

4. INTERNAL AUDIT ACTIVITY REPORT – AUGUST/OCTOBER 2008 QUARTER ONE

General Manager responsible:	General Manager Corporate Services DDI 941-8528
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PURPOSE OF REPORT

- 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 year’s programme
 - executive summaries for reports completed during the quarter ending October 2008
 - issues outstanding from previous quarters.

EXECUTIVE SUMMARY

Programme Status

- The programme for 2008/09 was approved by the Executive Team and the Audit and Risk Management Committee in June 2008 and is being progressed.

Value to the Council

- The reviews in the 2008/09 Internal Audit Planning process have a focus on:
 - governance, regulatory and communication processes
 - fraud prevention and detection, and human resources
 - 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 the Christchurch City Council (CCC).

- 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. Increasingly we are also looking for efficiency gains and revenue leakage possibilities.

THE 2008/09 PROGRAMME

Internal Audit Review Status

- Summarised below is the status of each of the internal audit reviews for the 2007/08 year reported this quarter and for the 2008/09 year which have been completed:

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
2007/08 Programme				
Animal Control (08-05)	Issued report	CCC	Completed	Reported Nov 08
Customer service / complaints (08-02)	Issued report	PWC/ CCC	Completed	Reported Nov 08
LTNZ / Claims (08-23)	Issued report	CCC	Completed	Reported Nov 08
Treasury (08-29)	Issued report	PWC	Completed	Reported Nov 08
2008/09 Programme				
Mayors Welfare (09-01)	Issued report	CCC	Complete	Reported Nov 08
Cash Handling sites (09-02)	Issued report	CCC	Complete	Reported Nov 08
Revenue (09-15)	Issued report	CCC	Complete	Reported Nov 08
Community Grants (09-08)	Awaiting review with GM (PA)	CCC	Draft Report	N/A
Consents & Compliance (09-19)	Report being drafted	CCC	Draft Report	N/A
HR Practices and processes (09-07)	Field work in progress	PWC	In progress	N/A
Environmental Enforcement (09-14)	Field work in progress	CCC	In progress	N/A
Remuneration Practices (09-05)	Field work in progress	PWC	In progress	N/A
EPA financial practices (09-10)	Planning	CCC	Planned	N/A
Capital Endowment Fund	Planning	PWC / CCC	Planned	N/A

Risk Categories of Issues Reported This Quarter

6. In each review under the co-sourced arrangement, findings are classified according to the ratings outlined below.
7. 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.

8. 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. Internal Audit has emphasised to management that there are currently a high level of open items and that this does require attention.

Review	Number of recommendations by risk category			Total Number
	High *	Moderate	Low	
Totals carried forward from last report	23	137	103	263
Animal Control	0	3	0	3
Customer Service & Complaints	1	6	2	9
LTNZ Claims	1	3	2	6
Treasury	0	4	2	6
Mayors Welfare	0	0	0	0
Cash handling	0	1	6	7
Revenue & Receivables	1	1	2	4
Total issues to date	26	155	117	298
Issues resolved to date	9	71	65	145
Issues Outstanding to date	17	84	52	153

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

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

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

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