

COUNCIL 22. 5. 2014

AUDIT AND RISK MANAGEMENT COMMITTEE 7 MAY 2014

**A meeting of the Audit and Risk Management Committee
was held in the No. 1 Committee Room
on 7 May 2014 at 9am.**

PRESENT: Ms Sheldon (Chairperson), Councillor Manji (Deputy Chairperson)
The Mayor, Councillors ,Chen, East, Gough, Mr Rondel and the Acting Chief Executive.

APOLOGIES: An apology for absence was received and accepted from Mr Russell.

An apology for lateness was received and accepted from the Mayor who arrived at 9.07 am and was absent for Clause 4.

Sue Sheldon, Chairperson, provided by way of an introduction a brief outline of her experience.

The Committee reports that:

PART A - MATTERS REQUIRING A COUNCIL DECISION

1. INTERNAL AUDIT STATUS REPORT

		Contact	Contact Details
General Manager responsible:	Chief Financial Officer	N	
Officer responsible:	Internal Audit	Y	Warren Murphy 941 8550
Author:	Warren Murphy	Y	

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to provide an update on the status of internal audit activities being undertaken by PricewaterhouseCoopers and the Internal Audit as a co-sourced arrangement and includes:
- The status of Internal Audit projects in the current year's programme as at 24 April 2014
 - An updated metric on audit issues from previous audits that are being actively managed
 - A list of In Progress audit issues that are rated as "High" (**Appendix A**)
 - A list of outstanding audit issues that are "Overdue" (**Appendix B**)
 - Executive summaries for reports completed as at 24 April 2014 (**Appendix C**).

2. EXECUTIVE SUMMARY

- 2.1 The 2013/14 audit programme was approved by the Executive Team and the Audit and Risk subcommittee in August 2013.
- 2.2 Two reviews have been completed since the last Audit and Risk subcommittee meeting 2 April 2014. These are:
- Asset Management and Planning
 - Business Continuity Planning.
- 2.3 Eleven reviews are in progress and of these; six are at the draft report stage.

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- 2.4 The diverse nature of these audits and their scopes continue to provide a wide range of assurance across the Council. The overall management engagement with Internal Audit continues to be responsive and constructive.
- 2.5 There are 94 audit issues outstanding as at 24 April 2014, categorised as 22 high priority, 61 medium priority and 11 low priority issues. This is a reduction since the last report.
- 2.6 There are 12 issues (9 medium priority and 3 low priority) that are past their target date for completion. This is a reduction over the last period because they are being actively followed up.

3. INTERNAL AUDIT STATUS 2013/14

- 3.1 Summarised in Table 1 below is the status of each of the internal audit reviews for the 2013/14 year.

Table 1: Status of Audits on the 2013/14 Programme

Review	Comments	Field Work	Status
Rolled over from 2012/2013 program			
Rates	Validating observations and requesting management comments.	PwC	Draft Report
2013/2014 program			
Council Decision Making Processes	Scoping.	PwC	In Progress
Code Compliance Certificates	Q4 – on hold pending Building Control review.	CCC	On hold
Land Use Consents	Q4 – on hold pending Building Control review.	CCC	On hold
Subdivision Consents (part of Resource Consents program)	Q1 - on hold pending Building Control review	CCC	On hold
Enforcement and Inspection – Liquor Licensing	Deferred to 2014/15 (Q4 on Plan).	CCC & PwC	Deferred to 2014/15
Contaminated Sites/Debris Management	Validating observations and requesting management comments.	CCC	Draft Report
Opex and Capex Expenditure, Forecasting and Budgetary Control	Scoping.	PwC	In Progress
Governance of Directly Owned Subsidiaries	Requesting management comments.	PwC	Draft Report
EQ Claims	Q4.	PwC	Planned
Performance Measurement	Q4.	CCC	Planned
Debt Management and Credit Control for User Services Charges	Draft Report being written.	CCC	In Progress
Key Accounting Controls	Q4 (Q3 on plan).	CCC	Planned
Revenue Collection Points	Scoping.	CCC	In Progress
Fraud Prevention and Detection – Suspicious Transactions Analysis	Completed.	CCC & PwC	Completed
Property Purchases and Disposals	Field work underway.	PwC	In Progress
Electronic Banking and Funds Transfer	Q4.	CCC	Planned
Business Continuity Planning	Completed.	PwC	Completed
Asset Management and Planning	Completed.	CCC	Completed
IT Program & Project Governance	Completed.	PwC	Completed

