

7. INTERNAL AUDIT ACTIVITY REPORT - FEBRUARY 2009/APRIL 2009 QUARTER THREE

General Manager responsible:	General Manager Corporate Services DDI 941 8528
Officer responsible:	Senior 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 April 2009;
 - issues outstanding from previous quarters.

EXECUTIVE SUMMARY

Programme Status

2. The programme for 2008/09 was approved by the Executive Team in June 2008 and is being progressed.

Value to the Council

3. The reviews in the 2008/09 Internal Audit Planning process have a focus on:
 - governance, regulatory and communication processes;
 - fraud prevention 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 Council.

4. We continue to be mindful that in the current economic environment, we are observing increasing pressures on both organisations and individuals and that within each of our reviews a heightened level of awareness from ourselves and management may be required. Wherever possible we look to assist with the identification of business improvement and efficiency opportunities. The current period has seen a lot of activity progressed. Many reviews are in the final stages of reporting. We are bringing together common themes of interrelated reviews in order to put logical organisational initiatives in place. An example of this includes common themes from the procurement, contract management and capital programme reviews.

THE 2008/09 PROGRAMME

Internal Audit Review Status

5. Summarised below is the status of each of the internal audit reviews for the 2008/9 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				
Environmental Enforcement (09-14)	Reviewed with GM	CCC	Complete	Reported May 09
Consents & Compliance (09-19)	Reviewed with GM	CCC	Complete	Reported May 09
EPA financial practices (09-10)	Reviewed with GM	CCC	Complete	Reported May 09
Canterbury Development Corporation Relationships (09-26)	Draft to be reviewed	PwC/ CCC	Draft Report	
Capital programme group (09-13)	Draft to be reviewed	CCC	Draft Report	
Budgeting and forecasting processes (09-22)	Draft to be reviewed	CCC	Draft Report	
Contract management (09-11)	Draft to be reviewed	PwC	Draft Report	
Electronic Transfers (09-17)	Draft to be reviewed	PwC	Draft Report	
SAP Security (09-18)	Draft to be reviewed	PwC	Draft Report	
Procurement Effectiveness (09-16)	Draft to be reviewed	PwC	Draft Report	
Capital Endowment Fund (09-09)	Progressing	PwC/ CCC	In progress	
Fraud prevention (09-23)	Progressing	PwC/ CCC	In progress	
IT Network security (09-12)	Report being drafted	PwC	In progress	
Major Events management	Terms of reference agreed	PWC/ CCC	Planned	
Payroll Processing	Commencing May 2009	PwC/ CCC	Planned	
IT Disaster Recovery planning (09-25)	Defining the Terms of Reference	PwC	Planned	
Project Management methodology (09-28)	Defining the Terms of Reference	PwC	Planned	
Community Housing (09-27)	Planned for June 2009	CCC	Planned	
IS Strategic Plan (09-30)	Defining the Terms of Reference	PwC	Planned	

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 an 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 sometimes occur due to shifting management priorities and/or resourcing issues.

Review	Total Number			
	High	Moderate	Low	Total
Totals carried forward from last report	29	168	124	321
Environmental Enforcement	1	3	1	5
Consents & Compliance		3	3	6
EPA Accounting review		1	3	4
Total issues to date	30	175	131	336
Issues resolved to date	23	110	93	226
Issues Outstanding to date	7	65	38	110

* 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, Significant, Moderate or Low priority.
10. These ratings are defined as follows:
 - **High:** Very significant potential exposure or area of critical importance. Urgent 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.