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

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

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**1. Purpose of Report**

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**

It is recommended that the Subcommittee:

1. *Receive the information.*
2. *Note the content of the 2007/08 financial statements audit management letter attached in Appendix One.*
3. *Note the progress made in implementing the Audit New Zealand recommendations attached in Appendix Two.*
4. *Authorise the Mayor to finalise and sign the Audit Arrangements letter for the Long Term Council Community Plan (attached in Appendix Three)*
5. *Note the Planned Audit Approach letter prepared by Audit New Zealand for the 2008/09 audit (attached in Appendix Four)*

### **3. Summary of Movements in Recommendations Since the Last Report**

<b>Report</b>	<b>Opening balance</b>	<b>New Recommendations</b>	<b>Implemented Recommendations</b>	<b>Outstanding Recommendations</b>
2006/07 Financial Statements Audit	2	-	2	-
2007/08 Financial Statements Audit	-	2	-	2
<b>Total</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>

The 2007/08 financial statements audit management letter was issued in October 2008 and was due to be discussed at the December Subcommittee meeting which was subsequently cancelled. There were no significant issues arising from the audit. Key findings are discussed in Appendix Two

### **4. Audit Arrangements for the Audit of the Long Term Council Community Plan**

The draft Audit Arrangements letter (AAL) for the Long Term Council Community Plan was due to be discussed at the December meeting which was subsequently cancelled. Audit New Zealand Director Andy Burns will be in attendance at the March Subcommittee meeting to introduce and discuss this letter.

### **5. Audit Arrangements for the Audit of the Financial Statements for the Year Ending 30 June 2009**

The Planned Audit Approach letter covers the audit arrangements for the year ending 30 June 2009. A new Planned Audit Approach letter is issued annually to reflect the areas of audit focus and audit logistics specifically relating to that financial year. Audit New Zealand Director Andy Burns will be in attendance at the March Subcommittee meeting to introduce and discuss this letter.

Contact Officer: *Helen Rogers*  
Financial Controller

## Supporting Information

### 1) Strategic Fit / Strategic Outcome

*The report supports Council's overall vision of Creative Wellington – Innovation Capital by ensuring that legislative compliance with GAAP (NZ IFRS) is appropriately managed.*

### 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 ON THE AUDIT OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

## **Appendix Two**

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

## Appendix Two

### Summary of Recommendations and their Current Status

Issues from 2006/07	Responsibility	Priority	Current Status
<p>During the period Audit New Zealand performed a review of the Council's legislative compliance framework. No instances of non-compliance with significant legislative requirements were identified. Audit New Zealand recommended that a documented process be put in place to provide staff with guidance on handling legislative breaches; and an explicit statement be included in the annual declaration to indicate whether legislation has or has not been complied with. Council Officers will review the sign off declaration process for the 2007/08 audit.</p>	<p><b>Vincent Fallon</b></p>	<p><b>Medium</b></p>	<p>Risk Assurance is planning a CSA process focussing on legislative compliance throughout Council. The results of the CSA process will help inform the Risk Assurance audit plan for the 2008/09 year. The annual legislative compliance sign off by key Business Units will be altered to reflect the recommendations made by Audit New Zealand. The CSA has now been completed and the results are being collated. The annual legislative compliance sign off by key Business Units has been altered to reflect the recommendations made by Audit New Zealand</p>
<p>Audit New Zealand conducted a review of Asset Management Plans (AMPs) and assessed asset management practice at the Council as good. City Housing and Wellington Convention Centre AMPs were selected for detailed review. Nine recommendations for strengthening arrangements further are included within the report, and will be considered by the Council during AMP development for 08/09 and beyond.</p>	<p><b>Maria Archer</b></p>	<p><b>Medium</b></p>	<p>The nine recommendations for strengthening asset management planning process arrangements further are being considered by Council Officers as we complete asset management planning for the LTCCP.</p>
Issues from 2007/08	Responsibility	Priority	Current Status
<p>During the period Audit New Zealand reviewed the processes in place to facilitate recording of members' interests and related party information for elected members, appointed members, committee members and senior management. They identified some potential limitations to the current systems and processes:</p>	<p><b>Svea Cunliffe-Steel</b></p>	<p><b>Medium</b></p>	<p>All councillors who failed to lodge returns in March 2008 have subsequently done so following a new request sent out in September. All members were reminded of the importance of submitting updated returns when circumstances changed or at the request of Democratic</p>

## Appendix Two

<ul style="list-style-type: none"> <li>• Only 12 of the 14 elected members returned their Register of Interests: Declaration form when asked to declare their interests in March 2008.</li> <li>• Council relies heavily on the honesty and good faith of its members to disclose relevant interests and related parties. There is no reasonableness check performed. We acknowledge that Council may become aware of potential interests through its directorates or business units and follow up potential interests with members.</li> <li>• There is no interest register kept for senior management. We acknowledge that Council asked members of the Management Board if they had any relevant interests prior to signing off the financial statements. Council intend to put in place an interest register for senior management.</li> </ul> <p>Audit recommend that Council:</p> <ul style="list-style-type: none"> <li>• Follow up with members who have not provided their declarations, and remind and educate members on the importance of members' interests.</li> <li>• Put in place an interest register for senior management.</li> </ul>			<p>Services.</p> <p>Council is also currently establishing a senior management interests register.</p>
<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>	<p><b>David McLachlan</b></p>	<p><b>Medium</b></p>	

## Appendix Two

<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>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>			<p>This action will be added to our 2009/10 business plan and will be completed in conjunction with the new IBM Web-sphere implementation along with the refresh on our desktop environment.</p> <p>This is incorporated into the KS information management strategy and will be addressed as part of the "yet to be developed" Data Management strategy. The implementation of the Electronic Document Management System was the first phase of establishing controls over ad-hoc information and the Data Strategy will address controls over data and its management as part of a business process (or processes).</p>



**AUDIT ARRANGEMENTS LETTER FOR THE LONG TERM COUNCIL  
COMMUNITY PLAN**

**PLANNED AUDIT APPROACH LETTER FOR THE YEAR ENDING 30  
JUNE 2009**