

19 December 2012

Ian Simpson
Chief Executive Officer
Earthquake Commission
P.O. Box 790
WELLINGTON

CONFIDENTIAL

Dear Ian,

REPORT ON THE EARTHQUAKE COMMISSION'S PROCUREMENT PROCEDURES FOR CONTRACTING RESOURCES TO UNDERTAKE LAND ASSESSMENTS WITH MAINLAND CLAIMS MANAGEMENT LIMITED AND CERNO LIMITED

In accordance with our engagement letter dated 30 November 2012 and associated master terms of business (MTOB), we have performed certain activities solely to assist management of the Earthquake Commission (EQC) with their understanding of how the Procurement Procedures were implemented with Mainland Claims Management Limited and Cerno Limited during the period from 1 June 2012 to 30 November 2012 and report thereon. This report should be read in conjunction with our engagement letter which sets out the basis on which our work was performed.

Scope of work and statement of responsibility

At your request and agreement, we interviewed key individuals, prepared a timeline of activities and recorded indicators of non-compliance with policies relevant to this contract process. Refer to Appendix A. The scope of our work was limited solely to those activities. You are responsible for determining whether the scope of our work is sufficient for your purposes and we make no representations regarding the sufficiency of these activities for your purposes. If we were to perform additional activities, other matters might have come to our attention that would be reported to you. In addition, this report should not be taken to supplant any other enquiries and activities that may be necessary to satisfy your requirements.

The activities we performed did not constitute a review or an audit and we have not expressed any opinion or drawn any conclusions on the activities we have performed. The activities we performed were not designed to and are not likely to have revealed fraud or misrepresentation by the management of EQC. Accordingly, we cannot accept responsibility for detecting fraud (whether by management or by external parties) or misrepresentation by the management of EQC.

Caveat

The purpose of this report is to assist management with their understanding of how the Procurement Procedures were implemented with Mainland Claims Management Limited and Cerno Limited during the period from 1 June 2012 to 30 November 2012. This report may be used only by you for the purpose outlined above. Our report is not to be used for any other purpose, recited or referred to in any document, copied or made available (in whole or in part) to any other person without our prior written express consent. We accept or assume no duty, responsibility or liability to any other party in connection with the report or this engagement, including without limitation, liability for negligence in relation to the findings expressed or implied in this report.

Website disclaimer

This report relates to EQC's procurement procedures for contracting resources to undertake land assessments with Mainland Claims Management Limited and Cerno Limited included on EQC's website. EQC's Board of Commissioners is responsible for the maintenance and integrity of EQC's website. We have not been engaged to report on the integrity of EQC's website. We accept no responsibility for any changes that may have occurred to the report since it was initially presented on the website. It does not provide an opinion on any other information which may have been hyperlinked to/from the report. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the report dated 19 December 2012 to confirm the information included on this website.

DELOITTE

The Deloitte logo, featuring the word "Deloitte" in a stylized, cursive script font.

**Chartered Accountants
Wellington, New Zealand**

Enclosure: Appendix A: Findings

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APPENDIX A

Findings

1. Timeline

Key individuals:

- GM Customer Services (EQC)
- Business Services Manager (EQC)
- Partner (Chapman Tripp)
- Chief Executive Officer (EQC)
- Risk and Assurance Manager (EQC)
- Principal Legal Advisor (EQC)
- Commercial Manager (EQC)
- Chairman (EQC)
- GM Corporate Services (EQC)
- Manager CHRP (formerly National Operations Manager) (EQC)
- Head of Land Settlement (EQC)

This timeline is based on interviews held with the following people and email correspondence provided to us by EQC staff:

- GM Customer Services (EQC)
- Business Services Manager (EQC)
- Partner (Chapman Tripp)
- Commercial Manager (EQC)
- Manager CHRP (formerly National Operations Manager) (EQC)
- Head of Land Settlement (EQC)

2012	Action
22-Jun	<ul style="list-style-type: none"> - The Head of Land Settlement (EQC) commenced employment at EQC. - The Head of Land Settlement (EQC) completed a conflict of interest form. - A discussion was held about going to market for contract resource at a land settlement workshop. - In his role as National Operations Manager, Manager CHRP (formerly National Operations Manager) (EQC) was responsible for management of the field staff and managing this procurement process. It was agreed that the Head of Land Settlement (EQC) would be responsible for the content of the expression of interest (EOI) process, but due to being former Chief Executive Officer of Mainland Claims Management Limited (a potential bidder), he would not play any further role. - We were advised that the Head of Land Settlement (EQC) obtained the EQC EOI template from the intranet and used this to draft an EOI for the Manager CHRP (formerly National Operations Manager) (EQC) to send to the market.

