



Ka Awatea Engagement Inquiry

Root Cause Analysis

Te Pūrongo Arotake ā Roto

Report - October 2022

IA-22-06

Conservation Assurance Unit

DOC-7172736



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1. Te kōrero whakataki, kōrero tāhuhu me ngā whāinga | Introduction, background, and objective

The objective of this report is to determine whether the controls used by the Department of Conservation (DOC) for the engagement of Ka Awatea Services Ltd, Ormsby persons and associated persons were sufficiently complied with. While our findings are within this context some of the observations and recommendations may have broader implications for DOC's procurement system and contract management controls.

The Conservation Assurance Unit has undertaken this RCA within the scope of the Conservation Assurance Unit [Internal Audit Charter \(DOC-648882\)](#).

The report provides a summary of findings and observations after:

- Conducting staff interviews with Kaihautu/Directors, Deputy Director-General (DD-G) Kāhui Kaupapa Atawhai (KKA), Procurement system subject matter expert, and DD-G Treaty Partnerships (seconded Kaihautu at the time of project delivery),
- reviewing project material and correspondence relating to the engagement with Ka Awatea Services Ltd and project milestones,
- reviewing DOC internal controls for declarations of interest in procurement and contract management.

Background

In 2018 the DOC funded the DOC Treaty Partner Summit – Tai timu, tai pari, tai ao (the Summit), a two-day hui at Te Papa Tongarewa / Museum of New Zealand where whānau, hapū and iwi representatives from around the country were invited to attend. The Summit was broad reaching and rangatahi (Māori youth) from around the country formed a delegation to attend and present a vision for conservation. This presentation was the catalyst for the Department's Senior Leadership Team (SLT) to request further work be conducted to understand how DOC could engage more effectively with rangatahi in conservation efforts.

Following The Summit Kāhui Kaupapa Atawhai Group (KKA) presented a proposal to SLT in 2018 which was accepted, and funding approved. The annual work programme for KKA described Rangatahi engagement with the objective:

To establish a nationwide Rangatahi network advisory group. Requires facilitation of hui around the motu and then EOI (expressions of interest) of membership, definition of TOR (terms of reference) and framework.

An initial project scope was proposed by Director KKA Huia Lloyd and Deputy Director-General KKA, Michelle Hippolite. The Rangatahi Engagement project was approved by Michelle Hippolite with a budget of \$60,000.00. Finding a mechanism or an entity that could deliver the project outcomes led to the selective procurement of services from Ka Awatea Services Ltd (Ka Awatea), March-November 2020.

Following concerns expressed by the Director-General (D-G) and Deputy Director-General (DD-G) Public Affairs about the management of the project the Chief Assurance Officer was requested to identify the sequence of events that led to the engagement of Ka Awatea (this RCA).

Objective

As set out in the Terms of Reference¹ (TOR) attached in the Appendix, the objective of the RCA is; **To determine whether the controls used by DOC for the engagement of Ka Awatea Services Ltd, Ormsby persons and associated persons were sufficiently complied with.**

¹ <https://doccm.doc.govt.nz/cwxv4/wcc/faces/wccdoc?dDocName=DOC-7135533>

2. Te rāpopotonga matua | Executive summary

This Root Cause Analysis is focused on determining whether the controls used by DOC for the engagement of Ka Awatea Services Ltd, Ormsby persons and associated persons were sufficiently complied with. Controls are the systems, processes, procedures and tools the Department uses to manage risk.

1. Summary of findings:

- Some DOC procurement controls were not complied with.
 - Evidence supports staff not being conflicted in their relationship with Ka Awatea.
 - Documentation was not completed as required by the Procurement Standard Operating Procedure.
 - The project was not monitored sufficiently by the project sponsor through not fully implementing the required controls.
 - The selection process used has been found to comply with DOC Procurement system boundaries for procurement valued between \$20,000.00 and \$100,000.00.
 - There is scope for improving the design and application of declaration of interest controls within this part of the Procurement system.
2. There is a system of adequate internal controls, but some weaknesses in design, implementation and monitoring enabled the controls for declaration of interests to be inadvertently missed or over-ridden. The result of these controls not being implemented has not impacted decision-making processes, or engagement with Ka Awatea Services Ltd.
 3. Correct use of the Procurement system controls for declaring interests may have provided additional assurance to both DOC and Ka Awatea Services Ltd during contract negotiations, project delivery, and project closure. This inquiry has found that broader relationships did not meet a significant threshold to be declared as conflict of interests².
 4. A 'selective process' was used to engage Ka Awatea. The selection process used complies with system boundaries for procurement valued between \$20,000.00 and \$100,000.00.
 5. Staff interviews have revealed several key issues relating to the effectiveness of procurement and contract management controls when engaging with Ka Awatea, namely:
 - A lack of appreciation of DOC Procurement process requirements.
 - Procurement and New Supplier controls not adequately checked.
 - Limited support available for contract management.
 - Competing priorities took focus away from KKA deliverables.
 - No Procurement system monitoring for contracts under \$100,000.00.
 6. No declaration of interests were completed by the DOC staff associated with the contract as their strong belief was they did not have any relationships that would benefit Ka Awatea beyond that of normal contract negotiations and management.
 7. No declaration of interests were disclosed by Ka Awatea Services Ltd on the New Supplier form.

