



Contract Tendering / Proposal

For Audit & Risk Committee

December 2018

1. Executive Summary

1.1. Overall Findings and Conclusions

During the review we noted the following areas of good practice:

- ✓ We concluded that the Palmerston North City Council's (PNCC) Contract Tendering /Proposal Process is generally open and fair.
- ✓ The MT 70 Procurement Management Team Policy has recently undergone a thorough review in consultation with the all of the business and now provides for a good framework based on which a sound procurement decision making can occur. The Policy also provides for general procedural guidelines on Tendering method.
- ✓ Detailed Building & Civil Engineering Contract Administration Manual (B&CE CAM) exists which mainly focusses on Contract Tendering processes to be followed for all Building & Civil Engineering works along with standard templates / forms to be used so as to meet the requirements of the MT 70 Policy, Public Record Act 2005 requirements and other compliance requirements that Council is bound to.
- ✓ The evaluation criterion used in the Building and Civil Engineering Tender or proposal process includes both price and non-price criteria. From the sample test checked contracts, the most commonly used bases of tender evaluation were the Lowest Price Conforming Method, Weighted Attributes Method, Price Quality Method.
- ✓ Considerable process improvements have been completed since the last internal Audit of Contract Tendering process was conducted.

However, our audit review found that whilst there is basically a sound system of internal control design for the Building & Civil Engineering related works, there are weaknesses in control design which may place some of the Contract Tendering objectives mentioned in the Procurement Management Team Policy (MT 70) at risk.

Overall, we have identified 19 audit issues with 39 recommendations to further enhance the contract tendering processes. Summary of the recommendations are set out in the Section 2. Full details of the audit findings and recommendations are shown in Section 3 of the report.

1.2. Background

This report has been prepared as a result of the agreed Internal Audit Plan for 2017-18, approved by the Audit & Risk Committee - see *Appendix A for the Terms of Reference which provides greater detail on agreed scope and our approach to this review.*

PNCC's Contract Tendering process is the process by which the Council acquires goods, services and works from third parties to meet the City needs by way of Tendering openly or to selected vendors in the market. Strategic Goals and Objectives of PNCC are outlined in detail in its 10 year plan 2015-2025 and that describes what we are working towards and the associated budgets which indicate the level of procurement expected. PNCC had capital expenditure budget of \$50.6M for 2016-17 and \$63.26M for 2017-18. Below table includes a table on the capital expenditure by Units:

Unit	2016/17 CAPEX Amt (\$000's)	2017/18 CAPEX Amt (\$000's)
Customer Services	56	6
City Corporate	1,291	1,239
City Enterprises	1,275	1,392
Libraries & Community Services	2,188	5,685
City Networks	45,866	54,947
Grand Total	50,676	63,268

The MT 70 Procurement Management Team Policy stipulates that Tendering / Proposal process can be one of the preferred method of procurement for contracts with value between 1% and 20% of the specified sums (currently set at \$160k – however at the time of audit, it was \$155k (as per the MT 70 Procurement Management Team Policy – version 3) and should always be the preferred procurement method for contracts over the value of 20% of specified sum (\$310k at the time of audit). This requirement has been set to allow for open, fair and competitive procurement process and to fulfil its statutory duty to achieve best value.

Knowledge and expertise in contract tendering and management in Building & Civil Engineering works is mainly centred in the Technical Services Division in City Enterprises. Our sample study consisted of 6 Service Delivery contracts and 6 Building & Construction works (of which 3 were managed by Tech Services team in City Enterprises). See Appendix A for more detail on the 12 contracts sampled.

2. Summary of Issues & Recommendations

Issues & Recommendations		Risk Rating		
		High	Medium	Low
1.	<p>Contract & Tendering Administration Manual for Service Delivery Units/works does not exist</p> <p>Management should consider:</p> <p>a) To formalize and develop a Contract Administration Operating Manual along with standardised templates and forms for Service delivery units or for project works outside of the construction & civil engineering scope of work.</p> <p>b) Once completed, Council-wide communication and training are also recommended to ensure that employees have a good understanding of the processes.</p>		✓	
2.	<p>Non-compliance of Building & Civil Engineering Manual requirement regarding conducting formal full review requirement every three years</p> <p>Management should:</p> <p>a) Approve the request by Technical Services to do a full review of the existing Contract Administration.</p>			✓
3.	<p>Lack of formal training programmes on Contract Tendering /Proposal procedures</p> <p>Management should:</p> <p>a) Develop a training programme of Council's B&CE CAM to all relevant staff</p> <p>b) Ensure that a process is established that ensures that all external consultants acting on behalf of Council are provided a brief on B & CE CAM requirements.</p> <p>c) Ensure Training records are appropriately saved for audit trail purposes.</p>			✓

Issues & Recommendations		Risk Rating		
		High	Medium	Low
4.	<p>Non-compliance of MT70 Policy requirement regarding recording of contracts and agreement in the Central Register</p> <p>Management should:</p> <ul style="list-style-type: none"> a) Move all Contracts & Agreement folders stored in other OASIS Index folders to Contracts Index folder. This will force staff to register their contracts on the Register of contracts and agreements. b) Reiterate the need and instructions to all staff regarding completing 'new Contract online form' for all types of Contracts and Agreements with external party. c) Ensure there is ownership of the Register of Contracts & Agreement so that each unit is reminded to manage their accuracy of their listings. d) Setup a monitoring / reporting process to produce a snapshot report that can further enable management in making any business or strategic decisions. 			✓
5.	<p>Lack of Procurement Planning documentation for individual contract works that are to be Tendered</p> <p>Management should:</p> <ul style="list-style-type: none"> a) Build a formal guidance & standard template on what level of information is required when planning for individual procurement. The template could include a justification of choosing the preferred procurement method, any potential procurement risks which could affect the procurement schedule, quality or pricing attributes, mitigation strategies to avoid or reduce the potential procurement risks, procurement schedule, procurement team etc. 		✓	
6.	<p>Lack of procedural guidance on how to perform Request for Proposal (RFP) and Registration of Interest (ROI) processes and lack of policy requirement on the stages in which to perform or progress from ROI to RFP/ RFT</p> <p>Management should:</p> <ul style="list-style-type: none"> a) Include guidance on how and when to use a multistage competitive procurement process and any relevant records to be maintained. 			✓
7.	<p>No documented evidence of peer review of Tender documentation before sending Tender invitations</p> <p>Management should:</p> <ul style="list-style-type: none"> a) Remind staff to ensure that there is documented evidence of peer review of Tender documentation before Tender invites are sent out. 			✓

