

Thames-Coromandel District Council
External Audit / Review Recommendations – Action Schedule

Meeting Date ¹	Audit NZ - Recommendation	Agreed Action	Action By ²	Date	Progress to Date	√ ³
21/12/2012	<p>Purchase Orders (IMR - 2012; IMR - 2013; IMR - 2014) Recommend that approval of all expenditure be on a one-up basis and independent of the person incurring the expenditure.</p>	<p>A one-up manual process is in place for capital expenditure related to projects and sensitive expenditure. All other expenditure will be approved on a one up basis once ePO is implemented.</p>	FM	30 June 2015	<p>The ePO project is currently at the detailed design and planning phase moving into implementation and testing phase in May. A preferred supplier has been chosen, budget recommendation developed and business case approved. Currently on-track for a go-live and transition to BAU by 30 June.</p>	
21/12/2012	<p>Development Contributions (MR - 2012; IMR - 2013; MR - 2013; MR - 2014) Due to current economic situation Council has experienced a substantial drop in revenue from development contributions. Audit concerned if this situation continues for more than the short term the interest position may grow to significant levels and create affordability issues.</p> <p>The use of unspent development contributions should be reviewed to ensure all projects have been completed within legal timeframes.</p>	<p>Agreed Council continues to monitor this closely. Future Additional Capacity Capital works projects will be deferred if growth is not eventuating. Interest on debt will be funded through retained earnings if not sustainable.</p> <p>A solution will be investigated during the development of the LTP.</p> <p>To explore legal options for alternative uses of DC reserves.</p>	CFO	On-going	<p>Council has moved \$46.6m of the ES3 wastewater plants DC debt to the ratepayer in the 2015/2016 year of the LTP and is transitioning the effect on the ratepayer by using retained earnings to fund some of these costs.</p> <p>The major component of unspent development contributions relates to unspent neighbourhood reserves. The</p>	

¹ Date presented to Audit Committee

² Referenced at end of document

³ Action Completed – will be deleted from Action Schedule following Audit Committee review

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					staff are exploring with the legal team section 206 of the LGA which covers legal alternative uses.	
18/12/2014	<p>Project Management (IMR - 2013; MR - 2013; IMR - 2014) Recommendations made by Deloitte during their review of two Mercury Bay projects should be a priority for the District Council.</p> <p>Business improvement plans on project management and procurement are a high priority for Council.</p>	A structured work programme is in place to lead and manage project management improvements, which is aligned to the organisation's annual timetable and in particular the requirements of the LTP project timeframes and deliverables.	DCE	On-going	A Classification Model has been chosen to support a structured approach to tailor PRINCE2 for TCDC. Project Management staff have been involved with work- shops to ensure that the model is appropriate and will work. The result is four levels of PRINCE2 - from Level One which is for projects where we have the skills, knowledge and ability to deliver, through to Level Four for complex projects which require a staged approach with multiple "go/no go" decision points. The model and a new Project Management Policy have been presented to the Strategy Team and were approved on 30 March 2015. All future TCDC projects will initiated and managed in accordance with this Policy and model.	
18/12/2014	<p>Contract Management (IMR - 2013; MR - 2013; IMR - 2014) The Council should consider how to effectively manage all contracts across the organisation at both the entity level and the activity level to minimise risks.</p>	Implement a Council wide centralised contract management system including a centralised register, policy and guidance on contract management.	LAW	On-going	A centralised contract register and guidance material has been developed and implemented. A QA review of the contract register is currently being scoped. This will involve ensuring that the data in the register is accurate and complete, and following up with	

