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

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.   *Receives 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 19 March 2010 there have been no significant changes in the status of Audit New Zealand recommendations. Refer to Appendix 1 for a summary.

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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 1

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.	**David McLachlan**	**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 Architect (with a focus on security) was recruited in April 2010. An overarching ICT security policy will be the first deliverable for this new role and progress has been made with the purchase of the KAON tool which is widely used in New Zealand councils in devising an IT security framework and approach to risk reduction. 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 2008/09 Audit	**Responsibility**	**Priority**	**Current Status**
During the period Audit identified the following item which has been included in the Governing Body Report as an unadjusted misstatement: • 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. • The potential legal costs associated with settling the claims have not been included in	**Peter Garty**	**Medium**	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. Management are currently reviewing whether this treatment would continue to be appropriate in the context of recent accounting developments, including a potential change to NZ IAS 37 – Provisions, Contingent Liabilities and Contingent Assets.

the measurement of the provision. Audit recommended that Council: • 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. • 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.			