

6. INTERNAL AUDIT ACTIVITY REPORT – SEPTEMBER 2007 QUARTER

General Manager responsible:	General Manager Corporate Services, DDI 941 8528
Officer responsible:	Senior Auditor Regulation and Democracy Services
Author:	G Nicholas, Senior Auditor Regulation and Democracy Services

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 September 2007
 - issues outstanding from previous quarters.

EXECUTIVE SUMMARY

Programme Status

2. We are on track with the internal audit plan as proposed for the year with the exception of one review. This relates to the Annual Residents Survey where the survey process is changing significantly. The co-sourcing model continues to produce a good blend of Christchurch City Council in-house input and experience through Graeme Nicholas, and wider expertise and presence through the involvement of PWC.
3. Currently, there are a number of reviews relating to the 2007/8 year in an 'in progress' state. This report includes reports that have been issued up to September 2007. During the most recent Quarter to December 2007 a further five reports have been completed and four are in draft report stage. Reporting on these reviews will occur at the next Audit Committee Meeting. Finalisation of a number of these reviews has been delayed due to a number of senior management changes and the need for appropriate sign-off of these reviews.

Value to the Council

4. 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 Christchurch City Council policies and strategic planning documentation
 - alignment with the cultural and ethical aspirations of Christchurch City Council
 - review of some of the key operational and financial areas of Christchurch City Council
 - raising the awareness of the importance of control
 - linkage to the Risk Management framework
5. During the course of the reviews completed to date and specifically within 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 2007/8 PROGRAMME

Internal Audit Review Status

6. Summarised below is the status of each of the internal audit reviews for the 2007/8 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
Heritage grants (08-28)	Final report has been issued	Completed
Engagement of Consultants (08-15)	Final report has been issued	Completed
Mayors Welfare Fund (08-32)	Final report has been issued	Completed
Management of Council leased stadium (08-31)	Awaiting review with GM	Draft Report
Sensitive expenditure (08-12)	Final report has been issued	Completed
Recruitment & Exit processes (08-26)	Final report has been issued	Completed
Building inspections (8-04)	Awaiting review with GM	Draft Report
Electronic Funds Transfer (08-17)	Final report has been issued	Completed
Project office Methodology (08-18)	Drafting report	Draft Report
Insurance (08-35)	Final report has been issued	Completed
Budgeting / Forecasting (08-08)	Progressing	In Progress
Revenue (various) (08-10)	Progressing	In Progress
General IT Controls (07-)	Expansion of previous review to include library IT Awaiting review with GM	Draft Report
Software development (08-19)	Drafting report	Draft Report
Internet usage / policy	Progressing	In Progress
Capital Program tendering (08-33)	Commencing December 2007	Planned
Cash handling – various sites (08-25)	Terms of reference to be signed	Planned
Annual Residents Survey (08-30)	A major change of process has just been implemented.	Postponed

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 Quarter	11	70	60	141
Building Inspections	0	1	0	1
Engagement of Consultants	2	4	0	6
Electronic money Transfers	2	1	0	3
Heritage grants	0	4	2	6
Insurance	0	0	1	1
Probity & Sensitive expenditure	0	2	0	2
Recruitment	0	4	2	6
Total issues to date	15	86	65	166
Issues resolved to date	5	39	27	71
Issues Outstanding to date	10	47	38	95

* See Appendix C 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

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 Appendix B to this report.