2012	Action
4-Jul	- The Manager CHRP (formerly National Operations Manager) (EQC) completed a conflict of interest form.
6-Jul	- The Head of Land Settlement (EQC) sent a draft EOI to a Partner at Chapman Tripp for review. - A Partner at Chapman Tripp sent EOI revisions back to the Head of Land Settlement (EQC) copied to the Principal Legal Advisor (EQC).
9-Jul	- The Head of Land Settlement (EQC) sent the final EOI to the Manager CHRP (formerly National Operations Manager) (EQC). - The Manager CHRP (formerly National Operations Manager) (EQC) issued the EOI to the four known companies in the loss adjuster market based on the team's knowledge of the industry, including: - Cunningham Lindsay; - TPA Godfreys; - Mainland Claims Management Limited; and - Cerno Limited.
10-Jul	- We were advised that the Manager CHRP (formerly National Operations Manager) (EQC) met with TPA Godfreys to discuss the EOI.
11-Jul	- The Manager CHRP (formerly National Operations Manager) (EQC) received email confirmation from Cunningham Lindsey that they would not be making a submission to the EOI mainly because of the price.
13-Jul	- The Manager CHRP (formerly National Operations Manager) (EQC) received an email from Cerno Limited requesting clarification on some points in the EOI.
13-17 Jul	- We were advised that the Head of Land Settlement (EQC) requested a standard loss adjuster contract template from HR and was given a redacted copy of a service agreement for an individual.
17-Jul	- The Manager CHRP (formerly National Operations Manager) (EQC) received email confirmation from TPA Godfreys that they would not be making a submission on the EOI. - The Manager CHRP (formerly National Operations Manager) (EQC) replied to Cerno Limited's queries (from 13 July).
18-Jul	- Mainland Claims Management Limited's EOI response was received by the Manager CHRP (formerly National Operations Manager) (EQC) outlining their ability to complete the required work and interest in entering into a contract with EQC.
19-Jul	- As business owner, the Head of Land Settlement (EQC) presented the Business Owner update to the EQC Steering Committee. An extract from the business owner update read "an EOI was sent out to four main Loss Adjuster firms. EOI's close 20 July". An extract from the minutes read "An Expression of Interest for assessors was sent out to four Loss Adjuster Firms of which two have replied positively and EQC will go ahead to seek resources from".

2012	Action
27-Jul	<ul style="list-style-type: none"> - The Manager CHRP (formerly National Operations Manager) (EQC) sent an invitation letter and service agreement to Mainland Claims Management Limited. - Mainland Claims Management Limited returned the signed service agreement to the Manager CHRP (formerly National Operations Manager) (EQC).
30-Jul	<ul style="list-style-type: none"> - The Manager CHRP (formerly National Operations Manager) (EQC) executed the service agreement with Mainland Claims Management Limited.
31-Jul	<ul style="list-style-type: none"> - As business owner, the Head of Land Settlement (EQC) presented the Business Owner update to the EQC Steering Committee. An extract from the Business owner update read "we are proceeding with two respondents from the EOI for field staff. Both have been sent letters and standard service agreements". An extract from the minutes read "The Business Owner update was taken as read".
3-Aug	<ul style="list-style-type: none"> - A Customer Services update was provided to the Executive Leadership Team. An extract from the minutes read "we have now engaged with Mainland to secure field staff. We are meeting with Cerno Limited next week to begin the engagement".
16-Aug	<ul style="list-style-type: none"> - The Head of Land Settlement (EQC) met with HR, IT and Facilities to discuss forward planning e.g. Police checks, iPads, Cars etc in relation to the Mainland Claims Management Limited contract.
21-Aug	<ul style="list-style-type: none"> - As business owner, the Head of Land Settlement (EQC) presented the Business Owner update to the EQC Steering Committee. An extract from the business owner update read "field staff contracted via Mainland and Cerno Limited will be assigned to dwelling assessment to assist with 23 December 2011 claims and the re-inspections before being redeployed to land assessment for the flat". Minutes from the meeting read "The Business Owner update was taken as read".
7-Sep	<ul style="list-style-type: none"> - The Commercial Manager (EQC) requested original copies of the Mainland Claims Management Limited contract documentation. - The Commercial Manager (EQC) requested a meeting when he was next in Christchurch regarding the contract with Mainland Claims Management Limited.
12-Sep	<ul style="list-style-type: none"> - As business owner, the Head of Land Settlement (EQC) presented the Business Owner update to the EQC Steering Committee. An extract from the business owner update read "field staff contracted via Mainland and Cerno Limited will be assigned to dwelling assessment to assist with 23 December 2011 claims and the re-inspections before being redeployed to land assessment for the flat". Minutes from the meeting read "Action the GM Customer Services (EQC) to follow up with the Head of Land Settlement (EQC) on the Land Settlement Business Owner update".
14-Sep	<ul style="list-style-type: none"> - Customer Services update was provided to the Executive Leadership Team. An extract from the minutes read "contracted loss adjusters started training 17 September on geotechnical issues, application of the EQC Act and field operation processes".

