

**5. REPORT ON INTERNAL AUDIT ACTIVITY: THREE MONTHS ENDED 31 MARCH 2007**

<b>General Manager responsible:</b>	GM Regulation & Democracy, DDI 941-8411
<b>Officer responsible:</b>	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 and Graeme Nicholas 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 31 March 2007
  - 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 CCC in-house input and experience through Graeme Nicholas and wider expertise and presence through the involvement of PWC.
4. Currently, there are around three reviews 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 CCC policies and strategic planning documentation
  - alignment with the cultural and ethical aspirations of CCC
  - review of some of the key operational areas of CCC
6. During the course of the reviews completed to date and specifically with in the most recent quarters activities, we have 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.

**THE 2006/07 PROGRAMME**

**Internal Audit Review Status**

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

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

<b>Review and ref #</b>	<b>Comments</b>	<b>Status</b>
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
Payroll processes (07-25)	Commenced 1 <sup>st</sup> May	In Progress
General IT / Governance (07-19)	Commenced 7th May	In Progress
City Environment Contracts (07-18)	Commencing May	Planned

#### **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. 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 from last Qtr	10	48	36	94
Revenue & Receivables (07-11)	0	5	8	13
Probity and discretionary expenditure review (07-13) * Phase 2	0	2	1	3
Enforcement -Environmental enforcement (07-06)	0	2	2	4
<b>Total issues to date</b>	<b>10</b>	<b>57</b>	<b>47</b>	<b>114</b>
Issues resolved to date	-2	-27	-14	-43
<b>Issues Outstanding to date</b>	<b>18</b>	<b>30</b>	<b>80</b>	<b>71</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.

#### **Future Programmed Work**

16. Attached as Appendix B 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**

17. None.

#### **STAFF RECOMMENDATION**

It is recommended that the Subcommittee accept this report.