Issues & Recommendations		Risk Rating		
		High	Medium	Low
8.	<p>Conflict of Interest declaration not completed for some of the sampled Tendering / Proposal contract works</p> <p>Management should:</p> <ul style="list-style-type: none"> a) Remind staff of ensuring that Conflict of Interest Declaration forms are completed at the right stage of the Tender / Proposal evaluation. b) Ensure that the B& CE CAM is updated that requires staff to sign Conflict of interest declaration forms for all forms of procurement methods. 		✓	
9.	<p>Lack of policy requirement regarding conducting due diligence of preferred participants in the Contract Tendering process</p> <p>Management should:</p> <ul style="list-style-type: none"> a) Include guidance in its Contract Administration Manual on when to carry out Due Diligence and the type of record to be maintained which documents the outcome of the check conducted. b) Develop a list of Suppliers that have had a Due Diligence Check so as to avoid duplication of Due Diligence checks. c) Participants should be advised of the Due Diligence process in the tender or proposal documents. 		✓	
10.	<p>Non-compliance to MT 70 Procurement Management Team Policy with respect to documenting reasons of Direct Engagement of Former Employees</p> <p>Management should:</p> <ul style="list-style-type: none"> a) Register the Agreement in the Central Register. b) Remind staff to ensure that the reasons of direct engagement of the selected consultant be documented. c) Remind staff that they need to obtain GM approval for all direct engagements. 		✓	
11.	<p>Communication of Tender / Proposal evaluation results to unsuccessful participants needs to be more transparent</p> <p>Management should:</p> <ul style="list-style-type: none"> a) Amend the existing 'letter of rejection' standard template to ensure that it includes an offer of a debriefing session. b) Include in the Contract Administration manual, guidance on the content of the debriefing session. c) Staff should be reminded to take care to not disclose commercially sensitive information that relates to other tenders or proposals to unsuccessful tenderers. 			✓

Issues & Recommendations		Risk Rating		
		High	Medium	Low
12.	<p>New MT70 Procurement Management Team Policy requirement regarding obtaining sign-off from Council's Legal Advisors not published and communicated to rest of the staff</p> <p>Management should:</p> <p>a) Publish the MT70 Management Team Policy requirement on City Port and communicate about the same to all staff.</p>		✓	
13.	<p>Lack of procedural & tender clause on suspension or cancellation of Tender or Proposal process</p> <p>Management should consider:</p> <p>a) Develop or include in its Contract Administration Manual guidance on procedures to follow in case of suspension or cancellation of the Tender and/or proposal process.</p> <p>b) Should specifically mention a clause in the Tender Documentation that helps to reserve the rights of the Council to suspend or cancel the tender or proposal process and any consultation rights to the Vendor if statutorily required.</p>			✓
14.	<p>Safety of original signed exchanged Contract documentation for business continuity purposes</p> <p>Management should ensure that:</p> <p>a) The Council should ensure that all original contracts are kept in a secure location at all times.</p> <p>b) Contract managers should request Records Team to scan the original copy and have a hard copy of original as a working copy.</p> <p>c) Contract managers should send the originals Contract copies (including any agreements) to Records once the contract/agreement work has been completed.</p>		✓	
15.	<p>Potential non-compliance of MT86 Management Team Records and Information Management Policy regarding Contract Tendering documentation standards especially in cases where multiple internal and external consultants are involved</p> <p>Management should consider to:</p> <p>a) Setup a default contract file folder system which also includes mandatory list of documentation templates required when a new Contract request form is sent to the Records Team.</p> <p>b) Training to both internal and external consultant regarding record keeping standards to be followed in Council.</p>		✓	
16.	<p>Lack of documented evidence of vendor performance review at the time extension of previously tendered</p>		✓	

Issues & Recommendations		Risk Rating		
		High	Medium	Low
	<p>contract</p> <p>Management should either :</p> <p>a) Include in the proposed Contract Administration Manual for Service Delivery units, a standardised performance evaluation form on contract completion or,</p> <p>b) Develop a Unit specific Template that allows for the documenting of reasons why the tender has been extended.</p>			
17.	<p>Non-compliance to MT86 Information Management Team Policy – original source Contract documentation destroyed for a completed contract work</p> <p>Management should :</p> <p>a) Ensure that MT 86 Policy requirement around Record Disposal is reminded to all staff members.</p>			✓
18.	<p>Ineffective Contract Tendering process accountability / monitoring framework</p> <p>Management should consider to either :</p> <p>a) Appoint either a centralised or unit specific Contract Administration officer who can be the person that provides oversight and reports to Senior Management about any issues relating to Contract Tendering processes or</p> <p>b) Establish a Routine check which involves a periodic review of files (e.g. quarterly) to ensure compliance with the policies and procedures for Tendered Contracts (high risk high value).</p>		✓	
19.	<p>Contract documentation not signed and initialled before project became operational</p> <p>Management should</p> <p>a) Seek legal advice to clarify the current practise of assuming 'letter of Award' as good enough to kick off project work.</p> <p>b) Seek legal advice to clarify if both parties should be required to initial each page of the Contract documentation.</p>			✓

3. Detailed Findings & Recommendations

Audit Issue	Risk	Recommendation	Management Comment
<p>1. Contract & Tendering Administration Manual for Service Delivery Units/works does not exist</p> <p>Criteria</p> <p>NZ Controller and Auditor-General's Good Practice Guide: Procurement guidance for public entities,2008 indicates that every public entity should develop their own Tendering/Proposal management framework which includes internal policies as well as procedures and standards that comply with and support the Policy objectives in order to ensure that operational tasks are performed consistently and efficiently.</p> <p>Condition</p> <p>Our audit review concluded that whilst there is a B&CE CAM being used by City Networks and City Enterprises, it does not include a procedure nor is there a standalone operating standard manual for Service delivery units / works.</p> <p>Besides our current review, past audit results had also revealed the same audit condition (ref.Parking Collection Contract management Internal Audit) with audit recommendation originally agreed to be completed by June 2015.</p> <p>As a result, staff performing non-building or civil engineering works (mainly works carried out in Service Delivery units) has had to either depend on the existing B& CE CAM and/or customize the CAM standard templates to suit their specific requirements depending on their knowledge and experience. This has led to incomplete information, inaccuracies and operational inconsistencies.</p>	<p>Medium</p>	<p>Management should consider:</p> <p>a) To formalize and develop a Contract Administration Operating Manual along with standardised templates and forms for Service Delivery units or project works outside of the construction & civil engineering scope of work.</p> <p>b) Once completed, Council-wide communication and training are also recommended to ensure that employees have a good understanding of the processes.</p>	<p>a) & b) Management will commission a review of the Council's procurement practices.</p> <p>Responsibility: Chief Financial Officer</p> <p>Timing: Before end of March 2018</p>

