

In addition to this, it is our intention to promptly advise and clear any significant accounting and auditing issues with your staff. Regular meetings with the Finance Manager will be used as a forum for addressing issues arising during the course of the audit. The advantages in having these meetings is that audit issues can be discussed and dealt with on a timely basis, avoiding possible delays in the issuance of the audit opinion.

9.2 Reporting of misstatements

Misstatements are differences in, or omissions of, amounts and disclosures that may affect a reader's overall understanding of the Council's financial statements.

During the course of our audit we will provide timely communication to an appropriate level of management on details of any misstatements we identify. This communication will ask for each misstatement to be corrected in the Council's financial statements. Where management does not wish to correct a misstatement we will seek from them a written representation setting out the reasons why this correction will not be made.

All uncorrected misstatements will be included in the letter of representation that the Council provides to us, as part of the process for the signing of the financial statement. In addition, this year, we will also include all uncorrected misstatements in our management letter.

10 Fraud

The auditing standard *The Auditor's Responsibility to Consider Fraud in an Audit of a Financial Report (AS-206)* places emphasis on the auditor making enquiries of management and those charged with governance on matters such as their assessment of the risk of fraud and the accounting and internal control systems designed to prevent and detect frauds.

We will be undertaking formal discussions with the Chief Executive and senior managers in this regard. We would like to remind you that the responsibility for the prevention and detection of fraud rests with management through the implementation and continued operation of adequate accounting and internal control systems. In addition we would like to advise that we would expect to be notified without delay where any serious fraud is *suspected* or discovered.

10.1 Fraud policy

The Auditor-General expects that every public entity should formally address the matter of fraud, and formulate an appropriate policy on how to minimise it and (if it occurs) how it will be dealt with. We will follow up whether Council has formulated a fraud policy as part of this year's audit. If so, we will also ascertain whether Council's employees have received training to help them understand their responsibilities under the fraud policy.

			Staff responsible	Interim	Final
S3	LTNZ Subsidy	<ul style="list-style-type: none"> • Copy of any LTNZ reviews or audits performed during 2005/06. • Copy of final LTNZ claim and supporting documentation (including receipts for the year). • Provide explanations for variances greater than 10% and \$500,000 when the figure is compared to the previous year and budget. • Reconciliation between final LTNZ claim and cost of service statements and debtors. 		✓	✓
T	Expenditure	<ul style="list-style-type: none"> • Reconciliation of general ledger to the financial statements. • Reconciliation of lease/rental charges to lease agreements. • A listing of Council fees claimed by each member for the year. • A listing of expenses incurred by, or on behalf of, Council members during the year (by member). • For all general ledger balances, a comparison of the actual expenditure for 2008 against: <ul style="list-style-type: none"> o budget 2009; o actual 2009. • Give explanations and substantiation of variances greater than \$500,000 or 10%. 			✓
U	Payroll	<ul style="list-style-type: none"> • Reconciliations between payroll and GL for the year. • Breakdown of the financial statements figure into the various ledger balances. 		✓	✓

*Draft for clearance/discussion purposes only. Not to be quoted without permission of the author.
Confidential sensitive information. Not available for public release.*

20

TL1109_RDC DRAFT AAL 09J