

## Audit Monitoring Table – Outstanding Management Report Items from External Audit of Annual Report

2019-2020 ANNUAL REPORT			
Audit Recommendation	Priority	Management response	Status update
<b>Impairment Assessment</b>			
<p>Accounting standards require that management undertakes an impairment assessment over property, plant, and equipment assets at balance date each year. This usually involves consideration of whether assets are still fully functioning and fit for purpose. It also involves identifying if there are any planned changes to the District Council's operations that could impact the useful life of those assets, such as a decision to change location or method of undertaking tasks which might mean the assets useful lives will be affected.</p> <p>No formal assessment was undertaken and our high level discussions with management did not identify any indicators of impairment. We recommend management performs a formal impairment assessment over property, plant, and equipment at balance date each year.</p>	N/A	<p><b>October 2020</b> Council has scheduled assessments as part of the work programme in early 2021.</p>	<p><b>May 2021 Update</b> Information on how to undertake the assessment has been issued to all asset managers. The assessments are now underway and due at the end of May.</p> <p><b>February 2021 Update</b> Due to start by end of March 2021.</p>
<b>Project Management</b>			
<p>Management contracted KPMG to undertake a review of the District Council's Project Management processes during the audit period. The review identified a number of areas for improvement and made recommendations accordingly. We recommend the District Council considers the recommendations from KPMG on Project Management and implements improvements considered appropriate and financially viable.</p>	N/A	<p><b>October 2020</b> Council's response to the KPMG report on project management is ongoing and a workplan for implementation of the recommendations is underway.</p>	<p><b>May 2021 Update</b> The project management templates are being utilized in parts of infrastructure for new projects. A scoping exercise is underway to develop an organizational process map that shows how and where projects and processes need to fit into the three yearly LTP cycle. A detailed project plan is in place for the Three Waters contract and the Watercare IT integration.</p> <p><b>February 2021 Update</b> Project Management templates will be reviewed and fine tuned in March prior to a wider implementation in Infrastructure. The level of project management is based on a project assessment risk matrix that determines the level of management and type of oversight structure required. The template and approach will be modified to ensure an alternative template is suitable for internal projects, consultation and engagement projects and other non-physical works projects.</p>
<b>Accounting Standard Changes – IPSAS 34-38 – Interests in other entities</b>			
<p>This year a suite of changes has been made to accounting standards in relation to how organizations account for their interests in other entities. This meant the District Council had to consider if entities it has interests in, such as the Western Bay of Plenty Tourism and Visitors Trust, BOPLASS Limited and the New Zealand Local Government Funding Agency Limited, were compliant with the new requirements. Management completed a checklist we provided and our review of that confirmed there were no significant changes needed to how these entities were accounted for. However, we did identify potential improvements in the disclosures around these entities, in particular, updating the terminology to align with that in the new standards. We recommend management reviews the disclosures against IPSAS 34-38 interests in other entities and updates the notes in the financial statements as necessary.</p>	N/A	<p><b>October 2020</b> Council will update the terminology for its IPSAS 34-38 disclosures in the 2020/21 Annual Report as recommended.</p>	<p><b>May 2021 Update</b> Council will update the terminology for its IPSAS 34-38 disclosures in the 2020/21 Annual Report as recommended. This will occur over July/August 2021 during preparation and audit of the 2020/21 Annual Report.</p>