Audit Issue	Risk	Recommendation	Management Comment
<p>Cause</p> <p>Lack of management directive to setup a Standalone Operating manual for Service delivery or non-building or civil engineering works.</p> <p>Consequence</p> <p>Besides the operational inconsistencies, absence of an approved procedural framework can lead to potential legal risk implications where by the staff without being aware of the risks can attempt to alter or omit the Legal term & conditions or the information that is to be disclosed to or to be requested from potential suppliers.</p>			
<p>2. Non- compliance of Building & Civil Engineering Contract Administration Manual requirement regarding conducting formal full review requirement every three years</p> <p>Criteria</p> <p>The B&CE CAM requires that a 'full review be conducted once every three years'.</p> <p>Condition</p> <p>On review of the current Contract, it was noted that a full review was last conducted in March 2013 and it has been over three years since then. It was further noted that a revision request has been sent to General Manager, City Networks an Due Diligence it awaits his approval before the review can be conducted.</p> <p>Cause</p>	Low	<p>Management should:</p> <p>a) Approve the request by Technical Services Division to do a full review of the existing Contract Administration Manual.</p>	<p>a) Agree and will implement.</p> <p>Responsibility: General Manager City Networks</p> <p>Timing: Before 22 December 2017</p>

Audit Issue	Risk	Recommendation	Management Comment
<p>Lack of General Manager approval to conduct a full review.</p> <p>Consequence</p> <p>Not reviewing the B&CE CAM as planned can lead to potential ineffective practises being followed and not correspond with the Management Policy requirements</p>			
<p>3. Lack of formal training programmes on Contract Tendering /Proposal procedures</p> <p>Criteria</p> <p>NZ Controller and Auditor-General's Good Practice Guide: Procurement guidance for public entities,2008 indicates that a public entity should ensure that each employee or externally engaged consultant acting on behalf of entity or anyone else involved in the Tendering/Proposal process has the required knowledge and awareness of the Council's Procurement Management Team Policy and Tender Procedural requirements.</p> <p>Condition</p> <p>Internal Audit found that staff has been recently provided training on Project management principles which also included MT70 Procurement Management Team Policy. However there is no formal training provided to staff members on the Tendering / Proposal procedural requirements stipulated in the B&CE CAM. Any training that is provided is based on individual requests. Additionally, External Consultants (acting on behalf of Council to manage the Tendering Process) are not provided any training or awareness of the Council's Procurement Policy and procedural requirements. Furthermore, there is no training record in place to verify that training</p>	Low	<p>Management should:</p> <ul style="list-style-type: none"> a) Develop a training programme of Council's B&CE CAM to all relevant staff. b) Ensure that a process is established that ensures that all external consultants acting on behalf of Council are provided a brief on B & CE CAM requirements. c) Ensure Training records are appropriately saved for operational & audit trail purposes. 	<ul style="list-style-type: none"> a) Technical Services staff will undergo refresher training once the review of the Contract Administration Manual (CAM) has been completed. <p>Use of CAM will be incorporated into the induction processes for new Technical Services personnel.</p> <ul style="list-style-type: none"> b) External consultants engaged to assist Council with contract management including tendering need to demonstrate competency in the discipline. Accordingly, there should not be a need for training of their personnel. However, as part of their engagement, the brief needs to outline Council's procurement requirements as this impact on the consultancy service being sought. c) Technical Services staff attendance at training will be noted on their personnel files.

Audit Issue	Risk	Recommendation	Management Comment
<p>was provided for. Cause</p> <p>Lack of formalised training programme and/or training requirement. Consequence</p> <p>Can potentially lead to inconsistent contract tendering / proposal processes being followed</p>			<p>Responsibility: Technical Services Manager</p> <p>Timing: Before end of March 2018</p>
<p>4. Non-compliance of MT70 Procurement Management Team Policy requirement regarding recording of contracts and agreement in the centralised Register of Contract & Agreement</p> <p>Criteria</p> <p>MT 70 Policy requires that where a formal contract or agreement is required to be signed with an external party, all staff are required to complete a 'New Contract Request online form' to obtain a file contract number from Records. All the mandatory fields in the form must be completed so that Records Team has the correct information when creating the new contract number in the central register.</p> <p>Condition</p> <p>Based on the interviews conducted with various staff members in all the Council Units, it was concluded that not all units were using the Register of Contract and Agreement as it is perceived that the Register was setup for mainly Building & Civil Engineering Contracts & Agreements. As a result, some units in Council are using spreadsheets to keep track of their respective Contracts and Agreements. Additionally, it was found that there was inaccurate data in the Register for the contracts that were already registered.</p>	Low	<p>Management should:</p> <p>a) Move all Contracts & Agreement folders stored in other OASIS Index folders to Contracts Index folder. This will force staff to register their contracts on the Register of contracts and agreements.</p> <p>b) Reiterate the need and instructions to all staff regarding completing 'new Contract online form' for all types of Contracts and Agreements with external party.</p> <p>c) Ensure there is ownership of the Register of Contracts & Agreement so that each unit is reminded to manage their accuracy of their listings.</p> <p>d) Setup a monitoring / reporting process to produce a snapshot report that can further enable management in making any business or strategic decisions.</p>	<p>a) & b) All staff with procurement responsibilities will be sent an email reminding them of the requirement to record the contracts in the central register.</p> <p>c) & d) The cost/benefit of a centralised procurement position will be undertaken by 30 June 2018</p> <p>Responsibility: Chief Financial Officer</p> <p>Timing: Before end of 15 February 2018</p>

Audit Issue	Risk	Recommendation	Management Comment
<p>Lastly, it was further noted that not all units use the Contracts Index folder in OASIS which is the centralised folder for storing all Contract & agreement related documentation. The Contracts Index folder is also linked to the Register of Contracts and Agreements in the way that you can only create a folder in the Contracts Index OASIS folder if you the contract have been registered in the centralised register.</p> <p>Cause</p> <p>Due to in-effective communication there is a general perception that the Register is mainly for recording the Building & Civil Engineering Contracts & Agreements. Secondly, inaccurate data on the register could be due to either inaccurate data being supplied in the ' New Contract Request online form' or inaccurate data not being followed up to ensure data is corrected.</p> <p>Consequence</p> <p>Non-compliance to MT70 Policy relevant requirement which was setup on the pretext of the Public Records Act 2005 requirements around record keeping.</p>			
<p>5. Lack of Procurement planning documentation for individual contract works that are to be tendered</p> <p>Criteria</p> <p>NZ Controller and Auditor-General's Good Practice Guide: Procurement guidance for public entities,2008 requires setup of individual procurement plans (depending on the value & risk categorization) besides the overall Procurement Strategy.</p> <p>This helps an organization to identify the best way to approach the market , analyze any associated risks with the procurement early on so that they can be managed and to have a documented evidence that demonstrates the justification for selecting the agreed</p>	Medium	<p>Management should:</p> <p>a) Build a formal guidance & standard template on what level of information is required when planning for individual procurement. The template could include a justification of choosing the preferred procurement method, any potential procurement risks which could affect the procurement schedule, quality or pricing attributes, mitigation strategies to avoid or reduce the potential</p>	<p>a) Support and will implement.</p> <p>Responsibility: Special Projects Manager</p> <p>Timing: Before end of March 2018</p>

