

29 August 2007

Judith Aitken  
Chair  
Planning and Monitoring Subcommittee  
Greater Wellington Regional Council  
PO Box 11646  
WELLINGTON

COPY

Level 8, St Paul's Square  
45 Pipitea Street, Thorndon  
Private Box 99, Wellington

Email: [info@auditnz.govt.nz](mailto:info@auditnz.govt.nz)  
[www.auditnz.govt.nz](http://www.auditnz.govt.nz)

Tel: (04) 496 3099  
Fax: (04) 496 3195

Dear Judith

## AUDIT PROCEDURES FOR THE REVIEW OF FRAUD FOR 2006/07


A new auditing standard *The Auditor's Responsibility to Consider Fraud in an Audit of a Financial Report (AS-206)*, issued by the New Zealand Institute of Chartered Accountants, is effective for audits of financial statements for periods beginning on or after 1 January 2005. Amongst its requirements, AS-206 places "greater" emphasis on the auditor making enquiries of:

- entity management
- those charged with governance *and*
- others

on matters such as their assessment of the risk of fraud and the accounting and internal control systems designed to prevent and detect frauds. As the external audit service provider for the Greater Wellington Regional Council, we would appreciate the opportunity to discuss the attached list of questions with PMS at your meeting on 18 September. Getting PMS's view is essential as it will assist us to form a view of the fraud policy, culture, and practices at Council.

Please do not hesitate to contact Karen Young, Audit Manager, on 021 222 6164 or me on 021 222 8629 if you have any queries.

Yours sincerely



Rudie Tomlinson  
Director

## Questions on fraud for governing bodies and senior management

1. Have any senior managers left under mysterious circumstances?
2. Have there been any probity issues involving senior management employees?
3. Have there been any frauds or instances of misappropriation in the 2006/07 year?
4. If there have been instances of fraud and misappropriation? What was done about it?
5. What involvement does the governing body/senior management team have in the fraud assessment process?
6. What role does the governing body play over the monitoring of management's exercise of fraud prevention by internal audit?
7. What role does internal audit play in fraud detection? What happens if any matters are identified by internal audit?
8. What steps have there been taken by the governing body/senior management team to communicate its view on good business practice and ethical behaviour?
9. What are the governing body's/senior management teams views on the culture of honesty and ethical behaviours by management? What are your assessments of the potential for management override?
10. What do you know about the accounting and internal controls to prevent and detect fraud?
11. Have there been any changes in the accounting and internal control systems that prevent or detect fraud.
12. Are you aware that the entity is required to advise audit of any frauds or misappropriations that occur?
13. What is your understanding of the entity's fraud policy?
14. Is there any intention to update your current fraud policies?