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2017-2018 ANNUAL REPORT			
Audit Recommendation	Priority	Management response	Status Update
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<p>The Council creates a formal asset improvement programme in response to the valuer's recommendations and puts an action plan in place to address the issues in a timely manner.</p> <p>We followed up on this recommendation during our final audit visit and noted from our review of the valuation report for transport that Opus has disclosed some improvements which we have identified as largely consistent with recommendations made in the 2017 valuation report, with the exception of points 3, 4 and 5 which are new.</p> <p><b>2019-2020 Audit Management Report Final – November 2020</b></p> <p>We noted from our review of the valuation report for transport that Opus has disclosed some improvements which we have identified as largely consistent with recommendations made in the 2017 valuation report.</p>	Necessary	<p><b>October 2020</b></p> <p>The Council has a number of workstreams underway to improve processes relating to asset information, including the recommendations made in the Opus Report.</p> <p><b>June 2019</b></p> <p>The Council has a number of work streams underway to improve processes relating to asset information.</p>	<p><b>May 2021 Update</b></p> <p>A meeting has been held with WSP New Zealand (Opus) to discuss the improvement programme in the latest valuation report. We have prioritised the recommendations and have asked them to provide further information about how they can assist with resolving some of the items. One of the recommendations is likely to be removed pending further information which is expected by the end of June 2021.</p> <p><b>February 2021 Update</b></p> <p>The final transportation valuation report has just been received and the improvement programme items are being considered and prioritised.</p>
<i>Incorrect Dates in Accounts Payable (AP) Module</i>			
<p>Care be taken on uploading data files and reviews to be made subsequent to the upload to correct date errors on upload.</p> <p>The Council anticipates the implementation of the new automated AP system (Esker) will occur towards the end of the 2018/19 financial year or at the beginning of the next financial year. This will reduce the risk of manual errors entering dates and will improve the accuracy and integrity of the AP process.</p> <p><b>2019-2020 Audit Management Interim Report – October 2020</b></p> <p>We again noted date errors in the information provided to us.</p>	Necessary	<p><b>October 2020</b></p> <p>The error described related to the issue raised last year and was in fact the reversal leg of the same journal made in the preparation of the 2018/19 accounts. Staff have been reminded about the care required in journal uploads.</p> <p><b>June 2019</b></p> <p>The Council's staff have been reminded of the importance of taking due care in the uploading of files to the ERP system.</p>	<p><b>May 2021 Update</b></p> <p>Final testing of the automated accounts payable tool is being undertaken week commencing 10 May 2021 with a view to implementation shortly after.</p>
<i>Audit Committee</i>			
<p>The Council reviews the composition, functions, and effectiveness of its current audit committee structure against the Auditor General's good practice guide.</p> <p>The Council has put this on hold until after the 2019 elections. This matter is likely to be resolved in the 2019/20 period.</p> <p><b>2019-2020 Audit Management Interim Report – October 2020</b></p> <p>After the 2019 elections, Council formed an Audit and Risk Committee with Mayor Gary Webber as the Chair. OAG best practice suggests that the Audit and Risk Committee's Chair be an independent person to Council. We recommend that Council considers the appointment of an Independent Chair to the Audit and Risk Committee ensuring good governance and best practice adopted in regards to the committee's composition.</p>	Necessary	<p><b>October 2020</b></p> <p>The decision not to appoint an Independent Chair for the Audit and Risk Committee was made at a governance level. Audit New Zealand's comments are noted.</p>	<p><b>May 2021 Update</b></p> <p>At an Extraordinary Council meeting held on 5 May 2021, Council appointed Mark Maloney from Mark J. Maloney Consulting Ltd to the Audit and Risk Committee as an independent member. Mr Maloney has been engaged until October 2022 and will participate in Audit and Risk Committee meetings from 20 May 2021. This matter will now be closed pending audit confirmation.</p> <p><b>February 2021 Update</b></p> <p>Council at its 25 February 2021 meeting appointed Cr James Denyer as Chairperson and Cr Murray Grainger as Deputy Chairperson of the Audit and Risk Committee. It was agreed at the meeting to undertake a process to appoint an independent subject matter expert to the Audit and Risk Committee. A procurement process is currently underway for this appointment.</p>