2012	Action
21-Sep	- The Head of Land Settlement (EQC) met with the Commercial Manager (EQC) in Christchurch to discuss the approach taken.
24-Sep	- The Head of Land Settlement (EQC) sent the contract with Mainland Claims Management Limited to the Commercial Manager (EQC) via email (from 7 Sept).
25-Sep	- The Commercial Manager (EQC) responded to the Head of Land Settlement (EQC) asking for the signed original copies of the contract. - There was a series of emails between the Commercial Manager (EQC), the GM Customer Services (EQC), the Manager CHRP (formerly National Operations Manager) (EQC) and the Head of Land Settlement (EQC) about the Commercial Manager (EQC)'s concerns over the approach taken and the robustness of the process followed in relation to the procurement process for contracting resources to undertake land assessments.
1-Oct	- At the Commercial Manager (EQC)'s request new Procurement Practices Protocols were posted on the intranet as further guidance to support the EQC Procurement Policy and Guide that was already available.
4-Oct	- A meeting was held between the GM Corporate Services (EQC), the Commercial Manager (EQC), the acting Financial Controller, the GM Customer Services (EQC), the Manager CHRP (formerly National Operations Manager) (EQC), the Head of Land Settlement (EQC) and the Business Services Manager (EQC) to discuss what had happened during the procurement process and what the plan was to remedy any deficiencies in the procurement process going forward.
5 Oct	- The Commercial Manager (EQC) sent an e-mail to the GM Corporate Services (EQC) and the Risk and Assurance Manager (EQC) outlining his concerns with the Mainland Claims Management Limited contract procurement procedures, including the position of the GM Customer Services (EQC) and the Business Services Manager (EQC).
9-Oct	- We were advised that the final October Quarterly Forecast was finalised which included comment on the increase in Full time equivalents (FTEs) as a result of the Mainland Claims Management Limited contract.
12-Oct	- The Commercial Manager (EQC) emailed the Head of Land Settlement (EQC) explaining that the Mainland Claims Management Limited contract needed a re-write and attached a template for the proposed replacement contract with information on how to process it.
30-Oct	- At the Commercial Manager (EQC)'s request, the Head of Land Settlement (EQC) sent the new draft replacement Mainland Claims Management Limited contract for services to the Principal Legal Advisor (EQC) for review.
5-Nov	- The Principal Legal Advisor (EQC) reviewed the re-written Mainland Claims Management Limited contract, compiled a list of amendments and sent the contract to a Partner at Chapman Tripp for his review.

2012	Action
6-Nov	- A Partner at Chapman Tripp responded to the Principal Legal Advisor (EQC) with his comments on the updated Mainland Claims Management Limited contract.
12-Nov	- The Replacement contract for services was sent to Mainland Claims Management Limited.
13-Nov	- Mainland Claims Management Limited sent the signed replacement contract for services to EQC.
14-Nov	<ul style="list-style-type: none"> - Presentation of the Implementation Plan was made to the Board. - The Chairman (EQC) and the Chief Executive Officer (EQC) signed the replacement contract for services with Mainland Claims Management Limited. - The signed replacement contract for services with Mainland Claims Management Limited was sent to Wellington for entry into the contracts register.
30-Nov	- We were advised that the Manager CHRP (formerly National Operations Manager) (EQC) is still in negotiations with Cerno Limited, but EQC has yet to sign any contract for services with them.

2. Indicators of Non-Compliance

The following key procurement policies were identified in discussions with the Risk and Assurance Manager (EQC), as being relevant to this contract process. The policies have been made available to all staff on the EQC intranet since March 2011.

We draw to your attention that we report to you as accountants, not lawyers, and, accordingly, we are not experts on the requirements referenced from the policies that exist within statute, regulation, case law or legal precedent or otherwise. We have read the policies identified below. We therefore base our comments solely on our reading of these documents.

