

Review of Housing New Zealand Corporation's Policies & Processes relating to Internally Organised Staff Conferences/Events

15 September 2008

Executive summary

Housing New Zealand's business is complex, and comprises more than 1000 staff located throughout New Zealand in over 50 locations. Like many public and private organisations, Housing New Zealand has periodically used internally organised staff conferences as a tool to bring staff together, to discuss, develop and plan for the delivery of services to New Zealanders.

In response to questions about Housing New Zealand Corporation's use of Tongariro Lodge for the purpose of a staff conference, the Chief Executive acknowledged that the venue choice was not appropriate and requested a review of such events.

Terms of reference were developed and an initial threshold of \$25,000 expenditure per event set. All events above this threshold were reviewed. The threshold was subsequently lowered to \$20,000 to provide a more rounded picture of past practices. This revised threshold was considered the appropriate level to provide surety to the public that effective controls were in place. Because of the logistical difficulties and staff time involved in obtaining accurate information about all events years after they were held it was decided not to carry out detailed analysis below the \$20,000 level.

The review identified sixteen internally organised staff events involving overnight accommodation and individually costing more than \$20,000.

The findings of this review indicate that in all sixteen of the events reviewed, managers applied the principles set out in the Corporation's guidelines, and appropriate financial delegations were exercised. Despite having done so, in some circumstances the choice of venue has been inappropriate e.g. Tongariro Lodge and Hotel du Vin. As a result, the Corporation needs to strengthen its guidelines on discretionary expenditure (these guide managers in making decisions on staff conferences/events) to ensure all future expenditure is moderate and conservative and is able to withstand public and Parliamentary scrutiny.

The Corporation recognises that all expenditure should be 'subject to the standards of probity and financial prudence expected of a public entity' and 'able

to withstand Parliamentary and public scrutiny'.¹ For this reason, a number of recommendations have been made with the aim of further strengthening the Corporation's policies and practices when it comes to making decisions about future internally organised staff conferences/events. It is recognised that at the heart of good decision making is the ability of managers to understand their role as leaders in the State Sector, to act with integrity at all times and to exercise good judgement, particularly about the venues for internally organised conferences.

Recommendations

It is recommended that:

1. The Corporation's Discretionary Expenditure guidelines be updated to include specific guidance for internally organised staff conferences/events and that this include:
 - the requirements for a business case to be approved by an appropriate senior manager;
 - appropriate guidance to approving managers of the principles to be applied before approval is given i.e.:
 - there is a justifiable business purpose for the event, that is the event supports the goals of the Corporation
 - that the expenditure is moderate and conservative, having regard to the circumstances
 - that the event (including the venue selected) and related expenditure would withstand Parliamentary and public scrutiny
 - the requirements for financial reporting of actual verses budgeted expenditure supported by the establishment of optional codes for reporting purposes.

¹ Controller and Auditor-General, 2007, *Controlling sensitive expenditure: Guidelines for public entities*

2. The booking and selection of venues to be used for internally organised staff conferences/events be centralised through the current third party service provider, and that a list of Corporation approved venues be adopted and provided to the third party service provider.
3. The Corporation ensures that its current Standards of Integrity and Conduct work programme places an emphasis on the 'Value-for- Money State Services' and 'Trusted State Servants' Development Goals in support of building a culture of acting with integrity.

Background

Introduction

In May 2008, Housing New Zealand Corporation (the Corporation) was asked to provide information relating to the running of a staff conference at Tongariro Lodge by one of its business teams. Questions were asked about the cost and appropriateness of the venue selected for a specific event as well as for similar historical events. As a result, the Chief Executive commissioned a review of the Corporation's practices and policies relating to expenditure for internally organised staff events.

A Terms of Reference (TOR) dated 18 June 2008 were agreed with the overall aim of being able to ensure internally organised staff conferences/events are aligned with the Corporation's mission and goals and represent value for money within a State Sector environment. The Corporation also engaged KPMG to provide independent assurance that all reasonable steps had been taken to identify the information necessary to inform the review findings.

