



Queenstown Lakes District Council  
Management Letter  
For the year ended 30 June 2024

## Contents

1.	Executive Summary .....	2
2.	Improvement points .....	3
3.	Information Technology Improvement Points .....	8
4.	Appendix A: Risk Assessment and Definitions .....	10

## 1. Executive Summary

In performing our audit we have not identified any significant deficiencies or material weaknesses in internal controls relating to the prevention and detection of fraud and error which would impact upon our ability to provide our opinion on the financial statements for the year ended 30 June 2024. However, we did note a number of observations, which are summarised below. Refer to Section Two for a full description of the current year findings.

### Current Period Improvement Points

Observation	Area	Rating	Ease of Fix
<b>Improvement points</b>			
Review of journals	General	Moderate	Medium
Lack of review of journal entries	General	Moderate	Medium
Cyclical Review of Company Policies	General	Moderate	Simple
Debenture Trust Deed Reporting	General	Moderate	Simple
Interest register review/update	General	Moderate	Simple
Roading and 3waters – data quality improvements	Infrastructure PPE	Low	Medium
Aged bonds	Liabilities	Low	Simple
Depreciation – Useful Life Estimates	Depreciation	Low	Simple
Supplier changes review	Liabilities/Expenses	Low	Simple
Bank reconciliations	Assets	Low	Simple
<b>Information technology improvement points</b>			
New user Provisioning-Access rights are mirrored from an existing user.	IT	Moderate	Simple
Access Security- User Access de-provisioning	IT	Low	Simple
Access Security- Authentication-Process Improvement only	IT	Low	Simple

## 2. Improvement points

### 2.1 Access to post journal entries

<b>Rating:</b>		<b>Moderate</b>
<b>Ease of Fix:</b>		<b>Medium</b>
<b>Observation:</b>	In addition to members of the Finance Team (as expected) there are a number of other users with journal posting access. This includes a number of IT support specialists with full access rights.	
<b>Risk:</b>	This creates additional risks of both potential error (users accidentally posting journals) and fraud (users outside of finance team might potentially be able to post fraudulent entries).	
<b>Recommendations:</b>	We recommend that the list of users is regularly reviewed. Access should be limited to a defined group of users that have a business need to post journals. All other users should have limited access (or no access).	
<b>Management Response:</b>	We have reviewed the users who have access to post journals and aside from IT, the finance team and finance administrators no other users have journal posting access. Note 2.2 below there is a management control for journals >\$10m. In general, we would require the IT team to have full admin access in case of more technical issues beyond the Finance Teams ability. However, we will investigate our options to either limit access to specific functions within TechOne or require an additional approval step for journal posting for non-finance users to reduce potential error and fraud risk.	

### 2.2 Review of journal entries

<b>Rating:</b>		<b>Moderate</b>
<b>Ease of Fix:</b>		<b>Medium</b>
<b>Observation:</b>	<p>QLDC has a formalised review process for journals above \$10m (which have to be approved by the CFO).</p> <p>There is no formal review for the journals below that amount.</p> <p>QLDC has mitigating controls in place, which include regular reconciliations, higher level review of management accounts and segregation of duties within the Council. We do note however, that while there are mitigating controls in place, they are not granular and precise enough to fully mitigate the identified risk.</p>	
<b>Risk:</b>	There is a risk that a lack of review over individual journal entries creates additional risks around potential error and fraud.	
<b>Recommendations:</b>	We recommend that the Council considers the implementation of review controls over journal entries before they are approved for posting.	
<b>Management Response:</b>	We will consider introducing an additional review/approval function for all manual journals over a certain dollar value. Additionally we are currently moving the posting of journals to be a Financial Accounting function where the Management Accounting team request journals to be posted and are required to provide sufficient support for the journal to be posted	

## 2.3 Cyclical Review of Company Policies

<b>Rating:</b>		<b>Moderate</b>
<b>Ease of Fix:</b>		<b>Simple</b>
<b>Observation:</b>	There are a number of policies that have not been updated in recent years (including the p-card policy and recruitment policy (2016)). We have also identified that there is no formal internal guidance surrounding the cyclical review of key policies.	
<b>Risk:</b>	There is a risk that policies are not being revised in a timely manner and therefore are not updated to align with key legislative changes and changes within the economic and reporting environment.	
<b>Recommendations:</b>	<p>We recommend all policies that are older than 2 years are revised, and though there may be no change, that the policy has an updated issue date to reflect the review as well as a planned review date included in the policy.</p> <p>We note that the OAG has also provided updated guidance around sensitive expenditure policies and therefore we recommend the council applies this within its policy considerations.</p>	
<b>Management Response:</b>	A large number of obsolete policies were revoked by full Council at its April 2024 meeting, as part of ongoing policy audit work. Currently the register of QLDC policies is held by the policy team, and email reminders are sent to policy owners when their policies are due for review. A policy dashboard using TechOne is in train to replace this.	

