AUDIT NEW ZEALAND GOVERNING BODY REPORT

1. Purpose of Report

The purpose of this regular report is 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. Recommendations

Officers recommend that the Audit and Risk Management Subcommittee:

1. *Receive the information.*

2. *Note the content of the 2009/10 Management Report to Council from Audit New Zealand attached in Appendix one.*

2. *Note the progress made in implementing the Audit New Zealand recommendations attached in Appendix two.*

3. Summary of movements in recommendations since the last report

Since the last regular Subcommittee meeting on 29 June 2010, the 2009/10 Management Report to Council has been issued by Audit New Zealand and is included in Appendix one. There was one significant issue arising from the audit relating to sensitive expenditure. Refer to Appendix two for a summary of the current status of this issue and all outstanding issues from previous years.

Contact Officer: *Nicky Blacker – Manager, Financial Accounting*

Supporting Information

1) Strategic Fit / Strategic Outcome
This project supports Activity 1.1 Information, Consultation and Decision Making, specifically 1.1.1 City Governance and Engagement. As per the Annual Plan, City Governance and Engagement 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 and subcommittees.

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 ONE

Audit New Zealand Management Report to Council

Summary of recommendations and their current status

Issues from 2007/08 Audit	Responsibility	Priority	Current Status
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: • 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. • 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.	**Chris Wickham**	**Medium**	While we do not have an overarching security policy we do follow recommended best practice for security on all our systems, including PeopleSoft. This has been the case for many years. Employee obligations for information and system use are also in the Staff code of conduct. An ICT policy has been drafted but has not yet been widely circulated. We believe that the implementation of the Electronic Document and Records Management System (EDRMS) provides management of unstructured data, including spreadsheets.

Audit recommended that Council • Develop and implement an IS/IT Security Policy as an overall statement of the importance of security to the organisation. • 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.			
Issues from 2009/10 Audit	**Responsibility**	**Priority**	**Current Status**
Sensitive Expenditure Audit identified some instances where more guidance is required to explain the Council's policies, to assist in ensuring that they are consistently applied.	**Vincent Fallon**	**High**	New discretionary guidelines were approved by Management Board in September 2010 and communicated to the business. As part its continuous controls testing programme Risk Assurance examines discretionary expenditure transactions to identify anomalies and other indictors of waste, abuse and fraud. Reporting on issues identified by the continuous controls testing programme is provided to the relevant senior management. Where appropriate, recommendations to improve systems, processes and procedures have been made.