Objective of the review

The objective of the review was to:

- Review historical expenditure, practices and approaches, using data going back to the inception of Housing New Zealand Corporation, where practicable, and to
- Update and where necessary develop new policy and processes to align with the new shared services operating model, and to govern the management of internally organised unit or group staff development events.

Scope of the review

Having assessed the initial information available, the scope of the review of historical expenditure focused on staff conferences/events which:

- were internally organised by a unit or group; and
- were run at external venues, and also included overnight accommodation; and
- incurred a total expenditure greater than \$20,000 (excluding travel costs).

To determine appropriateness of expenditure, the review considered the guidance provided to Public Entities by the Controller and Auditor General through the publication of the Guidelines on Sensitive Expenditure. This information was used to assess business case requirements, approval processes, budget management, reporting requirements, and the approach to venue selection.

The review also drew on the findings of the recent Corporation Internal Audit review of Discretionary Expenditure (completed in May 2008) and the decision making approach adopted by five other state sector organisations with respect to decision making processes for internally organised staff conferences/events.

Summary of findings

Historical cost information

The review identified a total of sixteen events with costs greater than \$20,000 since 2001 (the inception of the Corporation). Table one below, provides the high level information related to each of the sixteen events/conferences included in the review (more detailed information about each event can be found in Appendix 1, together with the criteria adopted for venue section in Appendix 2).

For the purposes of determining the costs, included was venue hire, accommodation, meals, facilitators etc (where used). Travel costs were not included due to the difficulty in being able to identify these accurately as in some circumstances travel was by way of motor vehicle rather than airline travel.

Date	Event	Group	Venue	Cost
Aug 2001	Social Allocation Workshop	Housing Services	The Dynasty Heritage	\$38,551
Sept 2002	Team Conference	Property Improvement Team	Huka Village	\$41,039
Oct 2003	Team Conference	Property Improvement Team	Hotel du Vin	\$36,303
Feb 2005	Team Conference	Property Improvement Team	Huka Village	\$44,171
May 2005	Business Planning	South Auckland Region	Novotel Tainui	\$20,531
Jul 2005	Management Conference	Housing Services	Park Heritage, Rotorua	\$22,412
Nov 2005	Management Conference	Housing Services	Park Heritage, Rotorua	\$39,912
Feb 2006	Team Conference	Property Improvement Team	Blue Baths/Millennium Hotel	\$37,916
May 2006	Business Planning	South Auckland Region	Novotel Tainui	\$24,948
Feb 2007	Team Conference	Property Improvement Team	Huka Village	\$41,114
Mar 2007	Customer Service Workshop	Wellington/Hutt Valley Region	Copthorne, Solway Park	\$29,291
May 2007	Business Planning	South Auckland Region	Novotel, Tainui	\$31,553

Date	Event	Group	Venue	Cost
June 2007	Management Conference	Housing Services	Copthorne, Solway Park	\$32,279
July 2007	Regional Meeting	Manawatu, Taranaki, Wairarapa Region	Copthorne, Solway Park	\$23,317
Jul 2007	Asset Management Team Conference	Asset Management Team	Huka Village	\$26,660
May 2008	Team Conference	Property Improvement Team	Tongariro Lodge	\$52,731

Table 1

The review found that there was a valid business purpose for each event and that the appropriate approval policies and procedures had been followed (including the appropriate exercising of financial delegations). However it was also determined that in some instances, venue decisions did not adequately balance issues of cost effectiveness and geographic location with what might be perceived as a 'moderate and conservative approach' that would 'withstand public scrutiny'².

Records indicate that the reporting of total expenditure against what was budgeted needs to be formally documented in all instances.

The Corporation's policies & processes

The Corporation maintains a number of policy and procedure documents to assist and guide decision making with respect to staff events such as internally organised conferences/ events. Core guidance is provided via the Corporation's Discretionary Expenditure guidelines (available to all staff and managers on the Corporation's intranet site) and should be read in conjunction with the Financial Delegations.

