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Dear Mike

We have pleasure in presenting our report on the West Coast Wilderness Trail project.

Requirements

Westland District Council (“WDC” or “Council”) on behalf of the Mayor has engaged Grant Thornton to provide assurance over the West Coast Wilderness Trail project (“the Project”). The focus of the review was the governance arrangements, project management and financial management.

Executive Summary

The Project has successfully delivered a range of deliverables since its establishment in 2011. However, it has taken too long and exceeded its agreed funding arrangements.

The Project has suffered from a number of systemic issues, mainly:

- Absence of ownership and accountability of the Project
- Lack of governance arrangements to oversee the project, and what existed was ineffective
- Infrequent, incomplete and inaccurate reporting of the Project
- Absence of a dedicated Project Manager
- Insufficient funding from the outset of the Project; and
- Lack of focus on actual expenditure and cash flow.

The Project has also suffered from a number of other factors; of particular note:

- Unrealistic project timeline and expectations
- Underperforming Council accounting and reporting systems
- Weak contract management processes

- The absence of various project management techniques; and
- A lack of community involvement throughout all stages of the Project.

The above issues have all contributed to the unexpected financial position of the Project, and situation where the Council now finds itself.

Based on financial information available the project is currently \$585,000 over agreed total funding available. In June 2015 it was anticipated that sufficient funding was available to complete the Project. However, in our view, this was based on an incorrect and over inflated view of the funds available to the Council. In addition since then the Project has suffered from an estimated \$400,000 overrun in the last stage of the project, and it has also become apparent that some milestones had not been delivered. The Ministry of Business, Innovation and Employment (“MBIE”) has yet to release the final amount of funding, until the remaining work is completed.

To complete the Project the Council has estimated that it will need to invest a further \$959,000. Upon completion MBIE will reimburse half of the remaining costs while the Council needs to secure additional funding or self-fund the other half. Once all funding is drawn down and costs incurred the Council will have spent \$8,811,000. This exceeds the \$7,267,000 of current total funding secured. The Council is facing a total over overrun of \$1,544,000.

Opportunities exist to improve the controls surrounding the remaining stage of the Project, as well as lessons for future projects. We have detailed our findings and recommendations in the Appendix I and II for your consideration.

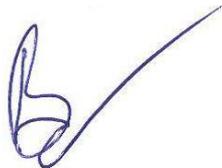
Conclusion

Overall the Project has done well to achieve what it has, given the absence of any real governance, inadequate resourcing allocated to deliver the Project, and the weak project and financial management practices sighted.

That said, WDC has a great Trail that could add significant tourism potential to the region.

If you wish to discuss any aspects of this engagement please contact myself or Jim Obren on 021 08161544.

Yours sincerely

A handwritten signature in blue ink, appearing to be 'Barry Baker', with a long, sweeping flourish extending to the right.

Barry Baker
Partner
Grant Thornton New Zealand

Appendix I - Detailed Findings

Within the scope of the review we noted the following key findings that have contributed to the current position of the Project.

1. Accountability and Ownership

There has been no coherent ownership of the Project by the Councils Executive Team within the Council. The current Chief Executive by default has been the Project Sponsor, but does not have the project experience or have the supporting project governance framework to fulfil the duties of a Sponsor.

There has also been little involvement by other members of the Councils Executive Team. The Executive Team have relied too heavily on the staff member filling the project manager role without provided guidance, assistance and accountability measures.

Given the financial and operational challenges facing the Council in recent years the attention of the Councils Executive Team has been elsewhere. However, this has allowed the Project to effectively operate outside management's oversight.

2. Governance Oversight

With the exception of MBIE's involvement, governance over the Project has not been in place.

MBIE's oversight has provided some level of governance. The six monthly trail inspections conducted by MBIE have provided a positive degree of independent oversight. However, this is limited to achievement of milestones and infrequent from a project governance perspective. It should be noted that governance is not MBIE's responsibility; such responsibility resides with the Council and elected Councillors.

Trust

The Westland Wilderness Trust ("WWT" or "Trust") did not fulfil the role of a governing body, as was understood to be its role by some of the key stakeholders, and Councils Executive Team. The Trust has no clear mandate or authority to govern the Project. A Project charter and defined member roles and responsibilities in relation to the Project do not exist. We understand the WWT meets infrequently and in our view, does not have the right mix of members to challenge and support the Project. There is no expectation of formal reporting to or from WWT. In its current role the Trust is ineffective as an external governing body as it provides neither guidance nor accountability measures.