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Audit Recommendation	Priority	Management response	Status Update
<b>GL Reconciliations</b>			
<p>The Council ensures all reconciliations are prepared and reviewed in a timely manner to ensure that any problems or inaccuracies can be detected early, and rectified.</p> <p>During our interim audit, we reviewed a sample of bank, creditor, debtor, payroll and suspense account reconciliations and found the following:</p> <ul style="list-style-type: none"> <li>In all of the above we noted instances of untimely review.</li> <li>Regarding debtors reconciliations, there was one instance where there was no sign-off by the person preparing the reconciliation.</li> <li>Regarding suspense accounts, there was two instances where there was no evidence of the reconciliation having been reviewed.</li> </ul> <p><b>2019-2020 Audit Management Interim Report – October 2020</b></p> <p><b>General Ledger</b></p> <p>We still note instances where reconciliations have not been prepared or reviewed in a timely manner. We identified instances where creditor, payroll clearing accounts, debtor and suspense accounts reconciliations were completed two months after month end.</p> <p><b>No evidence of review for Masterfile change report</b></p> <p>We noted the July 2019 report did not evidence the review from the Finance Manager or Senior Financial Planner. However, other reports we sighted had been appropriately reviewed.</p>	Necessary	<p><b>October 2020</b></p> <p><b>General Ledger</b></p> <p>There are two reconciliation processes that are awaiting fixes from our IT provider, Datacom. Other delays related to handover issues with a departing staff member and Council expects these have been addressed going forward.</p> <p><b>Masterfile change report</b></p> <p>While the reports had been prepared and reviewed, the date was missing from the signature. This has been corrected going forward.</p> <p><b>June 2019</b></p> <p>Monthly finance processes have been strengthened following a number of staff changes. All reconciliations are prepared and reviewed within 20 days of month-end.</p>	<p><b>May 2021 Update</b></p> <p>Reconciliations and training have been completed for all but two areas of the general ledger. It is expected that by Mid May all reconciliations and training will be complete.</p> <p><b>February 2021 Update</b></p> <p>Work on the balance sheet reconciliations is ongoing with reconciliations performed up to January 2021. Staff continue to be trained as this project continues.</p>
<b>Contract Management System</b>			
<p>The Council considers improving the functionality of its contract management system.</p> <p>There has been no progress made to date and no progress is expected until the 2019/20 period.</p> <p><b>2019-2020 Audit Management Interim Report – October 2020</b></p> <p>Based on our discussions with the procurement team, no further progress has been made with regards to the Contract Management functionality.</p>	Beneficial	<p><b>October 2020</b></p> <p>It is expected that Council will seek improvements to the procurement system once a pathway to a new ERP system is established by senior management.</p> <p><b>June 2019</b></p> <p>This will be reviewed as part of the 2019/20 work programme.</p>	<p><b>May 2021 Update</b></p> <p>This matter is on hold and will be considered as part of Council's new ERP project signaled in the LTP.</p> <p><b>February 2021 Update</b></p> <p>Procurement continues to capture all critical contract information in the contracts database. This has recently been expanded to include the earlier stages (e.g. need identification, negotiation/tender) hereby covering the initial elements of the procure to pay process.</p> <p>A contract management function will be investigated as part of the evaluation of a new ERP system under the approved timeframe of the 2021/31 LTP.</p>

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2016-2017 ANNUAL REPORT			
Audit Recommendation	Priority	Management Response	Status Update
<i>High number of 'Superusers' in Ozone and network, including Datacom staff</i>			
<p>Superuser access to Ozone to be limited to as few users as possible to reduce the chance of unapproved changes to systems and data. We note that there has been a reduction in the number of Council and Datacom staff with superuser access to Ozone.</p> <p>An automated process disables contractors' access if not used for 41 days.</p> <p>There is still a high number of staff using Domain Administrator access on the network, including staff using the generic "Administrator" login.</p> <p><b>2019-2020 Audit Management Report Final – November 2020</b></p> <p>Work is in progress to reduce network domain administrators.</p>	Necessary	<p><b>November 2020</b></p> <p>The domain administrators for systems have been reviewed and work continues to create specific system level administration to systems on an as needed basis in order to reduce "Domain Administrator" accounts.</p> <p><b>June 2019</b></p> <p>The domain Administrators for systems have been reviewed and work continues to create specific system level administration to systems on an as needed basis in order to reduce "Domain Administrator" accounts.</p>	<p><b>May 2021 Update</b></p> <p>The generic domain administrator account is disabled. Any changes to the account status (by named administrators) are recorded in the ManageEngine Active Directory Audit Plus tool log. Alerts are also raised for reporting purposes.</p> <p>The IT Team Leader may allow by prior approval the occasional usage of the account (to modify Microsoft file ownership properties).</p>



