the Project Sponsor for review, comment and approval prior to it being finalised. The report will be prepared in the KPMG Internal Audit Report template and will cover areas highlighted in the “Objectives and scope” section of this document.

Management will be made aware of significant issues as and when they are identified to provide early notification and facilitate resolution.

Project Sponsor

Alison Diaz, Chief Financial Officer, will be the Project Sponsor of this review. Alison will retain ultimate responsibility for ensuring timely provision of the required information, and ensuring recommendations arising from this review are actioned.

Fees

Our estimate for this review is \$12,500 - \$14,000 plus GST and disbursements. The proposed fee is based on the assumption that we will have ready access to necessary interviewees, data and documentation throughout the duration of our review. We will promptly inform the Project Sponsor of any constraints in performing this review and of any additional work requested that could result in any variation of this scope.

KPMG team

| Name | Title | Area of responsibility |
|------------------|--------------------|---|
| David Sutton | Partner | Overall lead and quality control of the work performed and deliverables |
| Gabrielle Wyborn | Associate Director | Manage the delivery and quality control of the work performed |

Additional KPMG resource will be used as appropriate to support the delivery of this review.

Indicative timetable

| Task | Date |
|--|---------------------|
| Planning and preparation | Late September 2020 |
| Fieldwork – Commence | 5 October 2020 |
| Close-out meeting with Project Sponsor | W/b 19 October 2020 |
| Draft report issued to Management | W/b 26 October 2020 |
| Management comments received | W/b 2 November 2020 |
| Final report issued to Management | 13 November 2020 |

Distribution

| Name | Title | Audit scope | Draft report | Final report |
|--------------------------|-------------------------|-------------|--------------|--------------|
| Gavin Ion | Chief Executive | ✓ | ✓ | ✓ |
| Alison Diaz | Chief Financial Officer | ✓ | ✓ | ✓ |
| Audit and Risk Committee | | ✓ | | ✓ |

Approval of internal audit scope

Approved by:

Approved by:

David Sutton
Partner, KPMG
Date:

Alison Diaz
Chief Financial Officer, Waikato District
Council
Date:

DRAFT

Contact us

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Open Meeting

| | |
|---------------------------------|---|
| To | Audit & Risk Committee |
| From | Tony Whittaker Chief Operating Officer |
| Date | 3 June 2019 |
| Prepared by | Alison Diaz Chief Financial Officer |
| Chief Executive Approved | Y |
| Reference # | GOV1318 / 2264937 |
| Report Title | Interim Audit Report from Audit New Zealand |

I. EXECUTIVE SUMMARY

The Council receives a total of two management reports through the course of an Annual Report audit process. These reports outline Audit New Zealand's ("Audit NZ's") findings from various stages in the audit and draw attention to areas where improvement is recommended.

Audit NZ completed their interim work in April. Management have the opportunity to respond to audit findings to date based on our understanding of the issues, whether they require further action or have already been addressed.

The Interim Audit Management Report for Year Ended 30 June 2019 is attached.

Two new recommendations have been made as a result of the audit work with both necessary if best practice is to be achieved.

The first recommendation relates to service requests for the waters team and the accuracy of their classification. A performance measures walk-through by Audit NZ demonstrated that a wastewater blockage had been incorrectly classified as an overflow. The resolution time of an overflow is only 10 minutes whereas a blockage resolution time is longer. Hence, the classification data needs to be reviewed to ensure our level of service reporting is correct. Council relies on performance information for the effective management of our services so accuracy is paramount. This work will be undertaken before the end of the year.

The second recommendation relates to review of user access to Council systems. This is a process that used to be followed but which has fallen away over time through staff attrition. It is important that only current and approved users have access to our systems and the process will be reinstated to supplement other internal controls.

In terms of previous recommendations; 6 remain open with no progress noted at the time of the interim audit, 2 have been partially resolved, 2 matters will be specifically followed up at the final audit and 5 have been closed.

2. RECOMMENDATION

THAT the report from the Chief Operating Officer be received.

3. ATTACHMENTS

Report to the Council on the interim audit of Waikato District Council

Report to the Council on the interim audit of

Waikato District Council

For the year ending 30 June 2019

Contents

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Key messages

We have completed our interim audit for the Waikato District Council (the District Council) for the year ending 30 June 2019. This report sets out our findings from the interim audit.

The primary purpose of our interim audit was to update our understanding of the District Council's control environment and to gain a better understanding of the issues facing the District Council and how these are being addressed.

We performed a high level review of the District Council's control environment. We considered the overall attitude, awareness, and actions of management in establishing and maintaining effective internal controls. We noted the positive steps taken to update and improve project management and risk management practices within the organisation. We also noted the various changes happening in contract management and procurement at the District Council, and will follow-up further progress in this area as part of our final audit.

We have noted some areas where internal controls can be improved and these are summarised in Section 1 and discussed in further detail in this report.

The status of previous recommendations is summarised in Section 1 and discussed further in Appendix 1 of this report.

Thank you

We would like to thank the Council and management for their assistance during the interim audit.



Leon Pieterse
Appointed Auditor
28 May 2019

1 Recommendations



Our recommendations for improvement and their priority are based on our assessment of how far short current practice is from a standard that is appropriate for the size, nature, and complexity of your business. We use the following priority ratings for our recommendations.

| Priority | Explanation |
|------------|---|
| Urgent | <p>Needs to be addressed <i>urgently</i></p> <p>These recommendations relate to a significant deficiency that exposes the District Council to significant risk or for any other reason need to be addressed without delay.</p> |
| Necessary | <p>Address at the earliest reasonable opportunity, <i>generally within six months</i></p> <p>These recommendations relate to deficiencies that need to be addressed to meet expected standards of best practice. These include any control weakness that could undermine the system of internal control.</p> |
| Beneficial | <p>Address, <i>generally within six to 12 months</i></p> <p>These recommendations relate to areas where the District Council is falling short of best practice. In our view it is beneficial for management to address these, provided the benefits outweigh the costs.</p> |

1.1 New recommendations

The following table summarises our recommendations and their priority.

| Recommendation | Reference | Priority |
|---|-----------|-----------|
| Review the classification recorded of all waters call-outs/jobs before year-end to ensure they are correctly classified in the Customer Relationship Management (CRM) system. The resolution times recorded should also be checked to ensure they are accurate. | 2.2.1 | Necessary |
| Regular reviews and reporting to be carried out on the network and within applications to ensure that only current approved users have access. | 2.2.2 | Necessary |

1.2 Status of previous recommendations

Set out below is a summary of the action taken against previous recommendations. Appendix 1 sets out the status of previous year's recommendations in detail.

| Priority | Priority | | | |
|---|----------|-----------|------------|-----------|
| | Urgent | Necessary | Beneficial | Total |
| Open – no progress made at time of interim audit | - | 5 | 1 | 6 |
| Partially resolved – progress is being made, but not yet fully resolved | 1 | 1 | - | 2 |
| Implemented or closed – matters that have been resolved | - | 5 | - | 5 |
| Matters that will be followed up during our final audit visit | - | 2 | - | 2 |
| Total | 1 | 13 | 1 | 15 |

2 Assessment of internal control



The Council, with support from management, is responsible for the effective design, implementation, and maintenance of internal controls. Our audit considers the internal control relevant to preparing the financial statements and the service performance information. We review internal controls relevant to the audit to design audit procedures that are appropriate in the circumstances. Our findings related to our normal audit work, and may not include all weaknesses for internal controls relevant to the audit.

2.1 Control environment

The control environment reflects the overall attitudes, awareness, and actions of those involved in decision-making in the organisation. It encompasses the attitude towards the development of accounting and performance estimates and its external reporting philosophy, and is the context in which the accounting system and control procedures operate. Management, with the oversight of those charged with governance, need to establish and maintain a culture of honesty and ethical behaviour through implementation of policies, procedures and monitoring controls. This provides the basis to ensure that the other components of internal control can be effective.

We have performed a high level assessment of the control environment, risk management process, and monitoring of controls relevant to financial and service performance reporting. We considered the overall attitude, awareness, and actions of the Council and management to establish and maintain effective management procedures and internal controls.

We noted the District Council has made considerable progress in updating its project management methodology and practices. Training on applying the methodology and using the CAMMS system for project management is to be rolled out across the organisation.

The risk management policy and risk appetite statements have also been updated, with risks being monitored continuously by the organisation.

There are a number of changes underway in procurement and contract management. Waikato Local Authority Shared Service Limited (LASS) has established a Regional Procurement Principles, Policy and Framework for Waikato councils. The District Council intends to update its policy and manual to be consistent with the Regional document. The Contracts and Partnering Team has been established and management is looking to implement the contracts management module of the TechOne system. We will follow-up on progress in this area as part of the final audit.

2.2 Internal controls

Internal controls are the policies and processes that are designed to provide reasonable assurance as to the reliability and accuracy of financial and non-financial reporting. These internal controls are designed, implemented and maintained by the Council and management.

We reviewed the internal controls in your information systems and related business processes. This included the controls in place for your key financial and non-financial information systems. For any deficiencies in internal controls identified in prior years, our follow-up comments are reported in Appendix 1. This year we identified the following areas where we believe the internal controls can be enhanced.

2.2.1 Service performance reporting – Classification of jobs in the Customer Relationship Management (CRM) system

We reviewed the systems in place to record data for the following performance measure:

- a) *Where Council attends to sewage overflows resulting from a blockage or other fault in its sewage system, the following median response times measured:*
- b) *Resolution time: from the time that Council receives notification to the time that service personnel confirm resolution of the blockage or other fault.*

This data is recorded by staff in the CRM system. We performed a walkthrough of an overflow to confirm that the system operated as described.

For the walkthrough performed, the customer's call had been incorrectly classified. The job related to a blockage but had been classified as an overflow when an overflow had not occurred.

We also noted that the resolution time recorded in the system was 10 minutes, however the physical works to clear the blockage took place the day after the call was received (as an urgent resolution was not required).

Incorrect classification of jobs and incorrect resolution times recorded in the CRM system creates a risk that the data used to determine the median resolution time for such measures is inaccurate. This creates a further risk that the Council and management are not aware of their true performance.

Recommendation

We recommend that staff review the classification of all waters call-outs/jobs before year-end to ensure that they are correctly classified in the CRM system. The resolution times recorded should also be reviewed to ensure accuracy.

Management comment

Noted. This work will be programmed to ensure accuracy of year-end results.

2.2.2 Regular reviews of network users are not being performed

In the past, regular reviews of users on the network were being performed by running reports of users who had not logged in to the network for over 60 days. With the changes in staff within the IS team, these reviews are no longer being performed.

Recommendation

We recommend that regular reviews and reporting be carried out on the network and within applications to ensure that only current, approved users have access. These reviews could include automated weekly reports of users who have not logged in for a period of time.

Management comment

The practice of regularly checking for users who have not logged in to the network for over 60 days will be restarted, with a monthly check added to other user management checks.

3 Useful publications



Based on our knowledge of the District Council, we have included below links to some publications that the Council and management may find useful.

| Description | Where to find it |
|---|---|
| Client updates | |
| <p>In April 2019, we hosted a series of client updates. The theme was “Improving trust in the public sector”.</p> <p>These included speakers from both Audit New Zealand and external organisations.</p> <p>Relevant sessions for the District Council may include;</p> <ul style="list-style-type: none"> • New Zealand economic outlook; • The future of fighting fraud in the public sector; and • Procurement and how it contributes to public trust and confidence. | <p>On our website under publications and resources.</p> <p>Link: Client Updates</p> |
| Model financial statements | |
| <p>Our model financial statements reflect best practice we have seen to improve financial reporting. This includes:</p> <ul style="list-style-type: none"> • significant accounting policies are alongside the notes to which they relate; • simplifying accounting policy language; • enhancing estimates and judgement disclosures; and • including colour, contents pages and subheadings to assist the reader in navigating the financial statements. | <p>On our website under publications and resources.</p> <p>Link: Model Financial Statements</p> |

| Description | Where to find it |
|---|--|
| Tax matters | |
| As the leading provider of audit services to the public sector, we have an extensive knowledge of sector tax issues. These documents provide guidance and information on selected tax matters. | On our website under publications and resources. Link: Tax Matters |
| Data in the public sector | |
| The Office of the Auditor-General (the OAG) has published a series of articles about how data is being used in the public sector. These cover: <ul style="list-style-type: none"> • functional leadership; • building capability and capacity; • collaboration; and • security. | On the OAG’s website under publications. Link: Data in the public sector |
| Audit Committees | |
| The OAG has released various best practice information on Audit Committees. | On the OAG’s website under “Our Work – Audit Committee Resources” Link: Audit Committee Resources |
| Infrastructure as a Service | |
| The OAG has completed a performance audit on Infrastructure as a Service and considered whether the benefits are achieved. | On the OAG’s website under publications. Link: Infrastructure as a Service |

Appendix 1: Status of previous recommendations

Open recommendations following our interim audit (will be followed up again as part of the 2019/20 interim audit)

| Recommendation | First raised | Status |
|---|--------------|---|
| Urgent | | |
| Contract management | | |
| <p>We recommended the following:</p> <ul style="list-style-type: none"> the District Council develop and implement a fully functional contract management system; the District Council has an up to date policy and guidance documents covering contract management activities; have a dedicated individual or team in place with responsibility for oversight of contract management activities; and the District Council put in place a centralised contract management system which captures all contract information. | 2015/16 | <p>Partially resolved</p> <p>The District Council is in the process of implementing the contracts management module of TechOne.</p> <p>There is no standalone contract management policy as the District Council want to incorporate this into the Procurement manual. The Procurement manual and framework are currently being updated to be consistent with the Regional Procurement Framework released by LASS. We understand there are also some changes in the procurement and contract management space with the establishment of the Contracts and Partnering team this year.</p> |
| Necessary | | |
| Expenditure – segregation of duties | | |
| <p>We recommended that individuals who raises and authorises a purchase order should not also be able to approve the invoice for payment. (Ideally there should also be segregation in the receipting of goods and services however, as a minimum, there should be “one up” approval of all expenditure transactions by invoices being approved by a more senior officer than the officer who authorised the order).</p> | 2013/14 | <p>Partially resolved</p> <p>The Electronic Purchase Order system was implemented in 2017-18. We noted that users with delegations of \$10,000 and \$25,000 can still self-approve their own purchase orders up to their limit. Users with higher limits require one-up approval.</p> <p>This has been picked up as part of the wider procurement improvements programme.</p> |

| Recommendation | First raised | Status |
|--|--------------|--|
| Service performance reporting - Customer Relationship Management (CRM) system | | |
| <p>We recommended the District Council ensure additional supporting documentation is used by staff such as job summary sheets that record the dates and times the job started and finished. This will allow an independent review to be performed to confirm information has been entered correctly into the CRM system.</p> | 2013/14 | <p>Open</p> <p>The District Council are currently trialling electronic work orders through Water Outlook, allowing real-time updates of the status of jobs (and easier tracking of response and resolution timeframes). As at April 2019, this is only being used for pump station maintenance (and not for call-outs). There may be further changes in this area once the management of the three waters activities are performed by Watercare Services Limited in the coming years.</p> |
| Review network administrators accounts and network directory organisational units | | |
| <p>We recommend a review of the Domain administrator network accounts be done and any redundant accounts removed. A review of the Organisational Units on the network and accounts within those structures should also be completed and accounts moved into their correct areas. Redundant accounts should be removed.</p> | 2017/18 | <p>Open</p> <p>Some progress has been made. Domain admin accounts have been updated with staff leaving, but at the time of our visit there are still three generic domain admin accounts and no reporting on who used those accounts.</p> <p>Management comment</p> <p><i>The use of the three domain accounts is being currently reviewed and stricter controls are being established.</i></p> |
| All devices have virus definition updates and patches applied | | |
| <p>The systems which are used for updating virus definitions and Microsoft patches are recording widely varying numbers of PCs and servers, raising the risk that not all of the District Council's infrastructure is being protected from virus and malware attack.</p> | 2013/14 | <p>Open</p> <p>Formalised processes for Anti-Virus updating and Patching are still being developed.</p> |

| Recommendation | First raised | Status |
|--|--------------|---|
| <p>We also noted there is no detailed IT asset register to confirm the number of devices owned by the District Council.</p> <p>We recommended the District Council ensure all devices have virus definition updates and patches applied.</p> | | <p>Management comment</p> <p><i>A full stock take of PCs is currently underway. Following this a structured programme of patching and maintenance of anti-virus will be delivered.</i></p> |
| Business continuity and IT Disaster Recovery planning | | |
| <p>The District Council does not have a Business Continuity Plan and IT Disaster Recovery Plan.</p> <p>We recommended the District Council develop and test organisational business continuity plans. This planning should drive the development of an IT Disaster Recovery Plan. Plans should be tested on a regular basis to ensure they are still meeting the organisations objectives for acceptable risk and levels of services to its customers.</p> | 2011/12 | <p>Open</p> <p>There have been no formal tests of organisational business continuity, but the District Council's IT division has tested that their data replication to the disaster recovery site at Tuakau is working.</p> <p>Management comment</p> <p><i>A project to deliver an integrated business continuity framework and schedule for business continuity planning will be commenced in Aug 2019 to be completed June 2020.</i></p> |
| Change management | | |
| <p>We noted that formal change management policies and processes are not in place for IT infrastructure and software changes.</p> <p>We recommended change management procedures are implemented and all changes are logged and approved before they are made to live systems.</p> | 2014/15 | <p>Open</p> <p>The Change management system is used for recording software changes and we noted that users are involved in testing software upgrades. Not all infrastructure changes appear to be recorded, and there is no consistent approval step followed in the IT change process. There is no process for approving emergency changes.</p> |

| Recommendation | First raised | Status |
|---|--------------|---|
| Beneficial | | |
| Develop availability and capacity reporting on IT Infrastructure and systems | | |
| <p>As part of our review of the IT systems and controls, we noted that the Chief Information Officer (CIO) currently produces an Information Management (IM) weekly report which includes the matters noted below:</p> <ul style="list-style-type: none"> • Significant Milestones; • Things that have gone well; • Things that have gone less well; • Vendor and other interactions; • Delivery priorities/Projects; • Our Plan/Information Systems road map; • IM Technical Work Plan; • Other projects; • Audit Actions remaining; • Business As Usual – ServiceDesk call trends, Enterprise Content Management (ECM) Volumes and Incident/Service Level Agreement performance; and • People. <p>An IM Improvement initiative is currently underway to develop dashboard reporting on IM key performance indicators.</p> <p>We recommend that the dashboard reporting, as well as including matters currently being reported, also include reporting on availability and capacity of IT infrastructure and systems.</p> | 2017/18 | <p>Open</p> <p>Dashboard reporting is being developed by the CIO, including reporting on availability of systems.</p> <p>Management comment</p> <p><i>The first dashboard is being produced for May 2019 and will be published on a monthly schedule.</i></p> |

Implemented or closed recommendations

| Recommendation | First raised | Status |
|---|--------------|---|
| Information systems policies | | |
| <p>We recommended the District Council reviews and updates IS policies to meet current acceptable practices to safeguard the District Council's IT systems and data. These policies were:</p> <ul style="list-style-type: none"> • Email Use Policy – approved November 2011 due for review November 2014; • Email Release Policy – approved November 2011 due for review November 2014; • Internet Use Policy – approved September 2009 due for review September 2012; • Records Management Policy – approved April 2009 due for review April 2010; and • Remote Access Policy – approved July 2009 due for review July 2012. | 2015/16 | <p>Closed</p> <p>IS policies are being reviewed and updated on a regular basis.</p> |
| Changes to staff salary as a result of secondment | | |
| <p>We recommended a review of the process for salary reviews in relation to acting/secondment roles to ensure salaries are paid accurately.</p> | 2017/18 | <p>Closed</p> <p>We did not note any further instances of salary inaccuracies from our sample of masterfile changes tested this year.</p> <p>We note that management have put mitigating controls in place to stop such instances from re-occurring. On this basis, we have noted this matter as closed.</p> |

| Recommendation | First raised | Status |
|---|--------------|---|
| Compliance with the Local Authorities (Members' Interest) Act 1968 | | |
| <p>We recommended that Council Committees be reminded of their obligations under the Local Authorities (Members' Interest) Act 1968.</p> <p>Consideration should also be given to how the procurement improvements being mad, as a result of the recent external reviews, can flow through to procurement discussions happening at the Council Committee level.</p> | 2017/18 | <p>Closed</p> <p>A presentation was provided to the Joint Community Board/Committee meeting held on 24 October 2018 providing details of member's obligations under the Local Authorities (Members' Interest) Act 1968. This presentation was also sent to all members who were not present at the meeting.</p> <p>Staff will consider how improvements can be implemented into the procurement processes such as including basic procurement processes in the elected member's induction. On this basis, we have noted this matter as closed.</p> |
| IT are not always advised promptly when staff leave | | |
| <p>We recommended that HR advises IT of all leavers promptly so that IT can either set a future end date or disable the staff member's access the day after their employment ceases with the District Council.</p> | 2017/18 | <p>Closed</p> <p>IT established a process where HR provide reports to IT of starters and leavers for the month so a crosscheck is performed to catch any leavers that may have been missed.</p> <p>Our testing this year confirmed that service desk are now being advised of all staff leaving.</p> |
| IT Governance and Project Management | | |
| <p>We recommended that IT governance and project management frameworks be established to prioritise and monitor IT and IM projects and programmes.</p> <p>Programmes and projects should be tracked to ensure that appropriate investment decisions are being made.</p> | 2017/18 | <p>Closed</p> <p>A council wide portfolio and project management framework is now in place, and a Portfolio Governance Group established to monitor projects.</p> |

Recommendations to be followed up during our final audit visit

| Recommendation | First raised | Client comments |
|---|--------------|---|
| Necessary | | |
| Review of Chief Executive's expenditure | | |
| <p>In all instances of sensitive expenditure, we recommend that adequate one-up approval is obtained before the expenditure is incurred. Evidence of such approval should be adequately recorded.</p> | 2017/18 | <p><i>A sensitive expenditure form has been developed specifically to capture one-up pre-approval for credit card transactions and the monitoring of compliance with one-up pre-approval of other sensitive expenditure items is ongoing.</i></p> |
| Review of leases | | |
| <p>We recommend that the District Council reviews and updates its listing of leases. This should include incorporating changes to existing leases, and adding in new leases signed during the year.</p> | 2017/18 | <p><i>A new Leasing Officer position has been created and filled. This position is dedicated to efficient management of the Council's leased property, including tenancy, lease and financial management of the portfolio. A Council-wide Property Register is currently being compiled by external consultants. When this is completed options for a Property Management System, focused on lease management, will be scoped and implemented – options include adding modules to existing data management systems (Tech 1 Property and Rating), existing Asset Management Systems (SPM) or GIS-based systems. It is expected that this work will be carried out in the first half of the 2019/20 financial year.</i></p> |

Appendix 2: Disclosures

| Area | Key messages |
|--|---|
| Our responsibilities in conducting the audit | <p>We carry out this audit on behalf of the Controller and Auditor-General. We are responsible for expressing an independent opinion on the financial statements and performance information. This responsibility arises from section 15 of the Public Audit Act 2001.</p> <p>The audit of the financial statements does not relieve management or the Council of their responsibilities.</p> <p>Our audit engagement letter contains a detailed explanation of the respective responsibilities of the auditor and the Council.</p> |
| Auditing standards | <p>We carry out our audit in accordance with the Auditor-General's Auditing Standards. The audit cannot and should not be relied upon to detect every instance of misstatement, fraud, irregularity or inefficiency that are immaterial to your financial statements. The Council and management are responsible for implementing and maintaining systems of controls for detecting these matters.</p> |
| Auditor independence | <p>We are independent of the District Council in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): <i>Code of Ethics for Assurance Practitioners</i>, issued by New Zealand Auditing and Assurance Standards Board.</p> <p>To date, other than the audit, we have no relationship with, or interests in, the District Council or its subsidiaries.</p> |
| Fees | <p>The audit fee for the year is \$160,000 (excluding disbursements and GST), as detailed in our Audit Proposal Letter.</p> <p>To date, no other fees have been charged in this period.</p> <p>We will be charging separate fees for the audit of the debenture trust deed.</p> |
| Other relationships | <p>To date, we are not aware of any situations where a spouse or close relative of a staff member involved in the audit occupies a position with the District Council or its subsidiaries that is significant to the audit.</p> <p>We are not aware of any situations to date where a staff member of Audit New Zealand has accepted a position of employment with the District Council or its subsidiaries during or since the end of the financial year.</p> |

AUDIT NEW ZEALAND

Mana Arotake Aotearoa

PO Box 621,
Tauranga 3144
Phone: 04 496 3099

www.auditnz.govt.nz



Open Meeting

| | |
|---------------------------------|---|
| To | Audit & Risk Committee |
| From | Gavin Ion Chief Executive |
| Date | 10 June 2019 |
| Prepared by | Lynn Shirley Zero Harm Manager |
| Chief Executive Approved | Y |
| Reference/Doc Set # | GOV1318 / 1866302 |
| Report Title | Waikato District Council Zero Harm Safety Management System |

1. EXECUTIVE SUMMARY

The purpose of this report is to present an overview of the Waikato District Council Zero Harm Safety Management System (ZHSMS) to the Audit & Risk Committee and provide an update on current health and safety performance.

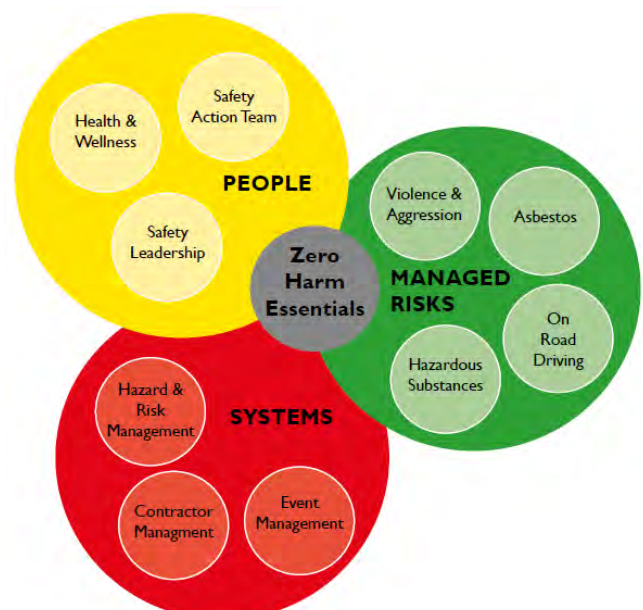
2. RECOMMENDATION

THAT the report from the Chief Executive be received.

3. REPORT

Primary Objective


To develop a sustainable zero harm culture that is supported by sound systems, policies, standards and procedures that enable best practice workplace health and safety performance. We aim for more than just compliance by observing the principle that workers and others should be given the highest level of protection against harm to ensure their health, safety and wellbeing.



Disciplined Management Systems

Zero Harm “Work Safe, Home Safe” Strategic Plan

The Zero Harm Team’s focus over the last quarter has been to continue implementing and undertaking the activities identified in the 2018-2019 Strategic Plan. The team is now getting ready to undertake an end of year performance review before developing a draft plan for 2019-2020.

| Date: 03/05/2019 Version 4 | | Zero Harm “Work Safe, Home Safe” Strategic Plan 2018/2019 | | Lead: Gavin Ion Support: Kylie Anderson and Lynn Shirley | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
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| Vision To promote a culture of Zero Harm to ensure that people are safe at work and go home safe and healthy every day. We want our ‘work safe, home safe’ vision to extend beyond the workplace. We encourage the safe and healthy practices we undertake at work to be carried out in the home and community environment. | |  | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Performance, gaps and targets <i>Where are we?</i> 2017/2018 Performance <ul style="list-style-type: none"> 6 Total Recordable Injuries (TRIR) 528 events reported in BWare Safety Manager 228 Over speed events (46% reduction on 2016/2017) 54 Over speed events at greater than 110km (27% reduction on 2016/2017) No WorkSafe NZ Notifiable Events The number of safety engagement conversations being held has increased (23% on 2016/2017) Gaps <ul style="list-style-type: none"> We have had limited focus on Critical Risk Management Our H&S Management System is fragmented We have low levels of hazard reporting in BWare We are not always investigating and identifying corrective actions following events We are not undertaking analysis on our event data to identify trends and opportunities for improvement A number of people leaders have not received safety leadership training | | “Work Safe, Home Safe” 2018/2019 Plan <table border="1"> <thead> <tr> <th>Goal</th> <th>Activities</th> <th>Lead</th> <th>Q1</th> <th>Q2</th> <th>Q3</th> <th>Q4</th> </tr> </thead> <tbody> <tr> <td rowspan="5">People Safety Engagement Conversation Target = 2 per Manager/Team Leader per month</td> <td>1. 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Zero Harm Safety Management System (ZHSMS)

As detailed in the Zero Harm Strategic Plan, work has continued on reviewing and updating our documented safety management system.

Recently developed and published standards include:

- Workplace Violence Management
- Early Pain and Discomfort Management
- Hazardous Substances Management
- Post Traumatic Critical Incident Response
- Personal Protective Equipment Standard

Key areas of focus for the next quarter include:

- Hazard and Risk Management
- First Aid Management
- Volunteer Management

Hazard and Risk Management

Work has continued on reviewing workgroup hazard registers across the organisation including Water Operations and Rates.

BWare Safety Manager is now being used on a regular basis by Contract Managers to audit and approve contractor Job Safety Analysis or Task Analysis prior to work commencing. A recruitment process was undertaken in April and a new Zero Harm Administrator joined the Zero Harm team in May. The Zero Harm Administrator is responsible for the day to day management of BWare Safety Manager, data analysis, reporting and general administration duties.

Over the next quarter the Zero Harm Advisor will be undertaking safety management system audits to identify improvement requirements at:

- Raglan Kopua Holiday Park
- Wainui Farm
- Woodlands Estate

Contractor Management

Focus has continued on reviewing our existing Contractor Management procedure and processes. The Contracted Work Health and Safety Risk Assessment has been receiving good feedback from the Community Connections and Programme Delivery teams. The risk assessment reviews key aspects of the work including:

- Health and safety hazards
- Physical work environment
- Nature of engagement
- Legislative health and safety training and licencing requirements
- Relevant risk management requirements e.g. Codes of Practice

This data is then used to determine what information is provided to the potential contractor in the procurement documentation (for example Request for Quote or Request for Proposal) and what health and safety attributes will be evaluated as part of the contract letting process.

Several contractor audits and site visits have been undertaken in the last three months including:

- Smart Environmental Ltd – Tuakau Depot
- SP Diving Ltd – Raglan Wharf cleaning
- Thorburn Builders Ltd – New Meremere library

Critical Risk Management

Hazardous Substances

The Hazardous Substances Management Standard has been developed along with its associated Critical Risk Bowtie Control Plan. Work is now underway to complete a review of controls at sites/facilities where hazardous substances are used or stored.

Workplace Violence

Control gap analysis meetings have been held with the workgroups who maybe or are exposed to this risk. Risk control reviews are being completed across 20 workgroups. Work is also commencing on reviewing the organisational level controls we have in place for managing this risk.

People and Organisational Safety Culture

Safety Action Team (SAT)

A number of new representatives have joined the SAT following the organisational structure changes. The SAT has reviewed and provided feedback on a number of the new Zero Harm Management standards including:

- Personal Protective Equipment and;
- Workplace Violence

The SAT was also requested by the Executive Leadership Team (ELT) to review and provide any recommendations for improvement that they had for addressing poor driver performance in relation to vehicle over speeding events. The following initiatives suggested by the SAT and approved by ELT are currently being progressed:

- Further analyse GPS data regarding the location of over speed events to educate the organisation;
- Create more visibility of the over speed data, by providing a high level monthly report to the entire organisation to keep the risk front of mind;
- Investigate with Smartrak the use of other driver behavior data (e.g. harsh braking, harsh cornering and acceleration) to develop a driver score card to better measure performance;
- Investigate the implementation of Fleetcoach On-Line Driver education for all drivers.

Safety Engagement Conversations

Engaging with our people and discussing health, safety and wellbeing issues and providing recognition has continued to remain a key area of focus. Significant improvement in the number of conversations being undertaken and recorded in BWare Safety Manager can be seen. A total of 427 conversations were recorded in March, April and May. This is a 49% increase on the previous three months.

Health and Wellbeing

The Wellbeing Collective met again in May. Over the last three months a number of health and wellbeing activities have been undertaken that have either been led or supported by the Wellbeing Collective including;

- Tracksuit Inc.'s Global Shift Walking Challenge. WDC's "The Aunties" took out first place
- 25 WDC teams completed in Tracksuit Inc.'s Global Sugar Crash Challenge.
- 150 staff received influenza vaccinations

The draft Wellbeing Collective Strategic Plan for 2019-2020 is nearly ready to share with the organisation. The Wellbeing Collective's logo has been finalised and work on personalising the "10 healthy habits" which will be pillars of our "Wellbeing Programme" is almost complete.



4. DISCUSSION AND ANALYSIS OF OPTIONS

4.1 DISCUSSION

This report is to assist Councillors with their due diligence requirements as Officers. The report should start the conversation and provide opportunities for Councillors to raise questions and discuss progress.

4.2 OPTIONS

Council could choose to accept the report or not. Council could ask for additional information if needed.

5. CONSIDERATION

5.1 FINANCIAL

There are no direct financial requirements identified in this report.

5.2 LEGAL

This report is prepared as part of assisting Council with compliance with Health & Safety at Work Act 2015 and associated regulations.

5.3 STRATEGY, PLANS, POLICY AND PARTNERSHIP ALIGNMENT

Council has a Zero Harm Strategy which forms the basis of our health & safety systems and philosophy.

5.4 ASSESSMENT OF SIGNIFICANCE AND ENGAGEMENT POLICY AND OF EXTERNAL STAKEHOLDERS

| Highest levels of engagement | Inform | Consult | Involve | Collaborate | Empower |
|--|--------------------------|--------------------------|-------------------------------------|--------------------------|--------------------------|
| | <input type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Councillors, as Officers under the Health & Safety at Work Act 2015 are required to undertaken due diligence to ensure appropriate health & safety systems are in place and operating. | | | | | |

State below which external stakeholders have been or will be engaged with:

| Planned | In Progress | Complete | |
|---------|-------------|----------|---------------------------------------|
| | ✓ | | Internal |
| | ✓ | | Community Boards/Community Committees |
| | | | Waikato-Tainui/Local iwi |
| | | | Households |
| | | | Business |
| | ✓ | | Other Please Specify |