Audit Issue	Risk	Recommendation	Management Comment
<p>procurement method in line with the best value for money principle.</p> <p>Condition</p> <p>Based on the staff interviews held, it was noted that staff perceived the Council's Long Term Plan to be the documented justification of the procurement activity of the project work. However there was lack of understanding of what should be included in a typical individual Procurement Plan, which in effect should match up to the Long Term Plan objectives.</p> <p>Our sample review revealed that only 3 out of 12 randomly selected contracts with value greater than \$ 15,000 had an Individual Procurement Plan. However, we noted that out of the 3 contracts that did have a plan, one of it was setup by the external project management firm as part of their standard requirements.</p> <p>Cause</p> <p>Lack of staff understanding and management mandate</p> <p>Consequence</p> <p>May result in ineffective decision making and/or to non-identification and subsequent mitigation strategies of potential procurement risks</p>		<p>procurement risks, procurement schedule, procurement team etc.</p>	
<p>6. Lack of procedural guidance on how to perform Request for Proposal (RFP) and Registration of Interest (ROI) processes and the stages in which to perform or progress from ROI to RFP/ RFT (request for Tender)</p> <p>Criteria</p> <p>NZ Controller and Auditor-General's Good Practice Guide:</p>	<p>Low</p>	<p>Management should:</p> <p>a) Include a Policy guidance on how and when to use a multistage competitive procurement process and any relevant records to be maintained.</p>	<p>a) Agreed and will implement.</p>

Audit Issue	Risk	Recommendation	Management Comment
<p>Procurement guidance for public entities, 2008 indicates that a public entity should include in its Policy and procedures a guidance on when and how each of the procurement methods are to be used and the documentation and records of the process and the results of the process that need to be retained for probity and audit purpose.</p> <p>Condition</p> <p>Our audit review of the existing Management Team Policy (MT70) and B&CE CAM revealed that whilst there is description of what a RFT, RFI, and RFP process means, there is no guidance or clarification on what stage and how to use the RFI and the RFP process in particular.</p> <p>Furthermore, our staff interviews identified that there was a lack of clarity amongst staff as to when to use and to progress from RFI to RFP or RFT. Sample review revealed that in 2 out of the 7 randomly selected contracts(value greater than \$310k), a ROI process was followed and was used to conclude the procurement process rather than proceeding to RFP or RFT process. In both these cases, procedure wise a RFP process was followed but was actually performed as a ROI process.</p> <p>Cause</p> <p>Lack of awareness of differences between ROI and RFP and lack of clarity on which stages to use a ROI and RFP/RFT process.</p> <p>Consequence</p> <p>Lack of following the correct procurement progression especially in a multi-stage process can lead to potential risks of not being open, fair and transparent.</p>		<p>b) Ensure the Policy requirement is communicated to staff.</p>	<p>b) Agreed and will implement</p> <p>Responsibility: Special Projects Manager</p> <p>Timing: Both actions before end of March 2018</p>

Audit Issue	Risk	Recommendation	Management Comment
<p>7. No documented evidence of peer review of Tender Documentation before sending Tender invitations</p> <p>Criteria</p> <p>B & CE CAM requires that all tender documents must be peer reviewed by the Engineer (Technical Service Manager), or person nominated by the Engineer, and approved before inviting tenders.</p> <p>Condition</p> <p>In 4 out of 7 selected contracts over the value of \$310k, it was noted that there was no documented evidence of peer review that would demonstrate compliance to the B & CE CAM requirements.</p> <p>Cause</p> <p>Lack of awareness of B & CE CAM requirements.</p> <p>Consequence</p> <p>Could lead to potential issues related to understating or overstating requirements in the Tender Documentation.</p>	Low	<p>Management should:</p> <p>a) Remind staff to ensure that there is documented evidence of peer review of Tender documentation before Tender invites are sent out.</p>	<p>a) Requirement will be included in the training referred to in Recommendation 3.a)</p> <p>The B&CE CAM review, under Recommendation 2.a), will consider the need for standard/template tender/contract documents to include a review record panel</p> <p>Responsibility: Technical Services Manager</p> <p>Timing: Before end of March 2018</p>
<p>8. Conflict of Interest declaration not completed for some of the sampled Tendering / Proposal contract works</p> <p>Criteria</p> <p>Our MT 70 Management Team Policy and B&CE CAM requires that all members of the evaluation panel must sign the Conflict of Interest Declaration at the top of the Tender Evaluation Form (Appendix E1A) declaring that they have no conflict of interest in relation to the tender or any of the tenderers.</p>	Medium	<p>Management should:</p> <p>a) Remind staff of ensuring that Conflict of Interest Declaration forms are completed at the right stage of the Tender / Proposal evaluation.</p> <p>b) Ensure that the B & CE CAM is updated that requires staff to sign Conflict of interest declaration forms</p>	<p>a) Agreed and will implement</p> <p>b) The CAM review will incorporate the following</p>

Audit Issue	Risk	Recommendation	Management Comment
<p>Condition</p> <p>Internal Audit obtained a copy of the recently completed external audit and hereby notes that Conflict of Interest issues were identified as detailed below. It is to be further noted here that Management has already provided its comments for the same and estimated completion time is by end of November 2017.</p> <p><i>External Audit finding</i> : Conflict of interest declarations are being completed too late to ensure that effective mitigations are put in place as early as possible</p> <p><i>Management Comment</i>. Recommendations concerning "Conflicts of Interest" are supported and a review of Procurement Policy MT70 and the B&CE CAM will be conducted accordingly.</p> <p>Apart from the above stated external audit finding, Internal Audit has identified the below listed issue based on the documents verified :</p> <ul style="list-style-type: none"> a. Conflict of Interest declaration form was not completed for 7 out of the 12 selected samples. b. The B&CE CAM only requires that Conflict of Interest Declaration form be completed at the time of Tender Evaluation. This does not cover the Proposal process or for that matter other forms of procurement as is required by the MT 70 Procurement Management Team Policy. <p>Cause</p> <p>Lack of staff awareness of the potential repercussion of failing to follow these legal obligations and lack of awareness and/ or clearly stated management expectations around conflict of interest in the operating manual.</p>		<p>for all forms of procurement methods.</p>	<ul style="list-style-type: none"> i) For Open Tender processes the Conflict of Interest forms must be completed once companies submitting tenders have been identified and before the tender assessment takes place. ii) For Invited Tenders the Conflict of Interest forms must be completed when the list of companies to be invited to tender is compiled. <p>At this time the current Conflict of Interest format used by Technical Services is not suitable for use for all forms of procurement across the organisation. Further development would be required if the Conflict of Interest process is required across the organisation for all types of procurement. This will be considered as part of Recommendation 1.a).</p> <p>Responsibility: Technical Services Manager</p> <p>Timing: Before end of</p> <ul style="list-style-type: none"> a) January 2018 b) March 2018

