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**REPORT 1**  
*(1215/52/01/IM)*

**STATUS REPORT ON AUDIT NEW ZEALAND AUDIT  
ARRANGEMENTS AND PROGRESS AGAINST AUDIT  
NEW ZEALAND RECOMMENDATIONS**

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**1. Purpose**

To update the Subcommittee on Audit New Zealand arrangements and progress in implementing the recommendations contained in the audit management letters presented to the Subcommittee.

**2. Recommendation**

It is recommended that the Subcommittee:

- 1. Receive the information.*
- 2. Note the progress made in implementing the Audit New Zealand recommendations attached in Appendix 1.*

**3. Summary of movements in recommendations since the last report**

Since the last Subcommittee meeting on 5 October 2009 there have been no significant changes in the status of Audit New Zealand recommendations. Refer to appendix one for a summary.

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## Supporting Information

### 1) Strategic Fit / Strategic Outcome

This project supports Key Achievement Area 9 Governance and Citizen Information: As per the Annual Plan, Governance and Citizen Information includes all those activities that make the Council accountable to the people of Wellington and ensure the smooth running of the city. That includes all meetings of the Council and its committees.

### 2) LTCCP/Annual Plan reference and long term financial impact

The report has no specific Annual Plan reference. There is no long term financial impact arising from the report.

### 3) Treaty of Waitangi considerations

There are no specific Treaty of Waitangi considerations.

### 4) Decision-Making

There are no significant decisions required by the paper.

### 5) Consultation

#### a) General Consultation

There are no parties significantly affected by this paper.

#### b) Consultation with Maori

Maori are not significantly affected by this paper.

### 6) Legal Implications

This report has no specific legal implications.

### 7) Consistency with existing policy

This report is consistent with existing policy.

## **Appendix 1**

### **SUMMARY OF RECOMMENDATIONS AND THEIR CURRENT STATUS**

Issues from 2007/08 Audit	Responsibility	Priority	Current Status
<p>During the period Audit assessed the risk around the overarching processes addressing IT Strategy and IT Governance, IT Processes and IT Controls. They identified two areas for improvement:</p> <ul style="list-style-type: none"> <li>• Council does not have one overarching IS/IT Security Policy. This potentially allows unauthorised access to systems and/or fraudulent, malicious or unintended transactions to be posted.</li> <li>• Council's Knowledge Solutions (KS) organisation is not aware of the extent of end-user applications and does not have controls in place to manage end-user computing. The risk around end-user computing applications (such as Excel spreadsheets and Access databases) is that they might be used for key business processes, and/or business decisions and/or reporting without (at the same time) being subject to the same level of controls as business key systems. Therefore, data in these systems may be incomplete or inaccurate.</li> </ul>	<p><b>David McLachlan</b></p>	<p><b>Medium</b></p>	<p>An ICT Architect role (with a focus on security) has been established and is expected start in June 2010.</p> <p>We believe that the implementation of the Electronic Document and Records Management System (EDRMS) provides management of unstructured data, including spreadsheets.</p>

<p>Audit recommended that Council</p> <ul style="list-style-type: none"> <li>• Develop and implement an IS/IT Security Policy as an overall statement of the importance of security to the organisation.</li> <li>• Develop and implement a policy for end-user computing as a basis for controlling the employment of end-user application. This also helps that adequate processes and controls for end-user application development, security, change management and operations are in place to ensure the reliability of these systems.</li> </ul>			
<b>Issues from 2008/09 Audit</b>	<b>Responsibility</b>	<b>Priority</b>	<b>Current Status</b>
<p>During the period Audit identified the following item which has been included in the Governing Body Report as an unadjusted misstatement:</p> <ul style="list-style-type: none"> <li>• The Council has recognised a provision in respect of weather tight homes claims with the Weathertightness Homes Resolution Service (WHRS) which are measured on the basis of the estimated cost of settlement by the Council in conjunction with an actuary.</li> <li>• The potential legal costs of \$5.4 million associated with settling the claims have not been included in the measurement of the</li> </ul>	<b>Neil Cherry</b>	<b>Medium</b>	<p>Management believe it is not appropriate to provide for future legal costs to defend these claims as lawyers have not yet performed their service and therefore no liability has yet been established. The Council's position has been supported by independent accounting advice.</p>

<p>Audit recommended that Council:</p> <ul style="list-style-type: none"><li>• Consider providing for future legal costs in the WHRS provision since a provision is required to be measured at the best estimate of the expenditure required to settle the present obligation at the balance sheet date.</li><li>• In measuring the amount of the provision for WHRS claims, the expected legal costs associated with settling claims recognised as a liability should be included in the liability measurement. Where amounts are clearly not incremental costs, it would be reasonable to exclude such costs from the measurement of the liability. For example, for general counsel costs that would be incurred regardless of the existence of the WHRS claims.</li></ul>			
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