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CLOSED EXTERNAL AUDIT MATTERS			
<i>Central Database of Contractors</i>	Priority	Responsible	Status Update
Our testing of the process for adding and removing users to the network and applications did not identify any centralized process for recording contractors who are working at the Council and need access to IT systems. The processes for advising IT when contractors cease and access should be removed do not appear to be consistent. This raises the risk that contractors who no longer work for the Council may still have access – including from outside Council's premises. We recommend that a central register be developed of contractors and consultants working for the Council and formalized processes put in place for establishing and removing access to the Council's IT systems.	N/A	<b>October 2020</b> IT now manage a central database of contractors who are managed through a separate classification within our IT systems which enables Council to manage contractor access to IT system.	<b>CLOSED</b> - Pending audit confirmation. This recommendation has been addressed and is considered closed pending audit confirmation.
<i>Property, Plant and Equipment – Cost Transfers</i>			
During our testing of asset additions, we noted two instances where the Council had processed a journal transferring operational costs to capital expenditure for which the Council was unable to provide documentation in support of the transaction.  We recommend that the Council ensures supporting documentation is retained in all instances where a journal is processed to reclassify costs from operational costs to capital expenditure.	Necessary	<b>June 2019</b> Council has established a new journal convention for internal transfers which requires a higher level of documentation. This will be in place for the 2019/20 financial year.	<b>CLOSED</b> - Pending audit confirmation. This recommendation has been addressed and is considered closed pending audit confirmation.
<i>Notifying IT of all Leavers</i>			
The Council ensures that timely requests are placed with IT to remove staff access to systems upon termination of their employment.  Our testing this year noted that HR staff are not always formally notifying IT of staff leaving, and we noted discrepancies in the leaving dates for some staff.  <b>2019-2020 Audit Management Report Final – November 2020</b> HR are still not always advising IT promptly of staff leaving or changing roles. We also note that there are a number of staff who leave but then their access is requested to be left open in case the council wants the person to do further work for them some time in the future.	Necessary	<b>October 2020</b> A new IT access policy has been created to ensure the timely removal of exiting staff from our IT system.  <b>June 2019</b> To safeguard the Council's systems and data, IT are now logging and actioning the removal of staff access based on any information that they can obtain regarding terminations.	<b>CLOSED</b> - Pending audit confirmation. This recommendation has been addressed and is considered closed pending audit confirmation.
<i>Passwords not set to expire</i>			
The finalization of improvements to IT password settings needs to occur and unless stronger passwords are implemented, passwords should be set to expire for all users. An assessment and acceptance of risk by senior management be completed if Council wishes to remain with this type of access to systems.  Access to the system has been sent for users to have 12-character passwords that do not expire; however, all staff are able to log in to their devices using a six-digit numeric pin, without changes or complexity being enforced. No extra level of password security is required to log in to the Council's financial systems.	Necessary	<b>October 2020</b> Noted.  <b>June 2019</b> The internal controls around IT and passwords will be reviewed as part of the Council's 2020 work streams.	<b>CLOSED</b> - Pending audit confirmation. This recommendation has been addressed and is considered closed pending audit confirmation.