The Discretionary Expenditure guidelines set out four principles to be adopted when making decisions about expenditure that is of a discretionary nature:

² See principles set out in the Controller and Auditor-General, 2007, Controlling sensitive expenditure: Guidelines for public entities

- that expenditure is, and can clearly be shown to be for an identified business purpose
- that there is a transparent and well documented payment process
- that individuals should not approve their own payments, and approval should be at a higher level Manager unless where specifically referred to in the guidelines
- that all employees will exercise prudent judgement to ensure that they only incur necessary expenses when on Corporation business.

In addition to the above principles, the guidelines indicate that two tests should be applied to discretionary expenditure i.e. “does the expenditure support the goals of the Corporation”, and “would publicity of the expenditure adversely affect the reputation of the Corporation and/or the Minister”.³

Application of policies and processes

The review found that in all cases, managers had applied the principles set out in the Corporation’s guidelines and that the appropriate financial delegations had been exercised. This is consistent with the findings of the Internal Audit of the Corporation’s Discretionary Expenditure reported in May 2008 which included (amongst other things) testing the processes for:

- Approving attendance at conferences;
- Staff functions and welfare - including gifts; and
- Reimbursement of other expenditure while incurred on Corporation business.

The final internal audit report assessed that overall the Discretionary Expenditure guidelines are appropriate, effective and applied consistently. It also noted that a strong control environment is enforced by the adherence of management authorising invoices for payment and the work the Transaction Processing Unit carries out in reviewing expenditure for adherence with policy during processing.

Whilst the principles appear to have been consistently applied, and the events identified supported the goals of the Corporation, there is insufficient evidence to suggest that in all cases consideration was given to whether publicity of the expenditure would adversely impact the reputation of the Corporation and/or the Minister. It is acknowledged that this final test requires a level of judgement to be

exercised that cannot be determined by hard and fast rules but that needs instead to be informed by appropriate principles and role modelling.

Approval processes / business case requirements

Internally organised staff conferences/events can be initiated by managers at all levels of the Corporation. Approval processes for such events are outlined in the Discretionary Expenditure guidelines under a variety of headings that currently include:

- Travel related expenditure (including meals and accommodation)
- Entertainment and/or Business Development Related Expenditure
- Staff Welfare (including Employee functions and team building activities).

The absence of a specific section in the guidelines dedicated to internally organised staff conferences/events requires that managers navigate their way through a range of approval processes. It is therefore recommended that the guidelines be updated to include a section on “Internally organised staff conferences/events” and that this section sets out the requirements for a business case to be approved by an appropriate senior manager. To assist managers in preparing a business case, a standard template could be provided so as to ensure all necessary information is provided to the approving manager. As part of providing final sign-off, the template could include a series of prompts/tick boxes asking the approving manager to confirm that:

- There is a justifiable business purpose for the event i.e. the event supports the goals of the Corporation;
- That the expenditure is moderate and conservative, having regard to the circumstances; and
- That the event (including the venue selected) and related expenditure would withstand Parliamentary and public scrutiny.

Developing criteria for selecting appropriate venues

The Corporation currently uses a third party service provider to manage individual travel and accommodation bookings through a centralised booking system. The system includes a list of accommodation venues the Corporation considers appropriate. A similar approach could be adopted to centralise the booking of

³ Discretionary Expenditure Guidelines, Housing New Zealand Corporation 2007

venues for staff conferences/events with a list of 'approved Corporation venues' being provided to the existing third party service provider. This approach, alongside of the requirement to provide a business case as outlined above, would have the benefit of further minimising the risk of individual managers choosing venues that may not be considered appropriate.

Reporting of actual versus budgeted expenditure

To improve the quality of documentation, it is appropriate that managers be required to report on total actual expenditure for staff conferences/events against approved budgeted expenditure. To do this would require that an optional code be assigned to each event to enable ease of reporting. Given the relatively small number of such events that occur on an annual basis, such an approach is both feasible and appropriate.