Council Steering Committee

The WDC did not establish a project board/steering committee. As such no internal governing body exists within Council. WDC Executive Team were not governing the Project and we have been surprised by the "hands off approach" to an important Council project since the departure of the main Project Manager in mid-2015, and subsequent temporary replacements.

No clear Project tolerances have been set by a Steering Committee, or the Trust to guide the Project Manager(s) and ensure escalation when events occur that threaten the cost, time, and potential

quality of the Project. For example, completion and resolution of the land access rights for the Trail was and is a key component of completing the Project. No formal register has been presented or completed to record the completion and on-going negotiation of the land access rights.

The elected Councillors

The elected Councillors for the Westland District Council have relied upon WDC staff to manage and oversee the project. The elected Councillors have not acted as a governing body over the Project. Whilst the level of detail submitted to the elected Councillors has been minimal and insufficient to enable the elected Councillors to challenge or support the project, we believe the elected Councillors should have probed further for what has been a significant project for WDC. Whilst some reports were submitted to the elected Councillors, these were limited. Given the cost, duration and profile of the project we would have expected the elected Councillors to require from the Council a greater level of disclosure to allow them to carry out their financial governance roles as elected representatives of the community.

3. Reporting

The level of reporting has been inadequate.

Reporting to MBIE

Reporting has been provided to the MBIE provides limited information to be of use to the Sponsor or a governing body. The reports provide a summary view of tasks and completion by kilometres. The reports lack financial tracking of actual spending to budget, risk and issues, supplier deliverables etc. An important element of the Project has been securing land access rights and we have seen little reporting on this aspect throughout the Project, when it is fundamental to the Trail. We understand however that agreement has now been reached in principle with all affected parties, although the formal completion of the various title requirements and registration may take several months to occur.

Our review of the Status Reports prepared by the Project Manager that recorded milestone / completion dates for MBIE, appear to have had the dates continually shifted and completion dates misreported to MBIE.

Reporting to the Trust

The Trust has received limited reporting, effectively copies of reporting provided MBIE

Reporting to Sponsor

No formal reporting of Project progress, costs, issues etc. to the Sponsor (Chief Executive) occurred.

The Project Manager provided verbal updates only to the Chief Executive.

Reporting to Council

There was limited financial reporting on the Project being provided to the Mayor and elected Councillors. These reports have been of an operational rather than Project/capex development financial report generally.

A report was issued to the Mayor and elected Councillors 23 May 2013 advising of a \$436,000 shortfall of funding to deliver a revised \$7,310,000 budget. The report sought to absorb costs, through varying the design of the Trail from Hokitika to Ross.

Another report was presented to Council on 27 February 2014 by the Project Manager and Chief Executive. The report provided background, update on work to date and a summarised financial report. This financial report indicated that the Project was on track and on budget at that time; however we have been unable to find the source and method of preparation for this summary.

We agree with the funding of the Project in the report, however our own analysis of the financial records of the Council indicate that actual expenditure of \$4.4 million had been incurred up until 30 June 2013 already, and by 30 June 2014 this had increased to just under \$6.0 million. It appears that the actual expenditure at that date has been understated when presented to Council.

On 28 April 2016, another report to the Council included a project progress report for projects being undertaken by the Council, reporting on budget and progress. The project update excludes the West Coast Wilderness Trail project. We are surprised by the low level of reporting and there appears to be a presumption that the Trail and Project is complete.

4. Resourcing

The Project has been under-resourced from inception.

A dedicated Project Manager was not used for the Project. WDC relied on existing staff to fulfil the role of project management while continuing with their day job. Given the budget, the size of the Project and the importance to the Westland region, we think it impossible for one person to manage both “business as usual” and a major project.

With the departure of the project manager in June 2015, WDC used an interim resource to deliver the final section of the Trail to Ross, and whilst he had no engineering background, he was able to rely on external consultants to resolve any complex engineering issues. However, this reliance combined with pressure to meet the official opening of this final section of the Trail on 24 October 2015 may have contributed to additional costs being incurred for the final section of the Trail to Ross.

