

## 5. REPORT ON INTERNAL AUDIT ACTIVITIES; 3 MONTHS ENDED 30 JUNE 2007

<b>General Manager responsible:</b>	Roy Baker, General Manager Corporate Services, DDI 941- 8540
<b>Officer responsible:</b>	Senior Auditor
<b>Author:</b>	G 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 Price Waterhouse Coopers (PWC) and Graeme Nicholas (Senior Auditor) within the Council and includes:
  - the status of audit projects in the current year's programme.
  - executive summaries for reports completed during the quarter ending 30 June 2007.
  - issues outstanding from previous quarters.

### EXECUTIVE SUMMARY

#### Programme Status

2. The attached appendix B to this report is the detailed work plan listing the internal audit scopes to be completed as part of the three year programme. The programme for 2007/8 has been revised and approved by management, with the current years audits shown as shaded. The planning and plan approval process was very thorough, involving each of the general managers, their reports and teams, invitation for the Audit Committee to contribute and input from the CEO.
3. We have completed the audit plan as proposed for the year with the exception of several reviews which were postponed for operational reasons. The co-sourcing model continues to produce a good blend of Council in-house input and experience through Graeme Nicholas and wider expertise and presence through the involvement of PWC.
4. Currently, there are a number of reviews relating to the 2007/8 year in an 'in progress' state.

#### Value to the Council

5. With the assistance of management and an ability to bring a broader focus we are delivering reviews which have an increased focus on:
  - alignment with the Council policies and strategic planning documentation.
  - alignment with the cultural and ethical aspirations of the Council.
  - review of some of the key operational areas of the Council.
  - raising the awareness of the importance of control.
6. During the course of the reviews completed to date and specifically with in the most recent quarters activities, we have again observed and raised a number of recommendations related to formalising and monitoring compliance with processes which will improve elements of the Council's financial performance. A number of issues have been resolved during the quarter, which is pleasing to see.

**THE 2006/07 PROGRAMME**

**Internal Audit Review Status**

7. Summarised below is the status of each of the internal audit reviews for the 2006/07 year and those commenced in the 2007/08 year:

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

Review and ref #	Comments	Status
Procurement review (06-1)	Final report has been issued	Completed
Mayor's Welfare (07-08)	Final report has been issued	Completed
Cash handling – various sites (07-23)	Final report has been issued	Completed
Internet Monitoring (07-22)	Final report has been issued	Completed
Inventory management (07-6)	Final report has been issued	Completed
Enforcement (Parking) (07-06)	Final report has been issued	Completed
City Solutions Capital Contracts (07-26)	Final report has been issued	Completed
Fixed assets (07-17)	Final report has been issued	Completed
Probity and discretionary expenditure review (07-13) *	Final report has been issued	Completed
LIMs Process (07-04)	Final report has been issued	Completed
Fraud Prevention Review (07-14) *	Action plan being developed	Completed
Business Continuity Planning (07-1) *	Action plan in conjunction with the Council's Risk Management strategy	Completed
Key accounting controls (07-10)	Final report has been issued	Completed
Licensing - health , liquor (07-07)	Final report has been issued	Completed
Rates (07-15)	Final report has been issued	Completed
Regulatory consents (07-05)	Final report has been issued	Completed
Cash handling (07-23) part 2	Final report has been issued	Completed
Internet Monitoring (07-22)	Final report has been issued	Completed
Revenue & Receivables (07-11)	Final report has been issued	Completed
Probity and discretionary expenditure review (07-13) * Phase 2	Final report has been issued	Completed
Enforcement -Environmental enforcement (07-06)	Final report has been issued	Completed

Review and ref #	Comments	Status
Payroll processes (07-25)	Final report has been issued	Completed
General IT / Governance (07-19)	Final report has been issued	Completed
City Environment Contracts (07-18)	Final report has been issued	Completed

#### THE 2007/08 PROGRAMME

Heritage grants (08-28)	Awaiting review	Draft report
Engagement of Consultants (08-15)	Awaiting review	Draft report
Mayors Welfare Fund (08-32)	Final report has been issued	Completed
Management of Council leased stadium (08-31)	Audit progressing	In progress
Sensitive expenditure (08-12)	Awaiting review	Draft report
Recruitment & Exit processes (08-26)	Audit progressing	In progress
Building inspections (8-04)	T of R being finalised	Planning

#### Risk Categories of Issues Reported This Quarter

8. In each review under the co-sourced arrangement, findings are classified according to the ratings outlined below.
9. Given the size of the Council and its relative complexity from an operational perspective, it is expected that a number of issues will be identified during the course of the year where further improvements can be made (both from an internal control and efficiency/effectiveness perspective). The ratings in the table below will be a combination of potential opportunities for improvement identified and control related issues.
10. In PWC's experience, it is normal practice to report summarised outcomes from the reviews in this fashion; with the focus of many Audit Committees turning to the status of key findings where agreed management actions may not have been taken within agreed timeframes. The Subcommittee should note that delays may occur due to shifting management priorities and/or resourcing issues.

Review	Number of recommendations by risk category			Total Number
	High *	Moderate	Low	
Totals carried forward from last Qtr	10	56	48	114
Payroll (07-25)		3	3	6
City Environment Contract (07-18)	1	2	3	6
General IT / Governance (07-19)		9	6	15
<b>Total issues to date</b>	<i>11</i>	<i>70</i>	<i>60</i>	<i>141</i>
Issues resolved to date	-5	-35	-27	-67
<b>Issues Outstanding to date</b>	<b>6</b>	<b>35</b>	<b>33</b>	<b>74</b>

\* See Appendix C for a description of items rated with a "high" priority

11. The findings relating to our reviews are broadly classified as being high, moderate or low priority.

12. 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**

13. Attached as Appendix A are the executive summaries of the reports prepared this quarter.
14. 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**

15. A database of audit issues is maintained. These are reported to General Managers for regular follow up. A status report is included as an Appendix C to this report.