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					staff to ensure that all signed contracts are in the register. This piece of work will be completed by 30 June 2015.	
18/12/2014	<p>Significant changes to planned activities and budgets (IMR - 2013; IMR - 2014; MR - 2014) Capital works project deferrals continue to increase despite significant reductions to the Capex plan as a result of the 2012-22 LTP.</p>	Continue to manage capital works programme with budget revisions, and by monthly exception reporting to DCE Group, Strategy Team, CE and Council to keep project managers accountable for the delivery of projects.	CE	On-going	There are external factors that contribute to some project deferrals. However, work carried out as part of the 2014/2015 Annual Plan and the current 2015/2025 LTP process, along with improvements to project management should result in better budget preparation. This should have a flow on effect to reduce some internal factors to project deferrals. This is an on-going process and benefits will be realised over time.	
2/3/2015	<p>Legislative compliance process (IMR - 2014) A formal system to ensure that all legislation is complied with should be implemented. This could be in the form of a checklist sent to relevant managers to complete and sign-off. Management should periodically provide positive assurance on compliance with legislative requirements to Council through an overall assurance statement to the effect that all significant legislative requirements have been complied with.</p>	<p>Legal Counsel is responsible for monitoring key changes to legislation, advising the organisation and providing training where needed.</p> <p>Positive assurance on compliance is reported to Council through the risk register</p>	LAW	30 June 2015	<p>Legal Counsel monitors key changes, advises and provides training where necessary on legislative compliance. However, it is the responsibility of each department within Council to ensure that they are complying with relevant legislation.</p> <p>The checklist recommendation from Audit NZ needs further investigation.</p>	
2/3/2015	<p>Conflict of interest (IMR - 2014) The agreed approach to manage conflicts recorded in the conflicts of interest register should be documented. There should also be a process in place for</p>	<p>A new column will be added to the register to record the agreed approach to managing the conflict. Senior staff will be prompted to</p>	GSM	30 June 2015	The agreed action is underway Staff outside of the Strategy Team will be briefed about declaring conflicts of interest at the next staff meeting. The	

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	staff to declare potential conflicts.	declare potential interests at least annually prior to the Annual Report process. Refresher and induction training will be scheduled and delivered by the governance support team.			Strategy Team will be prompted for their annual declaration in May.	
2/3/2015	Supporting documentation to support significant budget changes (IMR - 2014) Significant budget changes should be supported by adequate documentation confirming the validity of the change.	Budget managers will be reminded of their obligations to ensure that there is adequate supporting documentation to support all budget changes. The Audit Evidence Policy is communicated during the LTP / Annual Plan budget training and is included in the training pack.	DCE	On-going	Budget managers have been reminded of their obligation to have documented evidence behind any budget changes. This communication has been on-going with the development of the LTP and the March budget revisions. Project definitions and project change requests are required for any changes to a project.	
2/3/2015	Appointment of an internal auditor (IMR - 2014) Council should have an internal audit function.	Appoint an internal auditor.	CFO	31 March 2015	Responses to the request for proposal have been received. Potential providers will be presenting their proposal to the Audit Committee in May.	

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18/2/2014	Financial delegations (IMR - 2013) Approvers do not have direct access to approve expenditure. This is a significant segregation of duties risk to the approval process.	Implement a suitable EPO system which will fix the issue.	FM	On-going	Approvers currently do not have direct access to the accounts payable system to approve expenditure. However, they must sign the invoice which signifies their approval. This functionality is included in the requirements for the EPO system. See purchase order recommendation above for a progress update on this project.	
21/12/2012 1/3/2015 1/3/2015	Procurement Policy (IMR - 2012; IMR - 2013; IMR - 2014) Recommendations made in prior years' management reports should be made in order to strengthen the existing policy. Templates and guidance to improve the consistency of procurement practices should be developed. Compliance with the procurement policy should also be reviewed from time to time.	Audit's recommendations will be taken into consideration when the policy is next reviewed. Suitable templates and guidance will be considered as part of the policy review. Compliance with the procurement policy will be reviewed as part of the internal audit work programme	FM	30 June 2015	The policy is scheduled for revision in 2015. Deloitte are reviewing our procurement policy and practices. The Business Improvement Team along with the Finance Manager is working on the development of a Quality Assurance programme. Part of this work will be reviewing compliance with the procurement policy.	
18/2/2014	Spreadsheet based reporting (MR - 2013) Council should review its financial systems with a view to streamlining reporting and eliminating the manual manipulation of data.		FM	On-going	Council is currently in the process of reviewing its financial systems with a view to stream line functionality where possible.	