6. CONCLUSION

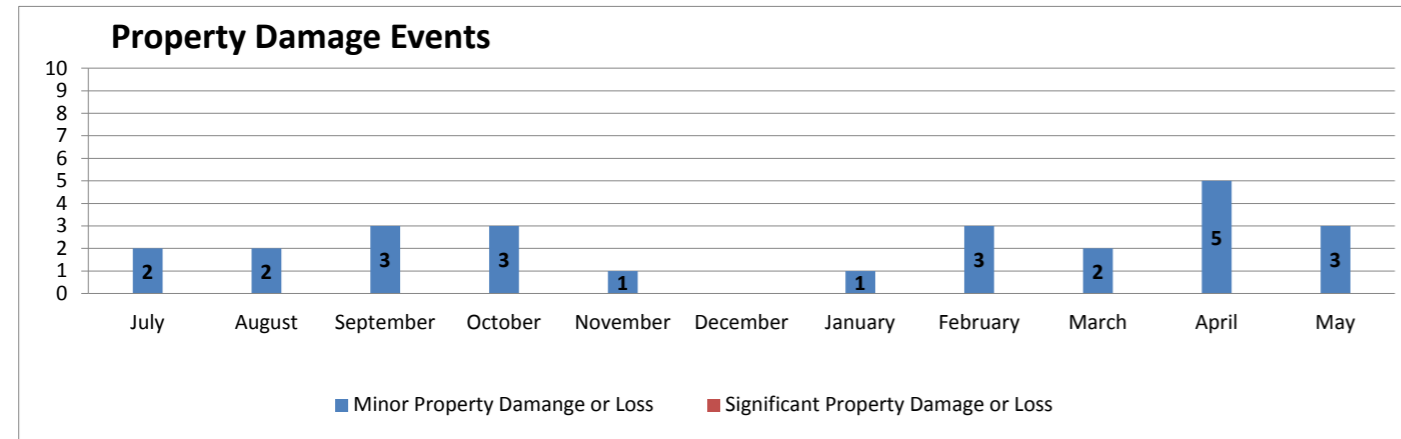
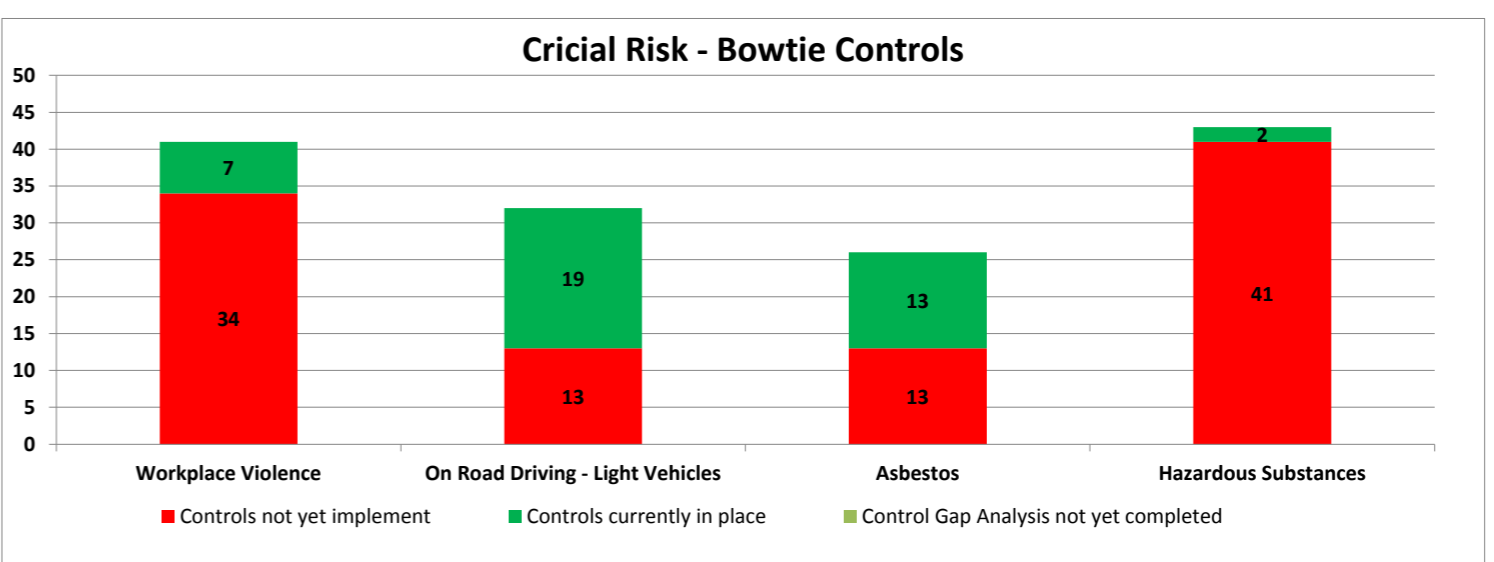
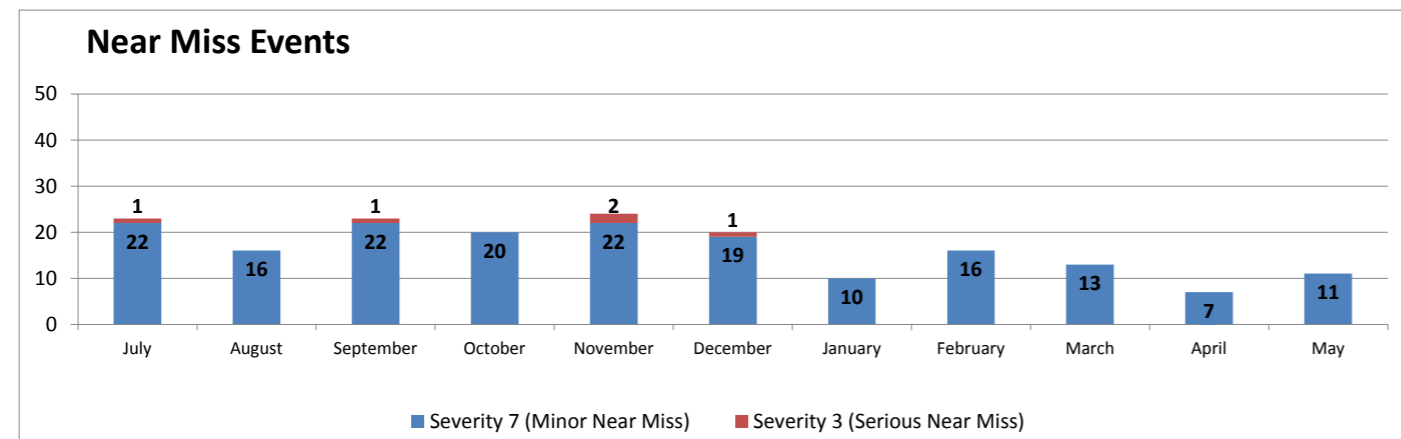
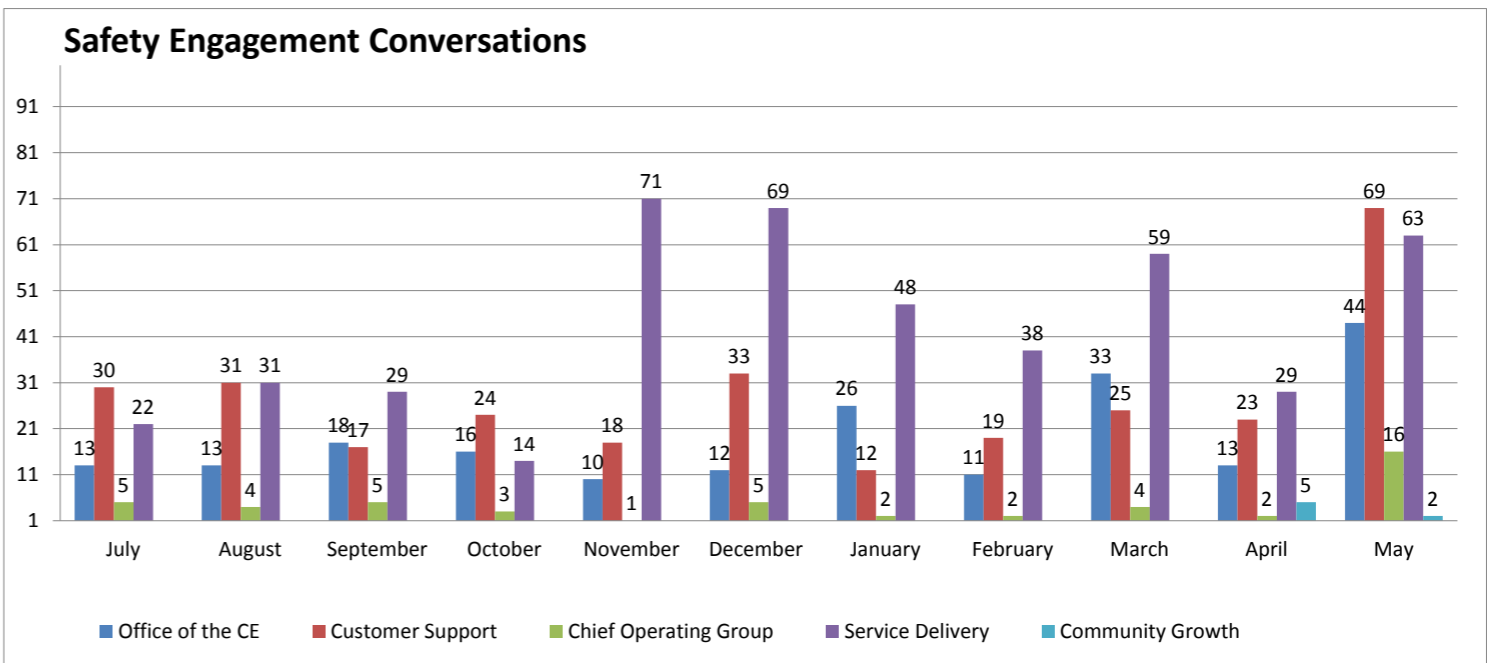
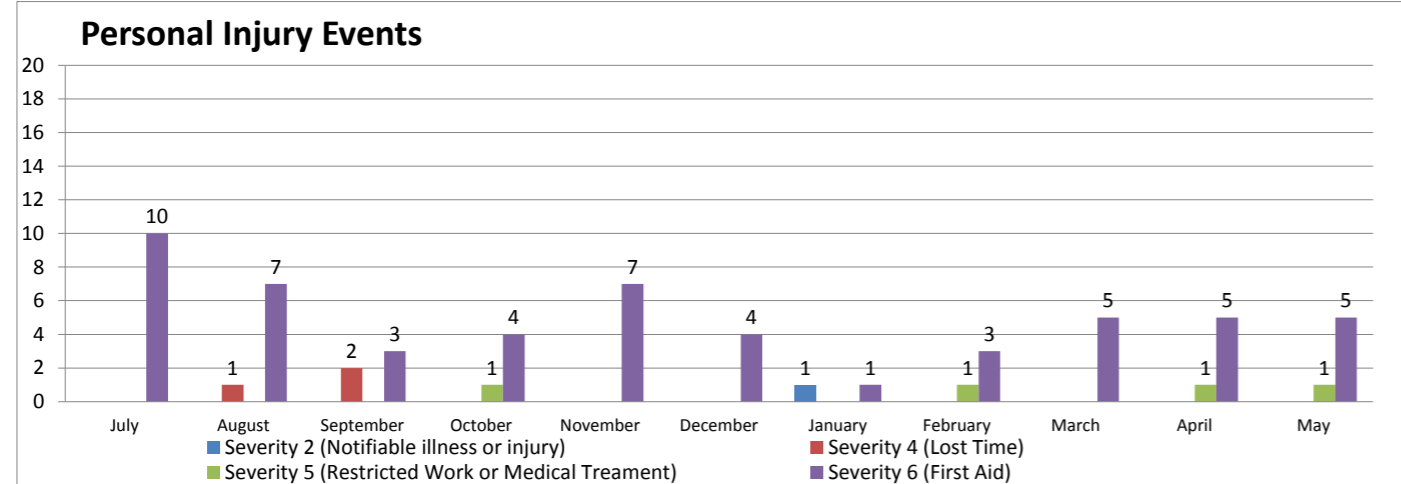
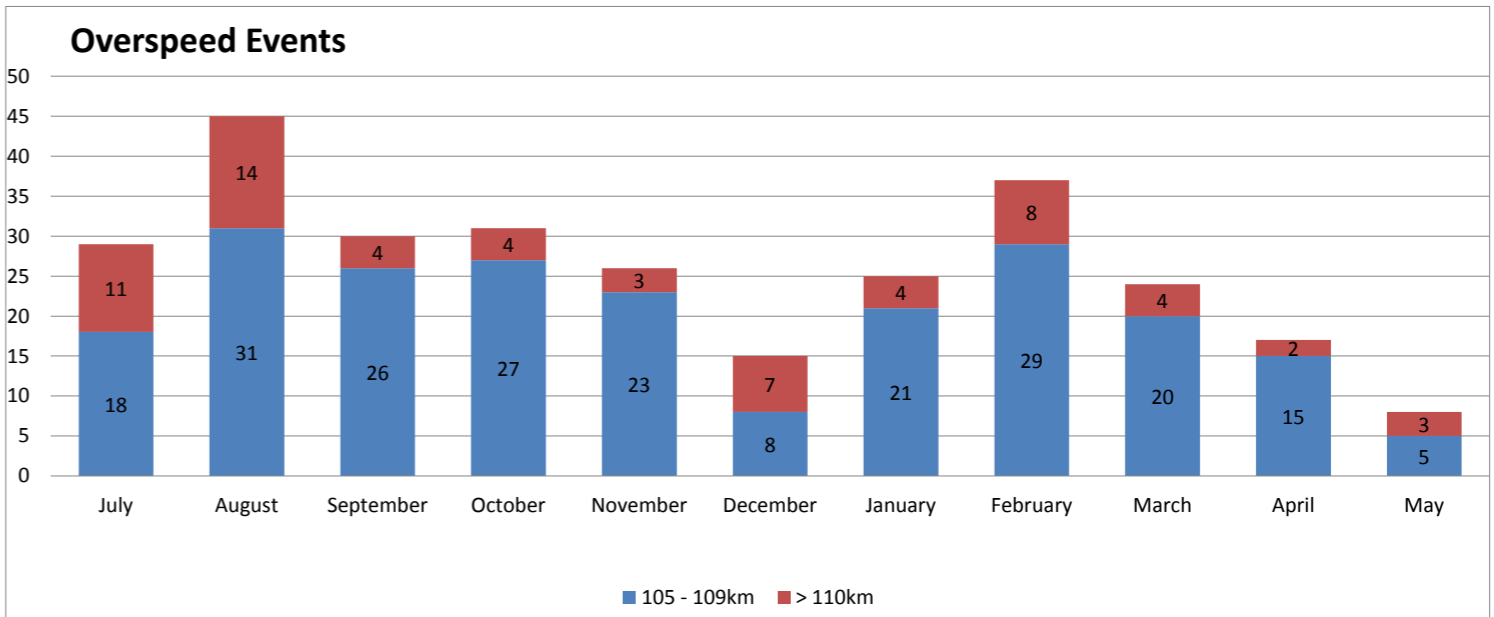
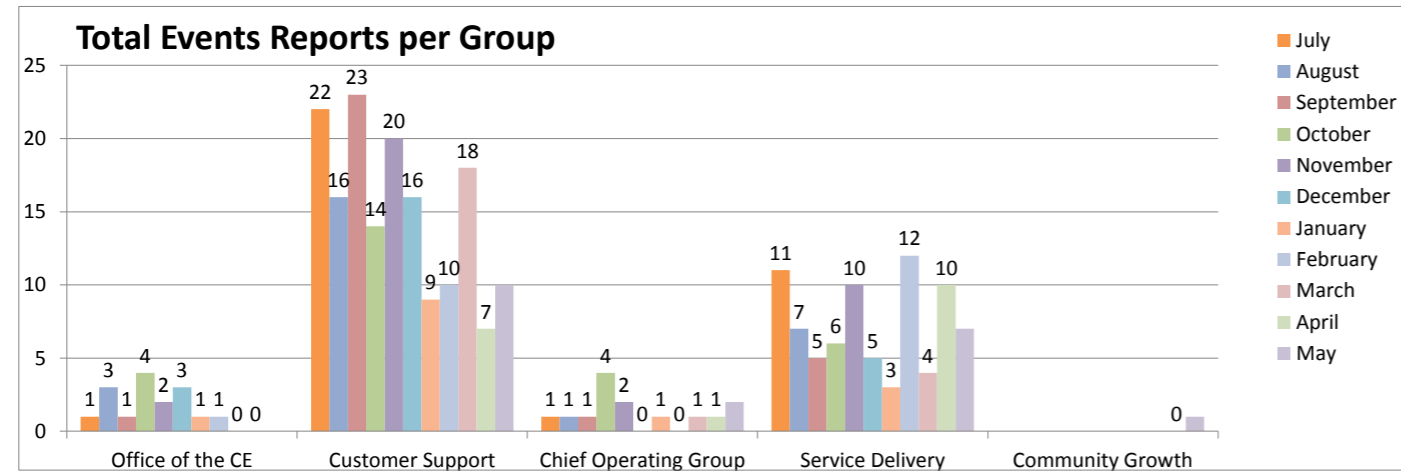
This report provides an update on progress with our Zero Harm systems and processes, and monthly statistics progress

7. ATTACHMENTS

Zero Harm Dashboard – (May 2019)

Zero Harm Dashboard - May 2019

As at 30 May 2019



“Work safe, home safe”

Open Meeting

| | |
|---------------------------------|---|
| To | Audit & Risk Committee |
| From | Tony Whittaker Chief Operating Officer |
| Date | 3 June 2019 |
| Prepared by | Alison Diaz Chief Financial Officer |
| Chief Executive Approved | Y |
| Reference # | GOV1318 |
| Report Title | Annual Report Risk Assessment |

I. EXECUTIVE SUMMARY

The purpose of this report is to provide the Audit & Risk Committee with an assessment of key issues that may impact on the preparation of the 2017/18 Annual Report, related audit requirements and mitigation measures to be employed.

2. RECOMMENDATION

THAT the report from the Chief Operating Officer be received.

3. BACKGROUND

Financial preparations are well underway and staff have compiled a detailed Annual Report/Audit timetable based on the previous year's audit process. A project team has been established to ensure that the Annual Report documents present an accurate account of Council's performance during 2018/19 and that audit requirements are met in full.

4. DISCUSSION

4.1 AUDIT NEW ZEALAND

The audit plan identifies the following areas of focus:

1. Property, plant & equipment

Assets will be valued in accordance with PBE IPSAS 17. All infrastructure assets are to be revalued this year. The scope of the valuation, the competence of the valuer, the completeness of data and reasonableness of assumptions will all be reviewed. The valuer

will need to provide assurances that the valuation has been completed in accordance with valuation and accounting standards. Adjustments posted to the general ledger and disclosures will also be reviewed.

Risk assessment re ability to deliver: Medium

As noted all infrastructural assets will be revalued. Land and Building (operational and restricted assets) will not be revalued this year. This asset class was revalued in the 2016/17 year to assist with the starting position for the 2018-28 Long Term Plan. A preliminary fair value assessment has been undertaken to determine whether there is a material difference between the carrying amount and fair value. This early assessment has determined that a revaluation of Land and Building assets will not be required.

The risk associated with ability to deliver has in previous audits been assessed as low, however, due to changes in key staff who have previously been involved in this work from both Service Delivery and Finance the level of risk for this year has been assessed as medium to cover timing of delivery risk. A casual contract has been put in place to mitigate the finance aspects and continuity of valuation service provider is also expected to help manage the risk.

2. Development contributions

Development and financial contributions formed a significant part of revenue and funding for capital projects amounting to \$12.5 million in 2017/18. The Council's controls will be reviewed to check that contributions are being charged in accordance with the policy. The use and application of development contribution funds will also be reviewed.

Risk assessment re ability to deliver: Low

Application of the development contributions policy is supported by a dedicated Development Contributions Coordinator role and a specific software module within our Property & Rating system. Use of development contributions is linked directly to the funding of the individual projects.

3. Three waters management

The 2018-28 Long Term Plan sought to establish a Waters Governance Board to control three waters operations and delivery. While Council retains ownership of the infrastructure, WaterCare Services Limited ("WSL") would manage the services. Council is required to maintain adequate systems and processes to record data required for reporting purposes. Audit NZ will follow up on progress to establish the board and the contract with WSL, gain an understanding of the impact of the contract on staff at the council, and make enquiries on the progress of systems and processes at Council and WSL to ensure non-financial reporting requirements are able to be achieved.

Risk assessment re ability to deliver: Low

The Waters Governance Board has been established and contract negotiations continue with WSL. The draft contract includes specific reporting clauses and WSL as a Council Controlled Organisation has a clear understanding of the Local Government Act 2002 requirements.

The contract negotiation period has recently been extended beyond the current financial year and Council staff will no longer transfer to WSL on 1 July.

4. *Management Override*

Professional standards require us to assess risks in all audits we perform including the risk of management override of control. Management are in a powerful position to perpetrate fraud due to its ability to override controls that appear to be operating effectively. Substantive audit procedures will be undertaken, including review of journal entries, accounting estimates and significant transactions that are outside normal course of business.

Risk assessment re ability to deliver: Medium

Based on internal audit work completed during the year and staff vacancies/changes, the risk that recommendations have not yet been delivered upon is higher than usual. Detection and corrective measures are in place to identify internal control override, with the addition of a specific financial stewardship chapter within the corporate plan (“Our Plan”) and on-boarding activities with new staff used as an opportunity to reiterate the importance of controls. Known conflicts of interest are actively managed.

5. *Management of Fraud Risk*

To provide assurance on whether financial statements and performance information are free from material misstatement resulting from fraud will be obtained by: identifying risk factors and evaluating the potential for material misstatement, evaluating the effectiveness of internal controls, the performance of substantive procedures and overall alertness for potential fraud.

Risk assessment re ability to deliver: Low

There are many risk mitigations in place, and both procurement and finance in particular are alert to areas of potential fraud and the relationship to material misstatement. A number of internal controls have strengthened over time with electronic purchase ordering in place across the organisation, the removal of cash handling at Council office and library sites, and the electronic receipting module has strengthened the fraud control environment.

6. *Areas of interest for all local authorities*

Other areas that will be addressed relate to compliance with laws and regulations, effectiveness and efficiency in Council activities, whether waste is occurring or likely to occur, whether there are any signs of lack of probity and/or lack of financial prudence by Council members, management or employees.

4.2 TIMING RISK

In addition to the Audit New Zealand areas of focus, the following item has been identified as a possible timing risk for meeting the audit timeframes:

7. *Continuity of staff*

There are a number of vacancies across the organisation currently including two key roles within the Finance Team. With the loss of institutional knowledge comes a heightened risk that it may take longer to complete otherwise routine annual report tasks.

Mitigation measures:

Handover processes are complete for one of the finance roles, with a casual contract established for the provision of on-going support if required. Utilising a robust project management approach to the annual report with regular project team meetings to monitor progress and address issues as they arise will be important.

5. ATTACHMENTS

Nil

Open Meeting

| | |
|---------------------------------|--|
| To | Audit & Risk Committee |
| From | Tony Whittaker Chief Operating Officer |
| Date | 6 June 2019 |
| Prepared by | Alison Diaz Chief Financial Officer |
| Chief Executive Approved | Y |
| Reference # | GOV1318 |
| Report Title | Procurement and Contract Management Framework Review |

I. EXECUTIVE SUMMARY

In 2017 KPMG carried out two reviews; a procurement review and a contracts review. The audit recommendations were grouped into short, medium, and long term actions based on a prioritised approach to mitigating risk, providing Council with assurance and moving towards best practice for both procurement and contract management.

An interim assessment of progress on the short term management actions was presented to the committee in December 2018 by KPMG, with a further update provided in March 2019 by staff. Positive progress was noted in these reports.

With the establishment of a Contracts & Partnering Team within the Service Delivery structure, it is an opportune time to review the framework.

This new team contributes to building Liveable Thriving and Connected Communities by getting the right things done, at the right time, for the right price, in the right way. The team will initially focus on contract management practice within Service Delivery. However, it is envisaged that longer term objectives will deliver:

- best practice management across the whole lifecycle
- value for money
- visibility and management of contract risk
- enablement of services versus 'roadblocks'
- alignment across the organisation on contract management policy and practice
- maturity of the organisation in contract management
- knowledge and capability
- healthy and collaborative supplier relationships

During June a gap analysis will be undertaken with reference to previous internal audit work, good practice guidance materials from Audit New Zealand and the Contracts & Partnering Team and Procurement plans for 2019/20. This work is expected to deliver a strategy to lift the maturity of the organisation towards delivering best practice as well as a check-in that we continue to focus on the right things. A report will be provided to the September meeting to outline the future work programme.

2. RECOMMENDATION

THAT the report from the Chief Operating Officer be received.

3. ATTACHMENTS

Nil

Open Meeting

| | |
|---------------------------------|---|
| To | Audit & Risk Committee |
| From | Tony Whittaker Chief Operating Officer |
| Date | 10 June 2019 |
| Prepared by | Sarah Quinn Procurement Manager |
| Chief Executive Approved | Y |
| Reference # | GOV1303 / 2265890 |
| Report Title | Procurement Manager Report |

1. EXECUTIVE SUMMARY

This report details procurement activities at Waikato District Council as viewed by the Procurement Manager.

The objective of this report is to keep the Audit & Risk Committee informed on key improvement initiatives to better manage procurement risk throughout Council.

2. RECOMMENDATION

THAT the report from the Chief Operating Officer be received.

3. PROCUREMENT MANAGER'S UPDATE

3.1 PROCUREMENT AND CONTRACT MANAGEMENT ROADMAP

With the establishment of the new Contracts and Partnering team, there is added focus and resource to work on raising the performance of procurement and contract activities across Council. A 'Contracts Centre of Excellence' is to be developed by the new Contract & Partnering Manager, that will be the key to demonstrating and leading the Council to deliver higher standards of contract performance. A project is being drafted by the Project Management Office that will focus on a framework for scheduling and managing Councils procurement and contract needs, and identifying best practice methods for contract delivery. This project will be managed internally.

3.2 GOVERNMENT PROCUREMENT RULES 4TH EDITION – OCTOBER 2019

The new Government Rules of Procurement come into effect 01 October 2019. There are significant changes to what was previously Government Rules of Sourcing. Whilst local

government is not required to follow these rules, it is certainly encouraged, and they feature significantly in our Council Procurement policy and processes.

As a Council we must follow the five Principles of Government Procurement:

1. Plan and manage for great results
2. Be fair to all suppliers
3. Get the right supplier
4. Get the best deal for everyone
5. Play by the rules.

There is also a new Government Procurement Charter, devised to ensure the consideration and value of broader outcomes. We will now have the ability look at procurement initiatives that encourage benefits to the public that were historically hard to place preferential value upon.

The Charter and the new rules are there to give guidance on using procurement activity to assist the delivery of our community's wellbeing values such as increasing the health of our local economy and workforce, and placing value on sustainability measures, reducing emissions and waste from supply chains. More work is to be undertaken on how this can be developed into our planning phase of each individual procurement. A copy of the charter is attached to this report, page 13 of the Government Procurement Rules document.

3.3 CONTRACT MANAGEMENT – TECHNOLOGY UPDATE

This Contracts Systems project is progressing, with key project members working through the initial stages of identifying stakeholders and needs requirements for managing our contracts.

3.4 PROCUREMENT RESOURCES

The New Zealand Government Procurement and Property Branch within the Ministry of Business, Innovation and Employment (“MBIE”) runs a cross-government procurement graduate programme, where graduates are employed by MBIE on a two-year fixed term contract but seconded to agencies across government for six-month rotations.

While seconded to the host agency, it is expected that graduates gain relevant skills, competency and experience working in procurement and that they not be used as an administrative resource.

Waikato District Council has applied for a procurement graduate from this programme, and on the second application we have been successful. This graduate will be posted at Council from August to February 2020. The feedback from other Councils that have hosted MBIE procurement graduates is positive, and we look forward to having additional procurement focus at Council.

4. ATTACHMENTS

Government Procurement Rules (from 01 October 2019)

(<https://www.procurement.govt.nz/assets/procurement-property/documents/government-procurement-rules.pdf>)



NEW ZEALAND
GOVERNMENT PROCUREMENT

4th
EDITION
2019

Government Procurement Rules

Rules for sustainable and inclusive procurement



MINISTRY OF BUSINESS,
INNOVATION & EMPLOYMENT
HĪKINA WHAKATUTUKI

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New Zealand Government Procurement Branch | Ministry of Business, Innovation & Employment (MBIE)
PO Box 1473, Wellington 6140, New Zealand

www.mbie.govt.nz | www.procurement.govt.nz

New Zealand Government



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Foreword

As the Procurement Functional Leader, I am pleased to introduce the Government Procurement Rules, fourth edition.

Government procurement can make a vital contribution to the wellbeing of New Zealanders. Benefits that go beyond the immediate purchase of goods, services and works for government can now be achieved through our collective spend in order to ensure that we are promoting inclusivity, transparency and sustainability in the procurement process.

These Rules are essential in reforming government procurement to support broader social, economic, cultural and environmental outcomes, as well as continuing to represent the government's standards of good practice during the procurement process.

Through these Rules, government contracts will now be more explicitly leveraged to support broader outcomes. This entails leveraging contracts to promote the transition to a net zero emissions economy, supporting New Zealand businesses, promoting skills development, and ensuring compliance with employment and health and safety standards. As Government, we will take a lead in ensuring that our spend is delivering public value for New Zealanders.

Government procurement can also future-proof the ability of New Zealand business to trade. By seeking continual innovation and requiring high standards in the procurement process, we are ensuring that those who win contracts in New Zealand can compete in the international market. This increases exports and supports New Zealand's economic growth.

Procurement must adapt and stay relevant to the changing needs of society, the economy and the environment. The inclusion of these wider procurement benefits will ensure procurement practice in New Zealand remains flexible and productive in relation to global trends.



Carolyn Tremain

Chief Executive,
Ministry of Business, Innovation and Employment

Context

What are the Rules?

The Government Procurement Rules are the Government's standards of good practice for government procurement. They are the paragraphs numbered 1 to 71, in Sections 1 to 6 of this document, and include the definitions in Section 7.

The Rules must be read along with the *Principles of Government Procurement*, the *Government Procurement Charter* and other good practice guidance. You can read more about these at: www.procurement.govt.nz

Editions

The *Rules* were first published in October 2013, replacing the Mandatory *Rules* for Procurement by Departments issued by the Ministry of Economic Development in 2006.

The second edition of the *Rules* came into effect on 26 May 2014, to reflect Cabinet's decision to rescind the Rule that required agencies to source cleaning services only from members of the Building Services Contractors Association.

The third edition came into force in July 2015 following a general review. Changes included extending the mandatory application of the *Rules* to a wider range of agencies, and amending *Rules* relating to opt-out procurements and *Notices of Procurement*.

The fourth edition, now titled the Government Procurement Rules, has been developed to align with the Government's expectations that procurement will be leveraged to achieve *Broader Outcomes*. Changes include:

- › A transformation in the way *public value* is assessed and calculated with a wider view towards *the Broader Outcomes* that can be achieved through procurement (Rules 16 to 20).
- › A set of changes to construction procurement (Rules 18, 64 and 69).
- › New *Rules* around procurement capability (Rules 70 and 71), reporting (Rule 53) and planning (Rule 15).
- › The removal of outdated *Rules* (Extended Procurement Forecasts and Registered Suppliers Lists and amending requirements relating to Significant Procurement Plans).

- › Amending the construction threshold to \$9 million and reviewing the thresholds annually.

A table at the end of this document explains changes to the numbering of the *Rules* from the third edition.

The fourth edition has been approved by the Ministers of Finance and State Services and was endorsed by Cabinet on 13 May 2019. It applies from 1 October 2019.

What is procurement?

The term 'procurement' covers all aspects of acquiring and delivering goods, services and works (refurbishment and new construction). It starts with identifying the need and finishes with either the end of a service contract or the end of the useful life and disposal of the asset. This is called the procurement lifecycle. You can obtain more information on the eight stages of the procurement lifecycle at: www.procurement.govt.nz.

Procurement can range from relatively simple and low risk activities to those that are complex and high risk. For procurements that are high risk or high value, a strategic approach will usually result in better outcomes. A strategic approach involves understanding the importance of the procurement to the agency in achieving its outcomes, undertaking adequate planning, sourcing suppliers and managing relationships to successfully deliver against public policy objectives and business needs, while delivering *public value*.

Public value means achieving the best possible result from a procurement. For instance, procurement offers the opportunity to support *New Zealand businesses*, including Māori businesses and Pasifika businesses. Procurement can also contribute positively towards achieving environmental outcomes by supporting New Zealand's transition to a low emissions economy or reducing waste.

The *Rules* focus mainly on the process of sourcing. Sourcing is only **one** part of the procurement lifecycle. It covers planning your procurement, market research, approaching the market, evaluating responses, and negotiating and awarding the contract.

Application to agencies

The *Rules* are mandatory for the agencies listed in Rules 5.1 and 5.2. For these agencies, where the *Rules* use the term **must**, the Rule is compulsory and non-compliance is a breach of the *Rules*. Where the *Rules* use the term **should**, this indicates good practice. Agencies referred to in Rule 5.3 must apply the *Rules* relevant to the commitments contained in, and the procurement covered under, the *World Trade Organization Agreement on Government Procurement* and other free-trade agreements.

These agencies may be audited for compliance with the *Rules*. Suppliers have a right to complain if they think that such an agency has not complied with the *Rules*. See the supplier feedback and complaints section at: www.procurement.govt.nz.

Other agencies in the wider *Public Sector* are expected or encouraged to apply the *Rules* as good practice (see Rules 5.5 and 5.6). These agencies can interpret **must** as **should**.

How to use the Rules


The *Rules* are a flexible framework designed to help agencies make balanced procurement decisions.

Before you choose a procurement process, make sure you understand the nature of the market for the goods, services or works you need and the best way to source your requirements, then consider how the *Rules* apply. When choosing a procurement process, think about what electronic or streamlined or non-traditional methods, such as a hackathon (where potential suppliers work to come up with the most innovative solution to your operational challenges), could be appropriate or achieve a better result.

Accompanying each Rule are tip boxes with more information, definitions, links to guides, tools and templates, and examples. These do not form part of the *Rules*. They can be used, along with the background information in this section and Section 1, to assist with interpretation and to give greater context for the reader. Section and paragraph headings are not part of the *Rules* and should not be used to assist with interpretation.

Icons

The following icons are used to show supplementary information.

| | |
|---|--|
|  more information |  definitions |
|  guides, tools and templates |  examples |

Words and phrases that have a special meaning are marked in italics (e.g. *Request for Tender* and *new construction works*). Special meanings are explained in Section 7 Definitions, which is at the end of the document.

When 'includes' or 'including' is used before a list in a Rule, or examples are provided, it means that the relevant Rule may cover things that are not specifically identified in the list or examples.

References to Acts or Regulations include any amendments made to them and any Acts or Regulations that succeed them.

Individual *Rules* should not be read in isolation from each other and the *Principles of Government Procurement*, and the *Government Procurement Charter*. An interpretation of each Rule that best fits its purpose within the *Rules* as a whole should be adopted.

Agencies can rely on the *Rules* to incorporate New Zealand's international commitments on government procurement. Readers do not need to refer directly to these treaties and agreements. Section six contains a summary of New Zealand domestic requirements for government procurement. Readers are directed to additional sources and will be required to refer to them directly.

Te Tiriti o Waitangi/Treaty of Waitangi

Agencies should be aware of their obligations under Te Tiriti o Waitangi and how this relates to their procurement activities.

New Zealand is party to International Agreements that include specific provisions preserving the pre-eminence of Te Tiriti o Waitangi. Te Tiriti o Waitangi exception provides flexibility for the Government to implement domestic policies in relation to Māori, including in fulfilment of the Crown's obligations under the Treaty. Pursuant to this provision New Zealand may adopt measures it deems necessary to accord favourable treatment to Māori, provided that such measures are not used as a means of arbitrary or unjustified discrimination or as a disguised restriction on trade in goods, trade in services and investment.

Where an agency is considering the application of this provision in their procurement work, this should be discussed in the first instance with the Trade Law Unit at the Ministry of Foreign Affairs and Trade (DM-LGL@mfat.govt.nz).

For more information

You can read more about New Zealand government procurement policy and practice at: www.procurement.govt.nz.

SECTION

1

Getting started



Why have Rules?

To guide public agencies to procure responsibly and achieve public value

The *Rules* guide government agencies through setting a standard of best practice procurement. To responsibly procure, agencies must achieve public value; this includes any *Broader Outcomes* that an agency is seeking to achieve. The ability and responsibility to achieve *public value* through procurement is applicable to everyone involved in procurement processes within an agency, not just the procurement team.

The *Rules* also include Government's requirements around *priority outcomes* that must be leveraged through *designated contracts* (Rules 16 to 20).

To provide and maintain the integrity of government procurement

The *Rules* also establish processes that are consistent and predictable, making it easier for agencies and suppliers to engage with each other.

Government agencies must account for how they spend taxpayers' money. The *Rules*, along with the *Principles of Government Procurement*, the *Government Procurement Charter* and good practice *guidance*, available on www.procurement.govt.nz and www.oag.govt.nz, provide a framework that promotes responsible spending when purchasing goods, services, or works. This framework supports proactively managing procurement process and delivery risks.

Agencies must also be aware of and comply with relevant law, including the common law of contract, public law and commercial law obligations.

eg

Examples of **commercial law legislation**:

- › Contract and Commercial Law Act 2017
- › Commerce Act 1986
- › Fair Trading Act 1986
- › Construction Contracts Act 2002

Example of **commercial law case**:

Pratt Contractors Limited v Palmerston North City Council (High Court)

Examples of **public law legislation**:

- › State Sector Act 1988
- › Public Finance Act 1989
- › Public Finance (Departmental Guarantees and Indemnities) Regulations 2007
- › Public Audit Act 2001
- › Public Records Act 2005
- › Official Information Act 1982
- › Ombudsmen Act 1975
- › Privacy Act 1993
- › Human Rights Act 1993
- › New Zealand Bill of Rights Act 1990
- › Public Bodies Contracts Act 1959

Examples of **agency- or sector-specific legislation** relevant for *procurement*:

- › Crown Entities Act 2004
- › Crown Entities (Financial Powers) Regulations 2005
- › New Zealand Public Health and Disability Act 2000
- › Land Transport Management Act 2003

Example of **public law case**:

- › Attorney-General v Problem Gambling Foundation of New Zealand (Court of Appeal)

Examples of **Treaty of Waitangi obligations** in legislation:

- › Section 4, Conservation Act 1987
- › Section 4, New Zealand Public Health and Disability Act 2000

To promote our values

New Zealand is committed to open, transparent and competitive government procurement that:

- › delivers *public value* (including *Broader Outcomes*)
- › does not discriminate against suppliers (whether domestic or international), and
- › meets agreed international standards.

The *Rules* reflect these values and standards.

To encourage commercial practice

Early market engagement and continued open dialogue with suppliers are essential to achieving good results. There are sound commercial reasons why building stronger relationships with business is important. The *Rules* encourage better commercial practice by promoting these types of behaviours and achieving greater public value.

To support economic development

As a small, remote trading economy, New Zealand needs to export to thrive. A competitive economy trading successfully with the world is one way to build ongoing economic growth, including in the regions. This creates jobs and grows incomes. *New Zealand businesses* need greater access to international markets to increase their export opportunities.

The *Rules* incorporate New Zealand's international treaty obligations. Access to markets is secured through Free Trade Agreements (FTAs). Under FTAs, countries offer reciprocal access to their government contracts. The *Rules* reflect New Zealand's FTA commitments and align with the *World Trade Organization Agreement on Government Procurement* (GPA).

Following the *Rules* is essential:

- › to provide open and fair competition that supports innovation and helps create a competitive, productive supply base in New Zealand – that supports economic growth and development
- › for New Zealand being valued as a desirable trading partner – demonstrating our professional practice and maintaining our reputation for integrity.

To build high-performing public services

Third party suppliers deliver a large share of the government's public services. We can improve the effectiveness and efficiency of public service delivery through better procurement planning, supplier management, and more collaboration across government.



The *Rules* implement New Zealand's international commitments which can be found on the Ministry of Foreign Affairs and Trade Treaties at: www.mfat.govt.nz.



It is important that you consider the longer-term impacts of your procurement decisions and not just the immediate results (e.g. will the decision substantially reduce competition or create a monopoly in the future market-place?).

What is good procurement?

Policy framework

Government procurement is based on the *Government Procurement Charter, Principles, Rules* and other good practice *guidance*. Collectively, these provide a broad framework that supports accountability for spending, sound business practice and better results.

Good practice isn't just mechanically applying the *Rules*. It's about developing a strong understanding of all of the aspects of the procurement lifecycle, and skilfully applying these to deliver the best results. While you still need to comply with the *Rules*, you should design your process proportionate to the value, risk and complexity of the procurement. It's about applying sound commercial judgement to achieve the best *public value*, and drive innovation and performance.

Understanding suppliers and the market is part of the careful planning essential to developing the right approach to market. All procurement covered by the *Rules* should be supported by a robust business case or procurement plan that has a level of detail reflecting the size, value and complexity of the procurement.

Procurement also covers proactively managing supplier and other key stakeholder relationships throughout the sourcing process and for the duration of the contract. This continues to develop the supplier and drives *public value* through ongoing efficiency and effectiveness gains.

Other guidance

Other procurement *guidance* provides information and advice on good practice. This *guidance* can be found at: www.procurement.govt.nz.



Examples of **guidance** on government procurement practice include:

- › Office of the Auditor-General's *Procurement guidance for public entities* www.oag.govt.nz.

What is public value?

Public value means getting the best possible result from your procurement, using resources effectively, economically and without waste, and taking into account:

- › the total costs and benefits of a procurement (total cost of ownership), and
- › its contribution to the results you are trying to achieve.

Delivering better *public value* through government procurement should include securing *Broader Outcomes* for New Zealand. For instance, agencies can use procurement as a lever to reduce negative environmental impacts, develop suppliers, and promote regional and economic outcomes. Cabinet has prioritised a set of economic, social, cultural and environmental outcomes that agencies are expected to leverage within *designated contracts*. Agencies are also encouraged to seek additional outcomes voluntarily. The priority set of outcomes and associated new reporting requirements are outlined in the new *Rules* 16 to 20.

For each procurement, agencies must identify if your contract falls under one of the *priority outcomes*. Even if it doesn't, you must explore how you could secure *Broader Outcomes*: for instance, what environmental or social outcomes could be achieved?

Selecting the most appropriate procurement process that is proportionate to the value, risk and complexity of the procurement will also help achieve *public value*. Good procurement is about being risk aware, not risk averse.

eg

Public value over the whole-of-life

An agency publishes a *Request for Tender* to supply steel mesh fencing for a new depot. It does not specify any quality standards and accepts the lowest price bid.

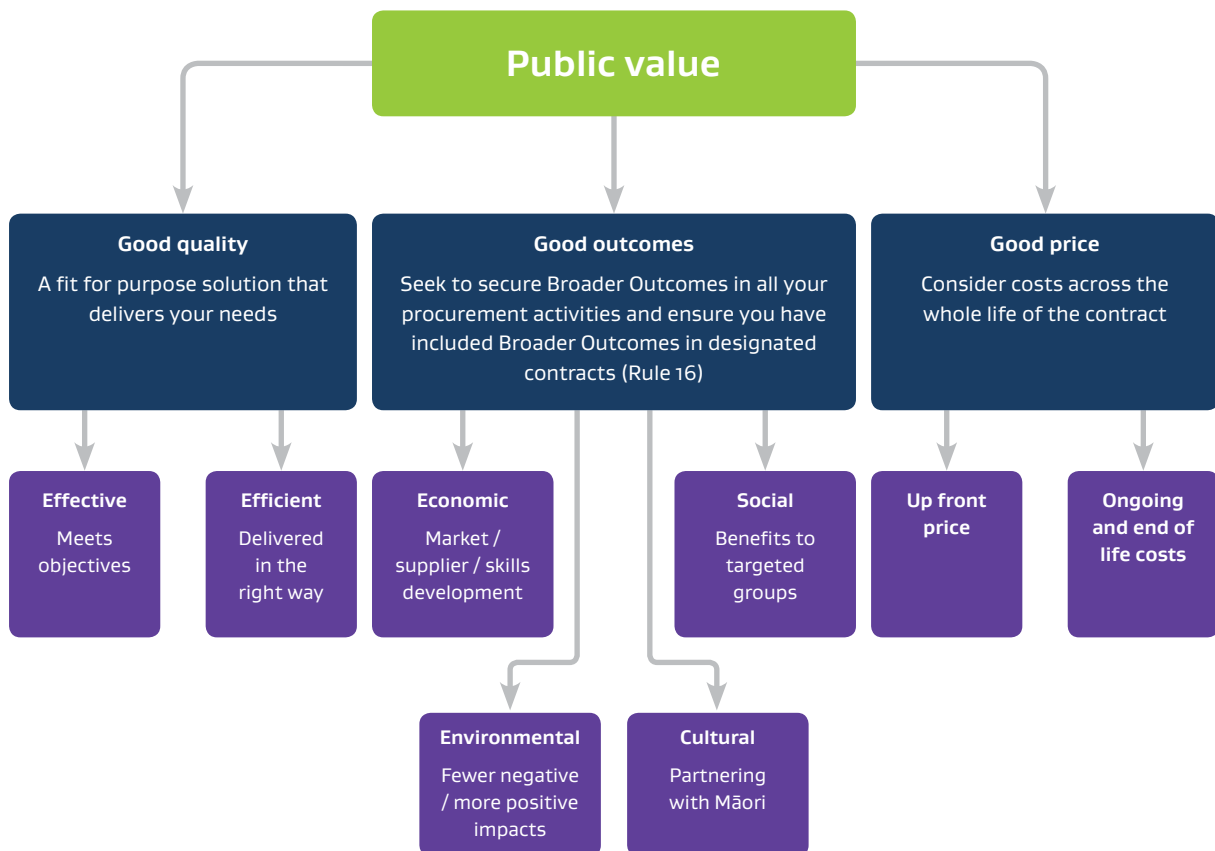
The fencing is installed. Within one year it begins to rust; within three years it is beginning to fail; and by six years it needs to be replaced.

Had the agency specified quality standards, it could have assessed bids based on best *public value* over the whole of the life of the product. Another supplier's price was slightly higher, but their fencing carried a 15-year warranty. Despite the higher initial cost, this supplier's product would have represented the best *public value* over the whole-of-life.

This concept can be applied to *Broader Outcomes* too. For instance, an agency publishes a *Request for Tender* for the provision of 10 heavy duty vehicles, but it does not specify the CO₂ emissions for each vehicle. Because this is not specified, the agency accepts the lowest bid, which results in high-emission vehicles being purchased.

Had the agency taken emissions into consideration they could have assessed the bid on the best *public value*. Another supplier's price was slightly higher but their vehicles had a lower average emissions profile. Despite the higher initial cost, this supplier's product represents a more comprehensive calculation of *public value* and a significantly improved environmental outcome.

See www.procurement.govt.nz for guidance and expectations regarding whole-of-life, in particular the guidance note entitled Rule 43 – Awarding the Contract.



The Five Principles of Government Procurement

The *Principles of Government Procurement* apply to all government agencies and provide government's overarching values. They apply even if the *Rules* do not. Agencies should use the *Principles* for guidance and to help make good procurement decisions.

Take time to read the five Principles. You need to understand how they apply to the work that you do.

1. PLAN AND MANAGE FOR GREAT RESULTS

- › Identify what you need, including what *Broader Outcomes* should be achieved, and then plan how to get it.
- › Set up a team with the right mix of skills and experience.
- › Involve suppliers early – let them know what you want and keep talking.
- › Take the time to understand the market and your effect on it. Be open to new ideas and solutions.
- › Choose the right process – proportional to the size, complexity and any risks involved.
- › Encourage e-business (for example, tenders sent by email).

2. BE FAIR TO ALL SUPPLIERS

- › Create competition and encourage capable suppliers to respond.
- › Treat all suppliers equally – we don't discriminate (this is part of our international obligations).
- › Seek opportunities to involve New Zealand businesses, including Māori, Pasifika and regional businesses and social enterprises.
- › Make it easy for all suppliers (small and large) to do business with government.
- › Be open to subcontracting opportunities in big projects.
- › Clearly explain how you will assess proposals – so suppliers know what to focus on.
- › Talk to unsuccessful suppliers so they can learn and know how to improve next time.

3. GET THE RIGHT SUPPLIER

- › Be clear about what you need, and fair in how you assess suppliers – don't string suppliers along.
- › Choose the right supplier who can deliver what you need, at a fair price and on time.
- › Choose suppliers that comply with the Government's *Supplier Code of Conduct*
- › Build demanding, but fair and productive, relationships with suppliers.
- › Make it worthwhile for suppliers – encourage and reward them to deliver great results.
- › Identify relevant risks and get the right person to manage them.

4. GET THE BEST DEAL FOR EVERYONE

- › Get best *public value* – account for all costs and benefits over the lifetime of the goods or services.
- › Make balanced decisions – consider the possible social, environmental, economic and cultural outcomes that should be achieved.
- › Encourage and be receptive to new ideas and ways of doing things – don't be too prescriptive.
- › Take calculated risks and reward new ideas.
- › Have clear performance measures – monitor and manage to make sure you get great results.
- › Work together with suppliers to make ongoing savings and improvements.
- › It's more than just agreeing the deal – be accountable for the results.

5. PLAY BY THE RULES

- › Be accountable, transparent and reasonable.
- › Make sure everyone involved in the process acts responsibly, lawfully and with integrity.
- › Stay impartial – identify and manage conflicts of interest.
- › Protect suppliers' *commercially sensitive information* and intellectual property.

Government Procurement Charter

The Charter sets out Government's expectations of how agencies should conduct their procurement activity to achieve public value.

Government agencies spend approximately \$41 billion a year on a wide range of goods and services from third party suppliers. We need to ensure that government procurement delivers public value for all New Zealanders while supporting the delivery of better public services throughout New Zealand.

Agencies should identify their key priorities and seek to meet as many of these expectations as practical.

The New Zealand Government directs agencies to:

1. SEEK OPPORTUNITIES TO INCLUDE NEW ZEALAND BUSINESSES

- › Openly work to create opportunities for local businesses and small-to-medium enterprises to participate in your procurement processes.

2. UNDERTAKE INITIATIVES TO CONTRIBUTE TO A LOW EMISSIONS ECONOMY AND PROMOTE GREATER ENVIRONMENTAL RESPONSIBILITY

- › Ensure that economic and social development can be implemented on a sustainable basis with respect for the protection and preservation of the environment, reducing waste, carbon emissions and pollution.

3. LOOK FOR NEW AND INNOVATIVE SOLUTIONS

- › Make sure you don't overprescribe the technical requirements of a procurement, give businesses the opportunity to demonstrate their expertise.

4. ENGAGE WITH BUSINESSES WITH GOOD EMPLOYMENT PRACTICES

- › Ensure that the businesses you contract with operate with integrity, transparency and accountability, and respect international standards relating to human and labour rights. For businesses operating within New Zealand, ensure that they comply with all New Zealand employment standards and health and safety requirements.