Audit Issue	Risk	Recommendation	Management Comment
<p>Consequence</p> <p>Not declaring any Conflicts of interest can have both legal and ethical risks attached to it.</p>			
<p>9. Lack of Policy requirement regarding Due Diligence checks of preferred participants in the Contract Tendering process</p> <p>Criteria</p> <p>NZ Controller and Auditor-General's Good Practice Guide: Procurement guidance for public entities, 2008 indicates that a public entity carries out a Due Diligence of the preferred participants especially for high value, high risk or complex or long term contract works. This is to ensure that the participant has the capacity and financial & technical ability to fulfil all of the requirements of the contract.</p> <p>Condition</p> <p>Assuming that all contract works over the 20% of specified sum (\$310k) is considered to be high risk high value contracts for Council, our sample study of 7 contract works over this value revealed that none of the preferred or selected suppliers for these sampled contracts underwent a Due Diligence check. However, there is underlying confidence in the participants selected based on their track record with the council and their established market position.</p> <p>It was also further noted that Council currently only holds retention monies for Construction or Roding works and does not hold retention for Services delivery works.</p>	Medium	<p>Management should consider:</p> <p>a) Including guidance in its Contract Administration Manual on when to carry out Due Diligence (high value high risk contract types) and the type of record to be maintained which documents the outcome of the check conducted.</p> <p>b) Developing a list of Suppliers that have had a Due Diligence Check so as to avoid duplication of Due Diligence checks.</p> <p>c) Participants should be advised of the Due Diligence process in the tender or proposal documents.</p>	<p>a), b) and c) Agree and will implement.</p> <p>Responsibility: Special Projects Manager</p> <p>Timing: Before end of March 2018</p>

Audit Issue	Risk	Recommendation	Management Comment
<p>Cause</p> <p>Lack of management Policy requirement to formally conduct a Due Diligence check on preferred participants.</p> <p>Consequence</p> <p>Lack of a formal process could lead to potential risk of fraud, corruption or financial loss.</p>			
<p>10. Non-compliance to MT 70 Procurement Management Team Policy with respect to documenting reasons of Direct Engagement of both External consultants and Former Employees</p> <p>Criteria</p> <p>MT 70 Policy (came into effect on 16th May 2017) requires that with respect to Engaging former employees: ' If a supplier (could be former employee) is directly engaged for whatever reason then these reasons need to be documented and prior approval obtained from General Manager.</p> <p>Condition</p> <p>In 3 Out of the 7 selected samples of Tendered Contracts over the value of \$310k, audit noted that the contract works involved the direct engagement of our former employee. The contract start dates were post the Policy effect date (16th May). Below issues were noted with respect to this review :</p> <p>a) There was no short form agreement available for 2 of these contract works. However, on further query, it was</p>	Medium	<p>Management should:</p> <p>a) Register all the Direct Engagement Agreements with the former employee in the Central Register.</p> <p>b) Remind staff to ensure that the reasons of direct engagement of the selected consultant be documented.</p> <p>c) Remind staff that they need to obtain General Manager approval for all direct engagements.</p>	<p>a) Agreed and will implement.</p> <p>b) Agreed and will implement.</p> <p>c) Agreed and will implement.</p> <p>Responsibility: Special Projects Manager</p> <p>Timing: Before end of March 2018</p>

Audit Issue	Risk	Recommendation	Management Comment
<p>understood that this was the case as his work was covered by the Annual Contract with effect from June/July 2017.</p> <p>b) Furthermore, the annual agreement was not found on the Register of Contracts & Agreements.</p> <p>c) As per the new Policy requirement, no documented evidence that objectively justified the decision of directly engaging with the former employees to be the preferred consultant was found on file.</p> <p>Additionally, in 1 out of the 5 selected samples with values between \$15.5k and \$310k, audit noted that there was no evidence of General Manager approval, no reasons were documented to justify the direct engagement of the external consultant and the same was not recorded in the centralised register of Contracts and Agreements.</p> <p>Cause</p> <p>Lack of Policy awareness.</p> <p>Consequence</p> <p>Can potential impact Council's principle of being transparent, open and fair.</p>			
<p>11.Communication of Tender / Proposal evaluation results to unsuccessful participants needs to be more transparent</p> <p>Criteria</p> <p>NZ Controller and Auditor-General's Good Practice Guide: Procurement guidance for public entities, 2008 indicates that a public entity should not only formally notify the unsuccessful</p>	Low	<p>Management should:</p> <p>a) Amend the existing 'letter of rejection' standard template to ensure that it includes an offer of a debriefing session.</p> <p>b) Include in the B&CE CAM,</p>	<p>a) Agreed and will implement.</p> <p>b) Agreed and will implement.</p>

Audit Issue	Risk	Recommendation	Management Comment
<p>participants in the writing of the outcome but also offer them an opportunity of a debriefing session. This to highlight its commitment to fairness in the tendering/proposal process including supplier rights with respect to receiving feedback on bid evaluations and to show process transparency.</p> <p>The staff members also need clear guideline on what type of information and details can be or cannot be disclosed to the unsuccessful vendor.</p> <p>Condition</p> <p>The B&CE CAM provides for a standard template named as the 'Letter of Rejection' that all staff in City Networks & City Enterprises is to use when advising of the outcome to the unsuccessful participants.</p> <p>Based on the selected sample of 7 contracts of value over \$310,000 that underwent the Tendering or the Proposal process, it was found:</p> <ul style="list-style-type: none"> · 4 out of the 7 selected samples, no official PNNC 'letter of rejection' was sent out and · 2 out of the 7 cases, the unsuccessful participant were verbally told of the results. · In all of the 7 cases where the standard 'letter of rejection' templated was used , no offer of debriefing session was provided as the template itself did not include the offer <p>Additionally, from 1 out of the 5 samples audited with values between \$15.5k to \$310k (these do not follow the B&CE Contract Administration Manual templates), audit identified that the letter of rejection included the price that was offered by the successful vendor.</p>		<p>guidance on the content of the debriefing session.</p> <p>c) Include guidance in the CAM that ensures that staff to not disclose commercially sensitive information that relates to other tenders or proposals to unsuccessful tenderers.</p>	<p>c) Agreed and will implement.</p> <p>Responsibility: Technical Services Manager</p> <p>Timing: Before end of March 2018</p>