## Audit Monitoring Table – Outstanding Management Report Items from LTP 2018-2028

2018-2028 LTP AUDIT (MANAGEMENT REPORT ITEMS)		
<i>Update of the Asset Management Plans</i>	Priority	Status Update
<p>During the LTP audit, we noted that the Asset Management Plans (AMPs) will not be updated with resulting changes from the consultation process until after the LTP is adopted.</p> <p>Given the AMPs are intended to drive the strategies and model, it is important that the AMPs reflect the information within the LTP.</p> <p>We recommend that Council updates the Asset Management Plans with changes resulting from the consultation process to ensure there is alignment between the LTP and the underlying information.</p>	Recommended	<p><b>May 2021 Update</b></p> <p>There is a short timeframe between the consultation process and adoption of the LTP and the Asset Management Plans will be updated in line with or immediately following adoption of the LTP.</p>
<i>Modelling of Depreciation</i>	Recommended	May 2021 Update
<p>Through our review of the financial model, we noted that depreciation for existing assets does not take into account effects of the three yearly revaluations and depreciation, nor is it inflated. Management provided Audit NZ with a high-level assessment and we are satisfied that the potential impact of this not to be significant. However, the risk for Council is that should there be a significant increase in revaluations in future years, the annual depreciation may be understated and therefore also impact on the Council's ability to meet its self-established prudence benchmarks.</p> <p>We recommend that Council considers and assesses the potential for significant revaluation movements in future years and, if this is likely, assess the impact on forecasted depreciation and to operate within its prudence benchmark set targets.</p>		<p>IBIS/Breeze Long Term Plan financial modelling tool addresses this matter and this item can be closed once Audit NZ sign off the audit of the final 2021-2031 Long Term Plan.</p>

## Audit Monitoring Table – Outstanding Management Report Items From Internal Audit

ASSET MANAGEMENT PLANNING INTERNAL AUDIT 2019			
Audit Finding	Audit Recommendations	Priority	Status update
<b>Strategic Asset Management Plan (SAMP): Absence of a single, council-wide, strategic level asset management plan to sit above each of the portfolio level Asset Management Plans (AMPs)</b>	<ul style="list-style-type: none"> <li>Develop a group level Strategic Asset Management Plan (SAMP) in collaboration with portfolio team leaders, identifying community outcomes and goals across the portfolios and translate these into asset management objectives and priorities for WBOPDC.</li> <li>Include within the SAMP, a strategic level and integrated view of the plan for the asset portfolio (i.e. the high level activities to be undertaken on the assets to enable the delivery of organizational objectives) and the description of the asset management system and plans for system improvement.</li> <li>Include within the SAMP, a diagram to show linkages between contextual documents and how they are used to inform asset management planning.</li> </ul>	Medium	<b>CLOSED – Item has been addressed.</b>  <b>February 2021 Update</b> The overarching Strategic Asset Management Plan has now been completed. The aligning Asset Management Plans have also been completed in readiness for the adoption of the Consultation Document.
	<ul style="list-style-type: none"> <li>Review the alignment of corporate and asset management objectives for all portfolios and derive a series of meaningful high level asset management objectives and updated portfolio level asset management objectives that achieve clear alignment with corporate objectives. Utilise performance monitoring to understand and report on the value realized through asset management activities.</li> </ul>		<b>CLOSED – Item has been addressed</b>
<b>Asset data management processes, systems and analytics: Asset portfolios lacking clarity of data requirements and transition risk during new asset database implementation</b>	<ul style="list-style-type: none"> <li>In parallel with the SAMP development, document the group level asset management processes and the AssetFinda interface requirements for asset data, analytics and information. Reference these processes within the SAMP.</li> </ul>	High	<b>May 2021 Update</b> The Capitalisation process and asset recognition workshops have been completed and the asset recognition manual is being updated.
	<ul style="list-style-type: none"> <li>Establish a simple but robust data model for property portfolio assets, waste water treatment plants and other asset classes that are not well documented. Undertake a review of data gaps and collect and maintain asset registers for all asset classes in accordance with data model requirements. Embed processes of data management in the organisation.</li> </ul>		<b>May 2021 Update</b> The review of data models and data gaps across all asset classes is ongoing due to the complexity and nature of the assets. Data for existing buildings continues to be improved. An improved Treatment Plant data model will be developed within the next 12-18 months. Processes are being documented on an ongoing basis.
	<ul style="list-style-type: none"> <li>Actively promote the benefits of AssetFinda to staff with an asset management remit. Communication of the benefits of a high standard of asset data can improve motivation to maintain data. Consider the use of dashboards which are tailored to user type's e.g storm water engineers, pensioner housing property managers, making asset and portfolio reporting easier and improving supporting information for business cases.</li> </ul>		<b>May 2021 Update</b> A new report for capitalisation has been completed. Training in our reporting system is ongoing.
	<ul style="list-style-type: none"> <li>Develop a roadmap to close out the AssetFinda system implementation process and establish a clear brief of organizational information requirements to inform asset portfolio data models. Establish a clear project delivery structure for the works with senior management sponsorship and formal reporting, and assign adequate resources to achieve a successful close out.</li> </ul>		<b>May 2021 Update</b> Work management continues to be implemented using the existing reserves maintenance contract as the pilot. We are also exploring options for managing property maintenance as well.  Work management will be implemented using the existing Reserves contract as the pilot.
<b>Variable application of asset management within asset portfolios: Decision making, business cases, benefits realization, quantified risk management, and condition assessments</b>	<ul style="list-style-type: none"> <li>Undertake a review and improvement initiative for the corporate property Asset Management Plan to achieve an adequate level of asset management maturity. Provide support to the business unit to establish and embed robust asset management processes.</li> </ul>	Medium	<b>May 2021 Update</b> Support for asset management processes is ongoing. A new resource in the Property team will be utilised to embed some of these processes.

