

**From:** [BDC Laoima](#)  
**To:** [REDACTED]  
**Subject:** Official Information Request for Resilient Westport Audit and Oversight Information Ref: OIA 078/25  
**Date:** Friday, 22 August 2025 4:27:51 pm  
**Attachments:** [image007.png](#)  
[PE 02 KPMG update for RAC August 2024.pdf](#)  
[RAC 14 Aug Morrison Low update.pdf](#)

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Dear [REDACTED]

We refer to your official information request dated 28 July for information titled “Resilient Westport Audit & Oversight Information”. Your questions and our answers in red are as follows:

1. Audit and Performance Reviews:

Copies of all independent audit reports, performance reviews, probity assessments, or compliance evaluations (internal or external) conducted between July 2021 and July 2025, in relation to:

- Crown-funded elements of the Resilient Westport (Kawatiri) programme,
- Project Management Office operations associated with Crown resilience and recovery funding,
- Claims, procurement, scope delivery, or financial compliance under NEMA, DIA, or Kānoa funding.

Your request covers a significant number of projects in each programme of work:

- The National Emergency Management Agency (NEMA) – Tranche 1 funding for Flood recovery; Tranche 2 funding for Critical Infrastructure repairs; Emergency water repair funding
- Department of Internal Affairs (DIA) – Flood recovery funding; Better Off funded projects; Resilient Westport programme; Local Water Done Well
- Kānoa – Regional Economic Development & Investment Unit – PGF and shovel ready funding projects still being worked on after July 2021 – Port projects; Toki Bridge; Community Halls and Memorials

Each of the Government agencies listed above have their own systems for financial compliance when a claim is made.

The internal and external oversight of these external projects was through the Projects in Partnership (PIP) reporting steering group where Government agencies were invited to attend the meetings and monthly project status reports were submitted with minutes on file. Please find these minutes via the following link: <http://tbf.me/a/BEswv0>

### Resilient Westport

The Resilient Westport programme is a specific programme of work limited to the \$22.9million Resilient Westport Programme which came into effect on 8 September 2023 when BDC signed an agreement with Department of Internal Affairs (DIA) for funding for the elements of the programme that BDC is responsible for delivering. Other elements of the programme are the responsibility of West Coast Regional Council(WCRC)

Below is the total maximum amount payable to BDC under the agreement:

#### **4 TOTAL MAXIMUM AMOUNT PAYABLE**

4.1 The Total Maximum Amount Payable for the Agreed Purposes is as follows:

- (a) \$0.182 million for Governance and Programme Management;
- (b) \$0.25 million for the Feasibility Study;
- (c) \$0.5 million for the Development Plan; and
- (d) \$2.0 million for the Adaptation Relief Fund.

Reporting and oversight is through the Resilient Westport Steering Group. Quarterly reporting for the fund is submitted as per the agreement to DIA. This reporting is endorsed by the Resilient Westport Steering Group (see [www.resilientwestport.co.nz](http://www.resilientwestport.co.nz) for more detail on the whole programme).

Minutes from the Resilient Westport Steering Group meetings can be found on the WCRC website. <https://www.wcrc.govt.nz/community/community-groups/westport-flood-resilience-steering-group-2>

Other crown funded projects do not come under the Resilient Westport programme. Each Government Agency has their own systems for reporting, claims and financial assurance. When a claim is submitted to a Government Agency it is accompanied by supporting documentation and supplier invoices for reimbursement. The approval and payment of claims by Government agencies would amount to financial compliance.

## 2. KPMG Forensic Audit

A copy of the KPMG forensic audit report commissioned in 2023, or any relevant redacted sections, particularly those referring to:

- Crown-funded projects, Governance or risks affecting Resilient Westport project delivery.

The matters addressed in the KPMG PMO Audit did not include Resilient Westport since this PMO was not responsible for the Resilient Westport programme of work. The KPMG report (redacted) has previously been provided to you (see OIA 076/25).

### 3. Responses and Oversight Documentation:

Any reports, Risk & Audit Committee minutes, or council action plans prepared in response to audit findings, particularly where they relate to delivery risks or financial oversight of the programme.

As above, the matters addressed in the KPMG PMO Audit did not include Resilient Westport since this PMO was not responsible for the Resilient Westport programme of work.

The council action plans prepared in response to KPMG audit findings appear on the Risk and Audit agenda dated 14 August 2024 and are **attached** along with the Morrison Lowe Recommendations, also dated 14 August 2024.

You have the right to seek an investigation and review by the Ombudsman of this decision. Information about how to make a complaint is available at [www.ombudsman.parliament.nz](http://www.ombudsman.parliament.nz) or freephone 0800 802 602.

If you wish to discuss this decision with us, please feel free to contact the Buller District Council by return email to [lgoima@bdc.govt.nz](mailto:lgoima@bdc.govt.nz).

Please note that it is our policy to proactively release our responses to official information requests where possible. Our response to your request may be published at <https://bullerdc.govt.nz/district-council/your-council/request-for-official-information/responses-to-lgoima-requests/> with your personal information removed.