Audit Issue	Risk	Recommendation	Management Comment
<p>Cause</p> <p>“Letter of Rejection’ Standard template available in the B&CE CAM does not include the offer of a debriefing session and lack of Centralised Contract Tendering Monitoring process has led to failure of sending out written letter to the vendor.</p> <p>Consequence</p> <p>Not sending a written letter to unsuccessful participants can hamper the council- supplier relationship and will take away the opportunity from them to improve on future proposals. Disclosing confidential information indirectly to the other vendor can lead to possible challenge from other vendors.</p>			
<p>12. New MT70 Policy requirement regarding obtaining sign-off from Council’s Legal Advisors with respect to Tendered Contracts not published on City Port</p> <p>Criteria</p> <p>Any Management Team Policy or any changes or addition to Policy needs to be well communicated to the rest of the staff.</p> <p>Condition</p> <p>Our review of the MT70 Management Team Policy revealed that the new addition to the Policy (Appendix 1, Note 8 – added on in August 2017) was neither published on City Port (Council’s Intranet) nor was it communicated to staff.</p> <p>Cause</p> <p>Lack of follow-up to ensure that new Policy requirement has been published online and communicated.</p>	Medium	<p>Management should :</p> <p>a) Publish the MT70 Management Team Policy requirement on City Port and communicate about the same to all staff.</p> <p>b) Setup a process that ensures any Policy amendments are published and timely communicated to staff.</p>	<p>a) & b) All staff with procurement responsibilities will be sent an email when updates are made to the procurement Policy.</p> <p>The procurement Policy is currently published on City Port.</p> <p>Responsibility: Chief Financial Officer</p> <p>Timing: Before 15 February 2018</p>

Audit Issue	Risk	Recommendation	Management Comment
<p>Consequence</p> <p>Approved Management Team Policy but not communicated or published may not be enforceable when challenged.</p>			
<p>13.Lack of procedural guidance & tender clause on suspension or cancellation of tender or proposal Process</p> <p>Criteria</p> <p>It is generally expected as per the NZ Controller and Auditor-General's Good Practice Guide: Procurement guidance for public entities, 2008 should be cautious when considering suspending or cancelling a tender or proposal process. Therefore, it is advisable to include guidance in its procedures and a tender clause around the need to alert participants on possibility of extension, cancelling or suspending the tender process in the event of material change or significant issues or due to other unforeseen circumstances.</p> <p>Condition</p> <p>Based on the interviews conducted and review of the existing B&CE CAM, it was noted that whilst the Council would use the Notice to Tenderer form (NTTs) as the means of communication to notify the Tendered regarding any suspension or cancellation, there was no specified clause in the Tender Documents or a procedural description on procedures to follow when considering cancellation, suspension, including the need to seek legal advice and to formally advise all participants of the cancellation and the reasons of the decision. However, it was further noted that there would not be any risk of financial loss as our current Tender Documents state that cost of Tendering is that of the Tenderer.</p>	Low	<p>Management should consider</p> <p>a) Develop or include in its B&CE CAM guidance on procedures to follow in case of suspension or cancellation of the Tender and/or proposal process</p> <p>b) Include a clause in the Tender Documentation that helps to reserve the rights of the Council to suspend or cancel the tender or proposal process and any consultation rights to the Vendor if statutorily required.</p>	<p>a) Agreed – will include guidance in CAM review</p> <p>b) Agreed – standard document templates will be revised to incorporate.</p> <p>Responsibility: Technical Services Manager</p> <p>Timing: Before end of March 2018</p>

Audit Issue	Risk	Recommendation	Management Comment
<p>Cause</p> <p>Lack of procedural documentation and/ or management mandated requirement to include guidance in the B&CE CAM</p> <p>Consequence</p> <p>Poor management of such circumstances which warrants for suspension or cancellation of Tender or Proposal process could lead to potential legal risk implications.</p>			
<p>14. Safety of original countersigned Contract documentation for business continuity purposes</p> <p>Criteria</p> <p>According to the Management Team Policy on Information Management (MT 86), it is required that physical records are handled and stored in an appropriate manner and safe place so that other authorised parties can access them when required, and to further ensure that they are protected in the event of a disaster, security arrangements or theft or misplacement of the originals.</p> <p>Condition</p> <p>Interview and sample review throughout the Council revealed that :</p> <ul style="list-style-type: none"> · Original Contracts are generally retained on the individual manager's desk within PNCC offices and not in a safe & secure place. · Records Team can scan the originals and provide a working copy of the original; however this service is not always used by all staff. 	Medium	<p>Management should :</p> <ol style="list-style-type: none"> a) Ensure that Contract managers request Records Team to store original contracts away and provide a photocopy of the original signed copy to be used as a working copy. b) Ensure that Contract managers send the originals Contract copies (including any agreements) to Records once the contract/agreement work has been completed. 	<ol style="list-style-type: none"> a) Agreed – direction will be incorporated in the CAM review b) Agreed – direction will be incorporated in the CAM review <p>Responsibility: Technical Services Manager</p> <p>Timing: Before end of January 2018</p>

Audit Issue	Risk	Recommendation	Management Comment
<ul style="list-style-type: none"> Once the contract or agreement work is completed, staff in City Networks and City Enterprises sends the original Contract copy to Records Department for further storage as is found relevant by the Records. However, this was not the case for the rest of the units in Council. All original contracts are stored within their units and not sent to Records for further storage. <p>In addition to current audit review findings, we also reviewed previous Internal Audit report on Contract Tendering (Year 2006). Similar audit issues were raised on retention of contract documentation in safe and environmentally secure environment (such as being water safe, fire safe etc.). On interview with the Records Team Leader, it was noted that the storage place has since then been made more environmentally more safe.</p> <p>Cause</p> <p>Lack of MT86 Policy awareness regarding physical records handling and safe storage requirements.</p> <p>Consequence</p> <p>The storage of contracts is a concern. If a contract were to be lost through theft, accidental destruction or being misplaced then the Council would have no record of its contractual obligations.</p>			
<p>15. Potential non-compliance of MT86 Information Management Policy regarding Contract documentation standards especially in cases where multiple internal and external parties are involved</p> <p>Criteria</p>	Medium	<p>Management should consider:</p> <p>a) Setting up a default contract file folder system which also includes mandatory list of documentation templates required when a new Contract request form is sent to the</p>	<p>a) Agreed - currently working with those that are part of the contract process to determine a list of created folders to help manage the type of information required.</p>

