

Chairperson and Committee Members
OPERATIONS & FINANCE COMMITTEE

16 NOVEMBER 2017

Meeting Status: **Public**

Purpose of Report: For Information

IANZ ACCREDITATION 2017

PURPOSE OF REPORT

1. This report informs the Operations and Finance Committee about the October 2017 IANZ Audit of the Building Consent Authority (BCA) and matters arising from that audit.

DELEGATION

2. The Operations and Finance Committee has the delegation to consider and adopt this report under Part B.2 of the Governance Structure which states the Committee responsibility for 'All regulatory and planning matters from an operational perspective'.

BACKGROUND

3. The Council is required under government legislation to be accredited every two years to hold BCA status before it can undertake BCA functions. The Ministry of Business, Employment and Innovation (MBIE) has appointed International Accreditation New Zealand (IANZ) as the auditors of all BCA's in New Zealand. IANZ is a Crown entity statutorily established as a non-profit organisation operating on a user-pays basis to support New Zealand business and exports.
4. This was a routine IANZ audit of Kapiti Coast District Council's BCA. However, this time the audit approach was different as a consequence of the introduction of the Building (Accreditation of Building Consent Authorities) Amendment Regulations 2017, and MBIE's guidance intended to make the audits more consistent, with a focus on policy, procedures and systems, not outcomes. This change includes new guidance documents, the introduction of checklists as a basis for future audits, and clarifying the conforming qualifications (regulation 18).
5. The main difference introduced from 1 July 2017 by these audit changes are:
 - 5.1 Change in language – Audit finds are recorded as non-compliance and are classified as serious non-compliance or general non-compliance. These replaced previously titled corrective actions and there is no comparability between the two terms.
 - 5.2 Checklist approach - 21 checklists (per regulation or part) with multiple items per checklist have been provided by MBIE. The absence of any item is 'non-compliance' with any one issue able to lead to multiple 'non-compliances'.

6. What has remained the same is that the audit finding (a serious or general non-compliance) specifies actions that must be taken to achieve accreditation, and recommendations are suggestions for improvements. IANZ decides whether to grant accreditation only after the assessment and once any non-compliances have been addressed to IANZ's satisfaction.

ISSUES AND OPTIONS

Issues

Audit Process

7. The challenge in preparing for the IANZ 3-6 October 2017 audit was that staff had to research and apply the new MBIE guidance requirements at the same time that the guidance was being improved by MBIE. This occurred right up to the week before the actual audit.
8. The BCA audit preparation included reviewing systems against checklists, reviewing recent accreditation outputs (such as intelligence collected from other BCA's audit experiences) and working to amend systems where gaps were identified. A consultant was engaged to undertake a 'dry-run' audit along the lines of the process IANZ were expected to undertake which proved to be a useful investment in testing the completeness of the systems and preparedness for audit. No significant issues or gaps were identified.
9. An IANZ official was hosted for a pre-audit advisory visit in early September 2017 to clarify our approach to some MBIE checklist items. They were introduced to senior staff of both the Building and Business Improvement Teams and briefed on the activities of the BCA since the last IANZ visit.
10. The Audit and Risk Committee was briefed on 11 August 2017 in regard to the audit that:
- MBIE had stated that '*Inconsistent or ineffective implementation (would) mean(s) that there are multiple instances of non-compliance ...*';
 - MBIE was expecting more 'non-compliances' compared with past 'corrective actions' and the two terms are not comparable; and
 - It was also unknown how past performance would be viewed despite recent improved performance made this calendar year.
11. An incredible amount of hard work was done by both the Building and the Business Improvement Teams to ensure there were no gaps in our systems or documentation that remained unidentified. The Business Improvement Team internal audit function combined with other observances proved successful in identifying two potential historic issues:
- problems with the timeliness of consent processes; and
 - record keeping around staff competency and training records.
12. An IANZ team of two along with two MBIE observers completed an on-site 4 day assessment to review the BCA processes, documents and records, and interview and observe staff to determine whether our BCA actions are appropriate and effective, the BCA is competent, and whether the output is technically valid. From this, IANZ prepared their report.