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ASSET MANAGEMENT PLANNING INTERNAL AUDIT 2019			
Audit Finding	Audit Recommendations	Priority	Status update
	<ul style="list-style-type: none"> <li>Consider greater application of value illustration in investment planning and proposals, and seek greater transparency around decision making. Make better use of appropriately scaled business case and benefits realization methodologies to existing and new investment requirements.</li> </ul>		<b>May 2021 Update</b> The project proposal template has been reviewed and activities have used this template to prepare their projects as part of the 2021/31 Long Term Plan process.
	<ul style="list-style-type: none"> <li>Apply risk management principles to asset failure risk to determine the vulnerable, sensitive or critical assets. Communicate significant risk issues to senior management and implement appropriate risk mitigation tactics.</li> </ul>		<b>May 2021 Update</b> This will require further consideration by the asset management working group and is likely to be developed over the medium term and completed by the end of this year.
	<ul style="list-style-type: none"> <li>Undertake asset management system effectiveness reviews on an annual basis and report deficiencies against agreed asset management system maturity levels to senior executives.</li> </ul>		<b>May 2021 Update</b> With the Asset Management Plan peer review process completed this will be a future area of focus for the asset management working group.



## Audit Monitoring Table – Outstanding Management Report Items From Internal Audit

KEY FINANCIAL CONTROLS INTERNAL AUDIT 2018 (KPMG)			
Audit Finding	Audit Recommendations	Priority	Status Update
<b>System limitations impacting the control environment</b>	<ul style="list-style-type: none"> <li>Ensure system controls are in place to restrict self-approved journal entries and refunds. In the interim, reinforce the requirement for journals to be reviewed and posted independently.</li> </ul>	<b>Medium</b>	<b>CLOSED</b> Process controls are in place to ensure that journal have not been self-posted. The ozone system does not have an automated tool to ensure journals are not self posted – finance staff continue to follow process controls each month. This audit matter is now closed because system controls are unable to be put in place, it is a process driven control.
	<ul style="list-style-type: none"> <li>Consider the use of 'hash total' technology to prevent unauthorized changes to the payment file.</li> </ul>		<b>May 2021 Update</b> Two separate staff members, completely independent from those staff who processed/created the payment file for payments, review the file for any changes before the file is uploaded to the bank. This ensures unauthorized changes don't occur.
	<ul style="list-style-type: none"> <li>Alternatively consider encrypting and/or password protecting the payment file from manipulation.</li> </ul>		<b>May 2021 Update</b> Two separate staff members, completely independent from those staff who processed/created the payment file for payments, review the file for any changes before the file is uploaded to the bank. This ensures unauthorized changes don't occur.
<b>Implement segregation of duties and review system access rights of the Accounts Team.</b>	<ul style="list-style-type: none"> <li>An exception report should be generated and reviewed prior to the payment run to identify any unauthorized changes to the creditor master file.</li> </ul>	<b>High</b>	<b>May 2021 Update</b> Once the new automated accounts payable tool has been implemented, training will be provided to staff on how to generate the exception report. Meanwhile, independent reviews by management still continues.