

Improvement Action Plan

Full Time Equivalent (FTE) Controls Review

On 22 February 2023, under the instructions of the Chief Executive Officer, the Risk and Assurance unit commissioned KPMG to undertake an independent review of irregularities identified in the Full Time Equivalent (FTE) employee count within the Three Waters Unit. The Risk and Assurance Unit was made responsible for commissioning and supporting an independent review to assess how Council came to be in a position where there was uncertainty on actual vs approved FTE, and what would need to be done to address it.

The review was completed by a skilled forensic team from KPMG – led by their Auckland-based Risk Consulting Partner, Associate Director who has a background in investigations, and Forensic Manager with Chartered Accountancy. The review was complex and due to the sensitive nature of the review, a considerable amount of resource was focused on ensuring the review was factually accurate and thoroughly completed to a high standard, with no bias. The scope of the review was to investigate and establish facts as to whether the Three Waters unit's actual current FTE staffing numbers match those for which valid approval in accordance with the Council's established policies / procedures / delegated authority / internal controls has been given.

KPMG's overall conclusion on the review was that there is sufficient evidence for the Council to conclude that actual FTE count does not match those approved. KPMG noted that whilst some factors were out of the Council's control, there are opportunities for improvement within the business operations and systems. The findings in the report clearly articulate the need for improvement at the system level to mitigate the risks identified.

An improvement action plan has been developed by key Council staff to identify the areas of improvement, planned actions to address continuous improvement and lessons learned, and establish what has been done as at date.

Noting the sensitive nature of the report, the improvement action plan has been developed to stand alone from the KPMG report. This ensures that other staff – who have not reviewed the report – are able to understand the action points and take part in the improvement process.

There is clear consistency between the recommendations raised throughout the report. The areas of improvement identified largely relate to system level improvements, and a significant number of these are expected to be addressed through an implementation of Human Resources Information System (HRIS). The Council is currently undertaking a significant level of work to actively address the planned actions based on priority and feasibility.

Executive and Senior Leaders at Council are committed to improve the Council processes and systems to mitigate the risks identified.

Improvement Action Plan

Finding number	Finding details	Priority	Planned actions	Current status	Action owner	Completed by
1	The Council does not have 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.	High	Ensure all approved positions have a position number that is assigned to the position. Each employee would have their own employee number (i.e. unique identifier) that can be sub-assigned to the position number. The employee number should be able to move around but the underlining position number needs to be set as is. This will allow clearer understanding and management of the organisational structure.	Council will need to implement a Human Resources Information System (HRIS) to change how we undertake position management. A current state analysis has been completed and a business case for investment is being developed to seek funding to implement a HRIS.	Head of People and Culture	30/09/2024
2	Guidance on when certain HR forms need to be used (including <i>Change to Employment Conditions form</i> and the <i>Request to Change FTE form</i>) need to be clarified and communicated to staff.	High	Ensure the policies and the Hub clearly outlines the process that needs to be followed regarding the forms and the purpose of each form (e.g. flow chart / Promapp).	A review of the Human Resource Delegations is currently underway. Following the review of the human resource delegations, policies, forms, and intranet pages will be updated accordingly and a communication/training will be provided to people leaders.	Head of People and Culture	30/09/2024
			Review names of the HR forms to ensure it is in line with the purpose of the form.	A review of the forms has started and each one will be renamed accordingly. The <i>Request to Recruit form</i> will be decommissioned and the process transferred to our recruitment platform (Snaphire) to manage the process.	Head of People and Culture	31/03/2024
			Communication / training needs to go out to staff that are primary users of these forms (e.g. HR / Finance advisors and partners, managers, team leaders, Head of Service and General Manager) to outline the purpose of each form. For example, a short summary of the forms (and the process) could be documented in a short summary document and be made available for the key users.	A review of the Human Resource Delegations is currently underway. Following this review the policies, forms, and intranet pages will be updated accordingly and a communication/training will be provided to people leaders.	Head of People and Culture	30/09/2024
3	All discussions, motions and decisions being made in ELT meetings are not clearly documented - whether in support of a request or otherwise.	High	Ensure all members of Executive Support undergo annual training on minute taking.	Minute taking course is being arranged with vendor and will be conducted.	Chief Executive Officer	31/03/2024
			Implement a process to ensure the quality and clarity of recommendations and subsequent decisions. Review the action tracking on InfoCouncil.	Actions are reviewed at each ELT meeting and monitored by the Executive Support Team on InfoCouncil to inform the relevant ELT member.	Chief Executive Officer	Ongoing