## 2.4 Debenture Trust Deed Reporting

<b>Rating:</b>		<b>Moderate</b>
<b>Ease of Fix:</b>		<b>Simple</b>
<b>Observation:</b>	<p>It has been noted that through the Debenture Trust Deed audit that while the Reporting Certificate generated as at 31 December and 30 June declares the necessary securities held by the Council, it also includes additional disclosures to those in Schedule 4 of the Trust Deed. It was noted that these additional declarations were added following a discussion between the parties. The OAG consider information changes other than those carried out in compliance with the trust deed to be informal and not in accordance with the Trust Deed.</p> <p>Along with this it was noted that the categorisation of the stock balances in the limited independent assurance report provided by the OAG does not agree to that in the Trust Deed or Reporting Certificate. We note that the facility and drawn down amounts are accurately recorded, however not categorised as the OAG states they should be. This was also raised in prior audits.</p>	
<b>Risk:</b>	There is a risk that the Reporting Certificate is not in compliance with the Trust Deed and therefore this leads to inefficiencies in reporting to the Trustee Company, as well as not following OAG guidance.	
<b>Recommendations:</b>	We recommend that the Council and Trustee Company have the Trust Deed updated to reflect the reporting required.	
<b>Management Response:</b>	Consistent with prior years, we will follow up the matter with the Trustee	

## 2.5 Interest register review/update

<b>Rating:</b>		<b>Moderate</b>
<b>Ease of Fix:</b>		<b>Simple</b>
<b>Observation:</b>	Through our review of the interest register, we identified an instance where one of the Councillors interests did not have the directorship interest included in the correct section of register. We also note that the new format that the register is maintained in does not allow for easy identification of conflicts. This is due to the interests being held across multiple documents instead of one combined list. This means a conflict is not easily able to be identified.	
<b>Risk:</b>	There is a risk that not all information will be included in the register or that it will not be classified / documented correctly.	
<b>Recommendations:</b>	We recommend that there is a process of review implemented (at least on an annual basis) to verify if the information provided by Directors is complete and accurate and that a single directory of Councillor interests is held.	
<b>Management Response:</b>	<del>We will follow this up with the staff member in our</del> The Governance team, who are that is responsible for maintaining the Councillor interest register will to consider reviewing the way in which we report our conflicts of interest and will look to implement an annual cross reference check on Director's interests.	

## 2.6 Rooding and 3 Waters – data quality improvements

<b>Rating:</b>		<b>Low</b>
<b>Ease of Fix:</b>		<b>Medium</b>
<b>Observation:</b>	WSP (valuer for both roading and 3 waters) highlighted a number of data quality improvement areas in their respective valuations. We note for both roading and 3 waters the data quality for QLDC was largely favourable to other Councils, however, there remains opportunity for continued improvement.	
<b>Risk:</b>	This is relevant to understand how data quality could be impactful on the valuation process and its output (and therefore having impact on financial statements).	
<b>Recommendations:</b>	Council should work on continuous improvement of the data issues raised by valuer.	
<b>Management Response:</b>	<p>We note the comments and Finance will work with the infrastructure department to ensure we are continually improving in this space. This requires P&amp;I also to strive for continuous improvement in the management of asset data.</p> <p>. The P&amp;I review has increased FTE in the Asset Management teams, and we have continuous improvement activities in place for data improvement for both transport and three waters. Next calendar year should see significant improvements especially in three waters as the recruitment progresses.</p>	

## 2.7 Aged bonds

<b>Rating:</b>		<b>Low</b>
<b>Ease of Fix:</b>		<b>Simple</b>
<b>Observation:</b>	Through our testing we noted that at 30 June 2024 there are \$1.4m of bonds greater than 10 years old. While this is not an error, we would consider the likelihood of these being claimed remote.	
<b>Risk:</b>	There is a risk that the bond liability is overstated as these outstanding amounts are very unlikely to be claimed.	
<b>Recommendations:</b>	We recommend a review of the bond register to see if there are any bonds unlikely to be claimed in the future. We understand Council has already taken legal advice in respect of what can happen to unclaimed bonds.	
<b>Management Response:</b>	We agree with this recommendation and are currently working with our legal team to review our aged bonds to ensure best practise for accounting for unclaimed bonds. We have started a process to advertise the ability to claim back old streetfront bonds, with an intention to clear the bonds after a related expiration date.	