Kind regards

Simon Pickford | Chief Executive Officer  
Email [Simon.Pickford@bdc.govt.nz](mailto:Simon.Pickford@bdc.govt.nz)

Buller District Council | Phone 0800 807 239 | [bullerdc.govt.nz](http://bullerdc.govt.nz)  
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Community Driven | One Team | Future Focused | Integrity | We Care

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**NEXT LOCAL ELECTIONS  
OCTOBER 2025**

# RISK AND AUDIT COMMITTEE

14 AUGUST 2024

AGENDA ITEM: 10

**Prepared by** Michael Aitken  
Interim Group Manager Infrastructure

**Reviewed by** Simon Pickford  
Chief Executive Officer

**Attachments** 1. Update On Morrison Low Recommendations On Improvements

**Public Excluded:** No

## MORRISON LOW FOLLOW-UP UPDATE

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### 1. REPORT SUMMARY

This report provides an update on progress in implementing the recommendations of the Morrison Low report from the PMO Review and the Infrastructure Health Check.

### 2. DRAFT RECOMMENDATION

**That the Risk and Audit Committee:**

- 1. Receives the report on progress in implementing the recommendations of the Morrison Low report from the PMO Review and the Infrastructure Health Check.**
- 2. Notes that, with the disbanding of the PMO from 1 July 2024, the key recommendations of the PMO review are now complete.**
- 3. Notes that further reporting on progress against the Infrastructure Health Check will be included in the regular reporting on the Infrastructure Services.**

### 3. ISSUES & DISCUSSION

#### BACKGROUND

The Risk and Audit Committee received reports from Morrison Low at its meeting of 11 October 2023. The report was released to the public and an initial update on

progress against the issues raised in the PMO Review and the Infrastructure Health Check was received by the Risk and Audit Committee at its meeting of 17 April 2024.

**Attachment 1** of this report has the key recommendation from the PMO review and staff comments as of 31 July 2024. Of critical note is the disbanding of the PMO office and the creation of a Capital Works Team as of 1 July 2024.

Also attached are notes on progress on the recommended improvements from the Infrastructure Health Check.

## **Discussion**

The Morrison Low report was instrumental in generating a series of improvements in the PMO and the wider Infrastructure Services.

With the disbanding of the PMO and the creation of the Capital Works Team within Infrastructure Services, the response to the key recommendations of the PMO Review is now complete with good practice incorporated into the working policies and procedures of the team.

The recommended improvements from the Infrastructure Health Check are well advanced and ongoing. These improvements are now part of the “business as usual” of the Infrastructure Services team.

Because of this, staff are recommending that this be the final specific report on the Morrison Low recommendations and that RAC and Council monitor the performance of the Infrastructure Services through existing reporting mechanisms.

## **4. CONSIDERATIONS**

### **4.1 Strategic Impact**

One of Council’s key strategies to achieve the vision of Council is Quality Infrastructure - providing reliable and sustainable infrastructure that meets the needs of current and future generations. The improvements in the PMO and in Infrastructure Health are vital to achieving that goal.

### **4.2 Significance Assessment**

The content included in this report is not considered significant because the matters disclosed are of a routine nature.

### **4.3 Risk Management Implications**

These decisions do not provide Council with a significant risk.

#### **4.4 Values**

These decisions align strongly with The Buller District Values, which are: Community Driven, One Team, Future Focussed, Integrity and We Care.

#### **4.5 Policy / Legal Considerations**

There is no legal context, issue or implication relevant to this decision.

#### **4.6 Tangata Whenua Considerations**

These decisions do not involve a significant decision in relation to ancestral land or a body of water or other elements of intrinsic value, therefore this decision does not specifically impact Tangata Whenua, their culture and traditions.

#### **4.7 Views of Those Affected**

These decisions do not require consultation with the community or stakeholders.

#### **4.8 Costs**

There is no financial implication relevant to these decisions.

#### **4.9 Benefits**

Good practice has been incorporated into the Capital Works Team programme of work and the wider Infrastructure Services team management of those assets in its portfolio leading to better outcomes for the community

#### **4.10 Media / Publicity**

The media may wish to report on this report. Staff do not believe there is any need for a publicity statement to be made.

## Attachment 1: Update on Morrison Low recommendations on improvements

The following are the key recommendations for the PMO as identified and reported to the Risk and Audit Committee in October 2023

### PMO Review

Item #	Key recommendation	Update as of 31 July 2024
1	An annual Business Plan for the PMO should be prepared to review objectives and purpose of the PMO, forecast works and identify resources.	PMO disestablished from 1 July 2024 with work picked up by Capital Works Team. Business plan will be prepared by 31 August 2024 documenting how the 2024/2025 enhanced annual plan projects allocated to it will be completed.
2	Capability and capacity of BDC and PMO resources to meet forecast demand (BAU and capital works) should be regularly reviewed.	Resources under ongoing review by Capital Works Team.
3	Council should seek to employ BDC staff in key roles such as the PMO Lead and project management while ensuring the processes and practices are maintained and enhanced.	Manager of Capital Works appointed 20 May 2024
4	Systems and processes for each project must be fit-for-purpose and right-sized (using those templates already developed as far as possible).	Programme and Project Management Procedure in pilot phase for 6 months. Template review also underway based on existing templates.
5	The Contractor panel should be reviewed regularly to ensure it is right sized for the known pipeline of work	Contractor panel review underway by the Capital Works Manager.