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4	HR and Finance records (in relation to FTE) do not align. From audit perspective, best practice would be for the organisational chart to be the master data.	High	Investigate the issue and ensure going forward, the organisational chart is used as the master data for FTE. The information in the organisational chart must be accurate and complete.	A review is currently underway to develop a technology solution to ensure the organisational chart will be the master data for FTE.	Head of Finance; Head of People and Culture	30/09/2024
5	Time spent working on capital programme is not accurately recorded.	High	Provide training and tools for staff to better understand what is CAPEX and what is OPEX (link to DFA on approval).	To ensure the policy position on Capital transactions and the OPEX / CAPEX split is well understood across Council, progress on OPEX / CAPEX focused module is also being developed in consultation with the Programme Management Office team.	Head of Finance	31/05/2024
			Review time actually coded to capex against business plan.	Now being reviewed on monthly basis with each Head of Service. This includes standard reports. A Business Intelligence (BI) solution report is being developed.	Head of Finance	31/03/2024
			Investigate the impact of miscoded time.	A deep dive review was undertaken for 2022/23 transactions resulting in corrections being completed. For 2023/24 quarterly reviews are undertaken.	Head of Finance	Ongoing
			Ensure the budgeting process reflects accurate OPEX recovery and considerations.	For 2023/24 a comprehensive salary recovery model was developed and implemented to update the staff hourly rates in SAP based on staff budget cost centres. The validation of CAPEX / OPEX splits is ongoing.	Head of Finance	Ongoing
			Educate staff to have a better understanding of what is capital delivery (i.e. spending more money does not mean we are delivering more capital).	The development of a Capital Training module is underway with input from the Project Management team. This will include milestone reporting.	Head of Finance	31/03/2024
6	The FTE number used as the starting point for the new financial year does not appear to accurately reflect actual FTE on the ground.	High	Investigate the issue and ensure going forward, the organisational chart is used as the master data for FTE. The information in the organisational chart must be accurate and complete. Refer to item 4.	A review is currently underway with the focus of ensuring the organisational chart be the master data for FTE.	Head of Finance; Head of People and Culture	30/09/2024
7	Definition of approved FTE is not well understood, and actual FTE often exceed budgeted FTE.	Medium	Formally define approved positions, FTE, planned FTE, headcount, and labour expenditure. Communicate and train the management (and relevant staff) and report regularly on these measurements through management monthly report.	Standard FTE reports are being designed to be incorporated with the monthly reporting packs for Heads of Service. A review of the human resources delegations is currently underway and the scope for any changes will include creating definitions for types of change that relate to FTE and the correct levels of approval required.	Head of Finance; Head of People and Culture	31/03/2024

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8	The quality of information provided on change request forms was often inadequate.	High	Building on all previous management actions around the new system, work processes should include greater visibility and requirements to question judgements. This will be HR and Finance collaboration with focus on internal quality improvement.	Work is being undertaken by Heads of Service to review the purpose of "Business Partner (Finance, HR and IT)" positions. An output of this will be clarity for business units on what they can expect from their business partners and clear expectations for business partners on the expectations of their roles. Change Request forms to include mandatory signoff sections by appropriate Business Partners / Advisors.	Head of Finance; Head of People and Culture	31/07/2024 31/03/2024
9	The automated workflow process sends the request to manager, two-up from the proposer (and this is not necessarily the Head of Service and General Manager).	High	Review the delegations (who controls the FTE and resourcing) and implement the delegations in the system.	Review of the human resources delegations has commenced.	Head of People and Culture	31/03/2024
			Review and update the request form. Currently, once the form is submitted, it is automatically sent to the next level of approval. The approver may then request further information outside the approval workflow because there is no option in the system for the approver to return the request without approving it as they can only "approve" the request and add a comment. This creates high inherent risk the proposer may not respond to the question and continue proceeding with the request as it has been "approved" and there is no auditable record of assurance sought. An option needs to be added for the approver to return the request without approving it. The budget holder also needs to be included in the sequence of approvals.	Following the review of the human resource delegations, policies, forms, and intranet pages will be updated accordingly and a communication/training will be provided to people leaders. Following that, the planned work that Council will undertake to implement a Human Resources Information System (HRIS) will create further controls regarding position management.	Head of People and Culture	30/09/2024
10	HR request form processes are not being followed.	Medium	Ensure the forms that need to follow a certain process (i.e. <i>Change Request form</i> needing to be completed prior to <i>Request to Recruit form</i>) interface with each other. This will ensure the process is followed. For example, if a staff member tries to not follow the process and completes the <i>Request to Recruit form</i> first, they get an alert, and the system stops them from being able to complete the form. Or, as a requirement in the form, they are required to attach the approved <i>Change Request form</i> .	A review of the Human Resources Delegations has commenced. Following that review the policies, forms, and intranet pages will be updated accordingly and a communication / training will be provided to people leaders.	Head of People and Culture	30/09/2024