5. PROMOTE INCLUSIVE ECONOMIC DEVELOPMENT WITHIN NEW ZEALAND

- › Engage with Māori, Pasifika, and regional businesses and social enterprises in order to actively contribute to our local economy. Openly working to include and support these businesses and enterprises through procurement will promote both skills development and a diverse and inclusive workforce.

6. MANAGE RISK APPROPRIATELY

- › Responsibility for managing risks should be with the party – either the agency or the supplier – that is best placed to manage the risk. Agencies and suppliers should work together on risk mitigation strategies.

7. ENCOURAGE COLLABORATION FOR COLLECTIVE IMPACT

- › Look to support greater collaboration, both across-agency and across-businesses to give like-minded groups the opportunity to find common solutions within your procurement opportunities.

RULE 1 PRINCIPLES AND THE GOVERNMENT CHARTER

1. Each agency **must** have policies in place that incorporate the five *Principles of Government Procurement* and the *Government Procurement Charter*. The *Principles* and the *Charter* apply to all procurements, even if the *Rules* do not apply.
2. Each agency **should** consider making these policies publicly available.
3. Each agency **must** make sure that:
 - a. all staff engaged in procurement have been trained in the five *Principles* and the *Charter*
 - b. its procurement practices reflect the five *Principles* and the *Charter*
 - c. it is able to show how it has used sound research to plan an appropriate approach-to-market strategy that is proportionate to the nature, risk, value and complexity of each procurement.



Procurement planning

Before you choose a procurement process, you should think about the nature of the goods, services or works you need, and assess the best way to approach and collaborate with the market. You **must** make sure that:

- › all suppliers get fair notice of the contract opportunity
- › the process encourages competition
- › suppliers have enough time to respond.

You should base your decisions on a clear understanding of your agency's needs and an appropriate level of market research. It's important that the process you choose reflects the value and complexity of the procurement. Don't overcomplicate a straightforward tender simply because the *Rules* apply.



Procurement planning

Good procurement starts with good planning. Knowing what you need to buy and understanding the market makes government an 'intelligent customer'.

The following *guidance* is helpful when planning a major project:

- › *Governance and oversight of major IT projects* by the Office of the Auditor-General (2000) www.oag.govt.nz
- › *Better capital planning and decision making: Quick reference guide* by the National Infrastructure Unit www.infrastructure.govt.nz
- › *Long Term Investment Plans* by the Treasury www.treasury.govt.nz



The Government Procurement Charter

The *Government Procurement Charter* sets out the Government's expectations for what agencies should consider when conducting their procurement.

RULE 2 INTEGRITY

1. Each agency **must** have in place policies that safeguard the integrity of its procurement activities and processes. The policies **must** require that:
 - a. the agency and all staff involved in procurement can justify their procurement decisions
 - b. those involved in procurement decisions stay impartial
 - c. procurement processes are fair, transparent and reasonable
 - d. all staff involved in procurement act responsibly, lawfully and with integrity.
2. Each agency **must** have policies in place that help all staff involved in procurement to identify, notify and manage *conflicts of interest*. Each agency **must** be able to show how it uses sound judgement to manage *conflicts of interest*.



Integrity in Government Procurement

Government procurement is an area where integrity is of the utmost importance. The Standards of Integrity and Conduct set by the State Services Commissioner must be applied by individuals working in the public state sector. The *State Services code of conduct* and supporting information can be found on the State Services Commission's website: www.ssc.govt.nz.

Managing conflicts of interest: Guidance for public entities is available at: www.oag.govt.nz.

Suppliers to government are expected to act with integrity and comply with the *Supplier Code of Conduct* available at www.procurement.govt.nz. Consider incorporating a commitment for suppliers to adhere to the *Supplier Code of Conduct* in your contracts.

RULE 3 NON-DISCRIMINATION AND OFFSETS

1. All suppliers **must** be given an equal opportunity to bid for contracts. Agencies **must** treat suppliers from another country no less favourably than New Zealand suppliers.
2. Procurement decisions **must** be based on the best *public value*, over the whole-of-life of the goods, services or works.
3. Suppliers **must not** be discriminated against because of:
 - a. the country the goods, services or works come from
 - b. their degree of foreign ownership or foreign business affiliations.
4. An agency **must not** ask for, take account of, or impose any *offset* at any stage in a procurement process.



Rule 3 contains the expression 'must treat suppliers from another country no less favourably than New Zealand suppliers.'

This means a supplier will be assessed on their merits. It does not prevent you from awarding a contract to a New Zealand supplier if they present the best *public value*, inclusive of any *Broader Outcomes* sought as part of the tender process.

RULE 4 **PROTECTION OF SUPPLIER** **INFORMATION**

1. Each agency **must** protect suppliers' confidential or *commercially sensitive information*. This includes information that could compromise fair *competition* between suppliers.
2. An agency **must not** disclose confidential or *commercially sensitive information* unless:
 - a. the supplier has already agreed to it in writing, or
 - b. the disclosure is required by law (e.g. under the Official Information Act 1982), convention or Parliamentary or Cabinet Office practice, or
 - c. it is a limited disclosure expressly notified in a *Notice of Procurement* to which suppliers have consented by participating in the process.



Commercially sensitive information

is information that, if disclosed, could prejudice a supplier's commercial interests. It includes:

- › the design and content of a tender
- › trade secrets and 'know-how'
- › new ideas
- › innovative solutions
- › pricing structures
- › profit margins
- › market strategies.

Agencies must understand what *commercially sensitive information* is and how to handle that information.

Examples of prohibited disclosure of information include:

- › disclosing *commercially sensitive information* to a supplier's competitor
- › using or adopting an idea or solution without the supplier's agreement.

It is good practice to include instructions to suppliers (in your *Notice of Procurement*) to mark their responses, or the relevant parts of their responses, as 'commercial in confidence'.

If, as part of the evaluation process, you need to share responses with other agencies or advisors, you will need to seek permission for such disclosure by making this a condition of participation in your *Notice of Procurement*.

RULE 5 WHO THE RULES APPLY TO

Required application

- The following agencies **must** apply the *Rules*:
 - all *Public Service* departments
 - New Zealand Police
 - New Zealand Defence Force
 - State Services* agencies covered by the *Whole of Government Direction*.
A list of these agencies is available at: www.procurement.govt.nz
- Crown Research Institutes* **must** have regard to the *Rules*.
- Certain agencies not listed in Rules 5.1 and 5.2 are bound to meet the requirements of the *WTO Agreement on Government Procurement* or other free trade agreements. For these agencies, only those *Rules* relevant to the commitments made, and procurement covered by, those agreements will apply. A list of these agencies is available at: www.procurement.govt.nz.
- The agencies identified in Rules 5.1 and 5.2 may be audited for compliance with the *Rules* (e.g. by the Auditor-General under the Public Audit Act 2001).

Good practice guidance only

- School Boards of Trustees, *Public Finance Act Schedule 4 organisations*, and the Reserve Bank of New Zealand are expected to have regard to the *Rules* as good practice *guidance*.
- Wider *State Sector* and *Public Sector* agencies are encouraged to have regard to the *Rules* as good practice *guidance*.
- In applying the *Rules* as good practice *guidance*, the agencies identified in Rules 5.5 and 5.6 are to interpret all '**must**' *Rules* as '**should**' *Rules*.

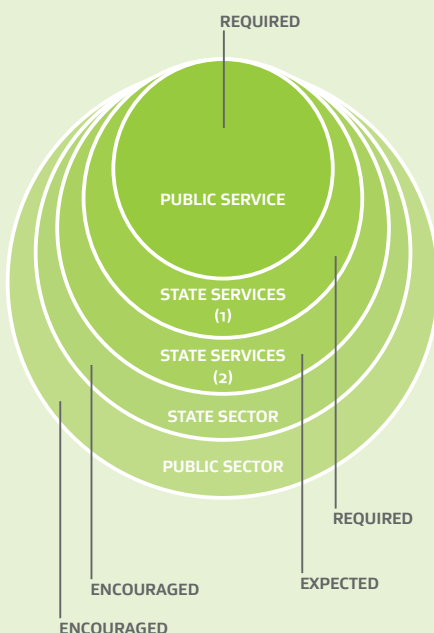


Whole of Government Direction

The *Whole of Government Direction on Procurement Functional Leadership*, dated 22 April 2014, was made under section 107 of the Crown Entities Act 2004 by the Ministers of Finance and State Services. More information about this, and related directions about ICT and property services, is available at: www.ssc.govt.nz.



New Zealand's central government is made up of agencies in the *Public Service*, *State Services* and *State Sector*. A full list of these agencies is available at: www.ssc.govt.nz. Local government agencies are part of the *Public Sector*. For convenience, the *Rules* refer to all central and local government agencies as 'agencies'.



Public Service departments are the core departments and ministries listed in the State Sector Act 1988, Schedule 1.

State Services 1 is the State Services agencies covered by the *Whole of Government Direction*. These include:

- › Crown Agents
- › Autonomous Crown Entities
- › Independent Crown Entities
- › Crown Entity companies
- › Public Finance Act Schedule 4A companies

State Services 2 includes:

- › School Boards of Trustees
- › Crown Entity subsidiaries
- › Public Finance Act Schedule 4 companies
- › Reserve Bank of New Zealand

RULE 6 WHEN THE RULES APPLY – GOODS OR SERVICES OR REFURBISHMENT WORKS

1. The *Rules* apply:
 - a. to the procurement of goods or services or *refurbishment works*, or a combination of goods or services or *refurbishment works*, when
 - b. the *maximum total estimated value* (Rule 8) of the procurement meets or exceeds the *value threshold* found at: www.procurement.govt.nz
2. To estimate the *maximum total estimated value* (Rule 8) for goods or services or *refurbishment works*, an *agency must* take into account:
 - a. all related services (e.g. installation, training, servicing, and management consultancy services)
 - b. all types of goods (e.g. operating consumables)
 - c. all subcontracted goods or services or works.
3. This rule does not apply to goods, services or *refurbishment works* that are purchased for commercial resale.

eg

Value thresholds

New Zealand is party to a number of Free Trade Agreements that include government procurement and *Te Tiriti o Waitangi Exceptions*. To ensure alignment with obligations made in these agreements, the *value thresholds* in the *Rules* are reviewed on an annual basis and may be adjusted if there are significant changes in the value of the New Zealand dollar. As of 1 October 2019 the threshold for goods or services or *refurbishment works* is \$100,000 (excluding GST). Check www.procurement.govt.nz for the current threshold. As the *Rules* represent good practice, agencies can apply the *Rules* for procurements under this threshold.



In the context of the *Rules*, **refurbishment works** relates to the renovating, repairing or extension of an existing works, including an existing building, road, bridge or dam. It does not include replacing an existing construction as this is deemed to be *new construction works* (Rule 7).

eg

An example of **goods purchased for commercial resale** could be items that a museum purchases for resale in its gift shop.



Disposals at the end of the useful life of an asset are not commercial goods, services or works purchased for resale. Disposals are not subject to these *Rules*.



Below threshold procurement

Where procurement is below the threshold, agencies should consider if there is a capable *New Zealand business*, including Māori businesses, Pasifika businesses and social enterprises, that could fulfil the contract opportunity.

RULE 7 WHEN THE RULES APPLY – NEW CONSTRUCTION WORKS

1. The *Rules* apply:
 - a. to the procurement of goods or services or works for *new construction works*, when
 - b. the *maximum total estimated value* (Rule 8) of the procurement meets or exceeds the *value threshold* found at: www.procurement.govt.nz
2. To estimate the *maximum total estimated value* (Rule 8) for *new construction works*, an agency **must** take into account all:
 - a. related services (e.g. design, architecture, engineering, quantity surveying, and management consultancy services)
 - b. types of goods (e.g. construction material, health and safety equipment)
 - c. phases of the construction through to completion
 - d. subcontracted goods, services and works.



Construction value thresholds

As of 1 October 2019 the threshold for construction works is \$9 million (excluding GST). Check www.procurement.govt.nz for the current threshold. As the *Rules* represent good practice, agencies can apply the *Rules* for procurements under this threshold. New Zealand is party to a number of Free Trade Agreements that include government procurement and *Te Tiriti o Waitangi Exceptions*. To ensure alignment with obligations outlined in these agreements, the *value thresholds* in the *Rules* are reviewed on an annual basis and may be adjusted if there are significant changes in the value of the New Zealand dollar.



Planning for new construction works

As detailed in Rule 69 (planning for *new construction works*), when planning a new construction project, you must consider *New Zealand Government Procurement's Planning Construction Procurement guides* available at: www.procurement.govt.nz. Agencies must be able to produce evidence that they have considered these guides as they provide standards of good practice for construction procurement processes.



Calculating the value of new construction works

When planning *new construction works*, you may decide to 'structure work into subcategories and award these to separate suppliers. Openly advertising smaller contracts can be helpful for smaller businesses that do not have the capacity to supply all the components of a large project.

If you decide to structure work into subcategories:

- › Each of the packages of work will count towards the *maximum total estimated value* (Rule 8) of your procurement.
- › You must do so consistently with Rule 9 *Non-avoidance*.

RULE 8 ESTIMATING THE MONETARY VALUE OF A PROCUREMENT

1. Each agency **must** estimate the total monetary value of a procurement to determine whether it meets or exceeds the relevant *value threshold* (set out in Rules 6 and 7). Agencies **must** act in good faith and use good judgement to estimate the monetary value of a procurement. Agencies **must** include the estimated monetary value in their business case or *procurement plan*. This estimate is referred to as the *maximum total estimated value*.
2. Each agency **must** consider the total value over the whole-of-life of the contract/s when estimating the procurement's *maximum total estimated value, including any costs associated with the disposal of goods*. The estimate **must** include the value of all of the contracts that may result from the procurement.
3. The value is the total amount excluding GST.
4. If an agency cannot estimate the *maximum total estimated value* of a procurement, it **must** apply the *Rules*.
5. When an agency calculates the *maximum total estimated value* of a procurement, it **must** include everything required for the full delivery of the goods, services or works. This includes the value of:
 - a. options to purchase additional goods, services or works
 - b. options to extend the term of the contract
 - c. paying any premiums, fees or commissions to the supplier or a broker
 - d. any related revenue streams a supplier receives
 - e. any other form of remuneration or payment due to the supplier or to a third party or any interest payable.



Estimating the monetary value of a procurement

Even if the **monetary value of a procurement** is less than the *value threshold* (set out in Rules 6 and 7), agencies are still expected to follow good procurement practice. This means applying the *Principles* and having regard to other good practice *guidance*.

It's better to be cautious. If your **estimated value** is getting close to the *value threshold* (e.g. services valued at \$98,000), always consider using an open competitive process. After all, your calculation is only an estimate.



An example of related revenue streams: a supplier receives tolls from a highway it has built.

RULE 9 NON-AVOIDANCE

1. An agency **must not** intentionally avoid applying the *Rules* when planning for, valuing or undertaking a procurement.
2. When calculating a procurement's *maximum total estimated value* (Rule 8), an agency **must not** intentionally avoid applying the *Rules* by either:
 - a. designing, structuring or dividing a procurement into separate parts
 - b. using a non-standard or alternative valuation method to lower the estimated value.



Number of contracts

After conducting market analyses, you might decide to restructure the work into separate lots and publish a tender with multiple subcategories. You should then indicate in your *Notice of Procurement* the possibility, or your intention, that the procurement may be awarded in separate lots.

Restructuring large contracts into smaller lots can be helpful for small *New Zealand businesses* that may not be able to compete for one large contract. For instance, instead of choosing one supplier who is able to deliver a national contract, you could split a contract by region and contract with multiple small regional businesses. However, you must not split a procurement with the intent to avoid applying the *Rules*.



Third-party commercial supplier or broker

You can't avoid applying the *Rules* by purchasing through a third-party commercial supplier.

RULE 10 TYPES OF CONTRACT

1. The *Rules* apply to all contract types, including:
 - a. when purchasing outright
 - b. purchasing through hire-purchase
 - c. when renting or leasing
 - d. where there is an option to buy
 - e. *Public Private Partnerships*
 - f. contracts accessed through a third-party commercial supplier or broker.

RULE 11 NON-PROCUREMENT ACTIVITIES

1. For the purposes of the *Rules*, the following activities are deemed not to be procurement activities:
 - a. employing staff (excluding the engagement of contractors and consultants)
 - b. disposals and sales by tender
 - c. investments, loans and guarantees
 - d. gifts, donations and any form of unconditional grants
 - e. statutory appointments
 - f. Ministerial appointments
 - g. Core Crown legal matters
 - h. public prosecutions as defined in section 5 of the Criminal Procedure Act 2011.



Gifts, donations and unconditional grants – for information about these, see the Office of the Auditor-General’s guide *Public sector purchases, grants, and gifts: Managing funding arrangements with external parties* at: www.oag.govt.nz

Statutory appointments are made under statutory authority and include appointments made by warrant from the Governor-General under the Letters Patent, e.g. Crown Solicitors.

Ministerial appointments are non-statutory government board and advisory body appointments made by Ministers or Cabinet. A situation where a Minister instructs an agency to appoint a named consultant to undertake a piece of work is not a Ministerial appointment.

‘Core Crown legal matters’ is defined in the *Cabinet Directions for the Conduct of Crown Legal Business* 2016 (reference: Cabinet Office Circular CO (16) 2). These directions are published in the Cabinet Manual.

Public Service departments, New Zealand Police and New Zealand Defence Force (and bodies, decision-makers, office-holders and employees within those agencies) must refer all their requirements for external legal services relating to Core Crown legal matters to the Solicitor-General. These matters are usually dealt with by the Crown Law Office.

RULE 12 OPT-OUT PROCUREMENTS

1. In certain circumstances, when a procurement is covered by the *Rules* (meets the requirements of Rules 5 and 6 or Rules 5 and 7), an agency can opt-out of applying all *Rules* to that procurement, except those listed in Rule 12.4 and 12.5. These circumstances are listed in Rule 12.3 and are called *opt-out procurements*.
2. When doing an *opt-out procurement*, an agency should still conduct its procurement according to the *Principles* and other procurement good practice *guidance*. It should also achieve the best *public value*, over the life of the contract, which may include the outcomes in the *Government Procurement Charter*.
3. The following is the list of valid *opt-out procurements*:
 - a. Between government agencies: Any of the following agencies can purchase goods, services or works from each other:
 - i. Public Service departments
 - ii. New Zealand Police
 - iii. New Zealand Defence Force
 - iv. agencies covered by the Whole of Government Direction (Rule 5.1)
 - v. Crown Research Institutes.
 However, if the purchasing agency chooses to use an open competitive process it **must** apply the *Rules*.
 - b. **Overseas:** Goods, services or works purchased outside of New Zealand for use outside of New Zealand.
 - c. **Offices overseas:** Any procurement relating to constructing, refurbishing or furnishing New Zealand government offices overseas.
 - d. **Non-contractual arrangement:** Any non-contractual arrangement (e.g. a Memorandum of Understanding between two government departments) or any form of assistance including cooperative agreements (e.g. diplomatic assistance to another government).
 - e. **Land and buildings:** Purchasing or renting land or existing buildings or other immovable property. This does not include refurbishment works or new construction works, which are covered by Rules 6 and 7.
 - f. **Conditional grant:** Any form of conditional grant. However, an agency **must not** design or structure a procurement as a form of conditional grant to avoid applying the *Rules*.
 - g. **International development assistance:** Providing international development assistance through multilateral or bilateral assistance, including aid in the form of conditional grants, budget support or any form of contribution or diplomatic assistance.
 - h. **International funding:** Any procurement funded by an international grant, loan or other assistance or that **must** comply with an international organisation's procedure where that procedure is inconsistent with the *Rules*.
 - i. **International organisation:** Any procurement conducted under a procedure required by an international organisation or funded by an international grant, loan or other assistance that is inconsistent with the *Rules*.
 - j. **International agreements between countries:** Agreements between countries for the joint implementation of a project.
 - k. **Public services:** The provision of certain types of *health services, education services and welfare services*. See Section 7 Definitions for more information.
 - l. **Government's central financial control functions:** Central banking control functions on behalf of government such as those carried out by the Reserve Bank, and Crown debt management functions such as those carried out by Treasury. See Section 7 Definitions for more information.
 - m. **Military and essential security interests:** Measures necessary for the protection of essential security interests, procurement indispensable for national security or for national defence, the maintenance or restoration of international peace or security, or to protect human health, including:
 - i. procurement of arms, ammunition or war materials
 - ii. stationing military or implementing a joint military project under an international agreement (e.g. a peace-keeping deployment)
 - iii. a measure to protect: public morals, order or safety; human, animal or plant life or health; intellectual property; or relating to goods, services or works of persons with disabilities, philanthropic or not-for-profit institutions, and prison labour.

4. The following *Rules* apply to all *opt-out procurements*:
 - a. Rule 4 *Protection of suppliers' information*
 - b. Rule 16 *Broader Outcomes*
 - c. Rule 50 *Supplier complaints*
 - d. Rule 51 *Prompt payment*
 - e. Rule 52 *Maintaining records*
 - f. Rule 54 *Audit*
5. The following *Rules* apply to *opt-out procurements* when relevant:
 - a. Rule 22 *Significant Procurement Plans*
 - b. Rule 49 *Debriefing suppliers* (if the agency has used a competitive process)
 - c. Rule 58 *All-of-Government Contracts*
 - d. Rule 59 *Syndicated Contracts*
 - e. Rule 60 *Common Capability Contracts*
 - f. Rule 63 *Intellectual Property*
 - g. Rule 64 *Infrastructure*
 - h. Rule 65 *Business Cases and Investment Decisions*
 - i. Rule 66 *Investment Reviews*
 - j. Rule 67 *Timber and wood products*
 - k. Rule 68 *Employee transfer costs*.



Procurement between government agencies

Rule 12.3.a does not mean you can purchase goods, services or works under a contract that another listed agency has awarded to a third party supplier.



Opt-out decisions

The *opt-out* rule allows the Government flexibility in the way it sources goods, services or works in certain situations. You should always consider your options and use good judgement to decide whether opting out of the *Rules* is the best way to meet their needs. You should always keep a record of your *opt-out* decision and the reasons for it.



Conditional grants

For information about conditional grants, read the Auditor General's guide *Public sector purchases, grants, and gifts: Managing funding arrangements with external parties*, at: www.oag.govt.nz

RULE 13 REQUIREMENT TO OPENLY ADVERTISE

1. Wherever possible an agency **should** use open competitive procurement processes to give all suppliers the opportunity to compete.
2. An agency **must** openly advertise on the Government Electronic Tenders Service (*GETS*):
 - a. if the *maximum total estimated value* (Rule 8) of the procurement meets or exceeds the relevant *value threshold* (Rules 6 or 7), and
 - b. when there is no *exemption from open advertising* (Rule 14).
3. Agencies may advertise using other media, as well as *GETS*.



Open competitive process

Good procurement is about good process and good results.

Open competitive processes that comply with the *Rules* include:

- a. one-step processes such as a *Request for Quote* or *Request for Tender*
- b. multi-step processes such as a *Registration of Interest* followed by a shortlisting then a *Request for Proposal* or *Request for Tender*.



GETS

The Government Electronic Tenders Service (*GETS*) is a free service. It supplies information about New Zealand government contract opportunities. *GETS* promotes open, transparent and fair competition.

GETS is accessible to all interested suppliers, both domestic and international. It meets New Zealand's commitments under free trade agreements.

MBIE manages *GETS* on behalf of the New Zealand Government.

You can read more about *GETS* at:

www.gets.govt.nz

RULE 14 EXEMPTION FROM OPEN ADVERTISING

1. An agency does not need to openly advertise a contract opportunity on *GETS* if an *exemption from open advertising* under Rule 14.9 applies.
2. If the procurement is exempt from *open advertising*, an agency **must** use either a *closed competitive process* (with a limited number of known suppliers) or a *direct source* process (with a known supplier).
3. An agency **must not** exempt a procurement from *open advertising* to:
 - a. avoid competition
 - b. protect domestic suppliers
 - c. discriminate against any domestic or international supplier.

Document the rationale

4. If an agency exempts a procurement from *open advertising* under Rule 14.9, it **must**:
 - a. obtain evidence of the facts and circumstances to verify the reason/s for the exemption before starting the procurement, and
 - b. document the rationale for the decision. This rationale may form part of the business case or *procurement plan* or may be a stand-alone document.
5. The rationale document **must** include:
 - a. the name of the agency
 - b. a description of the goods, services or works
 - c. the *maximum total estimated value* (Rule 8) of the goods, services or works
 - d. the specific exemption/s, that applies (from the list in Rule 14.9)
 - e. details of the facts and circumstances that justify the exemption.
6. A senior manager **must** endorse the rationale before the agency undertakes the procurement. The agency **must** retain the documented rationale for audit purposes.
7. If MBIE asks for the documented rationale, the agency **must** promptly make it available.

GETS Contract Award Notice

8. Agencies **must** publish a *Contract Award Notice* (Rule 48) on *GETS* for any procurement that it has exempted from *open advertising*.



Closed competitive and direct source

Processes that comply with the *Rules* where there is a valid *exemption from open advertising* are:

- › *Closed competitive*: a *Request for Quote*, *Request for Tender* or *Request for Proposal* restricted to a limited number of known suppliers
- › *Direct source*: a closed *Request for Quote*, *Request for Proposal* or *Request for Tender* restricted to a known supplier.

If an *exemption from open advertising* applies, you must still comply with all the other *Rules*.

If you use a **direct source** process (with one known supplier) it does not mean that you can instantly contract that supplier. You should request a formal proposal from the supplier and evaluate the proposal, assess its *public value*, and undertake due diligence before deciding to negotiate a contract. You must not simply approach one supplier and award a contract without proper evaluation of capacity, capability, risk, *public value* and due diligence.



Emergency

Read the *Quick guide to emergency procurement* at: www.procurement.govt.nz

Valid exemptions

9. Valid exemptions from open advertising are:

- a. **Emergency:** A genuine emergency as defined by MBIE's *Quick Guide to Emergency Procurement*. Urgent situations that are created by an agency, such as lack of advance planning, do not constitute an emergency.
- b. **Following an open competitive process:** An agency may use a *closed competitive process* or *direct source* process to procure goods, services and works if:
 - i. it has openly advertised the contract opportunity in the last 12 months, and
 - ii. it has not substantially changed the core procurement requirements, and
 - iii. the first time the opportunity was advertised it:
 - a. did not receive any responses, or
 - b. did not receive any responses that complied with the *pre-conditions* (Rule 28) or conformed with or met the requirements (including quantity), or
 - c. received responses from suppliers who it has reasonable grounds to believe have colluded, and this can be verified, and no other responses complied with the *pre-conditions* (Rule 28) or conformed with or met the requirements.
- c. **Only one supplier:** If the goods, services or works can be supplied by only one supplier and there is no reasonable alternative or substitute because:
 - i. for technical reasons there is no real *competition*, or
 - ii. the procurement relates to the acquisition of intellectual property or rights to intellectual property (including patents or copyrights), or other exclusive rights, or
 - iii. the procurement is for a work of art.
- d. **Additional goods, services or works:** Goods, services or *works* additional to the original requirements that are necessary for complete delivery. This rule applies where all three of the following conditions are met:
 - i. the original contract was openly advertised, and
 - ii. a change of supplier cannot be made for economic or technical reasons, and
 - iii. a change of supplier would cause significant inconvenience or substantial duplication of costs for the agency.
- e. **Prototype:** Purchasing a prototype for research, experiment, study or original development. Original development may include a limited production or supply if this is necessary to:
 - i. carry out field tests and incorporate the findings, or
 - ii. prove that the good or service or works can be produced or supplied in large numbers to an agreed quality standard. This exemption does not apply to quantity production or supply to establish commercial viability or to recover research and development costs. Once the contract for the prototype has been fulfilled, an agency **must** openly advertise any subsequent procurement of the same goods, services or works.
- f. **Commodity market:** Goods purchased on a *commodity market*.
- g. **Exceptionally advantageous conditions:** For purchases made in exceptionally advantageous conditions that only arise in the very short term. This exemption does not cover routine purchases from regular suppliers.
- h. **Design contest:** Where a contract is awarded to the winner of a design contest. To meet this exemption:
 - i. the design contest **must** have been organised in a manner that is consistent with the *Rules*, and
 - ii. the contest **must** be judged by a panel whose members understand that the winner will be awarded a contract, and
 - iii. members of the panel do not have any *conflict of interest* in carrying out the judging of the contest.
- i. **Secondary procurement:** Where an agency has established a panel of suppliers (in accordance with Rule 57) or is purchasing under an All-of-Government contract (Rule 58), Syndicated Contract (Rule 59) or Common Capability Contract (Rule 60), it does not need to openly advertise individual contract opportunities that are to be awarded through that arrangement.

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Examples of **additional goods, services or works** include:

- › in a construction contract, additional ground *works* that were only discovered on excavating the site
- › supplying replacement parts
- › additional consultancy services where an unexpected issue arises
- › an enhancement or change to an integrated IT system.

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A **technical reason** could be:

- › Where there is a need to match with existing equipment, software or services.
- › Where an agency has a bespoke IT system that was custom-designed for it and only the supplier that designed it fully understands the code base.
- › Where one supplier has, over a period of time, developed such an intimate knowledge of an outdated or complex system that the agency can reasonably claim that other suppliers would not have a similar level of readily available knowledge.
- › Where a spare part or component is only available from one supplier.
- › Where only one supplier has essential, highly specialised expertise, technology, qualifications or skills, e.g. an internationally recognised expert doing cutting-edge work in a field of science or medicine.
- › Where a construction company has already been contracted to do the base build of a building and there would be no real competition in bidding for the fit-out due to the efficiencies gained from being established on site. However, this should not be used as a default position to avoid proper procurement planning.

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A procurement relating to **intellectual property rights** could be:

- › where an agency is purchasing an online subscription to content or other services with unique characteristics
- › where an agency is purchasing software licences from a proprietary supplier for software that is embedded in its operating environment
- › a unique piece of art that is protected by copyright and not available elsewhere.

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Examples of a **prototype** include a product or system, and a pilot for new ways of working or delivering services.



The term **commodity market** refers to legally regulated exchanges where raw or primary products, such as agricultural produce, metals and electricity, are bought and sold through standardised contracts (e.g. the London Metal Exchange).

- j. **Unsolicited unique proposal:** Where an agency receives an unsolicited proposal, as described in MBIE's *Guide to unsolicited unique proposals*, and all of the following apply:
 - i. the proposal is unique
 - ii. the proposal aligns with government objectives
 - iii. the goods, services or works are not otherwise readily available in the marketplace
 - iv. the proposal represents *public value*.



Collaboration, bid rigging and collusion

Collaboration is not necessarily unlawful. In certain types of procurement you may want suppliers to collaborate (e.g. to form a joint venture). You can allow for this in your *Notice of Procurement* and include conditions that suppliers must be transparent about their collaboration (e.g. suppliers must state who they have collaborated with to prepare their response). Businesses can find Competitor Collaboration Guidelines at: www.comcom.govt.nz.

Bid rigging involves agreements between competitors about which of them should win a bid. It eliminates *competition* in a tender between the suppliers who are involved and negatively affects prices and other factors such as choice, innovation, quality and investment. Bid rigging is a form of cartel conduct that is prohibited by the Commerce Act 1986. It is deceptive and illegal behaviour that can result in significant penalties for companies and individuals. Bid rigging can occur in one tender but may also occur across multiple tenders and wider markets.

If you do have reasonable grounds to believe that suppliers have colluded, you should alert the Commerce Commission, which has the role of investigating this kind of conduct. Read more about **collusion and bid rigging** in the Commerce Commission's guidelines *How to recognise and deter bid rigging – Guidelines for procurers* and *How to recognise and deter bid rigging* at: www.comcom.govt.nz



Only one supplier

There may be situations where there is more than one supplier, but for technical reasons, there is no real *competition*. In such situations, it would still be appropriate to run a closed, rather than open, competitive process.



Exceptionally advantageous conditions include a one-time event such as a sale by public auction or a sale resulting from liquidation, bankruptcy or receivership.



An **unsolicited unique proposal** is an approach initiated by a supplier proposing a unique solution that is not available in the marketplace. Read more in MBIE's *Guide to unsolicited unique proposals* at: www.procurement.govt.nz

SECTION

2

Planning your procurement



RULE 15 PLANNING

1. Agencies **must** conduct appropriate planning based on the size, risk and complexity of each procurement.
2. Agencies **must**:
 - a. Check whether the procurement is subject to one or more of the *priority outcomes* (Rules 17-20).
 - b. Consider what other *Broader Outcomes* could be leveraged through the procurement.
3. Agencies **should**:
 - a. Ensure the need is not covered by an existing All-of-Government, Open Syndicated or Common Capability contract.
 - b. Engage with other agencies to seek opportunities to collaborate.

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Planning is crucial for your procurement. Before you can approach the market or provider community (Section 3), you'll need to plan your procurement. You can find good practice *guidance* on planning at www.procurement.govt.nz.



Procurement plan

A *procurement plan* sets out what you intend to procure, how and why you intend to approach the market and why, how you will evaluate bids and how you intend to contract. This information could also be covered in another document, e.g. a business case. A typical *procurement plan* should include:

- › a clear business objective and benefits
- › a scoping statement
- › how you will engage with the market, and supply market analysis
- › risk assessment
- › demand analysis
- › stakeholder engagement
- › sourcing approach to market
- › sufficient timelines
- › evaluation methodology and criteria
- › contractual arrangements, including management of the contract
- › relevant funding and other approvals.

RULE 16 BROADER OUTCOMES

1. Each agency **must** consider, and incorporate where appropriate, *Broader Outcomes* when purchasing goods, services or works.
2. *Broader Outcomes* are the secondary benefits that are generated from the procurement activity. They can be environmental, social, economic or cultural benefits.
3. Where contracts have been designated by Cabinet and/or Ministers of Finance and State Services to achieve a specific *priority outcome* (Rules 17-20), agencies **must** include requirements relating to that outcome in their procurement. Agencies can choose to incorporate other outcomes if appropriate.
4. Each agency **must** ensure that *Broader Outcomes* are incorporated in a way that does not discriminate against any supplier or result in any offsets (Rule 3).
5. Agencies **must** conduct reasonable due diligence and manage the contract to ensure incorporated *priority outcomes* are delivered.

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What are Broader Outcomes?

Broader Outcomes are the secondary benefits that are generated by the way a good, service or works is produced or delivered. These outcomes can be social, environmental, cultural or economic benefits, and will deliver long term *public value* for New Zealand.

Broader Outcomes require you to consider not only the whole-of-life cost of the procurement, but also the costs and benefits to society, the environment and the economy.

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Priority outcomes

Cabinet has taken a targeted approach to leveraging *Broader Outcomes* and is placing greater requirements on agencies to leverage a priority set of *Broader Outcomes*. These areas are:

- › **Increase New Zealand businesses' access to government procurement:** increasing the number of *New Zealand businesses* contracting directly to government, and within the supply chain. This includes Māori businesses and Pasifika businesses.
- › **Increase the size and skill level of the domestic construction sector workforce:** the Government is leveraging procurement through construction to encourage businesses to increase the size and skills of their workforces.
- › **Improve conditions for workers and future-proof the ability of New Zealand businesses to trade:** this priority protects workers from unfair and unsafe behaviour, and incentivises well-performing firms while ensuring they are not undercut by firms who have reduced costs through poor labour practices.
- › **Support the transition to a net zero emissions economy and assist the Government to meet its goal of significant reduction in waste by 2020 and beyond.**

To maximise the effects of these priorities, Government will designate contracts or sectors where one or more of the *priority outcomes* must be implemented.

For example, the All-of-Government motor vehicles contract is a *designated contract* for the priority: Support the *transition to a net zero emissions economy*. This means that agencies **must** take this priority into account when purchasing new vehicles.

To view which contracts have been designated by Cabinet and Ministers of Finance and State Services for each *priority outcome*, visit our website: www.procurement.govt.nz.

RULE 17 INCREASE ACCESS FOR NEW ZEALAND BUSINESSES

1. For *designated contracts*, agencies **must** consider how they can create opportunities for *New Zealand businesses*.
2. Agencies **must** have regard to *guidance* published by MBIE on how to effectively involve *New Zealand businesses* in contract opportunities including Māori, Pasifika, and regional businesses, as well as social enterprises.
3. Agencies **must** conduct sufficient monitoring of *designated contracts* to ensure that commitments made in contracts are delivered and reported on.



How Rule 3 works with Rule 17

You can create opportunities for local, small, Māori, and Pasifika businesses to participate, but these opportunities must not preclude other suppliers. The decision on contract award must be determined by which supplier provides best *public value*.



For large procurements, consider if the procurement can be structured into separate parts and published as a tender with separate subcategories.

Structuring large contracts into smaller parts can be helpful for small *New Zealand businesses* that may not be able to compete for one large contract. For instance, instead of choosing one supplier who is able to deliver a national contract, you could split a contract by region and contract with multiple small, regional businesses.

Structuring larger contracts into smaller parts also helps enable Māori businesses and Pasifika businesses to participate as they, like most *New Zealand businesses*, are often smaller and not able to compete for large contracts. However, you must not split a procurement to avoid applying the *Rules*.

If you cannot structure a large contract into smaller parts and only large businesses are able to tender for the contract, consider engaging with suppliers on how smaller *New Zealand businesses* can be included in the supply chain.

You should also engage with your suppliers on larger contracts about how they can incorporate Māori businesses and Pasifika businesses in their supply chains, or provide opportunities for Māori and Pasifika workers.

RULE 18 CONSTRUCTION SKILLS AND TRAINING

1. When procuring construction works over threshold (refer to Rule 7) agencies **must** include questions about the skills development and training practices of the supplier and their sub-contractors.
 - a. This **must** also include questions about what more a supplier would do over the course of the contract to improve or build skills,
 - b. Where a weighted attribute model is used, agencies **must** ensure that questions about skills development and training practices of the supplier and their sub-contractors are included as weighted evaluation criteria.
 - c. Where a weighted attribute evaluation model is not used, agencies **must** ensure that reasonable consideration is given to skills development and training.
2. Agencies **must** have regard to any *guidance* published by MBIE on incorporating skills development and training in construction contracts.
3. Agencies **must** conduct sufficient monitoring of the contract to ensure that skills development and training commitments made in the tender process are delivered and reported on in

compliance with any reporting framework published by MBIE.

4. Agencies **must** also consider the Health and Safety practices of a supplier, including the Health and Safety training they provide to their employees.



Applying a weighting

When determining what weighting to apply, agencies must take into consideration the length and the whole-of-life cost of the contract as detailed in the *guidance*.

Guidance on how to apply weightings is available at: www.procurement.govt.nz

Evaluating responses

When evaluating a bid, agencies will need to take into account the training and skills development provided by subcontractors working on the contract, as well as the prime contractors.

Guidance on how to evaluate responses from suppliers is available at: www.procurement.govt.nz.



Upskilling and developing the construction workforce

One of the current priorities for the Government is to grow the capability and capacity of the construction workforce. Government is committed to working with industry to deliver the right people, at the right time, with the right skills, to meet current and future needs in the construction sector.

Increasing the size and skill of the construction workforce will benefit the construction industry (by equipping it to better meet New Zealand's current and future demand for construction work), as well as the Government (by enabling the industry to deliver on priority government initiatives).

Evaluating a supplier on their skills development practices gives an incentive to suppliers to invest in and increase their workforce by employing and training more apprentices. It can also encourage suppliers to create employment opportunities (or opportunities to upskill) for targeted groups such as Māori, Pasifika and women to increase the diversity of the construction industry. This also means that suppliers who do not invest in developing the workforce are not able to undercut those who do on price.

When evaluating a supplier's practices, you should look at what recruitment, retention, training and skills development they do in general. You should consider all levels and construction professions, including but not limited to apprenticeships and equivalent training. You should also look at what further recruitment, skills development and training suppliers would commit to doing over the course of the contract.

As with any other weighted criteria, it is important to make sure that commitments given in responses are included and monitored throughout the contract.

RULE 19 IMPROVING CONDITIONS FOR NEW ZEALAND WORKERS

1. Agencies **should** ensure their contracts set out the expectation that suppliers and sub-contractors comply with employment standards and health and safety requirements.
2. For *designated contracts*, agencies **must** require their suppliers to ensure and demonstrate that they, and their domestic supply chain, comply with all relevant employment standards and health and safety requirements.
3. Agencies **must** have regard to *guidance* published by MBIE on ensuring compliance with employment standards and health and safety requirements in government contracts.
4. Agencies **must** conduct sufficient monitoring of *designated contracts* to ensure that commitments made in contracts for ensuring good conditions for workers are delivered and reported on.



Health and Safety

Agencies and their suppliers in New Zealand all have responsibilities under the Health and Safety at Work Act 2015, and applicable regulations and codes of practices. An effective way to meet these obligations is to engage early with suppliers that demonstrate good health and safety practices, and establish contracts that meet health and safety requirements under the Act.

Talk to your suppliers about how health and safety will be managed through their supply chain. Often your supplier will have sub-contractors who will actually carry out the work.



Employment standards

To incentivise suppliers with good labour practices, agencies should ensure that all workers employed to fulfil the requirements of government contracts are treated fairly and are not exploited. This includes compliance with New Zealand labour laws, such as the Employment Relations Act 2000, the Minimum Wage Act 1983 and the Holidays Act 2003. In addition, agencies need to apply a greater level of due diligence in assuring that employment standards are being met for the *designated contracts*. This is because these contracts demonstrate some of the underlying characteristics associated with employment standards breaches and labour exploitation, e.g. low-wage occupations and business models that rely on low wage contracting and casual employment. Check the *guidance* for the list of *designated contracts*, the definition of a domestic supply chain and overview of requirements at: www.procurement.govt.nz.

RULE 20 TRANSITIONING TO A NET-ZERO EMISSIONS ECONOMY AND DESIGNING WASTE OUT OF THE SYSTEM

1. Agencies should:
 - a. support the procurement of low-emissions and low-waste goods, services and works.
 - b. encourage innovation to significantly reduce emissions and waste impacts from goods and services.
2. For *designated contracts*, agencies must support the procurement of low-waste and low-emissions goods and services and encourage innovation to significantly reduce emissions and waste impacts from goods and services.
3. Agencies must have regard to *guidance* published by MBIE on the procurement of low-waste and low-emissions goods and services.
4. Agencies must conduct sufficient monitoring of *designated contracts* to ensure that commitments made in contracts are delivered and reported on.



Government fleet emissions dashboard

The average greenhouse gas emissions profile of each agency's fleet is displayed on an emissions dashboard available at: www.procurement.govt.nz. This dashboard is regularly updated to track the emissions reductions of each agency.

The AoG motor vehicle contract has a range of low emission vehicles available to ensure agencies can reduce their average emissions profiles. If you require advice on the best options to reduce your agency's emission profile, your agency should contact New Zealand Government Procurement before purchasing replacement vehicles.

