Related parties

Background

Related party means parties are considered to be related if one party has the ability to (a) control the other party, or (b) exercise significant influence over the other party in making financial and operating decisions, or if the related party entity and another entity are subject to common control.

Generally, clients will have a process whereby interests/declaration are declared, assessed and mitigated.

An interest often, but not necessarily, means there is a related party relationship, and a related party relationship does not necessarily involve related party transactions. Additional work is usually needed to identify from the interests declared, which ones are related parties. This requires assessment of which interests meet the defintion of a related party in the relevant accounting standard (generally PBE IPSAS 20 or NZ IAS 24).

The systems description should make it clear how interest declarations are assessed to determine if there are related party transactions or not.

Discussed with:	s9(2)(a) (Senior Advisor Corporate Services)
Date:	5/02/2020

1 Is there any legislation that the entity is required to comply with that prohibits it from entering into transactions with related parties?

- (•) No
- ( ) Yes

2 How do management identify who has control or can exert signficant influence over the client?

Through knowledge and experience of the EC and like entities, the Board and CEO have the most control as well as senior managers.

3 List the positions deemed to have control or who can exert signficant influence over the client

- [x] Board / Council / Governing body
- [x] CEO
- [x] CFO
- [x] Other KMP
- [ ] Other (describe)

4 How do management identify where conflict of interest/related parties may exist?

- ☐ Annual declaration from TCWG/governing body members
- ☑ Register of interests included at the start of each board/council/other TCWG meeting
- ☐ Register of interests included at the start of each senior management meeting
- ☐ Annual declarations from senior management
- ☐ Annual declarations from other employees
- ☑ Declared when someone starts and person's responsibility to keep it up to date

5 Describe process for identification of conflict of interest/related parties and the controls in place:

The governing Conflicts of Interest policy was last updated in 2016.

Board Members:
An interest register is maintained and updated at each Board meeting. Interest Declaration is the first item on the agenda, prompting any changes from the members. It also identifies whether there is any conflict with any items on the agenda for that meeting. When preparing the agenda it will be noted if an agenda item may conflict with a member's interests. When a conflict arises, the Commission policy is that person must excuse themselves from any decisions relating to it.
No issues from review of minutes regarding declaration in the interest register. For review of minutes, refer to:

All Staff:
It is every employees and contractors responsibility to inform their manager as soon as possible when an actual, perceived or potential conflict of interest arises or when they are uncertain or concerned about a possible conflict. Once a conflict of interest has been declared the manager is responsible for deciding in consultation with the person to resolve or manage the situation. Each declared conflict of interest should be considered on a case by case basis, according to the particular circumstances and the level of seriousness and sensitivity. Things considered are the nature of the activity, size of the interest and degree of influence. Where an employee declares a conflict of interest the employee completes a Declaration on Interest Form or sends an email outlining their conflict and it is filed on the employee's personal file. A copy of the declaration of interest form is sent to the Bruce Weller (Senior Advisor HR) who will retain a central register to provide a Commission view of the declared conflicts of interest. The Central Conflicts of Interest Register includes the date notified, Name, Position, Manager, Nature of Conflict of Interest and Management of the Conflict. James ensures that all transactions entered with other organisations are arms-length by evidencing it back to the contractual agreements. If a transaction is identified being outside of their agreement, James will follow this up with the appropriate managers.

6 How are any conflicts of interests mitigated?

Once a conflict of interest has been declared, the Manager is responsible for deciding in consultation with the employee, to resolve or manage the situation. Each declared conflict is considered on a case by case basis, according to the particular circumstances and the level of seriousness and sensitivity. Actions such as withdrawl from, or restrictions on, involvement in the matter are common strategies used.

7 From the declarations, how does management determine which of the conflicts of interests identified are related parties?

The Central Conflicts of Interest Register includes the date notified, Name, Position, Manager, Nature of Conflict of Interest and Management of the Conflict. James ensures that all transactions entered with other organisations are arms-length by evidencing it back to the contractual agreements. If a transaction is identified being outside of their agreement, James will follow this up with the appropriate managers.

8 How do management ensure that transactions with identified related parties are appropriately approved? What controls are in place?

N/A no related party transactions have been entered into. This will be reassessed at year end through our substantive audit work.

9 List related parties and their nature on the List tab

10 Does management do any checks to confirm completeness of the declarations?

- [x] No
- [ ] Search companies register
- [ ] Other

11 How does the disclosure for related parties get prepared? What controls are in place?

N/A no related party transactions have been entrered into. This will be reassessed at year end through our substantive audit work.

12 How do management identify which transactions are on an arms length basis and differentiate these from those that aren't?

James ensures that all transactions entered with other organisations are arms-length by evidencing it back to the contractual agreements. If a transaction is identified being outside of their agreement, James will follow this up with the appropriate managers. However this never happens as the level of procurement is extremely Low.

13 Have any fraud risk factors been identified as a result of the above?

- ( ) Yes
- (•) No

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Report to the Board on the audit of the

Electoral Commission

For the year ended 30 June 2020

Contents

Key messages

We have completed the audit for the year ended 30 June 2020. This report sets out our findings from the audit and draws attention to areas where the Electoral Commission (the Commission) is doing well and where we have made recommendations for improvement.

Audit opinion

We issued an unmodified audit opinion dated 17 December 2020.

Without modifying our audit opinion, we have included an emphasis of matter paragraph to draw attention to the disclosures in the financial statements relating to the impact of the COVID-19 pandemic on the Commission.

Audit findings

We did not identify any significant issues to bring to your attention.

The COVID-19 pandemic had a significant impact on New Zealand and the Commission in various ways, and therefore the potential impact of this was considered as part of the audit.

We found that, while the pandemic had a significant impact on the Commission's operations in the lead up to the General Election held after financial year end, there was a limited impact on the information included in the annual report.

We also assessed that the disclosures made in the annual report were appropriate. Due to the significance of COVID-19, we have included an emphasis of matter paragraph to draw the reader's attention to this disclosure which is consistent across all public entities.

Thank you

We would like to thank the Board, management and staff for their assistance throughout this audit. We appreciate the manner in which you have worked with us during a very busy and unusual year.

Andrew Clark
Appointed Auditor
30 April 2021

1 Our audit report

1.1 We issued an unmodified audit report

We issued an unmodified audit report on 17 December 2020. This means we were satisfied that the financial statements and statement of service performance present fairly the Commissions activity for the year and its financial position at the end of the year.

Emphasis of matter in relation to the impact of the COVID-19 pandemic

This emphasis of matter paragraph pertaining to the uncertainties around the impact of the COVID-19 pandemic on the Commission does not impact the audit opinion and is included in the auditor's report to refer the reader to a matter appropriately presented or disclosed in the financial statements that, in the our judgement, is of such importance that it is fundamental to readers' understanding of the financial statements.

In forming our audit opinion, we considered the following matters.

1.2 Uncorrected misstatements

The financial statements are free from material misstatements, including omissions. During the audit, we have discussed with management any misstatements that we found, other than those which were clearly trivial. There were no significant misstatements identified during the audit that required correcting.

1.3 Quality and timeliness of information provided for audit

Management needs to provide information for audit relating to the annual report of the Commission. This includes the draft annual report with supporting working papers. We provided a listing of information we required to management on 16 July 2019.

Information we required was provided in a timely manner and was of a good quality.

2 Matters raised in the Audit Plan

In our Audit Plan of 6 May 2020, we identified the following matters as the main audit risks and issues:

Audit risk/issue	Outcome
Impact of COVID-19	
On 11 March 2020 the World Health Organisation declared the outbreak of coronavirus (COVID-19) a pandemic. The New Zealand Government has taken steps to deal with the spread of COVID-19 which has included significant restrictions on the movement and interaction of people within New Zealand. This will have various potentially significant effects on individuals, communities, the economy, businesses, the wider public sector and each public sector entity. It was important that the Commission considered the impact of this event on various aspects of its operations and the information included in the annual report. We expected the Commission to complete an assessment of the impact of COVID-19 on its operations and any effect this has on the financial and performance information included in the annual report, including any additional disclosures which may have needed to be included.	We performed the following audit response: • Continued discussions with management about the impact of COVID-19 on the Commission and its control environment. • Considered the Commission's impact assessment of COVID-19 on the financial statements and performance information and consider the effect this has on our audit approach. • Considered the completeness and accuracy of disclosures contained within the annual report relating to COVID-19. We found that the pandemic has significantly impacted the Commission's planning for the General Election held after the financial year end, but not on the information included in the annual report. We assessed that the disclosures made in the annual report were appropriate. Due to the significance of COVID-19, we have included an emphasis of matter paragraph to draw the reader's attention to this disclosure.
General Election 2020	
There are a number of matters which may affect the Commission's ability to effectively deliver the General Election in 2020. These include delays in obtaining external statistical information,	We considered that the Commission is aware of all potential risks and that these risks are appropriately monitored. Our work included: • We continued discussions with the Commission, and considered any potential

Audit risk/issue	Outcome
confirmation of longer term funding, required changes to legislation to enable enrolment on election day and potentially the inclusion of a number of referenda as part of the General Election.	impact on the audit or the annual report. • We maintained awareness of any significant changes or events that were outside the normal course of business, or that otherwise appeared unusual, given our understanding of the Commission and its environment. From our work we did not identify any significant matters which were not appropriately considered and addressed by the Commission.
Performance reporting in the 2019/20 annual report	
Good performance reporting provides stakeholders and the public with information that allows them to understand the effectiveness of a public entity's service delivery. Additionally, it provides management and the Board with information to monitor performance and include in robust decision making. The Commission is required to report on its service performance results against the measures in the Statement of Intent (SOI) and Statement of Performance Expectations (SPE). It is also necessary to report any other performance information that is required to tell a full performance story.	We reviewed the Commission's annual report's performance information against: • the Statement of Intent (SOI) and Statement of Performance Expectations (SPE); and • the performance measures in the estimates of appropriation of Ministry of Justice. We are satisfied that all performance measures have been reported in the annual report. We reviewed the systems, processes and tested the validity of information for material measures disclosed in the annual report. We concluded that the reported information was appropriate and fairly stated. The reported performance information does represent the Commission's strategic objectives and key activities and tells the Commission's full performance story.
Performance reporting framework for future performance reporting	
The Commission is required to prepare an annual SPE, designed to set out the performance expectations of the Commission at the start of the financial year.	We acknowledge the progress the Commission continues to make to its performance reporting, and the approach it has begun to take into account to illustrate the cyclical nature of its work, such as the use of trend information over a number of years. We continue to recommend that the Commission further develop its strategic performance reporting framework. The key area where the

Audit risk/issue	Outcome
	Commission should continue to focus on improving is in its higher-level reporting (impact measure reporting). We recommend that the Commission: • be clearer about what the higher-level impact measures are, compared to the lower-level output measures; and • further refine the large amount of useful information included in its performance framework and reporting, to clearly explain how the various aspects link together. **Management comment** *Noted. The Commission will continue to work on its performance reporting framework with these recommendations in mind.*
Management override	
Management is in a unique position to perpetrate fraud because of management's ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Although the level of risk of management override of controls will vary from entity to entity, the risk is nevertheless present in all entities. Due to the unpredictable way in which such override could occur, it results in a risk of material misstatement due to fraud.	We designed our audit approach to address the potential risk of management override of controls, including: • We reviewed the journals system and completed journals testing, including year-end journals. • We considered any accounting estimates for bias. • We maintained awareness of any significant transactions that were outside the normal course of business, or that otherwise appear to be unusual given our understanding of the Commission and its environment, and other information obtained during the audit. From our work we did not identify any issues that indicated management override.

3 Assessment of internal control

The Board, with support from management, is responsible for the effective design, implementation, and maintenance of internal controls. Our audit considers the internal control relevant to preparing the financial statements and the service performance information.

We review internal controls relevant to the audit to design audit procedures that are appropriate in the circumstances. Our findings related to our normal audit work, and may not include all weaknesses for internal controls relevant to the audit.

3.1 Control environment

The control environment reflects the overall attitudes, awareness and actions of those involved in decision-making in the organisation. It encompasses the attitude towards the development of accounting and performance estimates and its external reporting philosophy, and is the context in which the accounting system and control procedures operate. Management, with the oversight of those charged with governance, need to establish and maintain a culture of honesty and ethical behaviour through implementation of policies, procedures and monitoring controls. This provides the basis to ensure that the other components of internal control can be effective.

We have performed a high level assessment of the control environment, risk management process, and monitoring of controls relevant to financial and service performance reporting. We considered the overall attitude, awareness, and actions of the Board and management to establish and maintain effective management procedures and internal controls.

We have not identified anything of concern.

We consider that a culture of honesty and ethical behaviour has been created. The elements of the control environment provide an appropriate foundation for other components of internal control.

3.2 Internal controls

Internal controls are the policies and processes that are designed to provide reasonable assurance as to the reliability and accuracy of financial and non-financial reporting. These internal controls are designed, implemented and maintained by the Board and management.

We reviewed the internal controls in your information systems and related business processes. This included the controls in place for your key financial and non-financial information systems.

We consider the controls in each key system are capable collectively of preventing or detecting and correcting material misstatements.

3.2.1 Financial systems

We considered the following key financial systems as part of our interim audit:

- Cash and bank
- Revenue/accounts receivable
- Expenditure/accounts payable
- Payroll
- Fixed assets
- Journals

We found these systems remain design effective[1] given the nature and size of the Commission. We also tested the controls for expenditure and payroll, and did not identify any issues.

[1] Control is effective to either prevent or detect a material error in either the financial statements and/or service performance information. The control is "fit for purpose".

4 IT General Controls assessment

As part of our 2020 audit we performed an IT General Controls review (ITGC). This review consisted of two parts.

The first is a high-level assessment on IT Governance effectiveness. We considered the overall attitude, awareness, and actions of the IT Manager and ICT Management in establishing and maintaining effective management procedures and internal controls.

We have not identified any significant deficiencies in internal control with regard to the entity's IT governance process.

The second part is an assessment as to the design effectiveness of Activity Level controls. These control areas cover the organisation's ability to manage risk and include the following areas: Manage Security Services, Manage Changes, Change Acceptance and Transitioning, Manage Service Requests and Incidents, Manage Continuity, Manage Availability and Capacity, and Manage Suppliers. We also reviewed the operation of Activity Level controls for Manage Security Services and Manage Changes, Change Acceptance and Transitioning.

Overall, we are satisfied activity controls have remained design effective for all areas and operationally effective for Security and Change. Therefore, we can place reliance on these for the purposes of our audit.

Our review highlighted recommendations on the need to review the password settings across all IT systems and consider their alignment with the Cyber Security Policy password management guidance.

This matter, as detailed in 5.2 below, was yet to be fully resolved at the time of our assessment. We will follow up on this matter during our 2021 interim audit.

5 Status of previous recommendations

5.1 Status of previous recommendations

Set out below is a summary of the action taken against previous years' recommendations.

Priority	Priority			
	Urgent	Necessary	Beneficial	Total
Open	-	1	-	**1**
Total	**-**	**1**	**-**	**1**

5.2 Open recommendation

Recommendation	First raised	Status
Necessary		
Inconsistent network and application password settings		
We recommended the Commission reviews the password settings across all IT systems and considers their alignment with the Cyber Security Policy password management guidance.	2016/17	**In progress** At the time of our assessment this review was partially completed. **Management comment** *Noted. The Commission are reviewing the password policy and practices, including implementation of single sign-on before the 2023 General Election.*

6 Public sector audit

The Commission is accountable to Parliament and to the public for its use of public resources. Everyone who pays taxes or rates has a right to know that the money is being spent wisely and in the way the Commission said it would be spent.

As such, public sector audits have a broader scope than private sector audits. As part of our audit, we have considered if the Commission has fairly reflected the results of its activities in its financial statements and non-financial information.

We also consider if there is any indication of issues relevant to the audit with:

- compliance with its statutory obligations that are relevant to the annual report;
- the Commission carrying out its activities effectively and efficiently;
- the Commission incurring waste as a result of any act or failure to act by a public entity;
- any sign or appearance of a lack of probity as a result of any act or omission, either by the Commission or by one or more of its members, office holders, or employees; and
- any sign or appearance of a lack of financial prudence as a result of any act or omission by a public entity or by one or more of its members, office holders, or employees.

We did not identify any significant issues to bring to your attention.

7 Useful publications

Based on our knowledge of the Commission, we have included some publications that the Board and management may find useful.

