

#### 4. REPORT ON INTERNAL AUDIT ACTIVITY: THREE MONTHS ENDED 30 JUNE 2006

<b>General Manager responsible:</b>	Director of Strategic Investment, DDI 941-8411
<b>Officer responsible:</b>	G Nicholas , Senior Internal Auditor
<b>Author:</b>	Graeme Nicholas, Senior Auditor

##### PURPOSE OF REPORT

1. The purpose of this report is to provide a brief periodic update on the status of Internal Audit activities completed by PricewaterhouseCoopers and Graeme Nicholas within the Council and includes:
  - the status of audit projects with in the current years program
  - executive summaries for reports completed during the quarter ending 30 June 2006
  - issues outstanding from previous quarters

##### EXECUTIVE SUMMARY

2. The detailed summaries from individual reviews within these papers relate to reviews completed prior to the formal beginning of the co-sourced relationship between Christchurch City Council (CCC) and PricewaterhouseCoopers (PwC).

##### Programme Status

3. The attached Appendix to this report is the detailed workplan listing the internal audit scopes to be completed within the year as well as timeframe and status of each individual project.
4. We are satisfied with the progress that has been made to date in the development of the internal audit plan and the resourcing and timetabling of the respective reviews. Our approach to resourcing has been to leverage the existing knowledge Graeme Nicholas has with the specialist experience and knowledge which resides within PwC. PwC is working with Graeme in the planning, communication and reporting phases of every review for purposes of consistency and quality assurance. On a number of reviews where there is a specialist skill requirement PwC will lead and perform the fieldwork.
5. Currently, there are around eight reviews in an 'in progress' state. These vary in status from the fieldwork having just been started through to the draft report having been drafted and the management comments being input.
6. Looking ahead, there are a number of specialist reviews to take place within the remainder of the 2006 calendar year. These involve a combination of CCC and PwC lead reviews and therefore a fair amount of internal audit activity and reporting.

##### Value to the Council

7. Already we have seen the benefit of this co-sourcing model within the Procurement process where we believe the combination of Council knowledge and PwC expertise are combining to improve a key area for the Council. We will touch on Procurement specifically today as we present the results of our reviews to date.

**THE 2006/07 PROGRAMME**

**Internal Audit Review Status**

8. Summarised below is the status of each of the internal audit reviews for the 2006/7 year:

Completed	Review complete, management comments received and final report issued
Draft Report	The field work has been completed and the draft audit report awaiting review
In progress	Review underway
Planned	Review planned, high level terms of reference drafted and indicative timing agreed

Review and ref #	Comments	Status
Procurement review (06-1)	Draft report has been reviewed with the GM responsible. Final report about to be issued.	Completed
Mayors Welfare (07-08)	The draft report awaiting review by the GM responsible	Draft report
Cash handling - various sites (07-23)	The draft report awaiting review by the GM responsible	Draft report
Internet Monitoring (07-22)	The draft report awaiting review by the GM responsible	Draft report
Inventory management (07-6)	Draft report is currently being reviewed by PwC	In progress
Enforcement (Parking) (07-06)	Draft report is currently being reviewed by PwC	In progress
City Solutions Capital Contracts (07-26)	Field work in progress	In progress
Fixed assets (07-17)	The terms of reference have been approved. Audit will commence late August 2006	Planned

**Risk Categories of Issues Reported This Quarter**

Review	Number of recommendations by risk category			Total Number
	High	Moderate	Low	
Totals carried forward	0	3	2	5
Procurement and Purchasing (06-01)	4	2	0	6
Balance Sheet reconciliations	0	2	1	3
Gifts, bequests and sponsorships	0	4	4	8
Totals year to date	4	11	7	22

9. The findings relating to our reviews are broadly classified as being High, Moderate or Low priority. These ratings are defined as follows:
- **High:** Significant potential exposure or area of critical importance. Management action required.
  - **Moderate:** Exposure exists but with some mitigating factors. Management action required within the next six months.
  - **Low:** Low level of potential exposure to the organisation. Action required is only of a low priority or housekeeping nature.

#### **New Issues Reported**

10. Attached as Appendix A are the executive summaries of the reports issued this quarter. A detailed report for each review completed has been provided to management which sets out agreed management action plans as approved by the review sponsor.

#### **Outstanding Issues Reported**

11. Attached as appendix B are outstanding issues and the current status of actions carried forward from audits in previous quarters.

#### **Future Programmed Work**

12. Attached as appendix C is a project chart showing the status and timing of internal audits planned during the 2006/7 year. This will be updated and presented at each quarterly review.

#### **FINANCIAL AND LEGAL CONSIDERATIONS**

13. None.

#### **STAFF RECOMMENDATIONS**

It is recommended that the Subcommittee accept this report.