## 2.8 Depreciation – Useful Life Estimates

<b>Rating:</b>		<b>Low</b>
<b>Ease of Fix:</b>		<b>Simple</b>
<b>Observation:</b>	Consistent with prior year, there are a number of fully depreciated assets included within furniture/equipment, building improvements, and computer hardware asset categories.	
<b>Risk:</b>	This suggests that the useful lives/depreciation policies may not be reflective of the pattern of usage of these assets over time.	
<b>Recommendations:</b>	We recommend a review is completed of the operational assets register, and noting whether assets that have no value whether they should be booked on the register, and double checking depreciation rates.	
<b>Management Response:</b>	Agree with the comments made - Finance needs to implement this review.	

## 2.9 Supplier changes review

<b>Rating:</b>		<b>Low</b>
<b>Ease of Fix:</b>		<b>Simple</b>
<b>Observation:</b>	There is no set frequency implemented by QLDC for supplier changes review. The review of the report (Masterfile changes spreadsheet) that lists all new suppliers and any supplier master detail changes was not performed on a regular basis.	
<b>Risk:</b>	There is a risk that lack of frequent control could lead to inappropriate changes made to supplier database without being picked up in time to prevent inappropriate expenditures.	
<b>Recommendations:</b>	QLDC should implement the review control with defined frequency and follow up process.	

<b>Rating:</b>	<b>Low</b>
<b>Ease of Fix:</b>	<b>Simple</b>
<b>Management Response:</b>	The Financial Services Team Leader completes this review every month.

## 2.10 Bank reconciliations

<b>Rating:</b>	<b>Low</b>
<b>Ease of Fix:</b>	<b>Simple</b>
<b>Observation:</b>	Through our cash testing we noted that QLDC does not perform a bank reconciliation for all bank accounts back to the bank statements. As at year end there were a number of small unexplained variances were identified between the cash balance as per the bank confirmation and the cash general ledger balance. While this was not material, it is best practice to perform these reconciliations to ensure that are variances are investigated and understood as cash is an area with an enhanced fraud risk
<b>Risk:</b>	There is a risk that there are unexplained differences between the cash held and the general ledger.
<b>Recommendations:</b>	That a reconciliation should be performed on a regular basis for all cash accounts with any differences investigated.
<b>Management Response:</b>	We agree with the comments made and have updated our monthly processes to ensure this review is done.

### 3. Information Technology Improvement Points

#### 3.1 New user provisioning-access rights are mirrored from an existing user.

<b>Rating:</b>		<b>Moderate</b>
<b>Ease of Fix:</b>		<b>Simple</b>
<b>Observation:</b>	The user access permissions for the new users within the Technology One application are copied from that of an existing user or a user previously in that position.	
<b>Risk:</b>	Mirroring users' access to the application could potentially pose a risk that users may be provisioned access privileges beyond those necessary to perform their assigned duties, which may create inappropriate segregation of duties	
<b>Recommendations:</b>	Management should consider including a section in the access request form which explicitly mentions the roles to be provisioned for each user or outlines the due diligence performed. This should be completed by the data owners or line managers who are responsible for authorising the nature and extent of access privileges on each application.	
<b>Management Response:</b>	<p>The network authorisation form will be updated and we will remove the reference to copying from existing user accounts. A note will be included on the form to ask the manager to confirm the role (position) of the new user so that the appropriate profile access can be identified to add the user to.</p> <p>The network authorisation form is reviewed periodically to ensure it is in line with our onboarding process.</p>	

#### 3.2 Access Security- User Access de-provisioning

<b>Rating:</b>		<b>Low</b>
<b>Ease of Fix:</b>		<b>Simple</b>
<b>Observation:</b>	The access rights for one terminated user were revoked 13 days after their termination.	
<b>Risk:</b>	When access for terminated users is revoked with a delay, there is a potential risk that these users could still access the system, leading to security breaches, data manipulation, or misuse of privileges by the terminated user or others within the organization who may exploit the active account.	
<b>Recommendations:</b>	Management should ensure that access rights for terminated users are revoked immediately upon termination. Management could also consider implementing an automated or monitored process that disables user accounts across all systems as part of the offboarding procedure to reduce the risk of unauthorized access.	
<b>Management Response:</b>	<p>The user left QLDC on the 7th June, their account was expired for the 10th at 5pm as per Manager request. Accounts that have an expiry are automatically deactivated.</p> <p>We do not remove accounts until after the next pay run as the account needs to exist in TechOne for payroll to process the last pay run then it is removed as this was done subsequently (the fortnight pay run was the week of the 17th June).</p>	