Description	Where to find it
COVID-19 Impact on Public Sector Reporting	
The state of emergency in response to the COVID-19 coronavirus has significantly impacted most public sector entities. The consequences for the completion of annual reports and the annual financial statements are one part of this impact.	On our website under good practice. Link: COVID-19 bulletins
Client updates	
As part of our response to the COVID-19 situation, we developed online client updates to replace the in-person sessions that were cancelled. This year's material is accessible via video presentations on our website. You can explore the material at a pace that takes account of your busy schedule. The themes respond to challenges that our clients now face, such as planning for unexpected events or dealing with additional reporting requirements related to COIVD-19 and climate change.	On our website under publications and resources. Link: Client updates
Model financial statements	
Our model financial statements reflect best practice we have seen. They are a resource to assist in improving financial reporting.	Link: Model Financial Statements
Client substantiation file	
We have put together a tool box called the Client Substantiation File to help you prepare the information you will need to provide to us so we can complete the audit work that needs to be done. This is essentially a tool box to help you collate documentation that the auditor will ask for.	On our website under good practice. Link: Client Substantiation File

Description	Where to find it
Good practice	
The OAG's website has been updated to make it easier to find good practice guidance. This includes resources on: • audit committees; • conflicts of interest; • discouraging fraud; • good governance; • service performance reporting; • procurement; • sensitive expenditure; and • severance payments.	On the OAG's website under good practice. Link: Good practice

Appendix 1: Recommendations

Our recommendations for improvement and their priority are based on our assessment of how far short current practice is from a standard that is appropriate for the size, nature, and complexity of your business. We use the following priority ratings for our recommendations.

Priority	Explanation
Urgent	**Needs to be addressed *urgently*** These recommendations relate to a significant deficiency that exposes the Commission to significant risk or for any other reason need to be addressed without delay.
Necessary	**Address at the earliest reasonable opportunity, *generally within six months*** These recommendations relate to deficiencies that need to be addressed to meet expected standards of best practice. These include any control weakness that could undermine the system of internal control.
Beneficial	**Address, *generally within six to 12 months*** These recommendations relate to areas where the Commission is falling short of best practice. In our view it is beneficial for management to address these, provided the benefits outweigh the costs.

Appendix 2: ESCO assessments

We applied a standard framework, used across central government and Crown entities, to assess your environment, systems, and controls. If we identify deficiencies, we will recommend improvements. We reached our conclusions in the context of our work in forming an opinion on the financial and service performance statements.

Explanation of grades

Grade	Explanation of grade
Very good	We have made no recommendations for improvement.
Good	We have recommended that some improvements be made.
Needs improvement	We have recommended that major improvements be made at the earliest reasonable opportunity.
Poor	We have recommended that fundamental improvements be made urgently.

The grade assigned directly reflects the recommendations for improvement as at 30 June 2020. It is not an assessment of management's overall performance or an assessment of how effective the Board is in achieving its financial and service performance objectives.

Management control environment

This is the foundation of the control environment and may include consideration of the:

- clarity of strategic planning;
- communication and enforcement of integrity and ethical values;
- commitment to competence;
- participation by those charged with governance, for example, the involvement and influence of the Audit Committee;
- management philosophy and operating style;
- organisational structure;
- assignment of authority and responsibility;
- human resources policies and practices;
- risk assessment and risk management;

- main entity-level control policies and procedures;
- information systems and communication (including planning and decision-making for information technology);
- monitoring; and
- arrangements for legislative compliance.

Management control environment	
2019/20: Very Good	We have made no recommendations for improvement.
2018/19: Very Good	

Financial information systems and controls

These are the systems and controls (including application-level computer controls) over financial performance and financial reporting, and include the:

- appropriateness of information provided;
- presentation of financial information;
- reliability of systems;
- control activity (including process-level policies and procedures); and
- monitoring.

Financial information systems and controls	
2019/20: Very Good	We have made no recommendations for improvement.
2018/19:Very Good	

Service performance information and associated systems and controls

This concerns the quality of the service performance measures selected for reporting against, as well as the systems and controls (including application-level computer controls) over service performance reporting, and includes the:

- appropriateness of information provided and reported;
- review of the associated forecast information;
- the audit of the current Statement of Performance Expectations and main measures of outcomes/impacts in the annual report;
- reliability of systems;

- control activity (including process-level policies and procedures); and
- monitoring.

Comments are based on conclusions drawn from the 2019/20 statement of service performance systems and reporting against performance measures.

Service performance information and associated systems and controls	
2019/20: Good	We have recommended that some improvements be made.
2018/19: Good	Recommendations we made in the previous years have been implemented in part.

Comment

We acknowledge the progress the Commission continues to make to its performance reporting, and the approach it has begun to take into account to illustrate the cyclical nature of its work, such as the use of trend information over a number of years.

We continued to recommend that the Commission further develop its strategic performance reporting framework. The key area where the Commission should continue to focus on improving is in its higher-level reporting (impact measure reporting).

We recommend that the Commission:

- be clearer about what the higher-level impact measures are, compared to the lower-level output measures; and
- further refine the large amount of useful information included in its performance framework and reporting, to clearly explain how the various aspects link together.

Other than the matters mentioned above, we found that appropriate systems and controls were in place and appear to be operating effectively.

Appendix 3: Disclosures

Area	Key messages
Our responsibilities in conducting the audit	We carried out this audit on behalf of the Controller and Auditor-General. We are responsible for expressing an independent opinion on the financial statements and performance information and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001. The audit of the financial statements does not relieve management or the Board of their responsibilities. Our Audit Engagement Letter contains a detailed explanation of the respective responsibilities of the auditor and the Board.
Auditing standards	We carried out our audit in accordance with the Auditor-General's Auditing Standards. The audit cannot and should not be relied upon to detect instances of misstatement, fraud, irregularity or inefficiency that are immaterial to your financial statements. The Board and management are responsible for implementing and maintaining your systems of controls for detecting these matters.
Auditor independence	We are independent of the Commission in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): *Code of Ethics for Assurance Practitioners,* issued by New Zealand Auditing and Assurance Standards Board. [Other than the audit, we have no relationship with, or interests in, the Commission.
Fees	The audit fee for the year is $72, 289, as detailed in our Audit Proposal Letter. No other fees have been charged in this period.
Other relationships	We are not aware of any situations where a spouse or close relative of a staff member involved in the audit occupies a position with the Commission that is significant to the audit. We are not aware of any situations where a staff member of Audit New Zealand has accepted a position of employment with the Commission during or since the end of the financial year.

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AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Report to the Board on the audit of the

Electoral Commission

For the year ended 30 June 2021

Contents

Key messages

We have completed the audit for the year ended 30 June 2021. This report sets out our findings from the audit and draws attention to areas where the Electoral Commission (the Commission) is doing well and where we have made recommendations for improvement.

Audit opinion

We issued an unmodified audit opinion on 23 December 2021. This means we were satisfied that the information we audited fairly reflected the Commission's activities for the year and its financial position at the end of the year.

Key matters

Management control environment - The Commission's management control environment remains very good, and based on the size and nature of the Authority's operations we have no recommendations for improvement.

General Election 2020 – The General Elections 2020 was a challenging election for a number or reasons. Based on our audit work performed, we did not identify any issues to raise.

Risk of management override of internal controls – We did not identify any issues indicating any management override of internal controls.

IT General Controls review – We concluded that the IT Governance is effective, and that the activity controls remained design effective in all areas. We also tested security and change management, and concluded that this was operationally effective. Our other observations and areas of improvement for the Commission to consider are included in Appendix 2 of this report.

Thank you

Due to the impact of the Covid-19 pandemic, it has been a challenging year, with the audit deferred to allow us to manage the effect Covid-19 has had across our audit portfolio.

We appreciate the flexibility, cooperation and assistance we have received from the Commission during this year's audit.

Andrew Clark
Appointed Auditor
30 March 2022

1 Recommendations

Our recommendations for improvement and their priority are based on our assessment of how far short current practice is from a standard that is appropriate for the size, nature, and complexity of your business. We use the following priority ratings for our recommendations.

Priority	Explanation
Urgent	**Needs to be addressed *urgently*** These recommendations relate to a significant deficiency that exposes the Board to significant risk or for any other reason need to be addressed without delay.
Necessary	**Address at the earliest reasonable opportunity, *generally within six months*** These recommendations relate to deficiencies that need to be addressed to meet expected standards of best practice. These include any control weakness that could undermine the system of internal control.
Beneficial	**Address, *generally within six to 12 months*** These recommendations relate to areas where the Board is falling short of best practice. In our view it is beneficial for management to address these, provided the benefits outweigh the costs.

1.1 New recommendations

The following table summarises our recommendations and their priority.

Recommendation	Reference	Priority
Sensitive expenditure practice improvements The Commission should ensure that sufficient supporting information is retained for all sensitive expenditure items.	5.1	Necessary
AMS system error for termination payments The Commission should investigate the issue of an employee overpayment on termination and assess the impact on the annual leave payments when staff terminate their services.	5.2	Necessary

Recommendation	Reference	Priority
IT General Controls review As part of our 2021 audit we performed an IT General Controls review and identified areas for improvement. The Commission should consider these observations and recommendations for improvement.	Appendix 2	Necessary

1.2 Status of previous recommendations

Set out below is a summary of the action taken against previous years' recommendations. Appendix 1 sets out the status of previous year's recommendations in detail.

Priority	Priority			
	Urgent	Necessary	Beneficial	Total
Open as at 1 July 2020	-	1	-	**1**
New recommendations during the year	-	2	-	**9**
New recommendations from IT general controls review	-	7	-	
Closed during the year	-	(1)	-	**(1)**
Total as of 30 June 2021	**-**	**9**	**-**	**9**

1.3 Environment, systems, and controls for measuring financial and service performance (ESCO)

We applied a standard framework, used across government departments and Crown entities, to assess your environment, systems, and controls. This assessment is based on our audit work to form an opinion on the financial and service performance statements. It incorporates the recommendations above. The grades assigned were:

Aspect	2021	2020
Management control environment	Very good	Very good
Financial information systems and controls	Very good	Very good
Performance information and associated systems and controls	Good	Good

Further information can be found in Appendix 3.

2 Our audit report

2.1 We issued an unmodified audit report

We issued an unmodified audit report on 23 December 2021. This means we were satisfied that the financial statements and statement of service performance present fairly the Commission's activities for the year and its financial position at the end of the year.

In forming our audit opinion, we considered the following matters.

2.2 Uncorrected misstatements

The financial statements are free from material misstatements, including omissions. During the audit, we have discussed with management any misstatements that we found, other than those which were clearly trivial.

There were no significant financial misstatements identified during the audit that required correcting.

We identified disclosure misstatements during the course of the audit. We discussed these with management and these were all corrected in the annual report.

2.3 Quality and timeliness of information provided for audit

Management needs to provide information for audit relating to the annual report of the Commission. This includes the draft annual report with supporting working papers. We provided a listing of information we required to management through AuditDashboard. This included the dates we required the information to be provided to us.

We were provided with the draft financial statements and performance information at the beginning of the audit. This together with the provision of supporting information supported the delivery of an efficient and quality audit.

There was good engagement with management and the annual report was appropriately updated where needed.

3 Assessment of internal controls

The Board, with support from management, is responsible for the effective design, implementation, and maintenance of internal controls. Our audit considers the internal control relevant to preparing the financial statements and the service performance information. We review internal controls relevant to the audit to design audit procedures that are appropriate in the circumstances. Our findings related to our normal audit work, and may not include all weaknesses for internal controls relevant to the audit.

3.1 Control environment

The control environment reflects the overall attitudes, awareness, and actions of those involved in decision-making in the organisation. It encompasses the attitude towards the development of accounting and performance estimates and its external reporting philosophy and is the context in which the accounting system and control procedures operate. Management, with the oversight of those charged with governance, need to establish, and maintain a culture of honesty and ethical behaviour through implementation of policies, procedures, and monitoring controls. This provides the basis to ensure that the other components of internal control can be effective.

We have performed a high-level assessment of the control environment, risk management process, and monitoring of controls relevant to financial and service performance reporting. We considered the overall attitude, awareness, and actions of the Board and management to establish and maintain effective management procedures and internal controls.

We consider that a culture of honesty and ethical behaviour has been created. The elements of the control environment provide an appropriate foundation for other components of internal control.

3.2 Internal controls

Internal controls are the policies and processes that are designed to provide reasonable assurance as to the reliability and accuracy of financial and non-financial reporting. These internal controls are designed, implemented, and maintained by the Board and management.

We reviewed the internal controls, in your information systems and related business processes. This included the controls in place for your key financial and non-financial information systems.

We concluded that the controls in each system are capable collectively of preventing or detecting and correcting material misstatements.

3.3 IT General Controls review

As part of our 2021 audit we performed an IT General Controls review (ITGC). This review consisted of two parts. The first is a high-level assessment on IT Governance effectiveness. We considered the overall attitude, awareness, and actions of the IT Manager and ICT Management in establishing and maintaining effective management procedures and internal controls.

We found IT Governance to be effective for the purposes of our audit.

The second part is an assessment as to the design effectiveness of Activity Level controls. These control areas cover the organisation's ability to manage risk and include the following areas: Manage Security Services, Manage Changes, Change Acceptance and Transitioning, Manage Service Requests and Incidents, Manage Continuity, Manage Availability and Capacity, and Manage Suppliers. We also reviewed the operation of Activity Level controls for Manage Security Services and Manage Changes, Change Acceptance and Transitioning.

Overall, we are satisfied activity controls have remained design effective for all areas. We also tested the operationally effectiveness for Security and Change. Therefore, we could place reliance on these for the purposes of our audit.

As part of our review, we also provide observations and consider any areas where improvements could be made. We have included these in Appendix 2.

4 Matters raised in the Audit Plan

In our Audit Plan of 1 June 2021, we identified the following matters as the main audit risks and issues:

Audit risk/issue	Outcome
General Election 2020	
During the year the Commission's funding and operations increased significantly to cover the conduct of the General Election, which was held during October 2020. The Commission is responsible for ensuring that effective controls remain in place for this significant event. There will also be transactions where the appropriateness of the accounting treatment will need to be considered.	The General Elections 2020 was a challenging election for a number of reasons, such as the additional complexity generally and with Covid-19 impacts, advance voting changes, the inclusion of 2 referendums, and the late change of the date of the General Election. Due to the challenges with running the election in a Covid-19 environment, the Commission received additional funding. We adapted our audit approach and as part of this approach we: • gained an understanding of the Commission's key systems of controls, including any General Election specific controls and consider whether they are appropriate; • considered the appropriateness of the accounting treatment of any significant transactions which arose as a result of the General Elections; and • performed detailed audit testing of transactions to supporting documents. From our work we did not identify any significant matters which were not appropriately considered and addressed by the Commission.

Audit risk/issue	Outcome
Performance reporting in the 2020/21 annual report	
Good performance reporting provides stakeholders and the public with information that allows them to understand the effectiveness of a public entity's service delivery. Additionally, it provides management and the Board with information to monitor performance and include in robust decision making. The Commission is required to report on its service performance results against the measures in the Statement of Intent (SOI) and Statement of Performance Expectations (SPE). It is also necessary to report any other performance information that is required to tell a full performance story.	We reviewed the Commission's annual report's performance information against: • the Statement of Intent (SOI) and Statement of Performance Expectations (SPE); and • the performance measures in the estimates of appropriation of the Ministry of Justice. We are satisfied that all performance measures have been reported in the annual report. We reviewed the systems, processes and tested the validity of information for material measures disclosed in the annual report. We concluded that the reported information was appropriate and fairly stated. The reported performance information does represent the Commission's strategic objectives and key activities and tells the Commission's full performance story.
Performance reporting framework for future performance reporting	
The Commission is required to prepare an annual SPE, designed to set out the performance expectations of the Commission at the start of the financial year.	We acknowledge the progress the Commission continues to make to its performance reporting, and the approach it has begun to take into account to illustrate the cyclical nature of its work, such as the use of trend information over a number of years. We provided feedback on the early drafts of the SPE for 2021/22 and discussed our comments with management while these documents were being developed. We continued to recommend that the Commission further develop its strategic performance reporting framework. The key area where the Commission should continue to focus on improving is in its higher-level reporting (impact measure reporting). These documents form the framework for future performance reporting (in next year's annual report).

Audit risk/issue	Outcome
	We will again consider the performance framework as part of the 2021/22 audit, as well as any further changes in the SPE and the SOI when these are next updated.
Management override	
Management is in a unique position to perpetrate fraud because of management's ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Although the level of risk of management override of controls will vary from entity to entity, the risk is nevertheless present in all entities. Due to the unpredictable way in which such override could occur, it results in a risk of material misstatement due to fraud.	We performed specific audit procedures to respond to the risk of fraud due to management override of controls, this included: • Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements. • Reviewing material accounting estimates. Reviewing any significant transactions that were outside the normal course of business, or that otherwise appeared to be unusual given our understanding of the entity and its environment and other information obtained during the audit, we evaluated whether the business rationale (or the lack thereof) of the transactions suggested that they had been entered into to engage in fraudulent financial or non-financial reporting or to conceal misappropriation of assets. We did not identify any issues.