RULE 21 ANNUAL PROCUREMENT PLANS

1. An agency **must** submit an *Annual Procurement Plan* (APP) to MBIE for publication.
 - a. An APP is a list of planned contract opportunities over the next 12 months. An agency may include such information for a longer period, at its discretion.
 - b. An APP **must** contain all known or anticipated *contract opportunities* that the *Rules* apply to.
2. An APP may contain other contract opportunities that the *Rules* don't apply to, at the agency's discretion.
3. An APP is for planning purposes and does not represent an invitation for bids or pre- solicitation. It is not a commitment by the agency to purchase the described goods, services or works.
4. Each agency **must** review and update its APP at least once every six months. An agency may update its APP more often, if appropriate.
5. Updated APPs are due by 1 March and 1 October each year.



Annual Procurement Plans are intended to help agencies plan their future procurement activities. They also give suppliers advance notice of possible contract opportunities.

If an agency is doing *secondary procurement* (purchasing from an existing panel contract, *All- of- Government, Syndicated* or *Common Capability Contract*), or is doing an *opt-out procurement*, it does not need to include this procurement in its APP. You can read more about APPs and find the template at: www.procurement.govt.nz

RULE 22 SIGNIFICANT PROCUREMENT PLANS

1. Where requested, an agency **must** submit a significant *procurement plan* to MBIE for review.
2. An agency **should** have regard to the advice and feedback provided by MBIE on its significant *procurement plans*.



Significant procurement plans

A significant *procurement plan* is for a procurement that falls into one or more of the following categories:

- a. has an estimated total value of \$5 million or more over the whole-of-life of the contract
- b. due to the nature or complexity of the procurement, it would expose the agency or government to significant risks if it were not delivered to specification and within budget and on time
- c. has the potential for cross-government collaboration or resource sharing.

Review purpose

MBIE may request to review your significant *procurement plans* from time to time. This review enables MBIE to provide support and commercial expertise where needed and identify areas where procurement capability development can be focused. The review is a supportive peer assessment to help agencies:

- › improve procurement planning and the quality of decision making
- › focus on achieving the best *public value*, including any *Broader Outcomes* you could achieve over the whole-of-life of the contract
- › identify opportunities to collaborate with other agencies to achieve cost savings and other benefits.

More information about procurement planning and related guides, tools and *procurement plan* templates are available at: www.procurement.govt.nz.

RULE 23 THIRD PARTY AGENTS

1. An agency may purchase the services of a third-party agent (e.g. an external procurement consultant) to advise, arrange or manage a procurement, or part of a procurement, on its behalf.
2. If an agency uses a third-party agent to conduct and manage a procurement, the agency, through the agent, **must** still comply with the *Rules*.



You can't avoid applying the *Rules* by procuring through a third-party supplier. Even if your third-party supplier is an agency that is not required to apply the *Rules* (Rule 5.1), if you are required to apply the *Rules*, your third party supplier will also be required to apply them for and on your behalf.

RULE 24 PROCUREMENT ADVICE

1. An agency **should not** purchase procurement advice from a supplier that has a commercial interest in the contract opportunity, as to do so would prejudice fair competition (e.g. a supplier is asked to write the contract requirements and then bids for the contract opportunity).



Procurement
advice

Rule 24 does not prevent an agency from using early market engagement to clarify needs or identify possible solutions.

For more information about early market engagement see the *Constructive market engagement* guide at www.procurement.govt.nz.

RULE 25 SUBCONTRACTING

1. An agency **should** require prime contractors to meet certain standards in its subcontracting. The standards **should** be consistent with the *Principles, the Government Procurement Charter, the Supplier Code of Conduct, the priority outcomes* set out in Rules 16 to 20, and other guidance.



Subcontracting can be a significant part of delivering a procurement contract. It is important that subcontractors have good standards, particularly in employment, health and safety, and supporting training and skills development. Agencies should seek to engage with prime contractors who have good processes for managing their subcontractors, and who engage with subcontractors that demonstrate good practice.

RULE 26 DELIVERY DATE

1. When identifying or estimating the delivery date for the goods, services or works, an agency **should** take into account any of the following factors that apply:
 - a. the complexity of the procurement
 - b. how much subcontracting there might be
 - c. a realistic time to produce, stock and transport goods from the point of supply to the delivery address
 - d. a realistic time to deliver services and works given their nature and scope.

RULE 27 TECHNICAL SPECIFICATIONS

1. An agency **must not** apply *technical specifications* or prescribe conformance requirements in a way that creates unnecessary obstacles for suppliers.
2. Where appropriate, *technical specifications* **must** be based on:
 - a. performance and functional requirements, not on design or a prescribed licensing model or a description of their characteristics
 - b. international standards where they exist, otherwise the appropriate New Zealand technical regulations, standards, or building codes.
3. When an agency describes *technical specifications*, it **must not** (except under Rule 27.4):
 - a. require or refer to a particular trademark or trade name, patent, design or type
 - b. refer to the specific origin of the goods, services or works or the name of the producer or supplier.
4. The exception to Rule 27.3 is when it is the only way to make the requirements understood. In this case, an agency **must** include words like 'or equivalent' in the specification and make it clear that it will consider equivalent goods, services or works that can be demonstrated to fulfil the requirement.



A situation where using a **trademark** may be the only practical way to make requirements understood is when you are sourcing software that needs to be compatible with an existing system.



International standards are published by recognised international standards organisations. New Zealand standards are often aligned with international standards. When they are, suppliers may understand your needs more clearly if you refer to the New Zealand standard rather than the equivalent international one.

New Zealand technical regulations are mandatory for goods and services for use in, and construction works located in, New Zealand. If there is a New Zealand technical regulation applying to the goods, services or works you are sourcing, your specifications must be based on it. Examples are the Electricity (Safety) Regulations 2010 and the Building Code in Schedule 1 of the Building Regulations 1992.

RULE 28 PRE-CONDITIONS

1. An agency **may** include essential conditions for participation in a procurement process in its *Notice of Procurement* (Rule 37). These are called *pre-conditions*.
2. Suppliers **must** meet all of the *pre-conditions* to be considered for the contract opportunity.
3. An agency **must** limit *pre-conditions* to the following critical areas:
 - a. legal capacity
 - b. financial capacity
 - c. commercial or operational capacity or capability to deliver
 - d. appropriate technical skills or expertise or relevant experience.
4. An agency **must not** make it a *pre-condition* that a supplier has been previously awarded a contract by a named buyer or a New Zealand government agency.
5. To assess whether a supplier meets the *pre-conditions*, an agency **must**:
 - a. evaluate responses against the *pre-conditions* that it published in its *Notice of Procurement* (Rules 37 and 38), and
 - b. take into account the supplier's *business activities* in New Zealand and overseas.



Pre-conditions

Pre-conditions allow agencies to do a 'first cut' and eliminate suppliers who do not have the minimum capacity or capability to deliver the contract.

Pre-conditions are usually answered by 'yes' or 'no', or 'meets' or 'does not meet'.

Suppliers who meet all of the *pre-conditions* are then eligible to be assessed against the scored *evaluation criteria*.

RULE 29 SUFFICIENT TIME

1. An agency **must** allow *sufficient time* for suppliers to respond to a *Notice of Procurement* (Rule 37). It **must** act in good faith and use sound judgement when calculating *sufficient time*.
2. The key factors to take into account when calculating *sufficient time* include:
 - a. the nature and complexity of the procurement
 - b. the type of information and level of detail suppliers need to provide in their responses
 - c. the nature of the goods, services or works
 - d. how simple or difficult it is to describe the deliverables
 - e. the level of risk
 - f. the extent of any anticipated subcontracting or the likelihood of any joint bids
 - g. how critical the procurement is to the agency's success
 - h. the time it takes for domestic and foreign suppliers to submit tenders, particularly if you have asked suppliers to deliver hard copies
 - i. the impact of public holidays on suppliers.
3. Mandatory *minimum time periods* are explained in Rules 30 to 34. *Sufficient time* is often longer than the *minimum time periods* and will vary depending on the nature and complexity of the procurement.



Don't jeopardise the results you could achieve with a rushed process. If you don't allow *sufficient time*, you may limit the:

- › number of suppliers that can respond and the quality of their responses
- › level of competition and your agency's ability to get the best *public value*, including *Broader Outcomes*
- › choice of solutions offered and your agency's ability to purchase the right one.

Put yourself in the suppliers' shoes to work out how much time is *sufficient time*. How long will it take to:

- › obtain, read and analyse all tender documents
- › ask questions to clarify the requirements and get answers
- › develop a meaningful response that includes accurate pricing information
- › prepare, check and submit the response and deliver it on time, and...
- › carry on with your day job!



To decide what is *sufficient time*:

- › Be realistic, set timelines that are fair to all suppliers and reflect the nature and complexity of the information you are seeking.
- › Take weekends and New Zealand statutory holidays into account
- › To get the best result possible, avoid publishing contract opportunities on *GETS* right before Christmas or in early January. Most of New Zealand is on holiday for a good part of January. If you must publish during this period you should consider allowing a longer response time unless there is a strong business reason for not doing so.
- › Make sure your *sufficient time* is not less than the minimum time period set out in Rule 34.
- › Where there is the possibility of joint bids, consortiums or subcontracting, allow at least 27 business days. This gives suppliers time to consult and collaborate. It means, for example, small and medium-sized businesses (SMEs) have the opportunity to put together a joint bid, where one SME may not have the capability to deliver on its own.
- › Consider extending your timeframe if there is a late release of material clarifications or supplementary documentation. This will allow suppliers to update their responses accordingly.

RULE 30 MINIMUM TIME PERIODS

1. The *Rules* set *minimum time periods* for each of the procurement processes listed in Rule 34.
2. If any *allowable reductions* apply (Rule 31), you can deduct them from the *minimum time period*. The result is the new minimum time period.
3. The sufficient time (Rule 29) an agency sets for a procurement must not be less than the *minimum time period* (Rule 34) or the new *minimum time period*, if one applies.



To learn more about options for market engagement, see the guide *Constructive Market Engagement* at www.procurement.govt.nz

RULE 31 ALLOWABLE REDUCTIONS

1. An agency can claim *allowable reductions* if it complies with the requirements in any of the following circumstances:
 - a. **Prior listing in Annual Procurement Plan:**
The agency **must** have listed the contract opportunity in its *Annual Procurement Plan* not less than two months and no more than eight months before the *Notice of Procurement* is published on *GETS*.
 - b. **All documents available electronically:**
All tender documents must be available electronically on *GETS* at the same time as the *Notice of Procurement* is published.
 - c. **Responses accepted electronically:**
An agency **must** state in its *Notice of Procurement* that it will accept electronic responses and tell suppliers how to send those responses (e.g. by email).
2. An agency may make documents available electronically (under Rule 31.1.b) through another website or e-procurement system. An *allowable reduction* can be claimed only if:
 - a. the URL address for the other website or e-procurement system is published in the *GETS* listing, and
 - b. the tender documents are free for suppliers to access and download, and
 - c. access to the documents is instant.
If suppliers need to register, the registration process must be automated and instant.
3. The *allowable reductions* for each type of procurement process (e.g. Request for Proposal) are shown in Rule 34.

RULE 32 BUSINESS DAY

1. An agency **must** calculate time periods in *clear business days*.
2. A *business day* is a day when New Zealand government agencies and suppliers are normally open.
3. *Business days* exclude Saturdays and Sundays, New Zealand (national) public holidays and all days between Boxing Day and the day after New Year's Day.
4. A *clear business day* is a full day from 9am to 5pm. The day a *Notice of Procurement* is submitted for publication on *GETS* is not a *clear business day*. The time starts on the next *business day* at 9am.



New Zealand national public holidays

New Zealand national public holidays are:

- › New Year's Day and the day after New Year's Day (1 & 2 January or the following Monday/Tuesday if they fall on a weekend)
- › Waitangi Day (6 February or the following Monday if it falls on a weekend)
- › Good Friday, Easter Monday (dates vary)
- › ANZAC Day (25 April or the following Monday if it falls on a weekend)
- › Queen's Birthday (the first Monday in June)
- › Labour Day (the fourth Monday in October)
- › Christmas Day and Boxing Day (25 & 26 December or the following Monday/Tuesday if they fall on a weekend).

Check holidays for the current year at: www.employment.govt.nz

RULE 33 FAIR APPLICATION OF TIME

1. The time period an agency sets for submitting responses **must** apply to all interested domestic and international suppliers.
2. Other than in exceptional circumstances, no supplier can be given more or less time than any other supplier.
3. An agency may, in its *Notice of Procurement*, reserve the right to accept a late response in exceptional circumstances if there is no material prejudice to any other interested supplier. An agency **must not** accept a late response if:
 - a. there is any risk of *collusion* on the part of the supplier
 - b. the supplier may have knowledge of the content of any other response
 - c. it would be unfair to any other supplier to accept the late response because the late supplier is given additional time to prepare its response.



Clear business day

- › A *Notice of Procurement* is published on *GETS* at 11am on Friday, 1 July. If the Notice is accepted for listing by MBIE, the time period for submissions begins at 9am on Monday, 4 July.
- › Suppliers have 20 *clear business days* to respond. This means the deadline for submissions is 5pm on Friday, 29 July.
- › If the agency wants the responses at 12 noon and not at the end of a *business day*, the deadline will be 12 noon Monday, 1 August.

RULE 34 MINIMUM TIME PERIODS BY PROCESS

The following *minimum time periods* **must** be applied to the following types of procurement processes detailed in Rules 34.a and 34.b. Days are expressed in *clear business days*.

34. a. One-step processes

A one-step process can include a *Request for Quote* (RFQ), *Request for Tender* (RFT) or *Request for Proposal* (RFP).

34. b Multi-step processes

A multi-step process can include:

- › a *Registration of Interest* followed by a *Request for Tender* (RFT) or *Request for Proposal* (RFP), or
- › an *Invitation to Participate* in a procurement process followed by a RFT or RFP.



Agencies **should** use a *Request for Quote* when:

- › procuring standard goods, services or works that are easy to describe (e.g. an off-the-shelf product where the supplier can quote a unit price or contractors providing their hourly rates).

Agencies **should** use a *Request for Tender* or *Proposal* when:

- › they need more from the supplier than the unit price, delivery date and delivery costs.

Table – Allowable reductions (Rule 31)

| | Type of process | Minimum time period (Rule 30) | Prior listing in Annual Procurement Plan | All tender documents available electronically on GETS | Suppliers tenders or proposals accepted electronically | New minimum time period (if all allowable deductions apply) |
|---------------------------------------|-----------------|-------------------------------|--|---|--|---|
| One-step Process | RFQ | 13 | -1 | -3 | -1 | 8 |
| | RFT/RFP | 25 | -3 | -4 | -3 | 15 |
| Multi-step Process Step One | ROI/ITP | 20 | -3 | -4 | -3 | 10 |
| Multi-step Process Step Two | RFT/RFP | 25 | N/A | -5 | -5 | 15 |

SECTION

3

Approaching the market



RULE 35 OPEN ADVERTISING

1. Under Rule 13 an agency **must** openly advertise a contract opportunity unless an exemption under Rule 14 applies.
2. To openly advertise, an agency **must** do all of the following at the same time:
 - a. list the contract opportunity on *GETS* (Rule 36)
 - b. publish a *Notice of Procurement* on *GETS* (Rules 37 and 38) and it **must** make it available free of charge
 - c. provide access to all relevant tender documents (Rule 39), and it **should** make them available free of charge.

RULE 36 GETS LISTING

1. The *GETS listing* **must** attach the *Notice of Procurement* and contain the following information:
 - a. the agency's name
 - b. the name of the contract opportunity
 - c. the type of procurement process (e.g. *Request for Tender*)
 - d. the relevant *GETS tender watch code/s*
 - e. the deadline for responses from suppliers
 - f. the address for enquiries and the name of the contact person
 - g. a list of any other tender documents that aren't available on *GETS* and details of how suppliers can get them.

RULE 37 NOTICE OF PROCUREMENT

1. The *Notice of Procurement* **must**:
 - a. be published on GETS
 - b. be available on GETS until the deadline for supplier responses
 - c. contain all of the information required under Content of *Notice of Procurement* (Rule 38).
2. A *Request for Information* (RFI) is not a *Notice of Procurement*. It is a market engagement tool. Agencies **must not** use a *Request for Information* to select or shortlist suppliers.

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Examples of a *Notice of Procurement* include:

- › *Request for Quote*
- › *Registration of Interest*
- › *Request for Tender*
- › *Request for Proposal*
- › Invitation to Participate in a *Competitive Dialogue* process
- › *Invitation to Qualify* for a *Pre-qualified Suppliers List*.
- › *Invitation to Participate* in a brainstorming session such as a hackathon.

A response from a supplier is a supplier's reply to a *Notice of Procurement*. Examples include:

- › *Registration of Interest*
- › Quote
- › Tender
- › Proposal
- › Application to Participate in a *Competitive Dialogue* process
- › *Application to Qualify* for a *Pre-qualified Suppliers List*.

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Engaging with the market

The process described in the *Rules* is the formal process of approaching the market.

However, you can and should engage with the market before this stage. It is important that you use this opportunity to understand the market but do not commit your agency to any decisions.

Engaging with the market before planning your approach to market is particularly important for incorporating broader economic, environmental, social and cultural outcomes into your procurement. You can read information on good practice market engagement at: www.procurement.govt.nz.

RULE 38 CONTENT OF NOTICE OF PROCUREMENT

1. Each *Notice of Procurement* **must** contain all of the information that suppliers need to prepare and submit meaningful responses.
2. Each *Notice of Procurement* **must** clearly identify which procurement process is being used (e.g. *Request for Quote* or *Registration of Interest* followed by a *Request for Tender*).
3. Subject to Rule 38.4, each *Notice of Procurement* **must** contain the following information:
 - a. the agency's name and address
 - b. the name and contact details for the agency's contact person
 - c. a description of the goods, services or works and any technical specifications, plans, drawings or instructions, or a description of the outcomes, including any *Broader Outcomes* the supplier is expected to deliver or the agency is seeking to achieve.
 - d. the quantity (if known) or estimated quantity of the goods, services or works
 - e. the estimated timeframe for delivering the goods, services or works, or the estimated length of the contract and any options relating to the length of the contract (e.g. 3 + 2 + 1 years)
 - f. any service levels, response times or other performance measures suppliers will need to meet
 - g. any conditions for participating in the procurement process including any *pre-conditions* (Rule 28) or certificates or standards the supplier **must** meet
 - h. any limitations on the number of suppliers that may be shortlisted
 - i. all *evaluation criteria* the agency will use to assess responses, including an indication of the relative importance of each evaluation criterion
 - j. the deadline and address for submitting responses
 - k. any restrictions or instructions on how suppliers are to submit responses (e.g. faxes will not be accepted) or details of how responses are to be submitted through an e-procurement system
 - l. any other terms or conditions relating to the procurement or the procurement process
 - m. if the procurement will be conducted electronically (e.g. using e-tender software), all the information suppliers will need to participate electronically
 - n. if the procurement may involve an *e-auction*, the *Rules* of the *e-auction* and all of the information and training suppliers need to participate in the *e-auction* (Rule 38.4.c and Rule 45).
4. For a *multi-step process*, more information or details may be contained in the *Request for Tender* or *Request for Proposal* that follows the *Notice of Procurement*, e.g.:
 - a. a more complete description of the goods, services or works and any *Broader Outcomes* being sought
 - b. the detailed *evaluation criteria* the agency will use to award the contract
 - c. full instructions on how the *e-auction* will be conducted.



Evaluation criteria

The form of the *evaluation criteria* (Rule 38.3.i.) that you include in the *Notice of Procurement* will depend on the type of process, e.g.:

- › for a one-step *Request for Tender*, you would usually list the criteria you will use to award the contract
- › for a multi-step process, you would usually list in the *Registration of Interest* the criteria you will use to shortlist suppliers. In the subsequent *Request for Tender* or *Request for Proposal*, you would list the criteria that you will use to award the contract.

Relative importance

When listing the *evaluation criteria* (either in the *Notice of Procurement* or subsequent RFP or RFT), you must indicate the relative importance of each criterion (Rule 38.3.j.). This is achieved by including the weighting for each criterion or, if you are not using weightings, by ranking the criteria in priority order.

Changes

If you need to change your *evaluation criteria* during the procurement process, see Rule 42 (*Changes to process or requirements*).



It is good practice to include additional information in the *Notice of Procurement*, such as:

- › details of how you will communicate additional information or changes to the process
- › the contract terms and conditions that will apply
- › the indicative timeframe for the procurement process, e.g.:
 - deadline for suppliers' questions
 - dates for shortlisted supplier presentations
 - dates when suppliers will be notified if they have been successful or not
 - dates debriefs will be held
 - anticipated contract start date.



- › In their *Notice of Procurement*, agencies should request an NZBN.
- › NZBNs are unique identifiers that have been specifically created for businesses. It's a way for businesses to identify themselves both in New Zealand and globally. NZBNs are for all *New Zealand businesses*, big or small, including sole traders, Non-Government Organisations (NGOs) and social enterprises.
- › In procurement, NZBNs can be used to provide standard core business information (e.g. name, address, contact details).
- › NZBNs are not compulsory – suppliers shouldn't be excluded if they don't have one.
- › For more information about the NZBN, go to: www.nzbn.govt.nz.



Rule 38.4 recognises that sometimes in *multi-step processes*, detailed information can be made available only after shortlisting suppliers.

RULE 39 OTHER TENDER DOCUMENTS

1. Other tender documents are documents that are relevant and essential to the procurement.
2. These documents may be included in the *Notice of Procurement* as annexes. If they are standalone documents, they may also be referred to in the *Notice of Procurement*.
3. An agency **should** make other tender documents available to suppliers at the same time the *GETS listing* and the *Notice of Procurement* are published. Where possible, they should be uploaded as attachments to the *GETS listing*. This will count as an *allowable reduction* (Rule 31) to the *minimum time period* (Rule 30).
4. If other tender documents can't be made available on *GETS*, agencies **must** state in the *GETS listing* how suppliers can obtain a copy (e.g. by requesting a hard copy or by referencing an e-procurement system where the document is freely available). An agency **must** promptly provide a copy, to any supplier who requests one, or provide instructions on how to obtain one from an e-procurement system.

RULE 40 RESPONDING TO QUERIES

1. Suppliers may ask questions about any *Notice of Procurement*.
2. An agency **must** promptly reply to all questions and reasonable requests for information from suppliers. If an agency is unable to reply to a question promptly, it **should** consider extending the deadline for responses.
3. When an agency responds to a supplier's question, it **must not** give information that might give that supplier an unfair advantage over the other suppliers. If an agency wishes to disclose advantageous information, it **must** make it available to all suppliers at the same time.
4. When an agency responds to a supplier's question, it **must not** discuss or disclose another supplier's confidential or commercially sensitive information.

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New Zealand Business
Numbers (NZBN)

Examples of other tender documents include:

- › architectural drawings
- › engineering plans
- › detailed technical specifications
- › reports
- › extensive specifications in an electronic file that is too large to upload to *GETS*
- › applicable policy statements relating to *Broader Outcomes*
- › environmental and other standards.

RULE 41 ADDITIONAL INFORMATION

1. An agency may make additional information available to all participating suppliers after a *Notice of Procurement* is published on *GETS* and before the deadline for responses closes.
2. An agency may publish additional information on *GETS* or, following a shortlisting, send copies to all participating suppliers.
3. An agency **must** make additional information available to all participating suppliers at the same time.

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The participating suppliers may be different at each stage of a procurement.

An example of when all participating suppliers are known to the agency could be the second stage of a multi-step tender.

This is where the agency has published a *Registration of Interest*, and after receiving and evaluating the responses has shortlisted suppliers. The agency then invites the shortlisted suppliers to submit full tenders. These suppliers are all participating suppliers known to the agency.

RULE 42 CHANGES TO PROCESS OR REQUIREMENTS

1. An agency may make changes to its procurement process or its requirements after a *Notice of Procurement* has been published on *GETS* and before the deadline for responses closes.
2. An agency **must** notify all participating suppliers of any changes to the procurement process or requirements. An agency **must** publish all changes on *GETS* or, following a shortlisting, send them to all participating suppliers.
3. An agency **must** make all changes available to all participating suppliers at the same time.
4. An agency **must** give participating suppliers enough time to respond to the changes. This may mean extending the deadline for responses, or allowing suppliers who have already submitted their responses a fair opportunity to change their responses.

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Changes to procurement processes or requirements may include changing:

- › any essential aspect of the specification of requirements or *technical specifications*
- › a *pre-condition* (Rule 28)
- › *evaluation criteria*
- › the ranking or weightings of the *evaluation criteria*
- › the deadline for responses or critical dates in the procurement process
- › the *Rules* or conditions that apply to the procurement process.

RULE 43 TREATMENT OF RESPONSES

1. An agency **must** have in place procedures that guarantee that all suppliers' responses are treated fairly. This includes receiving, opening and evaluating responses.
2. To be considered for an award of contract, a supplier **must**:
 - a. submit a response in writing (this can be through electronic means such as email or an e-procurement system)
 - b. comply with all *pre-conditions* (Rule 28) if any, or other conditions for participating in the contract opportunity.
3. An agency **must** not penalise a supplier who submits a late response, if the delay is solely the agency's fault.
4. If, after opening the responses but before completing the evaluation, an agency offers a supplier the opportunity to correct unintentional errors, it **must** offer the same opportunity to all participating suppliers.



The *Rules* do not prevent you from allowing suppliers to present their bids in person. However, be very sure that you have adequate probity procedures in place.

RULE 44 REASONS TO EXCLUDE A SUPPLIER

1. An agency may exclude a supplier from participating in a contract opportunity if there is a good reason for exclusion. Reasons for exclusion include:
 - a. bankruptcy, receivership or liquidation
 - b. making a false declaration
 - c. a serious performance issue in a previous contract
 - d. a conviction for a serious crime or offence
 - e. professional misconduct
 - f. an act or omission that adversely reflects on the commercial integrity of the supplier or offends against the *Supplier Code of Conduct*
 - g. failing to pay taxes, duties or other levies
 - h. a threat to national security or the confidentiality of sensitive government information
 - i. the supplier is a person or organisation designated as terrorists by New Zealand Police
 - j. human rights violations by the supplier or in the supplier's supply chain.
 - k. any matter that materially diminishes an agency's trust and confidence in the supplier.
2. An agency **must not** exclude a supplier before it has evidence supporting the reason for the exclusion.
3. An agency **should** notify a supplier of its exclusion and the reasons for it.



Serious performance issue:

If serious issues with past performance are identified and there is supporting evidence, you should consider excluding the supplier from participating in the contract opportunity. See the guidance note on *Rule 46 Awarding the Contract*, available at: www.procurement.govt.nz.

Bid rigging: If you discover that the same errors appear in responses from different suppliers (e.g. misspelled words or the same mathematical mistakes), this may indicate that these suppliers have shared information (e.g. cut and pasted content from each other's responses) and may be acting anti-competitively.

For more examples and guidance on detecting and preventing bid rigging, see the Commerce Commission's fact sheets, *How to recognise bid rigging* and *How to deter bid rigging*, available at: www.comcom.govt.nz

A conviction for a serious crime or offence includes a conviction for foreign bribery (getting an advantage in an international transaction by offering bribes to foreign officials). For more information, read the Organisation for Economic Cooperation and Development's *Foreign Bribery Factsheet* at: www.oecd.org. Information about New Zealand law relating to bribery is available at: www.sfo.govt.nz

RULE 45 E-AUCTION

1. An agency may run an *e-auction* after its initial evaluation of proposals. An *e-auction* is a scheduled online event where suppliers bid against each other on price, quality or other quantifiable criteria.
2. An agency **must** notify suppliers in advance if it intends to run an *e-auction*. This advance notice **must** be in the *Notice of Procurement* and **must** include:
 - a. a summary of the *Rules* that will apply to the *e-auction*
 - b. the specific criteria that will be used in the *e-auction*.
3. The automated evaluation method used in an *e-auction* must be based on the criteria set out in the *Notice of Procurement*.
4. Before beginning an *e-auction*, an agency must provide each participating supplier with:
 - a. a summary of the results of its initial tender evaluation
 - b. the automated evaluation method that will be used to re-rank suppliers based on their e-bids
 - c. the formula that the automated evaluation method is based on
 - d. any other relevant information about how the *e-auction* is run.
5. An agency **must** offer to train each participating supplier to use the hosted *e-auction* website or the *e-auction* software before the *e-auction* begins.



An *e-auction* is an online reverse auction. It gives suppliers the opportunity to bid against each other to improve their offers. An *e-auction* can be run on specialist in-house software or as a hosted service.

When considering an *e-auction*, remember the principle of getting *public value*, including any *Broader Outcomes* you could leverage.

It takes place in real time. The benefits of an *e-auction* include:

- › the negotiation process is paperless and streamlined
- › the negotiation takes less time
- › the process of awarding the contract is more transparent
- › it discourages *collusion* and bid rigging.

› SECTION

4

Awarding the contract



RULE 46 AWARDING THE CONTRACT

1. An agency **must**, unless there is a legitimate reason to cancel the procurement, award the contract to the supplier/s that has both:
 - a. demonstrated that it fully understands and has the capability to deliver the requirements and meet the contract conditions, and
 - b. offered the best *public value*, including *Broader Outcomes*, over the whole life of the goods, services or works.
2. If a supplier offers a price that is substantially lower than other responses (an abnormally low bid), an agency may seek to verify with the supplier that the supplier is capable of:
 - a. satisfying all of the conditions for participation, if any, and
 - b. fully delivering all of the contract requirements (e.g. quality, quantity, time and location), any other stated objectives and meeting all of the contract conditions for the price quoted.
3. An agency **must not** cancel a procurement, use options or modify or terminate an awarded contract to avoid applying the *Rules*.

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A legitimate reason to cancel a procurement could include:

- › A change of policy
- › A change to an appropriation that affects funding for the initiative
- › No supplier has offered a satisfactory solution or an acceptable price, or one that represents *public value*
- › A Ministerial direction.



Public value

To determine which supplier offers the best *public value*, consider all the relevant information from your evaluation process, due diligence and reference checks and any *Broader Outcomes* that could be leveraged through your procurement.

Look out for abnormally low bids. A low bid may reflect a more efficient supplier or one that is willing to make an investment in the relationship by taking a lower margin on the contract. Such competitive responses should be encouraged, but an abnormally low bid could impact negatively on service delivery. An abnormally low bid could also indicate other suppliers involved in the tender have been colluding, or that the low-bidding supplier is trying to take advantage of its market power in breach of section 36 of the Commerce Act 1986.

For more information, including fact sheets *How to recognise bid rigging*, and *How to deter bid rigging*, go to: www.comcom.govt.nz

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Conducting due diligence

Before awarding a contract, you need to conduct due diligence. This ensures, among other things, that suppliers are who they claim to be, are financially sound and have the necessary capacity and capability to deliver the needs of an agency. Due diligence should also continue throughout contract delivery. More guidance on due diligence is available at: www.procurement.govt.nz

RULE 47 INFORMING SUPPLIERS OF THE DECISION

1. After evaluating the responses and making the decision to award the contract to a particular supplier/s, an agency **must** promptly inform all of the unsuccessful suppliers in writing of this decision.



It is good practice to inform suppliers that you do not intend to enter negotiations with, within two to three weeks of making this decision.

RULE 48 CONTRACT AWARD NOTICE

1. An agency **must** publish a *Contract Award Notice* on *GETS* when it has awarded a contract that is subject to the *Rules*. This *Notice must* be published whether or not the contract was openly advertised, unless it is:
 - a. an *opt-out procurement* (Rule 12) or
 - b. *secondary procurement* (Rule 14.9.i).
2. An agency **must** publish the *Contract Award Notice* on *GETS* within 30 *business days* of all parties signing the contract/s. The *Contract Award Notice must* include:
 - a. the agency's name and address
 - b. the successful supplier's or suppliers' name/s and address/s
 - c. a description of the goods, services or works
 - d. the date the contract/s was awarded
 - e. the term of the contract/s
 - f. the expected spend under the contract/s, or the highest and lowest offers the agency evaluated to award the contract
 - g. the type of procurement process used
 - h. if the agency claimed an *exemption from open advertising* (Rule 15), the circumstances that justify the exemption
 - i. a New Zealand Business Number (NZBN) where available
 - j. any other information, as requested by the *Procurement Functional Leader*, for example information on *Broader Outcomes*.



Open
data

MBIE will be making all contract award notice data publicly available from 2020. This is part of New Zealand's commitment as a signatory of the Open Government Partnership.



Expected
spend

Expected spend

The expected spend (Rule 48.2.f) under the contract could be the contract price, if this is fixed, or an estimate of the total value of the contract over its life. This information will not be required when publishing a *Contract Award Notice* relating to the establishment of a *Panel of Suppliers* under Rule 57.

Keeping suppliers informed

It's good practice to let participating suppliers know where they stand after evaluating the responses. You should tell suppliers when they have been unsuccessful.

However, in some instances you may want to keep competitive tension between the top ranking suppliers. If there is more than one supplier who is capable of delivering the contract, you may want to negotiate with the top-ranked supplier and reserve your position with the second-ranked supplier. If the negotiations with the top-ranked supplier fall through, you may then offer to negotiate with the next-ranked supplier. In this case, you can tell other highly-ranked suppliers that you are negotiating with the preferred supplier and, should negotiations fail, they may still be considered for the contract opportunity.

RULE 49 DEBRIEFING SUPPLIERS

1. All suppliers **must** have the opportunity to be debriefed following a procurement. An agency **must** offer each unsuccessful supplier a debrief.
2. When a supplier asks an agency for a debrief, the agency **must** debrief that supplier within 30 *business days* of the date the contract was signed by all parties, or 30 *business days* of the date of the request, whichever is later.
3. At the debrief, an agency **must not** disclose another supplier's confidential or *commercially sensitive* information (Rule 4).
4. An agency should provide information at the debrief that helps the supplier to improve future tenders or responses. At a minimum, the debrief **must**:
 - a. include the reason/s the proposal was not successful
 - b. explain how the supplier's proposal performed against the criteria or any *pre-conditions* (Rule 28) and its relative strengths and weaknesses
 - c. explain the relative advantage/s of the successful proposal
 - d. address the supplier's concerns and questions.



You must offer suppliers a full debrief. Telling suppliers about the strengths and weaknesses of their proposal gives them an opportunity to improve future proposals.

Agencies that debrief suppliers will have fewer complaints.

You can debrief suppliers by phone, email, letter, or at a meeting. The method you choose should reflect the nature and complexity of the procurement.

After a shortlist has been created you should consider debriefing the suppliers that did not make it on to this list while you continue your process with the shortlisted suppliers.

See the *Guide to supplier debriefs* and *Checklist for supplier debriefs* at: www.procurement.govt.nz.

RULE 50 SUPPLIER COMPLAINTS

1. A supplier may complain to an agency if it believes the agency has not followed the *Rules*. An agency **must** consider and respond promptly and impartially to a complaint. An agency **must** try to resolve any complaints in good faith.
2. The way the agency deals with the complaint **must not** prejudice the supplier's ongoing or future participation in contract opportunities or affect any right the supplier may have to a judicial review or other remedy.
3. An agency **must** keep good records of its procurement process and decisions. These records **must** be made available to any authority competent to hear or review a supplier's complaint (e.g. the Office of the Auditor-General, the Ombudsman, the Commerce Commission or a court of law).
4. Without limiting its legal rights, an agency **must** fully cooperate in any review or hearing of a supplier's complaint by a competent authority.



Supplier redress

If a supplier has complained to an agency, but is not satisfied, it has several options available for further redress. These may include:

- › an independent review or investigation
- › a mediation or alternative dispute resolution
- › an investigation by the Auditor-General
- › an investigation by the Ombudsman
- › an investigation by the State Services Commission
- › an investigation by the Commerce Commission
- › taking the agency to court.

Before taking further steps, it is important that the supplier has tried, in good faith, to resolve the problem with the agency.

See the *Guide to supplier feedback and complaints* at:
www.procurement.govt.nz

RULE 51 PROMPT PAYMENT

1. Each agency **must** pay suppliers' invoices promptly. At a minimum, invoices **must** be paid at the time/s set out in the contract, or earlier if possible.
2. Agencies **must** encourage their suppliers to pay their sub-contractors promptly.
3. Agencies **should** encourage suppliers to offer subcontractors no less favourable payment terms than the ones they receive from agencies.



Prompt payment is critical to the cash flow of every business and especially to small and medium sized enterprises (SMEs). Payment certainty inspires confidence across the supply chain which, in turn, stimulates investment and growth in the New Zealand economy. Slow payments can negatively impact a business's cash flow, waste their time (having to chase up payments), and impact their ability to grow.

Improving payment times and practices is a priority for the Government. Some things you can do that support prompt payment are:

- › Set all suppliers to "immediate payment terms" in accounts payable systems. This means that all invoices are paid in the next pay run after they are approved, even if the invoice is due at a future date.
- › Have frequent accounts payable system payment runs. There should be at least one accounts payable system payment run each week.
- › When procuring new finance systems, consider what technology is available to improve payment times with suppliers such as purchase to pay systems.
- › Consider the use of purchase cards for low value transactions.
- › Where appropriate consider including contractual or other legal rights that allow agencies to pay sub-contractors directly in instances where the supplier is not paying their subcontractors.

RULE 52 MAINTAINING RECORDS

1. Without limiting its obligations under the Public Records Act 2005, an agency **must** keep records of each procurement for at least three years from the date the contract was signed by all parties.
2. The records **must** document the procurement process, all decisions, the contract awarded and include all recommendations and reports.
3. An agency may store the records electronically, if its system complies with requirements of the Public Records Act 2005. Disposal of records is subject to the authorisation of the Chief Archivist, in accordance with the Public Records Act 2005.



Recording
the process

The procurement process includes planning, sourcing, evaluations, meetings, issues and resolutions, recommendations and decisions. Each step should be thoroughly documented and maintained as records.

RULE 53 REPORTING

1. Agencies **must** provide data and information to the *Procurement Functional Leader* on procurement activity including *Broader Outcomes* as authorised by Cabinet and/or Ministers of Finance and State Services.



Reporting

Reporting is an important mechanism for driving real change and ensuring accountability and transparency. The Government is committed to developing a reporting and monitoring framework that provides a system-wide view of government procurement activity. This includes the outcomes (including *Broader Outcomes*) that agencies are achieving from their primary and secondary procurement activities. In line with open data principles, MBIE may, from time to time, publish the data and information collected.

More information on how to report on Broader Outcomes can be found on our website: www.procurement.govt.nz.

RULE 54 AUDIT

1. An agency **must** keep records (Rule 52) for audit purposes.



What to expect from an audit

Agencies are accountable to Parliament and the public for their use of public resources and the powers conferred by Parliament.

The Auditor-General provides independent assurance that agencies are operating and accountable for their performance. For more information, see Audit New Zealand's guide *What to expect from your audit* at: www.auditnz.govt.nz

Auditing procurements involving an alliance or joint venture with the private sector

When entering into any form of joint venture or alliance with the private sector, you should include provisions in the contracts or agreements allowing access for auditing purposes to all records of procurement undertaken by the partnering. The contract provisions should enable access by the public sector entity's own internal auditor and any other person undertaking audit or review on behalf of the Auditor-General.

SECTION

5

Types of supplier lists



RULE 55 TYPES OF SUPPLIER LISTS

1. If an agency regularly purchases a specific type of good, service or works, it may establish a list of suppliers. Common types of lists include:
 - a. *Pre-qualified Suppliers List* (Rule 56)
 - b. *Panel of Suppliers* (Rule 57).



Where a supplier list has been established, do you still need to openly advertise individual contract opportunities?

Where an agency establishes a *Pre-qualified Suppliers List*, it must still openly advertise individual contract opportunities that meet or exceed the appropriate *value threshold* (Rules 13 and 35).

Where an agency has established a *Panel of Suppliers*, individual contract opportunities that meet or exceed the *value threshold* do not need to be openly advertised. These are *secondary procurements* and the agency may select suppliers directly from the *Panel* in accordance with the *secondary procurement method(s)* established for the *Panel*.

RULE 56 PRE-QUALIFIED SUPPLIERS LIST

1. A *Pre-qualified Suppliers List* is a list of suppliers who an agency has pre-approved as capable of delivering specific types of goods, services or works.
2. A *Pre-qualified Suppliers List* is appropriate if an agency wants to:
 - a. verify which suppliers can deliver specific goods, services or works
 - b. make it easier for suppliers to respond to contract opportunities by only asking for qualifying information once.
3. An agency that establishes a *Pre-qualified Suppliers List* is not exempt from *open advertising* where a contract opportunity meets or exceeds the relevant *value threshold* (Rules 6 and 7). An agency **must** openly advertise each contract opportunity on *GETS*. *Pre-qualified suppliers* should make sure that they are listed on *GETS* under the correct *tender watch code/s* to receive notifications.

Establishing a Pre-qualified Suppliers List

4. To establish a *Pre-qualified Suppliers List*, an agency **must**:
 - a. publish an *Invitation to Qualify* (a type of *Notice of Procurement*) on *GETS* and make it continuously available
 - b. allow suppliers to respond to the invitation at any time or by specific deadlines for responses
 - c. include the following information in the invitation:
 - i. the agency's name and address and contact details for the person managing the process
 - ii. a clear description of the specific goods, services or works potential suppliers must be capable of delivering
 - iii. a list of any conditions that each supplier must meet to participate and how the agency will check each supplier meets the conditions
 - iv. how long the list will be active for and how it will be refreshed or terminated
 - d. assess applicants within a reasonable timeframe and add qualifying suppliers to the list as soon as possible
 - e. notify unsuccessful applicants promptly and, if requested, provide the reason/s why.

Operating a *Pre-qualified Suppliers List*

5. To operate a *Pre-qualified Suppliers List* an agency **must**:
 - a. keep an updated list and make this publicly available at all times (e.g. on the agency's website)
 - b. notify pre-qualified suppliers if the list is terminated or they are removed from the list. If an agency removes a supplier from a list, it **must** explain why.

Managing contract opportunities

6. If a contract opportunity arises for the specific goods, services or works that a *Pre-qualified Suppliers List* was established for, an agency **must**:
 - a. openly advertise the contract opportunity on *GETS*. *Pre-qualified suppliers* should make sure that they are listed on *GETS* under the correct *tender watch code/s* to receive notifications
 - b. allow any unqualified supplier to submit an *Application to Qualify* either prior to or along with its response to the *Notice of Procurement*
7. If a supplier submits an *Application to Qualify* before or with its response, the agency **must**:
 - a. promptly assess the application
 - b. allow a supplier who is successful in becoming *pre-qualified* to take part in the contract opportunity if there is enough time to complete the qualification process
 - c. promptly notify the supplier of the decision.



When a supplier is added to a ***Pre-qualified Suppliers List***, it does not result in a contractual or legal relationship between the agency and the *pre-qualified supplier*.

