



Independent Review

Christchurch City Council

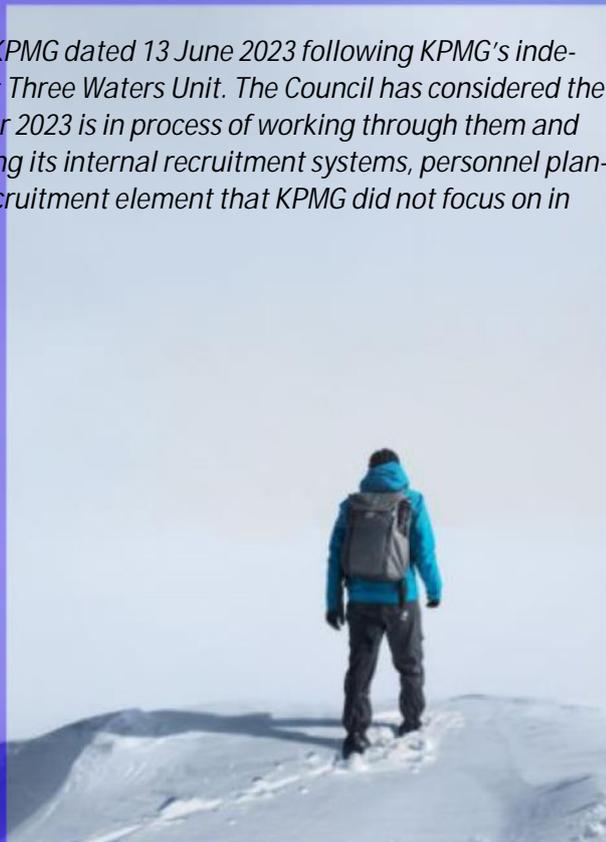
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June 2023

kpmg.com/nz

Note:

Christchurch City Council has received the report of KPMG dated 13 June 2023 following KPMG's independent external review into staffing in the Council's Three Waters Unit. The Council has considered the recommendations in such report and as at November 2023 is in process of working through them and their effects on its operations. This includes evaluating its internal recruitment systems, personnel planning and operational necessity, the latter being a recruitment element that KPMG did not focus on in their review.



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[REDACTED]
Head of Risk & Assurance
Christchurch City Council
PO Box 73011
Christchurch
8154

13 June 2023

Cc: [REDACTED] Partner, Corcoran French Lawyers

By email: [REDACTED]

Dear [REDACTED]

In accordance with the Terms of Reference (**TOR**), appended to our engagement letter, dated 22 February 2023 and attached at Appendix I, KPMG has independently reviewed the staffing numbers within Christchurch City Council's (**CCC** or **Council**) Three Waters Unit (**3W** or **Unit**).

This report summarises the findings from our independent review. It should be read in conjunction with the limitations outlined in Appendix H.

If you have any queries regarding our independent report, please do not hesitate in contacting us.

Kind regards



Mike Lowe
Partner



Matt Preece
Associate Director

1 Executive Summary

1.1 Background

As we understand it, in November 2022 a presentation was given by the [REDACTED], [REDACTED] ([REDACTED]), in which [REDACTED] stated that the 3W unit was made up of approximately 250 staff. The Council Chief Executive, Dawn Baxendale (**CE or Dawn**), who attended the presentation took this to mean the 250 staff were included in the 3W cost centre. [REDACTED] has advised us that [REDACTED] comments were misinterpreted and what [REDACTED] intended to convey was that the 250 staff was an estimate of the staff and contractors within Council, who were dedicated to the delivery of 3W services.

Dawn was of the understanding that budgeted staffing levels for 3W were significantly lower than the figure of 250. The CE asked Council's Head of People & Culture to carry out an initial assessment of staffing levels in the 3W unit (**Internal Review**). This analysis found irregularities in both the number of staff within the Unit and the way new positions had been established. It was recommended that an independent review be conducted. CCC then engaged KPMG to perform this independent review.

In summary, the nature of our review was to determine and assess changes to FTE in the Unit, how or if these had been appropriately approved and the impact this had on budgets and Council costs. The period that we assessed as part of our review was 1 July 2019 – 31 December 2022, as explained later in this report.

1.2 Summary of our Approach

The approach we took in carrying out the review is set out as follows:

- We reviewed the report prepared by Council's Internal reviewers (**Internal Review Report**) and spoke to the author of the report to better understand Council's initial findings.
- We obtained documentation from Council that set out policies and procedures, budgets, and FTE changes. A full list of documentation obtained and disclosed is set out at Appendix E and a summary of relevant clauses from Council's policies is set out at Appendix B.
- We identified changes to FTE that appeared to sit outside Council's expectations.
- We obtained email files for [REDACTED], [REDACTED] and searched these files for information that related to the FTE changes that we had identified as being potentially problematic.
- We interviewed several current and former Council employees, including [REDACTED] and sought their views on the management of staffing within the 3W unit. A full list of interviewees is set out in Appendix F.

For a complete overview of our methodology, please refer to Appendix A.

1.3 Summary of Findings

As set out in the body of this report, we have made a number of findings in relation to the management of staffing levels within the 3W unit. We summarise these findings as follows:

- At the beginning of the 2022 financial year (1 July 2021) total FTE in the Unit (excluding the Resource Recovery Unit) was 13 more than budgeted for.

- At the beginning of the 2023 financial year (1 July 2022) total FTE in the Unit (excluding the Resource Recovery Unit) was 11 more than budgeted for.
- At 2 January 2023 total FTE in the Unit (excluding the Resource Recovery Unit) was 25 more than budgeted for.
- For the period 1 July 2019 to 30 June 2023 (including 6 months of projected personnel costs for the January 2023 to June 2023 period), total personnel costs, over and above those budgeted for, was \$6,552,000. To the extent that any further variance to budget is not eliminated going forward, this variance may grow larger.
- For 3 consecutive years, [REDACTED] failed to recognise that FTE exceeded budget or if they did recognise it, no effective action appears to have been taken. It should be noted that during the review period, there were three substantive or acting General Managers.
 - July 2019 – March 2021, [REDACTED]
 - March 2021 – November 2021, [REDACTED]
 - November 2021 – January 2023, [REDACTED]
- [REDACTED] do not appear to have recognised the financial implications that were inevitably going to result from the decision to move the Resource Recovery Unit revenue away from the Unit. The revenue from the Resource Recovery Unit had been used to offset over-spend on personnel costs in the 3W Unit.
- [REDACTED] have acknowledged that discussions about decisions to establish new positions were often not documented. This appears to be in breach of Council's Recruitment and Selection Policy, that states "Recruitment and selection processes are professional and objective, with selection based on relevant, specific selection criteria. All processes and recommendations are documented".
- We have been unable to locate documentation that might have recorded approvals for at least 8 positions that were ultimately filled. [REDACTED] did not create or keep appropriate documentation at the time these roles were established. Nor were these 8 positions budgeted for.
- There are a further 15 positions that appear to have been approved but for which there was no available budget at the time of approval.
- In addition to the 8 positions without approval documentation and budget, and the 15 positions approved but without available budget, there are a further three positions for which we have found evidence that the required approval process was not followed.

— [REDACTED]

1.4 Overall Conclusion

As stated in the opening paragraph of the TOR the overall intention of this review was to answer the question of whether the 3W Unit actual FTE staffing numbers matched those for which valid approval had been given. In our view, and based on the balance of probabilities, there is sufficient evidence for Council to conclude that actual FTE numbers do not match those approved.

As set out in the report, there are several factors that have contributed to the unapproved FTE. Some of these factors such as turnover of staff were beyond Council's control but other factors such as [REDACTED], a lack of preventative controls, poor advice from Finance and Human Resources (incorporating People & Culture) and poor record keeping are all issues that Council can address.

[REDACTED]

2 Scope of Work

2.1 KPMG Scope

Our scope of work, contained in the TOR, (attached at appendix I) is set out below.

The purpose of the Review is to investigate and establish facts as to:

- a. Whether the Unit's actual current FTE staffing numbers match those for which valid approval in accordance with the Council's established policies has been given.
- b. This will include consideration of whether the Council's formal policies, procedures, delegated authority, and internal controls (including Human Resources (**HR**) and finance policies) have been followed for recruitment in the Unit since 20 January 2020 (being a suitable date as it was when a 2019 Change Proposal for the Unit was approved).
- c. More particularly, the Reviewer shall identify all relevant policies, systems, delegations and process for the Unit's:
 - I. Recruitment, appointment and management of staffing numbers and budgets.
 - II. Reporting to and from managers as to the above.
 - III. Proposed increases in staffing numbers.
 - IV. Approval of appointments, either particularly or in general.
- d. The Reviewer shall also review all staff appointments in the Unit from January 2020 and identify:
 - I. What the basis for each appointment was.
 - II. Which Council staff were involved with approving such appointments.
 - III. What was the process for each appointment.
 - IV. Any other factors relevant to the appointment process.
- e. Identify any Unit appointments which are or do not appear to be compliant with the Council processes referred to above. For those appointments, comment on:
 - I. The relevant process.
 - II. The reason for the non-compliance with such process in each case. In detail, why has it occurred?
 - III. The staff who were involved, the extent of their involvement, and whether any other staff may have further information about the non-compliance.
 - IV. What is the effect of that in financial terms, and any other flow on effects, for the Council.
 - V. Whether there is evidence of offending that would justify referral to an external agency, or not.
 - VI. What changes to appointment processes, in light of the above, are recommended.

2.2 Issues Identified by CCC through the Internal Review

Council took January 2020 as being an appropriate date for the start of the Internal Review period, as this was the date that a significant restructure of the 3W Unit was put into effect. We note that while the ELT approved the 3W restructure, they do not appear to have ever been given a complete record of FTE that were going to make up the Unit. The organisation chart prepared at the time of the restructure shows all staff in the 3W unit, but it does not specify whether they are full time, part time, permanent or fixed term. For this reason, we felt it wise to extend the review period back to the start of the 2020 financial year (FY), being 1 July 2019, to capture any correspondence that related to the detailed number of FTE, prior to the restructure.

Council reached the following conclusions, as set out in the timeline summary of the Internal Review Report:

- The reviewers were unable to locate appropriate approvals for 44 staff, as at 31 December 2022
- Appointments appeared to have been made into positions that had been disestablished due to being swapped for a new role, as well as appointments into the new roles
- Appointments into positions that were not approved at ELT and through the ELT approval process
- Appointments into positions without gaining approval by the required Delegated Authority as per the Delegations Register
- Increased FTE levels outside of approved budgets
- Unrecovered costs through the Capital Recovery process
- Incorrect budget allocations for personnel costs
- Removal of required documentation from Council's document management system

On the basis of its work, Council recommended an independent review to advance the matter.

The Internal Review Report contains commentary around the challenges the reviewers faced in carrying out their work. Poor record keeping, combined with the number and frequency of FTE changes (many of which overlapped) made it extremely difficult to track established roles back through an approvals process. As we have carried out the independent review, we have experienced the same challenges. The review has been more complex and time consuming than first anticipated. In our view, if Council used a unique identifier for proposed new roles, it would make tracing approvals more straight forward. We recommend that this is something Council implement.

We took the issues identified in Council's Internal Review Report as a starting point for our review, but having undertaken further and deeper enquiries and relied on additional data, such as payroll data, we made our own assessment of those issues. In some cases we reached different conclusions to the findings in the Internal Review Report. As an example, at part 2 of the Internal Review Report it discusses a business case that related to creating ten new Project Manager roles. The issue identified in the Internal Review Report is that the business case was not submitted to ELT. Through our enquiries we have established that the business case was combined into a larger document and that it was ultimately submitted to ELT for consideration.

A further example of us reaching a different finding to the Internal Review Report relates to the business case for the 25 new staff. The Internal Review Report concludes that all 25 positions were declined but we have found evidence showing that despite the positions initially being declined, five of them were subsequently approved.

3 FTE Change Process

3.1 FTE change request workflow process

See the diagram at Appendix B for further detail of Council's policies and processes related to the FTE change request workflow process (**Change Request Process**). Our understanding and comments on this process over the period of our review are summarised below.

Within the 3W Unit the Change Request Process was utilised by the team 61 times throughout the Jan 2020 – Jan 2023 period (ignoring deleted FTE change requests).

The Change Request Process is used for two main types of changes; new positions, and changes to existing positions.

The change request form (used to initiate the Change Request Process, **Change Request**) requires the following information to be provided by the requestor:

- Permanent or fixed role
- FTE details (name of position, number of FTE, existing role that is to be replaced)
- Total remuneration cost (per annum)
- Why the change is proposed
- Risk analysis - describe the risk to the organisation of not making the change
- Cost analysis (how this position will be funded)
- Timing of change
- If fixed term, the fixed term end date

Council's Recruitment and Selection Policy states as follows:

If the vacant position is not within approved staff establishment, then formal approval to create a new position must be requested via the Request change to planned / established FTE online form. The request must be approved in line with the delegations listed in section 5.

Delegated Authorities



Delegations	CE	GM	Head	M/TL
To establish a new position <i>*Consultation with HHR required</i>	✓	✓*		
To recruit for a vacant position (one up approval required)	✓	✓	✓	✓
To approve the appointment of a preferred candidate into a vacant position (one up approval required)	✓	✓	✓	✓
To approve a pay rate up to 100% of mid-point of remuneration band or pay grade	✓	✓	✓	✓
To approve a pay rate between 100% and 104.9% of mid-point of remuneration band or pay grade	✓	✓		
To approve a pay rate over 104.9% of mid-point of remuneration band or pay grade	✓			
To allocate an acting assignment where an allowance is payable	✓	✓	✓	



Council's Recruitment and Selection Policy advises that changes to FTE should be discussed with the Finance Business Partner and HR Business Partner but that it is either the CE or the General Manager, in consultation with Head of Human Resources, that is the formal approver. We note that this policy differs from the FTE Change Workflow Extract (Appendix B) that Council supplied to us. The Workflow Extract records that in addition to approval from the GM and Head of People and Culture, approval is also required from the requestor's one-up manager, and that 'confirmation' was required from the Finance Business Partner.

From our discussions with Council staff, we formed the view that in practice, the requestor's one-up manager gave approval for the request to be forwarded to the GM for ultimate approval and that the Finance Business Partner and HR Business Partner gave advice on the merits of the request.

Once approved, the Change Request is sent to the Human Resources Administration Team, where the organisational chart is updated, and the position is created in the HR system.

Changes to FTE within 3W typically originated with the mid-level Team Leaders across the Unit. When a Team Leader had a need to change existing resource or add additional resource, they would raise the matter to either a 3W Manager or directly to [REDACTED]

As per Council's Selection and Recruitment Policy, when deciding whether to approve an FTE change request, two of the key considerations the approver must consider are operational necessity and affordability. Making a retrospective determination as to whether specific positions were reasonably required within the 3W Unit would require the reviewer to have expertise in areas such as engineering, water asset management, community engagement etc. KPMG does not have this level of expertise. The approach we have taken with this review is to focus on the approval process that was followed when positions were being established, rather than questioning whether there was an operational need for the position.

We have not seen any obvious evidence that suggests staff were being employed into positions that appeared to be unnecessary, but we are also conscious that local councils often appear to have more demand for services than resources to meet those demands. We expect there will always be situations

within councils where there is a reasonable requirement for additional staff but because of budget restraints or council priorities, those positions are not funded.

Any consideration of operational requirements is outside the scope of this review and therefore has not been considered. The question of 'affordability' is closely aligned with decisions around approval and is therefore at the heart of the review.



FTE count

54.7 (now including recent maternity leave for 9 months)

55.7 (once Senior Planner role filled)

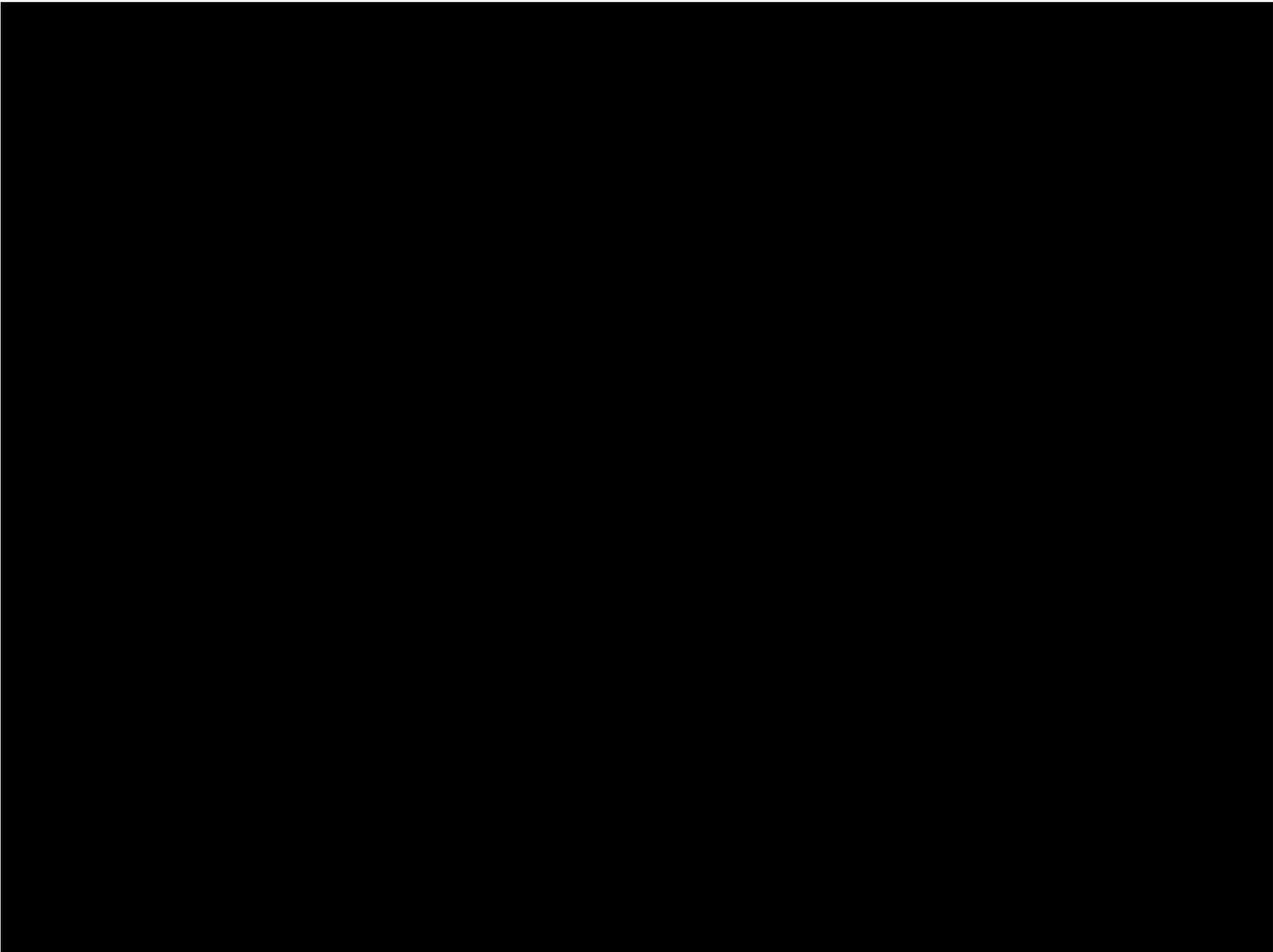
54.7 (in July once another maternity leave starts for 12 months)

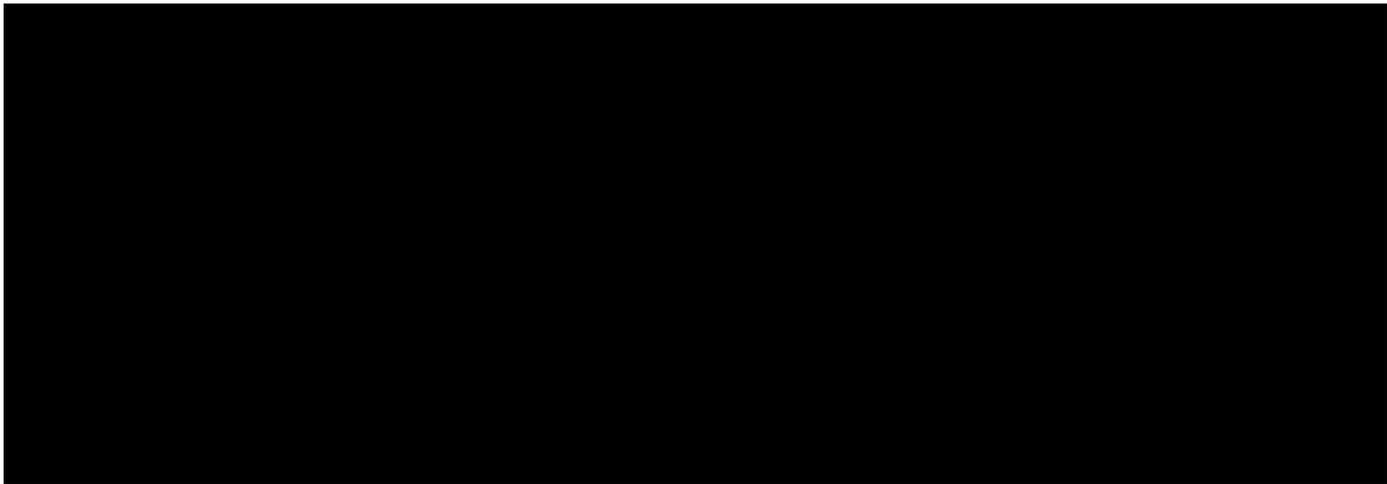
56.7 (if request to recruit for 3 positions is approved noting one is a secondment)

55.7 (in October once another maternity leave starts for 12 months)

FTE approval 60.5 until 1 July

FTE approval 58.6 after 1 July (number reduced down given expected downturn)





3.	Updates	
3.1	[Redacted]	
	<ul style="list-style-type: none">[Redacted]	
	<ul style="list-style-type: none">[Redacted]Recruiting for a member in [Redacted] teamBusy with the weather events earlier this week	
	<ul style="list-style-type: none">[Redacted]Writing a Position Description for [Redacted] previous role and hoping to recruit quickly	
	Managers update <ul style="list-style-type: none">The main Management meeting was postponed on Wednesday 2 June due to lack of availability. It was important to be able to catch up with the few despite everything going on this weekWelcome and Congratulations to [Redacted] as the new [Redacted]Delighted that [Redacted] position has been extended[Redacted] has asked [Redacted] to review Project Management productivity across Council. The Project Managers in 3 Waters have a heavier work load.	



“Recruitment and selection processes are professional and objective, with selection based on relevant, specific selection criteria. All processes and recommendations are documented.”.

It is our view that even if it were not a specific requirement set out in Council policy, decisions around the creation of roles that are ultimately funded through rates, should have been better documented. The Public Records Act requires local government bodies to ensure full and accurate records of its affairs are created and maintained. An auditor, reviewer, elected official or member of the public should be able to

request the documentation that explains the decisions made around the use of rate payer money. Failing to record these decisions is in our view, is a failure of 3W Management.

Change Request 352 is an example of a poorly documented Change Request. The cost analysis provided on the Change Request (submitted by [REDACTED]) is as follows:

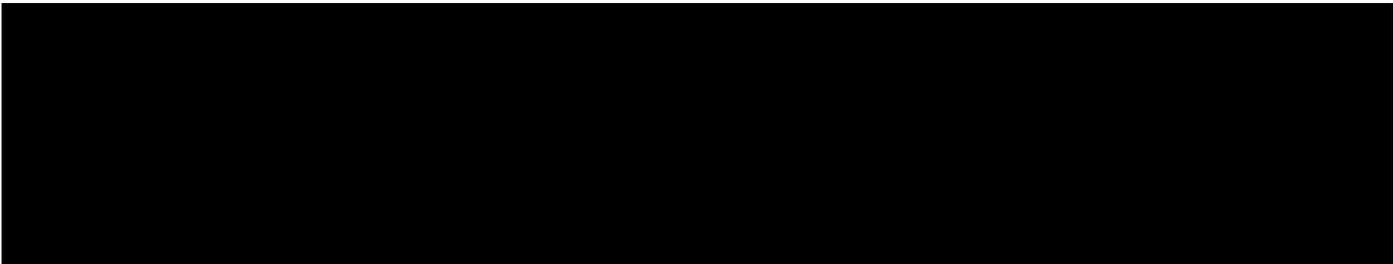
This role will be created using existing budgets and vacancies. [REDACTED] and I have discussed with [REDACTED] and [REDACTED] is supportive of this change”

There is no detail of the actual cost to Council nor is there any information about the existing budget or vacancies that will be used to cover the unspecified cost. In our view the information provided on this Change Request does not adequately allow an independent assessment of the merits of the request.

A further example is found in Change Request 180. The cost analysis (exactly as it appears in Council’s records) is as follows:

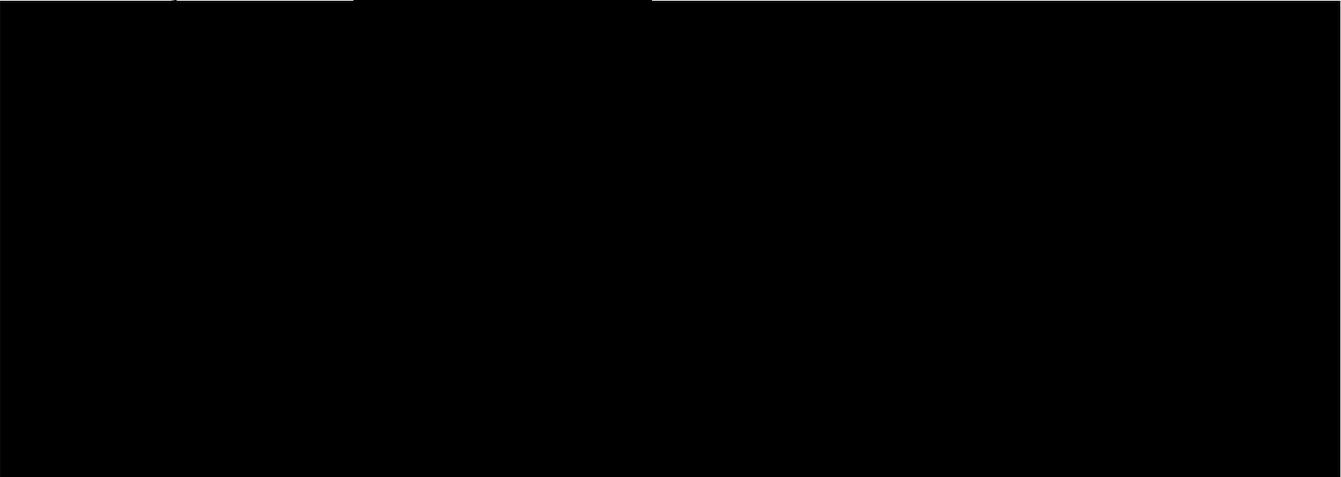
Costs will be covered for the remainder of FY22 by vacant staff positions across the unit. Thereafter the position will be covered by changes made under FY23 annual plan to by chargeout rates. i.e., capitalisable versus non-capitalisable team/staff recoveries as identified by [REDACTED] Ex WWW Finance business partner) previously.