5 Other matters identified during the audit

5.1 Sensitive expenditure practice improvements

During our sample testing of sensitive expenditure transactions, we found an area where the Commission's sensitive expenditure policy was not complied with:

1 Lack of supporting documentation for expenditure

Of the twelve sensitive items tested, we found in two occasions there was not sufficient supporting documentation available for the expenditure occurred.

We recommend the Commission ensures that sufficient supporting information is retained for all sensitive expenditure items.

Management comment

Accepted. We will remind Approvers, Preparers and Cardholders of their respective roles and responsibilities, including the need to ensure that sufficient supporting information is retained for all expenditure items.

5.2 AMS system error for termination payments

With the audit of termination payments, we noted an employee was paid in a higher hourly rate for the annual leave pay out as part of the termination payment. Per discussion with relevant staff of the Commission it was indicated it was caused by a system bug in the AMS system.

We recommend the Commission to investigate this issue and assess the impact on the annual leave payments when staff terminate their services.

Management comment

Accepted. The Electoral Commission has sent an enquiry to AMS to provide us with confidence that the system does not have an error and if there is an error how we would rectify the problem retrospectively, and ensure that Annual leave and Annual Holidays are paid according to the following rules.

6 Public sector audits

The Commission is accountable to Parliament and to the public for its use of public resources. Everyone who pays taxes or rates has a right to know that the money is being spent wisely and in the way the Commission said it would be spent.

As such, public sector audits have a broader scope than private sector audits. As part of our audit, we have considered if the Commission has fairly reflected the results of its activities in its financial statements and performance information.

We also consider if there is any indication of issues relevant to the audit with:

- compliance with its statutory obligations that are relevant to the annual report;
- the Commission carrying out its activities effectively and efficiently;
- the Commission incurring waste as a result of any act or failure to act by a public entity;
- any sign or appearance of a lack of probity as a result of any act or omission, either by the Commission or by one or more of its members, office holders, or employees; and
- any sign or appearance of a lack of financial prudence as a result of any act or omission by a public entity or by one or more of its members, office holders, or employees.

No significant issues were noted to bring to your attention.

7 Key changes to the Government Procurement Rules

The Government Procurement Rules (Rules) have had two new rules added. As well as these changes, the Government has introduced a "Progressive Procurement Policy" in which agencies must increase the diversity of their suppliers. One of the key features of the policy is that mandated agencies (those who are required to comply with the rules) are required to adopt a target that "5 percent of the total number of procurement contracts are awarded to Māori businesses". Further details of these changes are noted below:

7.1 Procurement response measure

From 1 June 2021 the Procurement response measure rule came into effect. This new rule (12A) allows the Ministry of Business, Innovation and Employment (MBIE) as Procurement Functional Leader (PFL) to respond to a policy priority, emergency, or crisis by declaring appropriate procurement response measures (a procurement measure), to help achieve specific outcomes and drive positive change across the government procurement system.

By declaring a procurement measure, the PFL can mandate and deliver targeted interventions at a national, sectoral, or regional level. Procurement measures may be applicable to some or all mandated agencies and their procurement activities. They are put in place for a set period to support defined objectives.

Further details can be found at Procurement response measure guidance.

7.2 Quality employment outcomes

A new rule 18A will come into effect on 1 October 2021. This rule requires mandated agencies to consider quality employment opportunities for New Zealanders. This is in addition to previous changes in 2019 on Broader Outcomes in the Rules. MBIE have advised guidance and training will be available before the new Rule comes into effect.

7.3 Te Kupenga Hao Pāuaua – Progressive Procurement

On 3 December 2020 the government announced a further change to procurement policy for mandated agencies. Te Puni Kōkiri and MBIE have worked in partnership to develop the progressive procurement approach aimed at increasing the diversity of government suppliers, starting with Māori businesses. The Ministers for Māori Development and Economic and Regional Development announced a target to encourage public agencies to "cast the net wider" when awarding contracts. The progressive procurement policy is called Te Kupenga Hao Pāuaua. Translated it means cast the fishing net wide and be enterprising.

The main features of the "Progressive Procurement Policy" are:

- The definition of a Māori business as a Māori authority (as classified by the Inland Revenue Department) or a business with minimum 50% Māori ownership.
- A target that 5% of the total number of buyer (mandated government agencies) procurement contracts are awarded to Māori businesses.
- Intermediary organisations to act as a broker, matching and connecting buyers and suppliers to realise procurement opportunities. Further, brokers can assist with verifying supplier businesses as meeting the definition of Māori business.
- Supporting sustainable, long term behavioural change of government agencies and businesses' procurement practices.

Details on this initiative can be found at the Te Puni Kōkiri website for Progressive Procurement including information for buyers.

We encourage procurement staff to understand the changes, and prepare for their implementation by considering the changes that are required to Electoral Commission's procurement policies, procedures and practices.

7.4 Five questions your governing body could ask right now

1 Is our procurement policy up-to-date and consistent with these new rules and policy objectives?

2 Are we clear how we implement broader outcomes in our procurement practices – with updated tools, templates, and guidance?

3 Do we have complete information on our current suppliers, and can we identify the Māori businesses amongst them?

4 What have we done to reach out to our suppliers to identify whether they are Māori businesses?

5 What have we done to understand and remove barriers for Māori businesses to compete for our work?

7.5 Two next steps

1 Do we know enough about all our suppliers to understand and differentiate between them, so that we can be sure we are "casting the net wide"?

2 Have we developed procurement approaches that identify and reach out to Māori businesses, to make it easy for them to compete for contracts?

7.6 Future audits

By 2022 we expect agencies will have implemented the required changes. In future audits we may review whether mandated agencies have:

- a framework in place regarding broader outcomes and progressive procurement – policies, procedures, tools, and templates;
- are applying the policies in practice consistently and well; and
- ensuring that senior managers and governors have the information they need to monitor and review the organisation's adherence to the broader outcomes and progressive procurement requirements.

8 Useful publications

Based on our knowledge of the Board, we have included some publications that the Commission and management may find useful.

Description	Where to find it
Observations from central government audits: 2020/21	
The report sets out our observations from our 2020/21 central government audits and includes: • the operating environment for central Government; • audit of the Government's financial statements; • the Controller function; and • improving how the government reports on its performance.	On OAG's website under 2021 publications Link: central-government
What good looks like: Lessons for public organisations	
A presentation to our central government Audit and Risk Committee Chairs' Forum. The presentation contained important findings from our recent work, including our performance audits, inquiries, and good practice guidance. We also highlighted areas that we will be focusing on over the next six months, including our Covid-19-related work.	On OAG's website under 2021 publications Link: what-good-looks-like

Description	Where to find it
The problems, progress, and potential of performance reporting	
Performance reporting is a fundamental part of providing effective public accountability. This discussion paper explores five areas for improvement: • ensuring that performance information is focused on the issues that matter to New Zealanders; • ensuring that performance information is tailored to different audiences to make it more accessible; • better integrating and aligning performance information so it is clear how the activities of public organisations contribute to outcomes; • improving monitoring and scrutiny of the performance information that is produced to encourage continuous improvement; and • building demand for good quality performance information, strengthening system leadership, and investing in the capability to do it well.	On OAG's website under 2021 publications Link: performance-reporting
Building a stronger public accountability system for New Zealanders	
Public accountability is about public organisations demonstrating to Parliament and the public their competence, reliability, and honesty in their use of public money and other public resources. This discussion paper looks at how well New Zealand's public accountability system is working in practice	On OAG's website under 2021 publications Link: public-accountability

Description	Where to find it
The Government's preparedness to implement the sustainable development goals	
In 2015, all United Nations members signed up to Transforming our world: the 2030 Agenda for Sustainable Development (the 2030 Agenda). It sets out 17 sustainable development goals to be achieved by 2030. We looked at what arrangements are in place and how the Government is encouraging stakeholders and the public to engage with efforts to achieve the sustainable development goals by 2030.	On OAG's website under 2021 publications Link: sdgs
Client updates	
As part of our response to the Covid-19 situation, we developed online client updates to replace the in-person sessions that were cancelled. This year's material is accessible via video presentations on our website. The themes respond to challenges that our clients now face, such as planning for unexpected events or dealing with additional reporting requirements related to Covid-19 and climate change.	On our website under publications and resources. Link: Client updates
Good practice	
The OAG has made it easier to find good practice guidance, including resources on: • audit committees; • conflicts of interest; • discouraging fraud; • good governance; • service performance reporting; • procurement; • sensitive expenditure; and • severance payments.	On the OAG's website under good practice. Link: Good practice

Appendix 1: Status of previous recommendations

Implemented or closed recommendations

Recommendation	First raised	Status
Necessary		
Inconsistent network and application password settings		
We recommended the Commission reviews the password settings across all IT systems and considers their alignment with the Cyber Security Policy password management guidance.	2016/17	**Implemented** The Commission reviewed the password policy and practices, including implementation of single sign-on.

Appendix 2: IT General Controls improvement areas

Overall, we concluded that the IT Governance is effective and we are satisfied activity controls have remained design effective in all areas.

However, as part of our review of the IT General Controls environment we noted the following areas where improvement could be made:

1 Formal periodic review of access and access rights to the Commission's key systems

There is no formal periodic review of who has access and what access rights users have in the Commission's key systems.

Formal periodic review, when combined with existing control practices, such as stringent access provisioning and de-provisioning, review of inactive accounts, further reduces the risk of unauthorised access to systems.

We recommend the Commission implement a formal process to undertake regular review of users' access rights to key systems. This review is best performed by relevant business unit managers from information provided by IT. The Commission may choose to focus the review on access rights or profiles which it considers as high risk.

Management comment *(Comments from Commission's IT Management)*

Accepted. We will implement this during the next review period.

2 Termination of access to the Commission's information systems

In our review of the process to disable or remove access to the Commission's systems, we noted the following:

For staff:

- There is no regular report of resigned staff that is sent to service desk, which can be used as the primary source of information to disable or remove user's access to the Commission's systems.
- The primary way of notifying the service desk that a staff member is leaving and that access to the Commission's systems can be terminated is via the "offboarding staff" request which is completed by the relevant department.
- There is a regular review of accounts which has not registered a logon in Azure AD for more than 30 days. These accounts are disabled unless IT is notified otherwise by the relevant manager.
- An instance where the network log on account of the staff in the offboarding request has been disabled, and although MIKE system was identified as one of the

systems the resigned staff has access to, access to the MIKE system was not disabled.

For non-staff / third parties:

- Account expiry on vendor log on accounts are not consistently provisioned.
- The Commission does not receive regular notification from its vendors, when its staff who has access to the Commission's system has ceased its employment with the vendor.

We appreciate that the regular review of accounts with no logon activity for over 30 days reduces the risk of unauthorised access to the Commission's systems. However, since most of the Commission's systems are not currently authenticating via AD authentication mechanism, there is still a risk that a resigned staff account can be used by someone else to access a Commission system.

We recommend that rather than relying mainly on the "offboarding staff" request, IT should be provided with a regular report of staff resignations/leavers. This report should then be circulated to all relevant system and application administrators for appropriate action (e.g. check if the user has access to the system and disable accordingly).

For third party accounts, account expiry should be consistently provisioned, unless there is valid business reason for not setting up the expiry. The Commission should also require its vendor to notify the Commission on a timely basis, when its staff who has access to the Commission's system ceases employment with the vendor.

Management comment *(Comments from Commission's IT Management)*

Accepted. We will implement the recommendations during the next review period. We are also intending to start the process of implementing SSO across applications and services to further reduce the complexity of offboarding.

3 Observations on log on accounts with admin rights

We have observed the following in relation to the accounts belonging to the active directory groups with elevated access rights:

The built-in account "Administrator" was used in July 2021 with no formal records documenting who used it and why it was used:

- We assessed that there are too many Rivera accounts with domain admin access rights. This is recognised by the IT team and will be addressed as part of its continuing security improvements.
- We noted one instance where an account has no password expiry. We have assessed this as an isolated case which was rectified at the time of our audit.

- There is ad hoc reviews of accounts with elevated access rights but have not been in used for an extended period. The IT team is intending to formalise this review.

- As per our comment in one of our audit points, there is no formal notification to the Commission when a vendor's staff (e.g. Rivera) has ceased employment with the vendor in order to terminate the user's access to the Commission's systems on a timely basis.

We appreciate that the Commission has existing formal security events monitoring and incident response process that reduces the risk of unauthorised access. Addressing the issues will further reduce the risk of unauthorised access.

We recommend the Commission implement formal records documenting the use and why the built-in account "Administrator" should be implemented.

Management comment *(Comments from Commission's IT Management)*

Accepted. We will implement the recommendations during the next review period.

4 Formal process to periodically test back up

We have noted that there is no formally scheduled test restore of backups. Restore testing provides assurance that the Commission's data is readable and that it can restore data within a reasonable timeframe.

We recommend the Commission implement a formal test restore to further strengthen its existing disaster recovery strategies.

Management comment *(Comments from Commission's IT Management)*

Accepted. We are currently reviewing the backup solutions in place as well as BCP and disaster recovery more widely. Testing the ability to recover from disaster (including restoration of backups) is scheduled to take place later this year as part of election simulations.

5 Payroll outsourcing with s9(2)(b)(ii)

We have observed during our review that the payroll team appears to have difficulty in accessing HR and payroll reports from the s9(2)(b)(ii) systems. Based on our understanding, the Commission's payroll team have very limited access to run reports from the system. In most instances, the Commission must contact the vendor to obtain the reports they require.

s9(2)(b)(ii)

We recommend that Commission review the existing contract with the vendor s9(2)(b)(ii)

s9(2)(b)(ii) The Commission should also clarify with the vendor the level of access rights, its employees can have on the system and the data, given the outsourced nature of the payroll processing.

Management comment

Accepted. The Commission is in ongoing talks with the vendor to improve the quality of the reports available through the system. The vendor recently upgraded the system and indicated that this will help facilitate the ability to get appropriate reports. s9(2)(b)(ii)

6 Log on accounts with no log on information

We noted a number of logs on accounts with no log on information, indicating that these accounts have not been used since the account was created. The list has been provided to the IT team for investigation.

In view of the above, we **recommend** that a formal process be implemented to regularly review those accounts which were created but have not been used for an extended period.

Management comment *(Comments from Commission's IT Management)*

Accepted. We expect these accounts to be removed over time as we move to Azure AD, however we will be reviewing the outstanding list during the next review period.

7 Regular service delivery reports from s9(2)(b)(ii)

We noted that the Commission is not receiving the monthly reporting from s9(2)(b)(ii) as prescribed in the agreement between the Commission and s9(2)(b)(ii)

The lack of reporting from service providers increases the risk of vendors not performing in accordance with agreed service levels.

We recommend that the Commission require that the monthly reports as per the agreement be provided by s9(2)(b)(ii) These reports should be reviewed accordingly by the Commission to ensure it reflects accurately the service level being received by the Commission.

Management comment *(Comments from Commission's* s9(2)(b)(ii)

Accepted. We note that in addition to the monthly performance meeting with s9(2)(b)(ii) *that a new master services agreement is being developed which specifies the content and frequency of the documentation required from* s9(2)(b)(ii) *including monthly performance reporting.*

Appendix 3: ESCO assessments

We applied a standard framework, used across central government and Crown entities, to assess your environment, systems, and controls. If we identify deficiencies, we will recommend improvements. We reached our conclusions in the context of our work in forming an opinion on the financial and service performance statements.

Explanation of grades

Grade	Explanation of grade
Very good	We have made no recommendations for improvement.
Good	We have recommended that some improvements be made.
Needs improvement	We have recommended that major improvements be made at the earliest reasonable opportunity.
Poor	We have recommended that fundamental improvements be made urgently.

The grade assigned directly reflects the recommendations for improvement as at 30 June 2021. It is not an assessment of management's overall performance or an assessment of how effective the Commission is in achieving its financial and service performance objectives.

Management control environment

This is the foundation of the control environment and may include consideration of the:

- clarity of strategic planning;
- communication and enforcement of integrity and ethical values;
- commitment to competence;
- participation by those charged with governance, for example, the involvement and influence of the Audit Committee;
- management philosophy and operating style;
- organisational structure;
- assignment of authority and responsibility;
- human resources policies and practices;
- risk assessment and risk management;

- main entity-level control policies and procedures;
- information systems and communication (including planning and decision-making for information technology);
- monitoring; and
- arrangements for legislative compliance.

Management control environment	
2020/21: Very Good	We have made no recommendations for improvement.
2019/20: Very Good	

Financial information systems and controls

These are the systems and controls (including application-level computer controls) over financial performance and financial reporting, and include the:

- appropriateness of information provided;
- presentation of financial information;
- reliability of systems;
- control activity (including process-level policies and procedures); and
- monitoring.