To qualify as a *pre-qualified supplier*, the supplier must demonstrate that it can meet the criteria for delivering the goods, services or works. A *pre-qualified supplier* may still need to meet other evaluation criteria each time the agency wishes to purchase goods, services or works the supplier has qualified to deliver.

Pre-qualification is not the same as a multi-step procurement (e.g. *Registration of Interest* followed by a *Request for Proposal*). There is no specific contract in mind when suppliers pre-qualify. *Pre-qualified suppliers* have the potential to win contracts over time, but are not guaranteed any work.

Agencies must not use the pre-qualification process with the purpose of obtaining price information from suppliers.

RULE 57 PANEL OF SUPPLIERS

1. A *Panel of Suppliers (Panel)* is a list of suppliers who have been approved by an agency as capable of delivery and who have agreed to the terms and conditions of supply.
2. A *Panel of Suppliers* is appropriate when an agency wants to:
 - a. verify which suppliers are capable of delivering specific goods, services or works
 - b. agree in advance with each supplier the terms and conditions of supply of the goods, services or works, including the pricing (e.g. agreed hourly fee) or the pricing mechanism that will apply.
3. Before establishing a Panel, an agency **must**:
 - a. have a good understanding of the anticipated demand for the goods, services or works and number or range of Panel suppliers that are required
 - b. anticipate an on-going need for the goods, services or works
 - c. have resources and plans in place for the Panel to be appropriately managed once established.
4. Once a *Panel* has been established through an open process under the *Rules*, an agency does not need to openly advertise individual contract opportunities on *GETS*. It may purchase from the Panel. This is called *secondary procurement*.

When purchasing from the *Panel*, the agency **must** use the specified method (Rule 57.10) to select a supplier.

Establishing a Panel of Suppliers

5. An agency **must** openly advertise the opportunity to be selected for the *Panel of Suppliers* in accordance with Rules 13 and 35.
6. The *Notice of Procurement* **must** comply with Rule 37 and include the content specified in Rule 38. It **must** also include the following information:
 - a. the terms and conditions of supply that will apply (e.g. the *framework agreement*)
 - b. the method/s the agency will use to award contracts to suppliers on the *Panel* (i.e. the *secondary procurement* process (Rule 57.12))
 - c. how the agency will contract with a supplier who agrees to deliver specific goods or services or works
 - d. the period of time the *Panel* will be established for
 - e. whether or not the *Panel* is 'open' or 'closed'
 - f. any circumstances that may lead to a supplier being removed from the *Panel*.
7. The *Notice of Procurement (Notice)* can be:
 - a. a one-off *Notice* to establish the *Panel*
 - b. a standing *Notice* which is made available continuously on *GETS* that allows interested suppliers to respond on an ongoing basis
 - c. an occasional *Notice* that is published from time to time when an agency wants to refresh or expand the *Panel*.
8. It is expected that an agency will appoint more than one supplier to a *Panel*.

Method of allocation of contracts

9. The *Notice of Procurement* used to establish the *Panel* **must** outline the method/s that the agency will use to select suppliers when a contract opportunity arises (*secondary procurement process*). The method/s should be appropriate for the nature of the goods, services or works and the anticipated volume of work.
10. An agency should use competitive *secondary procurement processes*, unless there is a good reason not to.
11. Accepted selection methods for *secondary procurement processes* include:
 - a. **competitive quotes which could be based on the supplier's expertise, proposed solution and/or best public value:** Ask for quotes from some or all *Panel Suppliers* and award the opportunity to the supplier who has the right level of expertise, can offer the best *public value* and deliver on time
 - b. **direct source, based on the best fit for purpose:** Fair evaluation of all *Panel Suppliers* and selection of the supplier who has the right capacity and capability to fulfil the opportunity and offers the best *public value* at the time of the purchase
 - c. **rotation:** Award opportunities to each supplier in turn regardless of their expertise, *public value* or delivery time
 - d. **equal division of the work:** Fix an upper limit for the amount of work that can be awarded to each supplier and award opportunities on a rotational basis. When a supplier reaches the upper limit, the agency chooses the next supplier from the *Panel*
 - e. **preferred supplier basis:** Identify a preferred supplier from the *Panel*. This supplier receives most of the opportunities unless it has a *conflict of interest* or is unable to supply. If this happens, the agency will award the opportunity to the next-ranked supplier from the *Panel*
 - f. **location:** Award opportunities to the supplier who is best able to deliver based on their location and the location of the work.



Who can establish a Panel?

A **Panel of Suppliers** may be established by:

- › a single agency for its exclusive use
- › a lead agency on behalf of a group of agencies with common needs (e.g. for a Syndicated or All-of- Government Contract).

No guarantee of work

Although suppliers from a *Panel* are not guaranteed any work, they will have some expectation of getting work. So the size of the *Panel* should be proportionate to the anticipated demand. Ideally, all suppliers should get some work while the *Panel* is in existence.

Open and closed panels

A *Panel* is 'open' if other suppliers can apply to be on the *Panel* during the period it is established for.

A *Panel* is 'closed' if other suppliers can't apply to be on the *Panel* during the period the *Panel* is established for.



Contract Award Notice

On establishing the *Panel*, an agency must publish the names of all of the suppliers that have been appointed to the *Panel* in its *Contract Award Notice*.

Where a *Panel Supplier* is given a specific contract through a *secondary procurement process*, the agency does not need to publish a *Contract Award Notice*.

However, it is good practice to be transparent and publish summary details of contracts awarded as a result of *secondary procurement* from a *Panel* (e.g. an agency may publish these on *GETS* or its own website).

Secondary procurement process

Agencies can use more than one method for *secondary procurement* as long as this is explained in the *Notice of Procurement* (for example, the notice may say the agency will either direct source from one *Panel* member or request quotes from some or all *Panel* members).

A *Panel of Suppliers* is normally established with a set number of suppliers for a specific time period. The number of suppliers will depend on the:

- › nature of the goods, services or works
- › maturity of the supply market
- › anticipated volume of work.



Competitive *secondary procurement* processes (such as a *Request for Quote*) involving a selection or all of the *Panel* suppliers will usually result in better *public value*. It also gives capable *Panel* suppliers the opportunity to compete.

There may be some circumstances when a competitive process may not be appropriate. For example, if the procurement is low risk and low value (e.g. less than \$100,000) or if you already have all the necessary information you need to make a decision, such as quality and pricing information. Remember that whatever secondary method is used, it needs to feature in the *Notice of Procurement* (Rule 57.7.b). See www.procurement.govt.nz for more information.

You should still consider what *Broader Outcomes* you could achieve when conducting competitive processes in a *secondary procurement*.

SECTION

6

Other Rules you need to know



RULE 58**ALL-OF-GOVERNMENT CONTRACTS**

1. An *All-of-Government Contract* (AoG) is a type of approved collaborative contract. AoGs establish supply agreements with approved suppliers for selected common goods or services purchased across government. AoGs are developed under the oversight of the *Procurement Functional Leader* and managed by appointed procurement Centres of Expertise.
2. All agencies **must** purchase from the AoGs, unless there is a good reason not to.
3. Agencies who want to opt out of joining an AoG, **must** get approval from the *Procurement Functional Leader*. If an agency and the *Procurement Functional Leader* fail to agree to an opt-out, the State Services Commissioner will decide the matter.
4. Before approaching the market, an agency should check if there is an existing AoG that meets its needs.



To avoid confusion in the market, Cabinet has agreed that the term *All-of-Government Contract* must be applied only in very specific circumstances.

The term applies only where an AoG contract initiative is coordinated by the *Procurement Functional Leader* through New Zealand Government Procurement. An agency wishing to opt out of joining an AoG contract should email procurement@mbie.govt.nz in the first instance.

When purchasing from AoG contracts you should still consider what *Broader Outcomes* you can achieve through your spending. For example, as lowering emissions is a Government priority you can use the *All-of-Government contract* to purchase a vehicle with a low emissions rating.

For more information on the categories of goods and services available and how to buy from AoG Contracts, see: www.procurement.govt.nz

RULE 59**SYNDICATED CONTRACTS**

1. A *Syndicated Contract* is a type of collaborative contract. *Syndicated Contracts* typically involve a group of agencies aggregating their respective needs and collectively going to market for goods, services or works. There are two types of *Syndicated Contract*:
 - a. An Open Syndicated Contract (OSC) includes a common use provision allowing other, unspecified agencies to contract with the supplier on the same terms at a later stage.
 - b. A Closed Syndicated Contract is limited to a group of named agencies.
2. Agencies wishing to establish an OSC **must** first obtain approval from the *Procurement Functional Leader*.
3. Before approaching the market, an agency should check if there is an existing OSC that meets its needs. OSCs are listed in the *Collaborative Contracts Register* available at www.procurement.govt.nz.



Information about *Syndicated Contracts* and the process of obtaining approval are available at www.procurement.govt.nz

RULE 60 COMMON CAPABILITY CONTRACTS

1. A *Common Capability Contract* (CC) is a type of approved collaborative contract that can have various contractual forms. CCs establish various supply agreements with approved suppliers for selected common goods or services or works purchased across government. CCs may be established by a *Functional Leader's* agency or by another lead agency that is approved and overseen by a *Functional Leader*, with prior approval from the *Procurement Functional Leader*.
2. CCs may cover mandatory and / or voluntary common capabilities:
 - a. **Mandatory common capabilities:** Some agencies may be directed to purchase certain goods, services or works from a CC. These are called mandatory common capabilities. The direction may be made by Cabinet, a *Functional Leader*, or under section 107 of the *Crown Entities Act 2004*. An agency that wants to opt-out of purchasing mandatory common capabilities **must** get approval from the relevant *Functional Leader*. Information about mandatory common capabilities is available at: www.ict.govt.nz and www.procurement.govt.nz.
 - b. **Voluntary common capabilities:** when a common capability is voluntary, an agency should purchase from the CC when it reasonably meets the agency's needs.
3. Before approaching the market, an agency **should** check if there is an existing CC contract that meets its needs. CCs are listed in the Collaborative Contracts Register, available at www.procurement.govt.nz.



What's different about *Common Capability Contracts*?

Common Capability Contracts (CCs) differ from *All-of-Government* and *Syndicated Contracts* because:

- › in some instances, a private sector supplier may be authorised to purchase from a CC when it is an authorised agent acting on behalf of an agency
- › in some CCs, the lead agency may charge a participating agency an admin fee or levy.

For more information see the *Common Capability Contracts Guide* at: www.procurement.govt.nz



CC-ICT Contracts

Common Capability Contracts are being used in the procurement of information, communication and technology (ICT) goods and services. These are called CC-ICT contracts.

CC-ICT contracts are usually overarching agreements entered into by a *Functional Leader* (or another agency with *Functional Leader* oversight) with suppliers. They can come in a number of contractual forms, such as a paper-based agreement or, in an online marketplace context (e.g. cloud services), online terms that suppliers must accept to participate.

These contracts are developed under the oversight of the Government Chief Digital Officer (GCDO) at the Department of Internal Affairs (DIA) (as the *Functional Leader* for Government ICT), in collaboration with others and with the approval of the *Procurement Functional Leader*.

Procuring ICT goods and services across government presents a range of unique challenges as well as great potential for collaboration. The development of CC-ICT contracts provides an opportunity to drive transformational change in the delivery of ICT services across government.

Seamless provision of ICT goods and services

Given the often complex nature of ICT, some of these contracts are designed to allow, where appropriate, private sector suppliers to work together to supply seamless end-to-end ICT goods and services to agencies. This means that agencies and, where authorised, suppliers acting on behalf of agencies or supplying services to agencies may purchase from these contracts.



How mandatory common capabilities apply across the Public Sector

| | Property | ICT | Other Procurement |
|-------------|--|---|--|
| Mandatory | <ul style="list-style-type: none"> › Public Service departments › New Zealand Police › New Zealand Defence Force › New Zealand Security Intelligence Service › Parliamentary Counsel Office › Crown Agents (except New Zealand Blood Service and District Health Boards) | <ul style="list-style-type: none"> › Public Service departments › New Zealand Police › New Zealand Defence Force › New Zealand Security Intelligence Service › Parliamentary Counsel Office › District Health Boards (effective 1/7/2015) › Earthquake Commission › Housing New Zealand Corporation › New Zealand Qualifications Authority › Tertiary Education Commission › New Zealand Transport Authority › Accident Compensation Corporation › New Zealand Trade and Enterprise. | <ul style="list-style-type: none"> › Public Service departments › New Zealand Police › New Zealand Defence Force › Crown Agents › Autonomous Crown Entities › Independent Crown Entities › Crown Entity Companies › Public Finance Act Schedule 4A companies |
| › Voluntary | <ul style="list-style-type: none"> › Other State Services agencies › Wider State Sector and Public Sector agencies | <ul style="list-style-type: none"> › Other State Services agencies › Wider State Sector and Public Sector agencies | <ul style="list-style-type: none"> › Other State Services agencies › Wider State Sector and Public Sector agencies |

RULE 61 WEB STANDARDS

1. If a *Public Service* department, New Zealand Police or New Zealand Defence Force outsources web development work, it **must** include, in its *Notice of Procurement*, a *pre-condition* for the work to comply with the mandatory requirements in the latest version of the New Zealand Government web standards.
2. Other agencies **should** include this *pre-condition* in their *Notices of Procurement* for web development work.



For further information on web standards visit: www.digital.govt.nz

RULE 62 APPROVED GOVERNMENT MODEL TEMPLATES

1. The *Procurement Functional Leader* issues Approved Government Model Templates (A-GMTs) from time to time. Agencies **must** operationalise these templates in their procurement activities, regardless of whether or not the *Rules* apply to the procurement.



Approved Government Model Templates

A-GMTs are developed to improve the consistency of procurement practices across government.

They are simple, plain English templates that make it easier for both you and your suppliers to do business.

In order to avoid confusion with general procurement templates available at www.procurement.govt.nz (e.g. the contract register template which agencies can opt to use), A-GMTs are a set of approved templates that you are required to deploy in your procurement activities.

An example of an A-GMT is the Government Model Contract (GMC). In order to operationalise these templates, you must include them in your suite of contract templates and use them as the default templates for all low-value, low-risk common goods and services.

RULE 63 INTELLECTUAL PROPERTY

1. If an agency's procurement of goods, services or works involves the supplier creating new Intellectual Property, the agency should set out, in its *Notice of Procurement*, its intentions regarding ownership, licensing, and future commercialisation of that Intellectual Property.
2. Cabinet has endorsed specific guidelines for agencies on the ownership and commercialisation of new Intellectual Property in certain types of procurement. Agencies should take these guidelines into account. The guidelines are:
 - a. for procurement of goods, services or works in the context of Information and Communication Technologies (ICT): *Guidelines for treatment of intellectual property rights in ICT contracts*, released by the State Services Commission, maintained by the Department of Internal Affairs and available at: www.ict.govt.nz.
 - b. for procurement of goods, services or works in the context of *Public Service* research contracts: *Cabinet guidelines for intellectual property from Public Service research contracts*, available at: www.procurement.govt.nz.
 - c. for when releasing copyright works and non-copyright material for re-use by others: New Zealand Government Open Access and Licensing framework (NZGOAL) and the NZGOAL Software Extension for software, available at www.data.govt.nz.



It's important to consider if new Intellectual Property will arise in a contract and to explicitly set out your expectations about ownership and licensing in your *Notice of Procurement*. This provides clarity for suppliers at an early stage and potentially reduces expense and time later on negotiating ownership and licensing. Alternatively, you can ask suppliers to state in their responses their assumptions about any anticipated new Intellectual Property.

Often agencies assume that ownership of new Intellectual Property in contract deliverables should be owned by government. While there may be circumstances when government wants to own and exploit new Intellectual Property, there is a trend towards vesting the Intellectual Property with the party best placed to commercialise it.

Various guidance has been developed to help you decide an appropriate approach.

Ownership options include:

- › the agency owns the new Intellectual Property and decides to commercialise
- › the agency owns the new Intellectual Property but licenses the supplier to use and commercialise
- › the supplier owns the new Intellectual Property but licenses the agency, and all other *State Services* agencies, to use.

Allowing the supplier to commercialise the new Intellectual Property encourages innovation and economic development.

Other options include licensing and releasing software as open source. You can find guidance on this at www.data.govt.nz.

RULE 64 INFRASTRUCTURE

1. Agencies considering the procurement of infrastructure with a (total cost of ownership of more than \$50 million) **must**:
 - a. consult with Treasury’s Interim Infrastructure Transactions Unit (ITU) (or any new entity established to take over the functions of that Unit) early in the development of the project’s *business case*
 - b. follow relevant published ITU guidance
 - c. involve the ITU in the assessment of the project’s *business case* and advice to Ministers
 - d. invite the ITU to participate in relevant project steering and working groups, and in the selection panels for all key advisor appointments in relation to the project, and
 - e. use any standard form documentation developed by the ITU as the basis for any infrastructure contract and consult with the ITU over any material proposed modifications.



‘Infrastructure’ means fixed, long-lived structures that facilitate economic performance and wellbeing. Infrastructure includes buildings and physical networks, principally: transport, water, social assets and digital infrastructure such as mobile and broadband infrastructure, however funded.

RULE 65 BUSINESS CASES AND INVESTMENT DECISIONS

1. Cabinet approval is required for certain types of expenditure, lease or asset disposal proposals from departments, Crown Agents and other Crown Entities. If an agency wants to undertake a project which meets certain criteria, it **must** consult with Treasury and the project proposal will be assessed and reviewed against Treasury’s published *Better Business Cases framework*.
2. The criteria for determining which investment decisions require Cabinet approval and guidance on the *Better Business Cases framework* are available at: www.treasury.govt.nz

RULE 66 INVESTMENT REVIEWS

1. Depending on the size, scale and type of investment, investment reviews may be required for significant projects and programmes that involve procurement.
2. For each significant project or programme on an agency's long-term plans, the agency **must** complete a Risk Profile Assessment (RPA) and submit it to Treasury, which will determine whether reviews are required. The Risk Profile Assessment is available on Treasury's website at: www.treasury.govt.nz



Who is involved in the review?

To assess the RPA and determine whether investment reviews are required, Treasury works with the State Services Commission, the Department of the Prime Minister and Cabinet, and *Functional Leaders* appointed by the Cabinet to provide leadership across government on specific areas such as procurement, information technology and property investment.

Investment reviews are organised by Treasury; reviewers are independent of Central Agencies and Functional Leads. For more information visit Treasury's website at: www.treasury.govt.nz

RULE 67 TIMBER AND WOOD PRODUCTS

1. Agencies **must** apply the *New Zealand Timber and Wood Products Procurement Policy* when procuring timber and wood products.



The Timber and Wood Products Procurement Policy was issued by the Ministry for Primary Industries. It aims to ensure that government buys only legally sourced timber and timber products. It also encourages agencies to use only sustainably produced timber.

Key features of the policy are:

- › agencies are required to seek legally-sourced timber and wood that can be verified by recognised third-party certification
- › agencies are encouraged to buy timber and wood products from sustainably-managed sources that can be verified by recognised third-party certification
- › agencies are required to document, for audit purposes, the verification of the legality of timber and wood purchased.

More information is available at: www.mpi.govt.nz

RULE 68 EMPLOYEE TRANSFER COSTS

1. In certain situations, an agency **must** disclose the costs relating to the transfer of employees due to restructuring. The circumstances are contained in the Employment Relations Act 2000 (the Act), Part 6A and Schedule 1A. Disclosure of costs **must** be made available to prospective suppliers (new employers) on request when:
 - a. the restructuring is the subject of a tender, and
 - b. the type of employees affected falls within a category listed in the Act.



The purpose of Part 6A of the Employment Relations Act 2000 is to protect 'vulnerable' employees in specific industries. It deals with continuity of employment under the same terms and conditions, if an employee's work is affected by a restructuring that is the subject of a tender (e.g. outsourcing a service that was previously provided in-house).

It relates only to employees in certain types of industries, which include the:

- › Education sector – cleaning, food catering, caretaking and laundry services
- › Health sector and Age-related Residential Care – cleaning, food catering, orderly and laundry services
- › Public Service, airports and any other place of work – cleaning and food catering services.

Where disclosure of the costs relating to the transfer of employees is not provided, prospective suppliers can make an application to the Employment Relations Authority for a Compliance Order. The provisions of the Act override the Official Information Act 1982.

Further information is available from MBIE at: www.mbie.govt.nz

RULE 69 PLANNING FOR NEW CONSTRUCTION WORKS

1. Agencies **must** apply the good practices set out in the Construction Procurement guides, where appropriate, when procuring construction works and be able to produce documented evidence of the rationale where they have not been followed.



Planning for new construction works

There are a number of ways that you could demonstrate that the Construction Procurement guides have been considered. For example, in a *procurement plan* you could include a statement that the guides have been consulted, provide a brief overview of how the procurement aligns with the guides, or highlight the areas where the process deviates and provide the rationale for doing so.

New Zealand Government Procurement's Planning Construction Procurement guides are available at: www.procurement.govt.nz.

RULE 70 PROCUREMENT CAPABILITY INDEX

1. An agency **must** submit a completed Procurement Capability Index (PCI) self-assessment to MBIE annually by 1 October each year.
2. The *Procurement Functional Leader* may, at its discretion, exempt an agency from having to submit a PCI self-assessment.



Procurement Capability Index

The Procurement Capability Index (PCI) tool assists you in evaluating and building the procurement capability within your agency. It helps you to identify areas where additional focus may be required, and put in place a procurement capability improvement plan. Submitting PCI self-assessments to MBIE also provides the *Procurement Functional Leader* with a cross-government view of procurement capability and areas where more support may be required.

The *Procurement Functional Leader* may exempt an agency from the requirement to submit their self-assessment to MBIE if deemed appropriate (e.g. there is no designated procurement function or the agency utilises AoG contracts and only undertakes low risk and low value procurements). However, even in these instances, agencies are still strongly encouraged to use the tool as means to improve their agency's procurement capability.

More information can be found at www.procurement.govt.nz.

RULE 71 SIGNIFICANT SERVICE CONTRACTS FRAMEWORK

1. An agency **must** submit to MBIE a Significant Service Contracts Framework (SSCF) report.
2. Each agency **must** review and update its SSCF report at least once every six months. An agency may update its SSCF report more often, if appropriate.
3. Updated SSCF reports are due to MBIE by 1 March and 1 October each year.



Significant Service Contracts

Significant service contracts are the important contracts that your agency manages. These contracts include:

- a. services that are critically important to the delivery of business objectives of an agency; and
- b. pose a significant risk and/or significant impact in the event of supplier failure.

If an agency does not identify any significant services contracts, they must submit a nil return to MBIE.

More information can be found at: www.procurement.govt.nz

SECTION

7

Definitions



| Word or phrase | Reference | Definition |
|--|---------------------|---|
| <i>agency</i> | all Rules | A generic term used in the <i>Rules</i> to refer to New Zealand government entities across the <i>Public Sector</i> . |
| <i>All-of-Government Contracts (AoG)</i> | Rule 58 | A type of collaborative contract that has been approved by the <i>Procurement Functional Leader</i> (the Chief Executive of MBIE). AoGs are usually <i>Panel Contracts</i> established by MBIE or other agencies that are approved Centres of Expertise for common goods or services (e.g. vehicles, laptops, and recruitment services). |
| <i>allowable reduction</i> | Rules 30, 31 and 39 | An agency may reduce the <i>minimum time period</i> for tender response deadlines in three circumstances, namely if: <ul style="list-style-type: none"> › it has listed the contract opportunity in its <i>Annual Procurement Plan</i> not less than two months and not more than eight months before the publication of the <i>Notice of Procurement</i> › all tender documents are made available electronically at the same time as the publication of the <i>Notice of Procurement</i> › it accepts responses electronically. › The number of <i>business days</i> for each <i>allowable reduction</i> is specified in Rule 31. |
| <i>Annual Procurement Plan (APP)</i> | Rule 21 | An agency's list of planned contract opportunities that meet or exceed the <i>value threshold</i> . It is a rolling list covering at least the next 12 months. |
| <i>Application to Qualify (ATQ)</i> | Rule 56 | An application by a supplier to be included in an agency's <i>Pre-qualified Suppliers List</i> . A supplier must prove it has the capability and capacity to deliver specific types of goods, services or works to be included in the list. |
| <i>approach to market</i> | Section 3 | The formal process of giving notice of a contract opportunity to potential suppliers and inviting them to respond. An example of an approach to the market is a <i>Request for Tender</i> published on <i>GETS</i> . |
| <i>bid-rigging</i> | Rule 14, 44 | A type of price-fixing, or collusive tendering, where there is an agreement between competitors about which of them should win a bid. |
| <i>Broader Outcomes</i> | Rule 16 | Broader Outcomes are the secondary benefits which are generated due to the way goods, services or works are produced or delivered. They include economic, environmental, social, and cultural outcomes. |
| <i>business activities</i> | Rule 28 | Any activity that is performed with the goal of running a business. For the private sector, these are activities associated with making a profit (e.g. operations, marketing, production or administration). |

| Word or phrase | Reference | Definition |
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| <i>business case</i> | Rules 12 and 63 | A management tool that supports decision-making for an investment. It sets out the reasons for a specific project, considers alternative solutions and identifies assumptions, constraints, benefits, costs, and risks. |
| <i>business day</i> | Rules 26 to 65 | Any week day in New Zealand, excluding Saturdays, Sundays, New Zealand (national) public holidays and all days from Boxing Day up to and including the day after New Year's Day. |
| <i>clear business day</i> | Rule 32 | One full business day from 9am to 5pm. |
| <i>closed competitive process</i> | Rule 14 | A tender process where an agency asks a limited number of known suppliers to tender for a contract opportunity. The contract opportunity is not openly advertised. |
| <i>collusion</i> | Rule 33 | A secret agreement or cooperation between two or more parties to cheat or deceive others by illegal, fraudulent or deceitful means. |
| <i>commercially sensitive information</i> | Rule 4 | Information that, if disclosed, could prejudice a supplier's commercial interests (e.g. trade secret, profit margin or new ideas). |
| <i>commodity market</i> | Rule 14 | A legally-regulated exchange (market) where raw goods or primary products, such as agricultural produce, metals and electricity, are bought and sold using standardised contracts (e.g. the London Metal Exchange and the Chicago Board of Trade). |
| <i>Common Capability Contracts (CCs)</i> | Rule 60 | <p>A type of collaborative contract that has been approved by the Procurement Functional Leader.</p> <p>CCs establish various supply agreements (e.g. for ICT goods or services purchased across government with approved suppliers).</p> <p>CCs differ from All-of-Government and Syndicated Contracts because, in a CC:</p> <ul style="list-style-type: none"> › in some instances, a private sector supplier may be authorised to purchase from a CC when it is acting on behalf of an agency (authorised agent) › in some CCs, the lead agency may charge a participating agency an admin fee or levy. |
| <i>competition</i> | Rules 4, 14 and 24 | Rivalry between suppliers for sales, profits and market share. Competitive tension in the market and can produce innovation, better-quality goods or services, better value and better pricing. |

| Word or phrase | Reference | Definition |
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| <i>Competitive Dialogue</i> | Rule 37 | A type of open procurement process often used where there is no known solution in the market place. It involves a structured dialogue phase with each shortlisted supplier, who invents a possible solution to meet the agency's needs. Shortlisted suppliers are often paid for their participation in the dialogue phase. All shortlisted suppliers are invited to respond to a Request for Proposal or Request for Tender. For more information see the Guide to competitive dialogue at: www.procurement.govt.nz |
| <i>conflict of interest</i> | Rule 2 | A conflict of interest is where someone's personal interests or obligations conflict, or have the potential to conflict, with the responsibilities of their job or position or with their commercial interests. It means that their independence, objectivity or impartiality can be called into question. For more information see www.procurement.govt.nz |
| <i>Contract Award Notice</i> | Rules 14, 48 and 57 | A notice containing the information listed in Rule 45.2. |
| <i>contract opportunity</i> | Rules 14, 24, 28, 31, 35, 36, 43, 44, 56 and 57 | An opportunity for suppliers to bid for a contract for goods, services or works. |
| <i>Crown Research Institutes</i> | Rule 5 | Companies established under the Crown Research Institutes Act 1992. For a full list of Crown Research Institutes go to www.ssc.govt.nz |
| <i>deadline for responses</i> | Rule 36 | The closing time and date for responses to a Notice of Procurement or any other call for tenders. If a tender is submitted after the closing date, it is deemed to be late and may not be accepted by the agency. |
| <i>designated contracts</i> | Rule 16- 20 | These are contract categories identified by Cabinet in which priority outcomes must be included and published online at www.procurement.govt.nz . |
| <i>direct source</i> | Rule 14 | A tender process where the agency asks a single supplier to tender for a contract opportunity, and the contract opportunity is not openly advertised. |
| <i>discrimination</i> | Rule 3 | Making an unfair and prejudicial judgement for or against a person or product. |
| <i>e-auction</i> | Rule 45 | An online reverse auction that takes place in real time. It gives suppliers the opportunity to bid against each other to improve their offers. |

| Word or phrase | Reference | Definition |
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| <i>education services</i> | Rule 12 | <p>A generic term for public education services provided by government that includes:</p> <ul style="list-style-type: none"> › primary education services: preschool and primary school › secondary education services: general and higher, technical and vocational › higher education services: post-secondary, sub-degree technical and vocational, and those leading to a university degree or equivalent › adult education services: for adults not in the regular school and university system › other education services: not definable by level, excluding sport and recreation education. |
| <i>evaluation criteria</i> | Rule 38 | <p>The criteria that are used to evaluate responses. These include measures to assess the extent to which competing responses meet requirements and expectations (e.g. criteria to shortlist suppliers following a Registration of Interest or criteria to rank responses in awarding the contract).</p> |
| <i>exemption from open advertising</i> | Rule 14 | <p>The recognised circumstances (e.g. a procurement in response to an emergency) where an agency does not need to openly advertise the contract opportunity.</p> |
| <i>framework agreement</i> | Rule 57 | <p>Usually used in relation to Panel Contracts. It is the umbrella agreement that governs the relationship between the agency and the supplier(s). It sets out the terms and conditions (including pricing) that the parties agree to contract on in the event that the supplier is allocated a contract for supplying the covered goods, services or works.</p> <p>When the agency wants to buy something under the framework agreement, the parties then enter into a separate contract that refers to the terms and conditions contained in the framework agreement.</p> |
| <i>Functional Leader</i> | Rules 48, 53, 58, 59, 60, 62, 66 and 70 | <p>A government Chief Executive appointed by Cabinet to drive performance across the State Services in a particular area, e.g. procurement, ICT and property.</p> |
| <i>GETS</i> | | <p>An acronym for Government Electronic Tenders Service. GETS is a website managed by New Zealand Government Procurement. It is a free service that advertises New Zealand Government contract opportunities and is open to both domestic and international suppliers. All tender information and documents are made freely available through GETS.</p> |

| Word or phrase | Reference | Definition |
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| <i>GETS listing</i> | Rule 36 | The summary of a contract opportunity that is published on GETS. It includes key information such as the: <ul style="list-style-type: none"> › name of the buying agency › approach to market process that will be used (e.g. Request for Proposals) › deadline for responses › address for any enquiries. |
| <i>goods</i> | Rules 6 and 7, and throughout subsequent Rules | Items which are capable of being owned. This includes physical goods and personal property as well as intangible property such as Intellectual Property (e.g. a software product). |
| <i>Government Procurement Charter</i> | Rule 1 | The Charter sets out Government's expectations of how agencies should conduct their procurement activity to achieve public value. |
| <i>government's central financial control functions</i> | Rule 12 | This relates only to the acquisition of fiscal agency or depository management services, liquidation and management services for regulated financial institutions, and sale and distribution services for government debt. These are central banking control functions on behalf of government such as those carried out by the Reserve Bank, and Crown debt management functions such as those carried out by Treasury. Ordinary commercial banking and financial services are not covered by this definition and are not valid opt-out procurements. |
| <i>grant</i> | Rules 11 and 12 | Financial assistance in the form of money paid by the Government to an eligible organisation with no expectation that the funds will be paid back. It can be either: <ul style="list-style-type: none"> › a conditional grant, where the recipient undertakes specific obligations in return for the money, or › an unconditional grant, where the recipient has no specific obligations to perform in return for the money. |
| <i>GST</i> | Rule 8 | Goods and Services Tax (GST) is a tax on most goods and services produced in New Zealand, most imported goods, and certain imported services. GST is added to the price of taxable goods and services. |
| <i>guidance</i> | Context | A generic name for a range of New Zealand Government good procurement practice guides, tools and templates. These can be found at: www.procurement.govt.nz |

| Word or phrase | Reference | Definition |
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| <i>health services</i> | Rule 12 | <p>A generic term for health services provided by government for the public good, including:</p> <ul style="list-style-type: none"> › hospital services (in-outpatient and outpatient) including: surgical, medical, gynaecological and obstetrical, rehabilitation, psychiatric and other hospital services delivered under the direction of medical doctors chiefly to outpatients, aimed at curing, restoring, and/or maintaining the health of such patients. › general and specialised medical services › military hospital services and prison hospital services › residential health facilities services other than hospital services › ambulance services › services such as supervision during pregnancy and childbirth and the supervision of the mother after birth › services in the field of nursing (without admission) care, advice and prevention for patients at home, the provision of maternity care, children’s hygiene, etc. › physiotherapy and para-medical services, i.e. services in the field of physiotherapy, ergotherapy, occupational therapy, speech therapy, homeopathy, acupuncture, nutrition instructions, etc. |
| <i>Invitation to Participate (ITP)</i> | Rule 34 | An invitation to suppliers, published on GETS, to apply to be included in a procurement process. |
| <i>Invitation to Qualify (ITQ)</i> | Rule 56 | An invitation to suppliers, published on GETS, to apply to be included in an agency’s Pre-Qualified Suppliers List. |
| <i>Market engagement</i> | Rule 24 | <p>Market engagement is a process that allows you, at all stages of procurement, to:</p> <ul style="list-style-type: none"> › communicate your needs or requirements to suppliers › openly and transparently discuss possible solutions › stimulate innovation in the design and delivery of the solution › understand market capacity, capability and trends. |
| <i>maximum total estimated value</i> | Rule 8 | A genuine estimate of the total cost that an agency will pay over the whole-of-life of the contract. It covers the full contract cost of goods or services, and any other expenses such as maintenance and repairs, and the cost of disposing of the goods at the end of the contract. |
| <i>minimum time periods</i> | Rules 30 and 34 | The least amount of time, set by the <i>Rules</i> , that an agency must allow suppliers to respond to a particular contract opportunity. |
| <i>multi-step process</i> | Rule 34 | A procurement process with more than one step (e.g. a Registration of Interest followed by a Request for Proposals). |

| Word or phrase | Reference | Definition |
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| <i>new construction works</i> | Rule 7 | <p>In the context of the <i>Rules</i>, the term relates to goods and services associated with developing new civil or building construction works.</p> <p>This includes buildings, roads, rails, bridges and dams. It covers new builds and replacement of an existing construction. This also includes related services such as design, architecture, engineering, quantity surveying, and management consultancy services.</p> <p>It includes various stages in the project such as:</p> <ul style="list-style-type: none"> › demolition of previous structure › pre-erection works at construction sites, including site investigation work › construction work for buildings, residential and non-residential › construction work for civil engineering › assembly and erection of prefabricated constructions, i.e. installation on site of complete prefabricated buildings or other constructions, or the assembly and erection on site of prefabricated sections of buildings or other constructions › special trade construction work such as foundation work, including pile driving, water well drilling, roofing and water proofing, concrete work, steel bending and erection, erection work from purchased or self-manufactured structural steel components for buildings or other structures such as bridges, overhead cranes or electricity transmission towers, steel reinforcing work and welding work › masonry work › installation work such as heating, ventilation and air-conditioning work, water plumbing and drain-laying work, gas-fitting construction work, electrical work, insulation work (e.g. electrical wiring, water, heat, sound), fencing and railing construction work, other installation work (e.g. installation of lifts and escalators and moving sidewalk), fire escape equipment and construction work (e.g. staircases) › building completion and finishing such as glazing work and window-glass installation work, plastering work, painting work, floor and wall-tiling work, floor-laying, wall-covering and wall papering work, wood and metal joinery and carpentry work, interior fitting decoration work, ornamentation fitting work, other building completion and finishing work (e.g. special trade building acoustical work involving the application of acoustical panels, tiles and other material to interior walls and ceilings), and steam or sand cleaning work of building exteriors › renting services related to equipment for construction or demolition of buildings or civil engineering works. |
| <i>New Zealand business</i> | Rule 17 | A business that originated in New Zealand (not being a New Zealand subsidiary of an offshore business), is majority owned or controlled by New Zealanders, and has its principal place of business in New Zealand. |

| Word or phrase | Reference | Definition |
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| <i>Notice of Procurement</i> | Rules 37 and 38 | The document published on GETS that advertises a new contract opportunity (e.g. a Registration of Interest or a Request for Tender). |
| <i>Official Information Act 1982</i> | Rule 4 | A New Zealand law that sets out the information that government must make freely available to the New Zealand public. |
| <i>offset</i> | Rule 3 | Within the context of the <i>Rules</i> , an offset is a condition or undertaking intended to develop the local economy or improve the balance-of-payments accounts that a supplier must fulfil in order to be awarded the contract. |
| <i>open advertising</i> | Rule 13 | Publishing a contract opportunity on GETS and inviting all interested domestic and international suppliers to participate in the procurement. |
| <i>opt-out procurements</i> | Rule 12 | Specific types of procurement activities where agencies can choose to opt out of applying most of the <i>Rules</i> . |
| <i>Panel Contract</i> | Rule 58 | A type of framework agreement that governs the relationship between the agency and each Panel Supplier. It sets out the terms and conditions that the parties agree to contract on in the event that the Panel Supplier is allocated a contract to provide specific goods, services or works. |
| <i>Panel of Suppliers</i> | Rule 57 | A list of suppliers an agency has pre-approved to supply particular goods or services and who have agreed to the agency's terms and conditions for supply. |
| <i>Panel Supplier</i> | Rule 57 | A supplier included in a Panel of Suppliers. |
| <i>pre-conditions</i> | Rule 28 | A condition that a supplier must meet to be considered for a particular contract opportunity. |
| <i>pre-qualified supplier</i> | Rule 56 | A supplier included in a Pre-qualified Suppliers List. |
| <i>Pre-qualified Suppliers List</i> | Rule 56 | A list of suppliers an agency has pre-approved as having the capability and capacity to deliver specific goods or services. It is the New Zealand Government equivalent of the World Trade Organization Agreement on Government Procurement's 'multi-use list'. |
| <i>Principles</i> | Rule 1 | Short for the Principles of Government Procurement. The five Principles are: <ul style="list-style-type: none"> › plan and manage for great results › be fair to all suppliers › get the right supplier › get the best deal for everyone › play by the <i>Rules</i>. |

| Word or phrase | Reference | Definition |
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| <i>priority outcomes</i> | Rules 15, 16, 17, 18, 19 and 20 | <p>The following four priority outcomes have been identified by Cabinet to be leveraged by government procurement:</p> <ul style="list-style-type: none"> › Increase New Zealand businesses' access to government procurement › Increase the size and skill of the domestic construction sector workforce › Improve conditions for workers and future-proof the ability of New Zealand business to trade, and › Support the transition to a net zero emissions economy and design waste out of the system. <p>Each priority outcome is targeted at specific focus areas. You can find these focus areas at: www.procurement.govt.nz</p> |
| <i>procurement</i> | | All aspects of acquiring and delivering goods, services and works. It starts with identifying the need and finishes with either the end of a service contract or the end of the useful life and disposal of an asset. |
| <i>Procurement Functional Leader</i> | Rule 48 and throughout | The Chief Executive of the Ministry of Business, Innovation and Employment, who has been appointed by the Commissioner for State Services as the Functional Leader for procurement activities across government. |
| <i>procurement plan</i> | Rule 15 | A plan to analyse the need for specific goods, services or works and the outcome the agency wants to achieve. It identifies an appropriate strategy to approach the market, based on market research and analysis, and summarises the proposed procurement process. It usually includes the indicative costs (budget), specification of requirements, indicative timeline, evaluation criteria and weightings and an explanation of the Broader Outcomes an agency will seek to achieve through the procurement. |
| <i>prototype</i> | Rule 14 | An early sample, model or pilot study used to test a concept or process. |
| <i>Public Sector</i> | Rule 5 | <p>This includes agencies in:</p> <ul style="list-style-type: none"> › the Public Service (departments and ministries) › the wider State Services (e.g. Crown Entities, Crown Research Institutes, entities listed in Schedules 4 and 4A of the Public Finance Act 1989, and School Boards of Trustees) and › the wider State Sector (e.g. Offices of Parliament, Tertiary Education Institutes and State Owned Enterprises) and › Regional Councils and Territorial Authorities (as defined in s5 of the Local Government Act 2002). <p>A list of these agencies is available at: www.ssc.govt.nz</p> |
| <i>Public Service</i> | Rule 5 | <p>The New Zealand government public service departments and ministries listed in Schedule 1 of the State Sector Act 1988.</p> <p>A list of these agencies is available at: www.ssc.govt.nz</p> |

| Word or phrase | Reference | Definition |
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| <i>Public Private Partnerships (PPPs)</i> | Rule 10 | A long-term contract for the delivery of a service, involving building a new asset or infrastructure (e.g. a prison) or enhancing an existing asset. The project is privately financed on a non-recourse basis and full legal ownership is retained by the Crown. |
| <i>public value</i> | Rules 3, 12 and 46 | <p>Public value means the best available result for New Zealand for the money spent. It includes using resources effectively, economically, and responsibly, and taking into account:</p> <ul style="list-style-type: none"> › the procurement’s contribution to the results you are trying to achieve, including any Broader Outcomes you are trying to achieve and › the total costs and benefits of a procurement (total cost of ownership). <p>The principle of public value when procuring goods, services or works does not mean selecting the lowest price but rather the best possible outcome for the total cost of ownership (over the whole-of-life of the goods, services or works).</p> <p>Selecting the most appropriate procurement process that is proportionate to the value, risk and complexity of the procurement will help achieve public value.</p> |
| <i>refurbishment works</i> | Rule 6 | <p>In the context of the <i>Rules</i>, the term relates to goods or services or works associated with delivery of refurbishment works in relation to an existing construction. Construction means buildings, roads, bridges and dams. Refurbishment works cover renovating, repairing or extending an existing construction.</p> <p>Refurbishment works does not include replacing a construction. That is deemed to be new construction works.</p> |
| <i>Registration of Interest (ROI)</i> | Rule 34 | <p>Also known as an Expression of Interest. A formal request from an agency asking potential suppliers to:</p> <ul style="list-style-type: none"> › register their interest in an opportunity to supply specific goods, services or works › provide information that supports their capability and capacity to deliver the goods, services or works. <p>It’s usually the first formal stage of a multi-step tender process.</p> |
| <i>Request for Information (RFI)</i> | Rule 34 | <p>A market research tool. A formal request from an agency to the market, for information that helps identify the number and type of suppliers and the range of solutions, technologies and products or services they can provide.</p> <p>It is not a type of Notice of Procurement. It must not be used to select or shortlist suppliers.</p> |
| <i>Request for Proposal (RFP)</i> | Rule 34 | <p>A formal request from an agency asking suppliers to propose how their goods or services or works can achieve a specific outcome, and their prices.</p> <p>An agency may be open to innovative ways of achieving the outcome.</p> |

