Observations – Low Risk Category Issues:

Audit Observation (1) Capital Works in Progress	Management Response	Action Plan	Progress to Date
Our review of the Capital Works in Progress (CWIP) balance at 30 June 2012 identified some assets which should have been capitalised during the year. This resulted in an audit adjustment for both the transfer of assets and an additional depreciation charge. Failure to ensure items are capitalised in a timely manner results in depreciation expense not being recognised appropriately. As depreciation is funded by rates there is a risk that Council could not only understate depreciation expenditure but also have funding shortfalls. We recommend management regularly review CWIP to ensure items are capitalised on a timely basis.	Management will review the CWIP on a monthly basis to ensure that all items are capitalised on a timely basis.	Capital Work in progress summaries are reported to Asset Managers and Group Managers on a monthly basis to ensure asset information is provided and updated on a timely basis. Completed Capital projects will have assets uploaded to the Asset Register in a timely basis.	Monthly CWIP summaries are being sent out to Asset Managers and Group Managers. Action completed.

Audit Observation (2) Quote Process	Management Response	Action Plan	Progress to Date
Our review of debtors and provisions identified two debtors in dispute as a result of quotes for resource consent being significantly different than the actual charges. The difference between actual costs and the original quotes were due to a change in resource requirement of which both customers were aware. While there is no dispute over the change in the extent of work, the customers were not updated during the process as to the extent of the change in costs. Disputes result in Council incurring additional cost and time to reach a resolution. There is potential to reduce this if there is greater communication in relation to the cost impact resulting from a change in resource requirement. We recommend where there are requirement changes customers are notified formally of the updated costs prior to commencement of work.	Council will ensure that clients are kept fully informed as much as practicable of any changes to original quotes that could impact on the final cost. This should avoid any disputes when the final invoices are charged.	Processes to be set up to ensure clients kept informed as much as practicable on any changes to original quotations. Also ensure charging of all costs undertaken on a monthly basis.	All Council work that is recharged out to developers for Resource Consents or Private Plan Changes is charged out on a monthly basis. As part of the review of Regulatory Services processes will be set up to ensure that quotations for work for customers are regularly reviewed and updates provided to customers on a timely basis. This work is included in the work programmes for Regulatory Services for completion prior to August 2013.

Audit Observation (3) Desk Bank Approval	Management Response	Action Plan	Progress to Date
Our testing of expenditure authorisation identified two incidences where the Desk Bank summary was not signed by the approver. We note the Desk Bank system requires two authorisers using unique codes before payment can be processed. We therefore consider signing the Desk Bank summary payments an unnecessary stage in the process and recommend Council consider discontinuing with this activity.	Council agrees with Ernst & Young's comments that the Desk Bank summary payment schedule does not need to be signed because the Desk Bank system requires two authorisers with unique identification codes to authorise payments before they can be processed.	Activity discontinued.	Completed.

Audit Observation (4) Bond Refunds	Management Response	Action Plan	Progress to Date
Council retain a bond when resource and building consents are requested. This is held as a liability until work is completed and the customer requests a refund. At 30 June 2012 bonds held for resource consents totalled $343k and $658k for building consents. We note some deposits date back to 2000. Given the age of some of these deposits we suggest Council review the likelihood of work being completed and consider whether some of these liabilities be released.	The Council acknowledges that there are some Bonds that have been held for a number of years and investigation work will be carried out to ensure that these Bonds are released where work has been completed. The Bonds held will be reviewed on a regular basis. It needs to be acknowledged that some of this work has been put on-hold at the request of the Developers due to the economic downturn and some of these need to be further followed up to see whether they intend to continue with the development.	All Bonds reviewed and released when work completed included as part of Regulatory/Compliance Finance Work programme. The outstanding Bonds will be split between those less than 12 months old and those over 12 months. A full review of those Bonds over 12 months old will be incorporated in the work programmes of Finance, Regulatory and Infrastructure to review and release these Bonds within an agreed timeframe. For Bonds less than 12 months Finance will send out monthly outstanding bond lists to Regulatory/Compliance, Infrastructure for follow up on work completed. Will also include Contract Retentions in Review.	The vehicle damage deposit bonds are currently under review by the Building Team. Of the 1,406 bonds ($668,500) outstanding, 136 (69 up until 15 February 2013) have now been released to-date and they are currently working on clearing another 50 by the end of June 2013. There are 81 resource consent bonds outstanding totalling $311,382. Currently (25 zero as at 15 February 2013) of the outstanding have been assessed and reviewed. The Bonds are being refunded where the work has been completed. Where the Developers are still required to undertake work they are being reminded of their obligation before the Bond can be released. Contract Retentions held only relate to current contracts.