The replacement Manager of Operations and Asset Management has been appointed the new Project Manager for the Project. This is in addition to maintaining business as usual, and in our view will result in a clash of roles. Using an existing Council resource, versus employing a dedicated project manager will result in a longer delivery timeframe to complete the remaining project deliverables.

In relation to the funding of the Project, no person appears dedicated or substantially dedicated to securing funding and obtaining the actual revenue. Funding from MBIE was not claimed for 3 years and funding from Development West Coast (“DWC”) was also unclaimed for 2 years.

5. Funding

The Project was never fully funded from the start. A \$25,000 grant (funded by MBIE and DWC) enabled the feasibility assessment to be performed leading to a business case for the Project.

The initial Project funding from MBIE (\$3.2m) was secured in September 2010. An additional \$500,000 was secured June 2014.

The funding request to DWC for \$5.3m was unsuccessful initially and only a \$750,000 grant was awarded. The subsequent \$2m grant from DWC was not specifically for the Trail Project, but used by the Council towards the Project. An additional \$500,000 was secured February 2014, specifically for the Project.

MBIE Funding

The total drawdown of funds available from MBIE is \$3.7 Million. The drawdown of funds from MBIE was based on milestone deliverables being met. However, WDC though incurring costs for the Trail were not claiming funds in a timely manner. Until recently MBIE had not received a claim for payment since March 2013. As at July 2016 \$828,355 MBIE funding has yet to be successfully claimed due to milestone completion outstanding.

DWC Funding

The total drawdown of funds available from DWC is \$3.2 Million. No claim had been submitted by WDC since February 2014. We understand that the final claim has been submitted and received now by WDC.

As MBIE and DWC are funding providers, using public money to improve community outcomes a higher level of evidential proof of Council expenditure should have been sought. MBIE made payments on proof of submitted invoices and completed associated milestones. DWC made payments on proof of submitted invoices, accompanied by a milestone report.

Neither required full financial reporting from the Project. Ideally the funders should have required the Project to have provided regular reporting on how it was tracking financially, although it is not the responsibility of MBIE or DWC to oversee the financial management of the project.

Requiring a higher level of financial visibility may have forced a higher level of financial management discipline from the Project.

6. Financial Crisis

The current financial crisis facing the Project is due to a number of factors, highlighted in this, but also due to an error dating back to 2012.

An agreement between Grey District Council (“GDC”) and WDC was made whereby GDC would undertake a section of work on the Trail, partially funded by WDC. WDC agreed to fund \$750,000 of GDC costs. The entire work conducted by GDC incurred \$1.46 Million. The remaining amount (initially estimated at \$710,000 (actual \$708,254) was funded by GDC.

The GDC funded amount was incorrectly recorded as a funding source available to the WDC by the Project Manager, therefore overstating the funding available to WDC.

As at end of June 2015, the Project Manager was, we believe operating under the assumption that the budget was approximately \$7,977,000, including a \$710,000 GDC funding source. The true funding available was \$7,267,000, broken down as:

Provider	Total Funding
MBIE	\$3,712,500
DWC	\$3,262,500
Transpower	\$30,000
WDC Property Sale	\$262,000
Total	\$7,267,000

The Project budget was originally set at \$8,586,696, then revised to a reduced to \$7,315,580 (generally accepted as \$7,310,000). Taking into consideration the \$710,000 funding error the budget and actual funding closely align, a circa \$43,000 funding shortfall.

However the Project costs, according to financial records of the Council exceeded the budget and funding arrangements.

Financial Year	Annual Expenditure	Accumulated Expenditure
FY09/10	\$0.00	\$0.00
FY 10/11	\$99,125.23	\$99,125.23
FY 11/12	\$2,022,235.49	\$2,121,360.72
FY 12/13	\$2,391,576.35	\$4,512,937.07
FY 13/14	\$1,474,441.56	\$5,987,378.63
FY 14/15	\$520,634.04	\$6,508,012.67
FY 15/16	\$1,344,061.93	\$7,852,074.60
Total	\$7,852,074.60	
Projected FY16/17	\$959,157.86	\$8,811,232.46
Total to complete	\$8,811,232.46	

Cost Overrun

The Project as at 30 June 2016 **has exceeded** the maximum available funding (\$7,267,000) by **\$585,074**.