The work completed and indicators of non-compliance stated below are based on our interviews with staff identified in Section 1 above and by reading email correspondence provided to us by EQC staff for the period 1 June 2012 to 30 November 2012.

A. Procurement Policy

Policy	Work Completed / Indicators of Non-Compliance								
<p>Value for money</p> <p>EQC will maintain a value-for-money approach when procuring goods and/or services. "Value for money" means the best possible outcome for the total cost of ownership. "Value-for-money" does not necessarily mean selecting the lowest price; rather, the right combination of quality, quantity and price at the right place and time.</p>	<p>From our review of e-mail correspondence and during our interviews with the GM Customer Services (EQC), the Business Services Manager (EQC), the Manager CHRP (formerly National Operations Manager) (EQC) and the Head of Land Settlement (EQC) (Customer Services Operations), we noted responses from other vendors which stated that the hourly rates offered in the EOI were too low for their business models.</p> <p>During our interview with the Head of Land Settlement (EQC) we were advised that feedback from field managers indicates that the quality of staff under the Mainland Claims Management Limited contract is high.</p>								
<p>Procurement limits</p> <p>EQC below outlines the process that is required to be followed when purchases (over the life of the contract) fall under various monetary thresholds.</p> <table border="1" data-bbox="193 1720 807 1973"> <thead> <tr> <th>Purchasing Method</th> <th>Monetary Limit</th> </tr> </thead> <tbody> <tr> <td>Telephone Quotation - normally 3 required and records kept</td> <td>0 - \$10,000</td> </tr> <tr> <td>Written Quotation - normally 3 required and full documentation must be kept</td> <td>\$10,000 - \$100,000</td> </tr> <tr> <td>Full Open Tender (i.e. competitively advertised)</td> <td>\$100,000 and above</td> </tr> </tbody> </table>	Purchasing Method	Monetary Limit	Telephone Quotation - normally 3 required and records kept	0 - \$10,000	Written Quotation - normally 3 required and full documentation must be kept	\$10,000 - \$100,000	Full Open Tender (i.e. competitively advertised)	\$100,000 and above	<p>The EOI stated that the contract would be for a maximum of 18 months, for 100 Staff at a rate of \$70 per hour for a maximum of 50 hours per week, a potential value in excess of \$25 Million.</p> <p>A full open tender is required for this contract value, but as noted in the timeline above this did not occur.</p> <p>We were advised during our interviews with the Customer Services Operations that they were unaware of the requirements of the</p>
Purchasing Method	Monetary Limit								
Telephone Quotation - normally 3 required and records kept	0 - \$10,000								
Written Quotation - normally 3 required and full documentation must be kept	\$10,000 - \$100,000								
Full Open Tender (i.e. competitively advertised)	\$100,000 and above								

Policy	Work Completed / Indicators of Non-Compliance
	<p>policy. In particular the Head of Land Settlement (EQC) advised that he did not receive any training on the EQC's policies and procedures during his induction on 22 June 2012.</p>
<p>Whole-of-life costs</p> <p>Whole-of-life costing must be used in the context of the need to obtain value-for-money. Whole-of-life costing can:</p> <ul style="list-style-type: none"> - Assist with determining the full cost of a solution to a requirement over the full term that the requirement exists; - Be applied to leased assets as well as owned assets and can be used to compare the cost of leasing versus outright purchase. <p>Tendering Process</p> <ul style="list-style-type: none"> - Be seen as a means of costing different methods of achieving an objective. <p>Procurement documentation should state that “value-for-money” takes into account whole-of-life costs, and tenderers can be requested to provide data to support the value-for-money analysis through the different stages of the requirement. These stages are typically seen as; Acquisition, Operation, Maintenance, Use and Disposal.</p>	<p>We were advised during our interviews with the Customer Services Operations that “whole of life costing” was not undertaken because they were unaware of the requirements of the policy.</p>
<p>Full and fair opportunity</p> <p>EQC, as a public sector agency, is obliged to promote open and effective competition in the market, and provide full and fair opportunity to all suppliers. EQC’s procurement policies and processes reflect this. In particular, potential suppliers:</p> <ul style="list-style-type: none"> - Must not be unreasonably denied the opportunity to bid for EQC business; and - Must be evaluated and selected in a fair manner. <p>The Government’s procurement policy recognises the mutual commitment by New Zealand and Australia under Closer Economic Relations (“CER”), and with Thailand & Singapore under the Closer Economic Partnership (“CEP”), to accord equal treatment to products and services from New Zealand, Australian and Singapore origin. Similar</p>	<p>As noted in the timeline, only four New Zealand entities were invited to tender for the contract. We were advised by the Customer Services Operations during our interviews that the four companies issued with the EOI document were considered to be the only companies in New Zealand with the capacity and competency to fulfil the contract. We were also advised during our interviews that the Customer Services Operations felt it would be inappropriate to use overseas loss adjusters due to previous experience throughout the building programme with adjusters who lacked local knowledge and expertise.</p>