Audit Issue	Risk	Recommendation	Management Comment
<p>The Management Team Policy on Information Management (MT 86) requires that, ' All Council staff (and agents representing the Council) must observe the following principle: Records are made that document or support activities or transactions that have occurred including decisions or commitments made, and are captured in an appropriate manner so that they can be retrieved by authorised people when required'.</p> <p>The maintenance of a current contract file on OASIS serves as a historical record in the event of a financial review, subsequent legal action or an official complaint. Current files are also important for anyone who may have to consult the file or assume responsibility for it at a later date.</p> <p>Condition</p> <p>Our Sample study of 12 contract works concluded that apart from couple of exceptions, the available online contract files we reviewed did not provide an accurate and complete audit trail. The organisation would not be able to demonstrate compliance with MT86 Management Team Information Management Policy in the event of challenge from any external party such as the unsuccessful tenderers, funding bodies such as NZTA.</p> <p>Furthermore, we found no evidence that supervisors were inspecting contract files to gain assurance that contract files were being maintained to an acceptable standard. Some of the shortcomings we encountered were: poor filing discipline; decisions and thought processes not documented; lack of retaining documents setup by the external consultants acting on behalf of Council.</p> <p>Cause</p> <p>Poor record keeping practices and lack of awareness of compliance with the MT86 Information Management Team Policy requirements.</p>		<p>Records Team</p> <p>b) Training to both internal and external consultant regarding record keeping standards to be followed by the Council.</p> <p>c) Files should be subject to regular, independent review to ensure that standards are met</p>	<p>b) Agreed - Training will be ongoing as we work through changes within the contract system in Oasis for document storage of contracts.</p> <p>c) Agreed: - We will endeavour to monitor content of contracts to ensure requirements are met.</p> <p>MT86 Policy is currently being reviewed with an aim to build awareness amongst staff members on record keeping requirements.</p> <p>Responsibility: Records Information Management Team Leader</p> <p>Timing: Before end of 31 March 2018</p>

Audit Issue	Risk	Recommendation	Management Comment
<p>Consequence</p> <p>Possibility of transparency issues, risk of loss of information and records in event of theft, Council intellectual property being misused.</p>			
<p>16.Lack of documented evidence of vendor performance review at the time extension of previously tendered contract</p> <p>Criteria</p> <p>It is generally accepted good practice that any tendered contract that gets extended beyond its validity period has to be subjected to performance review and that there needs to be auditable documentation available to support the review conducted.</p> <p>Condition</p> <p>Our Audit review concluded that there was one instance from our selected sample where a previously tendered contract was renewed without any documented performance review that would have justified the decision to renew the contract with the same vendor.</p> <p>Cause</p> <p>Lack of procedural guideline for service delivery units on the documentation required at the time of Tendered Contract Completion or Renewal.</p> <p>Consequence</p> <p>Non availability of a documented Performance review can affect not only the transparency but also it can take away the opportunities for improvements or renegotiation identified as part of the vendor</p>	Medium	<p>Management should either:</p> <p>a) Include in the proposed Contract Administration Manual for Service Delivery units, a standardised performance evaluation form on contract completion or ,</p> <p>b) Develop a Unit specific Template that allows for the documenting of reasons why the tender has been extended.</p>	<p>a) & b) Support and will address as part of recommendation 1a).</p> <p>Responsibility: General Manager City Networks</p> <p>Timing: Before end of March 2018</p>

Audit Issue	Risk	Recommendation	Management Comment
performance review process.			
<p>17. Non-compliance to MT86 Information Management Team Policy – original source Contract documentation destroyed for a completed contract work</p> <p>Criteria</p> <p>According to the MT 86 Policy, it is required records may only be destroyed with the approval of the designated Unit authority/owner and the Records Team Leader.</p> <p>Condition</p> <p>Our audit review found one instance where original Contract documentation was destroyed on project completion. Although, a scanned copy of the contract was available online and staff had not sought a written approval from the Records Team Leader and the Unit owner,</p> <p>Cause</p> <p>Lack of MT 86 Policy awareness</p> <p>Consequence</p> <p>Non-compliance Policy requirement could lead to potential violation of Public Records Act 2005 as the Policy is based on the Public Records Act requirements</p>	Low	<p>Management should:</p> <p>a) Ensure that MT 86 Policy requirement around Record Disposal is reminded to all staff members.</p>	<p>a) Agreed: In progress already</p> <p>Review exercise of existing MT86 Policy will include reminders to staff on the contract process and will include procedures around what happens with contract documents during their life cycle from beginning to end.</p> <p>Responsibility: Records Information Management Team Leader</p> <p>Timing: Before 15 February 2018</p>
<p>18. Ineffective Contract Tendering process accountability framework</p> <p>Criteria</p>	Medium	<p>Management should consider:</p> <p>a) Appointing either a centralised or unit specific Contract Administration officer who can be the person that</p>	<p>a) The cost/benefit of a centralised procurement position will be undertaken by 30 June 2018</p>

Audit Issue	Risk	Recommendation	Management Comment
<p>NZ Controller and Auditor-General's Good Practice Guide: Procurement guidance for public entities, 2008 says that having a functioning Contract - Tendering Documentation Monitoring systems can provide for the opportunity to report to Management on instance of irregularities or any other specific areas of concern with regards to documentation and/or including that of council's Tendering procedure training.</p> <p>Condition</p> <p>Any existing monitoring activities serve a limited purpose as most Project Managers / Team Leaders might be monitoring their set of contracts mainly for financial control purposes. As a result, there is no monitoring activity that is designed to capture non-compliance issues on high risk Tendered Contracts on an ongoing or routine basis across the Council.</p> <p>Cause</p> <p>Council does not have the resources to undertake this activity as a centralised function.</p> <p>Consequence</p> <p>Lack of a centrally appointed or Unit specific Contract Administration officer can lead to increase in the cost of procurement, inconsistent decision making in terms of selecting the best procurement method and/or non-compliance of the Policy requirement with respect to mandatory documentation.</p>		<p>provides oversight and reports to Senior Management about any issues relating to Contract Tendering processes or may also cover other procurement processes.</p> <p>b) Establish a Routine check which involves a periodic review of files (e.g. quarterly) to ensure compliance with the policies and procedures for Tendered Contracts (high risk high value).</p>	<p>Responsibility: Chief Financial Officer</p> <p>Timing: Before end of 31 March 2018</p> <p>b) Technical Services will introduce a six-monthly review of compliance with the (reviewed) CAM tendering procedures for contracts issued for tender by Technical Services within the previous six-month period.</p> <p>It is not possible for Technical Services to perform this review on contracts issued for tender outside of Technical Services control. Such cases will be considered as part of Recommendation 1.a).</p> <p>Responsibility: Technical Services Manager</p> <p>Timing: Before end of March 2018</p>
<p>19. Contract documentation not signed and initialled before project became operational</p> <p>Criteria</p> <p>According to the B&CE CAM, it is required that the Contract</p>	Low	<p>Management should:</p> <p>a) Seek legal advice to clarify/confirm if the current practise of assuming 'letter of Award' as good enough to kick off project work.</p>	<p>a) Agree and will implement.</p>