Once again, there is no information that sets out the actual cost or what the vacant positions are. We are unclear as to what the comments about the ongoing funding mean.



3.2 Change Requests Sent to [REDACTED]

Between approximately March and November 2021 the 3W Unit was reporting directly to [REDACTED]. In November 2021 the reporting line for the Unit was restructured and [REDACTED]. The automated workflow approvals process for requests flowing out of the Unit was not updated until late December 2021. This meant that workflow requests, such as a request to change FTE, were being automatically forwarded to [REDACTED].



3.3 Alternative Methods of Making Changes to FTE

3.3.1 Recruitment workflow process

Employing a person into a new role at Council is a two-step process. Authority to create the role is completed through the Change Request Process and authority to recruit into that approved role is completed through the recruitment workflow process.

Whilst it is a requirement of Council that new roles must be established through the Change Request Process, we have seen examples in which it appears the recruitment workflow process has been used without a corresponding approved Change Request Process. This has meant that staff have been employed into roles that do not appear to have been properly approved.

Similar to the Change Request Process, a requestor using the recruitment workflow process fills out a form on the Council's intranet and this is approved by the direct manager of the requestor.

The information fields and questions to fill out include:

- Permanent or fixed role
- FTE details (name of position, number of FTE, existing role)
- Date position needs to be filled
- If not within current budget, how will the position be funded?
- Is it within salary planning budget?
- Reason for fixed term agreement?
- Reason position is required?
- Finance Planning & Performance Adviser consulted?
- People & Culture Business Partner consulted?
- Manager consulted?

Through our review we found that in a large number of instances some of the above fields were left blank. It appears to be a weakness in Council's systems, that information fields that would provide valuable information, do not need to be completed.

In our view, the ultimate responsibility for the approval of the recruitment process lies with the approving manager. This is typically the direct manager of the staff member who completed the request form.

At Appendix L, we have attached a table showing the recruitment into the 3W Unit over the period of the review.

3.3.2 Change to employment conditions process

There is another less commonly used form, that can be used to change FTE. The form is known as the change to employment conditions process.

This process did not feature heavily in our independent review although we did note occasions where it was used in circumstances that might have been more appropriately dealt with through a change to FTE request form. Council does not appear to have clear guidance as to when the change to employment conditions form should be used. We recommend that Council clearly communicates to its staff when each of processes should be used.

We note that Council's Recruitment and Selection policy states: "If the vacant position is not within approved staff establishment, then formal approval to create a new position must be requested via the Request change to planned / established FTE online form".

In the case of [REDACTED] (discussed in Section 5 of this report) the position that [REDACTED] moved into was created using the Change to Employment Condition process. It appears that this may have been a breach of the Recruitment and Selection Policy.

The ultimate responsibility for approving changes to employment conditions lies with the approving manager, as the process is not seen by anyone else.

3.3.3 Bid through the annual plan

Through multiple interviews, we determined that the annual plan bidding process can also be used to change personnel budgets, but we were advised that bids were rarely approved, and this was not a favoured way of attempting to make changes to FTE.

The bidding system works by the unit in question creating a business case and presenting it during the annual planning process. This must then be approved by the ELT as part of their annual plan process approval.

If approved, the FTE budget will be updated and ultimately this will flow through to the organisational charts.

The ultimate responsibility for approving bids lies with ELT.

3.4 ELT Minutes and Communication

[REDACTED], advised us that one explanation for some of the discrepancies between actual and approved FTE numbers could be due to the way minutes were taken at ELT meetings. As we understand it, any formal motions that are put to the ELT are either approved or declined, and this decision is communicated in writing to the staff member who proposed the motion.

An example of this is the proposal to increase staffing in the 3W unit that was voted on by the ELT on 6 October 2021. This proposal had three components to it. The ELT approved two of the components and declined one. This decision was recorded in the meeting minutes and communicated back to [REDACTED].

While these formal motions have a structured process around them, it appears that ELT may have also had informal discussions and that decisions made as a result of those discussions may not have been as well documented or communicated.

As an example, on 28 October 2021 [REDACTED] sent an email to [REDACTED] stating that at the ELT meeting held the previous day, ELT had approved 5 new positions. These five positions formed part of the request to create 25 positions that had been declined by ELT on 6 October 2021. We have viewed the ELT minutes for the meeting held on 27 October 2021. We can see that [REDACTED] attended the meeting, but we can see no evidence from the minutes that these five positions were discussed and certainly no record that a motion was put to ELT regarding the approval of the positions.

When this issue was put to [REDACTED], [REDACTED] vehemently denied that [REDACTED] would have sent an email saying that ELT had made a decision if [REDACTED] didn't have a genuine belief that that was what had occurred. On the basis of [REDACTED] assertion, we looked further into [REDACTED] emails and located an email chain between [REDACTED] and Dawn dated 27 and 28 October 2021 (1010334 – attached at Appendix D). This email chain confirmed that the five positions had been approved by ELT. It is unclear to us why the decision was not recorded in the meeting minutes.

In addition to formal motions being put to ELT, in the March 2020 – February 2021 period, Council implemented a change to the Recruitment and Selection policy. This change required all Change Requests for new FTE to be put to ELT for review. It appears that in mid-2020 ELT set up a sub-committee to carry out the task. The sub-committee recorded their decisions in a workbook, rather than taking

minutes. An excerpt of the workbook is attached at Appendix C. ELT minutes record that in February 2021 the policy reverted to its former state, so that ELT no longer needed to approve Change Requests, but it seems that HR were unaware of this, as in December 2021, a Recruitment Team Leader and HR Business partner sent a request to former General Manager, [REDACTED], asking for the policy implemented in March 2020 to be rescinded.

We suggest that the ELT consider the robustness of minute taking at ELT meetings and ensure that all discussions, motions, and decisions are clearly documented and communicated.

3.5 Organisational Chart

As advised to us by Human Resources Business Partner, [REDACTED], former Programme Director Strategic Support, [REDACTED] and acknowledged by [REDACTED], it seems to be well known at Council that the 3W Organisation Chart cannot be relied on as an accurate record of established positions (or actual staff) and that it does not correspond with the records held by Finance. As we understand it, when HR are asked to advertise a role, they check the Organisation Chart to see if the position exists. In theory, this is a control that is designed to ensure staff are not hired into positions that have not been approved. The obvious issue is that if the Organisation Chart does not accurately capture approved roles, then the control has the potential to fail.

We understand that the HR administration team are responsible for the upkeep of the Organisation Chart, but it appears the HR team rely on the business units to advise them of any updates that should be made to the Chart. If the HR Administration team are not independently verifying the information they are being provided, and are not periodically auditing the Organisation Chart, then in our view, the control is likely to be ineffective.

Our review has also found that in addition to the HR-managed Organisation Chart, the 3W Unit kept their own version of the chart. Our analysis has confirmed that there are variations between the two versions. Having multiple versions of documents can lead to confusion over which should be relied upon. From a control perspective, it is preferable to have a single source of the truth.

We suggest that Council investigate the reason why HR and Finance records do not align and if possible, address the issue.

4 Annual Budgets

4.1 Annual Budgeting process and actual FTE numbers

As it relates to FTE, the annual budgeting process is, at least in theory, a straightforward exercise. In approximately September of each year, Finance run a Salary and Wages report that captures all staff who are coding time to a particular business unit. The report is forwarded to the unit managers, who then confirm its accuracy. A key consideration for managers is to identify any staff who are charging time to the unit (usually as part of a project) but who are not part of the approved FTE for the unit. If these staff are not identified, then the reported FTE for the unit will appear higher than what has been approved.

Once the Salary and Wages report is agreed upon, it forms the baseline for FTE that is carried forward to the start of the following financial year. Any approved changes that occur between finalisation of the Salary and Wages report and the start of the next financial year are captured by Finance, and an adjustment is made to recorded FTE. These changes could occur through the standard Change Request Process or through a bid submitted as part of the annual planning process.

Council have provided us with the budgeted and approved FTE for the 3W Unit for each financial year over the 2019 – 2023 period. As set out in our methodology section attached at Appendix A, we compared actual FTE against budgeted and approved FTE at the end of each financial period over the Period of our review. We summarise these comparisons in the table below with the 2023 figures adopting the FY23 budget (6 months to go).

Table 1: Budget vs Actual FTE 1 July 2019 – 2 January 2023 excluding Resource Recovery Unit				
	30 June 2020	30 June 2021	30 June 2022	2 January 2023
Budget FTE	136 ^(a)	136	151	167
Actual FTE	133	149	162	192
Total under / (over) budget	3	(13)	(11)	(25)
% under / (over) budget	2.2%	(9.6%)	(7.3%)	(15%)

Note: (a) The 2020 budgets did not have sufficient information available to identify individual FTE numbers and position descriptions (they were total personnel spend only). We have used the 2021 budget for the 2020 financial years, assuming that these budgets, based on total spend will not have more FTE than the 2021 budget.

We have sought explanation from various Council staff as to firstly, how these discrepancies could occur; and secondly, how they could occur and not be identified, but we have not been provided with a conclusive answer. The most logical explanation we have been provided is that the Salary and Wages report is also used to calculate salary increases, but because there was a freeze on salary increases in the Covid period, there may not have been as much focus on ensuring the Salary and Wages report (which includes the FTE number and personnel cost) was accurate.

In our view, the potential inaccuracy of the Salary and Wage reports and Council's lack of checks and balances that might have identified the inaccuracy, is a failure on the part of the finance advisors, the Unit Management and Council's senior management, who approved the annual budget.

4.2 Monthly Reporting

Throughout the year, finance advisors prepared high-level monthly reports that captured key elements of financial performance for each business unit. The advisors would then share these reports with the Head of (HO) and GM of the unit.

The monthly financial reporting, which stopped reporting FTE numbers from August 2021, shows the following budget personnel cost vs actual for the 2020 – 2023 period. Finance Business Partner [REDACTED] has advised that Finance stopped recording FTE numbers in an effort to “remove unrelated measures and content that may confuse the reader”. In our view, the inclusion of FTE numbers in the finance reports provided clarity and was not in the least part confusing. We suggest that FTE reporting be re-established.

We understand that in addition to the reports produced by finance, there is a current monthly reporting process carried out by the HR Reporting & Information Analyst. This person generates an HR report, which details the FTE for each business unit.

The HR Reporting & Information Analyst informs the HR Business Partners that the report is available and asks them to let the business units know that it has been updated. The onus is then on the HR Business Partners to pass on the report to the respective Heads of Service.

Council has advised us that based on discussions with the HR Reporting & Information Analyst, it is more than possible that the HR Business Partners may not have passed these reports on to the Heads of Service. In our view, this is something that Council should remedy.

Table 2: Budget vs Actual Personnel Cost					
	Year ending June 2020	Year ending June 2021	Year ending June 2022	Year ending June 2023	Total
Budgeted Personnel Cost per Monthly Performance Packs	\$14,459,000	\$15,107,000	\$15,470,000	\$18,694,000	\$63,730,000
Actual Personnel Costs per Monthly Performance packs	\$15,252,000	\$16,710,000	\$17,227,000	\$21,093,000 ^(a)	\$70,282,000
Total (overspend)	(\$793,000)	(\$1,603,000)	(\$1,757,000)	(\$2,399,000)	(\$6,552,000)
%(overspend)	(5.5%)	(10.6%)	(11.4%)	(12.8%)	(10.3%)

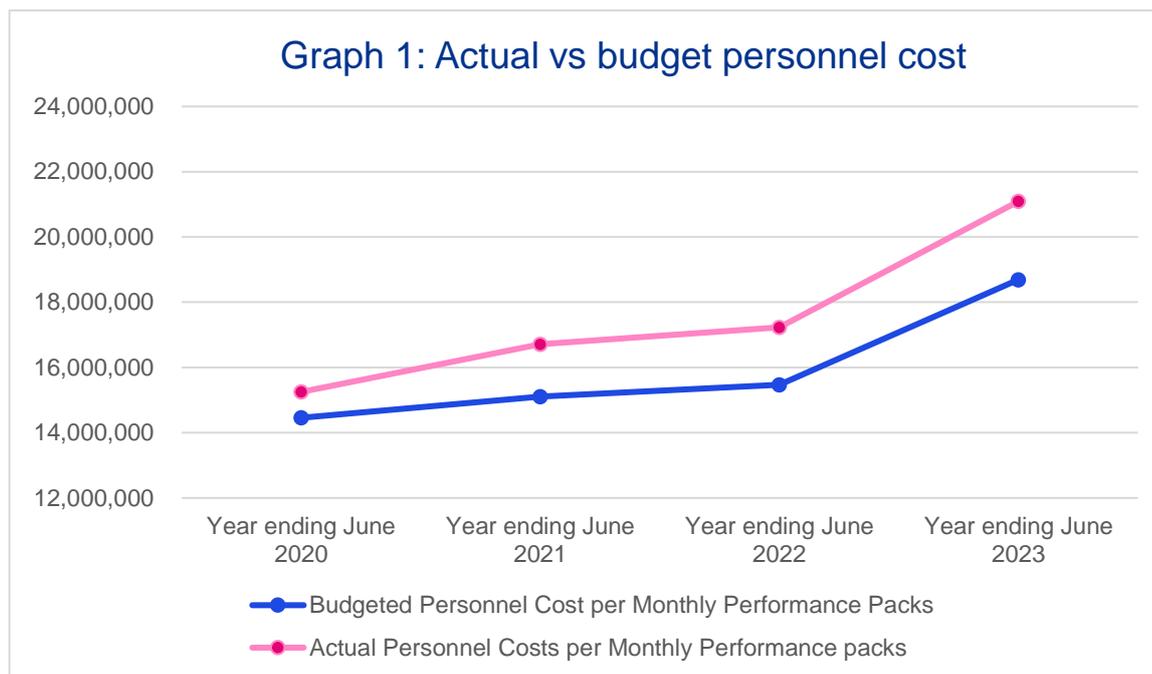
Note: (a) 2023 is a mix of actual (\$12m) and forecast (\$9m).

It should be noted that the personnel budget used for annual planning purposes does not match the monthly financial reporting (see discrepancy of information, contained in Appendix A for more detail).

The above table shows that for the financial years ending 2020 – 2023 (forecasted), total overspend on personnel costs in 3W is \$6,552,000, as well as an increasing overspend over the past few years.

The budget to actual graph below, clearly shows an exacerbating trend of overspend for personnel costs over our review Period.

Graph 1: Actual vs budget personnel cost



The December 2022 Monthly Performance Report records a full year forecasted personnel overspend of \$305,000. By the following month (January 2023) the forecasted personnel overspend had increased to \$2.4m. Council have advised us that the significant movement occurred after a line-by-line review indicated that the forecast needed to be altered to reflect poor January 2023 actuals, and a likely deteriorating trend.

However, what is most concerning to us is that although monthly reporting is issued, these large overspends do not appear to have been addressed. We do acknowledge that in late 2022 and early 2023, [REDACTED] began taking steps to deal with the overspend. Although [REDACTED] mentioned the need to look at Capex recoveries in line with the personnel budget overspend, we have not found a clear report, relationship, listing, or work done by anyone that shows how personnel costs might be offset against Capex recoveries.

An example of the lack of commentary in the monthly finance reporting for personnel overspend, can be seen in the following extract from the June 2022 monthly performance report.

Year End Significant Variances		
Cost Element (\$000's)	Actual Variance after C/F	Breakdown / Comments
Personnel Costs	(1,757) 11.4%	Salaries is \$1.4m more than budget. This is offset by various other operational project budgets such as Backflow prevention and Water reform, as well as staff working on capital projects.
<p>Controllable Costs - \$0.3m less than budget Staff costs recoveries are \$0.6m less than budget. Managers need to effectively manage timesheeting of capital work to ensure recovery from capital achieves the budget in the next year. There are also offsetting variances between Operating Costs, Staff Costs and Internal Recoveries largely driven by budget differences in the Fire Respose and Water Reform expense line items</p>		

The commentary does not provide a clear breakdown showing how offsets occur or why the overspend has occurred. Indeed, the comments section only refers to \$1.4m of the negative variance, leaving circa \$350k or 20% of the variance with no specific explanation. In our view, this is another example of poor documentation and financial management of the 3W unit. [REDACTED] has provided feedback advising that the poor quality of the 3W Financial Reports is similar to that provided to other Council departments. This may be the case, but in our view does not make the standard of reporting acceptable.

We have been advised that during the 2022 calendar year, staff turnover meant the 3W Unit financial advisors and Finance Business Partner changed on three occasions. It seems likely that this frequency of change has compromised the quality of information being provided to the Unit. We also acknowledge that the implementation of the updated SAP made it more difficult to obtain accurate financial reports in the period beyond July 2022. These challenges may have contributed to the Unit failing to recognise the seriousness of its growing budget deficit more recently, but in our view, the monthly reports made the deteriorating position clear, and this should have been recognised and acted on at the time, particularly given the long history of variances to budget.

It has been explained to us that one of the main contributing factors to the budget deficit is the overspend on operational expenditure, brought about by staff failing to record time to capital projects. [REDACTED] advised us that this was a long-standing problem. In our view, if the Management of 3W knew about this issue, they should have adequately dealt with it long before it reached the point where the Unit was facing a significant ongoing deficit.

We suggest Council follow up on the time recording issues and implement a program of education, incentivisation and repercussion, to ensure time spent working on capital programs is accurately recorded.

As can be seen from the monthly reports, it was in the 2022 financial year that the Unit's overall aggregate financial performance began to deteriorate (i.e. other favourable variances no longer 'disguised' or offset the deficit in personnel costs). As we understand it, in December 2021 the Resource Recovery Unit was taken out of 3W cost centre and moved to the Transport Unit. Planning for this restructure had taken place prior to [REDACTED] taking over as [REDACTED]. It appears that the Resource Recovery Unit had a strong revenue stream, and this revenue was being used to offset the personnel overspend in the 3W Unit. In our view it was entirely predictable that removing the Resource Recovery Unit revenue from the 3W budget was going to expose the Unit to a bottom-line loss. This predictable outcome should have been identified by Finance and by the Management of the 3W Unit. If that occurred, then steps could have been taken to mitigate the budget deficit that the unit is now facing. In our view, failing to recognise the financial implications of redirecting the Resource Recovery Unit revenue was a significant shortcoming on the part of 3W Management and the Finance Team.

4.3 Financial Implications of Additional Staff

We have calculated the direct gross salary costs for the 26 staff identified at Appendix A. The total wages paid to the 26 employees, that have been coded to the 3W cost code are \$2,320,547. This covers the 26 employees total time of employment between July 2019 and December 2022, noting that many of the 26 employees started part way through this period. The total direct salary cost for 3W over this same period was \$64m. A full breakdown of the direct salary costs can be found in the schedule titled 'Salary Details for 26 Staff'. To maintain the privacy of salary information for these staff, we have not included a breakdown of their salary details in this report. The total cost to Council would be greater due to other costs associated with personnel numbers.

During our interviews with [REDACTED], we asked them about the 2020-2023 budget vs actual spend for personnel, and ultimately the trend of overspend in this area.

5 Examples of FTE Changes That Appeared Non-Compliant

5.1 Introduction to Examples

As described in the methodology section of this report (attached at Appendix A), we identified 26 roles that had been created either without budget, without any available documentation, or with an approval process that either did not meet Council's expectations or went ahead against the wishes of Council. These 26 roles, along with examples from Council's Internal Review Report, formed the basis of our more detailed review. Please refer to Appendix K for details of the change request workflow for the 26 positions.

The following provides a summary of examples that we identified as being potentially noncompliant and that we wished to interview [REDACTED] about.

As particular issues were often shared across more than one staff member, we have not individually addressed every staff member that appears in categories A, B and C as described in Appendix A.

We were also conscious that attempting to interview [REDACTED] in relation to every potentially non-compliant role would have made the interviews exceedingly long and onerous. We are of the view that the following examples provide a sufficiently detailed and yet proportionate sample of all the issues identified. Where we saw multiple examples of similar issues, we have selected a representative issue to discuss with [REDACTED].

For some of the issues set out below, there were 3W Managers [REDACTED], Team Leaders, HR staff and Finance staff who were involved in the role creation and recruitment processes. Where possible we interviewed some of these staff in relation to their involvement and took their views into account when making our findings.

5.2 Findings

Key	
	Compliant authorisation
	Inconclusive re authorisation
	Appropriate process not followed

■

Table 3: Summary of examples from the Internal Review Report

Example	Date of approval	Issue	Finding
Attachment 3 to the Internal Review Report	July 2021	Business case drafted for the establishment of ten new positions. Unable to find any record of the business case being submitted to ELT	█████ stated that the business case was wrapped into the proposal put to ELT on October 6 2021. A comparison of the two documents confirms that this is most probably correct.
Five positions under the 25-business case, referred to in the Review Report	October 2021	█████ ██████ ██████ that ELT have approved five new positions. ELT meeting minutes do not record any such approval.	As set out in section 3.4 of this report, we have located an email chain between Dawn, ██████ ██████ and ██████ confirming that ELT approved the five positions, despite this approval not being recorded in the meeting minutes,
11 Positions referred to in 8.6 of the Internal Audit Report	March 2022 – May 2022	11 Positions that formed part of the 25 are recruited without evidence of ELT approval	Inconclusive – ██████ stated that ██████ was given verbal approval by Dawn to create the roles, but that ██████ did not make any notes of this meeting, nor did ██████ confirm the decision in writing. Dawn has advised us that she did not give approval for these positions. This is a situation in which two employees have provided us with conflicting accounts. There is no documentary evidence that supports either account and therefore we are unable to make a determination as to which account may be more accurate. █████ acted on the authority of ██████.
		Proposal that related to the 11 Positions was deleted from Council's document management system, TRIM	█████ ██████ (who deleted the document) advised us that ██████ deleted the document because it had incorrect information in it. ██████ had intended updating the document but forgot to do so. It does not appear that the document was relied on for the creation of any roles

██████████	December 2019 (start date)	2x ██████████ roles created without ELT approval	Based on the evidence we have seen; it appears that 2 roles were extended without ELT approval. This was at a time when ELT approval was required. The role that ██████████ moved into was approved by ██████████ through a change to employment conditions process.
██████████	June 2021	██████████ expired in April 2021. In June 2021 ██████████ submitted a request to backfill the expired role.	Based on the evidence we have seen, ██████████ submitted a request to fill a fixed term role that no longer existed. The request was approved by ██████████
██████████	September 2022 (start date)	██████████ ██████████ roles created without appearing to have ELT or GM authorisation	In January 2022 a business case was drafted for the creation of four new ██████████ ██████████ roles. Three roles were approved by ██████████ but in the following months, an additional three roles were recruited, ██████████ was appointed into one of these additional unapproved roles
██████████ ██████████ ██████████	November 2021 – January 2023	Unable to locate evidence of an FTE Change Request form	Based on the evidence we have seen; it appears these employees were placed into roles that had been created without the appropriate FTE Change Request process being followed.