## Infrastructure Health Check

Area	Key recommendation	Update as at July 2024
<b>All Activities</b>	<ol style="list-style-type: none"> <li>1. Policy – Update the 2015 AM Policy to cover all infrastructure asset groups as part of the 2024 LTP.</li> <li>2. Systems – ensure that new processes, systems and templates developed through the PMO are implemented as appropriate across all activities.</li> </ol>	<ol style="list-style-type: none"> <li>1. Commencing as part of IS Management changes from 1-Jul-24</li> <li>2. Programme and Project Management Procedure in pilot phase for 6 months. Templates to follow through over the remainder of the year.</li> </ol>
<b>Three Waters</b>	<ol style="list-style-type: none"> <li>1. Demand:               <ol style="list-style-type: none"> <li>a. Implement the proposed zone metering and installing pressure reducing valves to reduce water leakage and to better understand demand.</li> <li>b. Continue with the resilience programmes to address stormwater infiltration into Westport’s wastewater network.</li> </ol> </li> <li>2. Data:               <ol style="list-style-type: none"> <li>a. Continue with the good data management processes so BDC’s are not stopped through the proposed transition phase.</li> <li>b. Ensure the significant asset condition data captured after the two storm events are adequately stored and managed in the asset management system.</li> </ol> </li> <li>3. Decision making processes – Apply Te Mana o te Wai and the hierarchy of obligations into BDC’s three water decision making processes.</li> <li>4. Risk – Finalise the Source Water Risk Management Plans in 2023 as scheduled.</li> <li>5. Operational planning – Review BDC’s trade waste processes to ensure it is metering its own bylaw. Explore a regional approach with shared services.</li> <li>6. Financial planning – Refine the three waters financial forecasts as part of the 2024 LTP to ensure these are up to date, accurate and meet asset and community needs.</li> </ol>	<ol style="list-style-type: none"> <li>1.a. Pressure Reduction programme commenced late 2023. Paused at 700Kpa (down from 850kPa) due to low pressure for fire hydrants and the Westport Wastewater Treatment Plant</li> <li>1.b. Smoke testing complete, remediation of BDC assets underway. 20 connections repaired, 9 scheduled and 31 unplanned.</li> <li>2.a. 3Waters reform has stopped, but asset capture and maintenance ongoing to best standards</li> <li>2.b. Considerable amount of work tagging CCTV to network assets. Structural ratings assessments now linked to asset register.</li> <li>3. Te Mana o te Wai remains at forefront of decision making. Iwi brought into discussions early.</li> <li>4. Water safety plans reviewed and updates late 2023.</li> <li>5. Issue found with Trade Waste Bylaw during re-evaluation process in mid-2023. Bylaw being rewritten and planned to be reintroduced to Council Oct-24.</li> <li>6. Ongoing as part of IS management changes.</li> </ol>

	<p>7. Audit and improvement – Start proactively monitoring the improvement programmes for BDC’s infrastructure assets (three waters, roading, parks and property, solid waste) as good industry practice.</p>	<p>7. Commencing as part of IS Management changes from 1-Jul-24</p>
<p><b>Roading and Transport</b></p>	<p>1. Demand:</p> <ul style="list-style-type: none"> <li>a. Monitor growth and demand on existing networks post COVID as visitors return and the district grows.</li> <li>b. Monitor networks and structures for HV volumes and loadings – impact on networks.</li> <li>c. Forecasting assumptions to be assessed further in general.</li> </ul> <p>2. Data:</p> <ul style="list-style-type: none"> <li>a. Continue with the good data management processes through RAMM and OBIS.</li> <li>b. Ensure the asset condition data captured after the two storm events are adequately stored and managed.</li> <li>c. Continue to work on filling gaps in asset data, including condition.</li> <li>d. Collection of footpath data to inform annual report LOS</li> </ul> <p>3. Decision making:</p> <ul style="list-style-type: none"> <li>a. Continue to work with the other West Coast Councils in delivering ‘joined up’ thinking and planning through the combined Activity Management Plan</li> <li>b. Continue to work towards an increased in-house team to enable more ownership and control in future planning and decision-making</li> </ul> <p>4. Risk – critical assets to be identified and managed appropriately.</p> <p>5. Financial planning – Ensure valuations and financial forecasts are up to date and incorporate any flood recovery/resilience works.</p>	<p>1.a. Monitoring average daily traffic via AgFirst traffic counts. Includes normal traffic and heavy traffic.</p> <p>WSP undertaking regular, scheduled inspections and proving assessment and recommendation reports.</p> <p>Continuing within new AMDS project and existing WSP contract</p> <p>Post storm RTS work identified and being updated in RAMM when completed</p> <p>RAMM data is monitored and regularly checked/audited.</p> <p>Footpath condition ratings reassessed in 2024 and RAMM has been updated</p> <p>Regular meetings held with the West Coast Regional Transport Partnership Group. Developed Joint West Coast Programme Business Case and Combined West Coast Activity Management Plan for Land Transport including roads.</p> <p>A Roothing &amp; Transport Team Leader position has been created and being recruited for and will improve the planning and decision-making processes.</p> <p>WSP supplying bridge condition assessments and recommendations.</p> <p>AMDS project, when complete, should improve this process for 25/26, valuations almost concluded for 23/24 FYE.</p>

