

Summary of Control Findings for the year ended 30 June 2015

No.	Control finding and risk ranking	Target date for completion and current status	Ernst & Young Audit Recommendation	Council's Response	Action Plan	Progress to date
1	Timely Capitalisation of Capital Work in Progress (Moderate)	March 2016 (On Track)	The risks we identified in our prior year review continue to be apparent, albeit at a much lower level. We recommend that management perform an overall review on a periodic basis of each WIP project to ensure items are capitalised on a timely basis. We expect management to implement adequate processes and controls in place to identify assets that are no longer WIP in nature.	An external resource was engaged to focus solely on fixed asset recognition and accounting in early January. This dedicated focus also contributed to asset capitalisations in May and June 2015. Management will however continue to implement adequate resource, processes and controls to identify assets that are no longer WIP in nature.	Each quarter, Asset Managers and Group Managers will be required to: <ol style="list-style-type: none"> 1. Approve all WIP assets 2. Provide forecast asset completion schedules 	WIP reviews have been initiated with all Asset Managers. Group Manager approval of half yearly WIP will be completed by late February 2016.

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2	Non-financial performance reporting – review of underlying data (Moderate)	March 2016	We recommend KCDC to continue to streamline the systems, processes and quality control over KPI reporting necessary to ensure actual performance is captured, recorded and reported appropriately.	Council will continue reviewing all KPI's and improving how KPI data is collected and stored. MagiQ (the Council's financial and business management system) now provides functionality to capture KPI data. This will be further investigated against the above observations.	<ol style="list-style-type: none"> 1. Review KPIs 2. Investigate and test MagiQ functionality to capture KPI data. 	Work is progressing on the review of KPI data collection. Work to capture and hold KPI in MagiQ has not yet begun but the intent is still on moving as far as possible towards MagiQ becoming the key source of all non-financial data that is used for reporting and planning purposes.
3	Subsequent Costs and de-recognition of Replaced Asset (Moderate)	Sept 2016 (On track)	We recommend the asset costs and accumulated depreciations be de-recognised when assets are replaced.	Historically, this formed part of the three yearly asset revaluations. From 1 July 2015, Council will undertake yearly asset revaluations. Management will however continue to implement adequate resource, processes and controls to identify assets that have been replaced and should be de-recognised.	Each quarter, Asset Managers and Group Managers will be required to approve all assets to be derecognised due to replacement.	Asset replacement reviews have been initiated with all Asset Managers. Group Manager approval of half yearly asset obsolescence will be completed by late February 2016.

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4	Fully Depreciated Property, Plant & Equipment (Low)	Sept 2016 (On track)	We recommend that management undertake a review of fully depreciated assets and where no future economic benefits or service potential is expected the asset be derecognised and removed from the fixed assets register.	Management will continue to implement adequate resource, processes and controls to derecognise assets that have been fully depreciated and will only remove such assets from the fixed asset register where no future economic benefits and/or or no service potential is expected from such assets.	Each quarter, Asset Managers and Group Managers will be required to approve assets to be derecognised due to them not providing any future economic benefit and / or service potential.	Fully depreciated asset reviews have been initiated with all Asset Managers. Group Manager approval of half yearly asset de-recognitions will be completed by late February 2016.

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5	Timely review of expenditure policies (Low)	Sept 2016 (On track)	Policies should be reviewed periodically to ensure that they correctly reflect Council's expectations.	<p>Council's corporate policy review period has changed to five yearly or earlier, if required</p> <p>The policies identified by Audit have been rationalised into a draft Procurement and a draft Sensitive Expenditure Policy.</p>	<p>The draft Procurement Policy and the draft Sensitive Expenditure Policy are being processed for final approval by the Chief Executive before 30 November 2015.</p> <p>A corporate policy register (approximately 50 policies) has been created and a prioritised review cycle is underway.</p>	<p>A new Procurement Policy and General Expenditure Policy (formerly known as the Sensitive Expenditure Policy) has been approved and implemented.</p> <p>A prioritised work-cycle to review other corporate policies is in progress. A workshop to commence development of a debt collection policy is scheduled on 17 February 2016.</p>

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6	Building and resource consents (Low)	Sept 2016 (On track)	We reiterate our recommendation that Council continue to investigate the owners of these bonds and return them where appropriate or elect to be the holder and return the money to the Inland Revenue Department if unclaimed.	Council has commenced regular monitoring of these bonds. During the 2015 year, Council refunded \$359,000 of bonds.	Council will continue to regularly monitor these bonds and return them when appropriate. Management will fully investigate the requirements and/or impacts on Council electing to be the holder and returning the money to the Inland Revenue Department if unclaimed.	The bonds are reviewed on a monthly basis. Discussions with the IRD will commence in March 2016.