| Word or phrase | Reference | Definition |
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| <i>Request for Quote (RFQ)</i> | Rule 34 | A formal request from an agency asking potential suppliers to quote prices for 'stock standard' or 'off-the-shelf' goods or services or works, where price is the most important factor. |
| <i>Request for tender (RFT)</i> | Rule 34 | A formal request from an agency asking for offers from potential suppliers to supply clearly defined goods or services or works. Often there are highly-technical requirements and a prescriptive solution. |
| <i>response</i> | Rule 37 | A supplier's reply to a Notice of Procurement. Examples include: <ul style="list-style-type: none"> › registering of interest in an opportunity › submitting a proposal › submitting a tender › applying to qualify as a pre-qualified supplier. |
| <i>Rules</i> | | A short name for the <i>Government Procurement Rules</i> , which are the Rules 1 to 71 and the definitions in this Section. Information in boxes and diagrams accompanying the <i>Rules</i> are not part of the <i>Rules</i> but may be used to help with understanding the <i>Rules</i> . |
| <i>secondary procurement</i> | Rules 14, 21, 48, 55 and 57 | Where an agency purchases goods, services or works from a Panel of Suppliers, an All-of-Government Contract, Common Capabilities Contract or Syndicated Contract. |
| <i>services</i> | Rule 6 | Acts or work performed for another party, e.g. accounting, legal services, cleaning, consultancy, training, medical treatment, or transportation. Sometimes services are difficult to identify because they are closely associated with a good (e.g. where medicine is administered as a result of a diagnosis). No transfer of possession or ownership takes place when services are sold, and they: <ul style="list-style-type: none"> › cannot be stored or transported › are instantly perishable › only exist at the time they are provided. |
| <i>sourcing</i> | Context | The parts of the procurement lifecycle that relate to planning, market research, approaching the market, evaluating responses, negotiating and contracting. |

| Word or phrase | Reference | Definition |
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| <i>State Sector</i> | Rule 5 | <p>This includes</p> <ul style="list-style-type: none"> › the Public Service (departments and ministries) › the wider State Services (e.g. Crown Entities, Crown Research Institutes, entities listed in Schedules 4 and 4A of the Public Finance Act 1989, and School Boards of Trustees) › offices of Parliament, Parliamentary Service and the Office of the Clerk of the House of Representatives › Tertiary Education Institutes › State-owned enterprises <p>A list of these agencies is available at: www.ssc.govt.nz</p> |
| <i>State Services</i> | Rule 5 | <p>This includes:</p> <ul style="list-style-type: none"> › the Public Service (departments and ministries) › Non-Public Service departments (including New Zealand Defence Force and New Zealand Police) › Crown agents, autonomous Crown entities, independent Crown entities, Crown entity companies, and Crown entity subsidiaries, › Crown Research Institutes › entities listed in Schedules 4 and 4A of the Public Finance Act › Reserve Bank of New Zealand › School Boards of Trustees. <p>A list of these agencies is available at: www.ssc.govt.nz</p> |
| <i>sufficient time</i> | Rule 29 | <p>The time a government agency must give suppliers to respond to a Notice of Procurement, to support:</p> <ul style="list-style-type: none"> › quality responses › the integrity of the process › the agency's reputation as a credible buyer. |
| <i>supplier</i> | Throughout | A person, business, company or organisation that supplies or can supply goods or services or works to an agency. |
| <i>Supplier Code of Conduct</i> | Rules 25 and 44 | The Code of Conduct provides a minimum set of expectations that government expects of all its suppliers. Agencies may have their own codes of conduct for suppliers and these can exist simultaneously. |
| <i>supplier debrief</i> | Rule 49 | <p>Information an agency provides to a supplier who has been unsuccessful in a particular contract opportunity, that explains:</p> <ul style="list-style-type: none"> › the strengths and weaknesses of the supplier's proposal against the tender evaluation criteria and any pre-conditions › the reasons the successful proposal won the contract › anything else the supplier has questioned. |

| Word or phrase | Reference | Definition |
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| <i>Syndicated Contracts</i> | Rule 59 | <p>A type of collaborative contract that typically involves a group of agencies aggregating their needs and collectively going to market for common goods, services or works.</p> <p>If the contract includes a common use provision (CUP), to allow other agencies to contract with the supplier on the same terms later, it is an Open Syndicated Contract and needs to be approved by the Procurement Functional Leader.</p> <p>If the contract is limited to a group of named agencies, it is a Closed Syndicated Contract.</p> |
| <i>technical specifications</i> | Rule 27 | <p>A tendering requirement that either:</p> <ul style="list-style-type: none"> › lays down the characteristics of goods, services or works to be procured, including quality, performance, safety and dimensions, or the processes and methods for their production or provision, or › addresses terminology, symbols, packaging, marking or labelling requirements, as they apply to a goods, service or works. |
| <i>tender watch code/s</i> | Rule 36 | <p>Codes used on GETS to classify goods, services and works. They are based on the United Nations Standard Products and Services Code (UNSPSC). You can find these codes at: www.gets.govt.nz</p> |
| <i>Te Tiriti o Waitangi/ Treaty of Waitangi Exception</i> | Rule 3 | <p>New Zealand is party to International Agreements that include specific provisions preserving the pre-eminence of Te Tiriti o Waitangi. Te Tiriti o Waitangi exception provides flexibility for the Government to implement domestic policies in relation to Māori, including in fulfilment of the Crown's obligations under the Treaty. Pursuant to this provision New Zealand may adopt measures it deems necessary to accord favourable treatment to Māori, provided that such measures are not used as a means of arbitrary or unjustified discrimination or as a disguised restriction on trade in goods, trade in services and investment.</p> |
| <i>The Crown</i> | Context | <p>The short name for 'the Sovereign in Right of New Zealand' as the bearer of governmental rights, powers, privileges and liabilities in New Zealand.</p> |
| <i>third party agent</i> | Rule 23 | <p>A party who is contracted to manage a procurement process on behalf of an agency. The agency remains responsible and accountable for ensuring that the procurement complies with the Government Procurement Rules.</p> |
| <i>total cost of ownership (TCO)</i> | Section 1 | <p>An estimate of the total cost of the goods, services or works over the whole of their life. It is the combination of the purchase price and all other expenses and benefits that the agency will incur (e.g. installation and training, operating and maintenance costs, repairs, decommissioning, cost associated with disposal and residual value on disposal). It is a tool often used to assess the costs, benefits and risks associated with the investment at the business case stage of a procurement.</p> |

| Word or phrase | Reference | Definition |
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| <i>unsolicited unique proposal</i> | Rule 14 | An approach initiated by a supplier proposing a unique solution that is not available in the market place. For more information, the <i>Guide to unsolicited unique proposals</i> is available at: www.procurement.govt.nz |
| <i>value threshold</i> | Rules 6, 7 and 8 | The minimum New Zealand Dollar value at which the <i>Rules</i> apply to a particular procurement type. It excludes GST. |
| <i>welfare services</i> | Rule 12 | A generic term for public welfare services provided by government, which includes: <ul style="list-style-type: none"> › social services, including residential and non-residential welfare services to the old, disabled, children and other social assistance clients › compulsory social security services (administration of benefits). |
| <i>Whole of Government Direction</i> | Rule 5 | The Whole of Government Direction Regarding Procurement Functional Leadership given by the Ministers of Finance and State Services, on 22 April 2014, under section 107 of the Crown Entities Act 2004 (notified in New Zealand Gazette No. 65 on 19 June 2014). This direction requires certain types of State Services agencies to apply the <i>Rules</i> . A list of these agencies is available at: www.procurement.govt.nz The direction is available at: www.ssc.govt.nz |
| <i>works</i> | Rules 6 and 7 | A generic term which covers new construction works for a new build or refurbishment works to an existing construction. |
| <i>World Trade Organization Agreement on Government Procurement</i> | Rule 5 | Also known as the GPA. A free trade agreement established by the World Trade Organization (WTO). It is a legally-binding treaty between participating countries, based on the principles of openness, transparency and non-discrimination, and sets out detailed <i>Rules</i> for good procurement processes. The main aim of the GPA is to improve access to government procurement markets and remove barriers to international trade. |

Table of Rule changes

| Current Rule | Previous Rule (Third Edition) |
|---|--|
| Rule 1: Principles and the Charter | Rule 1: Principles |
| Rule 2: Integrity | Rule 2: Integrity |
| Rule 3: Non- discrimination and offsets | Rule 3: No offsets and Rule 4: Non-discrimination |
| Rule 4: Protection of supplier's information | Rule 5: Protection of supplier's information |
| Rule 5: Who the Rules apply to | Rule 6: Who the <i>Rules</i> apply to |
| Rule 6: When the Rules apply – goods or services or refurbishment works | Rule 7: When the <i>Rules</i> apply – goods or services or refurbishment works |
| Rule 7: When the Rules apply – new construction works | Rule 8: When the <i>Rules</i> apply – new construction works |
| Rule 8: Estimating value thresholds | Rule 9: Estimating value |
| Rule 9: Non-avoidance | Rule 10: Non-avoidance |
| Rule 10: Types of contract | Rule 11: Types of contract |
| Rule 11: Non-procurement activities | Rule 12: Non-procurement activities |
| Rule 12: Opt-out procurements | Rule 13: Opt-out procurements |
| Rule 13: Requirement to openly advertise | Rule 14: Requirement to openly advertise |
| Rule 14: Exemption from open advertising | Rule 15: Exemption from open advertising |
| Rule 15: Planning | N/A |
| Rule 16: Broader Outcomes | N/A |
| Rule 17: Increase access for New Zealand Businesses | N/A |
| Rule 18: Construction skills and training | N/A |
| Rule 19: Improving Conditions for New Zealand Workers | N/A |
| Rule 20: Supporting the Transition to a low emissions economy and designing waste out of the system | N/A |
| Rule 21: Annual Procurement Plans | Rule 17: Annual Procurement Plans |
| Rule 22: Significant Procurement Plans | Rule 19: Significant Procurement Plans |
| Rule 23: Third party agents | Rule 20: Third party agents |
| Rule 24: Procurement Advice | Rule 21: Procurement Advice |
| Rule 25: Subcontracting | Rule 22: Subcontracting |

| Current Rule | Previous Rule (Third Edition) |
|---|--|
| Rule 26: Delivery date | Rule 23: Delivery date |
| Rule 27: Technical Specifications | Rule 24: Technical Specifications |
| Rule 28: Pre-conditions | Rule 25: Pre-conditions |
| Rule 29: Sufficient time | Rule 26: Sufficient time |
| Rule 30: Minimum time periods | Rule 27: Minimum time periods |
| Rule 31: Allowable reductions | Rule 28: Allowable reductions |
| Rule 32: Business day | Rule 29: Business day |
| Rule 33: Fair application of time | Rule 30: Fair application of time |
| Rule 34: Minimum time periods by process | Rule 31: Minimum time periods by process |
| Rule 35: Open advertising | Rule 32: Open advertising |
| Rule 36: GETS listing | Rule 33: GETS listing |
| Rule 37: Notice of Procurement | Rule 34: Notice of Procurement |
| Rule 38: Content of Notice of Procurement | Rule 35: Content of Notice of Procurement |
| Rule 39: Other tender documents | Rule 36: Other tender documents |
| Rule 40: Responding to queries | Rule 37: Responding to queries |
| Rule 41: Additional information | Rule 38: Additional information |
| Rule 42: Changes to process or requirements | Rule 39: Changes to process or requirements |
| Rule 43: Treatment of responses | Rule 40: Treatment of responses |
| Rule 44: Reasons to exclude a supplier | Rule 41: Reasons to exclude a supplier |
| Rule 45: E-auction | Rule 42: E-auction |
| Rule 46: Awarding the contract | Rule 43: Awarding the contract |
| Rule 47: Informing suppliers of the decision | Rule 44: Informing suppliers of the decision |
| Rule 48: Contract Award Notice | Rule 45: Contract Award Notice |
| Rule 49: Debriefing suppliers | Rule 46: Debriefing suppliers |
| Rule 50: Supplier complaints | Rule 47: Supplier complaints |
| Rule 51: Prompt payment | Rule 48: Prompt payment |
| Rule 52: Maintaining records | Rule 49: Maintaining records |
| Rule 53: Reporting | N/A |

| Current Rule | Previous Rule (Third Edition) |
|---|--|
| Rule 54: Audit | Rule 50: Audit |
| Rule 55: Types of supplier lists | Rule 51: Types of supplier lists |
| Rule 56: Pre-qualified Suppliers List | Rule 53: Pre-qualified Suppliers List |
| Rule 57: Panel of Suppliers | Rule 54: Panel of Suppliers |
| Rule 58: All-of-Government Contracts | Rule 55: All-of-Government Contracts |
| Rule 59: Syndicated contracts | Rule 56: Syndicated contracts |
| Rule 60: Common Capability Contracts | Rule 57: Common Capability Contracts |
| Rule 61: Web standards | Rule 58: Web standards |
| Rule 62: Approved Government Model Templates | Rule 59: Approved Government Model Templates |
| Rule 63: Intellectual Property | Rule 61: Intellectual Property |
| Rule 64: Infrastructure | Rule 62: Public Private Partnerships |
| Rule 65: Business cases and investment decisions | Rule 63: Business cases and investment decisions |
| Rule 66: Investment reviews | Rule 64: Investment reviews |
| Rule 67: Timber and wood products | Rule 65: Timber and wood products |
| Rule 68: Employee transfer costs | Rule 66: Employee transfer costs |
| Rule 69: Planning for new construction works | N/A |
| Rule 70: Procurement Capability Index | N/A |
| Rule 71: Significant Service Contracts Framework | N/A |
| N/A | Rule 16: Strategic Procurement Outlooks |
| N/A | Rule 18: Extended Procurement Forecasts |
| N/A | Rule 52: Registered Suppliers List |
| N/A | Rule 60: Geospatial information and services |



Open Meeting

| | |
|---------------------------------|--|
| To | Audit & Risk Committee |
| From | Tony Whittaker Chief Operating Officer |
| Date | 6 June 2019 |
| Prepared by | Madelina Baena-Escamilla Continuous Improvement Analyst |
| Chief Executive Approved | Y |
| Reference # | GOV1318 / 2259141 |
| Report Title | Update on Process Audit and Quality Improvement |

I. EXECUTIVE SUMMARY

This report outlines the work planned and undertaken in the past three months to support quality improvement throughout the business. It covers the process audit programme, policy review, and business process improvement.

2. RECOMMENDATIONS

THAT the report from the Chief Operating Officer be received.

3. DISCUSSION

2.1. Process Audit Programme

The process audit programme for 2018/2019 has been completed. 12 audits were scheduled to audit 40 business processes. During the past three months, a total of three audits (covering nine processes) have been completed. One audit was postponed due to the decision to review the process instead; this audit will now be included in the next schedule.

Reports have been received for three of the completed audits; these three resulted in zero major non-conformances, 17 minor non-conformance and 15 recommendations for improvement. (See attached Process Audit Status (2018-2019) @05-06-2019 Activity Report).

Auditor training was carried out in the first week of June. Seven staff completed the training and are now certified as Internal Auditors; the total number of Internal Auditors has now increased to 27. Annual training will be undertaken to ensure the number of Internal Auditors remains at an acceptable level. As part of the training, new Auditors had the opportunity to audit three processes; this allowed them to build the necessary skills

while having adequate guidance. Results of these internal audits will be available in the second week of June.

During the same week, an Internal Auditing training refresher was offered to the current Internal Auditors. The purpose of this training was to update the team on Internal Auditing concepts and highlight the importance of focusing the internal audits around the highest risk processes and activities.

2.2. Policy

The work programme for reviewing internal and external Council policies is progressing.

Policies published and/or reviewed and updated in the last three months:

- Fraud Prevention Policy
- Conflict of Interest Policy
- Gifts and Hospitality Policy
- Sensitive Expenditure Policy
- Library Lending Policy
- Smokefree Workplace Policy

Policies revoked:

- Petitions Policy – the content of the policy will be a guiding document.
- Working alone Policy – has been replaced with a Working Alone Management Standard and a revised Risk Assessment Form.

Other policies being created or reviewed are:

- Events and Rally Policy

2.3. Improvement Forum

New staff continue to be trained on the use of Promapp, process mapping and process improvement as part of their induction. In the last three months 30 new starters have been trained to ensure they have the tools and knowledge to map and improve their process in an effective way.

The Improvement Forum continues to meet every month to drive the Council's Quality Management System and encourage process mapping and continuous improvement. Five new champions have joined the Improvement Forum reflecting the new organisational structure.

Work is being carried out to refresh the Improvement Forum. A Continuous Improvement Plan/Framework is in the process of being created to outline the Improvement Forum activities for the new financial year.

4. ATTACHMENTS

Process Audit Status (2018-2019)

Audit Schedule 2018-2019 – Status Report

| Group/Team | Processes | Owners and experts | Auditors | Date of Audit | Outcome | | | Progress update |
|----------------------|--|--|-------------------------|-------------------|-----------------|-------------------|-----------|--|
| | | | | | Major NC (high) | Minor NC (medium) | Rec (Low) | |
| | | | | | 8 | 17 | 58 | |
| Environmental Health | <ul style="list-style-type: none"> Regulation 110(2)(a-b) - Recognised Agency: Conflicts of interest Regulation 110(2)(c) - Recognised Agency: Confidential Information Regulation 110(2)(n) - Recognised Agency: Contractual Arrangements | Tony Pipe Baker Siddique | Kay Warren | 19/09/2018 | 0 | 0 | 2 | The audit has been carried out, and the report has been sent to the process owner. |
| | <ul style="list-style-type: none"> Regulation 110(2)(d) - Recognised Agency: Staffing Regulation 110(2)(e) - Recognised Agency: Resourcing Register Template Food Control Plan (FCP) | Tony Pipe Baker Siddique | Shelley Woollett | 21/09/2018 | 5 | 0 | 5 | The audit has been carried out, and the report has been sent to the process owner. |
| | <ul style="list-style-type: none"> Regulation 110(2)(f) - Recognised Agency: Reporting Regulation 110(2)(g-h) - Recognised Agency: Records Process Application to Register Health Premises | Tony Pipe Baker Siddique Sudhir Kumar | Sharlene Jenkins | April 2019 | 0 | 0 | 1 | Audit was completed and report sent to the processes owner and expert. |
| | <ul style="list-style-type: none"> Regulation 110(2)(i-j) - Recognised Agency: Non Compliance and Corrective Actions Regulation 110(2)(k) - Recognised Agency: Complaints Verify Template Food Control Plan (FCP) | Tony Pipe Baker Siddique | Samantha Frederick | 26/09/2018 | 0 | 0 | 10 | The audit has been carried out, and the report has been sent to the process owner. |
| | <ul style="list-style-type: none"> Regulation 110(2)(l) - Recognised Agency: Internal Management Regulation 110(2)(m) - Recognised Agency: Review of Performance Recognised Agency: Continuous Improvement Recognised Agency: Internal Audit | Tony Pipe Baker Siddique | Annetta Purdy | 24/09/2018 | 2 | 0 | 1 | The audit has been carried out, and the report has been sent to the process owner. |

| | | | | | | | | |
|---|--|---|---|--|---|----|----|--|
| Council Support | <ul style="list-style-type: none"> • Manage Disclosure of Interests Register - Staff • Identify, Declare and Manage Conflicts of Interest (Management and Staff) • Manage Disclosures of Interests Register - Elected Members • Identify, Declare and Manage One-off Conflicts of Interest (Elected Members) | Rose Gray Gavin Ion | Alan Kuyper Reece Turner Mark Shaw | 23/10/2018 | 1 | 0 | 6 | The audit has been carried out, and the report has been sent to the process owner. |
| Development Contribution | <ul style="list-style-type: none"> • Development Contributions Process • Update Development Contribution Catchments | Annette Brodie Jodi Bell-Wymer Anton Marais Karl Pavlovich | Robert Ball Rosemary Towl Paul Harrison | 04/12/2018 29/11/2018 | 0 | 0 | 2 | Audit was completed and report sent to the processes owner and expert. Processes are now undergoing a total review |
| Monitoring | <ul style="list-style-type: none"> • Monitor Land Use Resource Consents • Carry out Site Inspection/Investigation • Take Enforcement Action for Non-Compliance with District Plan | Margaret Glassey Craig Birkett | Jonathan Ward Christine Cunningham | 05/12/2018 | 0 | 0 | 12 | The audit has been carried out, report has been sent to the processes owners. |
| Corporate Planning - Delegations | <ul style="list-style-type: none"> • Request Change to delegations • Manage delegations register • Issue a staff warrant card | Sandra Kelly Kurt Abbot | Phyllis Hefang Tracey Oakes | 31 st January 2019 February 2019 | 0 | 0 | 5 | Audit was completed and report sent to the processes owner and expert. Processes will undergo a total review |
| Human Resources | <ul style="list-style-type: none"> • Obtain approval for and plan recruitment • Review applications and shortlist interviewees • Carry out interviews | Tharsha Adamstein Vanessa Jenkins | Lynette Wainwright Elijah Tamati | 28/02/2019 | 0 | 17 | 10 | Audit was completed and report sent to the processes owner and expert. |
| | <ul style="list-style-type: none"> • Carry out reference checks for potential candidates • Make offer of employment • Carry Out Police Vetting Check | Tharsha Adamstein Vanessa Jenkins | Evonne Miller Pam Osborne | Middle of March | 0 | 0 | 4 | Audit has been carried out, but audit report hasn't been sent by the Auditors |

| | | | | | | | | |
|---|---|---|--|--|--|--|--|--|
| Human Resources / Information Management | <ul style="list-style-type: none">• Prepare for and Carry Out Staff Induction• Set Up New User Account | Tharsha Adamstein Vanessa Jenkins Niall McGrath Gene Oudes | | | | | | Audit has been postponed due the processes being reviewed at the moment by the teams. It will be included in the new scheduled |
|---|---|---|--|--|--|--|--|--|

Open Meeting

| | |
|---------------------------------|--|
| To | Audit & Risk Committee |
| From | Tony Whittaker Chief Operating Officer |
| Date | 22 May 2019 |
| Prepared by | Katja Jenkins Risk Advisor |
| Chief Executive Approved | Y |
| Reference # | GOV1318 / 2255137 |
| Report Title | Project Closure Report; GIS & Project Management Integration (Phase I) |

1. EXECUTIVE SUMMARY

This report details outcomes from project PR-1287 GIS & Project Management Integration (Phase I).

2. RECOMMENDATION

THAT the report from the Chief Operating Officer be received.

3. DISCUSSION

The relaunch of the Project Management Framework sparked conversation regarding the potential value of integration between the GIS spatial mapping system and Councils Project Management system, CAMMs Project. Integration between the two systems had been delivered during the initial system implementation however low adoption of the project management framework at that time resulted in very few integration benefits being realised.

In 2017 work to improve project outcomes included a CAMMs software upgrade. This upgrade resulted in loss of integration functionality between the GIS and CAMMs systems. This issue was accepted due to delivery of the framework being prioritized over maintenance of the integration.

Preparation for the project management framework relaunch revealed a number of the key project stakeholders saw potential to improve accessibility to project information for engagement related activities, such as community board meetings and public engagement opportunities. It was thought that reinstating the GIS integration with CAMMs Project could deliver a reporting medium that met this requirement.

In response the GIS & Project Management Integration project was launched. This project commenced with a requirements specification that captured the user requirements from an engagement perspective. In response to the identified requirements a scope change was approved and a phased approach was taken, with phase one working to identify the potential work associated with delivering a complete solution based on the possibility of re-establishing the existing integration.

The closure report (Appendix 1) demonstrates that the project achieved the planned outcomes and provided the required understanding of the complexity, potential cost and resourcing requirements and latent risks associated with embarking on subsequent phases.

4. CONCLUSION

The project objectives were successfully achieved. It should be noted that additional value was gained through developing an understanding of complexities involved in delivering the full functionality of the solution successfully.

5. ATTACHMENTS

Appendix 1: Project Closure Report – PR-1287 GIS CAMMs Integration Project

Appendix 2: Project Brief – PR-1287



Project Closure Report

GIS Project Management Integration – PR-1287

| | |
|-------------------------|---------------|
| Author | Katja Jenkins |
| Document version | VI |
| Version status | Final |
| Date | 05/05/2019 |

Document Control

Document Information

| | |
|----------------|------------------------|
| Document Name | Closure Report PR-1287 |
| Document Owner | Katja JENKINS |
| Document ECM # | 2232203 |

Document History

| Version | Date | Author | Change |
|---------|------------|---------------|--|
| 0.1 | 15/04/2019 | Katja JENKINS | First draft for initial review by Kurt Abbot & Alan Kuyper |
| 1.0 | 05/05/2019 | Katja JENKINS | Final for sign-off |




Distribution List

This list is in addition to those who are on the Document Approval & Endorsement lists

| Name | Position | Department/Company |
|----------------|-----------------------------|--------------------------------|
| Anton Marais | TL Business Intelligence | Information Management |
| Debbie Dalbeth | Business Analyst | Risk, Innovation & Improvement |
| Ross Bartley | Business Analyst | Risk, Innovation & Improvement |
| Kamal YEDIDA | Database Administrator | Information Management |
| Gene Oudes | TL Infrastructure & Support | Information Management |
| Mark Wilcock | CIO | Information Management |

Closure Approval

Approval to formally close this project and accept the deliverables and handover items as outlined in this document.

| Project Role | Name | Signature | Date |
|-----------------|---------------|--|------------|
| Project Manager | Katja Jenkins |  | 10/05/2019 |
| Business Owner | Alan Kuyper |  | 10/05/2019 |
| Project Sponsor | Kurt Abbot |  | 10/05/2019 |

Document Purpose

This Project Closure Report formalises the closure of the project and provides confirmation that the criteria for successful completion of the project have been met.

The Project Closure Report includes:-

- Confirmation that each completion criterion has been met
- A list of outstanding business activities, risks and issues & related ownership
- A set of closure actions (to hand-over project deliverables, documentation, terminate suppliers, release resources and undertake closure communication).

This document has been prepared by the Project Manager and presented to the Project Sponsor & Business Owner for acceptance & sign-off.

Project Closure Process

The following outlines the key steps required for the close down of a project:-



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I Project Completion

This section identifies the criteria required to complete the project and any outstanding items which still need to be undertaken even though the project may be ready for completion.

I.1 Completion Criteria

Listed below are the items which were agreed in the signed off the Business Case & Project Execution Plan (PEP), as the criteria that must be met for successful completion of the project & to the satisfaction of the Business Owner.

| Category | Criteria | Achieved |
|--------------|--|----------|
| Objectives | <ul style="list-style-type: none"> Develop requirements specification Re-establish existing link plotting project locations in Intramaps from CAMMs Re-establish existing capability to display projects using Intramaps Test capability of SSRS report creation | Yes |
| Benefits | <ul style="list-style-type: none"> Understanding of system integration required to re-establish mapping as part of project management Identification of functionality requirements for future inclusion of mapping as part of project management | Yes |
| Deliverables | <ul style="list-style-type: none"> Customer based requirements specification Functional link to GIS from CAMMs Test report | Yes |

I.2 Outstanding Items

The following outstanding items still need to be undertaken even though the project has satisfied the above completion criteria. Each item has action(s) required to be undertaken and the owner responsible for undertaking the action.

| Item | Action | Owner |
|------------|---|---------------|
| Activities | Phased approach. Subsequent phases will be scoped according to phase I learnings. | Kurt ABBOT |
| Risks | <p>R-98: Revised requirements cannot be met by current database functionality.</p> <p>Subsequent phases maintain this risk due to the complexities identified during phase I (outlined in appended outcomes and recommendations report).</p> | Katja JENKINS |
| Issues | <p>I01: User and customer requirements cannot be met by existing integration.</p> | Katja JENKINS |

2 Project Closure

This section outlines the steps required to perform the closure of the project.

2.1 Deliverables

Listed below are the project deliverables as per the approved Project Execution Plan (PEP) with a hand-over plan for the release of all project deliverables to the business owner.

| # | Deliverable (as per approved PEP) | Description | Location/Link | Handover Date | Owner | Comment |
|-----|---|--|---|---------------|-------------|---|
| D01 | Customer based requirements specification | A report detailing the requirements as per defined user groups. Groups included external customer information, Project Managers and forward facing staff e.g. engagement | ECM PR-1287-06 <ul style="list-style-type: none"> GIS Project Management Requirements document Requirements Supporting documentation | 31/10/2019 | Kurt Abbot | Project re-scoped in response to requirements identified. Further specification will be required pending decisions re future phases |
| D02 | Functional link to GIS from CAMMs | A functional link in CAMMs Project (system) allowing users to plot spatial information. | CAMMs Project – Proposal Phase – Project Details page | 28/02/2019 | Alan Kuyper | The link was re-established to former functionality however, due to business structure and process change this does not allow for value use. Issues associated with Interplan, hardcoding and user capability were identified. |
| D03 | Test report | An example spatial report (to demonstrate functionality) | SSRS Reporting http://ssrs/Reports/Pages/Report.aspx?ItemPath=%2fGIS%2fTest+reports%2fProject_report2 | 15/04/2019 | Alan Kuyper | This report has been tested and can be replicated. Hyperlinks to the individual projects can be added to the report. The visual included in the report (map) demonstrates the project locations but, due to the issues identified during testing of the integration with CAMMs i.e. the user interface being hardcoded, the report does not at this stage capture any other spatial information (such as catchment areas etc.) |

2.2 Project Management documents Handover

Listed below are the documents relating to the project deliverables and the Project Management documents, with related handover details.

| # | Document Name | File Type | Location/ Link | Handover Date | Owner |
|-------|--|-----------|----------------|---------------|-------------|
| Doc01 | GIS Project Management Requirements document | MSWord | ECM PR-1287-09 | 31/10/2019 | Kurt Abbot |
| Doc02 | Requirements Supporting documentation | MSWord | ECM PR-1287-09 | 28/02/2019 | Kurt Abbot |
| Doc03 | Sample Project Report With Map | Pdf | ECM PR-1287-09 | 15/04/2019 | Alan Kuyper |
| Doc04 | Outcomes and Recommendations Report | MSWord | ECM PR-1287-09 | 02/05/2019 | Kurt Abbot |

2.3 Suppliers

Below is the plan for the conclusion of project supplier contracts.

| Supplier Name | Contract Reference | Completion Activity | Release Date | Activity Owner |
|---------------|--------------------|-----------------------|--------------|-----------------|
| Emtel | PO # NGA007904 | Pay supplier invoices | 14/03/2019 | Ellen WILSON |

2.4 Resources

Below is the plan for the release of all project resources (including staff and equipment).

| Resource name | Current designation | Release activity | Release date | Activity owner |
|--------------------------------|--|---|--------------|----------------|
| Anton Marais | Project Designer | <ul style="list-style-type: none"> Forward recommendations Report as FYI Notify close project | 02/05/2019 | Kat Jenkins |
| Debbie Dalbeth Ross Bartley | BA & Project Coordinator Project Designer | <ul style="list-style-type: none"> Forward recommendations Report as FYI Notify close project | 02/05/2019 | Kat Jenkins |
| John Brown | Change Manager | Nil – Due to change in scope this role was not required. | 31/10/2018 | Kat Jenkins |

2.5 Project Accounting

The Project Manager will inform the Finance group when this Project Closure Report is signed off. This will enable the Project to be closed in the financial accounting system (once all outstanding invoices are paid) and for relevant assets to be capitalised / retired.

2.6 Communication

Below is the plan to communicate the project closure to all stakeholders and interested parties.

| Target audience | Intended message | Method used | Dispatch date | Dispatch owner |
|---------------------|---|--|---------------|----------------|
| Project Team | Project has been successfully completed and is now closed | Email and formal notification for each recipient | 02/05/2019 | Kat Jenkins |
| Mark Wilcock CIO | Project has been successfully completed and is now closed | Forward recommendations Report as FYI Email and formal notification | 02/05/2019 | Kat Jenkins |
| Alan Kuyper | Project has been successfully completed and is now closed | Email and formal notification | 02/05/2019 | Kat Jenkins |
| Kurt Abbot | Project has been successfully completed and is now closed | Email and formal notification | 02/05/2019 | Kat Jenkins |

2.7 Lessons Learned

What went well?

- Requirements gathering; efficient and timely requirements specification produced
- Communications with Sponsor re scope change; Outcomes from requirements specification resulted in recommendation for scope change. The Sponsor acknowledged the identified issues and quickly consented to change scope to ensure work remained relevant and achievable.
- Re-establishing links in systems; completed on budget
- Identification of system deficit; a workshop was run as a testing method. This workshop identified a number of the gaps that require assessment prior to scoping phase 2.

Things that could have gone better

- Project timeframes covered the Christmas and NY period. This resulted in some delays. More contingency required to cover this period.
- Report creation; timeliness of this portion of the project. Better communication required between PM and team to ensure understanding of expected timeframes.

BACKGROUND

The GIS Project Management Integration Project (PR1287) aimed to re-establish internal integration between the GIS Intramaps system and the CAMMs Project Management system.

The initial integration, developed during 2015, had delivered technical capability to capturing spatial information between the systems through a hyperlink however the change process failed to gain adequate user buy in to adopt a spatial mapping process as part of the project management framework. Further more, in 2017, a CAMMs system upgrade resulted in a technical failure between the two systems rendering the link non-operational.

The intention of re-establishing the link, similar to the initial development of the integration, was to provide better customer experiences by improving communication and engagement opportunities using project specific spatial information. A high level requirements specification was used to understand changes in the user and customer requirements prior to progressing with the re-establishment of the link.

As a result of the requirements specification it became evident that organisational changes, including restructure, the outsourcing of services, and changes in project management processes meant that the existing integration would not meet requirements. A scope change was implemented to facilitate exploring, at a high level, the complexity of required changes to facilitate a functional integration that met requirements and provided value added products to the organisation. This scope change included agreement to a phased approach in the development of project products which include a spatial element. This decision was made with consideration to the possibility that certain technical and or process requirements may be unviable from a cost, time, and resourcing or value perspective.

OUTCOMES

The project objectives have been successfully achieved. The existing integration has been re-established using a hyperlink integration point from the CAMMs Project software and GIS Intramaps. Testing took place to explore the user experience of the integrated systems. A test report was also produced demonstrating that a reporting function is possible.

The true project value however has been in discovering, at a high level, the complexities involved in delivering this type of functionality successfully. Outcomes have demonstrated the following;

- The user and customer value is maximised by the ability to access information specific to all service, community and business improvement projects. This means that without relevant data value-add is negligible. Delivery of user and customer requirements likely relies on successful implementation of an operational BI/Data Warehouse.
- A significant technical component is required. The existing user interface is hard-coded meaning no changes can be applied to it. The original designer has left the organisation and no documentation has been found to support updating/upgrading the code. This means that the entire interface will need to be redesigned and developed. This work will need to be outsourced and will involve cost. Furthermore, it is likely that existing links and dependencies with CAMMs project and CAMMs Interplan will need to be examined and redefined.
- Considerable process change is required. Existing project programme and project structures and project finance allocation will need to be reviewed and amended to gain value from

spatial reporting. Furthermore, new processes will need to be implemented to facilitate required spatial data capture.

- A substantial training requirement has been identified. The link between the systems leads the user through a series of data inputs after which the user is required to operate within the mapping system. The system has a considerable user knowledge and confidence requirement. Furthermore, a number of issues were identified with the user experience of the mapping component.
- A change programme will be required to support process change. At this stage project management maturity does not meet system complexity. It is highly likely that the users will find the system requirements labour intensive which could have substantial buy-in implications.

CHALLENGES

The initial intention of re-establishing the integration was to provide better customer experiences by improving communication and engagement opportunities using project specific spatial information. Although the link is now operational the value is low with consideration to the user and customer requirements and due to the issues identified through the testing process.

Commencement of future phases to deliver a functional, value adding product will need to take into consideration the following challenges;

- Cost
 - Redesign and redevelopment of interface
 - Review of Interplan links
 - Training
- Process
 - Implementation of project management process
 - Amendment to programme and project structure
- Resourcing
 - Expertise requirements – Intramaps
 - Expertise requirements – CAMMs suite
 - Training
 - Change requirements
- Technical
 - Data sourcing, capture and integration process
 - Integration with CAMMs suite (Interplan)
 - Complexity of existing integrations with consideration to future planning; can the product provide the flexibility to evolve or will we be in the same position in 3-5 years time

With consideration to the challenges listed, it is possible that the cost delivering a solution (from a technical, time and resource perspective) will in the short term far out weigh the value of the solution itself.

A list of detailed issues (from testing process) is included at the end of this report.

OPTIONS

- Option 1 - Postpone Subsequent Phases

This option postpones progress of subsequent project phases. The requirements specification demonstrated the internal user and customer requirements from an engagement perspective relied on availability of information including all services projects as well as community and business improvement projects. This level of information will not be accessible until the organisation has implemented their future BI/Data Warehouse solution.

It is noted that for value reports the follow things need to be included;

- All activities/project works being carried out for Roading, Waters and Parks and Facilities, as well as consultative project such as the LTP and Community Blue Prints.
- Individual activities within a programme of work must be recorded as individual entities to ensure visual display data is available
- Data will need to be recorded against projects not programmes e.g. toilets renewals/maintenance; to deliver the required level of visual report information (time/date/status of each renewal) entities need to be demonstrated as an individual rather than the programme.
- Individual activities within a programme of work must have relevant data e.g. location, start/finish date, project name/number, status report.
- Reports must be accessible via mobile devices
- Solution needs to be able to be maintained 'in-house'.

This option includes specification to resume a requirements specification process and cost analysis after the BI/Data Warehouse solution has been delivered.

- Option 2 –Dedicated GIS PM Resource

As we are aware CAMMs Project and subsequently the GIS Intramaps spatial mapping functionality were not largely adopted by the organisation. Although this is likely a reflection of organisational maturity in the project management space, it is demonstrated that the complexity of Intramaps functionality requires a significant training component.

Option 2 suggests canvassing a dedicated resource within the Project Management or GIS Teams assigned to accurately capturing spatial information against each project. Another function of the role may be to produce value added reports.

This option still requires a significant technical and process change and is likely to accrue considerable cost. A detailed requirements specification will also be required.

- Option 3 – Do nothing

This option arrests all progression of subsequent project phases. With consideration to the identified complexity and potential cost Option 3 maintains status quo and accepts phase I of the project as the final phase

RECOMMENDATIONS

It should be noted that the original requirement to include GIS spatial project mapping and reporting functionality in the project management process has not changed however the understanding of the complexity to deliver it has.

It is apparent that the data sources at this time do not provide the full capacity required to deliver value reports. Furthermore, organisational changes may reduce this capacity further. It is also evident from the requirement process that GIS and project management integration has applicable benefits in the future.

With consideration to existing resource limitations, potential cost, complexity, and constraints associated with data availability, it is recommended that Option I is the best solution at this stage.

