



INVESTMENT AUDIT REPORT

Emergency Works Procedural Audit of Western Bay of Plenty District Council

Monitoring Investment Performance

Report of the investment audit carried out under Section 95(j)(ii)(iii) of the Land Transport Management Act 2003.

Caroline Reddie

4 October 2023

FINAL

Approved Organisation (AO):	Western Bay of Plenty District Council
Waka Kotahi NZ Transport Agency Investment (Emergency Works):	\$3,421,600
Special Financial Assistance Rate for Emergency Works	91%
Date of Investment Audit:	2 nd – 5 th October 2023
Auditor(s):	Caroline Reddie – Senior Investment Procedural Auditor
Report No:	RACRH-2394

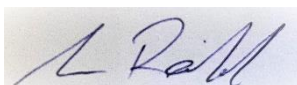
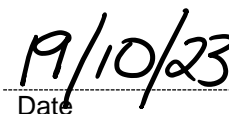
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DISCLAIMER

WHILE EVERY EFFORT HAS BEEN MADE TO ENSURE THE ACCURACY OF THIS REPORT, THE FINDINGS, OPINIONS, AND RECOMMENDATIONS ARE BASED ON AN EXAMINATION OF A SAMPLE ONLY AND MAY NOT ADDRESS ALL ISSUES EXISTING AT THE TIME OF THE AUDIT. THE REPORT IS MADE AVAILABLE STRICTLY ON THE BASIS THAT ANYONE RELYING ON IT DOES SO AT THEIR OWN RISK, THEREFORE READERS ARE ADVISED TO SEEK ADVICE ON SPECIFIC CONTENT.

BACKGROUND

Western Bay of Plenty District was impacted by a number of North Island Weather events in the 2023 year. Cyclone Hale struck on the 10th to 11th January 2023, the Auckland Anniversary event struck the weekend of 27th January 2023, and Cyclone Gabrielle struck from 12th to 14th February 2023.

These North Island weather events impacted the Western Bay of Plenty District transport network triggering immediate Emergency Works initial response. To assist with the initial response, Waka Kotahi approved a time limited bespoke Funding Assistance Rate (FAR) of normal FAR plus 40%, to a maximum of 91% for Western Bay of Plenty District Council (Council). Council was allocated \$3,421,600 in the 2022/23 programme and utilised Westlink Bay of Plenty to carry out local roading response activities.

At that time, the bespoke FAR was only applicable to initial response activity and only for the period until 30th June 2023. This period was later extended to allow expenditure to be carried over into the 2023/24 financial year.

This review focused on the eligibility of claims made for funding assistance under the North Island Weather events activity for the 2022/23 year. Further audits will be carried out as part of the cyclic audit programme to verify any North Island Weather Events (NIWE) claims carried over by Western Bay of Plenty District Council to the 2023/24 financial year. Subsequent technical audits may also be undertaken later as required.

SUMMARY

Council has experienced a number of significant weather events effecting its roading network in 2023. There were over 100 emergency work activities recorded as affected by the North Island Weather events including but not limited to:

- Tree removal
- Road clearance
- Culvert inspection
- Culvert repair
- Under and over slips
- Bridge wash out
- Isolated communities and Te Puke industrial area access

Council used Westlink Bay of Plenty for the emergency works response. Council currently uses Westlink Bay of Plenty for other network maintenance and renewals. Westlink Bay of Plenty was utilised throughout the North Island Weather events under their current agreement terms with Council and the Waka Kotahi NOC (Network outcomes contract).

There are two systems used for financials. Council claim funding using Transport Investment On-line (TIO), and Westlink Bay of Plenty use their financial system to capture the Emergency Work activities then invoice Council. Overall, both Council and Westlink Bay of Plenty have good clear financial processes to separately identify emergency works activities, and all expenditure items sampled were eligible for funding assistance. The funding arrangement relies on a high level of trust and integrity, and we are satisfied that this has been demonstrated based on the review we sampled from both Council and Westlink Bay of Plenty. Council ensured value for money was a priority during the emergency with checking mechanisms in place to capture any excessive invoice amounts.

AUDIT RATING ASSESSMENT

Subject Areas		Rating Assessment*
1	Financial Processes	Effective
2	Procurement and Asset Management Controls	Effective
Overall Rating		Effective

* Please see Introduction for Rating Assessment Classification Definitions

1. INTRODUCTION

1.1. Audit Objective

The objective of this audit is to provide assurance that the Waka Kotahi NZ Transport Agency's (hereafter Waka Kotahi) investment in Council's land transport programme and specifically Emergency Works for North Island Weather events is being well managed and delivering value for money. We also seek assurance that the Council is appropriately managing risk associated with Waka Kotahi investment. We recommend improvements where appropriate.