	<p>6. Audit and improvement – Proactively monitor and implement the improvement plan in the AMP.</p>	<p>R&amp;T have improved financial management systems and tracking performance monthly.</p>
<p><b>Other Asset Portfolios</b></p>	<p>1. Operational planning:</p> <ul style="list-style-type: none"> <li>a. Reset the rolling work programme for Housing for Seniors portfolio.</li> <li>b. Investigate a joint waste collection services contract with Grey and Westland District Councils in anticipation of BDC’s contract expiring and to response to the Government’s mandates and sector changes.</li> </ul> <p>2. Data:</p> <ul style="list-style-type: none"> <li>a. Complete the discovery process for improving the accuracy of the parks and property asset inventories.</li> <li>b. Start collecting asset condition of the parks and property portfolio to understand the current state.</li> </ul> <p>3. Systems – Select a suitable asset management system for parks and property assets as an alternative to Unity with three water assets removed.</p>	<p>1.a. Not started. Repairs and Maintenance being done as required. Property management requires appropriate staffing. Units being brought up to Healthy Homes standard and mostly complete and externally assessed,</p> <p>1.b. Meetings took place with Grey and Westland, each Council decided to put out three separate contracts at around the same time, to not discourage competition but also allow for the potential for one contractor to bid for all three contracts.</p> <p>2.a. BDC Subcommittee Liaison Officer has commenced work on this</p> <p>2.b. Will be picked up by the vacant Property Manager role.</p> <p>3. Budget approved for FYE 2025. Options being considered and evaluated. RAMM looking likely as the platform for this.</p>

**RISK AND AUDIT COMMITTEE**

**14 AUGUST 2024**

**AGENDA ITEM: PE 2**

**Prepared by** Simon Pickford  
Chief Executive Officer

**Attachments** 1. Action Plan – August 2024  
2. Project Management Office (PMO) Review - Process Improvements Phase 4 Final Report

**Public Excluded:** Yes

**Reason(s) for Excluding Public:**

Item No.	Minutes/ Report of:	General Subject	Reason For Passing Resolution under LGOIMA	When Report Can Be Released	Release Details
PE 2	Simon Pickford – Chief Executive Officer	Project Management Update	(s 7(2)(f)) - Maintain the effective conduct of public affairs through the protection of such members, officers, employees, and persons from improper pressure or harassment	Click or tap to enter a date or leave blank.	Click or tap here to enter text.

**KPMG PROJECT MANAGEMENT OFFICE REVIEW - ACTION PLAN UPDATE**

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**1. REPORT SUMMARY**

This report provides an update on progress against the KPMG Forensic Audit action plan. It also provides the finalised Process Improvements Opportunities identified as Phase 4.

**2. DRAFT RECOMMENDATION**

**1. That Risk and Audit Committee receives the updated Action Plan.**

**2. That Risk and Audit Committee receives the finalised Phase 4 Process Improvements Opportunities document.**

**3. ISSUES & DISCUSSION**

**BACKGROUND**

Following several allegations in 2023 of financial mismanagement of funds by the PMO, a review of the PMO function was completed in October 2023 by Morrison Low.

Subsequently, KPMG undertook a forensic audit. A finalised version of the PMO Review report was received by Council on 24 April 2024.

Phase 4 of the PMO review involved the identification of any process improvement opportunities with Council. This was workshopped with Council and the Chair of Risk and Audit on 15 May 2024.

Feedback from the RAC meeting held on 26 June 2024 has been incorporated into the finalised version of the Process Improvements Opportunities document (**Attachment 2**).

**DISCUSSION**

A significant focus of the work to date has been on working through the implications of the Report's findings on the affected staff and contractors. The HR process is now complete with those staff. Contracting service arrangements have now been terminated.

The contractors have been provided with appropriately redacted versions of the report and provided comment. Minor additional redactions have been agreed to mitigate the risk of litigation.

The funders have requested and been provided with redacted versions of the report.

The Risk and Audit Committee discussed the Process Improvements Opportunities document at its meeting on 26 June. The Committee was generally comfortable with the content but had a specific concern about item 4b: *'High turnover in executive roles'*.

The draft mitigation stated:

*The RAC should assess the operating environment and when necessary and appropriate, step in to support management in managing risk. As new leaders become more established, the RAC should step back into a pure governance role.*

The phrase 'step in' implied the crossing of the Governance/Management line which, which brings its own significant risks. KPMG was asked to reconsider the wording of this mitigation which has now been revised to:

*The RAC should understand the risks faced by Council and ensure management are adequately managing those risks. When Council has a change of management, RAC may need to pay closer attention to the effectiveness of management's risk mitigation activities.*

This has been updated in the finalised report. Reporting on progress against each issue will be included in future updates of this report to RAC.

## **4. CONSIDERATIONS**

### **4.1 Strategic Impact**

Addressing these concerns is of utmost importance for the ongoing ability for Buller District Council, including its staff and partners, to operate with the necessary degree of confidence and trust from the community.

There is a real opportunity offered by the KPMG Report, particularly now the Phase 4 recommendations are received, for Council to enhance its systems and processes in order to be poised to cope better with future natural events and associated large-scale funding.

The recommendations are likely to also assist to identify other areas where current systems and processes could be improved.

### **4.2 Significance Assessment**

This does not trigger the Significance and Engagement Policy. However, it is clear that there is a high degree of attention from the public on this matter and therefore every effort must be taken to address the concerns that are raised.