Policy	Work Completed / Indicators of Non-Compliance
<p>mutual commitments were made by New Zealand with the Trans-Pacific Strategy Economic Agreement with Brunei and Chile (also known as the P4 Free Trade Agreement). The rules under these agreements are to be applied by EQC if it is conducting a global competitive procurement process which will encourage participation by domestic and foreign suppliers. The NZ government has also signed a Free Trade Agreement with China, this will come into force from 1 October 2008.</p> <p>New Zealand's own Government procurement market is globally open and competitive. The policy does not call for discrimination against foreign suppliers. The bilateral CER and CEP commitments explicitly require equal opportunity and treatment of suppliers from Australia, Thailand and Singapore. The procurement policy does, however, also call for Government purchasers to be able to show that they have not denied full, fair and reasonable opportunity to domestic suppliers to compete.</p>	
<p>Compliance with procurement policies and procedures</p> <p>EQC Business Units must comply with these procurement policies and specified financial delegations to ensure a professional and objective process for all procurement activity.</p> <p>EQC's Procurement Policy and Procedures Manual reflects the EQC's policy and industry best practice. Inherent in the processes are options that allow tailoring to suit individual procurement needs. The procedures contained in the Procurement Manual are to be followed in all situations, unless:</p> <ul style="list-style-type: none"> - There is compelling justification to depart from the process; and - The Chief Financial Officer AND the relevant Financial Delegation Holder approve the departure prior to the departure taking place. <p>Any departure from the process is to be justified as the best option available for that particular procurement, NOT just resulting from a lack of planning.</p>	<p>We were advised during our interviews with the Customer Services Operations that the procurement policies and procedures were not followed because they were unaware of the requirements of the policy.</p> <p>We were also advised during our interviews that the Chief Financial Officer and any other relevant Financial Delegation Holders did not approve a departure from policy.</p>

Policy	Work Completed / Indicators of Non-Compliance
<p>Separation of responsibilities</p> <p>To minimise the risk of unethical behaviour EQC will separate, where practical, the various responsibilities and authorisations in procurement. There should be a method of rotating duties, thus ensuring that key decision areas are not influenced by one individual. Rotation can also reduce the risk of bias or the appearance of biased relationships developing between a particular staff member and an actual or potential supplier.</p>	<p>Through our interviews with the Customer Services Operations and in reviewing e-mail correspondence, the Manager CHRP (formerly National Operations Manager) (EQC) led the procurement process. We were also advised during our interviews with the Customer Services Operations that the Head of Land Settlement (EQC) was removed from dealing with the potential suppliers due to an identified conflict of interest.</p> <p>We were advised that given that all of the staff involved in this particular procurement process were relatively new, no rotation was deemed necessary. Refer to Section 2 B below for disclosure of interest and claims policy.</p>
<p>Financial delegations</p> <p>Authorities for incurring expenditure are documented in EQC's financial delegations. Those staff are accountable, and must have a clear understanding of their authorities under the financial delegations before they commit EQC to any expenditure, financial or contractual commitment.</p>	<p>The Manager CHRP (formerly National Operations Manager) (EQC) signed the initial contract with Mainland Claims Management Limited. According to the delegated authority policy, a contract of this potential value requires sign off by the Board of EQC. (Refer to Section 2C in this report below for the Financial delegation policy.)</p> <p>We were advised during our interviews with the Customer Services Operations that they were unaware of the requirements of the policy for financial delegation. The replacement contract with Mainland Claims Management Limited (dated 14 November 2012) was signed by the Chairman of the Board of Commissioners in accordance with the Delegated Authority.</p>
<p>Financial thresholds to tender</p> <p>All potential contracts with a value of \$100,000 or more (excluding GST) are to be competitively tendered, unless an exemption from following this process has been authorised by the Chief Financial Officer AND the relevant Financial Delegation Holder.</p> <p>For potential contracts with a value of less than \$100,000 closed tender or quotation process is to be followed, unless an exemption from following this process has been authorised by the Chief</p>	<p>As noted above, the contract value was expected to exceed \$100,000 and was not competitively tendered. We were advised during our interviews with the Customer Services Operations that this was because they were unaware of the requirements of the policy.</p> <p>We were also advised during our interviews that the Chief Financial Officer and any other relevant Financial Delegation Holders did not</p>