² As defined by DOC Conflict of Interest Policy v8.

8. The selection of Ka Awatea was based on the background and expertise of Ka Awatea for the engagement of rangatahi in conservation, environmentalism, and climate change initiatives³.
9. The KKA DD-G and Kaihautu have since acknowledged that if the DOC Procurement and declaration of interest processes/controls had been complied with more closely, declarations of no conflict could have been completed.
10. Resignation of former DD-G KKA in 2018 and onboarding the incoming DD-G did not occur concurrently resulting in lost momentum for the project.
11. Inquiry interview responses have highlighted gaps in role clarity and limitations to deliver the project during seconded and acting positions. This was further compounded by senior leadership changes and competing priorities.
12. DOC's contract and new supplier templates have a control built into them for declaring interests; this was not used correctly by the manager concerned.
13. The new supplier form was not completed accurately nor complied with. A conflicts of interest form is required for any procurement over \$20,0000.
14. There is a lack of evidence to demonstrate whether the control for conflicts of interest was checked adequately by Accounts Payable during processing of the new supplier and advice given to the manager to complete a declaration of interest.
15. Controls built into contract and new supplier templates can be ignored, missed or over-ridden by the manager and were not adequately checked during processing.
16. Induction, training, and support for contract managers is reported as poor resulting in a lack of understanding of robust procurement practices.
17. The changes in staffing over the time of contract negotiations, engagement and project delivery contributed to poor understanding of contract delivery and progress.
18. Project management practices were acknowledged as weak with limited oversight by the project sponsor.
19. Decisions and accountability for implementing recommendations are found in section 4.a below.
20. There are opportunities for improvement in:
 - System and control design
 - Contract management practices
21. While this RCA does not seek to provide a system audit or to determine the full extent of system or control weaknesses it is acknowledged that some recommendations may have implications for Procurement and contract management across the Department.
22. Overall level of assurance

Moderate	There is an adequate system of internal control, however, in some areas weaknesses in design and/or inconsistent application of controls puts the achievement of some aspects of the system objectives at risk.
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3. Ngā kaupapa | Findings

The findings are provided on a prioritised basis, identifying the management responses to address issues

³ <https://www.pipirikiapatuanuku.org/>

raised through this RCA is found in section 4..

- a. There was a lack of compliance with, and monitoring of DOC procurement controls for Declarations of Interest.
- b. The appropriate sourcing method was used as defined by the Procurement system.
- c. Controls built into the procurement system such as conflict of interest requirements and new supplier processes were not adequately checked at stage gates in this instance.
- d. In this case a capability and knowledge gap existed which resulted in declaration of interest processes not being followed.
- e. Induction and training for contract managers is reported as poor which contributed to inadequate implementation of system controls.
- f. There is evidence to support no Conflict of Interest existed at the time of negotiation. However, documentation was not completed as required by the Procurement Standard Operating Procedure.
- g. The result of not fully implementing the controls did not impact decision making processes.
- h. The selection process used has been found to comply with Procurement system boundaries for procurement valued between \$20,000.00 and \$100,000.00.
- i. There is an adequate system of controls however there is scope for improving the design and application of declaration of interests controls within this part of the procurement system.

4. Whakapainga | Opportunities for improvement

These improvements are provided as preventative measures for management to implement, to minimise any future risk of reoccurrence. There is a strong focus on strengthening and implementing controls in relation to DOC's Procurement system as well as ensuring DOC has adequately managed risk in relation to conflicts of interest and management of contracts valued \$100,000.00 or less.