Audit Observation (5) Trial Balance Structure	Management Response	Action Plan	Progress to Date
Council's financial statements are prepared using an Excel based model that draws from the NCS trial balance. This spreadsheet is stored on a shared drive. The mapping of the trial balance to the Financial Statements is driven by formulae within this spreadsheet. Excel can be easily manipulated and errors in the mapping may go unidentified. There is sufficient opportunity for multiple personnel to change the spreadsheet given it is on a shared drive and not protected by a password. If this spreadsheet was changed or lost it could distort the reporting in the financial statements. Our audit procedures have identified which accounts in the NCS trial balance map to each line item within the financial statements and we are satisfied the balances reported are materially correct. However we recommend Council consider simplifying the process used to prepare the financial statements, this could include consideration of the ongoing need to include source of funding in each eight digit account code.	A full review will be undertaken of the current excel based model with a view to simplifying and making it more user friendly and less complex. The source of funding still needs to be considered because Council is required to report on its funding impact statement under the new financial reporting requirements.	A project has been set up in the Finance Group to carry out a full review of the Annual report spreadsheet model in order to simplify. The model will have its file path restricted to identified Finance personnel.	Work has been undertaken on the model and will be completed prior to the completion of the 2012/13 Annual Report ready for Audit in July/August. The progress has been slower due to restructuring of the Finance Team. This will be an area of focus for one of the new accountants. The model is fully password protected for key Finance Staff. .

Audit Observation (6) Tracking of Statement of Service Performance (SSP) Measures	Management Response	Action Plan	Progress to Date
During our audit of the SSP we identified the following measure where the underlying data was insufficient to provide support for the asserted performance in the SSP; Maintenance requests are measured as follows: a. non urgent requests responded to within 24 hours b. urgent request responded to within 8 hours. Within the system there is the ability to identify a request as urgent and non urgent. However this distinction is not currently being made and therefore cannot be reported. We recommend a process is put in place to ensure this check is made in the system.	Process has been changed so that requests are now being identified using a check box to identify whether requests are urgent or non urgent.	Process has been changed.	Completed.

Audit Observation (7) IT General Controls	Management Response	Action Plan	Progress to Date
Based on our discussions with Council we note there is no formal process to manage user access and no formal access reviews are performed. We recommend formal policies and procedures are established to ensure users are added with appropriate authority and access levels are reviewed to ensure access is consistent with authority and job description.	The current process for establishing a new user and defining their access right requires their Manager to fill out a New User form stating what they require access to. The completed form is then sent to the IT Help Desk. Only the Technical Infrastructure team has authority to change user permissions. We will formalise this current process into policy and also formalise a procedure for regular reviews of user access permissions.	Document formal policies and procedures over management and monitoring IT user access.	The Technology Infrastructure Team has developed a process and workflow for establishing an all user's ICT requirements, including business cards, Staff ID and Access Cards. The process is being tested with both internal and external contacts to ensure that all steps are being captured. This process included using a separate software application. With the implementation of a new payroll system, some of these functions may be possible under that system. This is being investigated currently and will be reported back in the next two months.