Should WDC continue with the Trail, the estimated **cost overrun as at 30 June 2017 will be \$1,544,232**.

As there has been no financial reporting or financial oversight it appears that the Project Manager has not been monitoring the actual spend against the budget, nor has the Council's financial team. We have not been presented with any financial reports to indicate that the budget, funding lines and expenditure variance or cash flow requirements were being monitored by the Council.

Note: Cost overrun is based on the variance between Funding and recorded Trail expenditure as per the Council financial records.

7. Community involvement

The level of engagement and involvement of the Westland and Hokitika community appears low.

Though the Council consulted with the community regarding the use of DWC funding, there has been little engagement to get the community involved after this. There appears to have been little enthusiasm by the Council as champions of the Project to actively engage with the community to get the Trail built.

The Council has not taken the opportunity to utilise the volunteers within the community to provide design input, construct the trail or raise funds. The Council has relied upon the contractor market heavily, and potentially missed an opportunity to leverage off the community volunteer network.

In comparison GDC had active engagement of the West Coast Pathway Trust ("Pathway Trust") and its volunteers for the GDC section of the Trail. We understand that the Pathway Trust was able to provide volunteers for planting on the Trail and their involvement and contribution was managed by the GDC to help reduce the cost of the GDC section of the Trail, as well as meet their timeline.

WDC did not have a similarly active trust in place. It should also be noted that numerous parts of the Trail being constructed by WDC from an engineering perspective could only have been completed by contractors, limiting the where volunteers could operate effectively, and safely. A factor for the apparent low level of community engagement, use of volunteers and reliance on the contractor market has been the absence of dedicated Project Manager since the project commenced.

Given the tight financial constraints facing the Council going forward a greater community involvement is necessary. However, a greater engagement and utilisation of volunteers will require additional oversight and management. This reinforces the need for a dedicated Project Manager for the remaining part of the project.

8. Contract Management

The Project has awarded numerous contracts to a select range of contractors, the most being awarded to Westroads, a Council Controlled Organisation ("CCO").

WDC does not maintain a centralised Contracts Register, or a Contract Register at a Project level, that records all contracts undertaken. Contracts over the 2010-2016 periods have not been easily retrievable, nor are the associated invoices.

We understand that the invoices incurred may not be able to be reconciled to the Contracts and it has been impossible for us to determine if there have been any budget overspends through the various stages of the Project.

A key process not apparent during the project has been reconciliation between contracts and invoices. Though we have no evidence, there is a risk that incorrect payments may have occurred.

Delegations

The Council has a detailed delegations manual that defines financial delegations. However, our understanding is that throughout the initial years of the Project the Project Manager was able to enter, authorise and approve all invoices up to his designated approval limit. We understand that with the change in Chief Executive in late 2012, the actual limits on the financial delegation and “one-up” approval steps were tightened and enforced.

We have been advised that the ability to enter, approve and authorise is now “blocked” and separate authorities are required to approve expenditure.

9. Timeline

The original timeline, using a limited resource model and given the uncertainties associated with a Project of this nature were overly ambitious. The need to obtain land access rights was a fundamental roadblock that needed to be resolved early in the Project. Without these access rights resolved, the proposed Trail timeline could never be reached.

The Project has not been held to a timeline, allowing continual slippage to occur unchallenged. The Project is now 3.5 years behind original completion date and this will extend to 4 plus years once remaining work is completed. In our opinion, the consequence of the delays has resulted in a cost escalation as well as the negative impact upon tourism in the region, trail operators, design and construction contractors involved and the wider community.

10. Accounting Disciplines

The Council did not have a clear view of the budget, funding and expenses incurred. This is partly due to the weak accounting practices within WDC.

There was inadequate financial management of the Budget and no separation of the Budget into the various stages of Trail project. We were unable, as were the WDC’s team, to determine in any meaningful way the various costs of each stage, or sub-stage of the Trail project.

There was no ability to track the actual spend against budget and to determine the completion of funding milestones and this was a likely contributor to the three year wait until funding was claimed from MBIE and DWC.

We found very little financial reporting on the Trail given the size of the project. No monthly, quarterly or six-monthly reports, with any analysis of spend and accompanying commentary was available. The Mayor and elected Councillors received a report on 27 February 2014 but we were

unable to find any supporting material for the report. Another report was presented on 23 May 2013 that detailed the funding shortfall at that time. No other financial reports were presented to Council on the Trail.