1.2. Assessment Ratings Definitions

	Effective	Some Improvement Needed	Significant Improvement Needed	Unsatisfactory
Investment management	Effective systems, processes and management of Emergency Works funding processes.	Effective systems and processes for the management of Emergency Works funding processes but requires some improvement.	Systems, processes, and management of Emergency Works funding processes require significant improvement.	Inadequate systems, processes, for Emergency Works funding processes.
Compliance	Waka Kotahi bespoke funding and legislative requirements met.	Some omissions with Waka Kotahi Emergency Works funding requirements. No known breaches of legislative requirements.	Significant breaches of Waka Kotahi Emergency Works funding and/or legislative requirements.	Multiple and/or serious breaches of Waka Kotahi Emergency Works funding or legislative requirements.
Findings/ deficiencies	Opportunities for improvement may be identified for consideration.	Error and omission issues identified which need to be addressed.	Issues and/or breaches must be addressed, or on-going Waka Kotahi Emergency Works funding may be at risk.	Systemic and/or serious issues must be urgently addressed, or on-going Waka Kotahi Emergency Works funding will be at risk.

2. ASSESSMENT FINDINGS

1. Financial Processes	Effective
<p>Western Bay of Plenty District Council received initial response funding of \$3,421,600 at the maximum bespoke funding assistance rate (FAR) of 91%. At that time, the bespoke FAR was only applicable to initial response phase and only for the period until 30th June 2023. This period was later extended to allow expenditure to be carried over into the 2023/24 financial year.</p> <p>There are two systems used for financials. Westlink Bay of Plenty use their financial system to capture all work activities. They, then invoice Council each month for payment. Western Bay of Plenty District Council then submit the expenditure claims through TIO for progress payments of the approved funding.</p> <p>Overall, both Council and Westlink Bay of Plenty have good clear financial processes to separately identify emergency works activities. The transactions sampled from both Council and Westlink Bay of Plenty were eligible for funding. Supporting documents were provided that included photos and descriptions of work carried out. Westlink also had a separate Emergency Works General Ledger line to ensure emergency response activities were captured correctly before an invoice was generated for payment to Council.</p> <p>We requested the full transaction list of emergency works claimed, under the bespoke FAR, and we sampled a selection of transactions and supporting documentation to verify funding eligibility.</p>	
<p>Western Bay of Plenty District Council's comment</p>	<p>The initial response funding application was based on the estimated cost of the approved works including some reinstatement activities. We expect the total cost of this initial phase to be different. If costing more it will be added to the next reinstatement phase, if less it cannot be claimed and then released under a review. Currently costs for this phase will be greater than the approved amount.</p> <p>The Council appreciates the enhanced 91% FAR for the initial response phase for these storms but requests the ongoing consideration for next phase(s) application to be considered for enhanced FAR also.</p>

* * *

2. Procurement and Asset Management Controls	Effective
<p>Procurement</p> <p>Western Bay of Plenty District Council procured the majority of physical works for its emergency activities through its current agreement with Westlink Bay of Plenty for network maintenance and renewals. This relationship works well for both parties.</p> <p>Asset Management Controls</p> <p>During the weather events, photos were taken, and detailed descriptors of damages were recorded in an excel spreadsheet and transferred to RAMM.</p> <p>Westlink Bay of Plenty utilised their existing sub-contractors and did not need to add additional sub-contractors for slip removal following the North Island Weather Event. Westlink Bay of Plenty completed all the work to a safe standard.</p> <p>We traced all payment certificates to date from physical works contractors back to RAMM documentation and selected a sample of dispatch items for review to verify funding eligibility.</p> <p>We also tested</p> <ul style="list-style-type: none"> • That RAMM dispatch ID matched job sheet submitted by contractor for payment. • That photos (geotagged) of the various sites were recorded. • That RAMM dates, descriptions and narrations were relevant to North Island Weather Event response. <p>Overall this area is well managed by Westlink Bay of Plenty.</p>	
<p>Western Bay of Plenty District Council's comment</p>	<p>The Council has benefitted from having capable and experienced staff available from its long term Joint Waka Kotahi/Western Bay of Plenty District Councils One Network Maintenance Contract to effectively and efficiently manage the initial responses and some of the reinstatement activities. Their knowledge of the network and its topography allowed targeted inspections during the events and closed off a washed out bridge in the early pre-dawn hours to prevent accidental use due to poor approach sight lines.</p>

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3. APPENDICES

APPENDIX A

Council Feedback

APPENDIX B

Audit Programme

Themed Procedural Audit requirements checklist

1. Land Transport Disbursement Account.

A Copy of final claim for the year ending:

- 30 June 2023.
- A copy of all the transactions that make up the claims for NIWE and/or Cyclone Gabrielle.
- Evidence of NIWE and/or Cyclone Gabrielle related activities completed by 30 June 2023.
- A list of General Ledger codes that make up the claims for NIWE and/or Cyclone Gabrielle.

2. Procurement Emergency Works Documentation relating to NIWE and/or Cyclone Gabrielle.

3. Professional Services Emergency Works Documentation relating to NIWE and/or Cyclone Gabrielle.

4. Transport Investment On-line (TIO) Reporting.

5. Other issues that may be raised during the audit.