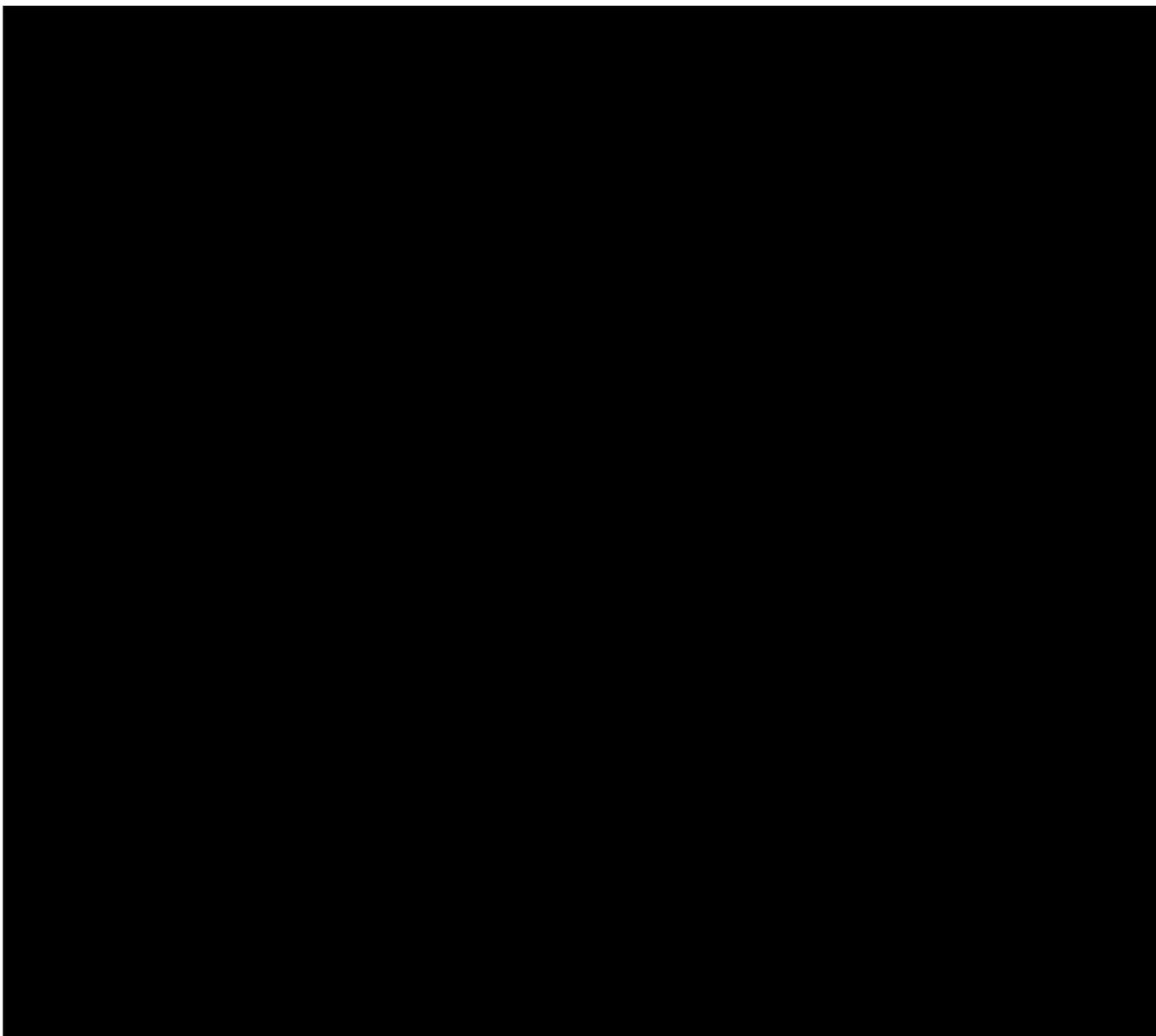
5.3 Effect On Our Initial 26 Issues from Appendix A

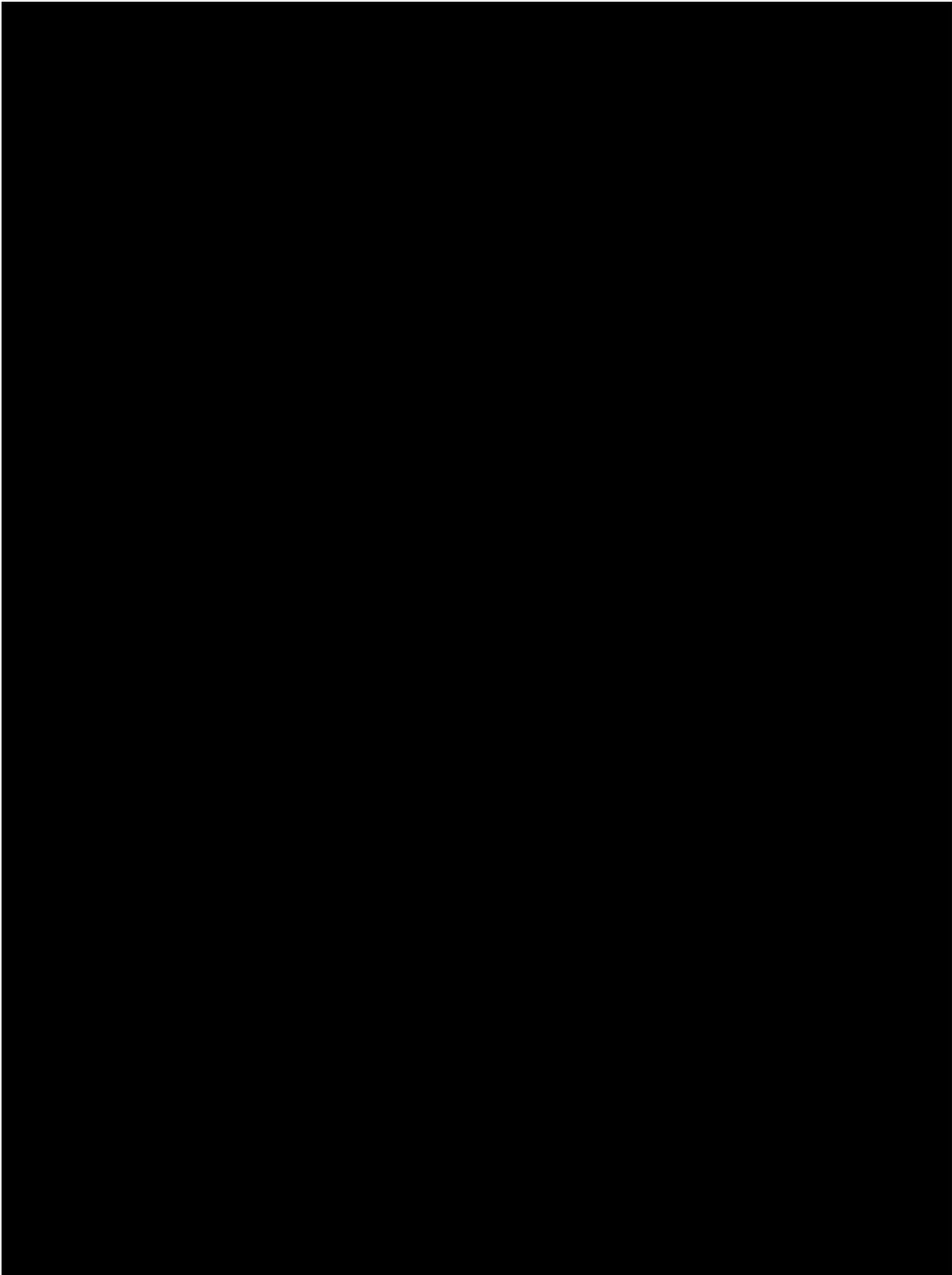
Where we have denoted an example above as red or orange, it is on the basis that we could not identify sufficient evidence to move the “starter” out of a category in A – C (as set out in Appendix A). The ██████████ example above, denoted in green, shifts this “starter” from category C to category A (approved but not budgeted for).

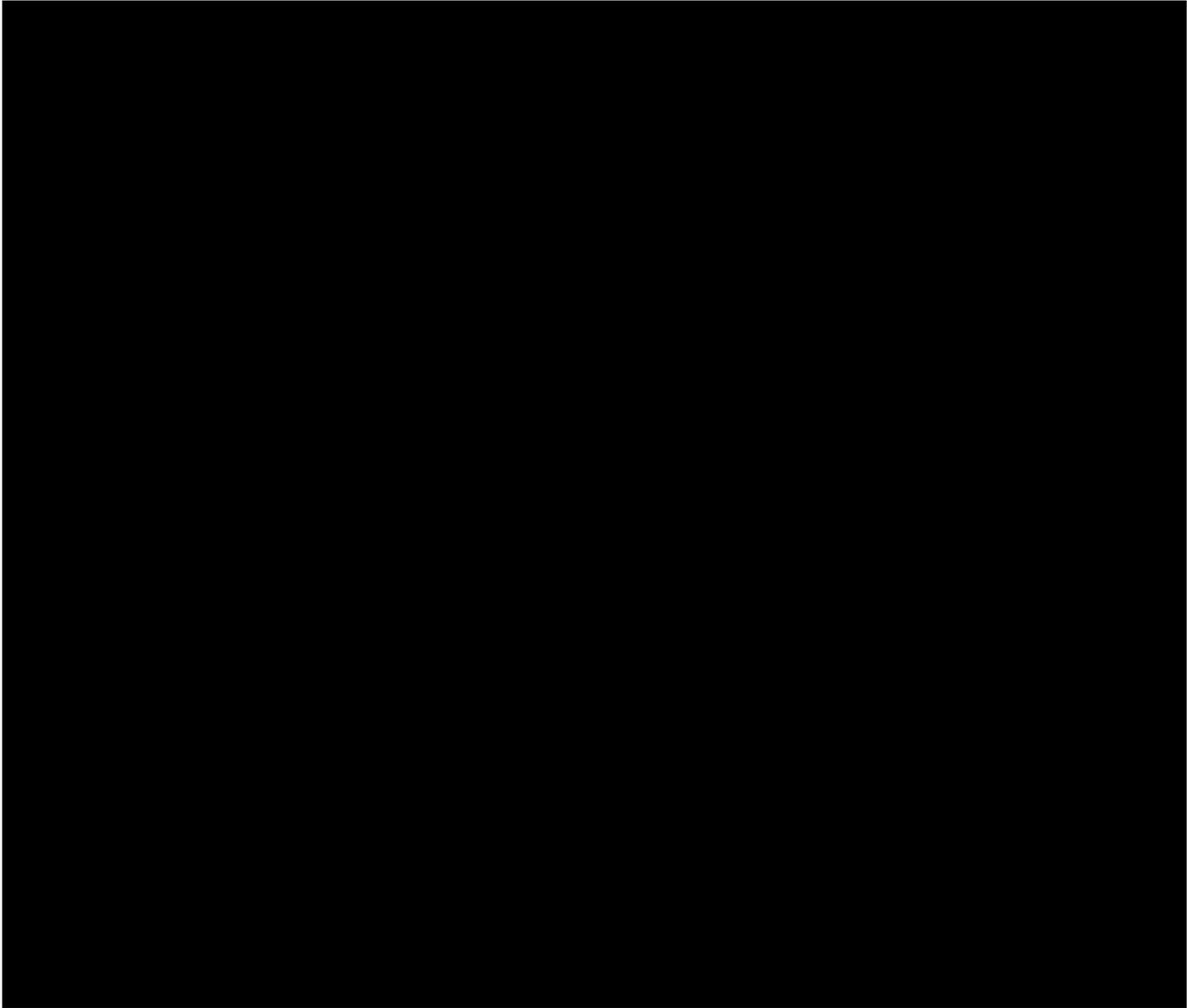
During our detailed pre-interview analysis of the 26 instances, we identified sufficient evidence for ██████████ and ██████████ (category B “starters” per our Appendix A), that moved them from category B to A (approved but not budgeted for).

Our resultant post review and interviews findings are as follows.

Table 5: Category of results	Total number of FTE
A: Approved by [REDACTED], without sufficient approved budget for position.	15
B: No FTE change request or ELT approval evidence discovered.	8
C: FTE Change request identified, but potential issues identified with FTE change request	3
Total	26







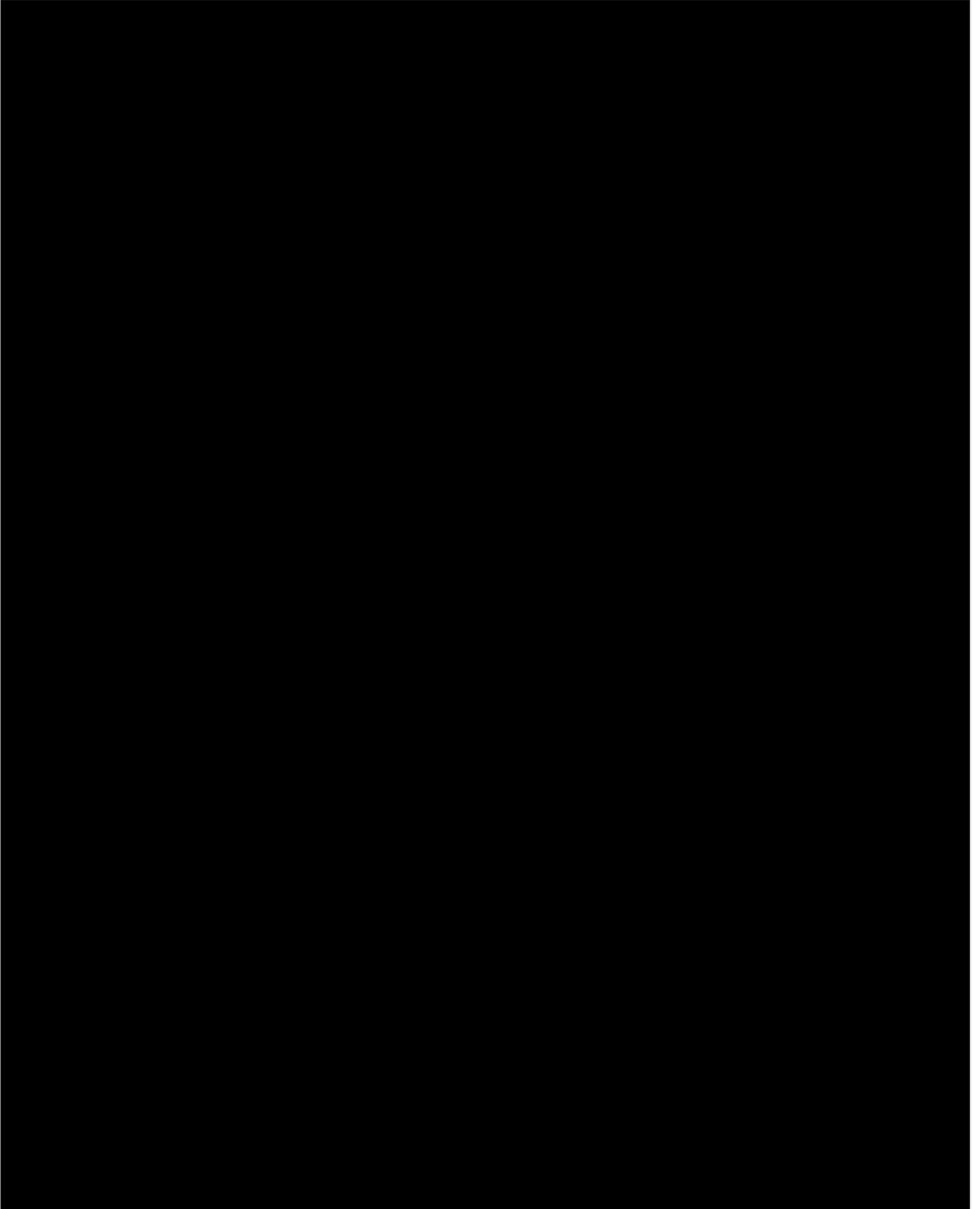
6 Overview of Controls

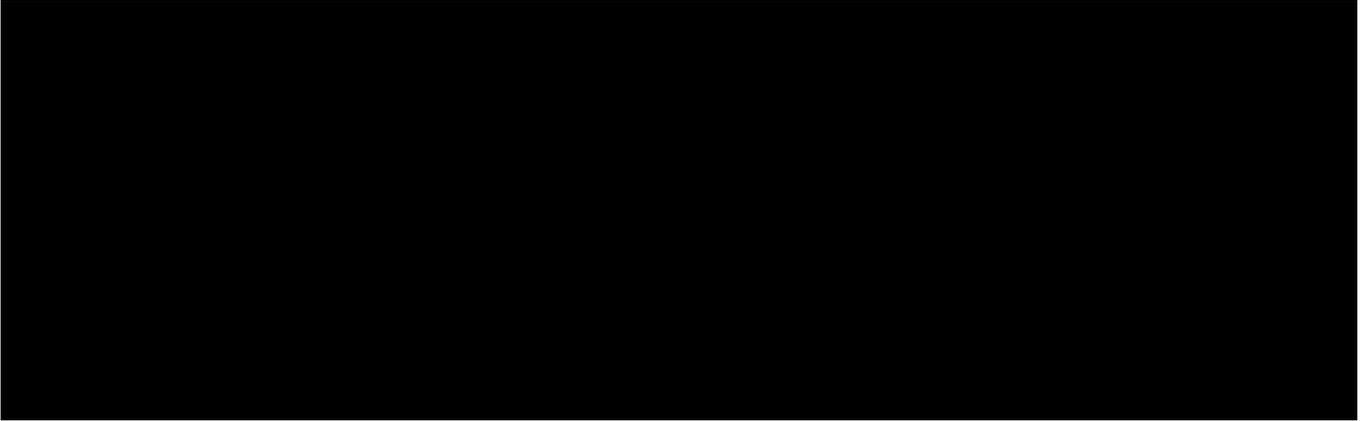
While we have not completed a full controls analysis, the review process has exposed several control weaknesses. We suggest that Council review the effectiveness of its controls and consider strengthening them where possible.

Table 6: Controls overview	
Control	Effectiveness
Annual planning process commences with a stocktake of FTE.	Effective – the Salary and Wage reports run in approximately October of each year, appears to provide an accurate FTE count.
The FTE stocktake is carried forward to the start of the next financial year and adjustments are made for any approvals that occur in the interim period.	Ineffective – the FTE number used as the starting point for the new financial year does not appear to accurately reflect actual FTE on the ground.
Budgeted FTE sets the number of FTE that can be employed in a unit, unless there is an out of sequence approval to alter the budget.	Ineffective – approved FTE was not well understood, and actual FTE exceeded that budgeted for.
Automated workflow approvals process requires sign-off from HR and Finance.	Ineffective – the quality of information provided on the change requests was often inadequate. Finance and HR would often accept the information provided, without completing any independent due diligence. The lack of a unique identifier for proposed positions makes it very difficult to track a position from inception to fulfilment. This is particularly challenging when multiple roles have the same title or when the title changes over the course of time.
Automated workflow process required HO and GM signoff.	Ineffective – the automated workflow process sends the request to manager, two-up from the proposer. If a Team Leader initiated a request, then it would skip the Unit Head and go straight to the GM. The GM would then need to have a side discussion with the HO. The system should be designed so that the Unit Head is part of the approval process for all new positions. As with HR and Finance, the independent due diligence carried out by the GM was either insufficient or not recorded.
Change request process requires an approved change request form before a request to recruit can be initiated.	Ineffective – it appears that managers are able to create and action a request to recruit form without an approved change request.

When swapping an existing FTE to a new position, the existing position needs to be removed from the list of approved FTE.	Ineffective – it appears that a new position can be established without the old position being removed. Further to this, it appears that on occasion a staff member has been recruited into a position that was meant to have been disestablished.
‘Significant’ change to FTE requires ELT approval.	Ineffective – Council does not appear to have any clear guidance on what constitutes ‘significant change’. It is likely that the CE’s view on decisions that should be made by the ELT will differ to the view of Unit managers.
Monthly Financial Reports capture actual or projected budget deficits.	Ineffective – Finance and 3W Management did not identify the growing deficits in personnel expenditure and therefore mitigations could not be put in place.
Appropriate delegated level of authority to delete FTE change request forms.	Ineffective – majority of employees at Council have the required permission to delete FTE change requests.
FTE is captured in a monthly report prepared by the HR Reporting & Information Analyst and is passed on to the HR Business Partners for dissemination	Ineffective – the monthly report is not passed on to unit heads.

7 Assessment of the Actions of 3W Management





8 Conclusions

8.2 Summary of Recommendations

We have made recommendations throughout this report. We set them out again in the following consolidated table.

Reference	Table 7: Recommendations
P6	<i>We recommend that Council implement a system whereby a unique identifier is assigned to all requested positions. This should occur at the time the potential position is entered into the automated workflow process. This number should then remain attached to the position for the duration of its existence at council. Having a unique identifier would also assist in preventing positions moving to the recruit phase, without a valid approval.</i>
P12	<i>Council does not appear to have clear guidance as to when the change to employment conditions form or the Request to Change FTE form should be used. We suggest this be clarified and communicated to staff</i>
P13	<i>We suggest that the ELT consider the robustness of minute taking at ELT meetings and ensure that all discussions, motions and decisions are clearly documented, whether in support of a request or otherwise.</i>

<i>P14</i>	<i>Council should investigate the reason why HR and Finance records do not align and if possible, address the issue.</i>
<i>P18</i>	<i>We suggest Council follow up on the time recording issues and implement a program of education, incentivisation and repercussion, to ensure time spent working on capital programs is accurately recorded</i>
<i>P27-28</i>	<i>Council should review the effectiveness of its controls and consider strengthening them where required. Control weaknesses are set out at Section 6 of this report.</i>

8.3 Conclusion

The intention of this review was to answer the question of whether the 3W Unit actual FTE staffing numbers matched those for which valid approval has been given. In our view, there is sufficient evidence for Council to conclude that actual FTE numbers do not match those approved.

Appendix A FTE Independent Review Methodology

Starting point for our review

We note that the TOR refers to the review period as being January 2020 onwards. Council took January 2020 as being an appropriate date for the start of the review period, as this was the date that a significant restructure of the 3W Unit was put into effect. We note that while the ELT approved the 3W restructure, they do not appear to have ever been given a complete record of FTE that were going to make up the Unit. The organisation chart prepared at the time of the restructure shows all staff in the 3W unit, but it does not specify whether they are full time, part time, permanent or fixed term. For this reason, we felt it wise to extend the review period back to 2019, to capture any correspondence that related to the detailed number of FTE, prior to the restructure, and hence we chose to begin our analysis of FTE and approvals from July 2019, being the start of the 2020 financial year.

There were 13 appointments into 3W during the July 2019 – December 2019 period.

Discrepancy of information

An issue we identified when starting our FTE analysis was the apparent discrepancies across various sources of information being provided to us. These discrepancies have, in some instances, made it difficult to ascertain the facts.

Being able to accurately account for the number of employees currently working in a unit, and the budgeted FTE for that unit, should be readily available and easy to understand. We found that this was not the case. See examples below of some discrepancies of information we encountered.

- The Salary and Wage budget FTE for the FY21 period is 136, whereas the organisational charts submitted to ELT for approval in January 2020 (being the prior financial year), state that 172 (excluding the Resource Recovery Unit) employee positions are present in 3W. How a January 2020 organisational chart has materially more FTE than the following year's budget is difficult to reconcile unless a significant downsize was planned.
- A further discrepancy to note would be the Salary and Wage (S&W) budget for FY21 is \$14,343,521 compared to the FY21 budget according to the performance reports of \$15,107,000. We have adopted the budgets from the performance reports as we understand these represent the most accurate budgets for each financial year.

Budget vs actual FTE

We obtained personnel budgets for the financial years ending 2021-2023. The 2020 budget did not have sufficient information available to identify individual FTE numbers and position descriptions (they were total personnel spend only). We have used the 2021 budget for the 2020 financial year, assuming that these budgets, based on total spend will not have more FTE than the 2021 budget.

We also obtained the detailed payroll and timesheet data for 3W for the period July 2019 – 3 January 2023 (closest payroll data to 31 December 2022). These reports provided us with sufficient information to extract the actual FTE at any point in time, over the review Period.

We identified that the Resource Recovery Unit was not included in the budgets provided, but the staff in this unit appeared in the timesheets and payroll reports until the Resource Recovery Unit was moved out of 3W into the Transport Unit, on 20 December 2021. From what we understand, the Resource Recovery Unit brought significant revenue to the 3W unit, and in its absence the budgetary overspend on personnel and other costs were further brought to light.

To determine the actual FTE at a point in time, we firstly reconciled the timesheets to the detailed payroll reports to ensure that those staff paid a salary/wage did in fact charge time to 3W. Thereafter, taking the timesheets, we determined that if an employee was charging 37.5 or more hours, this would be considered 1 FTE, and all employees below 37.5 would be added together and divided by 37.5 to give us an appropriate estimate of FTEs.

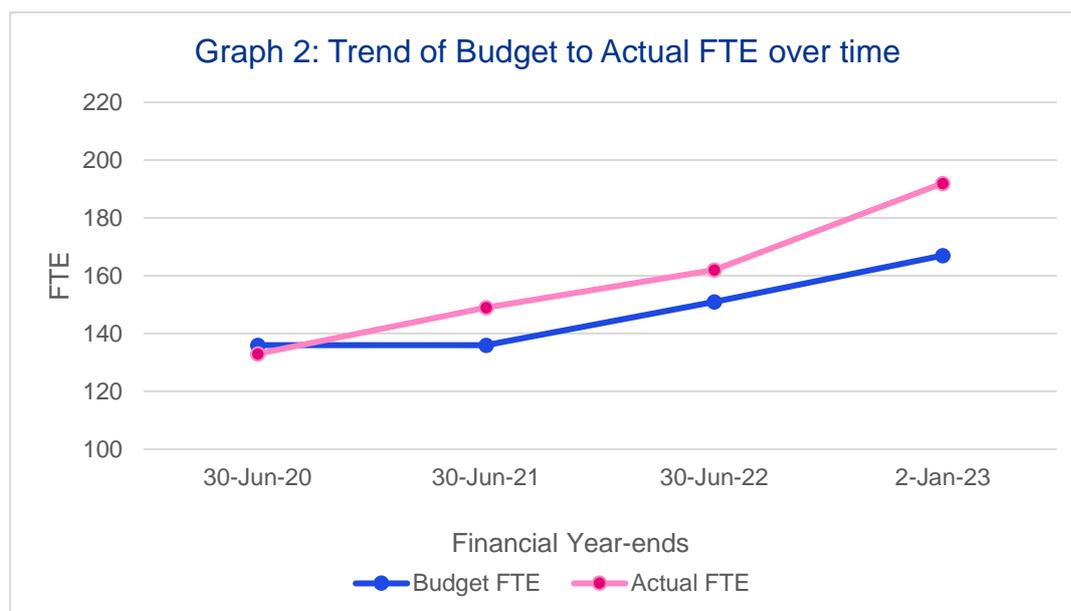
Table 8: Budget vs Actual FTE 1 July 2019 – 2 January 2023, inclusive of Resource Recovery Unit in Actuals only

	30 June 2020	30 June 2021	30 June 2022	2 January 2023
Budget FTE	136	136	151	167
Actual FTE	142	159	172	201
Total under /(over) budget	(6)	(23)	(21)	(34)
% under / (over) budget	(4.4%)	(16.9%)	(13.9%)	(20.3%)

Table 1 (found on page 12 of report): Budget vs Actual FTE 1 July 2019 – 2 January 2023 **excluding Resource Recovery Unit**

	30 June 2020	30 June 2021	30 June 2022	2 January 2023
Budget FTE	136	136	151	167
Actual FTE	133	149	162	192
Total under /(over) budget	3	(13)	(11)	(25)
% under / (over) budget	2.2%	(9.6%)	(7.3%)	(15%)

It can be seen that regardless of whether the Resource Recovery Unit is included or excluded in actual FTE, there is a clear trend of FTE numbers moving from under to over budget in the period 2020-2023. See Graph 2 below (which excludes the Resource Recovery Unit):



Identifying “starters”

Using the gross pay and timesheet reports, we systematically identified, per month, when an employee started charging time to 3W (this was the assumed starting date) and the month they stopped charging time to 3W (assumed to be termination date).