During the course of the Project the user knowledge and use of the Councils core accounting system used to record project costs has been low. The Project Manager, and others may have found it difficult to use the accounting system to get full visibility of costs, but we would expect a Project Manager to do what was required outside of the accounting system to ensure the information needed to manage the Project costs exists. We understand from the Councils Executive Team, that there is a greater knowledge now on how to use the accounting software.

No cash flow forecasting was done (at regular intervals) to confirm the cash flow situation, other than the Council reports referred to above.

At the time of our review we understand that the Council was implementing a project accounting software module to allow for greater analysis of all budgets and cost centres. This will require a level of training for all staff and should be implemented quickly, certainly for any major projects after any initial testing phase.

We understand that variance analysis is now part of the WDC regular monthly financial reporting cycle, and whilst it is in its early stages, the quality of the analysis of the information continues to improve.

11. Project Management Disciplines

The Project has lacked a range of project management disciplines.

Since the commencement of the Project a formal project management framework outlining how projects are to be run did not exist. WDC relied upon the experience of the staff member fulfilling the project manager role.

There appears to have been little project planning once the project was given approval to proceed. The Project was encouraged to commence as soon as possible to meet external deadlines. Ideally the project should have undertaken an establishment phase to setup the tools necessary to run the project, as well as form the appropriate governance arrangements.

Key project management tools that would have assisted the project plan then deliver the project were not present, such as:

- **Project Management Plan.** This is the core foundation document, and may include the plans referred to below. The document sets the context for the project, scope, budget, defines how the project will be delivered, key milestones and decision points, governance arrangements and tolerances, roles and responsibilities, resourcing, financial management approach etc.
- **Stakeholder Engagement and Communications Plan.** This defines how, when and to whom a project will communicate and an engagement strategy for the various stakeholder groups that exist.

- Quality Management Plan. This covers quality expectations and processes for all aspects of the project. A project needs to consider (plan) what quality standards are relevant, how quality will be controlled and evaluated.
- Assurance Plan. This sets out how the Sponsor will get assurance that the project is delivering according to agreed tolerances.
- Risk Management Plan. This document the projects approach to risk management, risk identification, risk qualification, mitigation and avoidance strategies and monitoring processes. It should be supported by a Risk Register, and included in regular reporting to the governing body.
- Issue Management Plan. This provides a general description of the approach taken to identify and manage the issues associated with the project. It should be supported by an Issues Register, and included in regular reporting to the governing body.

We sighted limited spreadsheets that provided a high level budget/funding status. However a budget tracking tool detailing the budget and actuals broken down by milestone did not exist.

Similarly the Project maintained spreadsheets to record project deliverables (construction activities). However a project scheduling tool, such as MS Project was not used. The use of a professional project management scheduling tool, combined with appropriate governance level reporting would have highlighted timeline conflicts and slippages. It also would have assisted the project manager manage dependencies between tasks and contractors.

Typically a project would also define how it will hand over what it has been tasked to deliver. We understand that the commercialisation of the cycle track is being handed over to a Trust while the ownership of assets and management of the assets will reside with the Council. However, we have not sighted sufficient details to define how this will occur. We would also expect the Council to work with the Trust to implement measures to monitor the realisation of the benefits outlined in the business case.