Policy	Work Completed / Indicators of Non-Compliance
<p>Financial Officer AND the relevant Financial Delegation Holder.</p>	<p>approve a departure from policy.</p>
<p>Ethical considerations</p> <p>EQC is expected to use public resources effectively and efficiently, be committed to dealing with suppliers and individuals in a fair, honest and equitable way and avoid any conflicts of interest (whether real or perceived).</p> <p>The following principles are to be followed by all EQC staff and contractors, consultants, and procurement agents acting on behalf of EQC, in respect of the management of, involvement in, and advice on procurement processes:</p> <ul style="list-style-type: none"> - All tenderers will be treated with impartiality and fairness and be allowed equal access to information and opportunities to submit tender responses. - No engaging in deceptive or misleading conduct (as defined under the Fair Trading Act 1986). - Price fixing is to be avoided (reference Commerce Act 1986 and Auditor-General Guidelines). 	<p>During our interviews with the Customer Services Operations and from our review of e-mail correspondence, we were advised that all EOI participants had the same opportunity to ask questions and received responses.</p> <p>As noted above, an identified conflict of interest was addressed (with the Head of Land Settlement (EQC)). However not all conflicts were formally advised in writing, including:</p> <ul style="list-style-type: none"> - The Head of Land Settlement (EQC) was the former CEO of Mainland Claims Management Limited and is considered a business association under the Disclosure of Interest and Claims policy (Refer to Section 2B in this report below); and - The Manager CHRP (formerly National Operations Manager) (EQC)'s son was working for Mainland Claims Management Limited on non-EQC business. <p>We have not assessed the procurement against the requirements of the Fair Trading Act 1986 or the price fixing avoidance guidance. The Customer Services Operations advised that as they were not aware of these requirements they were not considered during the contract process.</p>
<p>Efficiency and effectiveness</p> <p>The procurement method undertaken should be assessed and chosen on its ability to deliver the most efficient and effective use of public money. This assessment is determined within the initial business case for a specific procurement.</p>	<p>We were advised during our interviews with the Customer Services Operations that no business case was written, or assessment of efficiency and effectiveness was undertaken, because they were unaware of the requirements of the policy.</p>
<p>Compliance by EQC employees, contractors, consultants or procurement agents</p> <p>The following principles are to be followed by all EQC staff, contractors, consultants or procurement agents acting on behalf of EQC, in respect of the management of, involvement in, and advice on procurement processes:</p>	<p>We were advised during our interviews with the Customer Services Operations that the following principles were not actively followed during the contract process because they were unaware of the requirements of the policy.</p>

Policy	Work Completed / Indicators of Non-Compliance
<ul style="list-style-type: none"> - Full compliance with EQC policies and procedures. 	<p>As above.</p>
<ul style="list-style-type: none"> - All tenderers will be treated with impartiality and fairness and be allowed equal access to information and opportunities to submit tender responses. 	<p>During our interviews with the Customer Services Operations and from our review of e-mail correspondence, we noted that all EOI participants had the same opportunity to ask questions and received responses.</p>
<ul style="list-style-type: none"> - Call for competitive tender processes only when EQC has a genuine intention to proceed to contract. 	<p>As noted above, a competitive tender process was not followed because the Customer Services Operations were unaware of the requirements of the policy.</p>
<ul style="list-style-type: none"> - No engaging in deceptive or misleading conduct (as defined under the Fair Trading Act 1986). - Price fixing is to be avoided. Fair and open competition should be encouraged while seeking value-for-money. 	<p>We have not assessed the procurement against the requirements of the Fair Trading Act 1986 or the price fixing avoidance guidance. As the Customer Services Operations were not aware of these requirements they were not considered during the contract process.</p>
<ul style="list-style-type: none"> - Attempt to minimise costs to tenderers participating in procurement tender processes. 	<p>As noted above, we were advised during our interviews with the Customer Services Operations that there was no consideration to minimise costs to EOI participants as they were unaware of the requirements of the policy.</p>
<ul style="list-style-type: none"> - Protect where law permits, commercial-in-confidence information from tenderers or established suppliers. 	<p>We were advised during our interviews with the Customer Services Operations that they were unaware of the requirements of the policy. As the Customer Services Operations were not aware of the requirements they were not considered during the contract process. During our interviews with the Customer Services Operations they advised that all information from EOI participants remained confidential to EQC.</p>
<ul style="list-style-type: none"> - Respond to reasonable requests for information and/or advice promptly. 	<p>During our interviews with the Customer Services Operations and from our review of e-mail correspondence, requests for further information and meeting requests from Mainland Claims Management Limited, TPA Godfreys and Cerno Limited were responded to within 5 business days.</p>
<ul style="list-style-type: none"> - Avoid situations where employee's private interests may conflict with their public duty. - Not solicit or accept financial or other benefits 	<p>Through our interviews with the Customer Services Operations and in reviewing e-mail correspondence, the Manager CHRP (formerly National Operations Manager) (EQC) led the</p>