This process identified 167 “starters”, and 88 “leavers” into/out of 3W in the period of July 2019 – 2 January 2023.

Table 9: Starters and leavers for each financial period					
	Year ending June 2020	Year ending June 2021	Year ending June 2022	Year ending 2 Jan 2023	Total
Starters	31	37	50	49	167
Leavers	(13)	(21)	(34)	(20)	(88)
Net employee increase	18	16	16	29	79

This was the starting point for our approval of FTE’s hired or positions created review.

Approval of FTE “starters”

For each of the 167 “starters”, we created a step process to identify whether that “starter” and their job position was appropriately authorised and budgeted for. This was a 4-step process.

Table 10: Steps Performed	“Starters” categorised
Step 1: replacements	41
Step 2: budgets	86
Step 3: 2020 organisational chart	5
Step 4: change requests	35
Total	167

Step 1: replacements

For each “starter”, we identified if it was reasonable that they were replacing a “leaver” with the same job description in the months prior, or current month (in some cases we allowed an overlap of “starter” and “leaver” of a couple of months).

Once we could clearly link the “starter” to a “leaver”, we did not venture any further analysis for that “starter”.

For the “leaver”; however, we further investigated whether they had returned to 3W at some point during our review period and ensured that this re-appointment was appropriate as part of the 4 steps described.

Of the 167 employees analysed, 41 could be clearly linked to a “leaver”, leaving 126 for further analysis.

Step 2: budgets

If the “starter” was not identified as a replacement for a “leaver”, we then searched the detailed budget (known as the “Salary & Wage budget”, obtained from SAP) for the particular role description of the “starter” and assessed whether there was sufficient budgeted FTE for this role, or whether the role was on the budget at all.

To reiterate, the FY 2021 budget was used for 2020 appointments as Council could not provide detailed budgets for the 2020 period.

The detail of this budgetary analysis step is as follows:

- Identify if position description, and potentially name of “starter” found on detailed budget.
- If position description has multiple FTE allocated to it, perform a timeline assessment of the role, from 1 July 2019 - 2 January 2023, and assess whether at the time of appointment, there was sufficient FTE for that particular role and “starter”.
- Example of this as follows:

Position Description: [REDACTED]

Budgeted FTE 2019-2023: 2 FTE (no change, 2 throughout period)

Name of employee in [REDACTED]	Employee Start date	Remaining FTE available at time of appointment, based on budget alone
[REDACTED]	June 2019	2
[REDACTED]	March 2021	1
[REDACTED]	July 2022	0 – filled outside of budget
[REDACTED]	July 2022	0 – filled outside of budget

Once the “starter” has been allocated to an approved budget and sufficient FTE is available, no further analysis was performed for that starter, and their appointment was deemed authorised, budgeted and appropriate.

Of the remaining 126 “starters” after step 1, 86 “starters” were clearly linked to a budget, leaving a residual of 40.

Step 3: 2020 organisational chart

As stated above, due to the discrepancy of information, and the lack of a complete and detailed FTE for the 2020 organisational chart, we used the 2020 organisational chart “as is”, to perform step 3.

For the remaining “starters” post step 1 and 2, we determined if the starter or their position description was part of the 2020 organisational chart and ensured there was sufficient FTE available at time of appointment. This was a similar type of analysis to step 2, above.

An additional 5 “starters” were clearly linked to the 2020 organisational chart, using this methodology, leaving a residual of 35.

Step 4: change requests

Once steps 1 through to 3 were completed, 35 “starters” remained to be assessed. These 35 were not clear replacements, not budgeted for, and were not part of the 2020 organisational chart.

These 35 “starters” were then assessed against FTE change requests.

We received a full list of all Change Requests from Council and attempted to match the position description per Change Requests, to the 35 “starter” position descriptions identified above.

This was a challenging exercise, as the position descriptions do not have a unique identifier. For example, in one case, the position description mentioned in the FTE Change Request form did not match any of the position that were ultimately filled. After further investigation, it was surmised that the wrong position description was documented in the FTE Change Request form.

Through our analysis we attempted to match the 35 “starters” to available Change Requests, known ELT approvals, and direct CE approvals.

Initially, we linked 9 of 35 to ELT or CE approvals. This left 26 “starters” which we have classified below.

Table 12: Category of results	Total number of FTE
A: [REDACTED] without sufficient budget for position.	12
B: No FTE change request or ELT approval evidence discovered.	10
C: FTE Change request identified, but potential issues identified with FTE change request (a)	4
Total	26

Note: (a) For example: mention by approver in change request of “to be flagged at ELT”, when no subsequent ELT “flagging” identified.

Once the 26 “starters” were categorised, we searched email files obtained for [REDACTED] in an attempt to locate any other evidence of approvals, correspondence, lost or deleted change requests, recruitment listings, or any other information that could shed light on categories A, B and C above.

Though [REDACTED] those in category A, we further reviewed the change requests and email correspondence to further understand the rationale, and robustness of the approvals and documentation kept for these ‘out of budget’ approvals. This review formed the basis for a number of the control deficiencies noted in Section 6 of our report.

At this point, no further evidence was found for the “starters” categorised in B. These 10 positions appear to sit outside budget but for which we cannot track the approvals process. Based on the records available to us, it appears likely that some or all these positions have been created without the appropriate authority given the lack of documentary evidence.

We further reviewed those “starters” identified in category C. In some cases evidence was identified to the appropriateness of the appointment and no further investigation was performed, in other cases, inconclusive or no evidence was found to clearly show that these “starters” had been appropriately approved and budgeted for.

For detailed examples of the work performed above see “5. Examples of FTE Changes That Appeared Non-Compliant” in the body of the report.

See below for a list of the 26 roles that that form part of category A – C.

We have applied a first name and initial in the table below to distinguish the position description that forms part of our A – C categorisation. We cannot be certain due to the nature of position descriptions not having a unique identifier that the allocation of the names below aren't without error.

Table 13: 26 Employees that form part of category A – C in order of start date		
Employee Name	Position Description at time of appointment	Category per step 4
		B
		B
		A
		C
		A
		B
		B
		B
		A
		C
		C
		C
		B
		B
		A
		A
		A
		A
		A
		A
		B
		A
		A
		B
		A
		B
		A

Appendix B Council's Policies, Procedures and Delegated Authority

Relevant provisions from People & Culture policies

Council supplied us with the "Recruitment and Selection Policy" and the "FTE Change Workflow" flowchart.

We have extracted key relevant provisions from these two policies below.

Recruitment and Selection Policy extracts:

Page 1, Policy statement: "The Christchurch City Council will use a systematic recruitment and selection process to ensure the person best suited is selected for a position on the basis of merit and that recruitment practices reflect the requirements of relevant employment-related legislation."

Page 2, Policy statement: "Our recruitment policy and procedures are supported by the following principles: 1. Selection on merit 2. Open, honest, and transparent processes..."

Page 2, Policy Statement: "In practice, these principles mean that..."

- ...Recruitment and selection processes are open, consistent, and fair. Selection decisions are merit-based and do not discriminate (either directly or indirectly) or appear to discriminate. Human Rights Act (s21)
- Recruitment and selection processes are professional and objective, with selection based on relevant, specific selection criteria. All processes and recommendations are documented."

Page 2, Policy Statement: "Deviation from this policy can only occur with the express approval of the Chief Executive."

Page 2, Procedure: "Before recruiting for a new or existing position, the hiring manager must review the resourcing requirement and determine whether a genuine vacancy exists over the longer term."

Page 3, Procedure: "If the vacant position is not within approved staff establishment then formal approval to create a new position must be requested via the Request change to planned / established FTE online form, following discussion with the relevant Finance Business Partner and People & Culture Business Partner, and approved in line with the delegations..."

Page 3, Permanent Employment: "Recruitment should only proceed for vacant permanent positions after considering.....the Council's strategic priorities; and any budgetary constraints."

Page 3 and 4, Temporary Employment – Fixed Term: "Temporary Employment – Fixed Term..."

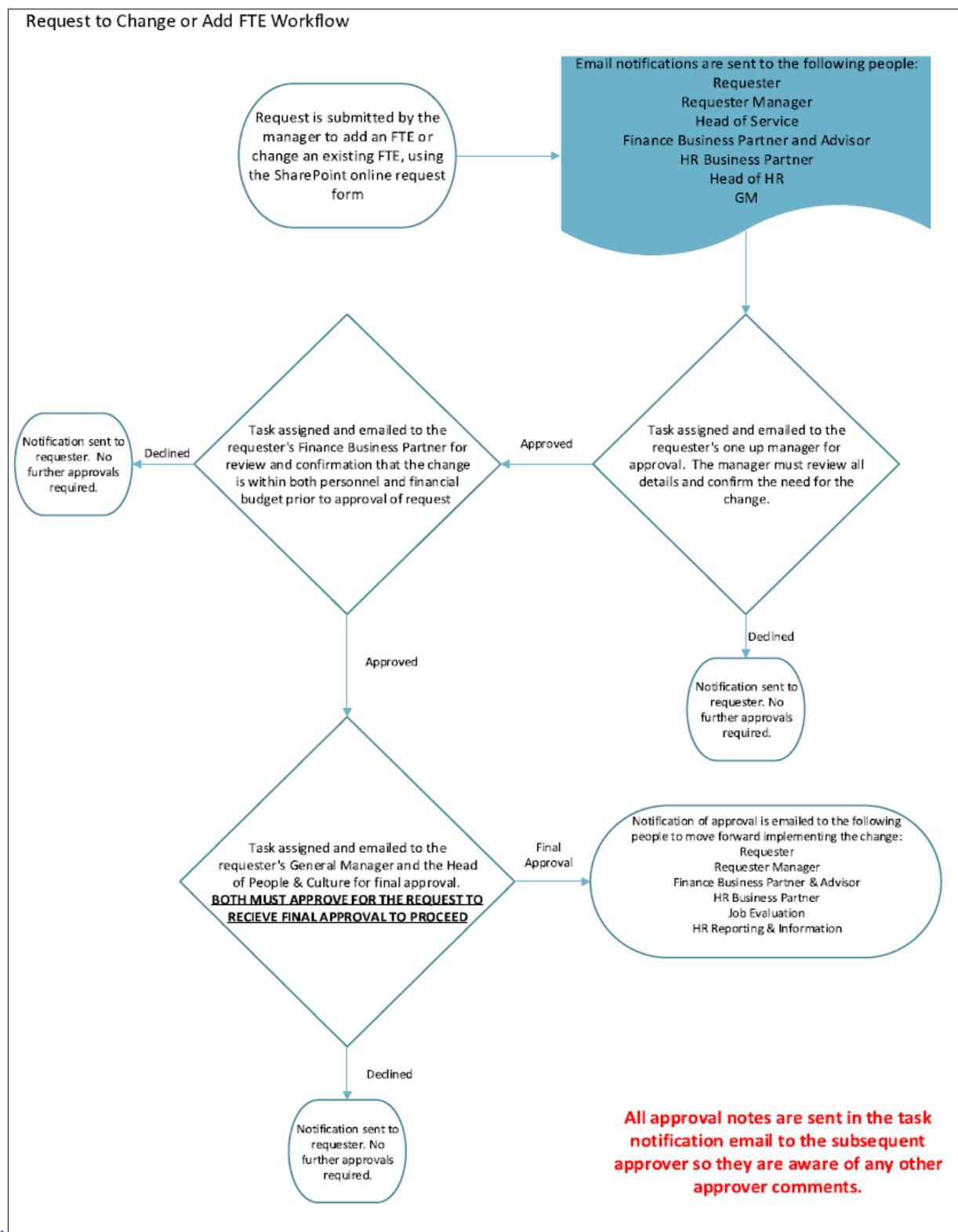
- ...The hiring manager must have a genuine reason for specifying that employment is temporary and will end on a specified date, or following a specified event, or at the end of a specified project. Fixed term vacancies must still be processed through the Council's recruitment system so activity can be reported and monitored.
- If a current employee is selected as the preferred candidate for a temporary position then the employee may be seconded to the temporary position and return to their substantive position at the end of the term, subject to the agreement of the manager of the substantive position...
- ...If a temporary (fixed term) position is subsequently converted to a permanent position it must be treated as a new vacancy with advertising and application of the standard selection process."

Page 5, Advertising Vacancies: “Wherever possible the Council encourages all vacancies (including short term ones) to be advertised widely to promote professional development opportunities and build capability within the Council. Advertising is not a requirement for acting assignments, fixed term vacancies less than six months in duration and casual employment opportunities. Contractors and temporary agency staff are not eligible to apply for vacancies advertised internally only.”

Page 9, Recruitment Documentation: “Each recruitment process must be well documented to provide a record that may be used in any review and/or complaints process, or if subsequent questions arise about the appointment.”

Page 24, Deviation from Policy: “Any deviations from this policy can only be made with the approval of the Policy Owner and the Chief Executive. Failure to comply with the requirements of this policy may be considered a breach of the employee’s employment agreement.”

FTE Change Workflow extract (as supplied to us):



Relevant provisions from Finance policies

We interviewed two Finance Business Partners [REDACTED] and the [REDACTED] [REDACTED] to understand the finance policies and processes in place, as well as what occurs in practice. Following these interviews, we asked Council to provide further detail on the personnel planning process.

We were provided with a memo titled: "Personnel Planning Process". The memo is as follows:

"The Corporate Reporting team launch the process by taking an extract from our Actual live salary & wage data around 1 September every year. This data represents all live employees and their respective actual salaries on that date. Following the extract of HR / Payroll data the Systems Accountant ([REDACTED]) uploads it into the Personnel Planning system (BPC), at which time the Finance Business Partnering Team conduct the following process:

- Provide a message to the business as per the Annual Plan or LTP planning guidance notes, sent to us by the Corporate Reporting Team [REDACTED]. The clear message is that this is not an opportunity to undertake a full-scale Personnel Planning rebuild for the following year, rather to review, confirm and reconcile actual data vs. current year budget (built on the prior year's Personnel Planning exercise) vs. currently agreed and latest confirmed unit organisational structure. [Note: in the past HR used to conduct a workforce planning exercise directly with the Business prior to us doing Personnel Planning].
- Confirm if the position / employees in each cost centre are correct with respective Manager / Team Leaders responsible for those staff. For some smaller units this may be done directly with the Unit Head (even GM) particularly in cases of active / known restructures and/or uncertainty. Due to the quality of the data this often requires a line by line, position by position, person by person, team by team reconciliation. There are some variations mostly for RSE and Libraries that have a lot of part time and casual / seasonal staff moving around in the plan year, but the core reconciliation principles still apply.
- Identify current vacancies - confirm position, grade, approximate start date, salary scale percentage (vacancy assumption for Personnel Planning is 100% of IEA Band).
- Identify staff on secondments, fixed term employees / contractors replacing permanent staff vacancies, staff on parental leave and who is backfilling their positions. Key is to ensure the original agreed position is accounted for and not the type of person currently filling that particular role.
- Review the FTE count within the current approved level vs. current year budget vs. agreed organisational structure, investigate, and document any differences.
- Where the business has received approval for new roles during the current fiscal year, ensure a link to the business case or email is attached to your working file.
- Where new 'unapproved' positions appear during the Personnel Planning process, DO NOT INCLUDE these positions in the Personnel Planning budget. Rather these need to be documented and raised to the attention of the Unit Head / GM / ELT and added to the Annual Planning Bid process [i.e., specific retrospective approval is required to confirm these new positions via the Annual Bid process. Only after receiving this approval, add them to the Personnel Planning system].
- Following the thorough process above, run an FTE & Cost Comparison report (Current Year Plan & Actual vs. Future Year Plan) and ask the Unit Head / Team Leader / GM to provide an overall comment on the salary / FTE variances. Make sure the respective leader confirms their Personnel Plan by confirmation email and attach this email to your working file as evidence of the same. This enforces ownership and ensures they fully understand and accept their Personnel Planned position from an FTE, budgetary change, and financial constraint point of view.
- Often the above process requires multiple back-and-forth meetings, conversations and emails so please include the audit trail of these within your working files."

Relevant provisions from the Delegations Register:

Per page 88 of the “Christchurch City Council Delegations Register”, the following relevant extracts have been taken:

2. RECRUITMENT AND SELECTION

REF.	DELEGATION	CE	GM	Head	M/TL
2(a)	To establish a new position.	✓	✓*		
2(b)	To recruit for a vacant position (one up approval required).	✓	✓	✓	✓
2(c)	To approve the appointment of a preferred candidate into a vacant position (one up approval required).	✓	✓	✓	✓
2(d)	To approve a pay rate up to 100% of mid-point of remuneration band or pay grade.	✓	✓	✓	✓
2(e)	To approve a pay rate up to 103% of mid-point of remuneration band or pay grade.	✓	✓	✓	
2(f)	To approve a pay rate between 103.1% and 110% of mid-point of remuneration band or pay grade.	✓	✓		
2(g)	To approve a pay rate over 110.1% of mid-point of remuneration band or pay grade.	✓			
2(h)	To allocate an acting assignment where an allowance is payable.	✓	✓	✓	

*Consultation with HHR required

3. REORGANISATION

REF.	DELEGATION	CE	GM	Head
3(a)	To propose changes in organisation structure, lead consultation process, consider feedback and make final decision (with advice from HR Business Partner and one up manager).	✓	✓	✓
3(b)	To disestablish positions (with advice from HRBP and one up manager).	✓	✓	✓

4. REMUNERATION REVIEWS

REF.	DELEGATION	CE	GM
4(a)	To approve an IEA remuneration band.	✓	
4(b)	To approve outcome of annual remuneration reviews for employees on an IEA.	✓	✓*
4(c)	To approve outcome of remuneration reviews for employees on a CA (in conjunction with HHR).		✓*
4(d)	To approve a remuneration review outside the annual review process.	✓	✓

*Approval required from all affected GMs

5. EMPLOYMENT AGREEMENT VARIATION

REF.	DELEGATION	CE	GM	Head	M/TL
5(a)	To approve salary sacrifice for one week's additional leave for employee on an individual employment agreement (one up approval required).	✓	✓	✓	
5(b)	To approve change of hours (one up approval required).	✓	✓	✓	

Chief Executive	CE
Executive Leadership Team	ELT
Level 2 position ¹²	GM
Head of People and Culture	HPC
Manager Human Resources and Shared Services	MHRSS
"Head of" position	Head
Manager / Team Leader	M/TL

In March 2020 Council amended its Recruitment and Selection Policy so that the creation of a new position outside establishment, or the conversion of a vacant position into a different position, required ELT approval. Prior to March 2020, these changes were approved by a General Manager. The change was made due to uncertainty caused by the Covid pandemic.

On 26 May 2020 ██████ sent an email (902671) to ██████ explaining that ELT had made a change to the recruitment policy. From this email, it appears that ██████ was aware of the update to the policy.

On 24 February 2021 ELT agreed that the policy should immediately revert to the pre-covid settings. This decision was recorded in ELT minutes, but it appears that the decision was not communicated to HR.

It appears that in mid-2020 the ELT set up a sub-committee to consider all changes to FTE. The sub-committee recorded their decisions in a workbook, rather than taking minutes. An extract from this workbook is attached at Appendix C. We note that despite ELT rescinding the change to the approvals process in February 2021, throughout March 2021, the subcommittee were still making decisions on changes to FTE.

On 16 December 2021 ██████ emailed ██████ (HR Business Partner) recommending that the approval process implemented in March 2020 go back to the pre covid settings. ██████ forwarded this email to ██████, asking that it be raised at ELT. It is evident from this email chain that ██████ were unaware that the policy had been rescinded ten months earlier.

Appendix C Sub-committee Workbook

See below for an extract of the Sub-committee workbook:

Vacancies for approval/follow up									
22 June 2020									
No.	Date Requested	Role	Salary/Budget	Justification	General Manager	Approved / Date	Commentary	Approved Y/N	
1	0-Jan-00	[REDACTED] APPROVED	0	This position is an essential position within the three water structure which was approved by yourself in March. The team have been through the recruitment process and wish to appoint [REDACTED] to the position of [REDACTED]. As you will be aware [REDACTED] is a member of our staff and has been one [REDACTED]. You will know [REDACTED] issues presented numerous times to Council regarding [REDACTED]. I've been asked to approve this appointment as it's within my delegations but I wish to receive your clearance. I confirm that the appointment was approved also by [REDACTED]. In summary it's an essential position, been filled by an internal staff member who has all the necessary skills to undertaken. Happy to supply any further information.	[REDACTED]	Dawn approved this role 13 May 2020	0		Y

3 0-Jan-00

[REDACTED]

APPROVED

[REDACTED]

APPROVED

[REDACTED]
Collective grade
18 - \$74,168 -
\$87,256 (plus 5%
super)
[REDACTED]
[REDACTED]
Collective band
16 - \$64,559 -
\$75,952
IEA band GA -
\$86,002 -
\$95,558

The recruitment of the two above positions that have been advertised and shortlisted need to continue as these are critical roles in the 3 Water and Waste Teams. They sit within reticulation that are currently under staffed and have now lost another member [REDACTED]. These two roles are critical to keep the infrastructure operational for our residents.

[REDACTED] is a role looking after the [REDACTED] with our main contractor (City Care) but also includes other contractors like the HDM panel and approved CCC drain layers. This role assists in getting sewer from properties to our waste water treatment plant while minimising waste water overflows to the environment from factors like wet weather, blockages and damage.

[REDACTED]
This role is to provide technical advice on complex maintenance issues [REDACTED]
[REDACTED] This is a key position within the team responsible for the water supply and wastewater reticulation system including water and wastewater pumping stations as well as all treatment facilities on Banks Peninsula

This request to carry on recruitment is supported by the [REDACTED]

[REDACTED]

Approved 0
24/3/2020
via email to
[REDACTED]
[REDACTED]
HR

Y

4	0-Jan-00	APPROVED [REDACTED]	[REDACTED] Collective band - \$40,487 - \$47,538 IEA Band B - \$45,797 - \$48,258 [REDACTED] Collective band 16 - \$64,559 - \$75,952 IEA band GA - \$86,002 - \$95,558	<p>1. These roles are essential to Water and Wastewater Operations, which have been identified by Government as being Essential Services (Utilities).</p> <p>2. These roles are essential to Water and Wastewater Operations, which Council's Incident Management Team (IMT) has identified as being a critical service</p> <p>3. The Positions will support the implementation of;</p> <ul style="list-style-type: none"> a. Water Safety Plan (TRIM Ref. 19/296691) b. Preparation of documentation as identified in the Business Continuity Plan (TRIM Ref. 20/303263) c. Essential Capital Delivery Project d. Records keeping (ISO14001/H&S) <p>In light of the present situation, can you please extend the advertising period to Sunday 3rd May (~week after lock-down is over)</p>	[REDACTED]	Approved 24/3/2020 via email to [REDACTED] HR	0	Y
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Appendix D Email 1010334

From: [REDACTED]
To: [REDACTED]
Subject: RE: 3 Waters resourcing
Date: Thursday, 28 October 2021 8:13:24 am

The team has confirmed CAPEX funded, no increase in OPEX.

nga mihi

[REDACTED]

From: Baxendale, Dawn [REDACTED]
Sent: Wednesday, 27 October 2021 8:51 pm
To: [REDACTED]
[REDACTED]
Subject: Re: 3 Waters resourcing

Yes that is the position. I would like clarification on ensuring the posts can be 100% funded from capital.