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11	New positions can be established without the old position being removed (when swapping an existing FTE). Positions that were meant to be disestablished were identified as not disestablished and a staff could be recruited into it.	High	Annually, once the annual plan is adopted (and therefore the overall FTE for the organisation is established), HR needs to review the organisational chart and make amendments to reflect the changes in the FTE (i.e. remove disestablished FTE, create new FTE, edit FTE that have had position changes). This will ensure the organisational chart and the approved FTE (as at beginning of financial year) is consistent. Throughout the year, to capture changes in FTE, the current request form process needs to be amended to reduce human reliance. Investigate methods to make the organisational chart and the request form interface.	A review of the human resources delegations is currently underway and the scope for any changes will include creating definitions for types of change that relate to FTE and the correct levels of approval required. Once this work is complete, the process and process inputs/outputs will be redefined and implemented.	Head of People and Culture	31/07/2024
12	Definition of 'significant' change to FTE and 'ELT approval' is not clear.	Medium	Determine what criteria define 'significant change to FTE (i.e. any change)'. This criteria will be clearly documented in the HR policy and be communicated to all business unit managers and Head of Service. Any addition to FTE needs to be approved by ELT.	A review of the human resources delegations is currently underway and the scope for any changes will include creating definitions for types of change that relate to FTE and the correct levels of approval required.	Head of People and Culture	31/03/2024
			Determine what constitutes 'ELT approval' (i.e. is it approval from the respective General Manager or all of ELT). This will need to be documented in the HR policy and be communicated to all business unit managers and Head of Service.	A review of the human resources delegations is currently underway and the scope for any changes will include creating definitions for types of change that relate to FTE and the correct levels of approval required.	Head of People and Culture	31/03/2024
			Ensure all 'ELT approval' (subject to definition as above) are properly captured and documented to be kept as audit evidence.	A review of the human resources delegations is currently underway and the scope for any changes will include creating definitions for types of change that relate to FTE and the correct levels of approval required.	Head of People and Culture	31/03/2024

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13	Monthly Financial Reports were not utilised to its purpose.	Medium	Ensure there is a standard and consistent process in place across the Council on Finance Business Partner/Advisor meeting with the Head of Service. The reports will also be delivered to the respective General Manager. Details include; Key variances, documentation of explanations, risk and mitigation. Finance Business Partner / Advisor will perform a quality assurance check over the explanation provided by the Head of Service. This will consider different units of analysis.	Finance Business Partnership team will review current process and modify as required to ensure the review process occurs on a monthly basis.	Head of Finance	31/03/2024
			Ensure expectations between Business Partner / Advisor and Head of Service are clear – including what they need and expect from each other.	Finance Business Partnership team are reviewing the current understandings to ensure expectations are clear. This is an ongoing discussion.	Head of Finance	Ongoing
			Ensure Finance Business Partner / Advisor are communicated the importance of their duties as the business units' business partner / advisor (Head of Service rely on their financial skills to support their operational business decisions).	Finance Business Partnership team to: 1) Agree required responsibilities with Head of Service. 2) Ensure included in necessary Position Descriptions. 3) Periodic review with Head of Service to ensure expectations are being met.	Head of Finance	Ongoing
			Training should be provided to all budget holders (which will cover Head of Service and General Manager) on the importance of budgets and what their duties and responsibilities are as budget holders (i.e. how to identify / what to do if they are going into deficits). User friendly (as defined by the user) and understandable reporting needs to be provided to the budget holders.	Support for the current face-face training sessions with on-line modules. Finance 101 has been rolled out and is mandatory for all staff. The Finance 102 module is more detailed and will be completed in October. Other modules covering Procurement and Purchasing are also in the development phase.	Head of Finance	Ongoing 31/03/2024
			Review the business needs of management and align management reporting with these needs (as defined by the user).	Finance Leadership team will review current process and modify as required to ensure this happens on a monthly basis.	Head of Finance	31/03/2024
			Include actual vs budgeted FTE details within the Monthly Financial Reports (this was previously done but was subsequently removed by Finance from August 2021).	A set of FTE reports is being developed to be included with the monthly reporting pack. Other CAPEX allocation reports, already being delivered, will also be captured within this pack.	Head of Finance	31/03/2024

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14	Majority of employees at Council have the required permission to delete FTE change requests.	Medium	Prohibit all staff's access to delete FTE change requests. These forms are a part of organisational decisions and operation and should be traceable. However, appreciating that there may be instances where the request becomes void, there should be an option to cancel the request (the records of the request, however, need to be maintained in the system and be traceable).	Work is currently being undertaken to actively investigate methods to prohibit all staff's access to delete the FTE change request forms and instead add an option to cancel the request.	Head of Digital; General Manager Resources / CFO	31/06/2024
15	Monthly FTE report is not passed on to the Head of Service.	Medium	Ensure HR Business Partner / Advisor are communicated the importance of their duties as the business units' business partner / advisor (Head of Service rely on their skills to support their operational business decisions).	Work is currently being undertaken by Heads of Service to review the purpose and expectations of Finance, Human Resources, Technology and Recruitment Partner positions. An output of this will be increased understanding for employees appointed to those roles and for business units on what they can expect from their business partners to support their operational requirements.	Head of People and Culture	31/07/2024
			Design and implement BI reporting tool for management (incl. Head of Service and General Manager) to access appropriate reporting information. Ensure access given are appropriate (the information is sensitive).	A set of FTE reports is being developed to be included with the monthly reporting pack. Other CAPEX allocation reports, already being delivered, will also be captured within this pack. Following changes to delegations, systems and forms, appropriate reporting tools will be developed to support business partner and business stakeholder conversations and decision making.	Head of Finance; Head of People and Culture	31/03/2024 31/07/2024