

REPORT 1*(1215/52/01/1M)***FOLLOW UP OF AUDIT NEW ZEALAND'S REVIEW OF
THE WAITANGI PARK PROJECT****1. Purpose of paper**

The purpose of this paper is to update the Audit and Risk Management Subcommittee on the Risk Assurance follow-up of Audit New Zealand's review of the procurement and project management of the Waitangi Park development project.

2. Recommendation

It is recommended that the Subcommittee:

1. *Receive the information;*
2. *Note the progress that Wellington Waterfront Limited has made against the Audit New Zealand recommendations;*
3. *Note that Wellington Waterfront Limited are indicating likely costs of Waitangi Park to be \$22.1 million, approximately \$0.4 million lower than the figure advised to Council in December, although the final cost verification process has not yet been completed;*
4. *Note that the mediation process has recently been superseded by summary judgement proceedings issued with the High Court by the Receivers representing the contractor (CSC).*
5. *Note that Risk Assurance has scheduled a follow up audit of Wellington Waterfront Limited in its 2006/07 work programme.*

3. Background

In May 2004, Wellington Waterfront Limited (WWL) ran a closed tender process for the Waitangi Park Development Project. Three contractors tendered for the project and in July 2004, Construction Services Limited (CSC) was awarded the construction and redevelopment contract at a cost of \$13.2 million.

During 2005, a number of concerns arose around the procurement processes and project management of Waitangi Park. Audit New Zealand (Audit NZ) was engaged to carry out an independent review. Audit NZ issued a final report to WWL in December 2005, summarising its findings and making 12 recommendations. A copy of this report was also tabled at the Council's December ARMS meeting.

At the 10 March 2006 meeting, ARMS requested that Risk Assurance carry out a follow-up review of the implementation of the Audit NZ recommendations. The review was deferred to April 2006 at the request of the WWL Chief Executive to not only allow WWL time to implement Audit New Zealand's recommendations in relation to the Waitangi park project but also to extend those recommendations across the whole organisation.

The Audit and Risk Management Subcommittee resolved that Risk Assurance carry out a review in April 2006 to cover:

- WWL's progress in addressing the findings of the Audit New Zealand report on Procurement Processes and Project Management for the Waitangi Park Development;
- the robustness of revised cost forecasts in relation to Waitangi Park;

4. Discussion

Risk Assurance conducted its review during April/May. WWL has been a willing and open participant in this review and has provided information and responses as requested. A full copy of the report is attached as Appendix One and key findings of the review are as follows:

WWL has established a Project Management Manual which puts greater structure and control around internal project management practices. This manual is still in draft and requires further development to ensure all project management functions are appropriately identified, described and controlled.

Final project costs can only be determined once all construction activities are complete, the Engineer to the contract has carried out the final inspection of the site, and the Quantity Surveyors have assessed all final work claims and closed off accounts.

As a result of the issues leading to and reported on by Audit New Zealand, improvements to the reporting and communication processes between the Council and WWL have occurred.

There had been some initial communication around mediation between WWL and CSC but agreement on who would be involved could not be reached. Subsequently, the mediation process has been superseded by the summary judgement proceedings issued with the High Court by the Receivers representing the contractor (CSC). Given that the bond and the final claims submitted by the former contractor are being assessed by the Quantity Surveyors as part of the project closure process it is critical that WWL confirm final costs and claim amounts as they are at the heart of the legal process. Steps that have been taken to date and those to occur in the near future are highlighted in section 5.2 of the audit report.

5. Conclusion

Based on its review, Risk Assurance believes that WWL has made, or is still making, good progress to address the control weaknesses identified by Audit New Zealand. Given the relatively short period of time which has elapsed between the Audit New Zealand review and our follow-up, WWL has not yet been able to fully implement all of the 12 recommendations. However, Risk Assurance sighted sufficient evidence to suggest WWL is actively addressing the outstanding recommendations and/or parts thereof, and that this process will be complete in the near future.

Contact Officer: John Scott, Director Risk Assurance

Supporting Information
<p>1) Strategic Fit/Strategic Outcome</p> <p><i>This project supports Key Achievement Area 9 Governance and Citizen Information: As per the Annual Plan, Governance and Citizen Information includes all those activities that make the Council accountable to the people of Wellington and ensure the smooth running of the city. That includes all meetings of the Council and its committees.</i></p>
<p>2) LTCCP/Annual Plan reference and long term financial impact</p> <p><i>Relates to C534: Committee and Council process</i></p>
<p>3) Treaty of Waitangi considerations</p> <p><i>There are no Treaty of Waitangi implications</i></p>
<p>4) Decision-Making</p> <p><i>This is not a significant decision</i></p>
<p>5) Consultation</p> <p>a) General Consultation</p> <p><i>Not required</i></p> <p>b) Consultation with Maori</p> <p><i>Not required</i></p>
<p>6) Legal Implications</p> <p><i>None</i></p>
<p>7) Consistency with existing policy</p> <p><i>This report is consistent with existing Wellington City Council policy</i></p>