Regards

Dawn

Dawn Baxendale
Chief Executive
Christchurch City Council

From: [REDACTED]
Sent: Wednesday, October 27, 2021 8:35 PM
To: [REDACTED]
Subject: 3 Waters resourcing

Hi there
Just confirming that we agreed to take a decision today

My understanding is

- 5 new roles to be funded from Capex
- \$190m budget for 2023

So you agree? If so you may wish to advise [REDACTED] and I. Wil let [REDACTED] know

[REDACTED]

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Appendix E Documents Disclosed During Independent Review

Document Disclosed	Date Disclosed
CCC [REDACTED]	13.03.2023
1 - Three Waters Decision 20200120.docx	13.03.2023
2 - Final Decision Org Chart 20200120.pdf	13.03.2023
3 - 21123722400WW Water Supply and Wastewater Delivery team – Business Case July 2021.docx	13.03.2023
4 - 22702625 Executive Leadership Team Business Case for change – Capital Delivery Support Team 8 June 2022 Report.docx	13.03.2023
5 - Business Case for Change - Capital Delivery Support Team – Appendix A2.xlsx	13.03.2023
6 - Business Case for Change - Capital Delivery Support Team Final.docx	13.03.2023
7 - 211369433 Resourcing three waters capital delivery and Banks Peninsula changes.docx	13.03.2023
8 - ELT Minute: 20211006.pdf	13.03.2023
9 - 211193719 Planning & Delivery BC Opex and resource funding analysis MASTER with Updates.xlsx	13.03.2023
10 - Attachment to report 211260577 (Title 3WW Operations Team Business Case).docx	13.03.2023
11 - Attachment to report 211260577 (Title Change Proposal).pdf	13.03.2023
12 - Attachment to report 211260577 (Title Planning & Delivery BC OPEX & Resource funding).pdf	13.03.2023
13 - Attachment to report 211260577 (Title WWW Planning & Delivery Team Business Case for change).docx	13.03.2023
14 - 211193728 WWW Planning& Delivery Team Business Case for Change MASTER (2) with comments.docx	13.03.2023
15 - ELT Action Item History.docx	13.03.2023
16 - 3W Document from April 2022.pdf	13.03.2023
17 - [Trash] Internal or External Memos Status of Three Waters Planning& Deliver Business Case for Change 30 April 2022 Report Public Excluded.docx	13.03.2023
18 - TRIM 55-500277 Audit Log.xlsx	13.03.2023
19 - Request to Delete - RE Status of Three Waters planning Delivery Business Case for Change.pdf	13.03.2023
20 - FTE Change Request.xlsx	13.03.2023
21 - FTE Change Discrepancies.xlsx	13.03.2023
22 - Timeline and Summary of Total FTE.pdf	13.03.2023
23 - 3W Salaries and Wage: Summary.xlsx	13.03.2023
24 - Rick & Assurance 3W FTE Review.xlsx	13.03.2023
All 3W FTE Change Requests 20230309.xlsx	13.03.2023
FTE Change Workflow.pdf	13.03.2023
Requests for Desks July 2022.docx	13.03.2023
New role as discussed earlier today.eml	13.03.2023
Your request to change planned/established FTE has been declined ID:177.eml	13.03.2023
Approval required: Request change to existing/planned FTE form ID:180.eml	13.03.2023
FW: Approval requested: Request Change to Planned or Existing FTE ID:177.eml	13.03.2023
RE: Heads up - major potential overspend in three waters.eml	13.03.2023
RE: Request 3500 for [REDACTED] - 3 Waters Approved and submitted to HR.eml	13.03.2023
RE: Waters staff and funding.eml	13.03.2023
RE: Approval requested: Request Change to Planned or Existing FTE ID:176.eml	13.03.2023

RE: APPROVAL TO RECRUIT Form Submitted with Reference 3337 for [REDACTED].eml	13.03.2023
FW: APPROVAL TO RECRUIT Form Submitted with Reference 3354 for [REDACTED].eml	13.03.2023
FW: As requested.eml	13.03.2023
HR People reports for August.eml	13.03.2023
RE: Approval requested: Request Change to Planned or Existing FTE ID:177.eml	13.03.2023
RE: Business case for change/realignment in 3W&W Planning and Delivery team - current summary.eml	13.03.2023
Temporary, fixed term and seconded staff.eml	13.03.2023
FW: APPROVAL TO RECRUIT Form Submitted with Reference 3500 for [REDACTED].eml	13.03.2023
FW: June People Reports.eml	13.03.2023
FW: Your request to change planned/established FTE has been declined ID:177.eml	13.03.2023
FW: Full Job Evaluation Request for Multiple 3W Staff Positions approved by ELT/CEO.eml	13.03.2023
Copy of 01.INWW Three Waters FTE Summary November2022.xlsx	14.03.2023
EXE_20211027_MIN_7339_AT.pdf	14.03.2023
Action Memo 5 Resourcing three waters capital delivery and Banks Peninsula changes 6 October 2021.docx	14.03.2023
Action Notes 6 Oct 2021.png	14.03.2023
EXE_20211006_MIN_5516_AT.docx	14.03.2023
EXE_20220608_MIN_7479_AT.docx	14.03.2023
Action Memo 8 Business Case for change - Capital Delivery Support Team 8 June 2022.docx	14.03.2023
KPMG employee approvals.xlsx	14.03.2023
3W Employee 2019 - 2022 FTE Analysis.xlsx	14.03.2023
[REDACTED] Interview.pdf	15.03.2023
[REDACTED] interview with KPMG Transcribed.pdf	17.03.2023
Interview Notes - [REDACTED].pdf	31.03.2023
City Services_ Three Waters And Waste April 2020.pdf	31.03.2023
City Services_ Three Waters And Waste August 2020.pdf	31.03.2023
City Services_ Three Waters And Waste December2020.pdf	31.03.2023
City Services_ Three Waters And Waste February 2020.pdf	31.03.2023
City Services_ Three Waters And Waste February2021.pdf	31.03.2023
City Services_ Three Waters And Waste January 2020.pdf	31.03.2023
City Services_ Three Waters And Waste January 2021.pdf	31.03.2023
City Services_ Three Waters And Waste July 2020.pdf	31.03.2023
City Services_ Three Waters And Waste June 2020.pdf	31.03.2023
City Services_ Three Waters And Waste March 2020.pdf	31.03.2023
City Services_ Three Waters And Waste May 2020.pdf	31.03.2023
City Services_ ThreeWaters And Waste November 2020.pdf	31.03.2023

City Services_ ThreeWaters And Waste October 2020.pdf	31.03.2023
City Services_ ThreeWaters And Waste September2020.pdf	31.03.2023
Infrastructure Planning and Regulatory Services_ ThreeWaters And Waste November2021.pdf	31.03.2023
Infrastructure Planning and Regulatory Services_ ThreeWaters April 2022.pdf	31.03.2023
Infrastructure Planning and Regulatory Services_ ThreeWaters August 2022.pdf	31.03.2023
Infrastructure Planning and Regulatory Services_ ThreeWaters December 2021.pdf	31.03.2023
Infrastructure Planning and Regulatory Services_ ThreeWaters December2022.pdf	31.03.2023
Infrastructure Planning and Regulatory Services_ ThreeWaters Feb 2023.pdf	31.03.2023
Infrastructure Planning and Regulatory Services_ ThreeWaters February 2022.pdf	31.03.2023
Infrastructure Planning and Regulatory Services_ ThreeWaters January 2022.pdf	31.03.2023
Infrastructure Planning and Regulatory Services_ Three Waters January 2023.pdf	31.03.2023
Infrastructure Planning and Regulatory Services_ Three Waters March 2022.pdf	31.03.2023
Infrastructure Planning and Regulatory Services_ Three Waters May 2022.pdf	31.03.2023
Infrastructure Planning and Regulatory Services_ Three Waters November2022.pdf	31.03.2023
Infrastructure Planning and Regulatory Services_ ThreeWaters October 2022.pdf	31.03.2023
Infrastructure Planning and Regulatory Services_ ThreeWaters September2022.pdf	31.03.2023
Infrastructure Planning and Regulatory Services_ Three Waters_ EOYD June 2022.pdf	31.03.2023
Three Waters And Waste April 2021.pdf	31.03.2023
Three Waters And Waste July 2021.pdf	31.03.2023
Three Waters And Waste June 2021.pdf	31.03.2023
Three Waters And Waste June 2021.pdf	31.03.2023
Three Waters And Waste March 2021.pdf	31.03.2023
Three Waters And Waste May 2021.pdf	31.03.2023
Three Waters And Waste October 2021.pdf	31.03.2023
Three Waters And Waste September 2021.pdf	31.03.2023
Organogram Current 2023.pdf	31.03.2023
3W Employees by Type of Employment.xlsx	31.03.2023
Email from [REDACTED] regarding [REDACTED]'s responses.msg	31.03.2023
Email from [REDACTED]-Changes in the Operations Team.msg	31.03.2023
18094_RE_ Request 3500 for [REDACTED] - 3 Waters Approved and submitted to HR.eml	31.03.2023
26817_Quality and Compliance Team.eml	31.03.2023
26820_FW APPROVAL TO RECRUIT Form Submitted with Reference 3241 for [REDACTED].eml	31.03.2023
44091_FW_ Employment extensions.eml	31.03.2023
52526_RE_ Updated outline [REDACTED].eml	31.03.2023
52901_RE_ Request approval to recruit submissions.eml	31.03.2023
57809_[REDACTED].eml	31.03.2023
65333_RE_ Happy Nee Year.eml	31.03.2023
73093_Change employment conditions request requires approval.eml	31.03.2023
89364_Job Evaluation Results [REDACTED].eml	31.03.2023
90011_20_1188981_[REDACTED] Draft Sept 2020.eml	31.03.2023
153552_Conversation with [REDACTED] [REDACTED].eml	31.03.2023

189647_Your authorisation requested for Report_ Business Case for change - Capital Delivery Support Team.eml	31.03.2023
208567_ .eml	31.03.2023
209362_RE_ Back to work.eml	31.03.2023
249606_ .cs	31.03.2023
273812_FW_ Back to work.eml	31.03.2023
273825_ and and the WSP reviews.eml	31.03.2023
325281_RE_ Approval to Recruit - .eml	31.03.2023
334652_Request 2839 for Approved and submitted to HR.eml	31.03.2023
345657_RE_ Updated outline position.eml	31.03.2023
348162_RE_ .eml	31.03.2023
351828_FW_ Approved_ Request change to planned_ established FTE ID_ 124.eml	31.03.2023
356446_ Approval to Recruit 2839 has been submitted by for Approval.eml	31.03.2023
369053_FW_ Change employment conditions request requires approval.eml	31.03.2023
374004_Fixed Term Employees - 19 Feb 2021.xlsx	31.03.2023
388208_Lab Business Case.eml	31.03.2023
446333_RE_ Job Evaluation Results INWW - 2 positions.eml	31.03.2023
635336_FW_ Approval requested_ Request Change to Planned or Existing FTE ID_ 220.eml	31.03.2023
704264_RE_ Task Monitoring - Contract Expiry.eml	31.03.2023
726304_RE_ ELT Meeting.eml	31.03.2023
749437_New Team Structure.eml	31.03.2023
759832_Change employment conditions request submitted.eml	31.03.2023
765284_Advisement to teams about Disestablishment & 2 x Establishment.eml	31.03.2023
765799_RE_ Happy Nee Year.eml	31.03.2023
789324_Fwd_ Extensions.eml	31.03.2023
796974_FAC residuals (extremities and compliance sampling) to 15th May.eml	31.03.2023
811802_Your authorisation requested for Report_ Status of Three Waters Planning & Delivery Business Case for Change.eml	31.03.2023
826596_RE_ ELT Meeting.eml	31.03.2023
827798_3W Org Chart November 2022.pdf	31.03.2023
857742_Change employment conditions request requires approval.eml	31.03.2023
860484_ helping with the water reform request for information.eml	31.03.2023
870907_FW_ Potential for Cutting Non-Essential Service from the Stormwater & Waterways Planning Team.eml	31.03.2023
873030_ decision letter - 10 May 2022 Revised.docx	31.03.2023
876657_RE_ Your request to change planned_ established FTE has been declined ID_ 177.eml	31.03.2023
912407_RE_ .eml	31.03.2023
918952_RE_ Request 3500 for - 3 Waters Approved and submitted to HR.eml	31.03.2023
921525_HR18519 - Decision Letter - 2022-05-11.docx	31.03.2023
952809_Submitted extension requests for our Fixed Term .eml	31.03.2023
956955_RE_ Job Evaluation of position.eml	31.03.2023
962451_RE_ Back to work.eml	31.03.2023
1024532_RE_ Position Description & Feedback from Union.eml	31.03.2023
1128677_ 032158.docx	31.03.2023

Interview Notes - [REDACTED] 2023.pdf	5.04.2023
Interview Notes - [REDACTED].pdf	5.04.2023
00 - Salary and Personnel Planning Queries 23-03-2023. docx	5.04.2023
0 - Copy of 23382155 Finance Personnel Planning Process - March23. docx	5.04.2023
1 - 3W FTE AP 2020-21 to Draft AP 2023-24. xlsx	5.04.2023
2 - message to City Services re planning kick- off- 202021 Annual Plan Budget Review. msg	5.04.2023
3 - 2021 Annual Plan process for financials. msg	5.04.2023
4 - FW 2021 Annual Plan process for financials. msg	5.04.2023
5 - Long Term Plan 2021-31 message to Business. msg	5.04.2023
6 - Annual Plan 2022-23 Email Dawn to Snr Leaders. pdf	5.04.2023
7 - Copy of 211372535 FTE Master Reconciliation2021 2022. XLSX	5.04.2023
8 - Copy of 221465308 FTE Changes Requiring Explanation. xlsx	5.04.2023
9 - Copy of 23189528 Budget Changes Logbook 2022-23 - Feb onward. xlsx	5.04.2023
10 - Copy of 228843173 Waters FTEs Salaries Budget change July 2022 (to be put through in the system) . xlsx	5.04.2023
11 - RE 20991622 People Management Report - City Services- 20202021. XLSX. Msg	5.04.2023
Recruit 3755.xlsx	5.04.2023
Offers 9334 9334 10892 10891.xlsx	5.04.2023
3 Waters Personnel Plan 2020-2023 (Plan & Current plan).xlsx	5.04.2023

Appendix F Interviews Completed

Interviewee	Position Description
[Redacted content]	

[Redacted content]

3 Waters Team Structure & Change History

Date: 18th January 2023

From: [REDACTED]

To: Dawn Baxendale, Chief Executive Officer

CC: [REDACTED]

Executive Summary

- Following a request from the CE to look at current Council wide vacancies it was noted that the 3W FTE figures didn't seem accurate. The CE therefore requested a preliminary investigation was conducted to determine if the 3 Waters group FTE levels had significantly increased from approved levels after the 2019 change proposal.
- The investigation was completed with assistance from [REDACTED].
- The frequency of changes, both large and one-off changes, has made the determination of the final position complex and difficult. For example, there are instances of requesting to change an existing vacant position to a newly created position, but then reinstating the previous position that was changed. There have been multiple instances of one-off Change FTE requests, submitted on a regular basis, to add new roles or swap existing roles. This has made it very difficult to track overall changes, especially for those approving these requests at the time of submission.
- It has also been difficult to locate the documentation relating to change requests and business cases.
- Below is a summary of the findings and recommendation for a further formal investigation conducted by an external independent third party.

Change Proposals and Requests Submitted to ELT

1. 2019 Change Proposal – APPROVED - 183 Total Positions

- 1.1. This change proposal was submitted and approved by ELT in December 2019 (see attachment **1 – Three Waters Decision 20200120** and **2 – Final Decision Org Chart 20200120**).
- 1.2. The final decision was communicated out to the 3W team on 20/01/2020 and included a total of 183 positions, including the Head of 3W and Waste.
- 1.3. This number of positions is the starting point for the analysis of FTE used during the investigation.

2. Reference to a Change Proposal Submitted in July 2021

- 2.1. There is reference to a change proposal submitted by [REDACTED] to [REDACTED] and [REDACTED] in July 2021, requesting and additional 10 project managers.
- 2.2. Notes on the change FTE request forms refer back to this change document (see attachment “**3 - 21 1237224 00WW Water Supply and Wastewater Delivery team - Business Case July 2021**”) [REDACTED]
- 2.3. We have been unable to locate evidence of ELT approval of this change through the ELT Meeting Minutes.

3. Reference to a Change Proposal Submitted in June 2022

- 3.1. There is reference to a request presented in June 2022 for 3 additional roles and 3 repurposed existing roles at Bromley treatment plant to assist with recovery after the trickling filter fire.
- 3.2. Notes on the change FTE request forms refer back to this change document (see attachment “**4 - 22 702625 Executive Leadership Team Business Case for change - Capital Delivery Support Team 8 June 2022 Report**” and “**5 - Business Case for Change - Capital Delivery Support Team - Appendix A 2**” and “**6 - Business Case for Change - Capital Delivery Support Team Final**”) [REDACTED]
- 3.3. This request was approved by ELT 6 June 2022 and is recorded in the meeting minutes in Item No. 12 on page 234 (as below).

8. Business Case for change - Capital Delivery Support Team

In attendance: Helen Beaumont, Head of Three Waters

Discussion

The business case was presented to ELT with a view to establish a dedicated project delivery team at the Christchurch Wastewater Treatment Plant for the next three years. This was approved by ELT.

Business Case for change - Capital Delivery Support Team

That the Executive Leadership Team:

Item No.: 12

Page 234

Executive Leadership Team
15 June 2022

Christchurch
City Council 

1. **Approved** the establishment of a capital delivery team to be based at the Christchurch Wastewater Treatment Plant.
2. **Approved** the establishment of three new fixed term positions – two project managers and one junior project manager.

4. October 2021 Change Proposal – Banks Peninsula – APPROVED – 7 New Positions

- 4.1. This change proposal was submitted to ELT on 06/10/2021 and approved to enable the 3W team to operate the Banks Peninsula Water & Wastewater Treatment Plants internally (see attachment **7 – 211369433 Resourcing three waters capital delivery and Banks Peninsula changes** or TRIM 21/1193728).
- 4.2. This change included the following:
 - 4.2.1. Establish 8 new roles
 - 4.2.2. Disestablish 1 role
 - 4.2.3. Net Change – 7 new positions
 - 4.2.4. New total 3W Position Total – 190

- 4.3. In the minutes from the ELT meeting on 06/10/2021 (see attachment **8 - ELT Minutes 20211006**) it is noted that these positions would be established over 6 months to provide a net saving of \$10,000 and would be funded from the reduction in costs for the maintenance contract.

5. 6th October 2021 Change Proposal – 26 New Positions to support Capital Programme – NOT APPROVED

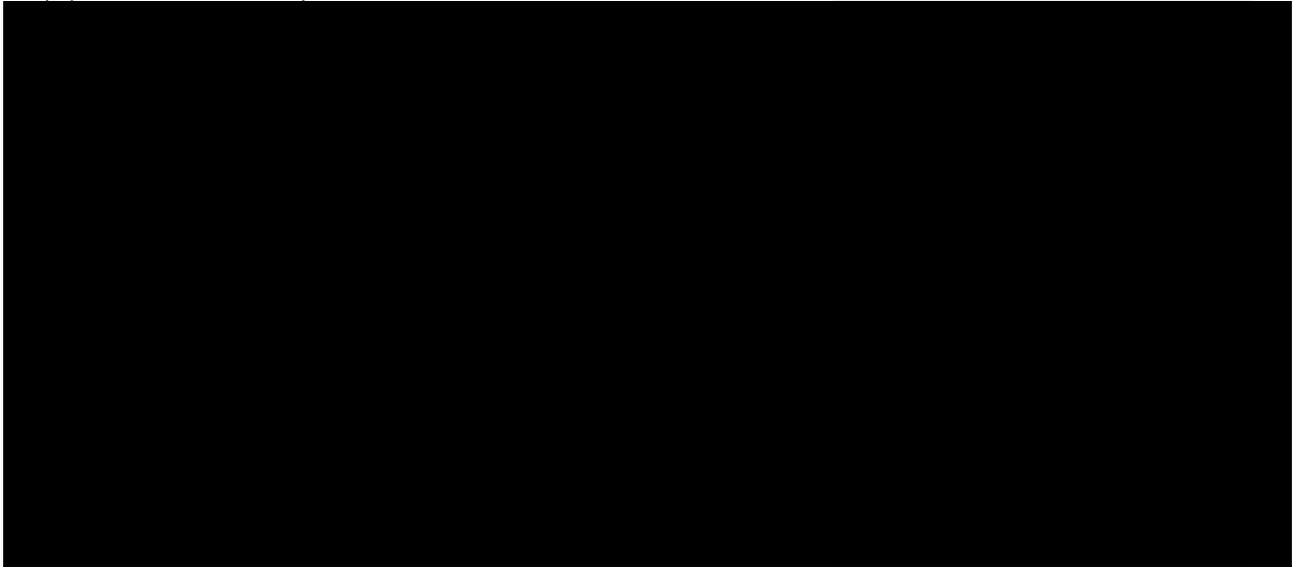
- 5.1. This change proposal was submitted to ELT on 6/10/2021 (see attachment **7 – 2111369433 Resourcing three waters capital delivery and Banks Peninsula changes** and **9 - 21 1193719 Planning & Delivery BC Opex and resource funding analysis MASTER with Updates** and **10 - Attachment to report 211260577 (Title 3WW Operations Team Business Case)** and **11 - Attachment to report 211260577 (Title Change Proposal)** and **12 - Attachment to report 211260577 (Title Planning & Delivery BC OPEX & Resource funding)** and **13 - Attachment to report 211260577 (Title WWW Planning & Delivery Team Business Case for change)**).
- 5.2. The request was for 26 new positions to deliver the increased capital programme in the Long-Term Plan 2021-2031.
- 5.3. It was noted in this request that the estimated OPEX budget cost of the change would equate to \$264,732 which would be “..offset by tightening up on timesheet entries.” In the deleted status update document in section 2.4, the following is noted:
- “A review of timesheet records from the operational teams was carried out and resulted in a reminder to those staff to book their time to a specific capital project when the tasks were solely because of that project. Project leaders were also reminded to provide appropriate WBS codes when requesting assistance form the operational teams for delivery of capital works. As a result there is no request for additional operational budget”
- 5.4. The assumption was that these roles would be 100% funded by capital works and that the cost would be phased over a 10-year period as the number of staff increased (ELT requested further information around this, noting specifically that we have a responsibility to “right-size” the organisation).
- 5.5. ELT asked the team if they could deliver the FY21, FY22 and FY23 capital budget if ELT approved these positions. [REDACTED] capital budget won’t be met even if we looked at outsourcing.
- 5.6. The final decision from ELT was to not approve this request and asked for further information to be provided detailing staff costings over a 10-year period and this was recorded as an action.
- 5.7. It is noted that in a document entitled “**14 - 21 1193728 WWW Planning & Delivery Team Business Case for Change MASTER(2) with comments**”, [REDACTED] has entered the following comments:

Executive Summary

The overall impact would be:

- 26 new positions are proposed to be established
- 1 fixed term role to be made permanent
- All of the roles would be paid for from the increased capital budget
- Projected operational budget increase of **\$264,732** (proposed to be offset by tightening up on timesheet entries).

The proposed team structures and new positions are:



5.8. The [redacted] position that has been noted as declined in the note above was subsequently recruited for on 21/12/21 and was approved through the Change FTE form process [redacted]

5.9. As per attachment (see attachment **15 – ELT Action Item History**) this action item was closed on 06/07/20232 with the below comment, however we have been unable to locate a document submission with the information requested:



6. 6th October 2021 Change Proposal –Conversion of 7 Fixed Term Positions to Permanent –APPROVED

- 6.1. Also included in the proposal was a request to convert 7 fixed term roles to full time permanent and establish a Business Intelligence Team (TRIM 21/1193728).
- 6.2. In the ELT minutes from this meeting it is noted that this was approved on the proviso that funding will be found within the existing establishment for the additional position, including a current contractor at 20 hours per week.

7. 20th December 2021 - Transfer of Waste to Transport Unit

- 7.1. On December 20, 2021, the Waste unit was transferred from the 3W unit to the Transport unit as part of the Tier 3 restructure.
- 7.2. This was a total of 11 FTE.
- 7.3. Further investigation will need to be undertaken as to when the FTE budget was adjusted for this, as it could potentially increase the total FTE over budget.

8. 21st April 2022 – Status of 3W Planning and Delivery Business Case for Change

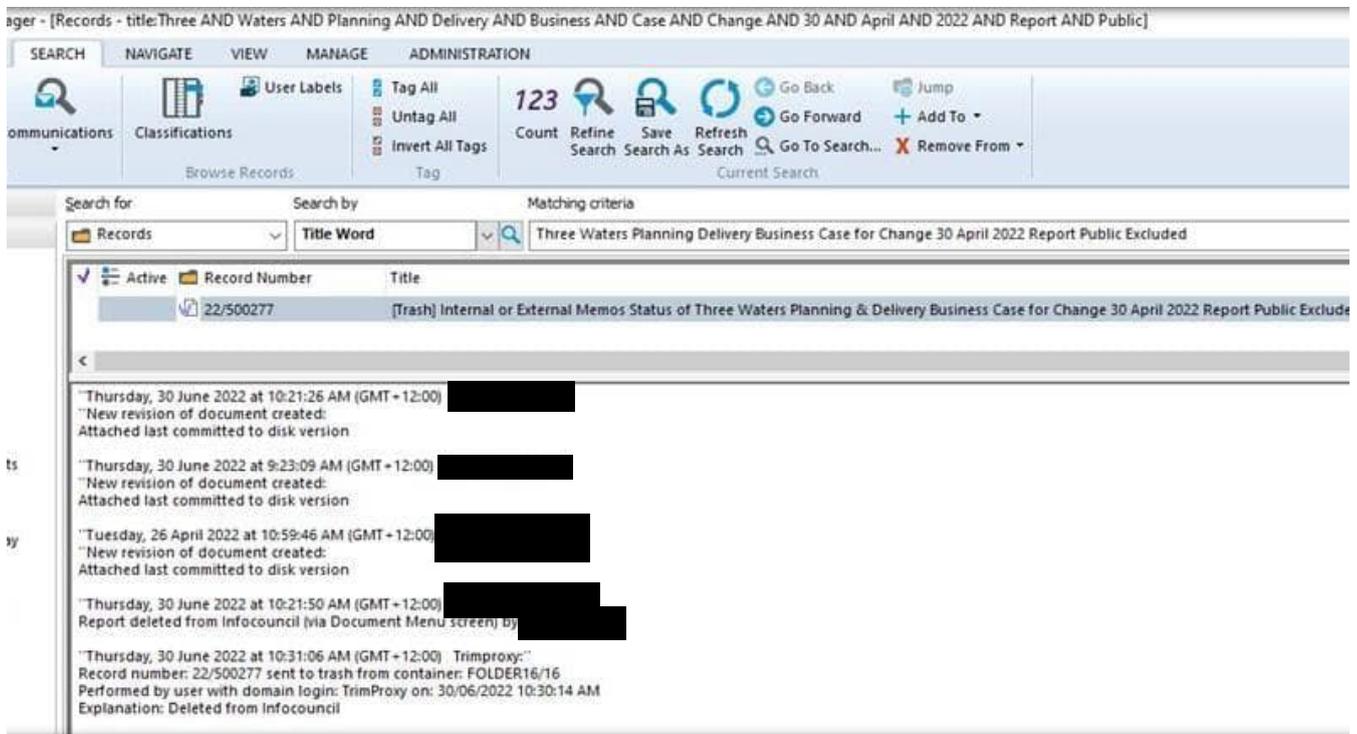
- 8.1. In May 2022, a change FTE request was submitted referencing a document entitled “Internal Memo re Status of Business Case”, with a TRIM number of 55/50027.
- 8.2. After a review we were unable to locate this document in TRIM or InfoCouncil and requested assistance from [REDACTED] [REDACTED] provided the following response (see attachment **16 – 3W Document from April 2022**)

“...it was sent to the TRIM Trashcan on 30th June 2022. The document was originally in FOLDER16/16. The screen print below shows the summary history and staff involved.

If a document is in TRIM and then added to the Info Council meeting agenda, and then subsequently deleted in InfoCouncil, a process runs behind the scenes to also delete the associated document from TRIM.

Attached is the detailed audit of all actions taken on the document.

Attached is copy of the paper which has been recovered from the TRIM trashcan.”



