

PURPOSE OF REPORT

1. The purpose of this report is to advise the Subcommittee of the draft programme of internal audits for the year commencing 1 July 2015.

EXECUTIVE SUMMARY

- . Internal Audit provides an independent review function of the performance and adequacy of risk management by the Council. This also incorporates investigative and monitoring activities for compliance and probity. The attached draft internal programme incorporates work in these areas as well as assistance to the external auditors in completion of year-end reviews.

FINANCIAL AND LEGAL CONSIDERATIONS

3. The budgeted cost of the Internal Audit and Risk Management activities for the 2015/16 year is \$156,000. This covers the internal costs of the function as well as the employment of external resource when required (normally to provide specialist advice or audit time.)

STAFF RECOMMENDATION

It is recommended that the Council note the proposed internal audit programme.

BACKGROUND ON DRAFT INTERNAL AUDIT PROGRAMME

What is an Internal Audit Programme?

- . It is normal practice for an organisation's Audit Committee to approve the programme of internal audits.
5. Internal Audit is an independent review function within the Council, with the objective of providing assurance to management, that Council objectives are likely to be achieved effectively and efficiently within an acceptable degree of risk.
 6. It provides management with two perspectives on the organisation's performance:
 - **Past performance** – the required results or outcomes have been and are being achieved now i.e. financial and service targets are being achieved; policies and laws are being complied with.
 - **Future performance** – the achieving of the desired results in the future is reasonably assured by the application of appropriate risk management processes and management controls.
 7. Particular aspects that audit reviews aim to provide assurance on are:

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| <ol style="list-style-type: none">1. Results are consistent with established goals and objectives.. There is compliance with policies, plans, procedures, laws, regulations and standards.3. Information for decision-making is reliable and has integrity.. Resources are being economically and efficiently used.5. Assets are safeguarded.6. Staff are competent and committed. <p>- IIA Australian control criteria</p> |
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Programme Components

8. The programme has been compiled based on the following factors:
- Management requests for investigation into various concerns.
 - Providing assistance to Audit New Zealand in terms of accounting system reviews and in completion of end of year audit procedures.
 - Monitoring of processes where there is some potential risk of fraud or there are compliance or probity issues.
 - Rolling performance and risk reviews of activities prioritised on a risk basis.
 - General maintenance of the Council's risk register database.

Setting of Priorities

9. The programme is a mix of audit assistance to Audit NZ at year end, compliance monitoring, systems security, reviews of accounting processes, reviews of key risks and activities:
- The work for external financial audit has been agreed with Audit NZ. This is given priority to ensure that the overall audit of the Annual Report is not delayed. Some credit for the work performed is allowed in the audit fee charged.
 - Compliance monitoring is performed throughout the year to provide assurance around the consistency of processes performed. It is intended to review the scope of the current monitoring and expand to further accounting processes particularly for fraud indications. This may involve purchase of a software tool designed for this purpose.
 - Activity-based audits are audits of operational aspects of the activity as well as applying audit scrutiny to the information and assumptions presented in the LTCCP. Activities are chosen based on the overall level of risk impact of the activity to the organisation (based on the overall level of risk as shown by the risk register). The risk register is still being currently reviewed and updated so this is very approximate and consideration is also given to the time elapsed since the last audit as well as significant individual risks that are associated with an activity. As internal functions are not "activities" in the true sense, these are listed as separate processes or functions.

Activity audits examine the basis for the levels of service intended, the required standards and laws that apply and whether what is intended to be achieved is in fact happening. We also examine the key processes that deliver on these service levels, their efficiency and whether the risks to future achievement are managed to an acceptable level.

The Past Year's Programme (2004/05)

10. This table also outlines the audits performed during the past year:

Activity Audits:

- Wastewater collection and treatment
- Library lending services
- Library life learning skills development
- Greenspace parks, reserves and open spaces (in progress)
- Treasury internal controls
- Community grants and funding
- Community Board expenditure

Compliance Risk Audits:

- Volunteers
- Staff warrants
- Catering costs
- Revenue - City Transport, Greenspace, Community and Recreation Units
- Fixed asset systems
- Internet usage
- Staff expenses
- Staff cell phones and telephone usage
- Purchasing – ITS, Community and Recreation, Planning, Facility Assets, ESU Units
- City Solutions contracts

- Business continuity planning – Corporate Support, Art Gallery, Leisure Facilities Units
- Retirement gratuities
- Use of consultants contract labour
- Parental leave
- In-house managed events
- Rates processes
- Offensive trade licences
- Recovery of fines processes
- City Transport – LTCCP and AMP alignment
- Solid waste collection contracts
- Staff use of credit cards
- Rates valuation database

Audit NZ requested:

- Various cash collection sites
- Stock takes and inventory control
- Mayor's Welfare Fund
- Payroll
- Statement of service performance

The Proposed Programme 2005/06

11. The attached table outlines:

- The audit category
- Priority of the audit
- Description of the audit
- Why it has been selected.
- When it was last subject to internal audit review.

1 . Past years have shown that there needs to be an element of flexibility in the plan as scheduled audits can conflict with other reviews and restructurings that are occurring, as well issues that emerge during the year.