Appendix II – Summary Findings and Recommendations

Ref	Detail	Effect	Recommendation
1	<p>Accountability and Ownership</p> <p>No coherent ownership of the Project by the Executive Team within the Council.</p> <p>The current Chief Executive does not have the project experience to fulfil the duties of a Sponsor.</p> <p>There has been little involvement in the project by the Councils Executive Team</p>	<p>The project has been allowed to progress with no real oversight, challenge or support. This is one of the main reasons for the project exceeding time and budget.</p>	<p>Short term (the remainder of the project)</p> <p>1.1. The Chief Executive should take ownership of the project and implement processes to require regular formal and complete progress and issue updates</p> <p>1.2. An external project advisor should be utilised to support the Chief Executive fulfil the sponsor role, and setup the necessary governance processes</p> <p>Long Term (future projects)</p> <p>1.3. The Councils Executive Team receive project governance training</p> <p>1.4. The elected Councillors receive project governance training</p> <p>1.5. A Project Governance policy be developed, including the roles and responsibilities of the Councils Executive Team, and project related governing bodies</p>
2	<p>Governance Oversight</p> <p>The Westland Wilderness Trust did not fulfil the role of a governing body, and had no real accountabilities or clear responsibilities to do so.</p> <p>The Council did not establish a project board/steering committee within Council, relying on the Trust to act as the governing body.</p> <p>No clear Project tolerances were set by the Council or Trust to guide the Project Manager(s) and ensure escalation when events occur that threaten the cost, time, and potential quality of the Project.</p> <p>The elected Councillors for the Westland District Council not performed a governing role over the Project.</p>	<p>The project has not been held to account for its milestones, deliverables or costs. The project has not had the support structure in place to enable success. This is one of the main reasons for the project exceeding time and budget.</p>	<p>Short term (the remainder of the project)</p> <p>2.1. Establish a project board/steering committee within the Council. The committee meet initially fortnightly, then progress to monthly once governance processes are embedded and the current big issues dealt with,</p> <p>2.2. The elected Councillors should request the presentation from the Sponsor and copy of the steering committee report at all scheduled meetings until the project is completed</p> <p>2.3. The Chief Executive as the sponsor should set the Project tolerances (and escalation process) that the project manager will need to be operating within</p> <p>Long Term (future projects)</p> <p>2.4. The elected Councillors for the Westland District Council should request a higher level of reporting on all significant</p>

Ref	Detail	Effect	Recommendation
			projects, as part of a standing agenda item.
			2.5. The Council should set a generic set of project tolerances that trigger escalation reporting to the elected Councillors when tolerances are breached.
3	<p>Reporting</p> <p>Reporting was limited and only provided a summary view of tasks and completion by kilometres. The main status reports have been developed for MBIE, who though a funder do not fill a governing role.</p> <p>Reporting lacked financial tracking of budget actual spending to budget to actuals, risk and issues (especially land access), supplier deliverables etc.</p> <p>The Sponsor has relied on verbal updates, rather than formal reporting on a regular basis.</p> <p>Minimal reporting has been given to the Mayor and elected Councillors, or the Trust.</p>	<p>The Mayor, elected Councillors, Chief Executive, and other key stakeholders have not been adequately informed of the status of the project.</p>	<p>Short term (the remainder of the project)</p> <p>3.1. Develop a regular report, including reporting against baseline budget and time, i.e. variances, report on scope change, quality, risks and issues and resources</p> <p>3.2. Implement a frequent reporting regime to the Mayor, elected Councillors, Chief Executive, and other key stakeholders, fortnightly until initial the health of the project allows a monthly cycle</p> <p>Long Term (future projects)</p> <p>3.3. The Council and elected Councillors should agree on the frequency and content of reporting to the elected Councillors for all projects, over an agreed complexity, cost or significance</p> <p>3.4. Funders (in this instance MBIE and DWC) should agree on the level of reporting required to ensure appropriate use of funding</p>
4	<p>Resourcing</p> <p>The project has not had sufficient resource assigned. A project of this magnitude should have had a dedicated project manager from the onset.</p> <p>The new Manager of Operations and Asset Management is now faced with the same challenge to deliver the remaining elements of the project while delivering his day job.</p> <p>No person appears to have been dedicated or substantially dedicated to securing funding and obtaining the actual revenue.</p>	<p>The absence of a dedicated project manager has resulted in conflicting roles, with non-project duties taken priority. The decision to not employ a dedicated resource has resulted in the significant time overrun, and contributed to the cost overrun. The continuation with this resourcing model will most likely result in conflicting work pressures and further delays with the project.</p>	<p>Short term (the remainder of the project)</p> <p>4.1. Employ a dedicated project manager to deliver the remaining elements of the project. Ideally the project manager should have engineering experience.</p> <p>4.2. Allocate responsibility to the Group Manager: Corporate Services to monitor milestone and funding agreements, and drawdown funding as soon as milestones are achieved.</p> <p>Long Term (future projects)</p> <p>4.3. Ensure that project business cases and funding arrangements include costs/funding for not only project deliverables but also professional services such as project management</p> <p>4.4. Assign accountability to the Group Manager: Corporate Services for monitoring and obtaining funding drawdown</p>