- 8.3. The purpose of the document (see attachment **17 - [Trash] Internal or External Memos Status of Three Waters Planning & Deliver Business Case for Change 30 April 2022 Report Public Excluded**) was “...to summarise and highlight the approvals required for the Business Case for Change / Realignment of the Three Waters & Waste Planning & Delivery Team.”, and refers to the original business case submitted on 6th October 2021 (TRIM 21/1193728)

- 8.4. It also states that “Approval was granted in December 2021 for 6 of the proposed 26 positions...” and “A total of 9 positions was earmarked for recruitment in FY2022. Approval is awaited for a residual of 14 positions this financial year.”
- 8.5. The request includes a list of 14 additional positions that “...were earmarked for approval in FY2022”.
- 8.6. I have been able to locate “Request to Recruit” forms for all these positions, despite there being no evidence of these having original approval in the October 2021 Change Proposal Request noted above. This information is detail in the following table below.

Position Name	Total FTE	Request Form ID	Date Submitted
[REDACTED]	1	198	01/03/2022
[REDACTED]	1	240	17/05/2022
[REDACTED]	1	Vacant	
[REDACTED]	1	237	10/05/2022
[REDACTED]	4	236/235/234/198	10/05/2022
[REDACTED]	1	331	17/05/2022
[REDACTED]	1	232	10/05/2022
[REDACTED]	1	233	10/05/2022
[REDACTED]	1	230	10/05/2022
[REDACTED]	2	Vacant	

- 8.7. It is noted in the paper that these positions are at a cost of \$1.38m, to be recovered from the capital programme.
- 8.8. In the document titled “9 - 21 1193719 Planning & Deliver BC Opex and resource funding analysis MASTER with Updates” there is tab called “NewPositionRequest-17.05.22”. This worksheet is a list of the above positions and how they will be funded and notes added as per the below. This matches the table above noting the “Request to Recruit” form IDs:

Three Waters Planning and Delivery - new positions requested May 2022 (v2)									
#	Team	Manager	Cost Centre	Position Description	Position Grade	% capitalised	Salary	Rates Funded	
[REDACTED]									

- 8.9. The conclusion in the paper reads, “The Planning and Delivery Team intends to complete and submit the ‘Request change to planned or established FTE’ for each of the 14 positions described above, with the view of obtaining final management approval.”
- 8.10. We have been unable to find evidence that this document was presented to ELT, and the request to delete it was made by [REDACTED] on 30th June, 2022 (see attachment 18 – TRIM 55-500277 Audit Log and 19 – Request to Delete – RE Status of Three Waters Planning Delivery Business Case for Change), after [REDACTED] noted it was last updated on 25th May, 2022 but not sent for approval.

9. FTE Change Requests Submitted Through Forms

- 9.1. There have been 44 requests submitted for approval to change FTE since December 2019. This process is generally used to repurpose an existing vacant position to a newly created position. [REDACTED]

- 9.2. The Head of Service should work with the Finance Business Partner to ensure there is adequate FTE budget to allow for the new position, and to ensure the position being swapped is removed from the vacant FTE data.
- 9.3. 42 requests have been approved, 1 has been declined and 1 is waiting for approval.
- 9.4. Total FTE across these 42 approved requests is 55.
- 9.5. 38 of these approved FTE are new positions 17 are a change to an existing position.
- 9.6. There are examples of roles that have been requested to be swapped for a new position, however it appears the original role still exists and is filled. For example, [REDACTED] currently has 2 filled positions, however on 01/03/2022 FTE change request ID 199 was submitted to swap one of these roles for a new [REDACTED]. This was approved and the new role has been created and filled.
- 9.7. Detail of the FTE change requests and discrepancies can be found in attachment **20 – FTE Change Requests** and attachment **21 – FTE Change Discrepancies**.

10. Current Position and FTE Total

10.1. The following list of documents and forms was used to determine the preliminary outcome:

- FTE Change Request Forms
- Request Approval to Recruit Forms
- DIA / NTU 3W RFI Documentation
- Change Proposals
- Additional documents attached to change proposals
- Documentation stored in TRIM
- Approved FTE Planning Budgets

10.2. Preliminary Outcome:

Summary	
Approved FTE 2019	183
Approved Additional FTE - October 2021	14
Additional Approved Changes as Per Forms	10
Total Approved FTE	207
Total FTE as at 31/12/2022 (incl. vacancies)	251
Total additional unapproved FTE	44

10.3. A timeline of major change and FTE changes is below (copy also attached “**22 - Timeline and Summary of Total FTE**”):

10.4. The final FTE number of 251 (including vacancies) was determined independently by both the Finance Advisor and People & Culture Excellence Manager.

10.5. The additional FTE have been added through various avenues including change proposals and FTE change requests.

*Actual FTE (incl. vacancies)		171	151				216	225				183		251
Total FTE Requested	183					7	7		30		3		21	
Total FTE After Change						190	197		227	227	230		*251	
Date	18/11/2019	20/01/2020	FY22 Budget	Jul-21	6/10/2021	6/10/2021	6/10/2021	Mar-22	30/04/2022	May-22	Jun-22	FY23 Budget	31/12/2022	Dec-22
Event	Change Request Presented to ELT and approved	Restructure Business Case Approved and Team Informed	151 FTE Approved for Budget	There is reference to a business case submitted around this time for an additional 10 Project Manager Positions. *Seeking confirmation of approval	Change Proposal submitted to ELT for 26 new positions	Change Proposal submitted to ELT for 7 new positions to support Banks Peninsula - APPROVED	Change Proposal submitted to ELT to establish a new BI team and convert 7 fixed term roles to permanent	RFI sent to DIA - Total FTE 225	There has been recruitment of an additional 30 positions up to this point through various methods of approval	There is reference to a business case that went to ELT in May 2022, however the document has been deleted and removed from InfoCouncil and TRIM (see report notes regarding this and the positions requested)	Business case submitted for an additional 3 positions and repurposing 3 existing position. *Seeking confirmation of approval	183 FTE Approved for Budget	*Finish point for analysis	RFI sent to DIA Total FTE 251

11. Recommendation

11.1. Based on the audit work performed there is enough evidence and questionable activity to warrant a full formal investigation.

11.2. It is our recommendation that there be a full formal investigation into the establishment of the FTE over budget, to be conducted by an independent third party, such as KPMG.

11.3. There should also be a full review of the process to change FTE, including the forms and approvals and the recording of such changes against the planned FTE and Org Chart.

Attachments

#	Attachment Name
1	1 - Three Waters Decision 20200120
2	2 - Final Decision Org Chart 20200120
3	3 - 21 1237224 00WW Water Supply and Wastewater Delivery team - Business Case July 2021
4	4 - 22 702625 Executive Leadership Team Business Case for change - Capital Delivery Support Team 8 June 2022 Report
5	5 - Business Case for Change - Capital Delivery Support Team - Appendix A 2
6	6 - Business Case for Change - Capital Delivery Support Team Final
7	7 - 211369433 Resourcing three waters capital delivery and Banks Peninsula changes
8	8 - ELT Minutes 20211006
9	9 - 21 1193719 Planning & Delivery BC Opex and resource funding analysis MASTER with Updates
10	10 - Attachment to report 211260577 (Title 3WW Operations Team Business Case)
11	11 - Attachment to report 211260577 (Title Change Proposal)
12	12 - Attachment to report 211260577 (Title Planning & Delivery BC OPEX & Resource funding)
13	13 - Attachment to report 211260577 (Title WWW Planning & Delivery Team Business Case for change)
14	14 - 21 1193728 WWW Planning & Delivery Team Business Case for Change MASTER(2) with comments
15	15 - ELT Action Item History
16	16 - 3W Document from April 2022
17	17 - [Trash] Internal or External Memos Status of Three Waters Planning & Deliver Business Case for Change 30 April 2022 Report Public Excluded
18	18 - TRIM 55-500277 Audit Log
19	19 - Request to Delete - RE Status of Three Waters Planning Delivery Business Case for Change
20	20 - FTE Change Requests
21	21 - FTE Change Discrepancies
22	22 - Timeline and Summary of Total FTE
23	23 - 3W Salaries and Wages Summary
24	24 - Risk & Assurance 3W FTE Review

Appendix H Inherent Limitations and Third-Party Reliance

Inherent Limitations

This report has been prepared in accordance with our Scope of Work dated 22 February 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 letter does not relate to an Audit/Review as defined under professional assurance standards.

The information presented in this letter is based on that made available to us in the course of our work/publicly available information/information provided by Christchurch City Council. We have indicated within this letter the sources of the information provided. Unless otherwise stated in this letter, 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.

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, Christchurch City Council's stakeholders consulted as part of the process.

KPMG is under no obligation in any circumstance to update this letter, in either oral or written form, for events occurring after the letter has been issued in final form.

We have permitted distribution of our report to [REDACTED] for their information only, consistent with our engagement terms. Any other redistribution of this letter requires the prior written approval of KPMG and in any event is to be a complete and unaltered version of the letter and accompanied only by such other materials as KPMG may agree.

Third Party Reliance

This letter is solely for the purpose set out in the Scope of Work section of this letter and for Christchurch City Council's information and is not to be used for any other purpose or copied, distributed (with the exception of provision to [REDACTED] as set out above), or quoted whether in whole or in part to any other party without KPMG's prior written consent.

Other than our responsibility to Christchurch City 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 letter. Accordingly, any third party choosing to rely on this letter does so at their own risk.

Appendix I Terms of Reference

TERMS OF REFERENCE FOR INDEPENDENT REVIEW INTO CHRISTCHURCH CITY COUNCIL THREE WATERS UNIT STAFFING LEVELS

1. Introduction

- 1.1. These are the terms of reference for an independent review (**Review**) that is to be undertaken for the Christchurch City Council (**Council**).
- 1.2. The Council has agreed to engage the services of an expert independent reviewer to undertake a Review into whether the Three Waters Unit (**Unit**) actual FTE staffing numbers match those for which valid approval (including delegated authority outlined in the Council Delegations Register) has been given.
- 1.3. The Council has retained KPMG as independent Reviewer (**Reviewer**) to undertake the Review. This Reviewer has experience and expertise in such Reviews.

2. Purpose and Scope of Review

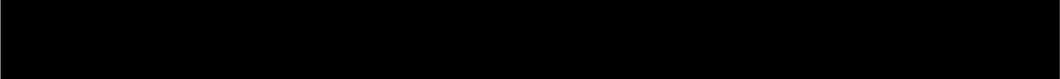
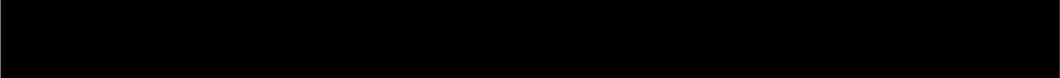
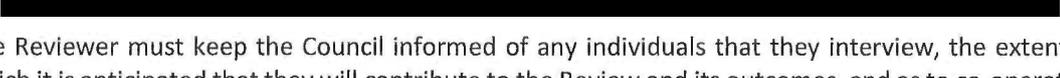
- 2.1. The Council takes its policies and procedures very seriously as they assist to deliver appropriate financially prudent outcomes to the people of Christchurch in accordance with its Long Term Plan and its statutory obligations, such as under the Local Government Act 2002.
- 2.2. The purpose of the Review is to investigate and establish facts as to:
 - a. Whether the Unit's actual current FTE staffing numbers match those for which valid approval in accordance with the Council's established policies has been given.
 - b. This will include consideration of whether the Council's formal policies, procedures, delegated authority, and internal controls (including HR and finance policies) have been followed for recruitment in the Unit since 20 January 2020 (being a suitable date as it was when a 2019 Change Proposal for the Unit was approved).
 - c. More particularly, the Reviewer shall identify all relevant policies, systems, delegations and process for the Unit's:
 - i. Recruitment, appointment and management of staffing numbers and budgets.
 - ii. Reporting to and from managers as to the above.
 - iii. Proposed increases in staffing numbers.
 - iv. Approval of appointments, either particularly or in general.
 - d. The Reviewer shall also review all staff appointments in the Unit from January 2020 and identify:
 - i. What the basis for each appointment was.
 - ii. Which Council staff were involved with approving such appointments.
 - iii. What was the process for each appointment.
 - iv. Any other factors relevant to the appointment process.

- e. Identify any Unit appointments which are or do not appear to be compliant with the Council processes referred to above. For those appointments, comment on:
 - i. The relevant process.
 - ii. The reason for the non-compliance with such process in each case. In detail, why has it occurred?
 - iii. The staff who were involved, the extent of their involvement, and whether any other staff may have further information about the non-compliance.
 - iv. What is the effect of that in financial terms, and any other flow on effects, for the Council.
 - v. Whether there is evidence of offending that would justify referral to an external agency, or not.
 - vi. What changes to appointment processes, in light of the above, are recommended.
- 2.3. The Reviewer may, as part of their work, however identify related issues or concerns that warrant inclusion in the Review. If so, they shall immediately advise the Council and seek direction accordingly.
- 2.4. The Review will allow the Council to make informed decisions as to the existence and effects of any policy and procedure non-compliance for the Unit (if any), any necessary Council learnings and/or process changes, and whether to commence or refer employment disciplinary or other investigations.
- 2.5. A decision as to whether any disciplinary employment action or referral to an external agency will actually occur (if either were to be contemplated) is a matter for the Council and is outside the scope of this Review.

3. Approach of Review

- 3.1. The Review is to be independent, thorough, fair, reasonable, robust, and impartial.
- 3.2. It shall follow Council policies. The Reviewer shall undertake their work with knowledge that the Council has obligations to its employees to deal with them in good faith and that it shall be a good employer. Natural justice rights shall be adhered to.
- 3.3. Before accepting the role of Reviewer and undertaking any work, the Reviewer shall:
 - a. Provide a cost estimate to the Council for approval.
 - b. Confirm to the Council that it has no potential or actual conflict of interest, or where this is uncertain it shall discuss it with the Council's Head of Risk and Assurance, [REDACTED] and receive approval to proceed.
- 3.4. The Reviewer is to primarily liaise with [REDACTED] in relation to the Review.
- 3.5. The Reviewer shall immediately appoint suitably qualified and skilled employees to undertake the Review following its commencement, and then notify the Council of their names and positions.
- 3.6. The Reviewer shall be provided with the following documents at the commencement of the Review:

#	Attachment Name
1	1 - Three Waters Decision 20200120
2	2 - Final Decision Org Chart 20200120
3	3 - 21 1237224 00WW Water Supply and Wastewater Delivery team - Business Case July 2021
4	4 - 22 702625 Executive Leadership Team Business Case for change - Capital Delivery Support Team 8 June 2022 Report
5	5 - Business Case for Change - Capital Delivery Support Team - Appendix A 2
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14	14 - 21 1193728 WWW Planning & Delivery Team Business Case for Change MASTER(2) with comments
15	15 - ELT Action Item History
16	16 - 3W Document from April 2022
17	17 - [Trash] Internal or External Memos Status of Three Waters Planning & Deliver Business Case for Change 30 April 2022 Report Public Excluded
18	18 - TRIM 55-500277 Audit Log
19	19 - Request to Delete - RE Status of Three Waters Planning Delivery Business Case for Change
20	20 - FTE Change Requests
21	21 - FTE Change Discrepancies
22	22 - Timeline and Summary of Total FTE
23	23 - 3W Salaries and Wages Summary
24	24 - Risk & Assurance 3W FTE Review

- 3.7. The Reviewer will also be provided copies of Council recruitment and delegated authority policies and may also request, receive and consider any other documents which they consider are relevant to the Review. They have authority to determine relevance.
- 3.8. The Reviewer shall hold interviews as necessary and part of the Review with Council staff, the identities of which are to be determined in the Investigator's discretion but on the proviso that they are considered to be helpful to the Review. It is, however, considered necessary that the Investigator shall, amongst potential others, interview (and preferably in the following order and noting that more than one interview with any interviewee may be desired):
- a. 
 - b. 
 - c. 
 - d. 
- 3.9. The Reviewer must keep the Council informed of any individuals that they interview, the extent to which it is anticipated that they will contribute to the Review and its outcomes, and as to co-operation by such individuals. Should there be any lack of co-operation, the Council is to be specifically made aware, as it may be able to assist.
- 3.10. Interviews are to be recorded with the recordings held by the Reviewer for transcription until 30 June 2024 unless the Council requests that time is extended (which the Reviewer shall comply with). Transcriptions shall however be undertaken by a transcription professional, and in relation to  a copy of the recordings and the transcripts from their interviews will promptly be provided to them following their interviews for their reference.

- 3.11. The Reviewer shall also take notes of what is said in interviews and give interviewees the opportunity to fact check so as to acknowledge accuracy and completeness at interview conclusion. Interviewees are not to be permitted to subsequently alter what they have told the Reviewer in an interview, but may provide additional clarification or comment (and if this occurs then that shall be made clear in the Reviewer's final report).
- 3.12. Interviewees may also provide written statements or documents or similar to the Reviewer, and which shall be considered by the Reviewer as part of the Review. Should, however, the Reviewer consider that any interviewee is providing irrelevant or unduly lengthy (or similar) information, they shall be told this and its use in the Review shall be for the Reviewer to determine. Such information may also be made available directly to the Council [REDACTED] Council employees/interviewees for comment or otherwise.
- 3.13. The Reviewer shall, at the end of each interview, ask if there is anything else that the interviewee wants to ask or wishes to say.
- 3.14. The Reviewer will ensure that access to interview records during the Review is limited to those who need to review and comment on them in accordance with the requirements of paragraph 3.16(c) below.
- 3.15 [REDACTED] interviewees shall [REDACTED] be advised of their ability to have a support person or representative present with them during any interview (at their cost), should they wish that.
- 3.16. Prior to any interviews, the Reviewer will inform all individuals to be interviewed that:
- a. They should expressly consent to the interview but the Council considers their participation to be consistent with their employment duties. They can otherwise discuss this with [REDACTED] if they wish.
 - b. They are required to keep the Review and any evidence that they provide completely confidential, and they are not to discuss the Review or its subject matter with any other person (including the media). To be clear, the only exception to this strict confidentiality requirement is the interviewee's nominated representative or support person (if any).
 - c. The information they give will be confidential to the Review, but that the Council and other of its employees (including other interviewees) may be given such information and/or notes of it for comment or other Review purposes for the purposes of the Review and to meet the requirements of natural justice. This will likely identify them, and what they have said or provided may be commented upon in the Reviewer's report to the Council.
 - d. They shall have the right to attend the interview with a support person or representative but provided that such person is not involved in the Review and such person agrees to be bound by the same strict confidentiality requirement that the interviewee is subject to.
 - e. Should they fail to participate and/or co-operate with the Reviewer in a timely and/or constructive manner, the Reviewer will be entitled to rely on the information available.
 - f. Further follow up by the Reviewer may be required following the interview.

- 3.17. In order for the Review to proceed in a timely way, all people involved in the Review should expect to make themselves promptly available for interviews, and the Council will allow its employees paid time away from their usual duties for this to occur.
- 3.18. The Reviewer should aim to ensure that they primarily hear from the interviewee directly, ask open-ended questions, and then follow up any answers with clarificatory questions where appropriate.
- 3.19. The Review shall also be treated strictly confidentially by the Reviewer, the Council, its employees and their support people/representatives at all times. Failure to comply with this confidentiality requirement will be regarded as a serious breach of good faith and employment obligations and disciplinary action could ensue. This confidentiality requirement shall not apply where required by law, accounting or insurance purposes, or in the event that employment disciplinary or other Council action or referral arises out of or incidental to or from the Review.
- 3.20. There shall be no “off the record” or anonymous discussions between the Reviewer and any interviewee or other person during the Review. The Reviewer shall not discuss potential findings during the Review.
- 3.21. Should any person fail to participate and/or co-operate with the Reviewer in a timely and/or constructive manner, the Reviewer will be entitled to rely on the information available .
- 3.22. Should the Reviewer or any person involved in the Review be contacted by persons from outside of Council, such as the media, they shall make no comment and refer such persons or queries directly to the Council’s Chief Executive as its authorized spokesperson (**Chief Executive**).
- 3.23. The Reviewer shall proceed with knowledge that they may be called to give evidence in court about the Review, including being cross-examined, so they are to properly consider any opposing views on any particular issue.
- 3.24. The Reviewer shall provide a first draft report for comment, and then a final report, as set out in the following section.

4. Reporting

- 4.1. The Reviewer shall provide a draft report at the conclusion of the Review which shall include:
 - a. A summary of the Review purpose and their appointment.
 - b. Their qualifications and experience as they are relevant to carrying out the Review.
 - c. The Review process, including information and documentation provided, collected, considered and relied upon, details as to interviewees, and any methodology, assumptions and/or standards adopted in their work.
 - d. A consideration and assessment of the relevant issues and any assumptions that have been made.
 - e. The findings from the Review, taking into account that:
 - i. Findings are to be set out in full, in detail, and full sentences not notes are to be used. Where they are based on voluminous records and/or documents, then they are to explain that,

succinctly summarise the main points, and refer to more relevant documents, chronologies, or summaries/spreadsheets of them, in appendices to the report.

- ii. All comments made are to be substantiated with clear reference to the Review evidence, the thinking behind them, be absent any emotional or moral judgements, be clear as to the assumptions on which any evidence is based, and any methodology and/or standards adopted. If any further evidence is required, or a qualification on a finding is required, then that is to be stated.
 - iii. Findings are to be based on a careful and balanced assessment of what has been learned and whether facts are more likely to be true than not (ie the balance of probabilities standard), but also ensuring that they are fair and reasonable.
 - iv. The language used in the report is to be simple and easy to understand.
 - v. Any recommendations as set out in paragraphs 2.2(e).
- 4.2. The draft report is to be provided on a confidential basis to the Chief Executive, [REDACTED] and the Council's Head of Legal Services. [REDACTED] shall be provided a copy of it. They shall all be given 5 working days to provide their feedback to the Reviewer on the draft report and its contents, which the Reviewer shall consider when finalizing their report, including as to whether such feedback necessitates any further review which shall be reasonably decided by them in their discretion.
- 4.3. The draft report shall then be finalised and provided to the Chief Executive, [REDACTED] and the Council's Head of Legal Services. The Council shall decide recipients of, timing of any release of, and all parameters as to, the final report.

5. Timing

- 5.1. The Review is to be completed as soon as is practicable. The Reviewer shall provide periodic reports to [REDACTED] as to its progress.
- 5.2. It is anticipated that:
- a. The Reviewer will be appointed on or about 20 February 2023, taking into account the pre-review matters set out paragraph 3.3.
 - b. The Council shall provide to the Reviewer the documents referred to in paragraph 3.6 on or about 20 February 2023.
 - c. The Reviewer shall review the documents between 20 February 2023 and 24 February 2023 and arrange and conduct interviews as they see fit but aiming for them to be complete by 10 March 2023.
 - d. The Reviewer shall issue their draft report by 10 March 2023, and which shall be subject to finalisation as provided for in paragraphs 4.2 and 4.3 with final report by 24 March 2023.

response to Draft KPMG Review into 3 Waters Staffing Numbers

19 May 2023

comments below relate to the draft report in the order it is written.

In Section 1.1 Background the opening sentence says that “As we understand it, in November 2022 a presentation was given by..., in which stated that the 3W unit was made up of approximately 250 staff”. The section goes on to say the Chief Executive heard this, believed the budgeted staff numbers to be significantly lower and initiated an internal audit of staff numbers i.e. the precursor to the KPMG review.

Reference to 250 people in the 3W unit was a misinterpretation of what said. what actually said was there are around 250 people in the Council who contribute to delivering 3 waters services. At no time did say that number of staff were in unit.

Staff from many parts of council, including the Technical Services and Design Unit and Resources Group contribute to water services delivery. at no time did Dawn ask about that number to clarify the discrepancy she identified. In fact the findings in the report confirms staff numbers in the 3W Unit are much lower than 250.

For completeness the report should note this misinterpretation.

In Section 1.3 Summary of Findings, the fifth bullet point states that “For 3 consecutive years, ...failed to recognise that FTE exceeded budget...”

The use of the terms ‘’ throughout the report implies in each case the report is referring to

However, the report should refer to the relevant General Manager of 3W at the time relevant to the matter you are discussing. This means:

- (a) (?) at the beginning of the review period until March 2021;
- (b) (Acting) from March 2021 to November 2021; and
- (c) from November 2021

In addition, there is some use of the term that refers to meeting of the 3W team leaders only. It should be made clear that these meetings, exclude The way the term is used creates some confusion for the reader. The sixth bullet point states that the “3W Management” do not appear to have recognised the financial implications of the decision to move the Resource Recovery Unit away from 3W unit.

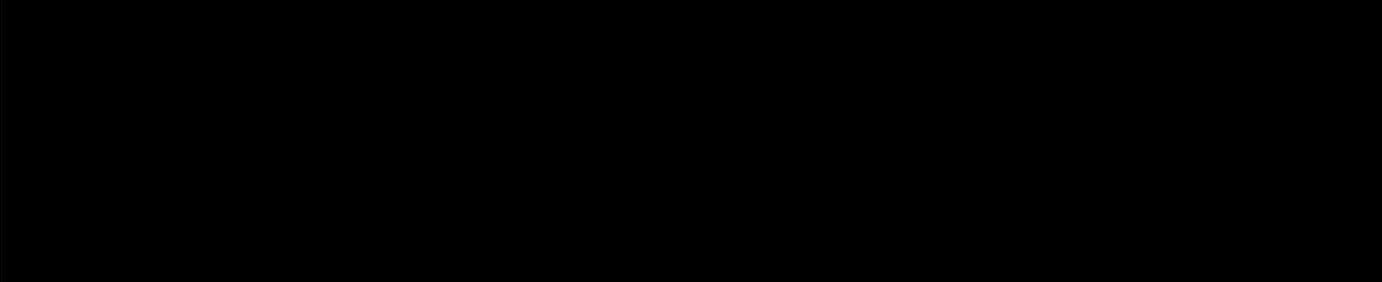
address accuracy issues with this statement later in my comments.

The ninth bullet point states that there are “a further 15 positions that appear to have been approved but for which there was no available budget at the time of approval”.

address this later in my comments.

In Section 1.4 Overall Conclusion the overall conclusion states that “some of these factors such as turnover of staff were beyond Council’s control”.