Developing a greater understanding of the requirements of State Servants to act with integrity and a spirit of service

As noted previously, decision making about expenditure related to staff conferences/events requires managers to act with integrity and to exercise judgement appropriate to the context within which the Corporation operates.

The Corporation has already begun a programme of work to give effect to the State Sector Standards of Integrity and Conduct with new policies supported by learning and development tools to be rolled in the second quarter of 2008/09. By ensuring that the new tools give emphasis to the relevant State Sector Development Goals i.e. Value-for-Money State Services and Trusted State Services, and that senior leaders role model the application of appropriate judgment, managers will be better able to make decisions that meet the expectations of stakeholders and build trust and confidence in the Corporation.

Internally Organised Staff Conferences/Events

Date	Event	Purpose	Group	Number of Participants	Venue	Cost ⁴
Aug 2001	Social Allocation Workshop	In August 2001, HNZN commenced a project to review its Social Allocation System to address under-performance in processing A segment applicants from enquiry to needs assessment within the SOI target of 5 working days. A workshop was held with Housing Support Managers and Case Managers in Rotorua in late August to inform the project team of the issues at frontline. Information from this workshop led to a refined needs assessment process, new resource material and enhanced systems support resulting in a consistent national approach to Social Allocation and HNZN meeting SOI targets.	Housing Services	91	The Dynasty Heritage, Rotorua	\$38,551
Sept 2002	Team Conference	To provide the opportunity for the sharing of ideas, identification of synergies across teams and to gain an appreciation of the processes and challenges presented by each of the individual regions.	Property Improvement Team	67	Huka Village	\$41,039
Oct 2003	Team Conference	To enhance service delivery in support of the National Maintenance Unit (NMU), to gain an understanding of the programmes run by NMU, to foster HNZN one team spirit, to improve the delivery of maintenance, to develop a greater understanding of technical issues and to discuss how to support HNZN's Regional Boundary Realignment.	Property Improvement Team	75	Hotel du Vin	\$36,303

⁴ (includes venue hire, accommodation, meals and facilitator costs, but excludes travel)

Date	Event	Purpose	Group	Number of Participants	Venue	Cost ⁴
Feb 2005	Team Conference – ‘Developing a Credible Property Improvement Delivery Model’	To introduce new staff to the team and to develop and enhance relationships within the wider team. Common processes and practices were discussed with a view to achieving ongoing improvement and consistency of approach. The conference also focused on the new Asset Services structure, the Statement of Intent, and how the Property Improvement Team could contribute to the wider business of the Corporation.	Property Improvement Team	89	Huka Village	\$44,171
May 2005	Business Planning - ‘The current year in perspective’	This conference focused on reviewing the draft Statement of Intent and the Corporate Business Plan for 2005/06, carrying out a regional SWOT analysis, drafting regional strategies, discussing new initiatives and drafting action plans.	South Auckland Region	97	Novotel Tainui	\$20,531
Jul 2005	Management Conference - ‘Working on things that count rather than counting things that work’	This conference included improving customer focus, working collaboratively across the Corporation, developing and supporting staff, building stronger management teams, achieving key performance indicators, refocusing service delivery through applying skills, tasks and resources, building relationships and partnering with external networks, and achieving measurable outcomes.	Housing Services	70	Park Heritage, Rotorua	\$22,412
Nov 2005	Management Conference – ‘Working on things that count rather than counting things that work’	This conference this event continued to explore ways to build a customer focus, working collaboratively across the Corporation, developing and supporting staff, building stronger management teams, achieving key performance indicators, refocusing service delivery through applying skills, tasks and resources, building relationships and partnering with external networks, and achieving measurable outcomes.	Housing Services	72	Park Heritage, Rotorua	\$39,912