TESTING – EXISTING IDENTIFIED ISSUES

- Cannot delete, change or add to map area after initial input (relies on GIS team involvement)
- Effective use of the existing product is process heavy; users would need extensive GIS mapping training to use competently and confidently
- CAMMs user interface is hard coded inhibiting and changes, additions or configuration e.g. drop downs are non configurable, no help text can be added
- User interface no longer reflects or aligns with business operations
- User interface property search function non-operational
- User interface and mapping tool designed for GIS personnel not project management personnel (language, look and feel)
- CAMMs Project access does not provide GIS access. Access permissions must be provided via GIS team
- GIS mapping tool interface highly complex
- Defining project areas provides no feedback after completing the map; user doesn't know if complete or not
- Options for drop downs in 'Project Area', 'Catchment Area' and 'Project Impact' do not align with business needs
- User interface (both CAMMs and GIS Intramaps) do not align with organisational objectives (due to organisational changes – this is likely an Interplan issue)
- Save on GIS interface provides no close option and no confirmation of user activity being complete
- GIS interface has in discrepancies; legend does not match visual mapping; the legend functionality is limited and bugged
- On GIS interface there is no distinction of which impact area matches which project

DISCUSSION – USER FRIENDLY ADDITIONS

- Defaults based on predefined criteria e.g. Ngaruawahia Hall would also collect catchment for Horitiu and Taupiri
- Automatic display of a limited interface (if you've already selected an area, why not just see that area?)
- Maps enable layers appropriate to the selections that have been made

WDC PROJECT PROPOSAL - High Level Definition

| | | | |
|--------------------------|--|--------------------------------|------------|
| Project Name: | GIS - Project Management Integration (Phase 1) | Project Sponsor: | Kurt Abbot |
| WDC Portfolio: | Innovation | Sponsor Approval (Sign) | |
| Business Owner: | Alan Kuyper | Date Approved: | |
| Project Priority: | 6 | Portfolio: | Innovation |
| Assessm't Score: | 48 | Project Size: | Small |

BUSINESS DRIVERS (Why)

| | | | |
|-------------------------------|--|-----------------------------------|-------------|
| Background: | <p>A number of requests arising from the Project Portfolio Management (PPM) project have initiated conversations about the value of integration between GIS and Project Management. This is not a new concept with integration being included and delivered as part of scope during the initial implementation of the organisational project management software IPM. An IPM software upgrade, (to CAMMs Project) delivered during 2017 did not include scope to test the GIS link and as a result the integration is no longer functional.</p> <p>As we are aware IPM and subsequently the GIS functionality were not largely adopted by the organisation and on-going work programmes have been required to address these issues, the PPM being part of this greater body of work. This does not reflect the requirement for improved project delivery and portfolio management but rather demonstrates a lack of organisational maturity in this area. The original requirement to include GIS functionality has therefore not changed; it was simply not well received, likely due to the organisations perceived value of these tools at the time.</p> <p>As the PPM is now working through its pilot phase users are developing a higher understanding of how good project management and portfolio management can be of benefit. These users, as well as a number of other stakeholders have asked for improved accessibility to project information, specifically for engagement related activities, such as community board meetings and public engagement opportunities.</p> <p>Implementation of the GIS integration with CAMMs Project can likely deliver a reporting medium that meets this requirement. It is therefore proposed that approval be given for a project, linked to the PPM pilot, which takes a staged approach to re-implementing GIS capability in project management. This should include in scope, as a priority, a work package that focuses on data entry and reporting aligned to organisational engagement practices. This work could be viewed as a quick win (just do it) in terms of what we could deliver reasonably quickly that delivers against the current engagement requirement.</p> | | |
| Problem Statement: | Identified requirement for improved accessibility to spatial (at both a local and district level) project information, specifically for engagement related activities. | | |
| Problem Cause: | Low adoption of previous project management framework and associated tools and practices. Increased requirement for transparency. Increased community growth. | | |
| Problem Impact: | Staff involved in engagement activities are likely to require access to specific project information (local and or district) when interacting with the community. Where this information is not easily accessible it is possible that public confidence may be damaged, that staff feel inadequate in their ability to effectively communicate and there may be lost opportunities to hear the community voice. Even if the information can be obtained within 24 hours of the engagement activity, the receiving audience is likely to be significantly reduced and or the timeliness of the information has passed. This could lead to customers feeling disengaged e.g. mistrust, frustration and or apathetic. | | |
| Problem Impact Rating: | Medium | Date Solution Required by: | 28-Dec-2018 |
| Opportunity: | Provide real time access and relevant reporting mediums for community facing staff to improve the customer experience. Improve efficiencies in delivery of project specific spatial information to customers and staff. | | |

| | |
|---|---|
| <p>Related Risk:</p> | <p>Community is disengaged due to a lack of transparency and/or delayed information availability Community is disengaged due to missed or inefficient engagement opportunities Staff are disengaged due to a lack of available information</p> <p>Customer (internal & external) & Community understanding of WDC business model (future P&F provider only)</p> |
| <p>PROJECT DEFINITION (What)</p> | |
| <p>Project Objectives:</p> | <p>This project aims to deliver internal integration between GIS and Project Management. The point of integration will be through the CAMMs Project software and Intramaps. The purpose of integration is to provide better customer experiences by improving communication and engagement opportunities using project specific spatial information (Phase 1). Future phases will aim to deliver improved reporting practices that demonstrate project distribution and interactions for the purpose of improving efficiencies in engagement and costs, as well as enabling improved decision making and prioritization practices and, if viable, an external user interface. This project delivers outcomes against the organisational goal of being the most engaged community by the year 2020, and, helps to provide transparency for customers and stakeholders with consideration to district growth and distribution of Council funding. It also delivers a number of goals outlined in the IS Strategy. Phase 1 aims to deliver its output early next year as part of the roll out of the new Project Management Framework.</p> |
| <p>In Scope:</p> | <p>Requirements specification development (Phase 1 only) Integrated access to GIS via CAMMs Project including; - Functionality to plot project locations in Intramaps from CAMMs (The project framework and budgeting model needs to align with the manner in which projects are to be viewed on the map. A general project 'Replace Boat Ramps' cannot be mapped effectively. A review should be undertaken to establish how well the current project descriptions and budgets could align with a spatial representation of each project.) - Visibility and display of projects using Intramaps (i.e. can see project on Intramaps and some functionality to filter results to meet Project Manager requirements) - Project defined as; location (to be defined), Service catchment (to be defined) and/or area affected (to be defined).</p> <p>GIS access Creation of internal reports (subject to requirements specification) but likely including; - List location specific projects including high level project details</p> <p>TBA mobile device access to reports (check SSRS, Intramaps is available on mobile device)</p> |
| <p>Out of Scope:</p> | <p>External interface New technologies Creation of other internal/external reports; - spatial view of budget allocations and or external funding - List project interactions</p> <p>Customer & Community understanding of WDC business model (future P&F provider only) Changes to existing project management processes Launch</p> |
| <p>Impact on other areas/resources/projects:</p> | <p>Linked to PPM project (currently underway) - like require testing and pilot implementation Requires resource from GIS team (GIS Team most likely to require contractor support <50hrs) Requires resource from Database Administrator Requires resource from PMO area (technical) Test group - Service Delivery Note: CAMMS framework & budget model will require alignment for integration with locations in Intramaps i.e. A general project 'Replace Boat Ramps' cannot be mapped effectively. A review should be undertaken to establish how well the current project descriptions and budgets could align with a spatial representation of each project.</p> |

| | |
|------------------|---|
| Outcomes: | <p>Phase 1: Understanding of integration process for future reference Visibility of integration & mapping capability Minimal reporting capability</p> <p>Overall - Several Phases: Improved project prioritization practices due to knowledge of project interactions Improved project governance due to additional (complementary) reporting mediums Improved project staff experience due to single source (centralised) project management tools Improved customer experience due to better access to project information</p> <p>Short-term o Assist staff performing roles where they engage with public and/or committees o Communicate project activities, prioritisation and planned spending more effectively with community members</p> <p>Long-term o Demonstrate where money is being spent across the district (indicative of balance and growth) o Enable community members to have access to what is happening in their communities and across the greater district o Demonstrate where projects interact to provide opportunity for improved decision making and prioritisation o Demonstrate where projects interact to provide opportunity for cost savings o Demonstrate where projects interact to maximise efficiency in engagement opportunities</p> |
|------------------|---|

SIZING

| | | | |
|---------------------------------|---------------------------------|---------------------------------|----------------------|
| Estimated Costs: | Low (<\$25k, PhysWorks <\$15m) | Budgeted: | No |
| Resources/Team Required: | Medium (Team size 5-9) | Political Consideration: | Low |
| Change Impact: | Medium (10-50 People impacted) | Technology Change: | Medium |
| Organisational Change: | Medium | Solution Complexity: | Medium |
| Timeline Aggressiveness: | Medium | Estimated Duration: | Between 3 - 8 months |

PROJECT VALUE ASSESSMENT

| Assessment Element | Option | Score | Comments |
|---|-----------------|-----------|--|
| Final Assessment Score | | 48 | |
| STRATEGIC GOALS/LTP ALIGNMENT | | 20 | |
| Supporting our communities | High Impact | 8 | Delivering real time information re Council activities |
| Building our economy | No Impact | 0 | |
| Sustaining our environment | Low Impact | 2 | Some waste minimisation possible associated opportunities in known project interactions |
| Working together with you | High Impact | 8 | Transparency, visibility and engagement - what's happening in your town |
| Providing value for money | Low Impact | 2 | Some cost savings possible associated opportunities in known project interactions. Building on previously developed technology. |
| OPERATIONAL GOALS ALIGNMENT | | 28 | |
| One highly engaged team | Low Impact | 2 | Centralisation of information - understanding other business units and seeing value in what they offer |
| Partnering in a proud and thriving community | Moderate Impact | 5 | Transparency, visibility and engagement - what's happening in your town |
| Effortless customer experiences | High Impact | 8 | Engagement - efficiencies for customer and staff in delivering information (transparent, visible what's happening in your town) |
| Other benefits eg Team Strategies | Moderate Impact | 5 | IS Roadmap Goals: - Our District is our Office - Information at our finger tips - We do this better together - 'fit-for-purpose' Enabling Platform |
| Contributes to mitigation of WDC Enterprise risks | High Impact | 8 | Projects & Initiatives Community Engagement |

| Governance Requirements | | MEDIUM |
|-------------------------|--|---|
| Governance - Approvals | Group PGG | |
| Governance - Steering | Steering Group includes SLT & Execs as appropriate | |
| Project Management | Project Manager | |
| Change Management | <ul style="list-style-type: none"> - Change activities managed by PM - Comms Lead | |
| PM Lifecycle | All Phases of PM Lifecycle | |
| Documentation | <ul style="list-style-type: none"> - Project Proposal (in CAMMS) - Project Brief (in CAMMS) - Business Case on request only - Communications plan - If engagement risk high: stakeholder engagement plan - Approved Key Project Documents in ECM | |
| CAMMS Project | All key Project details in CAMMS Project | |
| Reporting | Stakeholders & Type of Report | <ul style="list-style-type: none"> - Steering Group (PSR) - Portfolio Group (Programme Dashboard) - Council/Others, if applicable (Presentation) |
| | PSR Frequency | Monthly (or more frequent by Sponsor request) |
| Project Assurance | Information Management | <ul style="list-style-type: none"> - Enterprise Architect (as required) - Solution Architect |
| | Physical Works | <ul style="list-style-type: none"> - PMO QA - Financial Analyst (as required) |
| | Business Improvement | <ul style="list-style-type: none"> - PMO QA - Financial Analyst (as required) |

Project Brief Document

PR-1287 - GIS - Project Management Integration (Phase 1)

| | |
|-------------------------|---------------|
| Project Manager: | Katja Jenkins |
| Business Owner: | Alan Kuyper |
| Project Sponsor: | Kurt Abbot |

2. BackGround

BACKGROUND:

A number of requests arising from the Project Portfolio Management (PPM) project have initiated conversations about the value of integration between GIS and Project Management. This is not a new concept with integration being included and delivered as part of scope during the initial implementation of the organisational project management software IPM. An IPM software upgrade, (to CAMMs Project) delivered during 2017 did not include scope to test the GIS link and as a result the integration is no longer functional.

As we are aware IPM and subsequently the GIS functionality were not largely adopted by the organisation and on-going work programmes have been required to address these issues, the PPM being part of this greater body of work. This does not reflect the requirement for improved project delivery and portfolio management but rather demonstrates a lack of organisational maturity in this area. The original requirement to include GIS functionality has therefore not changed; it was simply not well received, likely due to the organisations perceived value of these tools at the time.

As the PPM is now working through its pilot phase users are developing a higher understanding of how good project management and portfolio management can be of benefit. These users, as well as a number of other stakeholders have asked for improved accessibility to project information, specifically for engagement related activities, such as community board meetings and public engagement opportunities.

Implementation of the GIS integration with CAMMs Project can likely deliver a reporting medium that meets this requirement. It is therefore proposed that approval be given for a project, linked to the PPM pilot, which takes a staged approach to re-implementing GIS capability in project management. This should include in scope, as a priority, a work package that focuses on data entry and reporting aligned to organisational engagement practices. This work could be viewed as a quick win (just do it) in terms of what we could deliver reasonably quickly that delivers against the current engagement requirement.

3. Problem / Opportunity

PROBLEM:

Identified requirement for improved accessibility to spatial (at both a local and district level) project information, specifically for engagement related activities.

OPPORTUNITY:

Provide real time access and relevant reporting mediums for community facing staff to improve the customer experience. Improve efficiencies in delivery of project specific spatial information to customers and staff.

4. Project Definition

PROJECT OBJECTIVE

This project aims to deliver internal integration between GIS and Project Management. The point of integration will be through the CAMMs Project software and Intramaps. The purpose of integration is to provide better customer experiences by improving communication and engagement opportunities using project specific spatial information (Phase 1). Future phases will aim to deliver improved reporting practices that demonstrate project distribution and interactions for the purpose of improving efficiencies in engagement and costs, as well as enabling improved decision making and prioritization practices and, if viable, an external user interface. This project delivers outcomes against the organisational goal of being the most engaged community by the year 2020, and, helps to provide transparency for customers and stakeholders with consideration to district growth and distribution of Council funding. It also delivers a number of goals outlined in the IS Strategy. Phase 1 aims to deliver its output early next year as part of the roll out of the new Project Management Framework.

IN SCOPE:

Requirements specification development (Phase 1 only)

Integrated access to GIS via CAMMs Project including;

- Functionality to plot project locations in Intramaps from CAMMs (The project frame work and budgeting model needs to align with the manner in which projects are to be viewed on the map. A general project 'Replace Boat Ramps' cannot be mapped effectively. A review should be undertake to establish how well the current project descriptions and budgets could align with a spatial representation of each project.)
- Visibility and display of projects using Intramaps (i.e. can see project on Intramaps and some functionality to filter results to meet Project Manager requirements)
- Project defined as; location (to be defined), Service catchment (to be defined) and/or area affected (to be defined).

GIS access

Creation of internal reports (subject to requirements specification) but likely including;

- List location specific projects including high level project details

TBA mobile device access to reports (check SSRS, Intramaps is available on mobile device)

OUT of SCOPE:

External interface

New technologies

Creation of other internal/external reports;

- spatial view of budget allocations and or external funding
- List project interactions

Customer & Community understanding of WDC business model (future P&F provider only)

Changes to existing project management processes

Launch

KEY PROJECT DELIVERABLES

| Num | Deliverable | Description | Priority (A/B/C) |
|-----|----------------------------|--|------------------|
| 1 | Requirements Specification | Phase 1 report requirement & integration functionality | A |
| 2 | CAMMs Project integration | Re-Establish functional integration in PM tool - Phase 1 | B |
| 3 | SSRS Reporting | Reports (output) | C |

KEY PROJECT ROLES

| Role | Name | Key Responsibilities |
|---------------------|-----------------|---|
| Project Sponsor | Kurt Abbot | <ul style="list-style-type: none"> * Approves the budget * Acts as a champion of the project * Accountable for the delivery of the planned benefits associated with the project * Ensures resolution of issues * Communicates the projects goals to the organisation |
| Business Owner | Alan Kuyper | Business Owner has full access to the Project |
| Project Manager | Katja Jenkins | <ul style="list-style-type: none"> * Responsible for the delivery of the project from initial phase to completion * Managing project scope and change requests * Managing the project budget * Managing project deliverables and stakeholder expectations |
| Project Designer | Ross M. Bartley | Responsible for the Design Phase of the project |
| Project Designer | Anton Marais | Responsible for the Design Phase of the project |
| Systems Developer | Contractor | <ul style="list-style-type: none"> * Definition of development requirements and priorities * Data migration * Reporting configuration & deployment * Development & operation of technical testing * Technical documentation |
| Change Manager | John Brown | Responsible for managing change introduced by the project |
| Project Coordinator | Debbie Dalbeth | Assists the project manager in managing the project |

KEY STAKEHOLDERS

| Stakeholder | Interest | Impact | Stakeholder Name |
|------------------|----------|--------|---|
| WDC Staff | High | High | GIS Team |
| WDC Staff | Medium | Medium | Programme Delivery Team |
| WDC Staff | Medium | Medium | Project & Programme Managers |
| WDC Staff | Medium | Medium | ELT |
| WDC Staff | Medium | Medium | Staff who deliver information to Community Boards |
| WDC Staff | High | High | PMO |
| Community Boards | High | Low | Community Boards |
| WDC Staff | Medium | Medium | |
| Residents | Medium | Low | Residents |
| Ratepayers | Medium | Low | Ratepayers |

RESOURCE REQUIREMENTS: (Resource)

| Project Role | Project Phase | Estimated Duration | % FTE |
|-------------------------|----------------|--------------------|-------|
| Project Manager | All phases | Sept - Dec 2018 | 20 |
| GIS Team Member | All phases | Sept - Dec 2018 | 20 |
| IM Team member | Plan & Execute | Sept - Nov 2018 | 10 |
| BA | Execute | October - Nov 2018 | 20 |
| Programme Delivery Team | Execute | Nov - Dec 2018 | 10 |
| Database Administrator | Plan & Execute | Sept - Nov 2018 | 10 |
| Users (Testing) | Execute | Nov - Dec 2018 | 10 |
| Contractor Support | Plan & Execute | Oct - Dec 2018 | 10 |

6. Project Plan

APPROACH:

This project will make up phase 1 of likely 3 associated projects to re-establish GIS integration in Project Management. The project will follow the standard Project Management Lifecycle phases. The approach will start with the production of a phase 1 requirements specification involving information collection from identified groups that are customer facing (engagement perspective) and key tool users (service delivery - programme delivery). Delivery of the detailed requirements will then be agreed by the Business Owner, Sponsor and Information Management Team. This will include reporting requirements.

Integration functionality will be developed in line with Phase 1 requirements. The GIS Team and the DBA will review existing database functionality and ensure it is fit for purpose. The integration will be designed and developed by the GIS team. Testing will be performed by the PMA's in consultation with the GIS team. Project Manager to ensure there is alignment with the definition and descriptions of projects in CAMMs Project to ensure there is a precise alignment with the project description, budget and a distinct geographical location.

When functionality has been confirmed report development will commence. This will be lead by the allocated BA in consultation with the PMA's. Testing of reports will be conducted by the PMA's in consultation with the BA. The GIS team will lead user testing including data capture and visualisation of results in Intranaps.

When testing is complete and all functionality is confirmed, admin training will commence. This will be lead by the GIS team with the target group of PMO. This will make up a portion of the PPM pilot (although it likely sits outside of existing pilot timeframes).

Post training, subsequent phase timeframes will be identified to facilitate further integration and launch requirements. A future requirements specification (phase 2) will incorporate external projects requiring GIS mapping. This specification will be added to the PPM training schedule as part of the PM fundamentals and CAMMs Project training sessions. All PM staff will then be given GIS specific training (lead by the PMO).

KEY MILESTONES:

1. Requirements identified and agreed
2. Existing database is confirmed as fit for purpose
3. CAMMs link re-established & integration functional
4. Admin Testing re data capture complete
5. Location specific projects report developed
6. Project interactions report developed
7. Testing complete

BUDGET AND FUNDING SOURCE:

7. Project Considerations

ASSUMPTIONS:

Demand; that the business supports the project deliverables as part of the PPM and PM implementation programme. This includes ELT and Portfolio Managers engaging with the GIS integration outputs to ensure active change management within the project space i.e. that the project work is valued
 Viability; that integration between the tools (GIS and CAMMs Project) is possible

CONSTRAINTS:

PPM - timeframes re adoption of PPM project deliverables; the value of the integration will only be realised as use of the project management framework and associated tools grows
 Tool limitations (both GIS and CAMMs inc integration capability)
 Resource availability (specialist roles e.g. GIS)

DEPENDENCIES:

GIS team resource available for design and development (tool integration)
 BA resource available for design and development (reports)
 PPM - successful adoption of the PPM project deliverables (specifically in relation to organisational buy-in of the project management framework including use of the associated tools)
 Demand - reports

KEY PROJECT RISKS

| Risk ID | Description | Overall Rating | Owner | Solution |
|---------|---|----------------|--------------|---|
| R-98 | Revised requirements cannot be met by current database functionality | Moderate | Anton Marais | |
| R-99 | Availability of specialist staff to contribute to project | Moderate | Kurt Abbot | (1) Project Sponsor to discuss resource requirements with Mark Willcock and Gene Oudes. |
| R-100 | Project structures prevent accurate (value) mapping due to project descriptions are currently generic (not aligned to geographic location). | High | Alan Kuyper | |
| R-101 | Lack of visibility of projects managed by Council Partnerships i.e. roading & waters | High | Kurt Abbot | |
| R-102 | Technical integration is found to be highly complex impacting expectations relating to delivery timeframes | Moderate | Kurt Abbot | |
| R-103 | Requirement expectations are unable to be agreed | Low | Kurt Abbot | (1) A meeting on 31/10/2018 approved recommendations from the requirements process. This risk is therefore no longer current. |
| R-141 | No information re amount of budget allocated. | High | Kurt Abbot | (1) Request finance and Sponsor to map project allocation funds. |

KEY PROJECT ISSUES

| Issue ID | Issue Description | Resolution | Responsible Person | Status |
|----------|---|---|--------------------|----------|
| 1 | Requirements specification indicates that current user & customer requirements cannot be met. (see requirements specification Scope Change Recommendation Report. | Scope change agreement with Business Owner and Sponsor. | Katja Jenkins | Resolved |

7. Project Considerations

SUCCESS PRIORITIES:

Scope: Agreed requirements (to identify detailed outputs)

Quality: Functionality of integration

Delivery: Change management (adoption and demand)

Open Meeting

| | |
|---------------------------------|---|
| To | Audit & Risk Committee |
| From | Clive Morgan General Manager Community Growth |
| Date | 6 June 2019 |
| Prepared by | Melissa Russo Corporate Planning Team Leader |
| Chief Executive Approved | Y |
| Reference # | GOV1318 / 2254802 |
| Report Title | Update on Progress against Audit issues – June 2019 |

I. EXECUTIVE SUMMARY

The purpose of this report is to provide an update on progress against issues raised through the audits. The audits included are:

- Annual Report
- Cyber security systems
- Risk management
- Project management
- Procurement and contract management

Staff have undertaken a review of audit issues contained in the Audit Issues register.

A further 3 issues has been resolved and progress made in others. The green highlighted item in the attachment have been completed since the last report in March 2019.

Unresolved issues have now reduced to 5 from a total of 157. We are continuing to make progress against resolving the remaining audit issues and remain on track as per the Combined Audit Recommendations schedule.

2. RECOMMENDATION

THAT the report from the General Manager Community Growth be received.

3. SUMMARY OF PROGRESS

The tables below outline the areas and status of issues – either completed, in progress or pending since the last report in March 2019.

Areas of audit issues – June 2019

| | Pending | Work in progress | Complete | Total |
|-------------------------------------|----------|------------------|----------------|------------|
| Audit New Zealand | 0 | 1 | 32 | 33 |
| Cyber security | 1 | 1 | 30 + 2 ongoing | 34 |
| Internal audit | 0 | 0 | 5 | 5 |
| Procurement and contract management | 0 | 2 | 13 | 15 |
| Risk management | 0 | 0 | 36 + 1 ongoing | 37 |
| Project management | 0 | 0 | 33 | 33 |
| Total | 1 | 4 | 152 | 157 |

Areas of audit issues – March 2019

| | Pending | Work in progress | Complete | Total |
|-------------------------------------|----------|------------------|----------------|------------|
| Audit New Zealand | 0 | 3 | 30 | 33 |
| Cyber security | 1 | 2 | 30 + 1 ongoing | 34 |
| Internal audit | 0 | 0 | 5 | 5 |
| Procurement and contract management | 0 | 2 | 13 | 15 |
| Risk management | 0 | 0 | 36 + 1 ongoing | 37 |
| Project management | 0 | 0 | 33 | 33 |
| Total | 1 | 7 | 149 | 157 |

The “ongoing” issues identified are those including training and process improvement. Staff consider we will always be undertaking ongoing business improvement, hence the introduction of a new status.

Pending issues are those classified as ‘yet to be determined if the recommendation will be actioned’ as the issue may be addressed through other controls. The pending actions have not been the immediate priority, however are now getting some focus.

Of the ‘work in progress’ issues, many of these are scheduled to be completed soon (as per the dates in the schedule) and hence further progress will be made by the next Audit & Risk Committee meeting.

Information Management

The Firewall and network improvement preparatory work has continued. Final configuration was delayed slightly due to waiting for the Ngaruawahia office to be connected

to ultrafast fibre. This was done on 22 May. Progress toward increased mobility is on track for a pilot in July. There has also been a lot of work undertaken in preparing for the transfer of Council staff to Watercare and providing suitable access to the required systems. This is now on hold. The first Information Management (“IM”) performance dashboard was published at the end of May – covering Service Level Agreements (“SLAs”), engagement with Council teams, systems availability, information management maturity, and the status of digital roadmap projects. It is intended to expand the metrics reported on.

4. CONCLUSION

There is a total of 157 issues that have been raised by various audits across the organisation, 152 of which are complete, an improvement of 3 in the quarter.

5. ATTACHMENTS

Combined Audit Recommendations

| Audit Area | Domain | Recommendation/ Action Required | Date first raised | Proposed Action/Plan - June A&R Committee comment | Who | By When | Status |
|--|-----------------------------------|---|-------------------|---|--------------------------|---------|------------------|
| AuditNZ | Contract management | Develop and implement a contract management system | Jul-16 | A project has been established for the development/procurement of a contracts system - needs analysis stage underway with IM and wider Finance/Procurement team | Contracts and Partnering | Dec-19 | Work in progress |
| AuditNZ | IM practices | Dashboard reporting on key Information Management initiatives should also include reporting on availability and capacity of IT infrastructure and systems | Oct-18 | The first dashboard was presented to the ELT Operational Performance meeting on June 13th. | IM | Apr-19 | Complete |
| AuditNZ | Employee and contractor practices | Adequate one-up approval should be obtained for sensitive expenditure, and evidence of such approval should be recorded. | Oct-18 | A sensitive expenditure form has been developed specifically to capture one-up pre-approval for credit card transactions and the monitoring of compliance with one-up pre-approval of other sensitive expenditure items is ongoing. | Finance | | Complete |
| Cyber Security | Bus Own and Direction for IT | Rec02: Business owners (from Rec01) formalise information security requirements for the assets owned | Dec-15 | Master Data project is being executed. | IM | Dec-19 | Work in progress |
| Cyber Security | Employee and contractor practices | Rec03: Undertake targeted training for employees who handle sensitive information and/or for instances of poor practices. | Dec-15 | Recordkeeping responsibility sessions continue with various council teams. | IM | Jun-19 | Ongoing |
| Cyber Security | IM practices | Rec09: Review and improve monitoring for security incidents, incident response plan, patch management, change control and release management processes | Dec-15 | The new Service Desk team are completing a full stock take of the PC fleet in order to create new processes for regular patching. This work has been delayed recently due to other priorities. | IM | TBC | Pending |
| KPMG review of Procurement and Contract Management | Contract management | Implement a supplier performance measurement framework and strengthen supplier performance monitoring. 1) Develop and implement a performance management framework for measuring and monitoring contractor performance against agreed KPIs. This should form part of the Contract Management Policy. | Dec-16 | Our new Contracts and Partnering Manager and team are just establishing themselves, this recommendation will form part of the road map for Contract Management. | Contracts and Partnering | Sep-19 | Work in progress |

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| KPMG review of Procurement and Contract Management | Procurement | <p>Develop a procurement strategy and ensure consistency and clarity of procurement guidelines. 1) WDC should consider developing a procurement strategy. The strategy should set out:</p> <ul style="list-style-type: none"> • procurement aims and objectives for the next 3 to 5 years • procurement vision • demonstrates the support by senior management • maps out the major initiatives to be addressed in the forthcoming 3 to 5 years • WDC's public commitment to maintain and improve the day-to-day procurement work within WDC and emphasises a determination to make continual improvements in that work • framework upon which WDC's procurement policy and procedures are based • objectives against which progress can be measured and reported <p>2) Review procurement guidelines to ensure there is consistency between procurement policy, the manual and ProMapp process descriptions.</p> | Dec-16 | <p>Work has begun on updating and aligning the WDC Procurement Policy, Procurement Manual and associated Promapp processes with the new WLASS regional framework. New framework to go live 1 July 2019.</p> <p>Development of a Procurement Strategy will be undertaken alongside a joint piece of work with the Contracts and Partnering Team to develop a roadmap for Procurement and Contract Management.</p> | Procurement | Sep-19 | Work in progress |
|--|-------------|--|--------|--|-------------|--------|------------------|

Open Meeting

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| To | Audit & Risk Committee |
| From | Tony Whittaker Chief Operating Officer |
| Date | 3 June 2019 |
| Prepared by | Alison Diaz Chief Financial Officer |
| Chief Executive Approved | Y |
| Reference # | GOV1318 |
| Report Title | Office of the Auditor-General Draft Annual Plan 2019/20 |

I. EXECUTIVE SUMMARY

Each year the Office of the Auditor General (“OAG”) prepares an Annual Plan. The information gathered from annual audits, performance audits, inquiries and miscellaneous studies is used to scrutinise of the effectiveness, efficiency and accountability of New Zealand’s public entities.

The direction of the work programme should have relevance to the Local Government sector and its stakeholders as the intent is to lift the performance of public organisations.

The draft Annual Plan for 2019/20 moves into the second year of a three year procurement programme which includes a piece of work on procurement workforce capacity and capability in local government, along with a deep dive into risk management in local government. The main changes from the previous plan are:

- specific work on public sector integrity and ethics;
- an increase of emphasis on the Provincial Growth Fund;
- stronger emphasis on how housing programmes are carried out;
- continuation of good practice guidance work; and
- provision of assurance to Parliament and New Zealanders that government spending is in line with Parliaments authority.

The draft plan is attached for information with the final Annual Plan available by the end of June 2019.

2. RECOMMENDATION

THAT the report from the Chief Operating Officer be received.

3. ATTACHMENTS

Office of the Auditor General draft Annual Plan 2019/20

(<https://www.oag.govt.nz/2019/draft-annual-plan>)

Draft annual plan 2019/20

Prepared in accordance with section
36(1) of the Public Audit Act 2001.

April 2019

ISSN 2230-3863

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Request for feedback

Tēnā koutou katoa.

The role of my Office is to help you hold public organisations to account for their use of public money. The purpose of our work, and everything we do, is about improving trust and promoting value across the public sector.

We use information from our annual audits of every public organisation to help you scrutinise the effectiveness, efficiency, and accountability of public entities to ensure that they are operating as Parliament intended. Our non-discretionary annual audit work consumes nearly 90% of our resources. The remaining 10% is used on our other work, such as performance audits, inquiries, and special studies. Our inquiries work can generally not be planned for, but our performance audits and special studies are included in an annual work programme. This annual work programme in turn sits within the context of our multi-year work programme planning.

We now seek your views on our proposed annual work programme for 2019/20, and the indicative plan for the following two years.

We want our work to be relevant, useful, and focused on issues that you consider important. Consultation with Parliament helps to ensure that we invest our resources in work that will make the most difference in improving the performance of public organisations.

With that in mind, I am pleased to present you with our *Draft annual plan 2019/20*. This year, we plan to move into the second year of our three-year programme of work on *Procurement*. Given that this is a three-year programme of work, much of this work was described in our previous annual plan. However, we have also planned work in new areas and increased emphasis in others. These changes are discussed in Parts 2 and 3. In summary, they are:

- work specifically focused on public sector integrity and ethics;
- an increase in emphasis on the Provincial Growth Fund;
- a stronger emphasis on how programmes that provide housing for New Zealanders are being carried out;
- continuing our programme of updating and expanding our good practice guidance; and
- increased emphasis on providing assurance to Parliament and New Zealanders that the Government has spent public money in line with Parliament's authority.

In subsequent years, we are considering increasing our focus on how public entities are working to deliver outcomes for New Zealanders.

We request your feedback by **Friday 31 May 2019** so that our final annual plan can be developed and tabled in Parliament before the end of June 2019 as required by the Public Audit Act 2001.

The changing operating environment in which we work means that we need the agility to respond to unexpected events. Although we plan our work carefully, as has been the case in the current year we might need to reprioritise parts of our work programme to focus on new or urgent issues. Any substantial changes to our plan will be reported to Parliament. I look forward to receiving your feedback, which my staff and I will consider when finalising our annual plan for 2019/20.

Nāku noa, nā

A handwritten signature in black ink, appearing to read 'JMR Ryan', is centered on the page. The signature is fluid and cursive, with a large loop at the end.

John Ryan
Controller and Auditor-General

29 April 2019

About us

Why is there an Auditor-General?

The Auditor-General's role is to help Parliament in its scrutiny of executive government, to ensure that public entities are effective, efficient, and accountable. To be effective and credible in this role, the Auditor-General must be independent of the Government and operate in an apolitical manner. The Auditor-General is an Officer of Parliament and does not comment on the policies of the Government or of local authorities.

The Auditor-General reports findings and makes recommendations so that those with responsibility for making improvements can take action. The Auditor-General does not have the power to enforce the recommendations from his work. The Auditor-General influences improvement through the independent and objective nature of the work, the scrutiny by Parliament that it supports, and effective working relationships between the Auditor-General's staff and public entities.

Consulting with members of Parliament on our proposed work programme is one way in which the Auditor-General supports Parliament's scrutiny of executive government.

Annual audits

The Auditor-General is responsible for auditing every public organisation in New Zealand that is required to publicly report (about 3500), many of which are funded by rates or taxes. Each year, our auditors carry out audits in every part of the public sector. This includes, for example, every government department, district health board, school, licensing and community trust, university and polytechnic, local authority, and every State-owned enterprise.

Our annual audits make up nearly 90% of our work. Appendix 1 provides a summary of the number and type of public organisations in our audit portfolio at March 2019. The number of public organisations that we audit has declined by about 300 during the past four years. This is mainly because of the removal of legislative requirements for many subsidiaries of Crown entities and some companies to report separately.

Each year, our auditors also expect to carry out audits of:

- the financial statements of the Government;
- the Government of Niue, its subsidiaries, and other associated entities;
- the Government of Tokelau and related entities; and
- organisations the Auditor-General has agreed to audit under section 19 of the Public Audit Act 2001.

Our public accountability system places responsibility on public organisations to account annually for their performance. They do this mainly through publishing their annual reports, which include financial information and, where relevant, performance information. The Auditor-General's work gives assurance

to Parliament, public organisations, and the public that public organisations' financial statements and performance information fairly reflect the results of their activities.

Our annual audits of public organisations give us direct interaction with, and insight into, how the public sector is operating. The information we gather from our annual audits gives us a unique view of the challenges, emerging issues, and trends throughout the public sector. We use this information to advise select committees in their work in holding public organisations to account as part of Parliament's scrutiny of executive government. We also use this information to help us plan our work programme. It helps us understand the environment public sector organisations are working in, and in determining where we can best focus our efforts to improve public sector performance and accountability.

Each year, we consolidate the results of our annual audits in central and local government and other sectors and publish the key findings in our regular suite of sector reports. The sector-based reports we plan to complete in 2019/20 are described in Part 3.

Controller function

In conjunction with our annual audits of government departments, we carry out appropriation audits. These are designed to ensure that government spending is within the authority of Parliament. To increase the profile and emphasise the significance of this function, this year we launched a separate Controller report. This report summarised our controller work and highlighted two appropriation breaches for the six months ended 31 December 2018. Our Controller function is a core part of the Controller and Auditor-General's role as public watchdog. We intend to provide six-monthly reports on our Controller function work.

Performance audits, inquiries, and other work

The Auditor-General also carries out in depth performance audits on public sector effectiveness and efficiency, inquires into how a public organisation uses its resources, and carries out studies on other matters affecting the public sector.

Performance audits are a key part of our work programme. We also monitor public organisations' progress in implementing the recommendations from our previous performance audits and include this work in our work programme.

Inquiries are not included in our work programme because, in contrast to our planned work, our inquiries work typically reacts to matters of current concern and is therefore largely unpredictable. We make decisions about whether issues warrant investigation as matters of concern arise.

Our inquiries work is an important mechanism for improving Parliament and New Zealanders' trust and confidence in the public sector. Inquiries are often complex and involve matters of high public interest. Recently, we reported on procurement of work by Westland District Council at Franz Josef to address concerns about the Council's decision-making processes which involved significant public spending. We also carried out additional assurance work to address concerns about the Waikato Institute of Technology's use of public resources. While not formal inquiries, we also carry out other work where there are matters of interest to the Office. For example, publishing letters on the Greater Wellington Regional Council's changes to the regional bus system, and on the Kāpiti Coast District Council's intention to borrow money in order to set up investment funds.

Reporting to Parliament

Each year, we publish reports on the results of our annual audits, performance audits, major inquiries, and other work. Through this reporting to Parliament and other stakeholders, we are able to consider matters in greater depth than we can during an annual audit, and examine ways that public organisations can perform better.

We also:

- advise Parliament and select committees in order to support annual reviews and Estimates examinations;
- carry out and report on our responsibility under the Local Government (Auckland Council) Act 2009 to review the service performance of Auckland Council; and
- consider enquiries from ratepayers, taxpayers, and members of Parliament.

Our international work

Each year, we make a significant contribution to the international auditing community. We aim to strengthen public sector accountability and promote good governance by sharing our knowledge, skills, and expertise with other audit bodies throughout the world.

For example, the Auditor-General of New Zealand is currently the Secretary-General of the Pacific Association of Supreme Audit Institutions (PASAI). We also take part in international efforts to develop accounting and auditing guidance and standards, and we are active members of the Global Audit Leadership Forum (GALF) and the International Organisation of Supreme Audit Institutions (INTOSAI).

The Auditor-General is also the Auditor-General of Niue and Tokelau under their respective accountability arrangements.

2

Our multi-year work programme

The ultimate outcome that we seek from our work is that Parliament and New Zealanders can have trust and confidence in the public sector. To contribute to that outcome, we aim to achieve the following impacts:

- Parliament provides effective scrutiny of the public sector;
- New Zealanders are better informed about the performance and accountability of the public sector; and
- The public sector improves its performance and accountability.

In addition to ongoing improvements to our core work, we are deliberately focusing on two strategic priorities – sharing good practice and influencing improved performance and accountability. Some of the work we have planned for 2019/20 is directly related to these priorities. For every other piece of work in our programme, as well as seeking to improve performance, we will be looking for good practice to share with other public organisations and looking to encourage more effective accountability arrangements.

Appendix 2 provides a summary of the work we plan to complete in 2019/20 in the context of a multi-year overview of our work. In this Appendix, the work is grouped in categories, which we describe below.

1. Theme-based work

Applying a theme across aspects of our work enables us to increase the impact of our work, and to more effectively use our unique role to influence improvements in public sector performance and accountability.

In any given year, our theme-based work includes both work that we are completing from previous years' themes and work that we are starting under an existing or a new theme. In 2019/20, we plan to:

- complete a report about our *Water management* theme;
- complete work from the first year of our three-year *Procurement* work programme;
- start the second year of work on our three-year *Procurement* work programme; and
- start work on our *Improving the lives of New Zealanders* theme.

In Part 3, we explain more about our *Procurement* theme. We also outline our *Improving the lives of New Zealanders* theme and the work we plan to carry out. We are still exploring and scoping work under the latter theme. We expect that future themes will emerge from our work during 2019/20.

2. Issues of ongoing interest

Alongside our theme-based work, we carry out work on issues that we consider warrant scrutiny, or where we are required to carry out ongoing work. In 2019/20, we intend to carry out work on:

- **Ethics and integrity landscape**

Through our work, we have observed examples where public entities have not had the right culture, leadership, or systems in place to ensure the high levels of integrity and ethical behaviour that Parliament and the public would expect. There have also been a number of high-profile instances of fraud in the public sector. Unethical behaviour, dishonesty, and corruption erode New Zealanders' trust and confidence in our public sector, and can affect New Zealand's international reputation. We therefore consider that public sector ethics and integrity is a critical issue for us to focus on now and in future years.

We plan to carry out work to better understand and describe the public sector ethics and integrity landscape, examining what expectations, advice, and support are available to public entities to ensure that they put in place an appropriate ethical culture, and controls for preventing and detecting wrongdoing.

It is likely that this work will involve greater collaboration with other integrity agencies – for example, the Serious Fraud Office, and the State Services Commission.

- **Risk management in local government**

Historically, reviews have found that some councils have weak risk-management practices. Through our audit work, we have also identified that there is room for councils to improve their day-to-day management of risks.

Starting in 2019/20, we intend to delve deeper into how councils approach risk management. We will examine information about councils' understanding of risk, the approaches they use to manage risk, including the role of councils' audit and risk committees, and how councils communicate risk to their communities.

Our stocktake will inform potential future areas of work. We want to identify where we can best add value, given the work of others (for example, Local Government New Zealand and the New Zealand Society of Local Government Managers) in supporting councils to improve their management of risk.

- **Review of service performance – Auckland Council**

Section 104 of the Local Government (Auckland Council) Act 2009 requires the Auditor-General to review the service performance of the Auckland Council and each of its council-controlled organisations from time to time. In 2019/20, we intend to examine how effectively and efficiently Auckland Council is building

its resilience and preparedness to respond to disasters, working in partnership with other agencies, local iwi, and communities to reduce disaster risks and prepare for disaster response.

– **Our ongoing focus on Auckland matters**

Alongside the work required by legislation, we have an ongoing interest in examining issues affecting Auckland because of its significance to New Zealand. About 33% of New Zealand's population lives in the Auckland region, and nearly 600,000 more people are expected to be living in the Auckland region within the next 20 years. The Auckland population is one of the most diverse in the world. A large proportion of central government capital and social investment is in Auckland to address transport and housing issues. We intend to carry out work on the Auckland City Rail Link in 2019/20 and the Tāmaki regeneration programme in 2020/21 as part of our *Procurement* themed work. We are also considering an examination of public housing provision in Auckland.

• **Inland Revenue Department's Business Transformation programme**

Building on our previous work in 2015/16 and in 2017/18, we are interested in knowing whether the public spending on the Inland Revenue Department's Business Transformation programme is delivering the intended benefits. The Business Transformation programme is significant because of the large amount of public funds being spent which is estimated to cost in excess of \$1.3 billion, the critical role Inland Revenue carries out in collecting Crown revenue, and the effect that the tax system has on New Zealanders and businesses. We had planned to carry out this work in 2020/21. We now plan to carry it out in 2019/20 so that we can provide more timely assurance and relevant advice to Parliament and Inland Revenue.

• **The Treasury's 2019 Statement on the Long-Term Fiscal Position**

The long-term financial sustainability of government is critical for New Zealanders' inter-generational well-being. The choices that governments make about public spending, tax, and borrowing, and the balance between them affect New Zealand's economic, social, and environmental outcomes and the Government's long-term resilience.

At least every four years, the Treasury is required to prepare a statement on the Government's long-term fiscal position. It is an important part of the good financial management of government. We intend to review the Treasury's next long-term fiscal statement. We are interested in understanding and commenting on:

- the approach that the Treasury takes;
- the Treasury's long-term fiscal model and how it is used; and

- the links between the long-term fiscal model and the information presented in the Statement on the Long-Term Fiscal Position.
- **Controller function**
Our Controller function is a core part of the Controller and Auditor-General's role as public "watchdog" and provides assurance to Parliament and New Zealanders that the Government has spent public money in line with Parliament's authority. We will provide six-monthly updates about our Controller work.

In Part 3, we provide more detail about our proposed work on these issues.

3. Regular reports

Each year, we publish a suite of sector reports on the results of our work across different sectors. Using information from our audits, including our understanding of the entities and their control systems, our sector reports discuss key issues and trends, systemic issues, and opportunities for improvement within sectors.

We prepare reports on some sectors every year – for example, the results of local government audits, and our central government report that sets out the results of our audit of the Financial Statements of the Government and the Controller function. Reports on other sectors are prepared periodically. We decide which other sectors to report on, based on matters arising in particular sectors or the theme we have chosen to focus on.

4. Sharing good practice

To improve their performance, public entities need to understand what is expected of them and have access to good practice guidance that is relevant to the New Zealand context. Public entities tell us that they would welcome more good practice guidance. As the auditor of every public entity, we are well positioned to guide public entities on what good looks like. Improving the performance of individual public entities will help contribute to improvement in the performance of the entire public sector.

In 2019/20, we will be more active in sharing good practice with public entities. We will update our good practice guidance material, and implement a range of approaches to share good practice more. We will regularly host meetings and other events to share our good practice guidance and examples of where we observe through our work activities being done well. We will also point entities to other organisations that do similar activities "better" or "well".

We also plan to improve our own accountability documents to lead the way for others, and carry out more follow-up work with entities to ensure that the recommendations from our audits are implemented.

5. Influencing improved performance and accountability

How effective the public sector accountability system is in providing assurance that public entities are meeting their required responsibilities and standards is critical to New Zealanders' trust and confidence in government.

Our increased focus on influencing improvements in the public sector accountability system will continue in 2019/20. Following publication of our *Annual plan 2018/19*, reforms to different aspects of New Zealand's performance and accountability systems were proposed. In response, we reassessed the work we had planned to carry out and undertook other work to influence positive change in the future public management system. Appendix 2 describes the work we have completed or intend to complete in 2018/19.