Financial information systems and controls	
2021: Very Good	We have made no significant recommendations for improvement.
2020: Very Good	

Service performance information and associated systems and controls

This concerns the quality of the service performance measures selected for reporting against, as well as the systems and controls (including application-level computer controls) over service performance reporting, and includes the:

- appropriateness of information provided and reported;
- review of the associated forecast information [and Information Supporting the Estimates];
- the audit of the current [Statement of Performance Expectations] and main measures of outcomes/impacts in the annual report;
- reliability of systems;

- control activity (including process-level policies and procedures); and
- monitoring.

Comments are based on conclusions drawn from the 2020/21 statement of service performance systems and reporting against performance measures.

Service performance information and associated systems and controls	
2020/21: Good	We have recommended that some improvements be made.
2019/20: Good	
Comment	
We acknowledge the progress the Commission continues to make to its performance reporting, and the approach it has begun to take into account to illustrate the cyclical nature of its work, such as the use of trend information over a number of years. We continue to recommend that the Commission further develop its strategic performance reporting framework. The key area where the Commission should continue to focus on improving is in its higher-level reporting (impact measure reporting). We have provided feedback on the early drafts of the SPE for 2021/22 and discussed our comments with management while these documents were being developed. Other than the matters mentioned above, we found that appropriate systems and controls were in place.	

Appendix 4: Disclosures

Area	Key messages
Our responsibilities in conducting the audit	We carried out this audit on behalf of the Controller and Auditor-General. We are responsible for expressing an independent opinion on the financial statements and performance information and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001. The audit of the financial statements does not relieve management or the Board of their responsibilities. Our Audit Engagement Letter contains a detailed explanation of the respective responsibilities of the auditor and the Board.
Auditing standards	We carried out our audit in accordance with the Auditor-General's Auditing Standards. The audit cannot and should not be relied upon to detect instances of misstatement, fraud, irregularity or inefficiency that are immaterial to your financial statements. The Board and management are responsible for implementing and maintaining your systems of controls for detecting these matters.
Auditor independence	We are independent of the Commission in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: *International Code of Ethics for Assurance Practitioners,* issued by New Zealand Auditing and Assurance Standards Board. Other than the audit, we have no relationship with, or interests in, the Commission.
Fees	The audit fee for the year is $78,199, as detailed in our Audit Proposal Letter. No other fees have been charged in this period.
Other relationships	We are not aware of any situations where a spouse or close relative of a staff member involved in the audit occupies a position with the Authority that is significant to the audit. We are not aware of any situations where a staff member of Audit New Zealand has accepted a position of employment with the Authority during or since the end of the financial year.

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AUDIT NEW ZEALAND
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Audit plan

Electoral Commission

For the year ending 30 June 2020

Audit plan

I am pleased to present our audit plan for the audit of the Electoral Commission (the Commission) for the year ending 30 June 2020. The purpose of this audit plan is to discuss:

The contents of this plan should provide a good basis for discussion when we meet with you.

We will be happy to elaborate further on the matters raised in this plan.

Our work improves the performance of, and the public's trust in, the public sector. Our role as your auditor is to give an independent opinion on the financial statements and performance information. We also recommend improvements to the internal controls relevant to the audit.

If there are additional matters that you think we should include, or any matters requiring clarification, please discuss these with me.

Yours sincerely

Andrew Clark
Appointed Auditor
6 May 2020

Audit risks and issues

Focus areas

Based on the planning work and discussions that we have completed to date, we set out in the table below the main audit risks and issues. These will be the main focus areas during the audit.

Audit risk/issue	Our audit response
Impact of COVID-19	
On 11 March 2020 the World Health Organisation declared the outbreak of coronavirus (COVID-19) a pandemic. The New Zealand Government has taken steps to deal with the spread of COVID-19 which has included significant restrictions on the movement and interaction of people within New Zealand. This will have various potentially significant effects on individuals, communities, the economy, businesses, the wider public sector and each public sector entity. It is important that the Commission considers the impact of this event on various aspects of its operations and the information included in the annual report. We expect the Commission to complete an assessment of the impact of COVID-19 on its operations and any effect this has on the financial and performance information included in the annual report, including any additional disclosures which may need to be included.	Our audit response to this risk includes: • Continue discussions with management about the impact of COVID-19 on the Commission and its control environment. • Consider the Commission's impact assessment of COVID-19 on the financial statements and performance information and consider the effect this has on our audit approach. • Consider the completeness and accuracy of disclosures contained within the annual report relating to COVID-19. Where new audit risks or issues relating to COVID-19 are identified we will advise you of these separately.
General Election (GE) 2020	
There are a number of matters which may affect the Commission's ability to effectively deliver the General Election on 19 September 2020, which includes referendums on cannabis and end of life choice.	We consider that the Commission is aware of these matters and is appropriately monitoring the associated risks. We will continue discussions with the Commission, and consider any potential impact on the audit or the annual report.

Audit risk/issue	Our audit response
These have included operational type matters, such as delays in obtaining external statistical information, confirmation of longer term funding, required changes to legislation to enable enrolment on election day and the inclusion of the two referenda as part of a General Election. There is also the added challenge presented by COVID-19. For the year ending 30 June 2020, there are also potential accounting treatment matters to consider as the Commission nears the General Election, such as whether transactions relate to the 2019/20 annual report or the next annual report, the recognition of any inventory items or whether the Commission purchases or leases assets for use in the General Election.	We will also review any potential accounting treatment areas which may be susceptible to increased risk of error.
Performance reporting in the 2019/20 annual report	
Good performance reporting provides stakeholders and the public with information that allows them to understand the effectiveness of a public entity's service delivery. Additionally, it provides management and the Board with information to monitor performance and include in robust decision making. The Commission is required to report on its service performance results against the measures in the Statement of Intent (SOI) and Statement of Performance Expectations (SPE). It is also necessary to report any other performance information that is required to tell a full performance story.	We will form a view on whether the performance information fairly presents the Commission's actual performance for the year. This will involve: • reviewing and testing the systems and processes that provide information for performance reporting, as well as verifying the content of the performance information; • reviewing the reported levels of achievement for significant performance measures, including explanations of variances; • ensuring that all performance measures specified in the SOI and SPE have been reported in the Statement of Performance; and • ensuring that the reported performance and other information within the 2019/20 annual report tells the Commission's full performance story.

Audit risk/issue	Our audit response
Performance reporting framework for future performance reporting	
The Commission is required to prepare an annual SPE, designed to set out the performance expectations of the Commission at the start of the financial year. We understand that the Commission is also updating its SOI this year.	We will provide feedback on the early drafts of the SOI and SPE, and discuss our comments with management while these documents are being developed. These documents form the framework for future performance reporting (in next year's annual report), but any enhancements identified from this process can be incorporated in the current year's annual report in addition to the 2019/20 performance framework requirements. We will consider any further changes in the final SOI and SPE.
Management override	
Management is in a unique position to perpetrate fraud because of management's ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Although the level of risk of management override of controls will vary from entity to entity, the risk is nevertheless present in all entities. Due to the unpredictable way in which such override could occur, it results in a risk of material misstatement due to fraud.	Our audit response to this risk includes: • test the appropriateness of selected journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements; • review accounting estimates for any indications of bias; and • evaluate any unusual or one-off transactions, including any with related parties.

Please tell us about any additional matters we should consider, or any specific risks that we have not covered. Additional risks may also emerge during the audit. These risks will be factored into our audit response and our reporting to you.

Fraud risk

Misstatements in the financial statements and performance information can arise from either fraud or error. The distinguishing factor between fraud and error is whether the underlying action is intentional or unintentional. In considering fraud risk, two types of intentional misstatements are relevant – misstatements resulting from fraudulent reporting, and misstatements resulting from misappropriation of assets.

The primary responsibility for the prevention and detection of fraud and error rests with the Board, with assistance from management. In this regard, we will discuss the following questions with you:

- What role does the Board play in relation to fraud? How do you monitor management's exercise of its responsibilities?
- Has a robust fraud risk assessment been completed? If so, is the Board satisfied that it had appropriate input into this process?
- How does management provide assurance that appropriate internal controls to address fraud risks are in place and operating?
- What protocols/procedures have been established between the Board and management to keep you informed of instances of fraud, either actual, suspected, or alleged?
- Are you aware of any actual, suspected, or alleged fraud? If so, have the results of management's investigation been reported to the Board? Has appropriate action been taken on any lessons learned?

Our responsibility

Our responsibility is to obtain reasonable, but not absolute, assurance that the financial statements and performance information are free from material misstatement resulting from fraud. Our approach to obtaining this assurance is to:

- identify fraud risk factors and evaluate areas of potential risk of material misstatement;
- evaluate the effectiveness of internal controls in mitigating the risks;
- perform substantive audit procedures; and
- remain alert for indications of potential fraud in evaluating audit evidence.

The Auditor-General has published useful information on fraud that can be found at oag.parliament.nz/reports/fraud-reports.

Our audit process

Initial planning

Initial planning activities include verifying compliance with independence requirements and building the audit team.

Understand your business and environment

We use our extensive sector and business knowledge to make sure we have a broad and deep understanding of the Commission, your business, and the environment you operate in.

Assess audit risk

We use our knowledge of the business, the sector and the environment to identify and assess the risks that could lead to a material misstatement in the financial statements and performance information.

Evaluate internal controls

We update our understanding of internal controls relevant to the audit. This includes reviewing the control environment, risk assessment process, and relevant aspects of information systems controls. Most of this work is done during the initial audit visits. We evaluate internal controls relevant to the audit for the whole financial year, so we consider internal controls relevant to the audit at all visits.

Finalise the audit approach

We use the results of the internal control evaluation to determine how much we can rely on the information produced from your systems during our final audit.

Gather audit evidence

During the final audit we audit the balances, disclosures, and other information included in the Commission's financial statements and performance information.

Conclude and report

We will issue our audit report on the financial statements and performance information. We will also report to the Board covering any relevant matters that come to our attention.

Materiality

In performing our audit, we apply the concept of materiality. In the public sector, materiality refers to something that if omitted, misstated, or obscured could reasonably be expected to:

- influence readers' overall understanding of the financial statements and performance information; and
- influence readers in making decisions about the stewardship and allocation of resources, or assessing your performance.

This definition of materiality is broader than the one used in the private sector.

Accounting standards also require the Board and management to consider materiality in preparing the financial statements. IFRS Practice Statement 2, *Making Materiality Judgements*, provides guidance on how to make materiality judgements from a financial statements preparer's perspective. Although this guidance is primarily aimed at for-profit entities, the same principles can be applied by public benefit entities.

Whether information is material is a matter of judgement. We consider the nature and size of each item judged in the surrounding circumstances. The nature or size of the item, or a combination of both, could be the determining factor. Materiality will be lower for some items due to their sensitivity.

Misstatements

Misstatements are differences in, or omissions of, amounts and disclosures that may affect a reader's overall understanding of your financial statements and performance information. During the audit, we will provide details of any such misstatements we identify to an appropriate level of management.

We will ask for each misstatement to be corrected, other than those that are clearly trivial. Where management does not wish to correct a misstatement we will seek written representations from representatives of the Board that specify the reasons why the corrections will not be made.

Professional judgement and professional scepticism

Many of the issues that arise in an audit, particularly those involving valuations or assumptions about the future, involve estimates. Estimates are inevitably based on imperfect knowledge or dependent on future events. Many financial statement items involve subjective decisions or a degree of uncertainty. There is an inherent level of uncertainty which cannot be eliminated. These are areas where we must use our experience and skill to reach an opinion on the financial statements and performance information.

The term "opinion" reflects the fact that professional judgement is involved. Our audit report is not a guarantee but rather reflects our professional judgement based on work performed in accordance with established standards.

Auditing standards require us to maintain professional scepticism throughout the audit. Professional scepticism is an attitude that includes a questioning mind and a critical assessment of audit evidence. Professional scepticism is fundamentally a mind-set. A sceptical mind-set drives us to adopt a questioning approach when considering information and in forming conclusions.

Exercising professional scepticism means that we will not accept everything we are told at face value. We will ask you and management to provide evidence to support what you tell us. We will also challenge your judgements and assumptions and weigh them against alternative possibilities.

How we consider compliance with laws and regulations

As part of the Auditor-General's mandate, we consider compliance with laws and regulations that directly affect your financial statements or general accountability. Our audit does not cover all of your requirements to comply with laws and regulations.

Our approach involves first assessing the systems and procedures that you have in place to monitor and manage compliance with laws and regulations relevant to the audit. We may also complete our own checklists. In addition, we will ask you about any non-compliance with laws and regulations that you are aware of. We will evaluate the effect of any such non-compliance on our audit.

Wider public sector considerations

A public sector audit also examines whether:

- the Commission carries out its activities effectively and efficiently;
- waste is occurring or likely to occur as a result of any act or failure to act by the Commission;
- there is any sign or appearance of a lack of probity as a result of any act or omission by the Commission or by one or more of its members, office holders, or employees; and
- there is any sign or appearance of a lack of financial prudence as a result of any act or omission by the Commission or by one or more of its members, office holders, or employees.

Reporting protocols

Communication with management and the Board

We will meet with management and those charged with governance throughout the audit. We will maintain ongoing, proactive discussion of issues as and when they arise to ensure there are “no surprises”.

Reports to the Board and the Ministerial Letter

We will provide a draft of all reports to the Board and management for discussion/clearance purposes. In the interests of timely reporting, we ask management to provide their comments on the draft within 10 working days. Once management comments are received the report will be finalised and provided to the Board.

We will also follow up on your progress in responding to our previous recommendations.

The report to governors will form the basis of a letter to the Minister, which will be cleared with the Board by the OAG Sector Manager.

Audit logistics

Our team

Our engagement team is selected to ensure that we have the right subject matter expertise and sector knowledge. Each member of the audit team has received tailored training to develop their expertise.

Our senior audit team members are:

Andrew Clark	Appointed Auditor
Rajesh Ratanjee	Audit Manager

Timetable

Due to COVID-19 and the current lockdown, there may be some flow on effects that impact the original time frames agreed. There is the possibility that due to COVID-19 there may be disruptions that will require changes to the timetable proposed below. Where this arises we will discuss a revised timetable with you.

Planning audit visit (one week)	03 February 2020
Draft SPE provided to Audit NZ for feedback	April 2020
Pro forma annual report (full annual report without current year financial and performance information results)	29 June 2020
Second audit visit (one week)	TBC
Draft financial statements available for audit (including notes to the financial statements) with actual year-end figures	25 July 2020
Final audit begins (two weeks)	27 July 2020
Final financial statements available, incorporating all the amendments agreed to between us and the Chair's and Chief Executive's overview	21 August 2020
Audit opinion issued	4 September 2020
Draft final report to the Board issued	TBC

Expectations

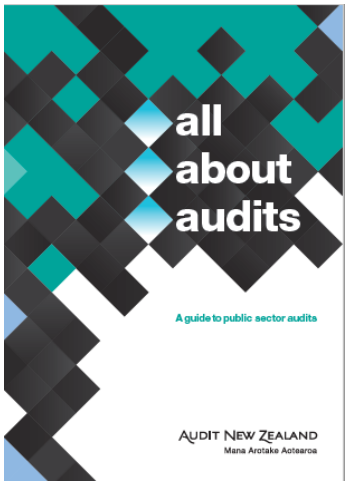
For the audit process to go smoothly for both you and us, there are expectations that each of us need to meet.

Our respective responsibilities are set out in our audit engagement letter.

We expect that:

- you will provide us with access to all relevant records and provide information in a timely manner;
- staff will provide an appropriate level of assistance;
- the draft financial statements, including all relevant disclosures, will be available in accordance with the agreed timetable;
- management will make available a detailed workpaper file supporting the information in the financial statements; and
- the annual report, financial statements and performance information will be subjected to appropriate levels of quality review before being provided to us.

To help you prepare for the audit, we will liaise with management and provide them with a detailed list of the information we will need for the audit. We have also published information to help explain the audit process:



Health and safety

The Auditor-General and Audit New Zealand take seriously their responsibility to provide a safe working environment for audit staff.

Under the Health and Safety at Work Act 2015, we need to make arrangements with management to keep our audit staff safe while they are working at your premises.

We expect you to provide a work environment for our audit staff that minimises or, where possible, eliminates risks to their health and safety. This includes providing adequate lighting and ventilation, suitable desks and chairs, and safety equipment where required. We also expect management to provide them with all information or training necessary to protect them from any risks they may be exposed to at your premises. This includes advising them of emergency evacuation procedures and how to report any health and safety issues.

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

www.parliament.govt.nz

PO Box 99
Wellington 6140
New Zealand
Phone: 04 496 3099

15 December 2020

Andrew Clark
Director
Audit New Zealand
PO Box 99
Wellington

Dear Andrew

Representation letter for the year ended 30 June 2020

This representation letter is provided in connection with your audit, carried out on behalf of the Auditor-General, of the financial statements and the performance information of the Electoral Commission (the Commission) for the year ended 30 June 2020.