Ref	Detail	Effect	Recommendation
			payments
5	<p>Funding</p> <p>The project commenced without full funding in place.</p> <p>The funding agreements from MBIE and DWC were not managed sufficiently.</p>	<p>The project has been utilising Council reserves instead of drawing down on funds that are available in a timely manner.</p>	<p>Short term (the remainder of the project)</p> <p>5.1. Implement monthly monitoring of milestone and funding agreements, and drawdown funding as soon as milestones are achieved rather than wait till end of the project. For remaining MBIE funding this may require agreeing on an appropriate level of evidence before payments are made on a more frequent basis.</p> <p>Long Term (future projects)</p> <p>5.2. Develop a formal business case and funding policy, requiring all initiatives to be fully funded or where funding is uncertain the project should be designed in stages so that in the event of not securing sufficient funding an agreed project exit point is in place.</p> <p>Long Term (future projects – MBIE/DWC)</p> <p>5.3. MBIE and DWC should consider requesting regular financial reporting from funding applicants.</p>
6	<p>Financial Crisis</p> <p>The current financial crisis facing the Project is due to a number of factors such as a failure of good governance, resourcing and project management. It also is due to an error dating back to 2012. \$710,000 was incorrectly recorded as a funding source available to the Council. This has overstated the funding and therefore financial status of the project.</p> <p>The Project budget, originally set at \$8.6m, later revised to \$7.3m. However the Project costs, according to financial records of the Council has exceeded the budget and funding arrangements. As at 30 June 2016 the project has a cost overrun of \$585,074. Should the Council continue with the Trail, this may extend to \$1,544,232, based on expected costs to complete the project.</p> <p>As there has been no financial reporting or financial oversight it appears that the Project Manager has not been monitoring the actual spend against the budget, nor the financial team within WDC. We have not been presented with any financial reports to indicate that the budget, funding lines and expenditure variance or cash flow requirements were being monitored by the Council.</p>	<p>The funding error has led to an incorrect view over the funding and budget available to complete the project.</p>	<p>Short term (the remainder of the project)</p> <p>6.1. Develop a strategy to work with the community to identify funding opportunities</p> <p>Long Term (future projects)</p> <p>6.2. Ensure all budgets are peer reviewed</p>

Ref	Detail	Effect	Recommendation
7	<p>Community involvement</p> <p>The level of engagement and involvement of the Westland and Hokitika community was appears low. The Council WDC has not taken the opportunity to utilise the volunteers within the community to provide design input or construct the trail. The Council has relied upon the contractor market heavily, and potentially missed an opportunity to leverage off the community volunteer network.</p>	<p>Not engaging with the community has put the full burden of the project on the project manager, and limited access to potential resources that might have shared the workload, reducing cost and speeding up the delivery of the project.</p> <p>The lack of community involvement has also damaged the support not only of the project but also the Council.</p>	<p>Short term (the remainder of the project)</p> <p>7.1. Raise the current situation with the community in a constructive way, perhaps through a special council meeting to work with the community to find solutions</p> <p>7.2. Establish a community working group to support the Project Manager to identify and then deliver activities that the community can participate in. Set a clear mandates, goals, roles, communication protocols etc.</p> <p>Long Term (future projects)</p> <p>7.3. Establish a communication strategy for all projects of significance</p>
8	<p>Contract Management</p> <p>The project has awarded numerous contracts to a select range of contractors. However a fundamental good practice such as maintaining a centralised or project level Contracts Register has not occurred. Contracts over the 2010-2016 periods are have not been easily retrievable, nor are the associated invoices.</p> <p>We understand that the invoices incurred may not be able to be reconciled to the Contracts and it has been impossible for us to determine if there have been any budget overspends through the various stages of the Project.</p> <p>Delegated financial authorities during the project have not been enforced, and in occasions staff may have exceeded their delegations and been allowed to enter and approve expenditure. The Council has since advised that controls have been tightened.</p>	<p>The absence of strong contract management processes within the Council combined with poor financial recording systems has placed reliance upon the Project Manager to manage contracts, and associated invoices. This has led a lack of transparency over contract payments.</p>	<p>Short term (the remainder of the project)</p> <p>8.1. Record within a register all future contracts associated with the project</p> <p>8.2. Ensure all invoices are tagged to contractual agreements to enable timely reconciliation of invoices to agreed expenditure, before payment is approved</p> <p>Long Term (future projects)</p> <p>8.3. Maintain a register of all Council contracts</p> <p>8.4. Develop a policy to include a narration in the financial system, tagging the payments to their associated contract</p> <p>8.5. Ensure invoices are reconciled to agreed contracts, and approved payment is subject to contractual arrangements being met</p>
9	<p>Timeline</p> <p>The original timeline, using a limited resource model and given the uncertainties associated with a Project were overly ambitious.</p> <p>The Project has not been held to a timeline, allowing continual slippage to occur unchallenged.</p>	<p>The 3.5 to 4 year overrun has delayed the realisation of perceived benefits from the project, and had a negative impact upon tourism in the region, suppliers to the Trail, contractors involved and the community.</p>	<p>Short term (the remainder of the project)</p> <p>9.1. Review the remaining tasks to ensure timeline is appropriate. As Sponsor, the Chief Executive should approve the timeline</p> <p>9.2. Build contingency into the remaining project tasks, allowing time for unplanned delays</p> <p>9.3. Ensure the timeline is monitored, and included in regular</p>