In 2019/20, building on our previous work, we intend to examine the state of the public sector accountability system. We want to influence and support future public sector management reforms to strengthen the accountability system. Our work will include an assessment of the state of public sector performance reporting. We want to assist public entities to improve their performance measurement and reporting practices. We will consider this in the context of the Government's emphasis on well-being.

The work we are consulting you on

1. Theme-based work

We seek:

- views about the coverage and value of the proposed second-year programme of procurement work in 2019/20; and
- views about the topics proposed for 2020/21, and about priorities for our procurement work.

Our procurement work programme

Our 2018 report *Introducing our work on procurement* described our three-year focus on procurement and summarised what we see as the main issues and opportunities for improving procurement practice in the public sector. The report drew from our audit work across the entire public sector, from our procurement guidance, and from work by others.

Through our work, we want to promote good practice procurement of goods and services for New Zealanders. We aim to:

- improve procurement practice in the public sector;
- support a principled approach to procurement;
- strengthen public sector accountability for procurement;
- influence public organisations to achieve value for money from procurement; and
- improve trust and confidence in public sector procurement.

First year of work on procurement

As our first year of procurement-related work has progressed, we have deliberately increased our engagement with public sector agencies about procurement matters and have shared examples of good practice. We have drawn on our annual audits and procurement-related inquiries work for good practice examples to share. We have:

- put additional focus in our annual audit work on the administration of grants by the Ministry of Business, Innovation and Employment (MBIE)¹;
- put more focus on the management and monitoring of the Provincial Growth Fund in our annual audit work on MBIE, the Ministry of Transport, and the Ministry for Primary Industries;
- completed our survey on the public sector's use of panels of suppliers²;
- carried out the field work for our work on MBIE's functional leadership for procurement, and expect to report our preliminary findings by the first quarter

1 We reported on this to Parliament in our MBIE 2017/18 annual review briefing.

2 We have reported a summary of the survey to the participants. We are considering further reporting on the issues raised by the survey.

of 2019/20; and

- carried out preliminary work for our proposed work in 2019/20, including considering the public sector’s management of contracts for the delivery of critical or significant services to New Zealanders.

Our procurement work in 2019/20 and 2020/21

Our proposed work for 2019/20 and 2020/21 is described below. As noted, we have planned our work, based on our knowledge of priorities at this time. We might make changes to the work proposed for 2019/20 and 2020/21 if new information or risks come to light. For example, we will monitor progress with the implementation of the KiwiBuild programme and the firearms buy-back scheme, and report our findings in a timely way. Currently, we plan to report on both these issues in 2020/21, with work likely to commence in 2019/20.

| Proposed work on <i>Procurement</i> – 2019/20 | |
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| MBIE procurement functional leadership: Enabling effective and efficient procurement across the State sector | <p>In 2015/16, the total value of local and central government procurement was about \$42 billion, which represented about 17% of Gross Domestic Product.</p> <p>The Ministry for Business, Innovation and Employment (MBIE) is a functional leader for government procurement and has a critical role in enabling effective and efficient procurement across the State sector through collaboration. Functional leadership is aimed at maximising the benefits and reducing the overall costs to the Government of common business activities that may not be achieved through an agency-by-agency approach.</p> <p>We have combined the two performance audits proposed in our <i>Annual plan 2018/19</i> on MBIE’s functional leadership role. Our audit examines how well MBIE’s functional leadership drives efficiencies and improves services and service delivery. Our audit also examines how well MBIE develops procurement workforce expertise and capability in central government.</p> <p>This audit is under way, and we anticipate that our report on the audit will be published in the first quarter of 2019/20.</p> |
| Effectiveness of panels of suppliers | <p>Based on our analysis of the results from our 2018/19 survey, we plan to identify aspects of the effectiveness of panels of suppliers that warrant further examination. Potential aspects for examination include:</p> <ul style="list-style-type: none"> • Are public entities following good procurement practice in establishing and operating panels of suppliers? • Do public entities have the capabilities needed to use panels of suppliers effectively? • Is the use of panels of suppliers by public entities realising the expected benefits? |

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| Contracts for significant services | <p>In parts of the public sector, there is a dependence on suppliers for the delivery of significant services. Some of these services are critical to the health, well-being, and security of the country. We intend to review how the public sector manages the risks to contracts for significant services. Our work will highlight good practice and recommend areas where there is room to strengthen the management of such contracts.</p> |
| Auckland City Rail Link: Project governance | <p>City Rail Link Limited is a Crown entity jointly funded and owned by Auckland Council and the Government to deliver the city rail link project. The project consists of a 3.45km twin-tunnel underground rail link up to 42 metres below the city centre, changing the downtown Britomart Transport Centre into a two-way through-station that better connects the Auckland rail network. It also includes two new stations, redevelopment of Mt Eden station, and various other work to maximise the benefits of the project and the efficiency of the rail network.</p> <p>The project is expected to be completed in 2024 at a cost of about \$4.4billion. The expected benefits from completing the project include reduced travelling time and congestion, improved reliability, and other wider economic benefits.</p> <p>Problems with procurement often stem from poor governance arrangements. We plan to focus on how well the governance arrangements are supporting the effective and efficient delivery of the city rail link. We are interested in City Rail Link Limited as an example of a collaboration between local and central government to deliver major infrastructure, and any lessons learned for the use of joint local/central government arrangements to deliver significant projects.</p> |
| Provincial Growth Fund: Management, monitoring, and evaluation of the Fund | <p>The Provincial Growth Fund (the Fund) was launched in 2018. It represents a significant investment (\$3 billion) of public funding over three years to lift productivity potential in New Zealand's regions. We carried out some preliminary work on this topic during our 2017/18 examination of MBIE's management of the Fund, and we will follow up on the recommendations we made then.</p> <p>Because of the size, scope, complexity and ambition of the Fund, we are extending this work to broader and more in-depth annual audit and review work on the management and monitoring of the Fund, including MBIE's preparedness to report on the effectiveness of the Fund. This work will cover the three agencies most involved: the Ministry of Business, Innovation and Employment, the Ministry for Primary Industries, and the Ministry of Transport. We expect to identify opportunities to increase the effectiveness of the Fund and provide further recommendations to improve how the Fund operates.</p> <p>We plan to continue this work during the next 2-3 years, reporting regularly during the annual audit and the parliamentary annual review processes. During this time, we will also consider further audit work focused on the effectiveness of the Fund.</p> |

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| <p>Procurement workforce capacity and capability in local government</p> | <p>Local authorities have a vital role in providing infrastructure, facilities, and services for their communities. This often means contracting with third parties for a wide variety of goods and services (for example, construction, technology, waste collection, and public transport).</p> <p>We have been investigating how local authorities manage and support their procurement functions to understand the drivers of good procurement practice. We intend to share our findings to support improved procurement practices and to encourage greater collaboration between local authorities and other public sector agencies.</p> |
| <p>Partnerships with the private sector to deliver public sector outcomes – how effective are they?</p> | <p>A range of collaborative procurement methods are used in New Zealand to deliver key infrastructure and other large-scale projects. One such method has been public private partnerships (PPPs), which have been used in the transport, education, and justice sectors in recent years.</p> <p>We propose to investigate further how collaborative procurement methods, including PPPs, are being used. We will select some significant procurements to examine how they are being managed and whether they are achieving the expected benefits. We will aim to share lessons that are applicable to high-value, collaborative contracting.</p> |
| <p>Procurement of assets to support effective health care</p> | <p>District health boards (DHBs) currently own more than \$6 billion worth of assets, such as hospitals and clinical equipment, which the Ministry of Health estimates have a replacement value of approximately \$16 billion. New Zealand's health care system can be effective only with the right assets to support effective healthcare. Some DHB facilities (including hospitals) are insufficient to meet future service demand in some areas, and much of the existing building portfolio will need updating or replacing in the near to medium term.</p> <p>The significant investment required in assets increases risk, which must be managed through effective strategy, planning, governance, procurement, contract management, project management, and relationship management. Recent developments include establishing a (health sector) National Asset Management Plan (NAMPP) and an intent to establish the New Zealand Infrastructure Commission (Te Waihanga).</p> <p>These arrangements are relatively new and still developing. We will keep in touch with how the New Zealand Infrastructure Commission influences investment and procurement in the health sector with a view to carrying out some work in 2019/20. There is also an opportunity for us to influence improvements in this important area. We consider that it is useful to examine how well the health sector plans for the procurement of essential assets to support effective health care, and identify what improvements are needed for procurement to better support effective health care. In subsequent years, we will also consider whether there is merit in looking at other aspects of significant procurement and infrastructure investment in the health sector.</p> |

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| <p>How well does the NZTA procurement model manage long-term procurement risks to ensure future value and sustainable procurement?</p> | <p>Procurement to maintain the state highway network is important to all New Zealanders. The network is over 11,000km long and extends the length and breadth of the country. It plays a strategic role in linking our towns and communities, with about 50% of all road usage through the state highway network. A significant proportion of investment in transport infrastructure is spent on state highway maintenance contracts.</p> <p>In 2013, the New Zealand Transport Agency (NZTA) introduced the Network Outcomes Contract model. The design principles of the new contract model were for fewer, bigger, and longer maintenance contracts. In 2014, we followed up our 2011 performance audit on maintenance of the state highway network and noted that there was a risk that the new Network Outcomes Contract model could reduce competition in the maintenance and renewals market, and that this could have adverse long-term effects on the procurement environment.</p> <p>Given the significance of the state highway network, and the risk we identified in our 2014 report, we plan to carry out a performance audit to examine how effectively and efficiently NZTA is maintaining state highways through the use of Network Outcomes Contracts.</p> |
| <p>Defence procurement: Effectiveness of integrated capability delivery</p> | <p>Defence spending represents approximately 1% of GDP and includes a \$20 billion programme of capital investment over a 15-year period to 2030. We propose to undertake a programme of audits examining how effectively defence capability is acquired and brought into service.</p> <p>The first audit topic will examine how well the procurement process for the P-8A Poseidon has integrated the relevant infrastructure, estate, and other support requirements, to enable seamless transition of the new capability into service. This will include the necessary estate regeneration to support relocation of 5 Squadron from Whenuapai to Ohakea and also includes capability and development requirements (including simulators).</p> <p>This is a high-value (\$2.346 billion initial capital cost), long-term procurement project (that extends out to 2023), with multiple interdependencies and risks. Through our work, we hope to effect positive change and identify good practice that will be shared with other organisations that manage large and complex procurement acquisitions.</p> |
| <p>Review of Defence Major Projects Report 2019</p> | <p>Since 2010, the Ministry of Defence and the New Zealand Defence Force have produced a major projects report annually, setting out the status of the management of major defence acquisitions. We have reviewed these reports to provide independent assurance on the project information being disclosed. We plan to carry out a review of the information describing the progress of projects in the Defence Major Projects Report 2019.</p> |

| Proposed work on <i>Procurement</i> – 2020/21 | |
|---|--|
| Government Chief Digital Officer (GCDO): Information and Communication Technology (ICT) procurement functional leadership | The Government is considering how to give effect to digital transformation, and this could result in changes to the GCDO's digital, data, and technology leadership roles. We have an ongoing interest in ICT procurement and will consider examining ICT procurement when the Government's current review is completed and any changes made to GCDO's role have been embedded. |
| Managing smaller contracts (less than \$0.5 million) | <p>Many larger public entities have entered into smaller contracts (less than \$0.5 million) across a broad range of suppliers. Collectively, the total contract value and risk exposure can add up to tens or hundreds of millions of dollars. Ensuring consistency of contract management and service delivery, and providing assurance across a large portfolio of small contracts, can be challenging. This is particularly true of large public entities, where responsibility and oversight of contract management is devolved across multiple teams.</p> <p>To provide some assurance, we intend to audit how a central government entity undertakes contract management of smaller contracts and how effectively it manages low-value, high-volume contracts. We are still scoping this work.</p> |
| Auckland City Rail Link: Procurement model and delivery | We propose to examine City Rail Link Limited's use of an alliance model to deliver aspects of the city rail link, including the main stations and tunnels. The balance between risk transfer and the public sector paying a fair price is critical, given the size and nature of this project. We are still scoping this work. |
| Tāmaki regeneration programme | <p>Tāmaki Redevelopment Company Limited Group (TRC) has the lead on the urban regeneration programme in Tāmaki for its shareholders – the Government and Auckland Council. TRC's subsidiary, Tāmaki Regeneration Limited, took on ownership and management of 2800 Housing New Zealand homes, for redevelopment into about 7500 homes. The Group's role and business model is now very complex, with challenging regeneration goals over the next 15-20 years. HLC (2017) Limited, a wholly-owned subsidiary of Housing New Zealand Corporation, is now also involved in the building development aspect of the regeneration project.</p> <p>We will carry out work to consider whether the intended or desired results of the Tāmaki regeneration programme in terms of housing volumes, quality, and social outcomes are being achieved, and what the lessons are for addressing regeneration in other localities.</p> |
| Provincial Growth Fund: Benefits realisation | The Provincial Growth Fund represents a significant investment of public funding over three years to lift productivity potential in New Zealand's regions. In 2019/20, we will continue the work we began in 2018/19 looking at the systems and processes for managing and monitoring the Fund. We will also consider further audit work focused on the effectiveness of the Fund in delivering expected benefits. |

| | |
|---|---|
| KiwiBuild: Implementation | <p>KiwiBuild has three core aims:</p> <ul style="list-style-type: none"> • to increase home ownership in New Zealand; • to increase the supply of affordable homes in parts of New Zealand where there is a shortage; and • to use government procurement to foster innovation and reduce the cost of building new homes. <p>We plan to examine how well the KiwiBuild programme is being implemented and how successfully it is achieving its aims.</p> |
| Effectiveness of the firearms buy-back scheme | <p>We intend to examine the effectiveness of the firearms buy-back scheme. The scheme is subject to recent legislative changes, and any associated changes to regulations. We will begin scoping this work when the parameters of the scheme have been finalised.</p> |
| Defence procurement | <p>Building on our previous defence work, we propose to continue our programme of work examining the procurement of defence capability (topic to be determined).</p> |

Improving the lives of New Zealanders

Alongside the second year of our work on *Procurement*, we are proposing to start theme-based work on *Improving the lives of New Zealanders*.

We seek:

- views about the value of the proposed work in 2019/20; and
- views about the indicative topics proposed for 2020/21, and about priorities for our work on improving the lives of New Zealanders.

The ultimate objective of public expenditure is achieving positive change in the lives of New Zealanders. Achieving positive change means better outcomes for New Zealanders, through improvements to our society, the economy, and the environment. We propose to focus on outcomes that are important for New Zealanders' quality of life, their communities, environment, and living standards.

Through our work, we intend to examine how well public entities are achieving outcomes for New Zealanders. For 2019/20, we are proposing two topics as part of our theme-based work on *Improving the lives of New Zealanders*:

- Performance in achieving reductions in family violence; and
- Progress towards implementing the sustainable development goals.

We provide more information about our proposed work in the table below.

Work under this theme for 2020/21 and 2021/22 is still being scoped. The final topics will be confirmed following further planning over the next year. We intend to examine whether key outcomes are achieved for New Zealanders in a way that delivers value for money from the public resources used. The areas we are considering include:

- reducing disparities in social outcomes between demographic groups;
- reducing poverty;
- improving resilience of infrastructure to natural hazards; and
- effectiveness of Whānau Ora in achieving better outcomes for Māori.

| Proposed work on <i>Improving the lives of New Zealanders – 2019/20</i> | |
|---|---|
| Performance in achieving reductions in family violence | <p>Family violence affects half a million New Zealanders every year, is a driver of violent crime overall, and is implicated in both youth crime and youth suicide. Rates of violence are highest among some of our most vulnerable communities. Addressing family violence places a heavy burden on multiple government agencies and numerous government-funded service providers. Most of that work is on crisis response, offender management, and mitigating life-long effects of violence.</p> <p>Responsibility for addressing family violence rests with a number of government agencies. A cross-government joint venture has been set up to develop new ways of working across government, and with iwi and communities, to reduce family violence through an integrated response. Our audit will examine how well family violence is being reduced through national and regional initiatives to address it.</p> |
| Progress towards implementation of the sustainable development goals | <p>In 2015, all United Nations members adopted the 2030 Agenda for Sustainable Development with its 17 sustainable development goals (SDGs). The SDGs are an important indicator of progress that countries have made towards significant improvement of the well-being of their people, covering a number of areas including poverty reduction, education, employment, and the environment. In July 2019, the Government intends to publish its first report on progress towards implementing the 17 SDGs.</p> <p>We will carry out a performance audit of how effectively the Ministry of Foreign Affairs and Trade has co-ordinated activities so far towards implementation of the 17 SDGs by 2030. We expect our findings to promote:</p> <ul style="list-style-type: none"> • improvements in how government agencies are measuring outcomes; • improved collaboration between government agencies in working towards implementation of the SDGs; and • improved engagement with private sector organisations, academic institutions, NGOs, and communities in working towards implementation of the SDGs. |

Concluding work from previous years' theme-based work

In 2019/20, we intend to complete a reflections report on the results of our work under our *Water management* theme.

2. Issues of ongoing interest

We seek:

- views about topics for us to consider for examination as part of our work on ethics and integrity, local government risk management, and Auckland Council (review of service performance); and
- views about other issues for us to consider in future.

Proposed work on issues of ongoing interest – 2019/20

| | |
|--|---|
| Ethics and integrity landscape | <p>New Zealand consistently rates highly on the Transparency International Corruption Perceptions Index as being one of the least corrupt countries in the world. Despite that, there is a risk that fraud and corruption in New Zealand might be more pervasive than is generally acknowledged. There have been a number of high-profile cases of wrongdoing in the public sector in recent years, and the Serious Fraud Office estimates that up to 5% of government funding (or approximately \$5 billion) could have been used or obtained fraudulently in 2017.</p> <p>Preventing and detecting fraud and corruption is key to ensuring that Parliament and New Zealanders' trust and confidence in the public sector is maintained. It is the responsibility of public entities, governors and leaders to promote high ethical standards and integrity across the public sector, and to put systems and policies in place to prevent and detect fraud and unethical behaviours of all kinds. We intend to undertake some work to better understand and describe the public sector landscape, examining what expectations, advice, and support is available to public entities to ensure that they put in place an appropriate ethical culture, framework and controls for preventing and detecting wrongdoing and unethical behaviour.</p> <p>From our landscape work, we will identify further areas of work to influence improved ethical standards and integrity across the public sector, and increased guidance for public entities in tackling fraud and other unethical behaviour.</p> |
| Auckland Council review of service performance: Disaster resilience and preparedness | <p>We intend to examine how effectively and efficiently Auckland Council is building its resilience and preparedness to respond to disasters, working in partnership with other agencies, local iwi, and communities to reduce disaster risks and prepare for disaster response.</p> |

| | |
|---|--|
| <p>Local government risk management: Stocktake of approach and reporting results</p> | <p>We intend to examine the risk management practices of councils. We will consider the risk management practices of a sample of councils. We are interested in identifying examples of good practice to share with councils, and identifying what would support councils to improve their management of risk, including how to strengthen the operation of Audit and Risk Committees where required.</p> <p>The long-term effect we are seeking is improving risk management by councils, acknowledging the different maturity levels appropriate for different councils.</p> |
| <p>Inland Revenue Department: Benefits from the Business Transformation programme</p> | <p>Inland Revenue's Business Transformation programme is significant because of the large amount of public funds being spent and because of the critical role Inland Revenue carries out in collecting Crown revenue. We are interested in knowing whether the public spending on the Business Transformation programme is delivering the intended benefits from Stages 1 and 2. We intend to provide assurance to the public and Parliament about the benefits achieved. We also intend to assess how well placed Inland Revenue is to measure and report on the intended benefits from the future stages of the programme.</p> <p>We propose to examine how well Inland Revenue has established measures and measurement systems for assessing and reporting on the benefits derived from the Business Transformation programme to itself, its customers, the Crown, and others.</p> |
| <p>Commentary on the Treasury's 2019 Statement on the Long-Term Fiscal Position</p> | <p>At least every four years, the Treasury is required to produce a statement on the fiscal position of the Government. The long-term fiscal statement provides long-term financial projections covering a period of at least 40 years. It identifies and analyses a range of options to address the long-term fiscal position but, importantly, does not make recommendations. There have been four long-term fiscal statements produced to date – in 2006, 2009, 2013, and 2016. The Treasury has yet to confirm when the next long-term fiscal statement will be published. We expect it will be published in 2019 or 2020.</p> <p>As we did in 2013 and 2016, we intend to review New Zealand's next long-term fiscal statement produced by the Treasury, which we expect will have a greater inter-generational well-being focus than in previous statements. We are interested in understanding and commenting on:</p> <ul style="list-style-type: none"> • the approach that the Treasury takes; • the Treasury's long-term fiscal model and how it is used; and • the links between the long-term fiscal model and the information presented in the long-term fiscal statement. |
| <p>Controller updates</p> | <p>We will provide six-monthly updates about our Controller work.</p> |

Future work on issues of ongoing interest

Topics for our future work are still being considered.

3. Regular reports

We seek:

- views on the proposed suite of sector-based reports.

Proposed work on sector-based reporting – 2019/20

| | |
|----------------|--|
| Sector reports | <p>We plan to prepare the following suite of sector reports:</p> <ul style="list-style-type: none"> • Central government: Results of the 2018/19 audits; • Summary of results of the 2018/19 central government audits for Chief Executives; • Results of the 2018 school audits; • Results of the 2018 audits of tertiary education institutions; • Results of the 2018/19 district health board audits; and • Local government: Results of the 2018/19 audits. |
|----------------|--|

Future work on regular reports

We will report on the results of the local government and central government audits. We will also report on the results of our audit of the Financial Statements of the Government and the Controller function. Future reports on other sectors are still being considered.

4. Sharing good practice

We seek:

- views on areas for us to consider, focusing on sharing good practice.

Proposed work on sharing good practice – 2019/20

| | |
|--|---|
| Updating good practice guidance | Our ongoing programme of updating and expanding our existing good practice guidance will continue. This will include an update of our good practice guide about managing conflicts of interest. |
| Reporting on the progress of public entities in implementing the Auditor-General's recommendations from previous reports | We propose to undertake a programme of work following up on whether the recommendations from some of our earlier reports have been implemented and improvements have been made in the areas we identified as needing attention. We will focus our follow up work on areas where we found the need for improvement was most urgent and significant. We will report on the progress we find and share good practice where we find it. |

Future work on sharing good practice

At this stage, our proposed topics are:

- for 2020/21:
 - continued programme of updating good practice guidance; and
 - report on the progress of public entities in implementing the Auditor-General’s recommendations from previous reports (programme of follow-up work to be determined); and
- for 2021/22:
 - continued programme of updating good practice guidance ; and
 - report on the progress of public entities in implementing the Auditor-General’s recommendations from previous reports (programme of follow-up work to be determined).

5. Influencing improved performance and accountability

We seek:

- views on areas for us to consider focusing on influencing improvements to the public sector accountability system.

Proposed work on influencing improved performance and accountability – 2019/20

| | |
|---|--|
| <p>Landscape of the public accountability system: Second report</p> | <p>In 2019/20, we will publish our second report about the future of public accountability. The report will assess the current system of public accountability, discuss how well the system is positioned to meet these challenges, and explore the implications for the role of the Auditor-General. The objective of this work is to influence and support future public sector management reforms to strengthen the public accountability system.</p> |
| <p>Making performance reporting more effective</p> | <p>Drawing on our previous work, and the results from our annual audits, we propose to assess the state of performance reporting across the public sector. We will draw out examples of good practice and identify areas we think need attention. We will consider recent work to develop a living standards framework, the accompanying indicators, and how performance reporting could reflect contributions to the well-being of New Zealanders more generally. We will also look at how well public entities provide meaningful information to the public about efficiency, productivity, and value for money of their services.</p> <p>The objective of this work is to support entities to improve their own performance measurement and reporting practices, and assist them in adapting performance frameworks to take account of the Government’s emphasis on well-being.</p> |

Future work on influencing improved performance and accountability

Topics for our future work are still being considered.

Appendix 1

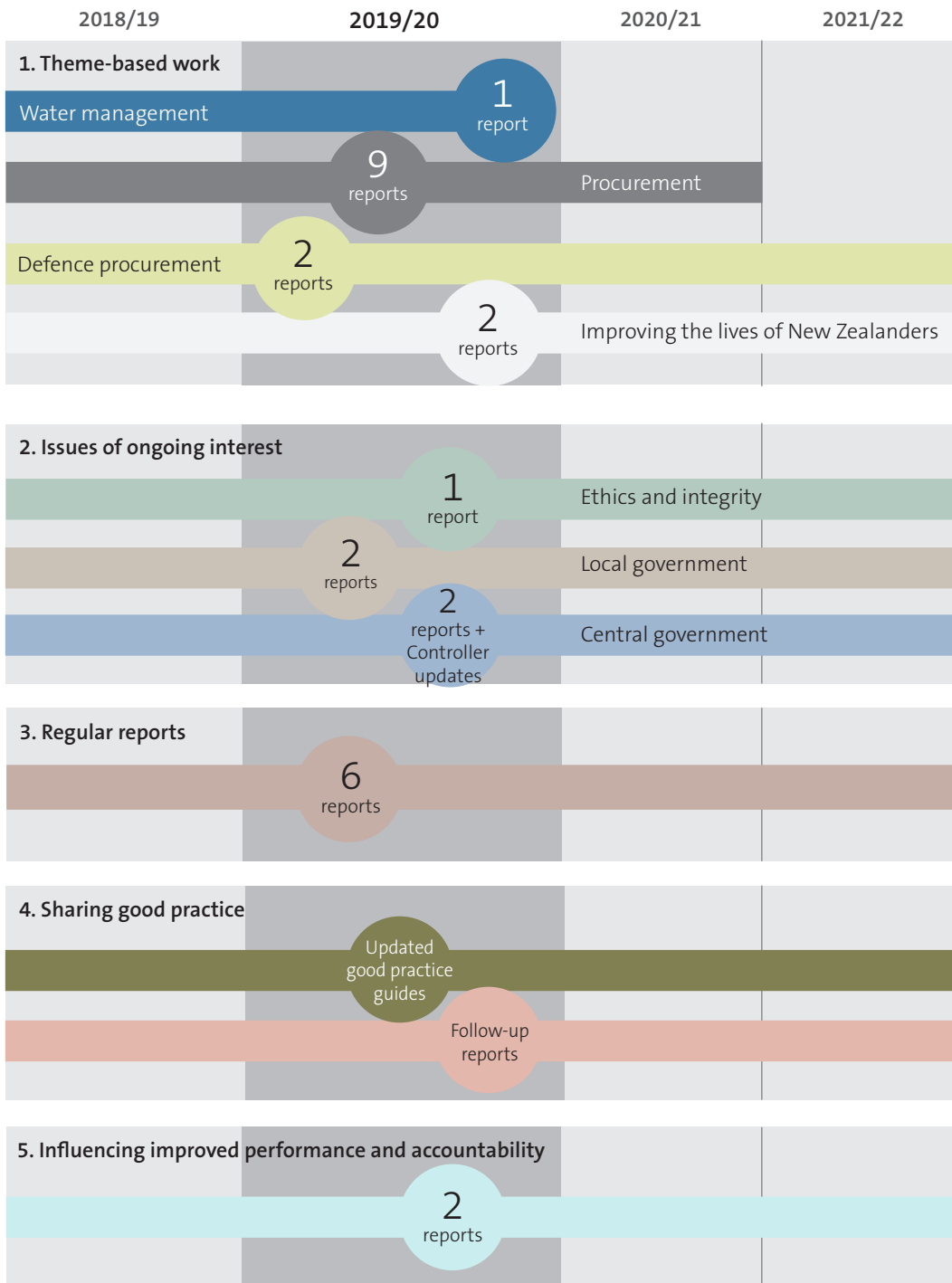
Summary of our audit portfolio at March 2019

| Entity categories | Entities | Subsidiaries and related entities | Total |
|---|-------------|-----------------------------------|-------------|
| Central government entities | | | |
| Government departments | 39 | 17 | 56 |
| Crown research institutes | 7 | 7 | 14 |
| District health boards | 20 | 20 | 40 |
| Tertiary education institutions | 27 | 43 | 70 |
| Other Crown entities | 63 | 23 | 86 |
| Other central government entities | 94 | 20 | 114 |
| State-owned enterprises and mixed-ownership model companies | 17 | 35 | 52 |
| Rural education activities programmes | 14 | - | 14 |
| Schools | 2426 | 47 | 2473 |
| Local government entities | | | |
| Local authorities | 78 | - | 78 |
| Council-controlled organisations | - | 155 | 155 |
| Exempt council-controlled organisations | - | 24 | 24 |
| Other local government entities | - | 45 | 45 |
| Electricity lines, airport, and port companies | | | |
| Electricity lines companies | 20 | 19 | 39 |
| Airport companies | 18 | 4 | 22 |
| Port companies | 12 | 13 | 25 |
| Other public entities | | | |
| Fish and game councils | 15 | - | 15 |
| Licensing and community trusts | 19 | 16 | 35 |
| Administering bodies and boards | 37 | - | 37 |
| Cemetery trusts | 91 | - | 91 |
| Total | 2997 | 488 | 3485 |

Appendix 2

Our multi-year work programme

The work we propose to complete in 2019/20 in the context of our multi-year work programme is shown in this Appendix.



| | Work we completed (italicised) or will complete in 2018/19 | Work we propose to complete in 2019/20 | Work we propose for 2020/21 | Work we propose for 2021/22 | |
|---|--|---|---|--|--|
| 1. Theme-based work | Information | <ul style="list-style-type: none"> • <i>Reflecting on our work about information</i> | <ul style="list-style-type: none"> • Reflections report on <i>Water management</i> theme | | |
| | Water management | <ul style="list-style-type: none"> • <i>Managing the supply of and demand for drinking water</i> • <i>Sea Change – Tai Timu Tai Pari: Creating a marine spatial plan for the Hauraki Gulf</i> • <i>Managing stormwater systems to reduce the risk of flooding</i> • Clean-up of significant water bodies • Progress on freshwater quality management since 2011 • Effectiveness of processes for considering marine reserve proposals | <ul style="list-style-type: none"> • MBIE procurement functional leadership: Enabling effective and efficient procurement across the State sector • Effectiveness of panels of suppliers¹ • Contracts for significant services • Auckland City Rail Link: Project governance • Provincial Growth Fund: Management, monitoring, and evaluation of the Fund • Procurement workforce capacity and capability in local government • Partnerships with the private sector to deliver public sector outcomes – how effective are they?² • Procurement of assets to support effective health care^{1,2} • How well does the NZTA procurement model manage long-term procurement risks to ensure future value and sustainable procurement? | <ul style="list-style-type: none"> • GCDO ICT procurement functional leadership¹ • Managing smaller contracts (less than \$0.5 million) • Auckland City Rail Link: Procurement model and delivery • Tāmaki regeneration programme • Provincial Growth Fund: Benefits realisation • KiwiBuild: Implementation • Effectiveness of the firearms buy-back scheme | <ul style="list-style-type: none"> • Reflections report on <i>Procurement</i> theme |
| | Procurement | <ul style="list-style-type: none"> • <i>Introducing our work about procurement</i> • Management of MBIE’s grant programmes • Panels of suppliers survey | | <ul style="list-style-type: none"> • Defence procurement (topic to be determined) | <ul style="list-style-type: none"> • Defence procurement (topic to be determined) |
| | Defence procurement | <ul style="list-style-type: none"> • <i>Review of Defence Major Projects Report 2017</i> • <i>Review of Defence Major Projects Report 2018</i> | <ul style="list-style-type: none"> • Defence procurement: Effectiveness of integrated capability delivery • Review of Defence Major Projects Report 2019 | <ul style="list-style-type: none"> • reducing disparities in social outcomes between demographic groups • reducing poverty • improving resilience of infrastructure to natural hazards • effectiveness of Whānau Ora in achieving better outcomes for Māori | |
| | Improving the lives of New Zealanders | | <ul style="list-style-type: none"> • Performance in achieving reductions in family violence • Progress towards implementation of the sustainable development goals | | |
| 2. Issues of ongoing interest | Ethics and integrity | <ul style="list-style-type: none"> • <i>Summary of fraud findings 2017/18</i> | <ul style="list-style-type: none"> • Ethics and integrity landscape | <ul style="list-style-type: none"> • Promoting high ethical standards and integrity across the public sector (work to be determined) | |
| | Local Government | <ul style="list-style-type: none"> • Auckland Council review of service performance: <i>Effectiveness of Auckland Council’s post-implementation review process</i> | <ul style="list-style-type: none"> • Auckland Council review of service performance: Disaster resilience and preparedness • Local government risk management: Stocktake of approach and reporting results | <ul style="list-style-type: none"> • Auckland Council review of service performance (topic to be determined) • Auckland Council review of service performance (topic to be determined) • Influencing improved risk management across local government (work to be determined) | |
| | Central Government | <ul style="list-style-type: none"> • <i>Controller update: July to December 2018</i> | <ul style="list-style-type: none"> • Inland Revenue Department: Benefits from the Business Transformation programme • Commentary on the Treasury’s 2019 Statement on the Long-Term Fiscal Position • Controller updates | <ul style="list-style-type: none"> • Work on other issues of interest arising (issues and work to be determined) • Controller updates | <ul style="list-style-type: none"> • Controller updates |
| 3. Regular reports | <ul style="list-style-type: none"> • <i>Central government: Results of the 2017/18 audits</i> • Summary of results of the 2017/18 central government audits for Chief Executives • <i>Results of the 2017 school audits</i> • <i>Tertiary education institutions: Results of the 2017 audits</i> • Results of the 2017/18 district health board audits • Local government: Results of the 2017/18 audits • <i>Long-term plans: Our audits of councils’ consultation documents</i> • <i>Matters arising from our audits of the 2018-28 long-term plans</i> | <ul style="list-style-type: none"> • Central government: Results of the 2018/19 audits • Summary of results of the 2018/19 central government audits for Chief Executives • Results of the 2018 school audits • Results of the 2018 audits of tertiary education institutions • Results of the 2018/19 district health board audits • Local government: Results of the 2018/19 audits | <ul style="list-style-type: none"> • Central government: Results of the 2019/20 audits • Summary of results of the 2019/20 central government audits for Chief Executives • Results of the 2019 school audits • Results of the 2019 audits of tertiary education institutions • Results of the 2019/20 district health board audits • Local government: Results of the 2019/20 audits | <ul style="list-style-type: none"> • Central government: Results of the 2020/21 audits • Summary of results of the 2020/21 central government audits for Chief Executives • Results of the 2020 school audits • Results of the 2020 audits of tertiary education institutions • Results of the 2020/21 district health board audits • Local government: Results of the 2020/21 audits • Matters arising from our audits of the 2021-31 local authority long-term plans and consultation documents | |
| 4. Sharing good practice | <ul style="list-style-type: none"> • <i>Updating Severance payments: A guide for the public sector</i> | <ul style="list-style-type: none"> • Continued programme of updating good practice guidance | <ul style="list-style-type: none"> • Continued programme of updating good practice guidance | | |
| | <ul style="list-style-type: none"> • <i>Accident Compensation Corporation: How it deals with complaints – Progress in responding to the Auditor-General’s recommendations</i> | <ul style="list-style-type: none"> • Reporting on the progress of public entities in implementing the Auditor-General’s recommendations from previous reports (programme of follow-up work to be determined) | <ul style="list-style-type: none"> • Reporting on the progress of public entities in implementing the Auditor-General’s recommendations from previous reports (programme of follow-up work to be determined) | <ul style="list-style-type: none"> • Continued programme of updating good practice guidance • Reporting on the progress of public entities in implementing the Auditor-General’s recommendations from previous reports (programme of follow-up work to be determined) | |
| 5. Influencing improved performance and accountability | <ul style="list-style-type: none"> • <i>Submission on the Treasury’s Public Finance System Strategy [“Embedding wellbeing in the Public Finance Act 1989”]</i> • <i>Submission on the State Services Commission’s review of the State Sector Act 1988</i> • <i>Submission on the Treasury’s proposal to establish an Independent Fiscal Institution</i> • <i>Submission on establishing an independent infrastructure body</i> • <i>Submission to the Taskforce for the Review of Tomorrow’s Schools</i> • <i>Submission on safeguarding the future of our financial system: The role of the Reserve Bank and how it should be governed</i> • <i>Comments on local government funding and financing issues paper</i> (released by the Productivity Commission) • <i>Timeliness of reporting by public entities</i> • <i>Tertiary education institutions: Changes to the requirements for performance reporting in annual reports</i> • <i>Submission on proposal to create a NZ Institute of Skills and Technology</i> • <i>Landscape of the public accountability system: First report</i> | <ul style="list-style-type: none"> • Landscape of the public accountability system: Second report • Making performance reporting more effective³ | <ul style="list-style-type: none"> • Influencing improvements in the public sector accountability system (work to be determined) | | |

1 To be confirmed through further planning. | 2 Possible multi-year programme of audits. | 3 Also part of our work on the *Improving the lives of New Zealanders* theme.

Open Meeting

| | |
|---------------------------------|---|
| To | Audit & Risk Committee |
| From | Tony Whittaker Chief Operating Officer |
| Date | 14 June 2019 |
| Prepared by | Sharlene Jenkins Executive Assistant |
| Chief Executive Approved | Y |
| Reference # | GOV1318 / 2266018 |
| Report Title | Updated Future Work Plan and Action List |

1. EXECUTIVE SUMMARY

The purpose of this report is to present an updated Future Work Plan and Action List for the Audit & Risk Committee's information.

2. RECOMMENDATION

THAT the report from the Chief Operating Officer be received.

3. ATTACHMENTS

- A Updated Future Work Plan
- B Action List

| | 27 June 2019 | 18 Sept 2019 | December 2019 <small>TBC</small> | March 2020 <small>TBC</small> | Standing items for all meetings |
|-----------------------|--|--|---|--|--|
| Risk | Annual Report Risk Assessment Annual Report Programme Compliance Risk Management Framework Review | | Waikato District Council Health & Safety Framework Review H&S Management framework Risk Appetite Review | Review of Council Controlled Organisations Statements of Intent | <ul style="list-style-type: none"> ▪ Strategic Risk Register Update on key strategic risks & associated management actions. ▪ Risk Framework Update on direction risk framework & organizational engagement. ▪ Emerging Risks Opportunity to discuss emerging risks with potential for strategic impact. ▪ Risk Conversations Opportunity for Committee to dialogue with key staff to obtain assurance that appropriate controls and culture are in place. ▪ Strategic Risk Deep Dive Detailed inspection of a key risk for the purpose of assurance in the context, assessment & mitigation space. ▪ Zero Harm Update H&S update on H&S performance against agreed targets, systemic issues identified which can be fed into the risk control framework. To include monthly statistics. ▪ Update on Process Audit and Quality Improvement Rolling review of bylaw & policies – schedule to be agreed. ▪ Post Implementation Reviews and/or Incident Debrief Reports Post project appraisals on key investments. ▪ Update on Progress against Audit Issues Update on progress against Audit management report. ▪ Procurement Update Update on procurement and contract management. |
| Internal Audit | Procurement and Contract Management Framework Review | Spend Analysis Update | | | |
| Insurance | | Insurance Renewal Process Update Insurance review | Insurance Policy / Premium Confirmation | | |
| Annual Report | | Annual Report | Final Management Report Audit Management Report | Annual Report Project Planning Annual Report Programme | |
| Other | Zero Harm Site Visit | Audit & Risk Committee Key Achievements Review of Audit & Risk Committee performance against Terms of Reference Zero Harm Site Visit | | | |

Strategic Risks

- | | | | |
|---|--|--|--|
| <ul style="list-style-type: none"> ▪ Council Partnerships ▪ Zero Harm ✓ ▪ Asset Management | <ul style="list-style-type: none"> ▪ Waters Social Franchise Model ✓ ▪ Stakeholder Engagement ✓ ▪ Economic and Social Development | <ul style="list-style-type: none"> ▪ People and Culture ✓ ▪ Regional / National Strategic Planning ✓ ▪ Projects and Initiatives | <ul style="list-style-type: none"> ▪ Compliance Management ▪ Business Resilience ▪ Cyber Security |
|---|--|--|--|

Audit & Risk Committee: Action List

315

| # | Action | Owner | Date Assigned | Date Due | Status |
|----|---|----------------|---------------|---------------|--|
| 1. | Member Training and Development | Tony Whittaker | December 2018 | November 2019 | This is now programmed for the new Triennium. An appropriate plan will be developed with consideration to key focus areas i.e. function of an Audit & Risk Committee (roles and responsibilities), fundamentals of risk management, understanding risk appetite. |
| 2. | Mitigating actions against future insurance premium increases | Alison Diaz | March 2019 | November 2019 | Waikato Local Authority Shared Services project to be delivered at individual council level, but is a piece of work all councils would benefit from. |

Open Meeting

| | |
|---------------------------------|---|
| To | Audit & Risk Committee |
| From | Gavin Ion Chief Executive |
| Date | 19 June 2019 |
| Prepared by | Lynette Wainwright Committee Secretary |
| Chief Executive Approved | Y |
| Reference # | GOV1301 |
| Report Title | Exclusion of the Public |

I. EXECUTIVE SUMMARY

To exclude the public from the whole or part of the proceedings of the meeting to enable the Audit & Risk Committee to deliberate and make decisions in private on public excluded items.

2. RECOMMENDATION

THAT the report of the Chief Executive be received;

AND THAT the public be excluded from the meeting to enable the Audit & Risk Committee to deliberate and make decisions on the following items of business:

Confirmation of Minutes dated Wednesday 13 March 2019

REPORTS

a. Register of Members' Interest – Elected Members and Senior Staff

The general subject of the matter to be considered while the public is excluded, the reason, and the specific grounds under section 48(1) of the Local Government Official Information and Meetings Act 1987 are as follows:

Reason for passing this resolution to withhold exists under: **Ground(s) under section 48(1) for the passing of this resolution is:**

Section 7(2)(a)

Section 48(1)(a)(i)

b. Fraud Declaration

The general subject of the matter to be considered while the public is excluded, the reason, and the specific grounds under section 48(1) of the Local Government Official Information and Meetings Act 1987 are as follows:

Reason for passing this resolution to withhold exists under: Ground(s) under section 48(1) for the passing of this resolution is:

Section 7(2)(a)

Section 48(1)(a)(i)

c. Committee Time with Audit New Zealand

The general subject of the matter to be considered while the public is excluded, the reason, and the specific grounds under section 48(1) of the Local Government Official Information and Meetings Act 1987 are as follows:

Reason for passing this resolution to withhold exists under: Ground(s) under section 48(1) for the passing of this resolution is:

Section 7(2)(b)(ii), (c), (j)

Section 48(1)(a)(i)

AND FURTHER THAT Mr Pieterse and Ms Procter (Audit New Zealand) remain in the meeting after the public has been excluded to facilitate the discussion on items in PEX 6 [Public excluded items] in the public excluded section of the meeting.