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					Ideally, reporting should be done directly from the financial system. This being considered as part of the programme changes/enhancement recommendations from Rocket Projects.	
18/2/2014	Earthquake prone buildings (MR - 2013 and MR - 2014) A formal seismic assessment of the Council's property needs to be undertaken as soon as possible to determine whether there is any impairment.	Plan a programme of work to establish the seismic risk of all Council properties. The requirements will be clearer once Government has given directions. This is expected in the last quarter of this financial year.	GMRE	On-going	A programme of work is currently being undertaken to establish the seismic risk of all Council properties. A high level preliminary assessment has been performed on the Wintec Building. It has been classified as a grade C building and is therefore considered to be a medium risk. An in-house desk top review is underway. We are still awaiting criteria from Central Government and will be ready to proceed as soon as this is announced.	
18/2/2014	Performance measures and targets (MR - 2013; MR - 2014) Ensure all performance measures are realistic and measurable as part of the development of the 2015-25 LTP.	Process improvement is underway to improve measurements.	SPTL	On-going	A new suite of performance measures that focus on quality have been developed and approved for the 2015/2025 LTP by Council.	C O M P L E T E D
18/2/2014	High annual leave balances (MR - 2013) Staff with high-annual leave balances should be encouraged to take leave or cash-out one week in accordance with the Holidays Act 2003.	Instruct Managers of staff with high annual leave balances to develop a leave plan.	DCE	On-going	Staff with high annual leave balances are identified through Employee-Connect. Managers have been asked to develop a leave plan with all high leave	

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					staff. Annual leave balances are monitored through monthly CE and DCE meetings.	
2/3/2015	Lease commitments work paper (MR - 2014) Review and amend the lease calculations to ensure lease commitments are accurately disclosed, that is based on the financial year, not the calendar year	The workpaper presented for audit will be based on the financial year.	FM	30 August 2015	This issue has been included as a step in the preparation of the 2014/2015 Annual Report.	
2/3/2015	Elected member's determination (MR - 2014) Reimbursement should be sought to resolve the over payment made to an elected member. Elected member's remuneration should be aligned to any future updates to the determination.	Reimbursement will be sought if deemed necessary after the determination review, which is pending. A robust process will be developed to capture any changes as a result of an update to the determination.	GSM	31 March 2015	This issue is now resolved. The determination changed twice part way through the year which caused some confusion. There is now a more robust process in place to ensure that all elected members remuneration aligns to the current determination.	✓ C O M P L E T E D
2/3/2015	Asset management / Quality of asset data (IMR - 2014; MR - 2014) Recommendations raised during the 2012-22 Long Term Plan audit need to be considered, including the need to develop improvement plans to increase the quality of asset data.	Improvement plans will be developed within the Asset Management Plans being prepared to inform the 2015-15 LTP.	DCE	On-going	Asset Management Plans have been developed with the assistance of an external consultant as part of the work carried out to inform the 2015-2025 LTP. Staff are in the early stages of preparing a business case to propose an over haul of Council's Asset Management System. The long term objective is to have a fully integrated asset management system for the management of all Council owned assets.	
2/3/2015	Funding Impact Statement (FIS) (MR - 2014) A reconciliation between the group of	A reconciliation will be performed early in the audit process.	FA	30 August 2015	A reconciliation between the FIS's has been included as a step in the preparation of the	

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Attachment A
 April 2015

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	activities FIS and the whole of council FIS should be performed and any variances identified resolved early in the audit process.				2014/2015 Annual Report.	

²GMCE Group Manager, Community Environment LAW Legal Counsel RdM Roading Manager
 GMI Group Manager, Infrastructure CM Communications Manager RM Revenue Manager
 CFO Chief Financial Officer FA Financial Accountant SPTL Strategic Planning - Team Leader
 GMSS Group Manager, Governance, Planning and Strategy MIS Manager, Information Services FA Finance Manager
 DCE Deputy Chief Executive GSM Governance Support Manager HRM Human Resources Manager
 IMR-[year] Audit NZ Interim Audit Management Letter HRA HR Advisor
 MR-[year] Audit NZ Final Audit Management Letter