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Review	Comments	Field Work	Status
Application Security Controls	Q4 (Q2 on Plan).	PwC	Planned
NZTA and Other Claims	Q3 on plan. Scope to be revised due to audits currently being undertaken through HIGG.	CCC	Deferred to 2014/15
Waste water Collection and Disposal	Q4 (Q3 on Plan).	CCC	Planned
Drainage/Flood Control Activities ¹	Q3 (Q2 on Plan) - scoped but deferred to 2014/15 due to staff workload.	CCC	Deferred to 2014/15
Remuneration Practices	Deferred to 2014/15 while organisational restructure in progress. (Q2 on Plan).	CCC	Deferred to 2014/15
Probity/Sensitive Expenditure	Draft Report being written.	CCC	In Progress
Internet Usage (2013/14)	Q4.	CCC	Planned
Mayor's Welfare Fund	Deferred to 2014/15 (Q4 on Plan).	CCC	Deferred to 2014/15
Facility Rebuild Projects	Q4 (Q2 on Plan).	PwC	Planned
Rock Fall Remediation Project	Deferred to 2014/15 (Q4 on Plan).	CCC & PwC	Deferred to 2014/15
Additional to approved programme			
Fraud Investigation – Consents	Completed.	PwC	Draft Report
Rates Setting Historical Review	Awaiting management comments.	CCC	Draft Report
PCard Testing	Completed.	PwC	Completed
Conflicts of Interest Register	Completed.	PwC	Completed
Contractor Register	Validating observations and requesting management comments.	PwC	Draft Report
Connect Project Lessons Learned	Completed.	PwC	Completed

Key:

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

¹ Please note that at the Council meeting of 24 April, Councillor Johanson asked that the ability to bring this forward be raised.

4. STATUS OF OUTSTANDING AUDIT ISSUES

4.1 Table 2 below summarises the outstanding audit issues by priority which are being actively followed up.

Table 2: Status of Outstanding Audit Issues

Issue Category	Total Number			
	High	Medium	Low	Total
Issues Outstanding brought forward from last report	21	86	19	126
Issues resolved since last period	4	30	11	45
Issues added this period from newly completed audits	5	5	3	13
Issues outstanding as at 24 April 2014	22	61	11	94
Issues outstanding that are past target date for completion	0	9	3	12

4.2 These ratings by priority are defined as follows:

High: Very significant potential exposure or area of critical importance. Urgent management action required.

Medium: 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.

4.3 A summary of High Audit Issues is attached as **Appendix A**.

4.4 A summary of Overdue Audit Issues is attached as **Appendix B**.

5. COMPLETED REPORTS

5.1 Attached as **Appendix C** are the executive summaries of reports completed since the last meeting (August 2013) of the committee. These reports have been provided to management and set out agreed management action plans as approved by the review sponsor.

6. STAFF RECOMMENDATION

6.1 That the Council accept this report.

7. COMMITTEE CONSIDERATION

7.1 The Committee considered the report and to better understand the risk requested that staff include the following additions to the status table:

- A section that identifies the long term process,
- why an action has not been completed by the due-by-date and that the risks have been mitigated,
- identify actions that can't be completed due to other constraints.
- include the original target date as well as the target date for completion

- 7.2 The Committee also requested that the staff meet to discuss legacy issues and report back to the Committee with a plan on how this is being dealt with and why, and that any potential risks be highlighted.
- 7.3 The Committee further requested that prior to next year's Audit New Zealand assessment, all long standing issues be reassessed and information be provided around what is outstanding, what is the risk and how the risk will be mitigated.
- 7.4 The Committee considered that the maintenance of the asset register was of high priority and requested a briefing on the following:
- § the Asset Operations Board
 - § the Asset Management System and how it works.
- 7.5 The Committee also requested:
- § A briefing on Insurance to understand what the Council wants to insure and how to manage the risk.
 - § A workshop regarding Business Continuity Planning

8 COMMITTEE RECOMMENDATION

That the staff recommendation be adopted.

PART B - REPORTS FOR INFORMATION

2. DEPUTATIONS BY APPOINTMENT

Nil.

3. AUDIT AND RISK MANAGEMENT COMMITTEE – RESOLUTION TRACKER

The Committee **received** the Audit and Risk Management Committee Resolution Tracker and a verbal update on the Horizontal Infrastructure Governance Group.

PART C – DELEGATED DECISIONS

4. DECLARATION OF INTEREST

The Chairperson requested that her directorships and those of all the Independent Directors be included on the Independent Register of Interests.

5. RESOLUTION TO BE PASSED – SUPPLEMENTARY REPORT

The Committee **agreed** that the supplementary reports be received and considered.

6. RESOLUTION TO EXCLUDE THE PUBLIC

The Committee **resolved** that the resolution to exclude the public as set out on page 115 of the agenda, be adopted.

The Committee **resolved** to admit PricewaterhouseCooper and Audit New Zealand Auditors to the Public Excluded section of the agenda.

The meeting concluded at 11.59am

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CONSIDERED THIS 22 DAY OF MAY 2014

MAYOR