The purpose of the audit is to express an independent opinion about whether:

- the financial statements:
    - present fairly, in all material respects:
        - its financial position as at 30 June 2020; and
        - its financial performance and cash flows for the year then ended; and
    - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Reporting Standards; and
- the performance information:
    - presents fairly, in all material respects, the performance for the year ended 30 June 2020, including:
        - for each class of reportable outputs:
            - its standards of delivery performance achieved as compared with forecasts included in the statement of performance expectations for the financial year; and

        - its actual revenue and output expenses as compared with the forecasts included in the statement of performance expectations for the financial year; and

    - what has been achieved with the appropriation;

    - the actual expenses or capital expenditure incurred compared with the appropriated or forecast expenses or capital expenditure; and

    - complies with generally accepted accounting practice in New Zealand.

We understand that your audit was carried out in accordance with the Auditing Standards issued by the Auditor-General, which incorporate the International Standards on Auditing (New Zealand).

General representations

To the best of our knowledge and belief:

- the resources and activities under our control have been operating effectively and efficiently;

- we have complied with our statutory obligations including laws, regulations and contractual requirements;

- we have carried out our decisions and actions with due regard to minimising waste;

- we have met Parliament's and the public's expectations of appropriate standards of behaviour in the public sector (that is, we have carried out our decisions and actions with due regard to probity); and

- any decisions or actions have been taken with due regard to financial prudence.

We also acknowledge that we have responsibility for designing, implementing, and maintaining internal control (to the extent that is reasonably practical given the size of the Commission to prevent and detect fraud or error.

Representations on the financial statements and the performance information

We confirm that all transactions have been recorded in the accounting records and are reflected in the financial statements and performance information, and that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

- we have fulfilled our responsibilities for preparing and presenting the financial statements and the performance information as required by the Crown Entities Act 2004 and the Public Finance Act 1989 and, in particular, that:

    - the financial statements:

- present fairly, in all material respects:
  - its financial position as at 30 June 2020; and
  - its financial performance and cash flows for the year then ended; and
- comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Reporting Standards; and

- the performance information:
  - presents fairly, in all material respects, the performance for the year ended 30 June 2020, including:
    - for each class of reportable outputs:
      - its standards of delivery performance achieved as compared with forecasts included in the statement of performance expectations for the financial year;
      - its actual revenue and output expenses as compared with the forecast included in the statement of performance expectations for the financial year;
  - what has been achieved with the appropriation;
  - the actual expenses or capital expenditure incurred compared with the appropriated or forecast expenses or capital expenditure; and
  - complies with generally accepted accounting practice in New Zealand.

- we believe the significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable;
- we have appropriately accounted for and disclosed related party relationships and transactions in the financial statements;
- we have adjusted or disclosed all events subsequent to 30 June 2020 that require adjustment or disclosure;
- we have disclosed all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements. Where applicable, such litigation and claims have been accounted for and disclosed in accordance with generally accepted accounting practice;
- the financial statements and performance information adequately disclose the impact of the COVID-19 pandemic, including disclosure about key assumptions and estimates used in measuring assets and liabilities;

- we believe the effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements and performance information as a whole; and

- we believe the effects of uncorrected disclosure deficiencies, including both omitted and incomplete disclosures, are quantitatively and qualitatively immaterial, both individually and in aggregate, to the financial statements as a whole.

Representations about the provision of information

We confirm that, to the best of our knowledge and belief, having made such enquiries as we considered necessary for the purpose of appropriately informing ourselves:

- we have provided you with:

    - all information, such as records and documentation, and other matters that are relevant to preparing and presenting the financial statements and the performance information; and

    - unrestricted access to persons within the Commission from whom you determined it necessary to obtain audit evidence;

- we have disclosed to you the results of our assessment of the risk that the financial statements and performance information may be materially misstated as a result of fraud;

- we have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Commission and involves:

    - management;

    - employees who have significant roles in internal control; or

    - others where the fraud could have a material effect on the financial statements;

- we have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the Commission's financial statements and performance information communicated by employees, former employees, analysts, regulators, or others;

- we have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements and the performance information; and

- we have provided you with all the other documents ("other information") which will accompany the financial statements and the performance information which are consistent with one another, and the other information does not contain any material misstatements.

- we have disclosed the identity of the related parties, all of their relationships, and all of their transactions of which we are aware; and

- we have disclosed to you all information in relation to the impacts that the COVID-19 pandemic has had on the Commission that could affect the financial statements and performance information.

Going concern basis of accounting

We confirm that, to the best of our knowledge and belief, the Commission has adequate resources to continue operations at their current level for the foreseeable future. For this reason, the Board continues to adopt the going concern basis of accounting in preparing the financial statements and the performance information for the year ended 30 June 2020. We have reached this conclusion after making enquiries and having regard to circumstances that we consider likely to affect the Commission during the period of one year from the date of signing the annual report, and to circumstances that we know will occur after that date which could affect the validity of the going concern basis of accounting.

We consider that the financial statements and the performance information adequately disclose the circumstances, and any uncertainties, surrounding the adoption of the going concern basis of accounting by the Commission.

Throughout the year, the Commission has conformed with the requirements of any banking arrangements, debenture trust deeds, or negative pledge agreements, including those relating to its net tangible assets ratios.

Publication of the financial statements and performance information and related audit report on a website

- The Board accepts that it is responsible for the electronic presentation of the audited financial statements and performance information.
- The electronic version of the audited financial statements and performance information and the related audit report presented on the website are the same as the final signed version of the audited financial statements and performance information and audit report.
- We have clearly differentiated between audited and unaudited information on the website and understand the risk of potential misrepresentation without appropriate controls.
- We have assessed the security controls over audited financial and service performance information and the related audit report and are satisfied that procedures are adequate to ensure the integrity of the information provided.
- Where the audit report on the full financial statements and performance information is provided on a website, the financial statements and performance information are also provided in full.

Sign-off on these representations

These representations in this letter are made at your request, and to supplement information obtained by you from the records of the Commission and to confirm information given to you orally.

Yours sincerely

Marie Shroff
Chair

Alicia Wright
Chief Electoral Officer

Fraud risk assessment – Direct enquiry areas

This template can be used for documenting the mandatory enquiries relating to fraud as required by ISA (NZ) 240.

Fraud enquiries: Management

Specific questions

Suggested questions	Response
How are fraud risks identified? What fraud risks have been identified? Have any disclosures been identified where there is a potential risk of fraud?	Through: 1. organisational alertness to incentives, pressures and opportunities that may lead staff or suppliers to attempt or commit fraud, coupled with 2. Tracking of expenditure against budget, trend analysis across spend cycles, and detailed variance analysis. No new fraud risks have been identified this year. There are/were no disclosures identified where there is potential risk of fraud
Has a formal fraud risk assessment been completed? If so, what procedures were performed and what were the results of this process? How often is this undertaken? Who is involved in this process?	A formal fraud risk assessment has not been undertaken.
Areas susceptible to a risk of material misstatement due to fraud	
What is management's assessment of the risk that the financial statements could include a material misstatement due to fraud? Where could this occur?	Management's assessment is that there is a low to negligible risk that the financial statements could include a material misstatement due to fraud.
Communication about fraud	
How are fraud risks and the responses communicated to those charged with governance? Are those charged with governance involved in the risk assessment process?	Operational risks assessments are undertaken by management and communicated to the Board regularly for review.

Suggested questions	Response
How are expectations of appropriate business practice and ethical behaviour communicated to employees? What is done if employees are not behaving appropriately?	Staff are reminded of the code of conduct annually. Staff are disciplined and appropriate action is taken.
Actual, suspected, or alleged frauds	
Have any frauds been identified or are there any suspected or alleged frauds?	No frauds have been identified in the period and no frauds have been suspected or alleged.
What has been the result of any fraud investigations? How did the fraud occur? How was it identified? What happened to fraudster, how much was involved and were any monies or assets recovered? Please provide copies of any investigation reports for these.	N/A

Internal Control Environment

Client name:	Electoral Commission
Sector:	Crown Entities - Other
Audit for the year ending:	2021

Elements of the internal control environment covered in the workpaper:

Control environment

Risk assessment processes

Monitoring of controls

Once this template has been completed and reviewed, click this button to submit the risk assessment data for governance and risk management

Control environment

Check Spelling | Show Background

Background

The control environment is the foundation of internal control. It is defined by the standards, processes and structures that guide people throughout the organisation in carrying out their responsibilities for internal control and making decisions. It creates the discipline that supports the other aspects of internal control – risk assessment processes, performance of control activities, information and communication systems, and monitoring of controls.

Discussed with: s9(2)(a) - Finance Advisor Corporate Services

Communication and enforcement of integrity and ethical values

1 To what extent do management decision making processes and actions reinforce control consciousness within the entity?
What kind of example is set by senior management? Has there been any actual or alleged involvement in questionable or illegal activities, distortion of the financial statements, or enforcement action by regulatory agencies?

- (●) Management decision making processes and actions reinforce control consciousness. Management set a good example, with no examples of actual or alleged behaviour that is inconsistent with expected standards.
- ( ) Management decision making processes and actions reinforce control consciousness. Management generally set a good example, but there have been isolated examples of actual or alleged behaviour that is inconsistent with expected standards.
- ( ) Management decision making processes and actions do not consistently reinforce control consciousness. However management generally set a good example, with no examples of actual or alleged behaviour that is inconsistent with expected standards.
- ( ) Management decision making processes and actions do not support control consciousness. Management do not set a good example, with some behaviour that is inconsistent with expected standards.
- ( ) Other (explain)

Comments (if required):

2 Do the governing body and senior management demonstrate a commitment to integrity and ethical values? Are they committed to policy, process, and standards of behaviour that comply with generally accepted standards in the public sector?

- (●) The governing body and management demonstrate commitment to integrity and ethical values. This is evident in their commitment to policy, processes, and standards of behaviour that comply with generally accepted standards in the public sector.
- ( ) The governing body and management demonstrate commitment to integrity and ethical values. However the accepted policy, processes, and standards of behaviour fall short of generally accepted standards in the public sector.

- ○ No, the governing body and management do not demonstrate a commitment to integrity and ethical values. However we do not have significant concerns about the standards of integrity and ethics applied in practice.
- ○ Other (explain)

Comments (if required):

3 What is the entity's policy on the following matters:

(a) TCWG or employees having a significant financial interests in a customer or supplier?

Required to declare any financial interests as part of when they start and TCWG are required to declare it at Board meetings. They are able to have financial interests - but any decisions involving them they will be required to be excluded from discussion.

(b) TCWG or employees receiving gifts, hospitality, loans, or other special privileges from customers or suppliers?

There is a gift policy in place that EC requires staff to declare any items that they receive from customers or suppliers through their position or relationships.

(c) The use of confidential or insider information?

Employees are required to uphold any confidential or insider information as agreed through the Code of Conduct.

4 Is there an adopted code of ethics or equivalent (e.g. code of conduct, handbook) that explicitly sets out expectations for ethical decision making and behaviours?

- ○ No formal code of ethics (or equivalent) exists at all. Or if a code of ethics does exist it has been produced for compliance purposes only. Actual practices are inconsistent with the code of ethics across a range of issues.
- ○ There is a formal code of ethics and the board and senior management have endorsed it. However, insufficient resource has been devoted to publication and staff training – such that there are a number of inconsistencies in practice across and down the organisation.
- ○ There is a code of ethics in place that management have endorsed. It has been published and staff have been trained. However, it is now dated and in need of refreshing. There may be gaps in the content. Or there is a need for a training refresher.
- ◉ There is a code of ethics in place that is up to date, published with staff having been trained. Members of the governing body and staff clearly understand expectations.
- ○ Don't know

Comments (if required):

4(a) Does the code of ethics cover the following matters:

- [x] Conflicts of interest
- [x] Proper and appropriate use of the entity's property and resources
- [x] The giving and receiving of gifts
- [x] Fair dealing with customers, clients, employees, suppliers and other stakeholders
- [x] Compliance with laws and regulations
- [x] Reporting of unethical decision making or behaviours
- [x] The consequences of inappropriate decision making or behaviours

Comments (if required):

4(b) What processes are in place to monitor its effectiveness/indicators of effectiveness?

- [x] Meaningful communication to all employees to whom it applies.
- [x] Written representations from key employees confirming their compliance and that of their subordinates with the code.
- [ ] Periodic reviews of payments authorised or made by employees in sensitive positions are conducted by internal audit.
- [ ] Review of unusual transactions by management to determine compliance with the entity's policies.
- [ ] Training programmes to discuss the code of conduct for key employees.
- [ ] Holiday and rotation policies for persons in sensitive positions are enforced.
- [x] The code is updated periodically to reflect management's current philosophy and trends in business ethics.
- [x] Breaches of the code are handled in accordance with stated policies.

Comments (if required):

5 Are there policies in place that encompass all aspects of sensitive expenditure, including conflicts of interest and related parties? (Refer to the OAG Good Practice Guide and consider the findings from our review of sensitive expenditure policies and procedures.)

- (•) Yes, there are appropriate policies in place covering all relevant aspects.
  - [x] There is regular communication and training for these policies.
  - [x] There are appropriate controls for review and approval of sensitive expenditure transactions.
  - [x] Compliance with these policies monitored and enforced.
- ( ) No, there are not appropriate policies covering all relevant aspects.

Comments (if required):

6 Have we observed any indications of extravagance and waste?

- (•) No, we have not observed any indications of extravagance and waste.
- ( ) Yes, but these are isolated incidents rather than common practice.
- ( ) Yes, there seems to be a culture of extravagance and waste.

Comments (if required):

Commitment to competence

7 How do management and TCWG react to our recommendations? Do they take prompt action to rectify any deficiencies reported by us?

- (•) Management and TCWG receive our recommendations constructively, and take prompt action to rectify any deficiencies.
- ( ) Management and TCWG receive our recommendations constructively, but are slow in taking action to rectify deficiencies.
- ( ) Management and TCWG are resistant to our recommendations.

Comments (if required):

( )

10 Does management apply and foster the concept of continuous improvement in the entity?

- (•) Yes (explain how)
- ( ) No

Comments (if required):

Through our review of the minutes we have identified that the entity is aware of the importance of continuous improvement. Adjusting their awareness to risks, improving their strategic direction and adjusting their budgets.

11 Are adequate effort and resources applied to training and developing staff? Are key staff (including those who prepare the financial statements) keeping their knowledge up-to-date?

- (•) Yes, there is an appropriate level of training and development.
- ( ) No, there is inadequate attention to training and development of staff.

Comments (if required):

Participation by those charged with governance

The environment within which governance operates

Low

13 Is the achievement of the entity's objectives sensitive to adverse changes in the economy? Low

For example:

- an overreliance on third party discretionary revenue streams, where these could be adversely impacted by an economic downturn;

- a high degree of procurement such that inflationary impacts could adversely impact the financial sustainability of the entity;

- highly leveraged with need for refinancing.

- ○ A high degree of sensitivity exists. Strategy's success dependent on a number of subjective assumptions – an adverse impact with respect to any of the assumptions could place the success of the strategy at risk.
- ○ A reasonable degree of sensitivity exists. Strategy's success dependent on a number of subjective assumptions – an adverse impact with respect to a small number of assumptions could place the success of the strategy at risk.
- ◉ A limited degree of sensitivity exists. However, an adverse impact in the economy is unlikely to place the success of the strategy at risk.
- ○ No sensitivity with respect to assumptions underlying the strategy.
- ○ Don't know

Comments (if required):

14 How secure is the entity's funding?

- ○ Entity receives no or limited funding by way of government grant, subsidy, tax or rates. Entity is mostly reliant on third party sales.
- ○ Entity funding is a mixture of government grants, subsidies, taxes, or rates, and income from sales to third parties.
- ◉ Entity receives the bulk of its revenue by way of government grant, tax, rates or subsidies.
- ○ Don't know

Comments (if required):

Appointments to the governing body, and relationships with senior management

15 What is the governance structure?

For Central Government entities only

- ○ Simple structure such as a Chief Executive answerable to a single Minister.
- ○ Simple structure such as a Chief Executive answerable to a single Minister; but supported by an Audit and Risk Committee.
- ○ Complex structure with a Chief executive answerable to multiple Ministers and advisory groups
- ○ Complex structure as above but supported by an Audit and Risk Committee.

For all other entities

- ○ A complex structure with a large Board appointing representatives to the governing bodies of subsidiaries and other related entities. A complex array of committees and advisory bodies and groups support the Board. May or may not be an Audit and Risk Committee.
- ○ A complex structure with a large Board, a range of committees and advisory bodies and groups that may involve external stakeholders.
- ◉ A simple structure with an appropriately sized Board supported by an Audit and Risk Committee
- ○ Don't know

Comments (if required):

Supported by Executive Leadership Team.

