

4. REPORT ON INTERNAL AUDIT ACTIVITY - THREE MONTHS ENDED 31 DECEMBER 2006

General Manager responsible:	General Manager Regulation and Democracy Services, DDI 941-8549
Officer responsible:	G Nicholas, Senior Internal Auditor
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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 (PwC) and Graeme Nicholas within the Council and includes:
 - the status of audit projects in the current years programme.
 - executive summaries for reports completed during the quarter ending 31 December 2006.
 - issues outstanding from previous quarters.

EXECUTIVE SUMMARY

Programme Status

2. The attached appendix to this report is the detailed workplan listing the internal audit scopes to be completed within the year as well as the current timeframe and status of each individual project.
3. We remain satisfied with the progress that has been made throughout the year to date. 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. During the most recent quarter we have decided to increase our focus on the activity that management agrees to undertake and resolve following on from an internal audit review.
5. Currently, there are around four 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 still a number of specialist reviews to take place within the remainder of the 2007 calendar year. These involve a combination of Council and PwC lead reviews and therefore a fair amount of internal audit activity and reporting.

Value to the Council

7. 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 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

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 is 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)	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)	In progress	In progress
Probity and discretionary expenditure review (07-13) * Phase 2	In progress	In progress
General IT / Governance (07-19)	In progress	In progress
Enforcement -Environmental enforcement (07-06)	In progress	In progress

Risk Categories of Issues Reported This Quarter

9. In each review under the co-sourced arrangement, findings are classified according to the ratings outlined below.
10. 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.

11. 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. In this regard, we will report in future papers whether any "High" rated opportunities and issues have not been actioned within agreed timeframes and the reasons for any delays. 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	5	19	29	53
LIMs Process (07-04)	1	1	1	3
Fraud Prevention Review (07-14) *	1	5	2	8
Business Continuity Planning (07-1) *	3	1	0	4
Key accounting controls (07-10)	0	3	2	5
Licensing - health , liquor (07-07)	0	2	4	6
Rates (07-15)	0	1	2	3
Regulatory consents (07-05)	0	2	3	5
Cash handling (07-23) part 2	0	4	3	7
Internet Monitoring (07-22)	0	0	0	0
Issues resolved to date	-1	-10	-18	-29
Issues Outstanding to date	9	28	28	65

* The Fraud Prevention and Business Continuity and Disaster Planning field work has been carried out by both PwC and G Nicholas.

12. The findings relating to our reviews are broadly classified as being High, Moderate or Low priority.
13. 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

14. Attached as Appendix A are the executive summaries of the reports prepared this quarter.
15. 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

16. A database of audit issues has just been developed. In future reports, it is intended to list as an appendix outstanding issues and the current status of actions carried forward from audits in previous quarters.

Future Programmed Work

17. Attached as Appendix B is a project chart showing the status and timing of internal audits planned during the 2006/07 year. This will be updated and presented at each quarterly review.

FINANCIAL AND LEGAL CONSIDERATIONS

18. None.

STAFF RECOMMENDATION

It is recommended that the Subcommittee accept this report.