### 3.3 Access Security- Authentication- Process Improvement only

<b>Rating:</b>		<b>Low</b>
<b>Ease of Fix:</b>		<b>Simple</b>
<b>Observation:</b>	The enforced Password Complexity settings for the Technology One application does not align with the settings outlined in the QDLC password policy document.	
<b>Risk:</b>	The enforced password complexity settings for the Technology One application not aligning with the QDLC password policy creates a risk of weaker password protections. This misalignment could lead to passwords that are easier to compromise, increasing the likelihood of unauthorised access to the application and sensitive data.	
<b>Recommendations:</b>	Management should update the password complexity settings for the Technology One application to ensure full alignment with the QDLC password policy. Regular reviews should be conducted to ensure all security settings across applications adhere to corporate policies, thereby reducing the risk of compromised accounts and enhancing overall security.	
<b>Management Response:</b>	Most users of TechnologyOne gain access via Active Directory and are therefore conforming to the QLDC password policy. Those users who access TechnologyOne directly do so because they infrequently require access. This group includes job applicants, contractors who have access to request management only or casual staff who have access to their timesheets and pay-slips. The infrequent nature of the access, and the low risk associated with locked down profiles, means that passwords expiring every 90 days would be an unnecessary administrative burden for those users.	

## 4. Appendix A: Risk Assessment and Definitions

Deloitte assesses the risk associated with each finding based on our current understanding of the impact of the finding on the organisation, and the likelihood of the finding occurring. The risk is rated as below.

Risk Rating	Description
<b>High</b>	<p>May have a significant adverse impact on the organisation achieving its objectives. Compromise or disruption of the confidentiality, integrity or availability of one of the Group's key business functions could occur. This finding should be addressed immediately via business decisions and associated development activities.</p> <p>We rate findings as High Risk weighing the fact that vulnerabilities are easy to find, of high prevalence, easy/moderately easy to exploit and would have a high business impact. The rest of the findings and rating used should be read in the same context.</p>
<b>Moderate</b>	<p>May expose the organisation to some risk, but is not considered significant. This finding should be addressed as soon as possible to improve Group's security.</p> <p>We rate findings as Moderate Risk weighing the fact that vulnerabilities are easy to find, easy/moderately easy to exploit and would have a moderate business impact.</p>
<b>Low</b>	<p>Limited risk to the organisation or risks identified but for which management is taking appropriate action to mitigate. Included for management information purposes.</p>

Deloitte's estimation of the effort required to fix the finding raised is based on our previous experiences with resolving similar findings at similar organisations. This is intended as a guide only.

Queenstown Lakes District Council should undertake its own assessment to determine the actual level of effort required.

Ease of Fix Rating	Description
<b>Complex</b>	<p>The solution is complex and may involve substantial time to develop, implement and test, substantial monetary cost to resolve, or substantial changes to system design or business processes. Estimated timeframe for fix to be implemented is within six months.</p>
<b>Medium</b>	<p>There is a moderately complex fix for this finding, which may involve some time to develop, implement and test, some cost to resolve, or some changes to system design or business processes. Estimated timeframe for fix to be implemented is within three months.</p>
<b>Simple</b>	<p>There is a simple fix for this finding, which may involve minor system changes that require limited effort to implement or test, minor costs to resolve, or minor changes to system design or business processes. Estimated timeframe for fix to be implemented is within one month.</p>

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited (“DTTL”), its global network of member firms, and their related entities (collectively, the “Deloitte organisation”). DTTL (also referred to as “Deloitte Global”) and each of its member firms and related entities are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm and related entity is liable only for its own acts and omissions, and not those of each other. DTTL does not provide services to clients. Please see [www.deloitte.com/about](http://www.deloitte.com/about) to learn more.

Deloitte Asia Pacific Limited is a company limited by guarantee and a member firm of DTTL. Members of Deloitte Asia Pacific Limited and their related entities, each of which are separate and independent legal entities, provide services from more than 100 cities across the region, including Auckland, Bangkok, Beijing, Hanoi, Hong Kong, Jakarta, Kuala Lumpur, Manila, Melbourne, Osaka, Seoul, Shanghai, Singapore, Sydney, Taipei and Tokyo.

Deloitte is a leading global provider of audit and assurance, consulting, financial advisory, risk advisory, tax and related services. Our global network of member firms and related entities in more than 150 countries and territories (collectively, the “Deloitte organisation”) serves four out of five Fortune Global 500® companies. Learn how Deloitte’s approximately 312,000 people make an impact that matters at [www.deloitte.com](http://www.deloitte.com).

Deloitte New Zealand brings together more than 1400 specialist professionals providing audit, tax, technology and systems, strategy and performance improvement, risk management, corporate finance, business recovery, forensic and accounting services. Our people are based in Auckland, Hamilton, Rotorua, Wellington, Christchurch, Queenstown and Dunedin, serving clients that range from New Zealand’s largest companies and public sector organisations to smaller businesses with ambition to grow. For more information about Deloitte in New Zealand, look to our website [www.deloitte.co.nz](http://www.deloitte.co.nz).

© 2024. For information, contact Deloitte Global.