Policy	Work Completed / Indicators of Non-Compliance
<p>from a supplier (or potential supplier) for performing official duties.</p>	<p>procurement process. We were also advised during our interviews with the Customer Services Operations that the Head of Land Settlement (EQC) was removed from dealing with the potential suppliers due to a potential conflict of interest.</p> <p>We were advised by the Manager CHRP (formerly National Operations Manager) (EQC) that his son was working for Mainland Claims Management Limited on non-EQC business.</p> <p>We were advised that on 1 August 2012 a discussion was held between the Manager CHRP (formerly National Operations Manager) (EQC) and Mainland Claims Management Limited at the time of his son's appointment to Mainland Claims Management Limited that he would not work on any EQC business to avoid any perceived conflict of interest with the Manager CHRP (formerly National Operations Manager) (EQC).</p> <p>We were also advised during our interviews with the Customer Services Operations that they were unaware of the requirements of the policy.</p>
<p>Conflict of interest</p> <p>EQC staff and contractors need to take great care to avoid situations where they could be accused of using their position to further their personal interests. Public perception is important and it is not enough that EQC staff and contractors are honest and fair, they need to be SEEN to be so. Impartiality and transparency during procurement processes is essential to maintaining the integrity of EQC.</p> <p>SO:</p> <p>A conflict of interest is a conflict between the public duty and private interests of a public official where the public official has private interests which could improperly influence their official duties and responsibilities.</p> <p>What do we do?</p> <ul style="list-style-type: none"> - Suppliers (and potential suppliers) should ensure they disclose all conflicts of interest in their tender submissions. 	<p>Conflict of interest forms were completed by the Head of Land Settlement (EQC) and the Manager CHRP (formerly National Operations Manager) (EQC) (signed 22 June 2012 and 4 July 2012 respectively). We were advised of the following relationships which were not formally disclosed in writing on the conflict of interest forms:</p> <ul style="list-style-type: none"> - The Head of Land Settlement (EQC) was the former CEO of Mainland Claims Management Limited; and - The Manager CHRP (formerly National Operations Manager) (EQC)'s son, was working for Mainland Claims Management Limited on non-EQC business. <p>Refer to Section 2 B below for disclosure of interest and claims policy. The Customer Services Operations advised in their interviews with us that at no stage did they hold financial interests in Mainland Claims Management</p>

Policy	Work Completed / Indicators of Non-Compliance
<ul style="list-style-type: none"> - EQC will ensure that employees, consultants and contractors involved in tenderer processes register any potential or perceived conflict. These conflicts will be assessed by EQC management to determine the extent of the conflict. 	<p>Limited or Cerno Limited.</p>
<p>Tender file</p> <p>The tender owner must create a tender file, which, as a minimum, must contain (where relevant):</p> <ul style="list-style-type: none"> - All material published by EQC in relation to the tender process; - All material submitted by tenderers; - A tender project plan listing the main 'milestone' events; - A business case; - A procurement plan; - The tender evaluation methodology and criteria; - A copy of the written instructions given to the evaluation panel members to guide them in applying the evaluation methodology; - Minutes of all meetings held by the evaluation panel; - Written Conflict of Interest and Confidentiality Declarations by individual members of the evaluation panel and those with access to tender process material together with the impact assessments on each actual/potential conflict and related mitigating action; - Minutes and other details of all meetings, presentations, telephone calls, site visits and any other correspondence between the tenderers and EQC during the tendering process; - All reference-checking correspondence relating to tenderers; - Each panel member's individual scoring sheets (if any) and any associated notes and/or correspondence; - Detailed explanations of any cost estimates or judgements made about any tenders as part of the evaluation process; - The panel's final evaluation, signed and dated 	<p>We were advised during our interviews with the Customer Services Operations that no formal file has been created because they were unaware of the requirements of the policy.</p> <p>From our review of the procurement documentation supplied to us, the Customer Services Operations held the following process documentation:</p> <ul style="list-style-type: none"> - All material published by EQC in relation to the EOI process; - All material submitted by EOI participants; and - Conflict of Interest and Confidentiality Declarations completed by the Manager CHRP (formerly National Operations Manager) (EQC) and the Head of Land Settlement (EQC).