While that statement is correct, the report does not comment on whether mitigation measures should have been considered/put in place by those responsible for the areas of high turnover to deal with the associated risks. For example, the Finance Unit should have considered reallocating experienced staff to support the 3W Unit, given the financial challenges in that Unit over the 3 years. Including commentary on this would provide a more complete assessment of the issues.



In Section 3 FTE Change Process, near the bottom of page 6 there is a statement that explains why operational necessity has been excluded from the review, but affordability has been included.

At least some commentary should be included in the report about operational need for the new positions. Making decisions to approve or decline a request for new positions involves consideration of both factors. [redacted] note that the Recruitment and Selection Policy and delegations anticipate there will be circumstances where unbudgeted positions will be established. Without commentary on the operational need for a role, the report by implication appears to be saying that any position that has been approved for which there is no current budget is in breach of the policy and therefore not appropriately authorised. This cannot be the case [redacted]

On page 7 there is the statement “proposals to change FTE were discussed at 3W Management meetings”.

The report should be clear that the [redacted] did not attend those meetings. This goes to [redacted] point above about the use of the term “3W Management” throughout the report. The report should be amended to make it clear who was, or was not, involved in the processes being discussed.

On page 7 there is reference to Change Request 352, and the statement “(which was ultimately rejected by the Head of People & Culture)”.

The fact that it was rejected implies that the Head of People & Culture was providing better oversight than [redacted]. That rejection decision appears to have been made after the internal review had begun. Based on the information from the review, the Head was aware of the review and therefore it is not surprising that a different approach was being taken.

That different approach does not appear to be consistent with previous approvals by that Head of Service. [redacted] therefore believe the reference to the rejection is misleading.

The reference to the declination should be removed.

On page 8 at the end of Section 3.1 there is a statement that says “In our view, and in accordance with the delegations register, ultimate responsibility for the Change Request Process lies with the [redacted]

[redacted] agree the [redacted] holds responsibility. [redacted] believe that the [redacted] must be able to rely on the advice of Finance, HR and the Council’s systems themselves to assist them. Those people have separate necessary functions in approving recruitments – ie no recruitment decision can be made until all of those people approve it. Finance and HR are responsible for decisions in the same way [redacted]. This is referenced elsewhere in the Draft Report, but I believe the statement would be more accurate if the same statement is repeated here.

In Section 3.4 ELT Minutes and Communications, on page 10 the report discusses a change to the Council’s Recruitment and Selection Policy. Reference is made to the establishment of a sub- committee of the ELT and a register in 2020 (or whenever they were established),

While [redacted] not dispute that there was a policy change, and a subcommittee and a register established, [redacted] not made aware of the existence of these prior to this FTE review process and, of the latter two, from reading your Draft Report. [redacted] The actual policy itself (which [redacted] access to

electronically) does not appear to have been amended, with the ELT's decision to amend it sitting in a separate document (presumably the report that went to the ELT for approval in 2020 and the ELT meeting minutes). The subcommittee did not exist when [REDACTED] and it is unclear where the register was kept and by whom. The report should make reference to this.

[REDACTED] comment further on this matter later in [REDACTED] response.

In Section 4.1 Annual Budgeting process and actual FTE numbers, at the end of page 12 the report lists those that may be responsible for the potential inaccuracy of the salary and wage reports and Council's "lack of checks and balances".

Reading the full report, responsibility for the shortcomings must also be held by the Council senior leadership [REDACTED] [REDACTED] all but one of the controls [REDACTED] relied on were found to be ineffective. This should be noted in the report.

In Section 4.2 Monthly Reporting, at the bottom of page 14 and top of page 15 there is a discussion about the financial impact arising from the movement from the 3W unit of the Resource Recovery team. The concluding statement is that "failing to recognise the financial implications of redirecting the Resource Recovery Unit revenue was a significant shortcoming on the part of the 3W Management".

The proposal and decision to move the Resource Recovery Unit to Transport was part of a wider restructure of the Council's third tier, developed and sponsored by the ELT in 2021 [REDACTED]. This was the same restructure that moved the 3Waters unit [REDACTED].

While [REDACTED] agree that the implications as outlined in the Draft Report should have been identified and therefore could have been managed, the report seems to imply that this failure sits [REDACTED]. However, responsibility for identifying the risk/implications rests with the ELT and the ELT members who were familiar with the 3Waters' finances at the time the restructure proposal was developed, [REDACTED].

[REDACTED] This should be made clear in the report.

In Section 4.3 Financial implications of additional staff, the second paragraph refers to an expectation of the Council's CFO that all cost lines should be assessed in detail. The last paragraph concludes that [REDACTED].

[REDACTED] When the reliable financial information started coming through in 2022 for the 2023 actuals it was clear there was an overspend in the personnel budget. [REDACTED] discussed this with Finance and [REDACTED] and they were investigating and developing a plan to address this. [REDACTED] sought and received explanations for the overspend and mitigation measures being applied as this process continued. [REDACTED] acknowledge that there was a gap of some months in starting this process, but that was because the information provided at the start of FY2023 was deficient due to the SAP upgrade. As soon as [REDACTED] aware of the overspend issue [REDACTED] took actions to address it.

[REDACTED] when looking at budget lines it is also important to consider all budget lines together. For example, as most of the new positions [REDACTED] were to be funded through CAPEX (to support the increasing CAPEX delivery programme), the personnel overspend needs to be considered alongside consideration of CAPEX/project expenditure. It does not appear [REDACTED] that, when the 2021-31 Long Term Plan was adopted, the personnel budget was set up to fund positions needed to deliver the expanded programme. [REDACTED].

It should also be noted that budgetary overspends existed [REDACTED].

The report should be amended to remove the statement that [REDACTED] believe overspends in a budget area can be ignored. The report should also be amended to include reference that [REDACTED] had identified over-expenditure issues, and that [REDACTED] began a process to address these.

In Section 5.1 Introduction of examples, in the second paragraph there is reference [REDACTED] in relation to the examples.

For completeness, and as noted above, the report should acknowledge that some of the examples [REDACTED]
[REDACTED] Please ensure that the dates for each example are clearly identified in the report.

The report should also, for completeness, explain why interviews about the examples [REDACTED] were not conducted with the relevant General Manager or person acting in the General Manager role [REDACTED]
[REDACTED]

Table 4 on page 18 sets out the examples investigated, the issues and the findings.

Dates should be included for all the examples so that it is clear when the issue arose. [REDACTED] for clarity, each example is annotated with the relevant [REDACTED] for quick reference.

Table 4 on page 19 references (in the [REDACTED] example) an “understanding” that the amended Recruitment and Selection Policy was rescinded in January 2022.

It is unclear on what basis that understanding has been made. A decision to rescind the policy would be expected to be made by the ELT, but [REDACTED] cannot recall any discussion about that, nor any decision being made at or around that time. It might be useful to review the minutes of the ELT meetings in January to confirm the understanding. [REDACTED]
[REDACTED]

Further comments on the amended policy follows below.

Section 5.3 Table 5 refers to category A being “[REDACTED], without sufficient budget”.

It is misleading to use the term “without sufficient budget”. As stated above, the policy and delegations provide for approvals being made for unbudgeted positions where they are justified. Therefore the more accurate term would be “without specific budget”.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Section 6 Overview of Controls, the fifth control discussed concludes that “As with HR and Finance, the GM would often not carry out due diligence on change requests”

[REDACTED]

The report cannot say no due diligence was carried out.

[Redacted]

[Redacted]

On page 24, the commentary on [Redacted] actions, there is a comment that the FTE/budget issues were coming to light one year in from [Redacted]

Other parts of the report (e.g. Table 1 of Section 4) show the personnel and budget discrepancies have been in existence for at least 3 years [Redacted]

The statement about the FTE/budget issues started coming to light in late 2022 is inaccurate and needs to either [Redacted] It should also be noted that [Redacted] had initiated action to address these issues (as discussed above).

At the bottom of page 24 and top of page 25 there is commentary about the Resource Recovery Unit moving out of the 3W financial reporting, and a conclusion that [Redacted] should have identified the implications of stripping out the Resource Recovery Unit revenue.

[Redacted]

While [Redacted] agree the implications of removing the Resource Recovery revenue ideally should have been identified at the time of the change proposal, the obligation to identify the implications [Redacted] rests with Finance and those in the ELT who had knowledge of those implications. [Redacted]

As noted above, the timing of this decision, and the people responsible for making it, should be identified in this section of the report.

Appendix A, Table 13 outlines the employees categorised A-C

The authorisation dates for the positions need to be added. It would be helpful to also note the GM responsible at the time.

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[REDACTED]

Second Response

Response to Second Draft KPMG Independent Review

[REDACTED]

Operational necessity

On page 8 the last two paragraphs discuss why the *operational necessity* for new roles has been excluded from the review. A comment is included that confirms that *operational necessity* is one of two key considerations for an approver when making a decision about a new role (alongside affordability), but goes on to say that making a retrospective assessment as to *operational necessity* in this review requires specific skills in the areas of engineering, water asset management, community engagement, etc. The report then states that, as KPMG does not have the required level of expertise in these areas, *operational necessity* has been excluded from the review.

The absence of any assessment of *operational necessity* for the new roles subject to this review continues to be a significant flaw in the report. The relevant delegations and policy envisage new roles being established outside Annual Plan budgets, which would be based on *operational necessity*. In the absence of an *operational necessity* assessment the report concludes that all appointments made that were not included in the personnel budgets is a breach in the Council's standards and/or policy. Such a conclusion cannot be reached in the absence of a full assessment of the approval decisions.

The report should discuss why at least some attempt was not made, through interviews, to identify the possibility of operational necessity for the roles where the report concludes that shortcomings of [REDACTED] were due to approving positions with no budget provision.

[REDACTED] suggest to ensure factual correctness the following words are added: "While we acknowledge operational necessity is one of the two key considerations when making decisions about appointments, it has not been considered for the reasons we have given. We acknowledge this assessment would be necessary to understand if the Council's policies have in fact been breached."

Page 8 also includes the comment: *"We have not seen any obvious evidence that suggests staff were being employed into positions that appeared to be unnecessary, but we are also conscious that local councils often appear to have more demand for services than resources to meet those demands. We expect there will always be situations within councils where there is a reasonable requirement for additional staff but because of budget restraints or council priorities, those positions are not funded."*

This comment incorrectly simplifies the matters subject to this review and appears to be aimed at making the case that the decisions to approve the positions in question were not necessary or justifiable, without the necessary assessment having been made. The comment is not supported by any evidence relevant to the matters subject to this review and assumes all the additional positions approved were to assist delivering discretionary services or service levels.

The strong implication from the comment also fails to acknowledge that Councils often operate in dynamic environments, where uncontrollable changes that need to be adapted to require responses that will require additional resources in order to meet new standards, deliver safe services, etc. This is exactly the environment the 3W unit was operating under [REDACTED] By way of example, the new Drinking Water

Regulator in 2022 imposed significant additional monitoring and reporting requirements on Councils that required for CCC additional specialist staff in order for the Council to meet its legal obligations.

The statement in the report is grossly misleading and all the words after the comma should be deleted.

Budget vs Actual Personnel costs

On page 17 the report comments that “*What is most concerning to us is that although monthly reporting is issued, these large overspends do not appear to have been addressed*”. This comment follows a previous comment that a \$305,000 YE forecast in December was increased to \$2.4M in January. The \$305,000 overspend was relatively modest when considering the total personnel budget, and was explained by the Finance Advisors in their reports. The forecast was more favourable than the monthly actuals, but this is not unusual at the Council, where significant manual adjustments are made to financials in the period leading up to year end.

The jump to \$2.4M from December to January was a significant increase, and followed a “line by line review” by a unit outside the Finance Team. The reporting from the line-by-line report triggered more conversations between [REDACTED] and [REDACTED] was actively working with the Finance advisers to understand and respond to the issues. That the information was not available to either [REDACTED] earlier was a reflection on the deficient systems and processes of the Council. ***The report should therefore acknowledge the shortcomings in the monthly financial reports, upon which [REDACTED] relied, and the immediate action response in January 2023.***

It is not accurate to say that the overspends “do not appear to have been addressed”. There was work going on to understand the increase and therefore address issues, some of which were explained in the reporting. [REDACTED] [REDACTED]. This work was happening in more depth in January in response to the jump in personnel overspend reported in January. The report should therefore be amended to acknowledge work was going on to investigate and then address the personnel cost issues.

[REDACTED] to ensure factual correctness the following words are added: “We acknowledge that [REDACTED] reported that work was being undertaken [REDACTED] and involving the Finance team, to address the overspend in November/December 2022.”

Quality of monthly financial reporting

At the bottom of page 17 there is a comment “*The commentary does not provide a clear breakdown showing how offsets occur or why the overspend has occurred. Indeed, the comments section only refers to \$1.4m of the negative variance, leaving circa \$350k or 20% of the variance with no specific explanation. In our view, this is another example of poor documentation and financial management of the 3W unit.*”

The comment on the quality of the reporting for the 3W unit must be seen in the context of Council-wide reporting. The reporting on 3Waters is not dissimilar to the reporting for other units of the Council. ***Before concluding the report is an example of poor documentation and financial management of the 3W unit the reporting for other units should be reviewed.***

[REDACTED] to ensure factual correctness the following words are added: “But it is acknowledged that this level of reporting is quite common in other council units”.

Resource Recovery Unit impacts

On page 18 there is reference to the impact of removing the Resource Recovery unit from 3 Waters. The statement, now changed from the original draft, still concludes that not recognising the impact of the change is “*a significant shortcoming on the part of the 3W Management*”.

[REDACTED] previously commented on this matter. The issue should have been identified when the decision was made to remove the Resource Recovery activity from the 3W unit, a decision driven out of the ELT. It would be more accurate to say that this shortcoming also rests with the ELT and Finance Unit.

[REDACTED] to ensure factual correctness the following words are added: “responsibility for this shortcoming also rests with ELT and the Finance Unit”.

The report's implication that [redacted] were not reviewing the personnel budget lines is also not correct and should be amended. [redacted] **to ensure factual correctness the following words are added on page 18: ' [redacted] were working to address budget overspends. Budget line overspends are not uncommon in other council units'.**

Examples of apparent non-compliant FTE changes

[redacted]

[redacted]

[redacted]

On page 21 there is a comment on the [redacted] examples that the change process was managed by [redacted] "under the supervision of [redacted] It is unclear what "under the supervision" means, [redacted] **This should be either clarified or deleted. If the reference is to stay in the report, then consistency with all other examples would mean referring to those in the "supervisor" roles in each example.**

On page 22 category A examples are described as "Approved by GM, without sufficient budget for position". Some of the positions in this category were expected to be Capex funded and in other cases funding was to be from other non-budgeted revenue sources, e.g. DIA water reform funding, therefore there was funding for the roles. **For factual accuracy the table should be amended to show which roles had capex or other non-budgeted revenue funding, which probably means a new category or maybe an asterisk added for roles funded from capex or non-budgeted revenue funding (or removal of those positions from the table).**

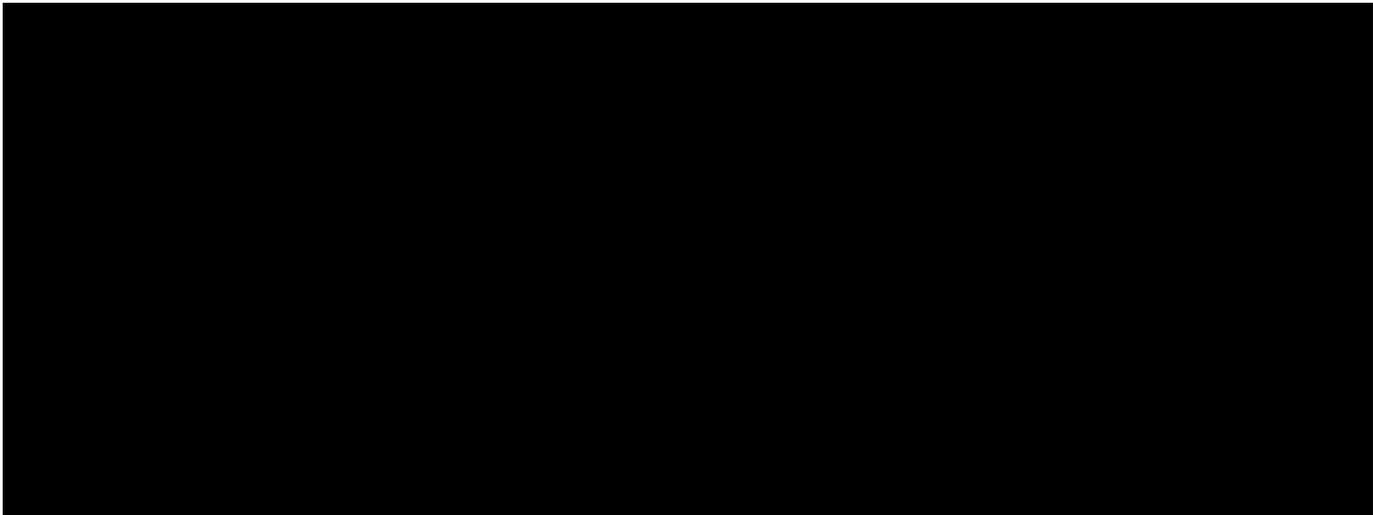
On page 23 there is reference to a meeting that "may have occurred" between [redacted], [redacted] and [redacted] regarding an appointment. [redacted] It would be more accurate for the report to also mention that [redacted] **For factual accuracy the following words should be added: '[redacted] has advised us that she met with [redacted] on 17 December 2021 to discuss issues and concerns around resourcing. [redacted] also told us [redacted] recalled a meeting.'**

[redacted]

[redacted]

[redacted]

[redacted]



Appendix A

On page 36, the note (a) to Table 12 uses the example of the approver saying “to be flagged at ELT”. As well as this comment not being at all clear as to its meaning, at the time the comment was made there was no policy requirement to refer approval requests to the ELT. While it is an example of poor communication in the approval process, this example is not particularly relevant. **The categorisation of that example should be removed from Category C.**

The paragraph under Table 12 refers to [redacted] emails being searched. The implication of the statement is that [redacted] were involved with the subject approvals. **The report should make it clear if the emails of others [redacted] were also searched, and if not why not.**

[redacted]

The table of the 26 employees and their categories should include dates.

Appendix B

On page 42 there is a paragraph that talks about the [redacted] email, [redacted] [redacted]
[redacted] The draft report has established the temporary policy (to refer all FTE requests to the ELT) was cancelled 11 months earlier. This makes the discussion and email irrelevant. [redacted]

[redacted]

The discussion of the email is not relevant and should be removed.

[redacted] Response

[redacted] response to final draft review CCC and FTE and budgets – 7 June 2023

1.1 Background

I recall the November 2022 briefing to Council. It was a high level overview of three waters services intended to introduce three waters activities to the new Council.

The ‘approximately 250 staff’ was not stated as a count of the number of staff in the three waters unit. It was an estimate of the number of people, including staff and contractors, within Council dedicated to the delivery of three waters services. As such it included staff and contractors in three waters, a good number of staff in technical services, and a small number of staff scattered across other units of Council – such as Programme Management Office, IT, HR, Finance, Procurement and Strategic Policy.

1.3 Summary of findings

The first three points set out that the total FTE costs were more than the budget at the beginning of FY22 and FY23 and then the number of staff compared with budget in January 2023. This information is taken from the financial system. However this overview fails to take into account the number of staff in the unit at each of these dates according to the HR organisation chart.

The projection of FTE costs through to end of June 2023 is an outcome that depends on actions taken to mitigate the overspend. While some actions were put in place while I was still at Council others will depend on the current and future management; not to mention the operational challenges and external pressures that will undoubtedly arise over this period.

I accept that not all discussions about staff requirements were documented, particularly when those were one on one discussions with a manager or team leader. However where a decision was made to propose the creation of a new position and/or change a position, and then to recruit, those decisions were documented through the Council processes and the forms specifically designed for just this purpose.

3.1 FTE change process and further described in 3.3.1 Alternative methods of making changes

These sections explain the policy framework and the two step workflow process for recruiting staff into new and/or changed positions – first to establish the position and secondly to recruit into that position.

To establish a position the request goes to the one-up manager to ‘review the details and confirm the need for the change’ – as described in the workflow process set out in Appendix B. The final approval, as set out in both the policy and the workflow process is with the relevant General Manager (GM) and Head of Human Resources (HR).

The recruitment process follows a similar one-up review and approvals path and this seldom gets as far as the GM and is usually approved at a much lower level within the organisation. Most recruitment processes are initiated by Team Leaders and one-up approval is given by their Manager. A smaller number of recruitments are initiated by Managers and one-up approval is given [REDACTED]

The review reports says:

In our view, the ultimate responsibility for the approval of the recruitment process lies with the approving manager. This is typically the direct manager of the staff member who completed the request form.

One of the systemic issues identified in the review is that there are examples of recruitment proceeding into a new or changed position without the first step in the process having occurred. I do not understand why this has happened as HR would usually check the HR organisation chart and then reject such a request and instruct the Team Leader/Manager to go back and use the correct form. This issue of recruitment into a new or changed position via the ‘request to recruit’ without first establishing the position is identified as an ‘ineffective control’. I suggest there should be a specific recommendation to remedy this flaw in the system.

An associated issue is that the workflow for these processes can result in the Head of a Unit being completely bypassed in the notification and approvals path for both steps. Again I suggest there should be a specific recommendation to ensure that the Head of a Unit is involved in all proposals to establish a position. Simple requests to recruit to established and/or vacant positions may continue to be approved at a lower level, subject to fixing the systemic issue outlined in the previous paragraph.

As part of the two stage review of draft reports KPMG provided a breakdown of the recruitments into the 3W unit over the period of the review – with dates and names at each step of notification and approval. This clearly illustrates the systemic issues identified and documents those processes where I had been bypassed in the decision making process. This more detailed breakdown of the recruitment requests should be attached to the final report.

3.1 FTE change process and discussion of operational necessity

The policy around employing staff requires the hiring manager to review the resourcing requirement for both new and existing positions. Recruitment should only proceed after considering workload, fit within the unit, the Council’s strategic priorities and any budgetary constraints.

The review states:

We have not seen any obvious evidence that suggests staff were being employed into positions that appeared to be unnecessary, but we are also conscious that local councils often appear to have more demand for services than resources to meet those demands. We expect there will always be situations within councils where there is a reasonable requirement for additional staff but because of budget restraints or council priorities, those positions are not funded.

Any consideration of operational requirements is outside the scope of this review and therefore has not been considered. The question of 'affordability' is closely aligned with decisions around approval and is therefore at the heart of the review.

The review goes on to provide examples and comparisons with other units. I understand and acknowledge the need to focus on the budgetary constraints and questions of affordability. However this narrative implies that the 3W management and GM were not aware of how many staff were in the unit and failed to appropriately balance the operational necessity and the budgetary constraints. In the absence of assessing operational necessity (which does not appear to be out of scope), KPMG cannot make such an assessment.

As [REDACTED] need to weigh up competing priorities and ensure that essential three water services are delivered in accordance with regulatory and legislative requirements; and to meet the levels of service in our LTP. There have been a series of external challenges over recent years. The demands of incident response (pandemic, floods and fire), and stricter regulatory and compliance requirements (new drinking water rules and new resource consent requirements) have had an enormous impact [REDACTED] and the resource requirements.

During the interview (Transcript p22) I called attention to our focus as a management team on ensuring we had sufficient resources in place to deliver our services while minimising the impact on [REDACTED] budget. I also outlined the challenges and the workload concerns being raised by my team leaders and managers during the latter part of 2022. These concerns led to a workshop of the management team on 17 January 2023 to brainstorm options for addressing the ongoing resourcing challenges in the context of the increasing budgetary constraints. The workshop was necessary to address an increasing number of requests for staff that I was unwilling to advance through to [REDACTED] (two requests touched on in the Transcript p28 and 29 – I can provide further detail if required). As the requests were not advanced there is no formal documentation of me saying no to these additional staff.

In preparation for the workshop I reviewed the December 2022 HR chart for planned and actual FTE. At that point in time the unit had 166 fulltime permanent staff, 13 part-time permanent staff and 19 on fixed terms contracts. We also had casuals and contractors on hand for particular tasks. The breakdown by each manager indicated where the pressure was greatest: Business Intelligence had 8.7 FTE (3 on fixed term) compared to 7 planned, Operations had 51 FTE (6 fixed term) compared to 44 planned, Planning and Delivery had 62 FTE (3 fixed term) compared to 76 planned and Service Excellence had 70 FTE (7 fixed term) compared to 68 planned.

At the interview I noted an email exchange between [REDACTED] on 18 January 2023, that documented my planned approach. Matt indicated that he would follow up on this email however there is no mention of this in the second draft report.

The email of 18 January 2023 set out that our workshop had considered the issues and recommended delaying recruitment into a number of vacancies: [REDACTED]

The email concluded with: in short we are constantly reviewing the business needs and matching staff resources to priority areas to ensure efficient and effective delivery.

Number of approved FTE

Throughout the review report there are references to the number of approved FTEs. The report also quotes various emails and concludes there is a lack of clarity around 3W approvals of FTE roles. It says:

The consequence of this lack of clarity is that 3W Management and its HR and Finance advisors were not able to accurately determine whether a proposed change was within existing, approved FTE.

The review report also notes that the Council has two separate systems for keeping track of FTEs.

The first, and the primary source of approved FTE information, is the HR organisation chart available to managers on the Hub. This chart is [REDACTED] for determining planned versus actual FTE in each of my teams. Helpfully the organisational chart makes a distinction between permanent staff, fixed term staff and contractors in each team. While there is a lag in updating this chart it is reasonably accurate in terms of the overall staff numbers. Through consulting this chart I am well aware of how many staff are within the unit and the breakdown between permanent staff, fixed term staff and contractors.

In the good old days HR Admin used to produce a monthly update of FTEs, number new starts, leavers (including leavers with less than 12 months service), turnover, sick leave and annual leave etc. It provided excellent information on trends within [REDACTED] across [REDACTED] group and across Council as whole. Despite several requests of HR at our Infrastructure Group Management meetings these updates have not been re-instated. While the review notes that FTE reporting to GMs and Heads ceased at some stage it would be helpful to understand why this occurred. As well as a recommendation to re-instate this reporting it would be helpful for managers to have direct access via the Hub – Council's Intranet.