16 Are members of the governing body appointed to their position by reason of having relevant skills and experience?

- ○ Members of the governing body obtain their position by either being democratically elected (e.g. local body elections) or by virtue of their position (e.g. local body appointment to a CCO Board, teachers representative on the TEI Council).
- ○ There is a blend of members appointed on the basis of their skills and experience with others appointed due to the position they hold.
- ◉ Appointments to the governing body are based on skill sets and experience.
- ○ Don't know

Comments (if required):

17 What is the nature of the relationships within the governing body, as well as between the governing body and senior management?

- ○ Fractured and tense relationship. Atmosphere of distrust. Relationship is either currently, or is starting to verge on being dysfunctional.

- ○ A somewhat tense relationship. Has the potential to become dysfunctional unless the issues are addressed.
- ○ Usually a healthy and robust relationship. However, governing body may have reservations about one or limited number of particular issues.
- ◉ Healthy and robust relationship in all respects.
- ○ Don't know

Comments (if required):

Operating characteristics of the entity

18 Are there reporting or accounting requirements that are unusually complex or onerous?

Consider specifically revenue recognition, fair values, impairment, hedge accounting, complex tax accounting.

- ○ A high degree of complexity across a number of areas. Specialist skill sets required across a number of areas. The board and senior management struggle with both the complexity of the requirements, and the competency to address the requirements.
- ○ There is some degree of complexity across a narrower range of areas. Specialist skill sets are required. However, the board and senior management are competent and understand the requirements.
- ○ There is complexity but this is limited to one or two discrete areas. However, the governing body and senior management are competent to deal with the requirements.
- ◉ No complexity exists. Reporting requirements are routine and well within the capability of the board and senior management.
- ○ Don't know

Comments (if required):

19 Is the strategy based on assumptions that have a significant degree of risk?

Consider specifically aggressive growth assumptions, revenue streams dependent on underlying assumptions, interest and currency rate movements, debt refinancing, access to capital and credit, key customer/credit risk, significant research and development projects, planned acquisitions/mergers/disposals or restructuring, and any new capital investment needed.

- ○ A high number of high risk assumptions across a range of areas. Strategy's success dependant on a number of subjective assumptions – an adverse impact with respect to any of the assumptions could place the success of the strategy at risk.
- ○ A high number of high risk assumptions across a range of areas. Strategy's success dependant on a number of subjective assumptions – an adverse impact with respect to a small number of assumptions could place the success of the strategy at risk.
- ○ A small number of high risk assumptions underpin the strategy. However, these are unlikely to derail the success of the strategy.
- ◉ No high risk assumptions underpinning the strategy.

- ○ Don't know

Comments (if required):

20 Are there complicated or unusual business arrangements?

Consider related party transactions, off balance sheet financing, unusual or overly complicated financing arrangements, joint ventures/alliances, and any planned expansion into non-core areas.

- ○ There is a range of complicated or unusual business relationships across significant areas of the entity's operation.
- ○ Yes, there are some complex business arrangements, but these are in keeping with the nature of the environment the entity operates in.
- ○ There is a small number of complicated or unusual business relationships but restricted to only part of the entity's operations.
- ◉ No complexity or unusual business arrangements exist.
- ○ Don't know

Comments (if required):

Other Matters

21 Does the entity have a history of "things going wrong"?

For example: consider procurement and contract management, projects, conflicts of interests, probity matters, breaches of law, significant errors in annual reports, unsuccessful litigation, inappropriate remuneration, fraud.

- ○ A large number of significant issues in the past three years.
- ○ A small number of things going wrong in the past 3 years, perhaps restricted to a limited number of service areas – however they were significant.
- ○ Things have gone wrong in the past, but the governing body and senior management have learnt from the experience. Limited significance.
- ◉ No history of things going wrong.
- ○ Don't know

Comments (if required):

Management's philosophy and operating style

31 Does management appear willing to accept unusually high levels of risk in making significant decisions?

- (●) No, management are risk averse.
- ( ) No, management are willing to accept a moderate level of risk only.
- ( ) Yes, management appear will to accept an unusually high level of risk in making significant decisions.

Comments (if required):

Based on minutes review the client at all times is looking to remove any risk in decisions they make. Or when making a decision to take the least riskiest option.

32 Is the entity dominated by one or a few individuals or is the organisation characterised by participative management?

- (●) The entity is characterised by a participative style of management. Management are prepared to challenge each other in making decisions.
- ( ) There are one or more strong willed individuals in senior management, but there are appropriate checks and balances to mitigate the risk of these people being overly dominant. (Explain what mitigations are in place.)
- ( ) The entity is dominated by one or a few individuals.

Comments (if required):

33 What is senior management's attitude toward financial reporting?

- (●) Senior management are primarily concerned with producing fair and accurate financial reporting. This takes priority over meeting financial targets for the year.
- ( ) While senior management want to produce fair and accurate financial reporting, they are also strongly motivated to report that they have met the entity's financial targets.
- ( ) Senior management's primary motivation is to report that they have met the entity's financial targets. They may 'stretch the rules' to achieve this to the extent that they can still justify that the reported results are sufficiently accurate.
- ( ) Senior management have a lackadaisical or disinterested attitude towards financial reporting.
- ( ) Other (explain)

Comments (if required):

34 What is management's attitude towards information processing and accounting functions and personnel?

- (●) Management is committed to maintaining sufficient capacity and capability in these functions, including appropriately qualified personnel.

There is a regular investment in training to keep skill levels up-to-date.

- ○ Management view these functions as a necessary overhead. As a result they tend to struggle to get appropriate funding and resourcing.

- ○ Other (explain)

Comments (if required):

Organisational structure

35 Is the organisational structure (including accountabilities and reporting lines) appropriate to the sector, size, and nature of the entity? Is it consistent with the risk profile of the entity?

We expect: It should facilitate complete and relevant reporting to the board on issues consistent with the risk profile of the entity, and make appropriate use of committees where relevant.

- ○ Organisational structure (including accountabilities and reporting lines) is not clear with respect to responsibility for a number of key entity risks.

- ○ Organisational structure is clear in most respects, except for one or two defined areas. There is little or no use of sub-committees to support the governing body.

- ○ Organisational structure is clear and consistent with the nature of the entity's risk profile. Entity operates in a complex environment. No obvious omissions or duplications. There is a considered position on whether committees would supplement the role of the board, with appropriate committees in place.

- ◉ Entity operates in a simple environment. Non complex operations. Organisational structure is clear and appropriate – and consistent with the nature of the entity's risk profile. No obvious omissions or duplications. There is a considered position on whether committees would supplement the role of the board, with appropriate committees in place.

- ○ Don't know

Comments (if required):

36 Is the organisational structure (including reporting structure) appropriate to the sector, size, and nature of the entity?

- ◉ Yes, the organisation structure is appropriate.
- ○ No, the organisation structure is not well aligned with the entity's operations and objectives.

Comments (if required):

37 Are there clearly defined responsibilities for each functional area and each position, including monitoring of decentralised operations and information systems?

- (●) Yes
- ( ) No

Comments (if required):

38 Is the structure adapted as required to keep pace with changes in the entity and its environment?

- (●) Yes
- ( ) No

Comments (if required):

Assignment of authority and responsibility

39 Are governance and management responsibilities clearly demarcated through delegated authorities and policies?

- ( ) The entity does not have an up to date comprehensive suite of policies, or they may not cover all of its key activities. The scheme of delegation is out of date or limited in key respects.
- ( ) There is what appears to be a reasonably up to date suite of policies and a scheme of delegation, but we may not have specifically reviewed them, or we may be aware of some limitation with them.
- (●) The entity has an up to date comprehensive suite of policies, covering all of its key activities. There is a clearly articulated, up to date scheme of delegation. We have reviewed these documents and they are good quality.
- ( ) Don't know

Comments (if required):

40 Is there an appropriate system in place to establish and communicate policies and procedures?

To be effective, policies and procedures are communicated to, and understood by, the appropriate personnel within an organisation. Such communication may include both initial written communication and periodic reinforcement.

- (●) Yes
- ( ) No

Comments (if required):

41 Are there clear lines of accountability?

- (●) Yes, there are formal delegations for assignment of responsibility, authority, and accountability. Staff clearly understand their specific duties, reporting relationships, and the limits of their authority.
- ( ) The level of formal delegation is limited, but staff clearly understand their specific duties, reporting relationships, and the limits of their authority.
- ( ) No, there is a lack of clarity about the assignment of responsibility, authority, and accountability.

Comments (if required):

42 Are there appropriate written policies regarding delegations of authority?

- (●) Yes, there are appropriate written policies regarding delegations of authority that are kept up-to-date.
- ( ) There are appropriate written policies regarding delegations of authority, but they are not being kept fully up-to-date.
- ( ) No, the entity does not have appropriate written policies regarding delegations of authority.
- ( ) Other (explain)

Comments (if required):

43 How does the entity ensure that there are appropriate checks and balances that separate incompatible activities (segregation of duties)?

There is always a review performed by another staff member to ensure that a segregation of duties operates during the processing of payments. The Frontier System does require a delegated authority to process journals. There are two Super Users who can prepare and post journals - this risk is mitigated through a monthly review of journals in which it reviews preparer and poster.

Human resource policies and practices

44 Are there written job descriptions for all key positions that include principal tasks, qualifications and reporting responsibilities?

- (●) Yes
- ( ) No

Comments (if required):

45 What reference or other checks do management perform before hiring new staff for sensitive positions (such as positions with responsibility for transaction processing, procurement etc.)?

There is a new employee pack that is required to be populated when a new staff begins - regardless of the sensitivity of the position. This includes a MOJ Criminal Conviction check.

46 What succession plans are in place for staff performing functions that are considered essential to the entity achieving its objectives?

A handover will be attempted to be performed at all times if possible. Otherwise the processes are documented for a staff that is beginning in the role or there will be assistance provided for a staff member during their initial few days when starting to assist in understanding what they are doing.

Overall conclusion on the control environment

47 Management, with the oversight of those charged with governance:

- (●) **Have** created and maintained a culture of honesty and ethical behaviour.
- ( ) **Have not** created and maintained a culture of honesty and ethical behaviour.

48 The strengths in the control environment elements collectively:

- (●) Provide an appropriate foundation for the other components of internal control.
- ( ) Are not sufficient to provide an appropriate foundation for the other components of internal control.

49 Those other components of internal control are:

- (●) Not undermined by deficiencies in the control environment.
- ( ) Undermined by deficiencies in the control environment.

Risk assessment processes

Check Spelling | Show Background

Background

Discussed with: s9(2)(a) (Finance

Risks identified by the entity

1 What does the entity consider to be its most significant risks? (For example, do they identify their top ten risks?)

Please provide Risk Register.

Compliance with laws and regulations

4 Are risks relating to compliance with laws and regulations incorporated into the risk assessment process or are they assessed and managed separately?

- ○ Risks relating to compliance with laws and regulations are integrated into the entities risk assessment process.
- ◉ Risks relating to compliance with laws and regulations assessed and managed separately from the risk assessment process.
- ○ Risks relating to compliance with laws and regulations are not being assessed and managed.

Comments (if required):

Legislative compliance is maintained through Comply With.

5 Has significant non-compliance with laws and regulations governing the entity's activities been identified in prior years? If so, did this result from deficiencies in their process? Have any deficiencies identified been addressed?

- (●) We have not identified significant non-compliance with laws and regulations in prior years.
- ( ) We identified significant non-compliance with laws and regulations in prior years, but this did not result from deficient processes.
- ( ) Process deficiencies that resulted in significant non-compliance in prior years have been addressed.
- ( ) Process deficiencies that resulted in significant non-compliance in prior years have not yet been addressed.

Comments (if required):

( )

Strategic risks

7 Does the organisation have a clearly articulated strategic direction? – needed to assess strategic risks against? D.

- ( ) No clearly articulated strategic direction
- ( ) Some strategy apparent but perhaps fragmented or not detailed
- ( ) Clearly articulated strategic direction but little evidence of how this will be achieved
- (●) Clearly articulated strategic directions with credible plans in place to deliver it

Comments (if required):

8 Is the organisation carrying out significant changes / projects? D.

- ( ) A number of complex high profile organisational changes and major projects are underway or planned
- ( ) Some change or projects, but not significant with the context of the wider business
- ( ) A few one-off changes or projects
- (●) Organisation is stable, operating business as usual

Comments (if required):

Operational risks

9 Is the organisation geographically spread, operating virtually or otherwise dispersed? C.

- ( ) The organisation operates across a wide geographical area from multiple offices or bases, has a significant virtual or online presence and/or

brings together a diverse range of business units or services

- The organisation has most but not all of the above characteristics
- The organisation has a few but not most of the above characteristics
- The organisation has a single purpose delivered in a straightforward way from a single base

Comments (if required):

Some regional offices. During GE year - the spread is across NZ due to election ballot locations. (applicable to FY 21J)

10 Does the organisation have interdependencies that mean it relies on other parties for achievement of its objectives? D.

- The organisation relies to a significant extent on other parties for delivery of its objectives, perhaps through partnerships, shared services or contracted out services
- The organisation has most but not all of the above characteristics
- The organisation relies on key suppliers but otherwise can achieve its objectives independent of others
- The organisation stands alone and is not reliant on others

Comments (if required):

11 How big is the organisation? What is its annual spend (Opex + Capex)? D.

- $500m+
- $100m to $500m
- $50m to $100m
- $10m to $50m
- Under $10m

Comments (if required):

In first year of 3 year cycle - spend is under $40m. Refer to SPE 20/21

12 How complex and stable are the organisation's finances? Are the organisation's finances characterised by complex or unusual transactions? D.

- Multiple complex high value, high volume and unusual transactions in place. Little consistency. Rapidly changing financial model. High degree of uncertainty in levels of income and expenditure.
- Some complex high value, high volume and unusual transactions. Some uncertainty and change.
- Few complex high value, high volume and unusual transactions. Stable.

- (•) Routine transactions only. Steady financial state with very low reliance on uncertain income sources, and expenditure easily forecast.

Comments (if required):

13 What is the nature of the organisation's business? Are its operations inherently risky? Does it operate in a highly regulated environment in which it needs to comply with legislation, rules, regulations, standards etc.? B.

- ( ) Organisation has a number of diverse services that are inherently risky. There is a highly regulated environment with the need to comply with a complex array of legislation, rules, regulations, standards etc.
- (•) There is a regulated environment with the need for compliance but perhaps limited to key services or restricted to a defined set of relevant legislation, rules, regulations, standards etc.
- ( ) Organisation operates routine low risk processes with limited regulation
- ( ) No specific regulation or need for compliance with regulation other than general statutes

Comments (if required):

Hazards

14 Does the organisation deliver critical services? – defined as those essential for the effective functioning of society and/or the economy B.

- ( ) Complex array of disparate services most of which are critical to the effective functioning of society and/or the economy at national level (e.g. NZTA, Corrections)
- (•) Limited number of services or functions but still critical with potential to impact nationally
- ( ) Complex array of disparate services most of which are critical to the effective functioning of society and/or the economy but with an impact only locally (e.g. a Council)
- ( ) Limited number of services of which a few are critical with potential impact locally to a specific user group or geographical area
- ( ) Few critical services

Comments (if required):

Political climate

15 Is the organisation the subject of high political interest or priority? Is its reputation important to its success / delivering its objectives? B.

- ○ Organisation is integral to delivering government priorities, is subject to a high level of political, media and public interest. Good reputation is fundamental to it being able to operate effectively (e.g. us!)
- ◉ Significant political, media or public interest, but perhaps only in response to events rather than routine or ongoing. Organisation values its reputation, which is important, but not critical.
- ○ Some political, media or public interest
- ○ Organisation is low priority, low profile

Comments (if required):

Important that Electoral Commission maintains its reputation in order to be able to run the General Election which provides the nation with a government.

High clock speed risks

16 Does the organisation face both slow and fast clock speed risks?

Slow Clockspeed Risks are those where a sufficient amount of thinking time is available to plan and implement a mitigation ('Sufficient" is context related). Fast Clockspeed Risks are at or close too real time and need to be reacted to (even if the approach to be rolled out should the risk manifest itself was planned in advance).

- ○ Almost all high clock-speed risks with little ability to analyse and plan responses. High degree of reliance on individual staff to react appropriately in real time (e.g. Police, Corrections officers etc.)
- ○ A mixture of high and low clock speed risks
- ◉ Mostly slow clock speed risks with some significant higher clock speed risks possible
- ○ No track record or expectation of facing significant high clock speed risks
- ○ Don't know

Comments (if required):

A lot of the risks facing the organisation are slow speed - in which they have sufficient time available to plan and implement.

Controls

These questions cover a range of categories consistent with the Joint Australian New Zealand International Standard AS/NZS ISO 31000:2009 and guidance from the Institute of Risk Management. Together they assess the range of controls in place that may indicate the maturity of risk management arrangements.

Risk Management Framework

17 Is there a dedicated risk manager?

- ○ Yes

- (•) No

Comments (if required):

18 Is there an Audit and Risk Committee?

- (•) Yes
- ( ) No

Comments (if required):

19 Is there a clearly designed framework for managing risk?

We expect there to be a formally adopted risk management policy and guidance covering the 11 principles contained in AS/NZS ISO 31000:2009.