Policy	Work Completed / Indicators of Non-Compliance
<p>by all evaluation panel members; and</p> <ul style="list-style-type: none">- The Consideration of New Zealand tenders document signed off by the appropriate delegated authority; and- The recommendation to shortlist/select, signed by the appropriate delegated authority.	

B. Disclosure of Interest and Claims Policy

Policy	Work Completed / Indicators of Non-Compliance
<p>Confirm that you have no interest in a matter:</p> <p>Matter means:</p> <ul style="list-style-type: none"> - EQC's performance of its functions or exercise of its power. - An association, arrangement, agreement, or contract made or entered into, or proposed to be entered into, by EQC. - Claims lodged with EQC. <p>You will be interested in a matter if you:</p> <ul style="list-style-type: none"> - May derive a financial benefit from the matter. - Are the spouse, de facto partner, child, or parent of a person who may derive a financial benefit from the matter. - May have a financial interest in a person to whom the matter relates. - May have a financial interest in location of damage, such as your own house or a rental house to which the matter relates. - Have a business association which may or may not be financial. - Are a partner, director, officer, board member, trustee of a person who may have a financial interest in a person to whom the matter relates. 	<p>The Head of Land Settlement (EQC) and the Manager CHRP (formerly National Operations Manager) (EQC), involved with the Mainland Claims Management Limited and Cerno Limited procurement process, completed a "Disclosure of Interest and Claims" but the following two relationships were not disclosed in writing:</p> <ul style="list-style-type: none"> - The Head of Land Settlement (EQC) was the former CEO of Mainland Claims Management Limited; and - We were advised by the Manager CHRP (formerly National Operations Manager) (EQC) that his son was working for Mainland Claims Management Limited on non-EQC business. <p>We were advised that on 1 August 2012 a discussion was held between the Manager CHRP (formerly National Operations Manager) (EQC) and Mainland Claims Management Limited at the time of his son's appointment to Mainland Claims Management Limited that he would not work on any EQC business to avoid any perceived conflict of interest with the Manager CHRP (formerly National Operations Manager) (EQC).</p>

C. Delegated Authorities

The delegated authority policy approved by the Board of Commissioners and effective 11 July 2012 is outlined in the following table for contracts relating to Services:

Description of Delegation	Delegation Holder					Guidance Notes
	Group One	Group Two	Group Three	Group Four	Group Five	
						All Contracts for Services must have at least <u>two authorisers who must hold the requisite level of delegation, or where specifically noted may be one of the following listed roles:</u> Commercial Manager Risk and Assurance Manager Chief Information Officer Senior Legal Advisor At least one authoriser must hold sufficient expertise and experience in the subject matter of the contract to be able to confirm that the terms of the contract are complete and acceptable to the Commission (or able to obtain appropriate advice to that end).
Contracts for Services						
Whole of life cost up to \$25,000 excl GST						Any one member of these Groups, plus endorsement by a member of Group One, Two or the listed roles above.
Whole of life cost up to \$75,000 excl GST						Any one member of these Groups, plus endorsement by one member of these Groups or the listed roles above.
Whole of life cost up to \$2,000,000* excl GST						Any one member of this Group plus endorsement by a member of Group One or Two. Legal sign-off required.
Whole of life cost above \$2,000,000 excl GST or any Deed.						Board approval and Legal sign-off required.

Work Completed / Indicators of Non-Compliance

The EOI stated that the contract would be for a maximum of 18 months, for 100 Staff at a rate of \$70 per hour for a maximum of 50 hours per week. On a whole-of-life basis this equates to in excess of \$25 million. In accordance with the delegated authorities above, "Group 1" delegation is required which means that Board approval and legal sign-off on the contract are required.

The initial contract with Mainland Claims Management Limited dated 30 July 2012 was signed by the Manager CHRP (formerly National Operations Manager) (EQC) ("Group 3" Delegation) (National Operations Manager) and was not subject to legal review. The Manager CHRP (formerly National Operations Manager) (EQC) received confirmation of his most recent Delegated Authority on 20 July 2012, and signed his acknowledgement of these on 31 July 2012.

This contract was replaced with a revised document dated 14 November 2012 which was reviewed by a Partner at Chapman Tripp and approved and signed by the Chairman and Chief Executive Officer (EQC).