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7	Capital Expenditure Policy (Low)	Sept 2016 (Not started)	We recommend that KCDC capitalisation guidelines are followed when making the decision on whether to capitalise expenditure while at the same time reviewing the nature of items before being recorded as capital expenditure.	Management will continue to implement adequate resource, processes and controls to ensure that assets capitalisation guidelines are followed including reviewing the nature of items before being recorded as capital expenditure.	Each quarter, Asset Managers and Group Managers will be required to approve all asset purchases.	Capitalisations reviews have been initiated with all Asset Managers. Group Manager approval of half yearly asset de-recognitions will be completed by late February 2016.

Summary of Information Technology General Control Environment Findings for the year ended 30 June 2015

No.	Control finding and risk ranking	Target date for completion and current status	Ernst & Young Audit Recommendation	Council's Response	Action Plan	Progress to date
1	Change management (High)	Completed	<ul style="list-style-type: none"> ▪ Revisiting the Change Management control process documentation and updating it with current Council practices. ▪ Enforcing the use of the Change Management Policy to ensure that all changes are appropriately authorised, tested, approved, monitored and evidence documented. ▪ Optimising use of existing change management tools to ensure that all changes are adequately captured. ▪ Using a version management tool to ensure that Council controls and monitors all changes in the production environment. ▪ Reviewing of system generated list of changes within the existing Change Advisory Board process. 	Council agrees with the recommendation and notes the significance of the implications outlined. Council is actively working on the practical implementation of sound change management processes across the organisation with the objective of mitigating the risks identified.	<p>Implement standard process utilising a specific Change Management tool (ManageEngine Service Desk) and rollout to key users.</p> <p>Regular Change Control Meetings, to be reported back to the Group Manager, Corporate Services.</p>	Completed

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2	User access management process (High)	Completed	<ul style="list-style-type: none"> ▪ Document a user access management process which includes the access request, modification, removal, and review procedures. ▪ Ensure appropriate notification is provided from HR for terminated employees to ensure that access to systems is removed. ▪ Formalise a user access review process so that it is managed through a centralised location to ensure all reviews are completed. ▪ Implement regular review of user accounts to ensure that access is only granted to users with a need to access a system. ▪ Ensure that individuals that monitor and review these accounts are not administrators within these systems. 	Council agrees with the recommendations. Council is currently engaged in a review of the user management processes in place with the objective of developing and implementing suitable processes to ensure optimal management of the IT infrastructure system.	<p>User Register to be created and maintained with a process for the addition and removal of users based on employee and contractor recruitment and termination.</p> <p>User Review team (responsible for the audit and review of User access) to be created, with representatives from all key business units within the organisation.</p>	Completed

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3	Segregation of duties (High)	Completed	<ul style="list-style-type: none"> ▪ Ensure different individuals / system resources perform access requests, access approval, access provisioning, monitoring access violations for both IT privileged and Business end users. ▪ Ensure different individuals perform privileged user access reviews, monitoring of privileged accounts and monitoring system generated list of changes in production environment. ▪ Different individuals / system resources perform change requests, change approval, move programmes in and out of production and monitor changes and restrict developer access to the production environment. ▪ Apply a version management tool to ensure that Council controls and monitors all changes in production environment. 	Council agrees with the recommendation. The process for identifying and authorising duties is currently being reviewed as part of the overall ITGC systems review and appropriate implementation will be actioned as a priority.	<p>Process for addition and removal of user duties to be identified and implemented.</p> <p>Audit and review of administration access to be undertaken with role segregation to be created via access specific logins (i.e. removal of generic admin users).</p>	Completed

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4	General system security settings (Moderate)	March 2016 (On track)	<p>The New Zealand Information Security Manual (NZISM), updated in November 2014 to be considered as a baseline for IT security practices.</p> <p>These policies should be reviewed and approved at least annually to make any necessary adjustments as a result of IT environment changes.</p>	Council agrees with the recommendations and plans are underway to engage an external consultant to conduct a wide ranging audit including a general IT architecture review. The recommendations arising from these audits will provide detailed information on both ICT Strategy and general IT security and will form the basis of the implementation for improvements as a priority item.	Process and policies based on the NZISM will be created and regularly reviewed.	Processes and policies are being documented in conjunction with the Council's ICT strategy.

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5	Back-up operations (Low)	Sept 2016 (On track)	<ul style="list-style-type: none"> ▪ Review current backup operations and approving back-up retention periods as part of the backup policy that is being developed. Business and system owners, in consultation with IT, should authorise and define the retention periods to ensure that these are practical and appropriate. ▪ Retain backup logs for all applications and recording corrective actions using the centralised incident management procedures. ▪ Implementing activities designed to perform regular testing of DLT tapes stored offsite at EOC, ensuring that critical data can be restored as and when it is required. ▪ Perform Disaster Recovery testing offsite. 	Council agrees with the observation. Current back up operations are in place, however these processes are being reviewed along with the wide ranging audit and general IT architecture review.	<p>Review existing back-up hardware and software to ensure adequacy and implement changes when required.</p> <p>Detailed back-up processes and procedures to be created and reviewed regularly.</p>	Replacement back-up tool in place with processes and policies to be documented.