Audit Issue	Risk	Recommendation	Management Comment
<p>Documents must be signed , initialled and returned within 10 working days of receipt by the Contracted who cannot start work until this is done.</p> <p>Condition</p> <p>From a sample of 7 randomly selected contracts with value over \$310k, audit found one instance (tendered amount was \$10m) did not have a signed contract in place and contract pages were not initialled. The project work had already commenced since July 2017 based on the 'Letter of Award' issued to the Vendor which was deemed sufficient enough to kick off the project work. Based on interviews held, it was also noted that this might be practice followed in other project works in Council where due to time limitations, 'Letter of Award' is deemed appropriate enough to kick off the project.</p> <p>Based on the interview with Internal Legal Counsel, 'Letter of Award' can be considered to be appropriate to go ahead but it would depend on what is on the Letter of Award. Furthermore, it was also discussed that Council need not get initials on each page as the Cover letter of the Contract documentation should be sufficient enough. However, an external legal consultation will be required to confirm this.</p> <p>Cause</p> <p>Not signing of the Contract documentation in the selected sample was due to delay at Supplier end.</p> <p>Consequence</p> <p>The risk of not having a signed Contract documentation in place is that it might lead to legal enforcing issues should the contract be legally challenged.</p>		<p>b) Seek legal advice to clarify if both parties should be required to initial each page of the Contract documentation.</p>	<p>b) Agree and will implement</p> <p>Responsibility: Chief Financial Officer</p> <p>Timing: Before end of February 2018</p>

Appendix A

1. Objectives

The objective of the audit was to provide assurance over the level of compliance of Tendering and Proposal processes to:

- Procurement Policy Management Team Policy (MT 70), Building & Civil Engineering Contract Administration Manual, Conflicts of Interest Management Team Policy (MT79), Fraud Management Team Policy (MT 75), Information Management Policy (MT86)
- Accepted good tendering practices described in NZ Auditor-General Good Practice Guide: Procurement guidance for public entities
- Any third party requirements binding on Council such as the NZTA Contract Administration Manual.

Furthermore, the audit review also included assessing of:

- ✓ Internal controls effectiveness including checking for any conflicts of interest, segregation of compatible duties.
- ✓ Consideration of risk was being used and applied throughout the contract tendering lifecycle.

2. Scope

The scope included review of a sample of all contracting activities (performed by all Units) starting from last financial year (i.e. 2016/17. This included documentation file reviews as well as interviews with key staff members involved in the contracting process for all sampled contracts. However, for data and comparative analysis purposes, data and information from previous financial years was also used. . Audit criteria related to the below specified Tendering / Proposal areas. These are stated below:

- ✓ Procedure and Policy setup, review & training management
- ✓ Pre-Tendering Planning & Documentation Requirements
- ✓ Calling of Tenders
- ✓ Handling of Tenders received
- ✓ Evaluation of Tenders
- ✓ Finalizing Contract & Unsuccessful Tender Management
- ✓ Processing of Tender Deposits

3. Out of Scope

The audit review did not cover the contract administration (stage 4) and post contract (stage 5) execution phase or the Contract management phase. However, any out of scope audit issues that were discovered at the time of audit that needed management attention have been highlighted as 'Out of Scope Audit Findings for Management Attention only'.

4. Approach

The following procedures were adopted in accordance with the International Standards for the Professional Practice of Internal Auditing to identify and assess risks and controls and thus enable us to recommend control improvements:

- ✓ Discussions with below listed key members of staff were held to ascertain the nature of the systems in operation:

Technical Services Manager	Senior Project Engineers x 3
Parks & Property Manager	Senior Parks & Property Planner

Rubbish & Recycling Engineer	Test IT Analyst
GIS Analyst	CAD Draughts person
Road Planning Team Leader	External Consultant (Former Employee)
City Planning Manager	General Manager, Customer Services
Head of Environment Protection	Records Management Team Leader

- ✓ Evaluation of the current internal control was conducted through walk-through and other non- statistical sample testing – to meet the audit objective, we selected a sample of 7 contracts (26% of the total number of contracts) over the value of \$310,000 (20% of specified sum) and 5 contracts (7% of the total number of contracts) with values between \$15500 (1% of specified sum) and \$310,000 and starting date after July 2016. This sample selected helped us to determine the full population trend. We reviewed the following 12 contract files:

No	Name	Owner	Unit	Value	Method
1	03467 Library Of The Future	Senior Project Engineers (multiple external parties)	Libraries & Community Services	\$5,000,000	Tendering
2	03502 Papaioea Place Community Housing Redevelopment	Parks & Property Manager (multiple external parties)	City Networks	\$5,874,200	Proposal (ROI)
3	03465 Wildbase Recovery Facility	Senior Parks & Property Planner (multiple external parties)	City Networks	\$1,391,000	Tendering
4	03476 Cuba Street Renewal George to Pitt Streets	CAD Draughts person (multiple external parties)	City Enterprises	\$827,340	Tendering
5	03438 Solid Waste Disposal Services	Rubbish & Recycling Engineer	City Networks	\$7,000,000	ROI
6	03458 Road Network Maintenance Contract 2017-2021	Senior Project Engineers	City Enterprises	\$10,000,000	Tendering
7	03456 Manawatu Pedestrian-Cycle Bridge Construction	Road Planning Team Leader (multiple external parties)	City Enterprises	\$7,100,000	Tendering
8	03450 Urban Aerial Photography 2016-17	GIS Analyst	City Corporate	\$51,000	Tendering
9	Grants Management	Test IT Analyst	City Corporate	\$22,000	Tendering
10	Provision of afterhours Noise Control Service, to PNCC	Head of Environment Protection	Customer Services	\$126,000	Tendering Extended
11	Provision of quality management services, to PNCC	Customer Services General Manager	Customer Services	\$209,297	Direct Engagement
12	District Plan Change 25	City Planning Manager	City Future	\$35,000	Direct Engagement

- ✓ Identification of control weaknesses and potential process improvement opportunities;
- ✓ Preparation and agreement of a draft report with the process owner , and
- ✓ Discussion of our findings with management and further development of our recommendations

5. Finding Significance Guide

High	A weakness where there is substantial risk of loss of funds, impropriety, poor value for money, or failure to achieve organizational objectives. Such risk could lead to an adverse impact on business. Remedial action must be taken urgently.
Medium	A weakness in control which although not fundamental, relates to shortcomings which expose individual business systems to a less immediate level of threatening risk or poor value for money. Such a risk could impact on operational objectives and should be of concern to senior management and requires prompt specific action.
Low	Areas that individually have no significant impact, but where management would benefit from improved controls and/or have the opportunity to achieve greater effectiveness and/or efficiency.