### **4.3 Risk Management Implications**

Given the nature of the allegations, there are substantial legal and other issues that must be managed extremely carefully. Areas of risk to Council include:

- Perceived or actual pre-determination.
- Maintenance of independence between the auditors and Council.
- Quality of the KPMG Report.
- Signalled breach of the Protected Disclosures Act 2022 and repercussions that may flow from that.

- Potential for further breach of Protected Disclosures Act 2022 if the KPMG Report is handled inappropriately, e.g. if the identities of whistleblowers are not protected.
- The risk of allegations of defamation if the KPMG Report is released in its current form.
- Obligations as an employer towards employees, particularly those implicated in the KPMG Report (see Employment Relations Act 2022 and s 39(d) LGA '02– Council should be a good employer).
- Potential for personal grievance/s by affected employees.
- Contractual obligations e.g. with PMO contractors.
- Requirements to comply with other legal duties, including under the LGA '02.
- Competing obligations to various parties arising under the Privacy Act 2020.
- Risk of detailed audit by Government agency funders.
- Risk of claims by Government agency funders for return of funds and resulting financial pressure.
- Organisational reputational risk.
- Ongoing relationship with funders.

#### **4.4 Values**

The Buller District Values are Integrity, Future Focussed, Community Driven, One Team and We Care.

#### **4.5 Policy / Legal Considerations**

The legal considerations and risks are outlined above.

#### **4.6 Tangata Whenua Considerations**

There are no specific implications to our ongoing partnership with Iwi, save that for the enduring ability to work together as trusted partners.

#### **4.7 Views of Those Affected**

Key funders have been kept informed, and several directly engaged in the review and, following Council's decision, they will be further advised of the potential for further action as a response to this final audit.

Council has obligations under the Protected Disclosures Act to protect the identity of whistleblowers. Decisions on substantive public statements on the KPMG Report will need to consider how to protect the identity of whistleblowers or obtain their consent not to do so.

**4.8 Costs**

The costs in undertaking this work were largely unknown at the time of commissioning the review. Through the RFP process KPMG's proposal identified a cost range of between \$80,000 and \$120,000. At this stage the current costs to complete stages 1-4 are approximately \$120,000.

Further costs include costs of Council's legal advisors providing advice to SLT.

**4.9 Benefits**

The key benefits accrue from public transparency and in driving an ongoing culture of improvement and performance in the Council services

**4.10 Media / Publicity**

As noted above, there are substantial legal risks to Council arising from the KPMG Report being made public. However, ongoing transparency provides a platform for successful performance to be reported. The intent therefore will be to release as much of the KPMG Report as possible, whilst balancing the risks noted above.

**PROJECT MANAGEMENT OFFICE REVIEW - ACTION PLAN – AUGUST 2024**

Item	Action	Responsible	Completion Date	Progress
<b>1. People</b>				
1.1	Initiate HR process to review actions of BDC staff.	CEO	30 April 2024	Complete
1.2	Review ongoing relationship with Team Projects.	CEO	30 April 2024	Services terminated on 30 June 2024.
1.3	Review ongoing relationship with Taw Consulting.	CEO		Services terminated on 12 July 2024.
<b>2. Controls</b>				
2.1	Undertake control gap analysis to identify process improvement opportunities.	KPMG	20 May 2024	Complete.
2.2	Workshop control gap analysis findings with Risk and Audit Committee (RAC)	CFO/KPMG	22 May 2024	Workshop undertaken 15 May 2024.
2.3	Report bimonthly to RAC on progress on Action Plan and control gap analysis	CEO/CFO	Start June 2024	In progress
<b>3. Communication</b>				
3.1	Roll out communications regarding council's Protected Disclosure Policy to BDC employees (and contractors)	CEO/CFO	30 April 2024	Complete
3.2	Contact Protected Disclosers to brief them on the outcome of the Review.	CEO	30 April 2024	Protected Disclosers version of report underway. of Protected Disclosers have been briefed on progress.
3.3	Contact BDC staff interviewed by KPMG to brief them on the outcome of the Review	CEO	30 April 2024	Completed

3.4	Contact funding stakeholders to brief them on the outcome of the Review.	CEO	30 April 2024	Complete
3.5	Prepare a media release, and advise those above in advance	Comms	3 May 2024	Completed
3.6	Prepare a version of the KPMG report suitable for public release and advise those above in advance. Public 'version' may be a redacted copy of the report or may be a summary of the key findings	KPMG/CEO	3 May 2024	In progress
4. Claims				
4.1	Resolve disputed costs with NEMA via Projects in Partnership (PIP) committee	PIP	30 June 2024	In progress
4.2	Undertake further analysis of invoices to Waka Kotahi to determine if claims are eligible.	CFO	30 June 2024	In progress



# Project Management Office (PMO) Review

Process Improvement Opportunities  
**CONFIDENTIAL**

Buller District Council

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August 2024

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## Disclaimers

### Inherent Limitations

This report has been prepared in accordance with our Engagement Letter dated 1 November 2023. The services provided under our engagement letter ('Services') have not been undertaken in accordance with any auditing, review or assurance standards. The term "Audit/Review" used in this report does not relate to an Audit/Review as defined under professional assurance standards.