- (•) Single organisation-wide policy or other document setting out the framework, supported by comprehensive procedures, guidance and standardised templates.
- ( ) There may be multiple policies or frameworks covering different parts of the organisation, or a single policy covering only part of the organisation; there may be some limitations in procedures, guidance or templates, but not significant.
- ( ) There may be a framework but it is not well documented; may only have limited guidance available; few or no templates.
- ( ) No / limited policy in place

Comments (if required):

20 How up to date is the framework?

- ( ) Adopted within the past year
- (•) Older than a year but less than three years old
- ( ) More than three years since it was reviewed / updated : may be overdue for review
- ( ) Don't know / there is no policy or framework in place

Comments (if required):

21 Have we / a reliable third party reviewed the risk management framework in the last 3 years? If so, what was the conclusion? E.

- ○ Excellent
- ○ Good
- ○ Needs Improvement
- ○ Poor
- ◉ No reliable review in the past 3 years or we don't know

Comments (if required):

22 Is there clear commitment to risk management at governance level? with an effective Audit and Risk Committee taking the lead? B.

We expect:
- A strong and sustained commitment at governance level to effective risk management.
- Clear responsibility at governance level through an Audit and Risk Committee or similar.
- Clear understanding of the key strategic and operational risks at governance level.
- Effective membership of the lead committee, with the risk skills, knowledge and experience, perhaps supplemented by independent members where needed.
- Evidence of good quality discussion and consideration of risk at governance level.

- ○ All of these elements are in place
- ◉ Most of these elements are in place
- ○ Few of these elements are in place
- ○ None of these elements are in place
- ○ Don't know

Comments (if required):

23 Is there clear commitment from the top to risk management? with sufficiently skilled staff in place to ensure it is effectively implemented? B.

We expect:
- A strong and sustained commitment at the top to effective risk management.
- Clear responsibility at senior management.
- Clear understanding of the key strategic and operational risks at senior management level.
- Adequate support and resources dedicated to risk and assurance (perhaps through internal audit or a risk manager).
- Risk management related staff with specific skills, experience and training.

- ○ All of these elements are in place

- ◉ Most of these elements are in place
- ○ Few of these elements are in place
- ○ None of these elements are in place
- ○ Don't know

Comments (if required):

24 Is the risk management framework monitored, reviewed and continually improved?

A.

We expect:
- The effectiveness of risk management is formally measured against key indicators, and delivery of a risk management plan at the overall framework level (not just individual risks).
- The framework is regularly updated to ensure it remains relevant.
- Responsibility for updating and approving it is clear.

- ◉ Formal monitoring and review is in place. There is a clear track record of continually improving the risk management framework.
- ○ Review takes place but it is informal or ad-hoc. Responsibility for updating is clear.
- ○ There is limited evidence of monitoring and review at overall framework level. There may have been some improvements but responsibility may be unclear.
- ○ None of these elements are in place. There is little track record of improvement
- ○ Don't know

Comments (if required):

Risk Management Process

25 Has the organisation established the risk context?

A.

We expect there to be a clear structure for categorising risks (strategic, operational, financial etc.), a clearly articulated criteria for evaluating the significance of risks (how likelihood and impact will be defined), and a clear statement of risk appetite and/or tolerance, and defined levels of accountability.

- ◉ There is a clear, consistent, organisation-wide risk context that meets all our expectations.
- ○ There is a well established risk context, but it may not meet our expectations in a few areas.
- ○ There are some elements of a structures risk context in place.
- ○ There is little in the way of an organisation-wide, consistent approach to categorising, evaluating and treating or tolerating risks.
- ○ Don't know

Comments (if required):

26 Is there an effective process of risk identification? B.

We expect: There is a formal process of identifying sources of risk, their causes and potential consequences, whether or not they are under the organisation's control. This is likely to involve gathering the views of a range of staff, monitoring and analysing data, considering the history of incidents etc. All significant causes and consequences should have been considered.

- There is a clear, consistent, organisation-wide approach to risk identification that meets all our expectations.
- (•) There is an approach to risk identification that meets most of our expectations
- There is an approach to risk identification that meets a few of our expectations
- There is little in the way of a structured approach to identifying risks. If it is done at all, it may be done only by a small group of staff.
- Don't know

Comments (if required):

27 Is there effective risk analysis? B.

We expect: There is a formal process of assessing risk likelihood and consequence in line with policy and the formally defined risk context. Risk likelihood and consequence will be combined into an overall risk rating. Confidence in and sensitivity of the risk ratings is also formally considered.

- There is a clear, consistent, organisation-wide approach to risk analysis. All identified risks have been analysed.
- (•) There is an approach to risk analysis that meets most of our expectations
- There is an approach to risk analysis that meets a few of our expectations
- There is little in the way of a structured approach to risk analysis. It is not formally recorded.
- Don't know

Comments (if required):

28 Is there effective risk evaluation? B.

We expect: There is a formal process of comparing the level of risk found with established criteria such as the organisation's risk appetite, to determine which risks need treatment. Decisions on risk treatment are informed by legal and regulatory requirements.

- There is a clear, consistent, organisation-wide approach to risk evaluation that clearly establishes which risks need to be treated.

- ◉ There is an approach to risk evaluation that meets most of our expectations
- ○ There is an approach to risk evaluation that meets a few of our expectations
- ○ There is little in the way of a structured approach to risk evaluation. It is not formally recorded.
- ○ Don't know

Comments (if required):

29 Is a full range of risk treatments considered and used? B.

We expect: A full range of potential risk treatments are selected according to their cost effectiveness, and used as appropriate (e.g. avoiding risk by stopping risky activity, increasing risk to take an opportunity, removing the risk source, taking action to change likelihood and impact – mitigation, sharing risk with other parties – insurance, risk financing, and accepting the risk as an informed decision). All risks are reduced to a residual level that is tolerable in line with the risk appetite. Risk treatment plans are in place.

- ○ There is clear evidence that a full range of risk treatments are applied. All identified risks are reduced to tolerable level with a clear plan in place for how each risk is treated.
- ◉ There is an approach to risk treatment that meets most of our expectations
- ○ There is an approach to risk treatment that meets a few of our expectations
- ○ There is little in the way of a structured approach to risk treatment. The organisation may be accepting risks that are above its tolerance level, not be clear on its level of residual risk, or overly focused on one treatment, such as insurance.
- ○ Don't know

Comments (if required):

30 Are risks formally recorded in a register, monitored and reviewed? B.

We expect: Risks are formally recorded in a risk register together with their rating, treatment, status and owner. There is regular checking and surveillance – to ensure controls are effective and efficient, to improve risk assessment, learn lessons from incidents, identify changes in risk likelihood or consequence, and identify emerging risks.

- ○ There is a comprehensive risk register that meets all our expectations and clear evidence of regular monitoring and review of all risks
- ◉ There is a risk register and approach to monitoring and review that meets most of our expectations
- ○ There is a risk register and approach to monitoring and review but it has some significant gaps or limitations.
- ○ There is little in the way of a structured approach to recording, monitoring and reviewing risks.
- ○ Don't know

Comments (if required):

Governance considerations

31 Is there an effective approach to ensuring compliance with legislation, rules, regulations, standards etc.? A.

We expect: Management to have established effective systems of internal control to ensure compliance with laws, regulations and delegations. The legal and regulatory framework applicable to the entity and the industry or sector are well understood, and there is effective monitoring of compliance with laws and regulations.

- (•) There is a clear and effective, structure approach to compliance.
- ( ) There is a less formal approach to compliance, but nevertheless there have been no recent breaches
- ( ) There have been some legislative breaches, but they are generally isolated examples or fairly minor
- ( ) There have been multiple examples of legislative or other regulatory breaches in recent years
- ( ) Don't know

Comments (if required):

32 Is there a strong and effective internal audit(or other assurance) function, and internal control systems, supported by a plan linked to the organisation's risk profile? D.

We expect: We expect a strong, independent assurance function to provide objective advice and insights into the organisation's strategic and organisational risk management framework. In doing so, they can identify potential improvements to governance, risk management, and control practices. The function should have a clear purpose, supported by a plan, and be open to transparent communication on effective ways of working with stakeholders.

- ( ) There is good evidence of a strong and effective internal assurance function whose work is closely aligned to the organisation's risk profile.
- ( ) There is a reasonable internal assurance function, but it may not be closely aligned to risk management
- ( ) There is a limited internal assurance function
- (•) There is no effective internal assurance function
- ( ) Don't know

Comments (if required):

33 Is there clear reporting about risk - the organisation's position, prospects and risk profile? A.

We expect: Governance should present a balanced and understandable assessment of the organisation's position and prospects – probably through the annual report. It is responsible for determining the nature and extent of the significant risks it is willing to take in achieving its strategic objectives.

- (•) External reporting is clear on the organisation's position, the nature and extent of the significant risks it is willing to take in achieving its strategic objectives.
- ( ) There is reasonable coverage of the organisation's position and risks, but it may be implied rather than being explicit.
- ( ) There is limited coverage of risk in relation to objectives.
- ( ) There is no mention of risk in the organisation's external reporting.
- ( ) Don't know.

Comments (if required):

Monitoring of controls

Check Spelling | Hide Background

Background

Discussed with: s9(2)(a) - Finance Advisor Corporate Services

Planning and budgeting

1 Is there a long-term planning process that results in credible long-term business and strategic plans, with clear long-term goals?

- (•) Yes, there is a robust long-term planning process with a strategic focus and clear long-term goals.
- ( ) Yes, there is a credible long-term planning process, but there is room for improvement.
- ( ) No, there is no credible long-term planning process.

Comments (if required):

2 Does the entity have a clearly defined strategy, that has been endorsed, and owned by the Board, and that is underpinned by business plans that detail how achievement against the strategy will be implemented and assessed?

- ( ) There is no clear strategy that addresses all key risk areas as per the entity's risk profile.
- ( ) A strategy exists but a number of key risk areas are not addressed. Not used to manage the business.
- ( ) A clear strategy exists. However, there are a small number of limited areas with respect to the entity's risk profile that are not clear. These areas by themselves should not impact on the success of the strategy.
- (•) There is a clearly defined strategy underpinned by business plans that detail how the strategy will be implemented and assessed. There is clear ownership of the strategy at the Board level.
- ( ) Don't know

Comments (if required):

3 Does the planning process include consideration of future risks and issues, including political issues, demographic trends, insurance, contingency planning for major disaster (such as loss of significant systems), etc.?

- (•) Yes
- ( ) Some, but not all, of the relevant future risks and issues are considered as part of the planning process (explain).

- ○ No, the planning process does not include consideration of future risks and issues.

Comments (if required):

4 Does the planning process result in the specification of both financial and non-financial performance targets that are appropriate for monitoring and managing the entity's performance as well as reporting externally?

- ◉ Yes, there are appropriate financial and non-financial performance targets that are consistent with the entity's strategic plans.
- ○ Yes, there are appropriate financial and non-financial performance targets but they are not clearly aligned with strategic plans.
- ○ There are financial and non-financial targets, but they do not facilitate effective monitoring and managing of performance.
- ○ No, the planning process does not produce appropriate financial and non-financial performance targets.
- ○ Other (explain).

Comments (if required):

5 Is there an annual budget based on the entity's business or strategic plans? Is this budget compiled with input from the governing body and appropriate levels of management?

- ◉ There is an annual budget based on strategic plans and with appropriate input from governors and management
- ○ There is an annual budget but it is not clearly connected with long-term plans.
- ○ Other (explain).

Comments (if required):

6 Is the budget sufficiently detailed to enable effective and frequent monitoring of actual performance against it?

- ◉ Yes
- ○ No

Comments (if required):

7 Does the budgetary process provide a sound basis for management and the governing body to monitor the entity's performance and identify and investigate abnormal results?

- (●) Yes, the budget provides a sound basis for monitoring performance.

  Factors supporting this assessment are:

  - [x] Appropriate guidance material and instructions are provided to those preparing the budget.
  - [x] Key assumptions are clearly documented and realistic.
  - [x] There is appropriate involvement from those who will be responsible for achieving the budgeted results.
  - [x] There is a clearly defined and understood process for review, approval and revision of the budget.
  - [x] Costs are classified so that operating results can be analysed in a meaningful way (e.g. controllable, non-controllable).
  - [x] The budget is prepared in accordance with GAAP.

- ( ) No (explain).

Comments (if required):

8 Are budgets reviewed and revised if necessary during the period?

- (●) Yes, and there is a defined and controlled process for revising the budget.
- ( ) Yes, changes are made as required but there is no formal process for reviewing the budget.
- ( ) No, once the budget is set it is not changed.

Comments (if required):

9 Are budget holders accountable for performance against their budgets?

- (●) Yes, there is a formal accountability process.
- ( ) Yes, but accountability is largely informal.
- ( ) No, budget holders not held accountable for performance against budget.

Comments (if required):

Managers oversee their area.

Sources of information

10 What sources of information are used in the entity's monitoring activity?

- [x] Analysis of operating reports or metrics that might identify anomalies indicative of a control failure.
- [ ] Continuous monitoring programs built into information systems.

- [x] Supervisory reviews of controls, such as reconciliation reviews as a normal part of processing.
- [x] Inquiries of internal and/or external auditors.
- [x] Self-assessment by the governing body and management.
- [ ] Other (explain).

Comments (if required):

11 What is the basis for management (and the governing body) considering that the information used for monitoring is sufficiently reliable for that purpose?

They believe the segregation of duties and oversight performed by senior staff provide them with a good knowledge of the business operations and through the small size of the entity they are able to maintain effective oversight which means the information used for monitoring is sufficiently reliable.

Performance monitoring

12 Is there an effective accounting and reporting system that produces useful financial and non-financial information for both effective internal monitoring and external reporting requirements? Does it provide sufficient, accurate, and timely information to meet all stakeholders' needs?

- (•) Yes
  - [x] We have not identified any significant weaknesses in transaction processing systems and related controls.
  - [x] There are procedures to ensure that all transactions or events are included in the financial and non-financial information.
  - [x] There are procedures to protect accounting and financial records from destruction, misappropriation, misuse and theft.
  - [x] Changes in financial accounting, tax, and regulatory requirements are considered on a timely basis, and appropriate guidance developed.
- ( ) No (explain)

Comments (if required):

13 What month-end processes are in place? How does the entity manage cut-off at the end of each month? Do these processes support accurate monthly reporting?

The GL is kept open for 3 days after month-end to a account for all outstanding invoices. The finance team then report by day 10 the actual results for

the month.

14 Is performance compared to budget monitored on a regular and timely basis throughout the year? Is there appropriate investigation and explanation of significant variances and trends?

- (●) Yes, there is regular, timely monitoring with appropriate investigation and explanation of variances and trends.
- ( ) There is regular, timely monitoring, but investigation and explanation of trends lacks rigour.
- ( ) No, there is no regular, timely monitoring of performance against budget throughout the year.

Comments (if required):

15 A comparison of actual and budgeted results, with accompanying variance explanations, is reported to:

- [x] The governing body
- [ ] A finance committee and/or audit committee
- [ ] The chief executive
- [x] Senior management team/senior managers
- [ ] Other (explain)

Comments (if required):

16 Is there an appropriate level of scrutiny and questioning of the results and variance explanations by the governing body/audit committee and senior management?

- (●) Yes, the governing body and senior management take an active interest in the results and variance explanations and ask appropriate probing questions.
- ( ) The governing body and senior management show an interest in the results and variance explanations, but scrutiny and questioning could be more rigorous.
- ( ) The governing body and senior management receive the reported results, but do not actively scrutinise or question them.
- ( ) Other (explain).

Comments (if required):

17 Does the governing body actively seek independent assurance on the implementation of risk management strategies for key strategic and operational risk management strategies?

For example: internal audit function, self-review, individual assurance engagements

- (•) No independent assurance is sought. No resource is devoted to this.
- ( ) There is an internal audit (or similar function) – however it is not a risk based function. The review function does not address key risks.
- ( ) There is an effective internal audit (or similar) function. It is risk based. Most risk areas are addressed – other than a limited number of exceptions.
- ( ) There is a fully risk based and effective internal audit (or similar function). All key risk areas addressed.
- ( ) Don't know

Comments (if required):

Internal audit

18 Does the entity have an internal audit function (or equivalent)?

- ( ) Yes
- (•) No (go to question 24)

Comments (if required):

Not considered necessary due to size of entity / operations. There is internal audit reviews completed for returning officer expenses in a GE year.

