

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 	Quarter 1 WIP reviews have been initiated with all Asset Managers. Group Manager approval of WIP will be completed by early December 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
2	Non-financial performance reporting – review of underlying data (Moderate)	March 2016 (Not started)	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. 	Planning is underway to develop a project plan that will guide work to progressively review and enhance how data for KPI reporting is captured and reported. The focus is 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.	Quarter 1 asset replacement reviews have been initiated with all Asset Managers. Group Manager approvals of asset obsolescence will be completed by early December.

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
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.	Quarter 1 fully depreciated asset reviews have been initiated with all Asset Managers. Group Manager approval of asset derecognitions will be completed by early December.

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
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>	The final Procurement and Sensitive Expenditure Policies are being prepared for approval by the Chief Executive.

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
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 early 2016.

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
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.	Quarter 1 asset capitalisations reviews have been initiated with all Asset Managers.