The information presented in this report is based on information provided by Buller District Council. We have indicated within this report the sources of the information provided. Unless otherwise stated in this report, we have relied upon the truth, accuracy and completeness of any information provided or made available to us in connection with the Services without independently verifying it. Nothing in this report constitutes legal advice or legal due diligence and you should not act upon any such information without seeking independent legal advice.

No warranty of completeness, accuracy or reliability is given in relation to the statements and representations made by, and the information and documentation provided by, Buller District Council consulted as part of the process.

This report was based on information available at the time it was prepared. KPMG is under no obligation in any circumstance to update this report, in either oral or written form, for events occurring after the report has been issued in final form.

Any redistribution of this report requires the prior written approval of KPMG and in any event is to be a complete and unaltered version of the report and accompanied only by such other materials as KPMG may agree. Responsibility for the security of any electronic distribution of this report remains the responsibility of those parties identified in the engagement letter. KPMG accepts no liability if the report is or has been altered in any way by any person.

## Third Party Reliance

This report is solely for the purpose set out in Executive Summary of this report and for Buller District Council information, and is not to be used for any other purpose or copied, distributed or quoted whether in whole or in part to any other party without KPMG's prior written consent.

Other than our responsibility to Buller District Council, neither KPMG nor any member or employee of KPMG assumes any responsibility, or liability of any kind, to any third party in connection with the provision of this report. Accordingly, any third party choosing to rely on this report does so at their own risk.

# Executive summary

## Background

KPMG were engaged by Buller District Council (**BDC** or **Council**) to conduct a review of the Project Management Office (**PMO**) which has been the subject of several press articles alleging financial mismanagement over the past 12-18 months. These articles have cast doubt on the adequacy of, and adherence to, controls that should have been in place to ensure the competent and compliant handling of central government funded programmes. More recently, Council received three complaints via Protected Disclosures, one prior to our engagement and two during the course of the review.

As detailed in our Engagement Letter, we took a phased approach to this engagement. This included:

- Phase 1 involved the setting and agreeing of detailed scope for Phases 2-4.
- Phase 2 involved the investigation of potential conflicts of interest and procurement processes over the period 1 July 2021 to 31 August 2023 (the **Period**).
- Phase 3 involved the detailed investigation of any issues that were uncovered through the Phase 2 work and documenting our findings in a Final Report.
- Phase 4 involved the identification of any process improvement opportunities with Council.

This document is the deliverable for Phase 4.

## Summary

As outlined in our Final Report, we identified several issues within the PMO that occurred over the Period. The underlying root cause of the issues appears to be inadequate management across multiple levels and a lack of critical controls. Specifically, we have identified the following key issues:

- Procurement Related Matters:
  - Costs incurred without formal, approved budget or external funding
  - Costs allocated to cost centres that do not align with the nature of the costs
  - Lack of thorough approvals for certain types of financial transactions
  - Insufficient oversight of consultants in the PMO
- Insufficient financial controls and monitoring within the PMO
- Changes in objectives of the PMO Office not appropriately documented and communicated
- Delayed and insufficient response to media reports and protected disclosures
- Costs were claimed that were outside the parameters set by external funders

As a result, this document includes the following areas where we have identified potential process improvement opportunities:

- Procurement and Finance
- Conflict of Interest
- Protected Disclosures
- Management and Governance

# Process Improvement Opportunities

# 1. Procurement / Finance

Issues	Risks	Mitigations/Process improvement opportunities
1.a Consultants appointed without a clear understanding of approval process or budget provision	<ul style="list-style-type: none"> <li>BDC is committed to contracts without appropriate oversight from Councillors or the Senior leadership team</li> </ul>	<ul style="list-style-type: none"> <li>To retain evidence of adherence to the Procurement Policy. Additionally, for transparency, a procedure should be established to document and file key procurement decisions for consultant appointments. For example, reasoning for engaging the consultant, demonstrating the total cost of the contract is within budget, and tendering documents and the appropriate approvals (especially when suppliers are directly appointed).</li> <li>Establish a preferred contractor list or contractor panel.</li> <li>We understand that the Procurement Policy is currently under review, therefore we recommend that the review considers including the above recommendations.</li> </ul>
1.b Lack of monitoring of consultant invoices	<ul style="list-style-type: none"> <li>BDC pays for services not received and/or nor budgeted</li> </ul>	<ul style="list-style-type: none"> <li>Establish clear guidelines for disbursements for consultants, to maintain consistency and compliance with Office of the Auditor General's Sensitive Expenditure guidelines.</li> <li>Require key performance indicators (KPIs) to be established for consultant contracts. Establish key milestones within the contract where the KPIs are assessed by the approving manager.</li> </ul>
1.c Insufficient information on consultant invoices for approvers	<ul style="list-style-type: none"> <li>BDC is unable to determine whether payment to consultants meets BDC's requirements or the requirements of external funders</li> </ul>	<ul style="list-style-type: none"> <li>Require consultants to provide a breakdown of hours with invoices to assist approving managers with their review of invoices.</li> </ul>
1.d Costs incurred without approved budget or outside of the parameters set by external funders	<ul style="list-style-type: none"> <li>BDC may be liable to repay external funders, either through cutting services, rate rises or borrowing</li> </ul>	<ul style="list-style-type: none"> <li>Develop processes to ensure that Council's procurement practices align with the requirements of external funders. For example, establishing requirements prior to incurring expenses, providing training to staff involved with procurement to ensure requirements are understood, and performing internal audits over projects to ensure processes and funding requirements have been adhered to.</li> </ul>
1.e Costs allocated to cost centres that do not align with the nature of the costs	<ul style="list-style-type: none"> <li>Budgets are manipulated resulting in unapproved spending and/or savings in other areas being masked</li> </ul>	<ul style="list-style-type: none"> <li>Implement preventative and detective controls to either block the inappropriate allocation of costs, or to detect any inappropriate allocation that does occur. As a detective control, perform periodic internal audits over allocation of costs to ensure they are appropriate.</li> <li>Conduct follow up with enquiries if inappropriate allocation occurs. Take appropriate actions, depending on the root cause.</li> </ul>