Overall conclusion on monitoring of controls

24 The major activities used to monitor internal control over financial reporting, including those related to those control activities relevant to the audit are:

- (•) Effective
- ( ) Not effective

25 The entity's processes for identifying and remedying deficiencies in its internal controls are:

- (•) Effective
- ( ) Not effective

26 The internal audit function:

- ○ Contributes to the effectiveness of the internal control environment
- ◉ Does not contribute to the effectiveness of the internal control environment

TE TAI ŌHANGA
THE TREASURY

CONTROLLER AND AUDITOR-GENERAL
Tumuaki o te Mana Arotake

Department chief executives
Crown entity board chairs
Crown entity chief executives

From the Secretary to the Treasury and the Controller and Auditor-General

24 June 2020

Greetings,

Expectations for 2019/20 statutory reporting including time frames

COVID-19 has created unprecedented challenges for all of us. We are aware of the uncertainties and complexities that many organisations face in trying to maintain core services while meeting statutory and other requirements.

We are working to ensure that the pressure the current statutory reporting time frames impose do not undermine the work that needs to be done by your organisation and the quality of the audit to be carried out. We are also working with other lead agencies to provide a coordinated and consistent approach to reporting time frames for annual reporting across the public sector. Trust and confidence in the systems of government and the reporting on financial and service performance are more critical than ever at this time.

You may be aware that the Government is proposing legislation that will extend the statutory reporting time frames for a range of public sector organisations, including yours, by up to two months. Cabinet has agreed to draft a Bill to put before the House. The proposed changes to statutory time frames will therefore depend on the legislation passing before the House rises.

We will need to be realistic and practical about what can be achieved, whether or not the statutory time frames are extended. Collectively, our interest is in high-quality financial and performance reports.

Maintain high-quality reporting

Robust accountability to the public about how much money is spent, what it is spent on, and the results that are delivered is critical to maintaining the public's trust and confidence in public organisations.

We know that in a normal year, completing audited financial and performance reports is often pressured and requires considerable effort and resources. For many, this year will not be straightforward and staff are likely to have been under considerable stress for the last few months.

It will be significantly more difficult for many organisations to prepare their financial and performance reports, and those reports will be more difficult to audit. However, the reporting by your organisation must continue to be of the usual high standard, despite the challenges presented by COVID-19.

To ensure a high quality of reporting you will need to fully consider all of the risks and issues affecting your organisation, make the required judgements, document the rationale for those judgements, and make those judgements transparent through enhanced disclosures.

Priorities and auditor availability

Auditors will need more time to carry out many organisations' audits. In a recent interview, the Chief Executive of the External Reporting Board noted that COVID-19 has led to audits taking up to 40% longer to complete.

Because of the extra work, and in some cases the restricted ability to progress audits over the lockdown period, auditors will need to prioritise the audits that they carry out.

To maintain trust and confidence, auditors need to prioritise the audits of information significant to the financial statements of the Government and organisations participating in debt and equity markets. Although your organisation might be ready for the auditor, the auditor might not be available at that time.

Because of their significance to the country, the Government is proposing to retain the existing time frame for reporting on the financial statements of the Government. There is an expectation that organisations will prioritise end-of-year reporting that contributes to the financial statements of the Government. If there are any issues or concerns relating to information for the financial statements of Government they should be raised with the relevant Treasury contact and your auditor as soon as possible.

Please keep the lines of communication with your auditor open, and agree time frames that are realistic for you to prepare your financial and performance reports, and for your auditor to audit them.

We will write to you again when we know whether the statutory time frames for the 2019/20 annual reporting time frames under the Public Finance Act 1989 and Crown Entities Act 2004 have been moved, and if so, for which organisations.

These are difficult times. Public trust and confidence is underpinned by robust accountability. We are committed to working with you to ensure the quality of this accountability is not compromised.

Caralee McLiesh
Secretary to the Treasury

John Ryan
Controller and Auditor-General

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31 March 2022 Our Ref: EN /CEO/04-0018

Hon Kris Faafoi
Minister of Justice
Parliament Buildings
WELLINGTON

Tēnā koe e te Minita

ELECTORAL COMMISSION: AUDIT FOR THE YEAR ENDED 30 JUNE 2021

The purpose of this letter is to inform you of the results of our audit of the Electoral Commission (the Commission) for the year ended 30 June 2021 and of the main matters arising from the audit.

1 Summary of audit results

1.1. We issued a standard audit report, which means we were satisfied that the information we audited presents fairly the Commission's activities for the year and its financial position at the end of the year.

1.2. In carrying out our audit, we identified the following matters that we wish to bring to your attention:

- **IT General Controls review** – we carried out an IT general controls review as part of the audit. We concluded that the IT Governance is effective, and that the activity controls remained design effective in all areas. We also tested security and change management, and concluded that this was operationally effective. However, as part of our review of the IT General Controls environment we noted a few areas where improvement could be made.

1.3. We have already advised the results of the audit and matters arising to the Commission's Board and Chief Executive. We will report the results to the Justice Committee as part of the 2020/21 annual review process. We will also advise the Public Service Commission, the Treasury, and the Department of the Prime Minister and Cabinet.

2 Environment, systems, and controls for measuring financial and service performance

2.1. Our conclusions on the Commission's management control environment, systems, and controls for measuring financial and service performance, for the year ended 30 June 2021, are set out in the table below.

2.2. We made our conclusions in the context of our work in forming an opinion on the financial and performance statements. The purpose of commenting on the underlying environment, systems, and controls is to highlight areas for improvement we identified during our audit. The grades assigned for 2020/21 are based on the accountability documents relating to that year. They are not an assessment of overall management performance, or of the Commission's effectiveness in achieving its financial and service performance objectives. (See the explanation of the grading scale and underlying scope at the end of this letter.)

Management control environment	
2020/21 – Very good	We have made no recommendations for improvement.
2019/20 – Very good	
Comment	
We found that appropriate policies, systems, and controls were in place and appeared to be operating effectively.	
Financial information systems and controls	
2020/21 – Very good	We have made no recommendations for improvement.
2019/20 – Very good	
Comment	
We found that appropriate policies, systems, and controls were in place and appeared to be operating effectively.	
Performance information and associated systems and controls	
2020/21 – Good	We have recommended that some improvements be made.
2019/20 – Good	
Comment	
We acknowledge the progress the Commission continues to make to its performance reporting, and its approach to recognise the cyclical nature of its work. E.g., using trend information over a number of years. We continue to recommend that the Commission further develop its strategic performance reporting framework. The key area where the Commission should continue to focus on improving is in its higher-level reporting (impact measure reporting). We have provided feedback on the early drafts of the SPE for 2021/22 and discussed our comments with management while these documents were being developed. Other than the matters mentioned above, we found that appropriate systems and controls were in place.	

3 Legislative compliance

3.1. We reviewed the systems and procedures that the Commission uses to identify and comply with legislative requirements. Our work focused on areas that could pose a risk to the statements on which we express an opinion – the financial statements and the performance statements. No issues arose that we need to draw to your attention.

I would be pleased to meet with you if you require further information about the matters mentioned in this letter or about our audit of the Electoral Commission.

Nāku noa, nā

Johnny Tramoundanas-Can
Sector Manager

APPENDIX

Explanation of the approach, scope, and grades used

1. The reporting under Part 3 of this letter, *Environment, systems, and controls for measuring financial and service performance* (ESCO), is a by-product of the underlying audit work carried out to form an opinion on the financial and performance information. Its scope is limited to those aspects of the management control environment, information systems, and controls that the auditor has given attention to during the audit. The approach taken covers the following three aspects.

Aspects	
A. Management control environment	This is the foundation of the control environment and might include consideration of the following: • clarity of strategic planning/the way the entity manages and reports performance; • communication and enforcement of integrity and ethical values; • commitment to competence; • participation by those charged with governance – for example, the involvement and influence of Audit Committee and Board (or equivalent); • management philosophy and operating style; • organisational structure; • assignment of authority and responsibility; • human resources policies and practices; • risk assessment and risk management; • key entity-level control policies and procedures; • information systems and communication (including information technology planning and decision-making); • monitoring; and • legislative compliance arrangements.
B. Financial information systems and controls	These are the systems and controls (including application-level computer controls) over financial performance and financial reporting, and include the following: • appropriateness of information provided and reported; • presentation of financial information; • reliability of systems; • control activity (including process-level policies and procedures); and • monitoring.

C. Performance information and associated systems and controls	This concerns the quality of the main measures of outcomes or impacts and performance measures selected for reporting against, as well as the systems and controls (including application-level computer controls) over performance reporting, and includes the following: • appropriateness of information provided and reported; • review of the associated forecast information and Information Supporting the Estimates; • the audit of the current reporting period performance information and main measures of outcomes/impacts in the annual report; • reliability of systems; • control activity (including process-level policies and procedures); and • monitoring. Comments and grades are based on conclusions drawn from the performance information and annual report for the current reporting period. Further comment on improvements in progress might be included in a subsequent section on significant matters of audit interest.

2. Recommendations for improvement are generally limited to those findings that the auditor considers are the more notable weaknesses in the design or operation of the management control environment, information systems, or controls. The recommended improvements determine the grade assigned. A single, serious deficiency drawing a recommendation for improvement might, of itself, determine the grade. Similarly, the most serious deficiency among several will draw a stronger recommendation and affect the grade accordingly.

3. Deficiencies in the management control environment, information systems, or controls are the gaps between what auditors observe and what auditors consider, in their professional judgement, constitutes best practice. Auditors' professional judgement is informed by many factors, including national and international standards, knowledge of best practice, and standards and expectations for the public sector in New Zealand.

4. To help ensure the relevance to all entities of the auditor's recommendations and grading, the auditor's recommendations are made with reference to what is considered best practice, given the size, nature, and complexity of the entity. Thus, notions of best practice will vary among entities because what is considered necessary, sufficient, or beneficial for some entities might not be so for others. There is, therefore, not a "one size fits all" standard across the public sector. Rather, recommendations for improvement are based on the auditor's assessment of how far short the entity is from a standard that is appropriate for the entity's size, nature, and complexity of its business.

5. Further, notions of best practice might vary over time in response to change – for example, changes in the operating environment, changes to standards, and changes in general expectations. Therefore, grades assigned to entities might fluctuate from year to year depending on how entities respond to changes in the environment and in best-practice expectations. Grades might also be affected from year to year because of changes in emphases, in line with the auditor's risk-based approach to testing systems and controls.

6. Improvements are recommended only when it is considered, in the auditor's judgement, that the benefits of the improvements would justify the costs.

7. Recommendations for improvement are based on the auditor's conclusions about the state of the entity's management control environment, information systems, and controls as at the end of the financial year.

8. The following table explains what each grade means:

Grade	**Explanation of grade**
Very good	We have made no recommendations for improvement.
Good	We have recommended that some improvements be made.
Needs improvement	We have recommended that major improvements be made at the earliest reasonable opportunity.
Poor	We have recommended that fundamental improvements be made urgently.

Electoral Commission progress against Audit NZ 2021 recommendations

Audit NZ recommendation	Recommendation owner	Management response in Audit NZ report	Progress update as at 6 June 2022
Sensitive expenditure practice improvements The Commission should ensure that sufficient supporting information is retained for all sensitive expenditure items.	Neil Singh	Accepted. We will remind Approvers, Preparers and Cardholders of their respective roles and responsibilities, including the need to ensure that sufficient supporting information is retained for all expenditure items.	A review of the Flexi-purchase system with the account manager identified some modifications that could be made to assist with this issue as well as other functionality. Some of these changes have been made in the last two months. There are a couple system modifications that are still been worked on. It has also become apparent that the system administrator was not provided with any training when he came into the role. Consequently, there is a gap in knowledge in the Finance team to fully support users. This training is currently being organised for the system administrator. Once this training is provided, users will be reminded of their roles and responsibilities.
MS system error for termination payments The Commission should investigate the issue of an employee overpayment on termination and assess the impact on the annual leave payments when staff terminate their services.	Izak Kotze	Accepted. The Electoral Commission has sent an enquiry to s9(2)(b)(ii) to provide us with confidence that the system does not have an error and if there is an error how we would rectify the problem retrospectively and ensure that Annual leave and Annual Holidays are paid according to the following rules.	The Commission received the following feedback and assurances from the Payroll Provider: • It was due to a system bug – manually keyed cashed event not being included in gross.

Audit NZ recommendation	Recommendation owner	Management response in Audit NZ report	Progress update as at 6 June 2022
			• A process was put in place to check terminations manually since Jan 2021. The termination in question was prior to that. • The issue has been resolved with the latest upgrades that have been applied to the Commission.
IT General Controls review As part of our 2021 audit we performed an IT General Controls review and identified areas for improvement. The Commission should consider these observations and recommendations for improvement.		See responses to detailed IT General Controls review recommendations below	See responses to detailed IT General Controls review recommendations below
Detailed General IT Controls review recommendations			
Formal periodic review of access and access rights to the Commission's key systems We recommend the Commission implement a formal process to undertake regular review of users' access rights to key systems. This review is best performed by relevant business unit managers from information provided by IT. The Commission may choose to focus the review on	James Willcocks	Accepted. We will implement this during the next review period.	This has been noted as a requirement for the IT policy update noting that the scope will need to include third parties carrying out work for the Commission should be included. This is being considered as a requirement in the development of the Master Services Agreement with s9(2)(b)(ii) – Schedule 6 Data

Audit NZ recommendation	Recommendation owner	Management response in Audit NZ report	Progress update as at 6 June 2022
access rights or profiles which it considers as high risk.			Security. The agreement is currently under negotiation.
Termination of access to the Commission's information systems We recommend that rather than relying mainly on the "offboarding staff" request, IT should be provided with a regular report of staff resignations/leavers. This report should then be circulated to all relevant system and application administrators for appropriate action (e.g. check if the user has access to the system and disable accordingly). For third party accounts, account expiry should be consistently provisioned, unless there is valid business reason for not setting up the expiry. The Commission should also require its vendor to notify the Commission on a timely basis, when its staff who has access to the Commission's system ceases employment with the vendor.	James Willcocks	Accepted. We will implement the recommendations during the next review period. We are also intending to start the process of implementing SSO across applications and services to further reduce the complexity of offboarding.	This is being considered as a requirement in the development of the Master Services Agreement with s9(2)(b)(ii) – Schedule 6 Data Security. The agreement is currently under negotiation.
Observations on log on accounts with admin rights We recommend the Commission implement formal records documenting the use and why the built-in account "Administrator" should be implemented.	James Willcocks	Accepted. We will implement the recommendations during the next review period.	No change to agreed action.

Audit NZ recommendation	Recommendation owner	Management response in Audit NZ report	Progress update as at 6 June 2022
Formal process to periodically test back up We recommend the Commission implement a formal test restore to further strengthen its existing disaster recovery strategies.	James Willcocks	Accepted. We are currently reviewing the backup solutions in place as well as BCP and disaster recovery more widely. Testing the ability to recover from disaster (including restoration of backups) is scheduled to take place later this year as part of election simulations.	No change to agreed action – election simulations are scheduled to take place later this calendar year (Q4).
Payroll outsourcing with s9(2)(b)(ii) We recommend that Commission review the existing contract with the vendor to ensure that the "standard management and payroll reporting" as defined in the outsourcing contract are being provided to the Commission without additional costs. The contract also states that the vendor "will endeavour to respond to and delivery simple reporting requests at no additional costs to the Commission". Whilst this provision of the contract can be largely subjective, the Commission should evaluate whether this has been generally adhered to by the vendor. The Commission should also clarify with the vendor the level of access rights, its employees can have on the system and the data, given the outsourced nature of the payroll processing.	Izak Kotze	Accepted. The Commission is in ongoing talks with the vendor to improve the quality of the reports available through the system. The vendor recently upgraded the system and indicated that this will help facilitate the ability to get appropriate reports. The Commission will also look to review the agreement with the vendor to have more flexibility for standard reporting.	Standard reports have now been made available to the People and Culture team. People and Culture will evaluate how the reports can be rolled out to people managers as and if appropriate.
Log on accounts with no log on information	James Willcocks	Accepted. We expect these accounts to be removed over time as we move to	Implemented. These accounts are removed after a period of not being used.

Audit NZ recommendation	Recommendation owner	Management response in Audit NZ report	Progress update as at 6 June 2022
In view of the above, we recommend that a formal process be implemented to regularly review those accounts which were created but have not been used for an extended period.		s9(2)(b)(ii), however we will be reviewing the outstanding list during the next review period.	
Regular service delivery reports from s9(2)(b)(ii) We recommend that the Commission require that the monthly reports as per the agreement be provided by s9(2)(b)(ii). These reports should be reviewed accordingly by the Commission to ensure it reflects accurately the service level being received by the Commission.	James Willcocks	Accepted. We note that in addition to the monthly performance meeting with s9(2)(b)(ii) that a new master services agreement is being developed which specifies the content and frequency of the documentation required from s9(2)(b)(ii) including monthly performance reporting.	This is being considered as a requirement in the development of the Master Services Agreement with s9(2)(b)(ii) – Schedule 8 Relationship Management Report. The agreement is currently under negotiation.