

**Chairperson and Committee Members**  
AUDIT AND RISK COMMITTEE

10 AUGUST 2017

Meeting Status: **Public**

Purpose of Report: For Information

**REGULAR PROGRESS UPDATE ON 2015-16 KEY AUDIT FINDINGS**

**PURPOSE OF REPORT**

- 1 This report provides the Audit and Risk Committee with a progress update regards Ernst & Young's Report on Control Findings for the year ended 30 June 2016.

**DELEGATION**

- 2 The Audit and Risk Committee has delegated authority to consider this report under the following delegation in the Governance Structure, Section B.3.
  - *Reviewing and maintaining the internal control framework.*
  - *Obtaining from external auditors any information relevant to the Council's financial statements and assessing whether appropriate action has been taken by management in response to the above.*

**BACKGROUND**

- 3 In accordance with New Zealand Auditing Standards, Ernst & Young (Audit) performed a review of the design and operating effectiveness of the Council's significant financial reporting processes as part of their audit for the year ended 30 June 2016.
- 4 Control risk matters and/or issues are classified as high, moderate or low. Control risk definitions are as follows:
  - **High Risk** – matters and/or issues are considered to be fundamental to the mitigation of material risk, maintenance of internal control or good corporate governance. Action should be taken either immediately or within three months.
  - **Moderate Risk** – matters and/or issues are considered to be of major importance to maintenance of internal control, good corporate governance or best practice for processes. Action should normally be taken within six months.
  - **Low Risk** – A weakness which does not seriously detract from the internal control framework. If required, action should be taken within 6 -12 months.
- 5 Audit identified two new control risk issues for the year ended 30 June 2016, which ranged from moderate to low risk. Appendix 1 details the year to date progress against these control findings.
- 6 Audit will consider whether these control findings can be closed, on completion of their audit for the year ended 30 June 2018.

## **CONSIDERATIONS**

### Policy Implications

7 There are no policy implications.

### Legal Considerations

8 There are no legal considerations.

### Financial Considerations

9 Financial issues have been covered as part of this report.

### Tāngata Whenua Considerations

10 There are no tāngata whenua considerations.

### Publicity Considerations

11 There are no publicity considerations.

## **SIGNIFICANCE AND ENGAGEMENT**

### Degree of significance

12 This matter has a low level of significance under the Council Policy.

## **RECOMMENDATIONS**

13 That the Audit and Risk Committee notes the progress update in regards to Ernst & Young's Report on Control Findings for the year ended 30 June 2016 and that Ernst & Young will reassess these as part of their control findings for the year ended 30 June 2017.

**Report prepared by:**

**Approved for  
submission:**

**Approved for  
submission:**

**Mark de Haast  
Chief Financial Officer**

**Wayne Maxwell  
Group Manager  
Corporate Services**

**Sarah Stevenson  
Group Manager  
Strategy and Planning**

## **ATTACHMENTS:**

Appendix 1: Summary of control findings for the year ended 30 June 2016

## Summary of Control Findings for the year ended 30 June 2016

No.	Control finding and risk ranking	Target date for completion and current status	Ernst & Young Audit Observation	Ernst & Young Audit Recommendation	Action Plan	Progress Update
1	Reconciliation between Asset management System and the Fixed Asset Register <b>(Moderate)</b>	31/03/2017 & on-going thereafter	Regular reconciliations between Council's Asset Management Systems and the Fixed Asset Register (FAR) in the General Ledger system are not completed.	Regular reconciliations should be completed to ensure that the assets recorded in the FAR and General Ledger are consistent with those held in the Asset Management Systems. This helps to ensure that data provided to the Valuer is a full and complete record of the assets as at each balance date and that the FAR is accurate and complete in the intervening years.	Such reconciliations will be completed for the 30/06/2017 revaluations of the following asset classes: 1. Roading (including land under roads). 2. Parks and Open Spaces. 3. Land and Buildings.	The 30 June 2017 revaluation of Council's above ground assets has been completed and a full reconciliation between the asset management systems and the FAR in the general ledger has been prepared for Audit as part of their 30 June 2017 year-end testing requirements.

No.	Control finding and risk ranking	Target date for completion and current status	Ernst & Young Audit Observation	Ernst & Young Audit Recommendation	Action Plan	Progress Update
2	Adequate documentation for Landfill after-care future nominated cash flows <b>(Low)</b>	<b>30 June 2017</b>	Audit noted a revision to the estimated nominal future cash flows for the landfill after-care provision with a cost saving of approx. \$1.10 million. Whilst the cost estimates were adequately detailed, supporting documents (such as vendor quotes) to evidence the cost reduction was not readily available.	Without adequate supporting documentation in place to support the changes to the nominal future cash flows, there is a potential risk for an incorrect provision being recognised in the financial statements. Management should ensure that proper documentation supporting the landfill after-care provision is always retained.	<ol style="list-style-type: none"> <li>1. Ensure that proper documentation supporting the landfill after-care provision at year end is always retained.</li> <li>2. Council will seek to have these estimated nominal future cash flows peer reviewed by independent and external specialists (at least three yearly or more regularly, if required).</li> </ol>	All supporting documentation, including the peer review findings will be provided to Audit as part of their 30 June 2017 year-end testing requirements.