# 1. Procurement / Finance (continued)

	Issues	Risks	Mitigations/Process improvement opportunities
1.f	Lack of Internal Audit function	<ul style="list-style-type: none"> <li>BDC cannot test controls, resulting in undetected errors, potential fraud, inefficiencies and non-compliance with policies</li> </ul>	<ul style="list-style-type: none"> <li>Engage an external provider to establish an Internal Audit programme, as approved by the Risk and Audit Committee (<b>RAC</b>).</li> </ul>
1.g	Individual had a financial delegation set up in the financial system that did not align to the Financial Delegations Policy	<ul style="list-style-type: none"> <li>BDC employee is able to approve transactions, outside Council's risk appetite</li> </ul>	<ul style="list-style-type: none"> <li>Conduct a review of all systems that assign delegations and confirm they have been consistently configured in accordance with the Financial Delegations Policy.</li> <li>Ensure that the change management process for amending financial delegations is robust. For example: <ul style="list-style-type: none"> <li>Ensure that there are limited individuals that have the access to be able to update delegations. The individuals that have this access should not hold a financial delegation themselves.</li> <li>Establish an independent review (someone outside of the change management process) of changes to ensure they have been made in line with the approval process. This should continue on a periodic basis.</li> </ul> </li> </ul>
1.h	Insufficient controls in the complex receipting process	<ul style="list-style-type: none"> <li>BDC exposed to the risk that it is overpaying for services</li> <li>Invoices are not approved appropriately</li> </ul>	<ul style="list-style-type: none"> <li>Implement a monthly reconciliation process for all project related general ledger (<b>GL</b>) codes, including the complex receipting GL. This is to ensure transactions have been coded appropriately and that the complex receipting GL has a balance of zero at month end.</li> <li>Investigate the options for allowing invoices with multiple lines to be allocated within MAGIQ instead of on an Excel Spreadsheet (as is currently completed for the Complex Receipting process).</li> <li>Implement regular reporting of the "Monthly PMO Costs" general ledger account to the General Manager of Infrastructure Services. Costs that remain in this GL account have not yet been allocated to projects, posing a high risk that they have not been budgeted for or covered by available funding.</li> </ul>
1.i	Finance is required to confirm that funding submissions are true and accurate, however they are not responsible for and do not have oversight of the projects	<ul style="list-style-type: none"> <li>Finance staff placed in untenable position. This creates conflict between the Finance Team and Infrastructure Services</li> </ul>	<ul style="list-style-type: none"> <li>Require a Manager from Infrastructure Services to provide Finance with written confirmation that the funding submissions, such as those for Waka Kotahi NZTA claims, are true and accurate.</li> </ul>

## 2. Conflict of Interest (COI)

	Issues	Risks	Mitigations/Process improvement opportunities
2.a	COI not appropriately managed / Potential undeclared COI	<ul style="list-style-type: none"> <li>BDC exposed to the risk of allegations of corruption</li> <li>Lack of integrity in decisions around commercial outcomes</li> <li>BDC employees lose trust in management</li> </ul>	<ul style="list-style-type: none"> <li>The Conflict of Interest Policy should be expanded to:               <ul style="list-style-type: none"> <li>Apply to other personnel providing services to BDC (e.g. independent contractors)</li> <li>Ensure that the disciplinary measures for failing to declare a COI are clearly stated in the Policy</li> <li>Include individual's responsibilities in regard to declaring a COI (for example declaring the COI in writing to their manager, and if the manager is also involved in the COI, report it to that person's manager instead)</li> <li>Include manager responsibilities, ensuring that appropriate processes are established to minimise the COI and that written documentation of the processes are put in place. (Actions may include authorising the individual to continue in their current duties, re-organising the individuals duties to remove the COI, asking the Chief Executive to determine what appropriate action should be taken, and establishing the Manager responsible for ongoing monitoring and involving Human Resources so they are aware).</li> </ul> </li> <li>Provide regular reminders to staff to declare potential COIs (e.g. quarterly).</li> <li>A COI register should be maintained and managed by Human Resources to ensure transparency.</li> </ul>
2.b	Commercially sensitive BDC information being shared outside Council	<ul style="list-style-type: none"> <li>BDC exposed to the risk of legal actions from affected parties</li> <li>Breaches of confidentiality / contract provisions</li> </ul>	<ul style="list-style-type: none"> <li>Ensure that Council's policy on the use of information prohibits the unauthorised sharing of BDC information.</li> <li>Ensure the policy applies to contractors.</li> <li>Implement detection controls to identify the movement of information outside Council's digital environment.</li> </ul>

