

5. INTERNAL AUDIT ACTIVITY REPORT –APRIL 2008 / JULY 2008, QUARTER FOUR

General Manager responsible:	General Manager Corporate Services DDI 941-8540
Officer responsible:	Senior Auditor
Author:	G Nicholas, Senior Auditor / Murray Harrington , PWC Partner

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 July 2008
 - issues outstanding from previous quarters.

EXECUTIVE SUMMARY

Programme Status

2. We completed the internal audit plan as proposed for the 2007/8 year with the exception of five reviews:
 - Annual Residents Survey: the survey process has changed significantly and has been deferred to the 2008/9 program.
 - Procurement effectiveness: The Procurement project is not yet complete so this review has been rescheduled in the 2008/9 year. (The RFP review will also be included in this review)
 - Remuneration policies: rescheduled into the 2008/9 year due to a change of GM.
 - IT Strategic Review has been deferred to the 2008/9 program.

An additional audit not programmed in 2007/8 but requested by management related to library IT controls.

3. The new year's programme has commenced and is included as Appendix C for your information.

Value to the Council

4. The reviews in the most recent quarter and the 08/09 Internal Audit Planning process have had a focus on:
 - IT capability, planning , security and delivery
 - governance , regulatory and communication processes
 - fraud prevention and detection, and HR
 - reviews in respect of both major capital and operational spend
 - improving business process within Council.

The diverse nature of the scopes covered continues to provide a wide range of assurance across CCC.

5. In the current economic environment, we are observing increasing pressures on both organisations and individuals. We continue to be mindful that within each of our reviews a heightened level of awareness from ourselves and management may be required.

THE 2007/08 PROGRAMME

Internal Audit Review Status

6. Summarised below is the status of each of the internal audit reviews for the 2007/8 year and for the 2008/9 year which are in progress:

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	Key Resource	Status	Reporting to Committee status
Heritage grants (08-28)	Final report has been issued	PWC	Completed	Reported Feb 08
Engagement of Consultants (08-15)	Final report has been issued	CCC	Completed	Reported Feb 08
Mayors Welfare Fund (08-32)	Final report has been issued	CCC	Completed	Reported Feb 08
Sensitive expenditure (08-12)	Final report has been issued	CCC	Completed	Reported Feb 08
Recruitment & Exit processes (08-26)	Final report has been issued	CCC	Completed	Reported Feb 08
Electronic Funds Transfer (08-17)	Final report has been issued	CCC	Completed	Reported Feb 08
Insurance (08-35)	Final report has been issued	CCC	Completed	Reported Feb 08
Library IT Controls (07-)	Expansion of previous review to include library IT Final report has been issued	PWC	Completed	Reported May 08
Management of Council leased stadium (08-31)	Final report has been issued	CCC	Completed	Reported May 08
Building inspections (8-04)	Final report has been issued	CCC	Completed	Reported May 08
Public Records Act (08-06)	Final report has been issued	CCC	Completed	Reported May 08
Revenue (various) (08-10)	Final report to be issued	CCC	Completed	Reported May 08
Software development (08-19)	Final report has been issued	PWC	Completed	Reported May 08

Review and ref #	Comments	Key Resource	Status	Reporting to Committee status
Project office Methodology (08-18)	Final report has been issued	PWC	Completed	Reported May 08
Internet usage / policy (08-21)	Final report has been issued	CCC	Completed	Reported May 08
Cash handling – various sites (08-25)	Final report has been issued	CCC	Completed	Reported May 08
Sub Division Consents (08-03)	Final report has been issued	CCC	Completed	Reported May 08
Maintenance & Operation contracts	Final report issued	CCC	Completed	Reported Aug 08
Budgeting / Forecasting (08-08)	Final report issued	CCC	Completed	Reported Aug 08
Civil Defence (08-24)	Final report issued	PWC	Completed	Reported Aug 08
Capital Program procurement and administration (08-33)	Included within 08-34	CCC	Completed	
Key accounting Controls (08-09)	Final report to be issued	CCC	Completed	Reported Aug 08
Development Contribution levies (08-07)	Final report to be issued	CCC	Completed	Reported Aug 08
Fraud Prevention (08-13)	Final report to be issued	CCC	Completed	Reported Aug 08
IT Security (08-20)	Final report issued	PWC	Completed	Reported Aug 08
Statement of Intent (08-01)	Final report issued	PWC	Completed	Reported Aug 08
Capital Programme (08-34)	Management to report	PWC	Completed	
Animal Control (08-05)	Awaiting review with GM (PM)	CCC	Draft Report	
Customer service / complaints (08-02)	Awaiting review with GM (AM)	PWC/ CCC	Draft Report	
LTNZ / Claims (08-23)	Awaiting review with GM (JP)	CCC	Draft Report	
Treasury (08-29)	Awaiting review with GM (PA)	PWC	Draft Report	
Information systems Strategic Plan (08-22)	Carry forward to 2008/9	PWC	Postponed	
RFP Processes (8-16)	To be combined with procurement review in 2008/9	PWC	Postponed	
Annual Residents Survey (08-30)	Delayed at request of GM	CCC	Postponed	
Remuneration policies (08-27)	Delayed at request of GM	PWC	Postponed	
Procurement effectiveness (08-11)	Delayed at request of GM	CCC	Postponed	

Review and ref #	Comments	Key Resource	Status	Reporting to Committee status
2008/9 Programme				
Mayors Welfare (09-01)	Field work in progress	CCC	In Progress	
Cash Handling sites (09-02)	Field work in progress	CCC	In Progress	
Community Grants (09-08)	Field work in progress	CCC	In Progress	
Council bylaws review (09-03)	Field work in progress	CCC / Simpson Grierson	In Progress	
Revenue (09-15)	Terms of Reference to be agreed	CCC	Planned	

Risk Categories of Issues Reported This Quarter

7. In each review under the co-sourced arrangement, findings are classified according to the ratings outlined below.
8. 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.
9. 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 report	16	109	94	219
Statements of Intent	0	2	1	3
Key Accounting Controls	1	2	1	4
Civil Defence	3	7	3	13
IT Security	1	6	0	7
Fraud Control	0	4	0	4
Development Contributions	0	1	0	1
Budgeting & Forecasting	0	3	0	3
Maintenance Contracts	2	0	4	6
Total issues to date	23	137	103	263
Issues resolved to date	8	57	55	119
Issues Outstanding to date	15	80	48	144

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

10. The findings relating to our reviews are broadly classified as being High, Moderate or Low priority.
11. 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

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

14. A database of audit issues is maintained. These are reported to General Managers for regular follow up.