Audit Result

13. The BCA received just one general non-compliance of an administrative nature. The BCA was found to have been non-compliant with Regulation 8, Ensuring enough employees and contractors. The audit found that the BCA had been non-compliant with the statutory clock for processing consents within 20 working days in eleven of the previous 24 months.
14. Receiving only one general non-compliance is an outstanding result with IANZ noting in their report that *'The BCA had prepared rigorously for the changed requirements introduced on July 1 2017 and this was evident in the outcomes of this very successful assessment.'*
15. In regard to the one general non-compliance IANZ recognised that:
 - In very recent months the BCA were nearly compliant with our processing times – as has been reported to this same Committee in the quarterly Activity Report.
 - The BCA had been investigating the reasons for exceptions to compliance at monthly BCA operations meetings in response to a previous strong recommendation from IANZ.
 - The trends identified appeared to be in response to staff resignations in 2016 and staff illness in 2017. The BCA had been given a strong recommendation in the 2015 audit to be aware that the only reasons that were acceptable were unpredictable and unmanageable events and that normal levels of staff illness and leave were not acceptable. The auditors also note that it is possible that the level of staff illness experienced during the winter of 2017 was unpredictable.
 - The BCA had investigated processing capacity both by increasing fully trained Full Time Equivalents and engaging more contractors but had no success. The BCA had also been improving our capacity and capability particularly in recent months, where we had increased cross skill training (processing and inspecting) of staff, to improve flexibility.
16. During discussions with IANZ further options were explored to improve capacity and they considered that there were further opportunities available to us to ensure compliance with the statutory clock and asked that we develop a plan that gives IANZ confidence that we have reviewed all possible opportunities to ensure the BCA remains compliant with the statutory clock for processing consents.
17. The BCA has since developed a draft Plan of Action to record the measures planned and being undertaken to ensure we comply with the statutory clock for processing building consents within 20 working days. The proposed strategies are interconnected and maintaining progress in all areas will be the key to successfully implementing them. They are:
 - i) Increase Resilience
Lower the average processing days and increase cross team skills and experience.
 - ii) Invest in Staff
Retain current staff, increase in-house resources and increase use of contractors.

iii) Increase Awareness Using:

Forecasting - Strategic Management Review

- Information from community (designers/architects/real estate etc.)
- Monitoring work volumes through the BCA Operational Management Review Team meeting.
- Developing Intervention Plans.

18. IANZ also put forward a number of recommendations for minor improvements that the BCA is also looking at adopting. Some of these recommendations were able to be implemented while the auditors were on-site and they are noted as resolved in the final report. Of the 21 separate checklists, the audit recommended opportunities for improvement in only 3 areas; more detailed notes for some training records, more detailed records of supervision and details of the procurement and conditions of contracts.
19. Although the 2017 audit result is not directly comparable to previous audits it is noted that since 2013 Council has had a history of being a solid improver with an improved track record and this audit was no different.
20. The table below provides that comparison

Old Audit Method	2010	2012	2013	2015	2017	New Audit Method
Corrective Action	8	13	2	1	0	Serious Non-Compliance
Strong recommendation	4	18	4	13	1	General Non-Compliance
Recommendation	13	8	3	13	5	Recommendations
					0	Advisory Notes

21. Unless the BCA undergoes a significant change, requiring some form of interim assessment, the next regular assessment of the BCA is planned for October 2019.

CONSIDERATIONS

Policy considerations

22. There are no policy considerations.

Legal considerations

23. The audit was undertaken in accordance with the requirements of the Building Act 2004 administered by MBIE.

Financial considerations

24. In previous years the Building (Consent Authority Accreditation Fees) Regulations 2007 enabled the building consent accreditation body (IANZ) to recover costs it incurred in assessing each BCA. The accreditation fees were based on the average value of building work consented in the three financial years preceding the accreditation application to IANZ. The new legislation (Building (Accreditation of Building Consent Authorities) Amendment Regulations 2017) provides for audit fees to be charged on an hourly basis. The cost of this audit is not yet known, but will be covered within existing budgets.
25. Each building consent authority can decide whether it wishes to recover the cost of accreditation by increasing building consent fees. This Council currently covers the audit fees through a fee applied to all building consent applications with a value of \$20,000 or more. The fees have been set through the annual plan process.

Tāngata whenua considerations

26. There are no issues for consideration relating to iwi.

SIGNIFICANCE AND ENGAGEMENT

Significance policy

27. The Council's Significance Policy is not triggered by this report.

Consultation already undertaken

28. There is no consultation required.

Engagement planning

29. No engagement plan is required.

Publicity

30. A media release has been issued stating that we retained our accreditation and that the community can be assured our processes are very sound. It also commented on the building team's on-going commitment to continuous improvement and how having good systems and processes is the foundation to delivering an excellent, accurate and timely service to our customers.

Other considerations

31. There are no other issues.

RECOMMENDATIONS

32. That the Operations and Finance Committee note the result of the 2017 Audit of the Building Control Authority with just one general non-compliance action.
33. That the Operations and Finance Committee note that the Council has made appropriate steps to complete the one general non-compliance action notified by IANZ in their October 2017 audit of the Kapiti Coast District Council Building Consent Authority.

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