# 3. Protected Disclosures

	Issues	Risks	Mitigations/Process improvement opportunities
3.a	Lack of proper management of protected disclosure	<ul style="list-style-type: none"> <li>Failing to identify and properly manage protected disclosures exposes BDC to significant risk of legal action</li> <li>Staff will lose confidence in the process, resulting in matters going unreported</li> <li>Staff will contact the media, rather than use the internal channel</li> </ul>	<ul style="list-style-type: none"> <li>Engage an independent whistle-blower service.</li> <li>As the Protected Disclosure Policy was recently introduced, training should be provided to all staff. Ongoing training should be established for new employees, consultants, third party administrators and Councillors. Refresher communications should also be delivered on a semi-regular basis (e.g. annual).</li> </ul>
3.a	Until recently there was no Protected Disclosure Policy	<ul style="list-style-type: none"> <li>Section 29 of the Protected Disclosures Act 2022 places requirements on public sector organisations. Failing to meet these requirements could result in action being taken against BDC</li> </ul>	<ul style="list-style-type: none"> <li>Review the Protected Disclosures Act and ensure BDC is complying with the Act.</li> </ul>
3.c	There is no guidance available to staff regarding making complaints that may not amount to a Protected Disclosure (which requires there to be serious wrongdoing)	<ul style="list-style-type: none"> <li>Issues may go unreported or BDC employees may make a complaint under the mistaken belief that they are protected under the Act</li> </ul>	<ul style="list-style-type: none"> <li>Establish a definition and policy for 'wrongdoing' actions and behaviours that do not meet the definition or threshold of 'serious' wrongdoing. For example breach of policy, the code of conduct or other misconduct that does not amount to 'serious' wrongdoing.</li> <li>Review BDC's policy for making complaints and ensure there are appropriate channels for staff to make protected and non-protected complaints.</li> </ul>

# 4. Management / Governance

	Issues	Risks	Mitigations/Process improvement opportunities
4.a	Lack of oversight	<ul style="list-style-type: none"> <li>Failing to understand the role of the RAC could result in confusion over who is responsible for the identification and mitigation of risk</li> </ul>	<ul style="list-style-type: none"> <li>Councillor's should undertake an enterprise risk management workshop, to assist with increasing the maturity of identifying, measuring, evaluating, monitoring, reporting and controlling or mitigating critical risks to Council.</li> </ul>
4.b	High turnover in executive roles	<ul style="list-style-type: none"> <li>A lack of continuity at the senior leadership level can mean that existing and emerging risks are not recognised, understood or mitigated</li> </ul>	<ul style="list-style-type: none"> <li>The RAC should understand the risks faced by Council and ensure management are adequately managing those risks. When Council has a change of management, RAC may need to pay closer attention to the effectiveness of management's risk mitigation activities</li> </ul>
4.c	Inadequate identification and mitigation of risks	<ul style="list-style-type: none"> <li>Failing to identify and mitigate risks could result in adverse events occurring</li> </ul>	<ul style="list-style-type: none"> <li>Conduct regular risk reviews, to identify emerging risks and allow for appropriate actions to be taken.</li> <li>Establish a regular Internal Audit programme to review BDC's internal control environment. In our view, this should initially include a focus on procurement, financial controls and sensitive expenditure.</li> </ul>
4.d	Lack of effective action after media reports and/or allegations from other sources	<ul style="list-style-type: none"> <li>Failing to properly and thoroughly investigate allegations can result in a lack of public confidence in BDC</li> <li>Exposes BDC to the risk that inappropriate behaviour may be continuing to occur</li> </ul>	<ul style="list-style-type: none"> <li>When the RAC is made aware of allegations, a scoping exercise should be completed to fully understand the allegations. It should then initiate an investigation to properly target and investigate the allegations. The investigation report should be challenged by the RAC to ensure a proportionate investigation has been conducted and that any conclusions reached are supported by evidence. For example, ordinarily we would expect a more thorough investigation of complaints than what was initially conducted at BDC.</li> </ul>
4.e	Unauthorised or undocumented changes to the objective of the PMO	<ul style="list-style-type: none"> <li>The RAC can't effectively manage risk when they are not made aware of material changes to council operations</li> </ul>	<ul style="list-style-type: none"> <li>Ensure the PMO delivery model aligns with Senior Leadership intentions and expectations. We understand that this is to keep the PMO in the 'Supportive' model, not 'Controlling' or 'Directive'. Communicate the objective and its practical implications to relevant individuals.</li> <li>Establish clear processes and approval requirements for changes to the delivery models of Council departments.</li> </ul>
4.f	Several BDC policies are out of date	<ul style="list-style-type: none"> <li>Failing to update the policies that make up the integrity framework, could mean that policy wording is out of date and that BDC employees do not have a reliable set of guidelines</li> </ul>	<ul style="list-style-type: none"> <li>There are a number of policies which are overdue for review, such as the Conflict of Interest, Procurement and Fraud Policies. If the Policies have been reviewed, the review date should be updated accordingly. If not, the Policies should be reviewed and refreshed alongside the relevant processes related to each policy.</li> </ul>

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