Date	Event	Purpose	Group	Number of Participants	Venue	Cost ⁴
Feb 2006	Team Conference – <i>‘Meeting stakeholder aspirations through an internal process of continual review, revision and raising the bar’</i>	The focus of this conference was on looking at the way business is done, seeking innovations that would enhance delivery, identifying strategies for introducing improvements.	Property Improvement Team	91	Blue Baths, Rotorua	\$37,916
May 2006	Business Planning – <i>‘The current year in perspective’</i>	This conference focused on reviewing the draft Statement of Intent and the Corporate Business Plan for 2006/07, carrying out a regional SWOT analysis, drafting regional strategies, discussing new initiatives and drafting action plans.	South Auckland Region	87	Novotel Tainui	\$24,948
Feb 2007	Team Conference	To further review and develop the teams delivery systems and processes so as to meet stakeholder expectations, to undertake strategic and business planning and to hear the Chief Executives vision for the future.	Property Improvement Team	98	Huka Village	\$41,114
Mar 2007	Customer Service Workshop – <i>‘Together everyone achieves magic’</i>	To focus staff on the expectations for the team, introduction of the customer service philosophy, building teams and improving customer service.	Wellington/Hutt Valley Region	65	Copthorne, Solway Park	\$29,291
May 2007	Business Planning - <i>‘The current year in perspective’</i>	This conference focused on reviewing the draft Statement of Intent and the Corporate Business Plan for 2007/08, carrying out a regional SWOT analysis, drafting regional strategies, discussing new initiatives and drafting action plans.	South Auckland Region	109	Novotel, Tainui	\$31,553
June 2007	Management Conference	To improve operational performance, improve delivery to customers, develop greater understanding of key strategic priorities and lifting performance.	Housing Services	70	Copthorne, Solway Park	\$32,279

Date	Event	Purpose	Group	Number of Participants	Venue	Cost ⁴
July 2007	Regional Meeting – <i>‘Living and learning in your own backyard’</i>	To develop greater understanding about the region and the different ways to share information held in regional profiles, and to gain an understanding of the future direction of the Corporation.	Manawatu, Taranaki, Wairarapa Region	40	Copthorne, Solway Park	\$23,317
July 2007	Asset Management Team Conference – <i>Sustainability’</i>	To upskill the Asset Management Team on the three pillars of sustainability and how these will impact the management of assets into the future.	Asset Management Team	49	Huka Village	\$26,660
May 2008	Team Conference	To promote the aims of HNZN’s organisational changes by working together to build a stronger customer focus consistent with the new operating model, to review processes, measure progress and to enhance the capability of the team.	Property Improvement Team	94	Tongariro Lodge	\$52,731

Criteria Adopted for Venue Selection

Venue	Date	Used By	Criteria Adopted for Selection
The Dynasty Heritage, Rotorua	August 2001	Housing Services	Information unavailable
Huka Village	September 2002	Property Improvement Team	Location remote from distractions, sufficient on-site accommodation, near exclusive use, suitable conference facilities and central and easy access for staff travelling from around the country.
	July 2007	Asset Management Team	Central location for staff, minimise cost of travel and cost efficient.
Hotel du Vin	October 2003	Property Improvement Team	Auckland vicinity, location remote from distractions, sufficient on-site accommodation, exclusive use and suitable conference facilities.
Park Heritage, Rotorua	July 2005 & November 2005	Housing Services Management Team	Cost effective and central location to minimise travel costs.
Blue Baths/Millennium, Rotorua	February 2006	Property Improvement Team	Location remote from distractions, sufficient on-site accommodation and exclusive use of facilities.
Copthorne, Solway Park, Wairarapa	March 2007	Wellington/Hutt Valley Region (Housing Services)	Venue able to cater for numbers, cost effective for travel purposes, away from normal office location and some travel (by bus from Wellington) included in the cost.
	July 2007	Manawatu/Taranaki/Wairarapa Region (Housing Services)	
	June 2007	Housing Services Management Team	
Novotel, Tainui	May 2005 & May 2007	South Auckland Region	Ability to accommodate numbers, location away from normal place of work, cost effectiveness and minimising travel costs.
Tongariro Lodge	May 2008	Property Improvement Team	Sufficient on-site accommodation, cost effective, sole use of facility, central location with easy access for staff from around the country and location remote from distractions.