Ownership, implementation, and monitoring of these improvements is to be agreed by the respective SPAs below.

a. Decisions by Accountable DD-G

System Controls	SPA assigned to:
<ol style="list-style-type: none"> 1. New Supplier form <ol style="list-style-type: none"> a. Review the form to ensure the process for disclosing interests is clear to staff, and that staff cannot inadvertently over-ride the control. b. Assess whether the control adequately manages the risk. c. Update accounts payable processes to ensure Conflict of Interests is checked prior to establishing a new supplier 2. Disclosure of Interest form <ol style="list-style-type: none"> a. Procurement and Accounts to review processes for ensuring Disclosures of Interest are completed in 	DDG Organisation Support

<p>accordance with DOC's Procurement system and Conflicts of Interest Policy.</p> <p>b. Review procurement system and processes to ensure Conflicts of Interest disclosures are collated in the Department's enterprise register of interests</p>	
Contract Management Practices	
<p>1. Contract management capability</p> <p>a. Review induction, training, and support requirements for procurement and roll out to contract managers.</p> <p>b. Accounts Team to review New Supplier processes to ensure controls are complied with correctly.</p>	<p>DDG Organisation Support</p>
<p>c. All contract managers to register a Disclosure of Interests with Conservation Assurance Unit.</p>	<p>DDG Public Affairs</p>
<p><u>Decision maker agrees with suggested SPAs (Highlight/Circle)</u></p>	<p>Agree / Disagree</p>
<p><u>Note that:</u></p>	
<p><u>Decision Maker comments:</u></p> <div style="background-color: #cccccc; height: 50px; width: 100%;"></div>	
<p>Signed by <u>insert name and role</u></p>	
<p><u>2.11.22</u></p> <p>Date</p>	

5. Whakatau | Conclusions

a. Limitations inherent to the Root Cause Analysis

A root cause analysis (RCA) is a comprehensive term encompassing a collection of problem-solving methods used to identify the underlying or fundamental cause for non-compliance with a standard or control. The term 'root cause' refers to the precise point in a causal chain where a corrective action is required to prevent recurrence.

We have undertaken the root cause analysis of the process, subject to:

- Available documentation in the context of engagement with Ka Awatea Services Ltd.
- Accuracy of staff recollection of events.
- This review being limited to the selection, procurement, and contract management of Ka Awatea

Services Ltd and did not undertake an internal audit or review of DOC's Procurement System.

Internal control

Internal control, no matter how well designed and operated, can provide only reasonable and not absolute assurance regarding achievement of an organisation's objectives. The likelihood of achievement is affected by limitations inherent in all internal control systems. These include the possibility of poor design or implementation, poor judgement in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

Future periods

The assessment of controls relating to the process is that at October 2022 a 'moderate' level of assurance can be provided. Historic evaluation of effectiveness is not always relevant to future periods due to the risk that:

- › The design of controls may become inadequate because of changes in the operating environment, law, regulation or other; or
- › The degree of compliance with policies and procedures may deteriorate.

b. Responsibilities of management and internal auditors

It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Independent assurance work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

We shall endeavour to plan our work so that we have a reasonable expectation of detecting significant control weaknesses and, if detected, we shall carry out additional work directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected.

6. Āpiti | Appendices

a. Ngā take pakiaka | Root causes

Using COSO⁴-based root cause analysis to connect reasons for control failures with internal control principles is intended to help identify weakness across the organisation. COSO's Internal Control Framework was developed to help organisations create and maintain a system of internal controls that help to achieve their objectives. It consists of five (5) components with associated common root causes of failure. The COSO and Institute of Internal Auditors⁵ common root causes have been used to align DOC with good practice and ensure consistency and independence in our findings.

References:

[Institute of Internal Auditors \(theiia.org\)](http://theiia.org)

[Committee of Sponsoring Organizations of the Treadway Commission \(coso.org\)](http://coso.org)

b. Te tohatoha purongo | Report distribution

Name	Title	Report Distribution
Huia Lloyd	Kaihautu Kāhui Kaupapa Atawhai	Draft / Final
Tame Malcolm	DD-G Treaty partnerships	Draft / Final
Michelle Hippolite	DD-G Kāhui Kaupapa Atawhai	Draft / Final
Paul Simonsen	Manager, Procurement	Draft / Final
Sia Aston	DD-G Public Affairs	Draft / Final
Penny Nelson	Director General	Final

*Note, this distribution list may change, depending on business needs.

c. Te tānga kōrero mō te whakaūtanga me te wāhinga tūraru | Assurance definitions and risk classifications

Level of Assurance	Description
High	There is a strong system of internal control which has been effectively designed to meet the system objectives, and that controls are consistently applied in all areas reviewed.
Substantial	There is a good system of internal control designed to meet the system objectives, and that controls are generally being applied consistently.
Moderate	There is an adequate system of internal control, however, in some areas weaknesses in design and/or inconsistent application of controls puts the achievement of some aspects of the system objectives at risk.
Limited	There is a compromised system of internal control as weaknesses in the design and/or inconsistent application of controls puts the achievement of the system objectives at risk.
No	There is an inadequate system of internal control as weaknesses in control, and/or consistent non-compliance with controls could/has resulted in failure to achieve the system objectives.