The second system for tracking FTEs is maintained by the Financial Advisors. This system is used for budget planning purposes and it is not a list of 'approved FTEs'. It is not accessible to [REDACTED]

Documentation of recruitment and selection processes

The 3W unit holds fortnightly meetings – alternating between a leadership meeting with [REDACTED] team leaders and managers, and a management meeting with just the managers. HR, Finance and IT advisors and business partners also attend these meetings. The meetings have formal agendas and minutes that can be found within the document management system FOLDER16/16 (as explained during the interview Transcript p22).

[REDACTED], in the weeks between these meetings, to keep on top of emerging issues and deal with any urgent requirements. These [REDACTED] are not formally documented.

As well as these meetings [REDACTED] that are not formally documented. However if any issues around staff are raised and this results in an agreement to vary a position or request a new position then the appropriate forms are used to document the request. If another solution is found – such as using someone internally to cover the tasks or re-prioritising work – then no request or formal documentation would be evident.

The review states:

It is our view that even if it were not a specific requirement set out in Council policy, decisions around the creation of roles that are ultimately funded through rates, should have been better documented. The Public Records Act requires local government bodies to ensure full and accurate records of its affairs are created and maintained. An auditor, reviewer, elected official or member of the public should be able to request the documentation that explains the decisions made around the use of rate payer money. Failing to record these decisions is in our view, is a failure of 3W Management.

I accept that some of the explanations in some of the forms are quite brief and do not provide a full explanation of both the necessity for the position and the funding source, especially when read by someone from outside of the organisation. This brevity is not a failure to document, however, it could be seen as an area for improvement.

At no time in my time at Council in which [REDACTED] have they been rejected for lack of information, until the CEO rejected an application due to lack of information In December 2021.

Change request 352 is put forward as an example. This example was not put to me during my interview. This request was to convert a senior position within the Water Services Team into a Team Leader. The team had grown too large for one team leader to cope and intent was to create two teams – one focused on back office functions and the other on field/technical functions. As such there was no change to the number of staff in the unit and no material change in salary costs. I followed up with the Head of HR, [REDACTED] to ask why this request had not progressed. [REDACTED] informed me that Dawn had directed [REDACTED] not to approve any new or changed roles; [REDACTED] also

said [REDACTED] would check in with Dawn and [REDACTED] when this position changed. I then followed up with [REDACTED] who was not aware of any such directive.

Change request 180 is a second example. This explanation points to funding for the remainder of the financial year through vacancies and then future funding being addressed through the Annual Plan process. The detail behind this change sits in the business case as submitted to ELT and has not been repeated here. I accept that the TRIM reference to the business case and the spreadsheet showing this position in tranche 2 of the appointments should have been included. The note from [REDACTED], approving as Finance Business Partner, acknowledges the challenge with the funding and accepts the operational necessity for the position.

3.5 Organisational chart

As noted in my comments regarding section 3.1 I do find the HR managed Organisational Chart to be a useful resource and it is my go to place for information on planned and actual FTEs. I did not have access to the Finance list of FTEs.

The reports notes that HR Admin maintain the organisation chart but rely on business units to update them of changes. This is not my experience of the process and nor does it make any sense. If a business case for more staff is approved then the two step process kicks in – first the Change FTE form (which may incorporate the business case for a small change) and then the Request to recruit form. It is these forms and processes that alert HR Admin to the approved changes in staff numbers.

The 3W organisation chart is a set of photographs of our people, arranged into their teams, so we can all understand who's who and where people sit across the unit. It does not replace the official HR organisational chart.

I endorse KPMG's recommendation where it is said:

We suggest the Council investigate the reason why HR and Finance records do not align and, if possible, address the issue.

4.1 Budget process

Table 1 sets out the total FTEs using the budget and the actuals according to the financial records.

There is further detail in Appendix A and in particular this discussion of discrepancies in information:

An issue we identified when starting our FTE analysis was the apparent discrepancies across various sources of information being provided to us. These discrepancies have, in some instances, made it difficult to ascertain the facts.

Being able to accurately account for the number of employees currently working in a unit, and the budgeted FTE for that unit, should be readily available and easy to understand. We found that this was not the case. See examples below of some discrepancies of information we encountered.

- The Salary and Wage budget FTE for the FY21 period is 136, whereas the organisational charts submitted to ELT for approval in January 2020 (being the prior financial year), state that 172 (excluding the Resource Recovery Unit) employee positions are present in 3W. How a January 2020 organisational chart has materially more FTE than the following year's budget is difficult to reconcile unless a significant downsize was planned.*

- A further discrepancy to note would be the Salary and Wage (S&W) budget for FY21 is \$14,343,521 compared to the FY21 budget according to the performance reports of \$15,107,000.*

We have adopted the budgets from the performance reports as we understand these represent the most accurate budgets for each financial year.

Given materiality of these discrepancies this section should also reference the HR Organisation chart that sets out the number of planned and actual FTEs. As I have noted the HR chart makes a useful distinction between permanent staff, fixed term staff and contractors.

The report states:

In our view, the potential inaccuracy of the Salary and Wage reports and Council's lack of checks and balances that might have identified the inaccuracy, is a failure on the part of the finance advisors, the Unit Management and Council's senior management, who approved the annual budget.

Until this review I had not appreciated the extent and materiality of the discrepancy between the information in the HR organisation chart and the financial planning system. As mentioned, [REDACTED] access to the Finance list of FTEs. [REDACTED]

4.2 Monthly reporting

The monthly reports are issued by Finance and discussed with the Head each month. The performance reports are available through the Hub.

The issue of an inadequate personnel budget, as noted in the June 2022 report, was discussed at the time and [REDACTED] Finance Advisor, worked with the team leaders and managers to address the issue. There was a significant increase in the personnel budget in the following year. However it is acknowledged that even that increase has not kept pace with the resource requirements of the unit.

The report also comments on the long-standing issue of staff failing to accurately record time spent on capital projects resulting in an overspend on Opex. I did note during the interview (Transcript p25-26) that the team leaders and managers had focused on this issue and changing behaviour around timesheets proved to much more difficult than we had anticipated. The risk around ensuring more accurate timesheets was also noted in the original business case considered by the ELT.

The report notes the deteriorating situation for the bottom line of the unit during the 2022/23 financial year and the impact of the Resource Recovery team moving across to Transport.

3W management did recognise the impact of this on the overall result for our unit. And the loss of revenue from Resource Recovery was not the only revenue hit for the unit. We also expected higher revenue from the new excess water charges levied on residential customers that were expected for this financial year. However the introduction of these charges was delayed by six months, by resolution of Council, and the 2022/23 summer was unusually wet. These factors combined to reduce the revenue from this source.

4.3 Financial implications of additional staff

This section outlines the issue of overspends on the personnel budget. It also notes the comments from both [REDACTED] in the interviews that overspends should be considered in the context of the overall bottom line.

[REDACTED]

I did say that a single line item should be considered in the context of the budget as a whole. However I also went on to say that where any one line item is significantly out of line with the budget then it should be fixed in the following year unless there is a good one off reason for the variation.

I then expanded on my understanding of the financial situation at the end of December 2022 compared with that presented to me after the end January 2023, and the big difference in the year end forecasts.

During the interview (Transcript p14) I asked the reviewers if they had noted the budget overspend and forecast deficit at the end of December 2022 (\$620,000) compared to the forecast deficit at the end January 2023 (\$5.1 million).

I did meet with [REDACTED] when the January 2023 report (Transcript p15) was released and we discussed issues of incorrect time coding and insufficient charge out rates, combining to result in inadequate capital recoveries. [REDACTED] was going to follow up. [REDACTED] was also going to investigate the charges coming across from other units of Council as these looked unreasonably high. [REDACTED] noted there may also have been issues with insurance recoveries related to the wastewater plant fire.

This was certainly not the first time that I, [redacted] managers and team leaders had this same discussion with the Finance Advisors and Business Partners. It was recognised as an issue and we were working together to address it. The lack of visibility of financial performance for each team during the SAP change, approximately July to December 2022, has also hampered the ability of team leaders and managers to oversee their budgets and understand the trend in personnel costs – this point was well made by [redacted] in [redacted] interview.

Over the last three months of 2022 was [redacted] working directly with team leaders on coding and FTE numbers in each team to ensure we had it right for the next annual plan – especially given the changes in team structure in the unit and the changes in SAP as a result of the upgrade of the system. This work was ongoing and [redacted] will have the detail.

The inability to interview [redacted] does lead to a significant gap in the review. As the [redacted] understanding of the accounts and the work being done to improve both the budget and control of actual month by month would have been helpful.

5 Findings

Aug 2019

[redacted]
There may be documentation available from HR as the secondment was a compassionate response to employment issues that had arisen between [redacted] [redacted] was not backfilled. [redacted] then applied for and was appointed to the [redacted] role that was created as part of the January 2020 change for the three waters unit. This change was approved by the ELT.

Jun 2021

These positions were approved by Dawn and she noted they should be flagged at ELT. ELT approval was not required in June 2021 and [redacted] for three waters.

During the interview [redacted] commented (Transcript p63) 'Ultimately it does get approved and it is not one that turns into an issue'.

There are subsequent emails between Dawn and [redacted] – dated 3 and 6 September 2021 – confirming the approval to recruit for these two roles. The emails explained that there had been a delay in recruitment as it took some weeks to get sign-off from the unions on the role description and qualifications required. Dawn queried the savings on salaries from disestablishing the [redacted] and replacing with these two position. I confirmed that the exercise was cost neutral. Dawn then approved without any further caveats or queries.

Jun 2022

These two roles sat in the Water and Wastewater Operations Team. The approval to recruit form 3755 was raised by [redacted] (the Team Leader) in April 22 and approved by [redacted] Manager). [redacted] addressed these appointments during [redacted] interview and was asked to follow up with additional information. I do recall that they were [redacted] and were retained in a part time capacity to assist with documentation of procedures for the [redacted]

These two appointments are an example of the system failure that allows a Request to recruit form to proceed without an established position being confirmed.

Dec 2019

[redacted] is listed as one of the two [redacted] at the Christchurch Wastewater Treatment Plant (CWTP) – in the decision version of the Three Waters change proposal, January 2020.

[redacted] was directly involved in the [redacted] appointments and would be able to provide more detail. The paper trail, and particularly the spreadsheet of 'approval to recruit' forms does provide some information.

The initial establishment and recruitment for these two positions was back in February 2019 (form 1924) with the request raised by [REDACTED] and approved by [REDACTED] (my recollection is that [REDACTED]). There was a subsequent request to recruit (form 2331 requested by [REDACTED] and approved by [REDACTED]) 27 Sept 2019 as one of the [REDACTED] had moved on.

[REDACTED] - **Business, Sep 22**

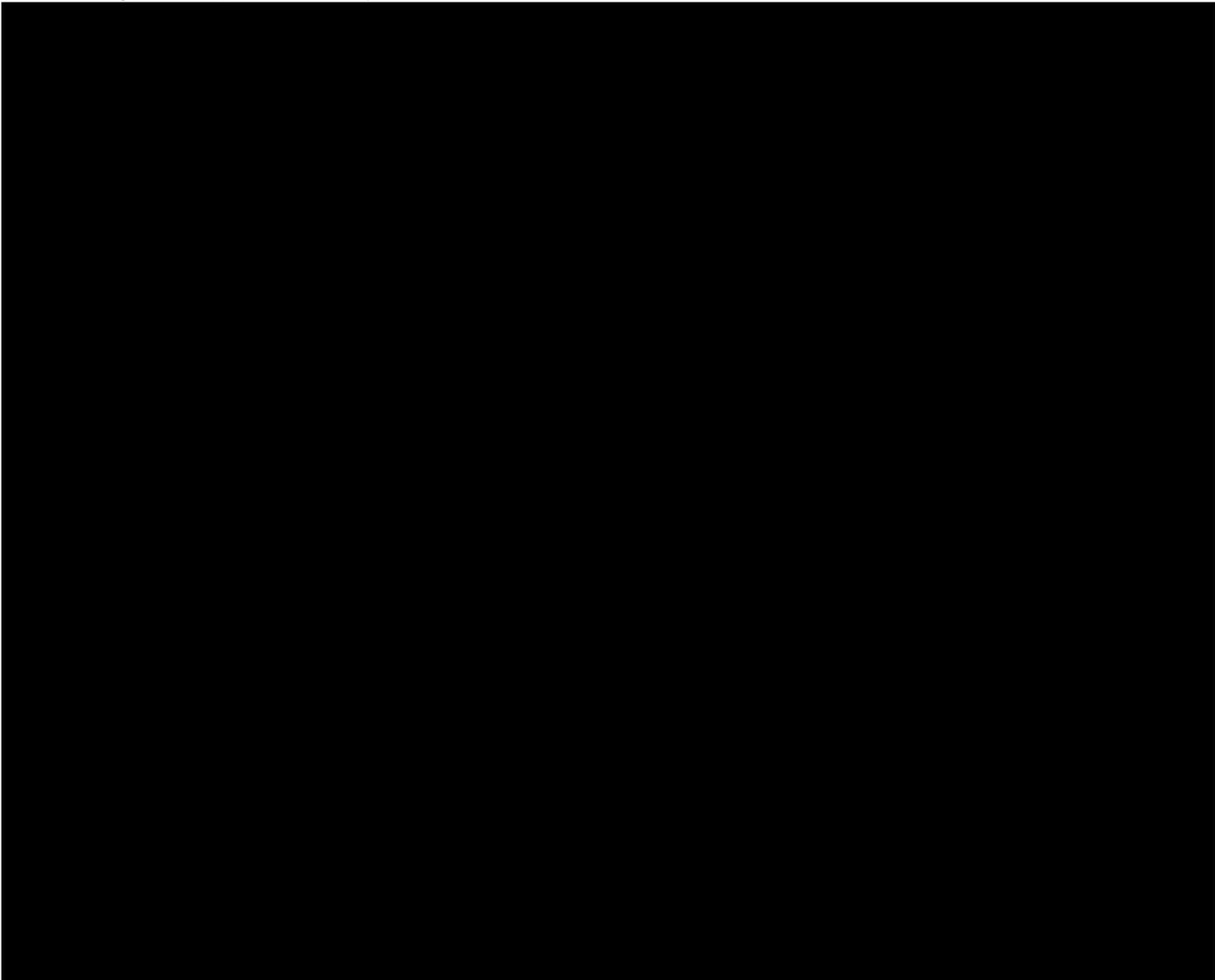
These [REDACTED] sit in the Water Services Team which was coming under pressure due to the increase in new connections and the new excess water charges.

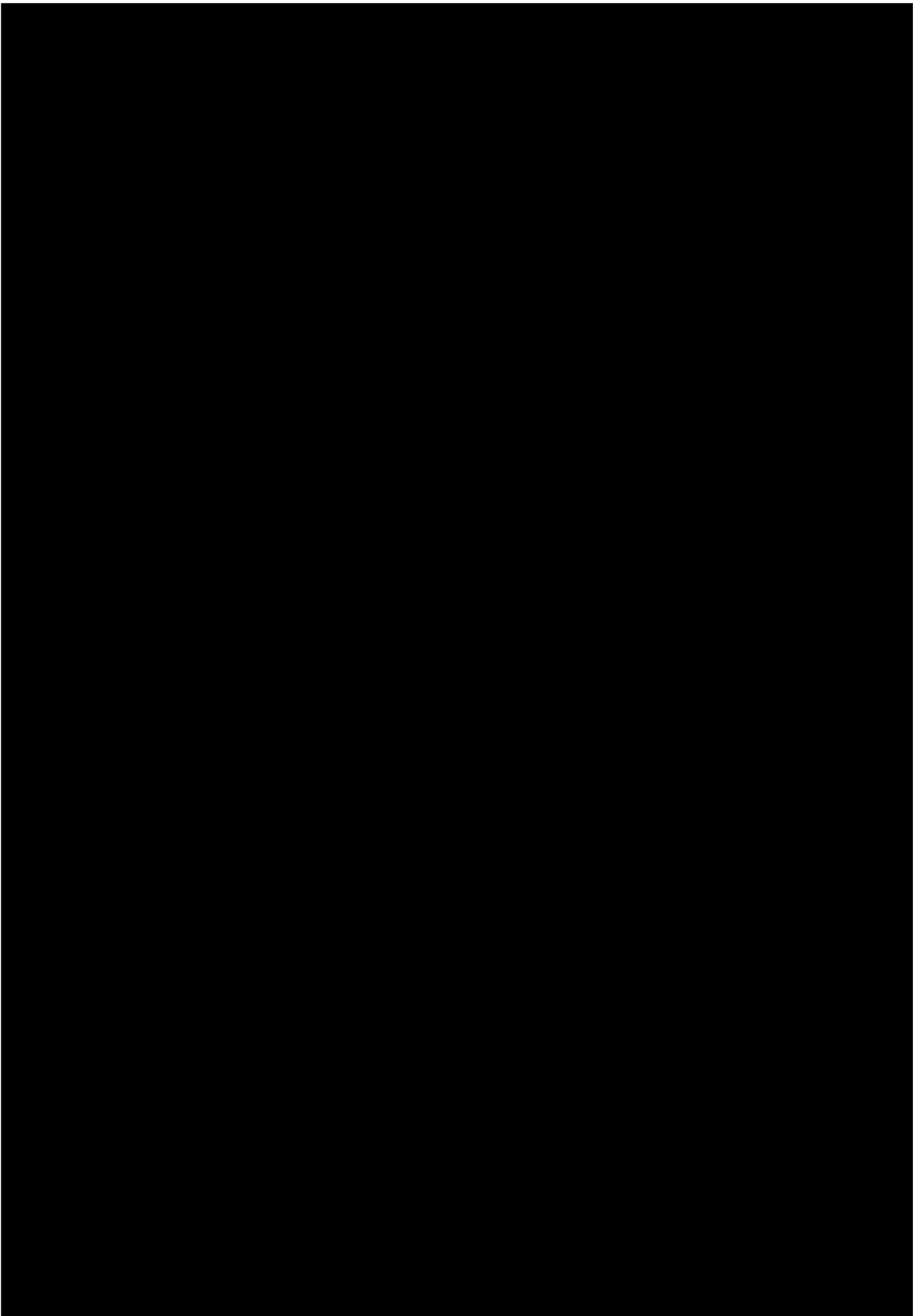
Without being able to cross check and match the 'approval to recruit' form with the offers to any particular staff member I am uncertain about this one. I do note there is an 'approval to recruit' for an [REDACTED] form 3983, created 22/06/22 by [REDACTED] and approved by [REDACTED]. This was to replace [REDACTED].

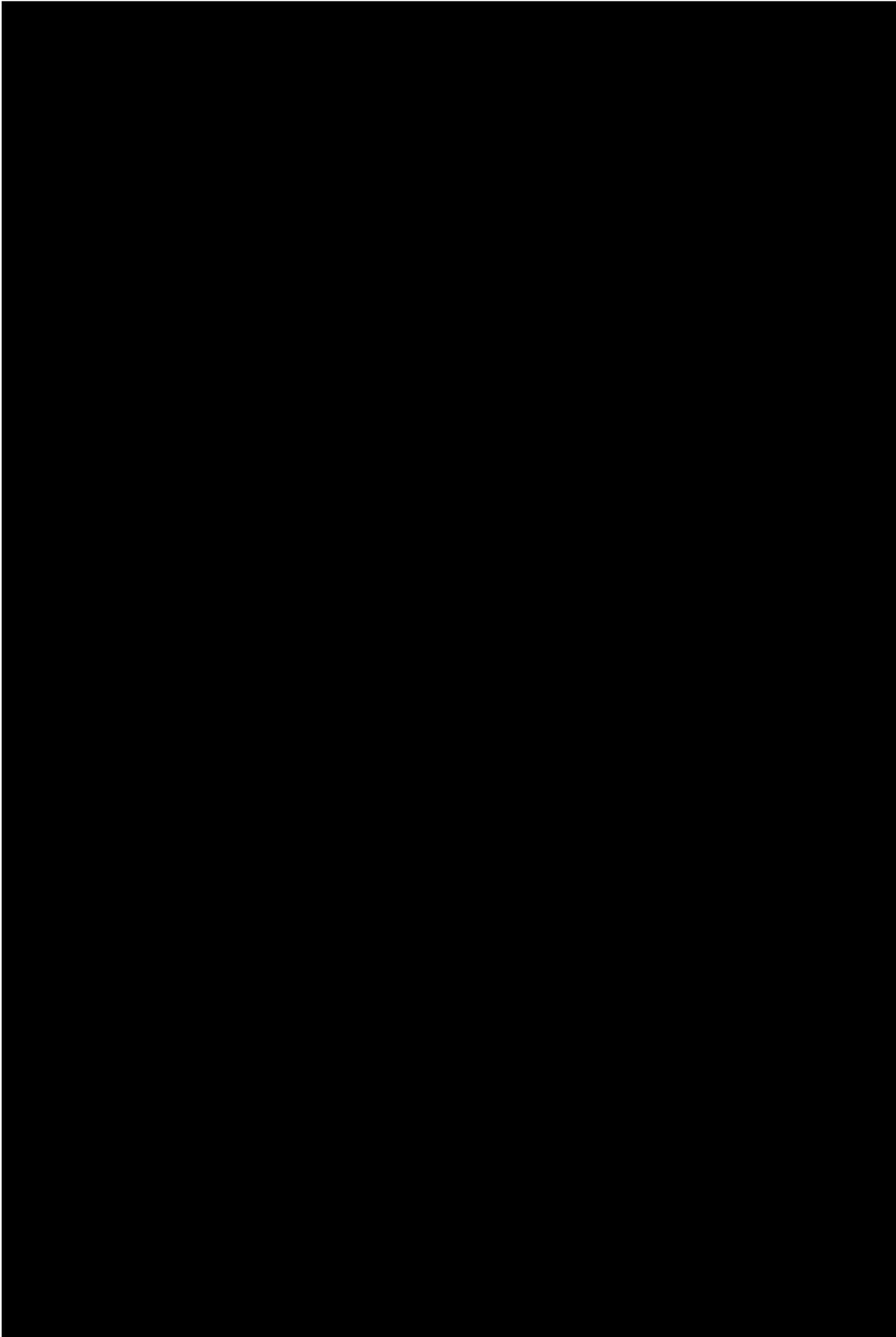
[REDACTED], **Nov 2021 and Dec 2021**

These two positions were funded with the Department of Internal Affairs grant that came to Council as part of the Water Reform programme – CCC received approximately \$40 million that was split between Capex and Opex over two financial years.

The approval to recruit form 3224, created 26/08/2021, was raised by [REDACTED] in August and [REDACTED]. [REDACTED] Water Reform at the time, would be able to provide further detail if required. I note this form is for one position and the second appointment may have been as a part of the graduates coming in over the summer period (forms 3251, 3281, 3290 and 3291). We did re-deploy some of our graduates following the disruption caused by the fire at the CWTP.







8.3 Conclusion

... that actual FTE numbers do not match those that have been approved.

This very simple and succinct conclusion glosses over the issue of 'approved staff' in accordance with the HR Organisation Chart compared to the lists of staff in the Finance personnel planning spreadsheets.

It also presents actual FTE numbers as those calculated from summing timesheet entries with no distinction between permanent, fixed term and casual staff.

It is clear that the personnel budget is overspent. The report identifies issues with the budget planning process for personnel and material discrepancies between approved staff, according to HR and FTE in the Finance personnel planning spreadsheets. However the report fails to acknowledge these issues as contributing to the overspend.

Similarly the report explicitly ignores the operational requirements and external pressures that have driven the increase in staff numbers.

Appendix K FTE Approvals Analysis

Employee	Role	Month Started	Request ID	Requester	Type of request	Manager	Finance Business Partner	General Manager	Head of People and Culture	Date of final approval	Category
[REDACTED]	[REDACTED]	Aug-19	Can't identify a change form that relates to this role and time period.								B
		Dec-19	Can't identify a change form that relates to this role and time period.								B
		Oct-21	50	[REDACTED]	Additional position	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	14.02.2020	A
		Mar-21	91	[REDACTED]	Additional position	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	27.11.2020	A
		Mar-21	99	[REDACTED]	Change existing vacant position	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	7.01.2021	A
		Jun-21	Can't identify a change form that relates to this role and time period.								A
		Nov-21	Can't identify a change form that relates to this role and time period.								B
		Dec-21	Can't identify a change form that relates to this role and time period.								B
		Feb-22	198	[REDACTED]	Additional position	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	9.03.2022	A
		Mar-22	180	[REDACTED]	Additional position	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	21/12/2021	C
		Mar-22	124	[REDACTED]	Additional position; Change existing vacant position	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	2.06.2021	C

May-22	124	██████	Additional position; Change existing vacant position	██████	██████	██████	██████	2.06.2021	C
Jun-22	Can't identify a change form that relates to this role and time period.								B
Jun-22	Can't identify a change form that relates to this role and time period.								B
Aug-22	242	██████	Additional position	██████	██████	██████	██████	7.06.2022	A
Aug-22	242	██████	Additional position	██████	██████	██████	██████	7.06.2022	A
Aug-22	210	██████	Additional position	██████	██████	██████	██████	27.04.2022	A
Aug-22	210	██████	Additional position	██████	██████	██████	██████	27.04.2022	A
Sep-22	186	██████	Additional position	██████	██████	██████	██████	12.03.2022	A
Sep-22	Can't identify a change form that relates to this role and time period.								B
Sep-22	186	██████	Additional position	██████	██████	██████	██████	12.03.2022	A
Sep-22	242	██████	Additional position	██████	██████	██████	██████	7.06.2022	A
Sep-22	Can't identify a change form that relates to this role and time period.								A
Oct-22	186	██████	Additional position	██████	██████	██████	██████	12.03.2022	A
Jan-23	Can't identify a change form that relates to this role and time period.								B
Jan-23	330	██████	Change existing vacant position	██████	██████	██████	██████	30.10.2022	A