Ref	Detail	Effect	Recommendation
			reporting to the Chief Executive. Any variances should be reported, including potential impacts of a delay and planned mitigations to ensure no overall impact to the project
			Long Term (future projects)
			9.4. Measure delivery of agreed timeline milestones, forecasted variances and impacts.
			9.5. Include timeline updates in regular reporting to Sponsor, and where appropriate the Chief Executive and elected Councillors
10	Budget and Accounting Disciplines		Short term (the remainder of the project)
	No regular financial reporting on the project	The project has had minimal financial reporting and no regular reporting to identify cost overruns	10.1. The Group Manager: Corporate Services should take ownership of the Trail project financial reporting cycle and implement processes to ensure regular formal and complete reports are prepared
	No comparison against Budget or financial management of the various stages of the project	The Budget and funding requirements have been misunderstood	10.2. The Group Manager: Corporate Services should provide monthly reporting to the Chief Executive and Project Manager of the financial status of the project, planned, actuals, forecast and funding drawdown
	Cash flow has not been monitored and funding claims have been delayed	Funding claims for work undertaken and paid for by Westland DC have not been made resulting in a "by proxy" funding of the Trail by Westland DC	10.3. The Project Manager and Group Manager: Corporate Services prepare and confirm the final budget for completion of the Project
			10.4. The Group Manager: Corporate Services prepare a cash flow of the finalisation of the project
			Long Term (future projects)
			10.5. The Council implement the project accounting tool
11	Project Management Disciplines		Short term (the remainder of the project)
	Minimal time was allocated to project planning and establishment activates before starting the project.	The absence of project management disciplines have placed over reliance upon the Project Manager. The lack of planning has resulted in weaker disciplines being applied throughout the project life cycle.	11.1. Maintain a Risk and Issues register. Include updates on this as part of the regular governance reporting
	Key project management tools that would have assisted the project plan then deliver the project were not present, such as:		11.2. Develop a Stakeholder Engagement and Communications Plan
	<ul style="list-style-type: none"> Project Management Plan (PMP) 		11.3. Develop a commercialisation plan
	<ul style="list-style-type: none"> Stakeholder Engagement and Communications Plan. 		11.4. Develop a Trail management plan

Ref	Detail	Effect	Recommendation
	<ul style="list-style-type: none"> • Quality Management Plan. • Risk Management Plan and Register • Issue Management Plan and Register • A budget tracking tool detailing the budget and actuals broken down by milestone did not exist. • A project scheduling tool, such as MS Project was not used. <p>There is insufficient detail describing the commercialisation of the cycle track</p> <p>There is insufficient detail describing the measures to monitor the realisation of the benefits outlined in the business case.</p>		<p>11.5. Develop a benefits realisation plan</p> <p>Long Term (future projects)</p> <p>11.6. Require all projects to include a project establishment phase, followed by an approval gate to allow it to proceed to subsequent phases</p> <p>11.7. Require all projects to develop a Project Management Plan, including or referencing the other plans (Stakeholder, Communication, Quality, Risk, Issues, benefit realisation etc.).</p> <p>11.8. Consider adopting a default project scheduling tool for projects</p>