⁴ <https://www.coso.org/SitePages/Home.aspx>

⁵ [Institute of Internal Auditors \(theiia.org\)](http://theiia.org)

Risk Rating	Assessment Rationale
Critical	<p>Control weakness that could have a significant impact upon, not only the system, function or process objectives but also the achievement of the organisation's objectives in relation to:</p> <ul style="list-style-type: none">• the efficient and effective use of resources• the safeguarding of assets• the preparation of reliable financial and operational information• compliance with laws and regulations.
High	<p>Control weakness that has or is likely to have a significant impact upon the achievement of key system, function or process objectives. This weakness, whilst high impact for the system, function or process does not have a significant impact on the achievement of the overall organisation objectives.</p>
Medium	<p>Control weakness that:</p> <ul style="list-style-type: none">• has a low impact on the achievement of the key system, function or process objectives;• has exposed the system, function or process to a key risk, however the likelihood of this risk occurring is low.
Low	<p>Control weakness that does not impact upon the achievement of key system, function or process objectives; however implementation of the recommendation would improve overall control.</p>

d. Te tūmau kōrero mō te arotake ā roto | Terms of Reference

Te kupu whakataki me te horopaki | *Introduction and context*

In 2018 the Department conveyed a Summit with iwi and over the two days discussed what iwi and the Department have been doing to practically demonstrate how to work together for conservation.

As a follow-up to rangatahi participation at the Summit, the Kahui Kaupapa Atawhai (KKA) group instituted a project to consider how a rangatahi perspective could be included in the work of DOC in an advisory capacity. To commence this work a Rangatahi Engagement project was approved by Michelle Hippolite Deputy Director-General KKA.

Finding a mechanism or an entity that could be accountable for the delivery of the project outcomes led to selective procurement of services from Ka Awatea. In June 2019 engagement resulted in contracting Ka Awatea Services. The deliverables and milestones of the contract with Ka Awatea were to develop a framework for engaging with a rangatahi network. An estimated value for the project, straddling 2019-20 and 2020-21 was \$60,000, GST inclusive.

The first milestone of the project was a payment of \$11,800 (excluding GST) for “preliminary scope to framework the working schedule”. This initial scope was delivered on November 2020 and the payment was approved. In 2021 the project did not make any progress. At the time of this TOR, DOC’s view is that the contract is currently open but on pause given a lack of contact with the supplier.

In August 2022 DOC received 15 Written Parliamentary Questions (WPQ) regarding the Department of Conservation’s engagement with any of the entities or natural persons of Ka Awatea Services. Due to some internal concerns and more recent public interest, the Director General is seeking assurance that DOC’s relevant decision making, procurement processes and Integrity Policies have been complied with.

The Chief Assurance Officer will undertake an inquiry then report findings and recommendations to the Deputy Director-General Public Affairs and Director General.

This Terms of Reference seeks to define the scope and resources needed for this internal inquiry following the issue that has been described above. This inquiry will primarily take the form of a Root Cause Analysis (RCA). We will examine what happened to establish how and why any adverse event(s) occurred. Where applicable, this should result in preventative measures for management to implement, to minimise the future risk of any reoccurrence.

Ngā whāinga | Objective

To determine whether the controls used by DOC for the engagement of Ka Awatea Services Ltd, Ormsby persons and associated persons were sufficiently complied with.

Te tirohanga whānui o ngā mahi | Scope of work

General comment - this engagement is inquiring in nature; aiming to establish the facts behind the engagement with Ka Awatea Services Ltd. It will report on its findings and provide recommendations for any corrective actions that may be required. While it is focussed on the issue defined in section 1, it has made observations arising from this issue on general procurement practice within Kahui Kaupapa Atawhai.

Our methodology for performing this work will consist of the following steps:

1. Information collection

We will start at the point where the concept of the Rangatahi Engagement project commenced to the engagement and management of the contract with Ka Awatea Services Ltd. We will work backwards

to determine material facts. This will include talking to key individuals and reviewing relevant documentation.

2. **Collate information into a narrative chronology**

3. **Identify problems**

Through the mapping of the chronology of events, relating to this incident, will start to identify the steps taken. Ensuring the Department took adequate steps to ensure relevant legislative compliance will also be considered.

4. **Explore problems and identify contributory factors**

To identify any contributory factors, we will drill down to ascertain factors as to why this situation has occurred.

5. **Generate solutions**

Counter measures to the contributory factors will be generated. A final report will be completed, and an action plan identified for management to reduce any highlighted risk(s) within their relevant control environment.

Out of scope:

- *Any subsequent matters relating to performance management / HR processes.*
- *Full system internal audit of the whole procurement system.*

Te wātaka | Proposed timescales

	Planned Date
Fieldwork Starts	August 2022
Draft Report	August 2022
Responses by Key Process Owners	September 2022
Final Report	October 2022