

Internal audit risk assessment and draft operational plan 2009/10 – strategic plan 2009 - 2012



Distribution List

Audit and Governance Committee
Chief Executive
Strategic Directors
Corporate Managers

Contents

Section	Page
1 Introduction.....	1
2 Providing assurance.....	2
3 The risk assessment process.....	5
4 Proposed internal audit plan	6
5 Outline strategic plan 2009 – 2012	16

1 Introduction

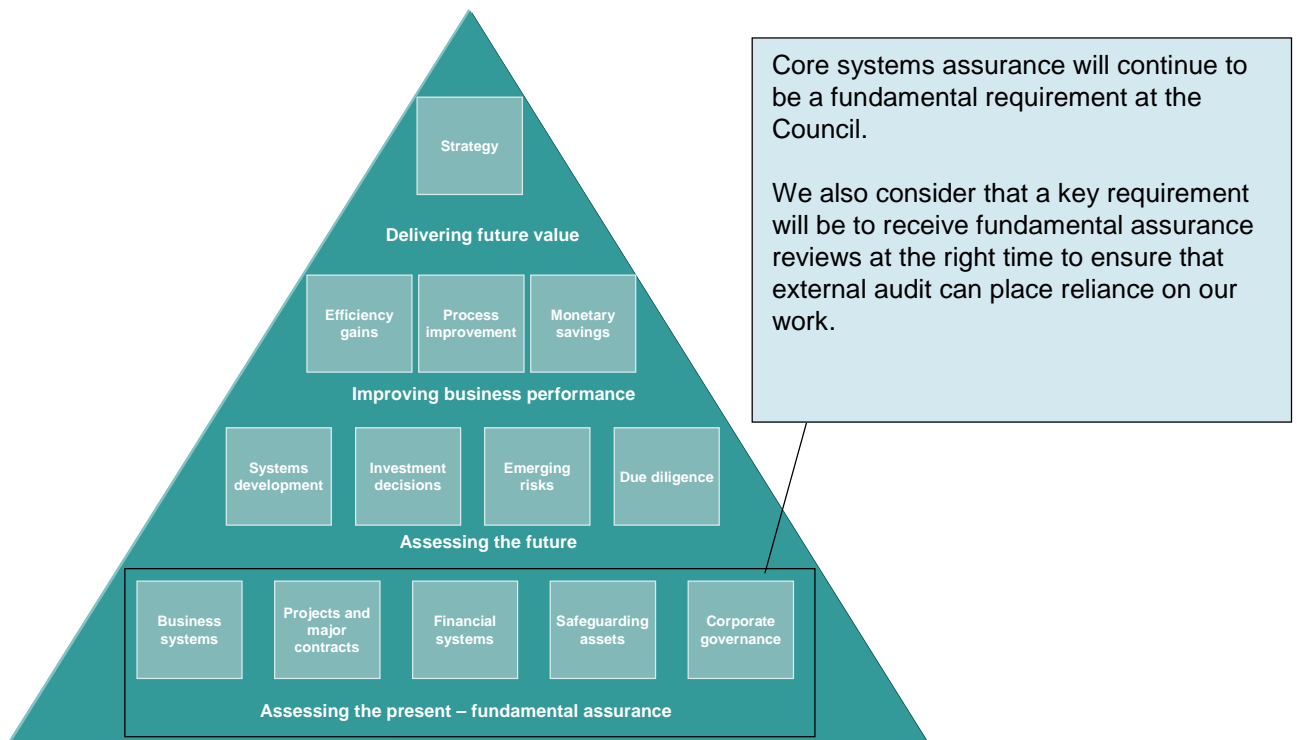
In order to ensure that Oxford City Council's (OCC's) internal audit resources are effectively utilised, we have made use of the current assessment of the most significant risks facing OCC, as part of the process for preparing the Annual Internal Audit Plan for the period 2009/2010. This is in line with current Internal Audit Standards and the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom.

As we have limited understanding of the risk management processes at OCC, this means that we are able to place only **limited** reliance on the Council's risk management process and its risk registers in formulating our audit plan.

This Risk Assessment is a key factor in deciding how to allocate internal audit resources available. It ensures that resources are focused on those areas where they can be of most benefit to OCC by providing assurance to the Audit and Governance Committee and management on controls over key risks. This document sets out our responses as internal auditors to those risks and to other factors that have been considered as part of our assessment of audit need.

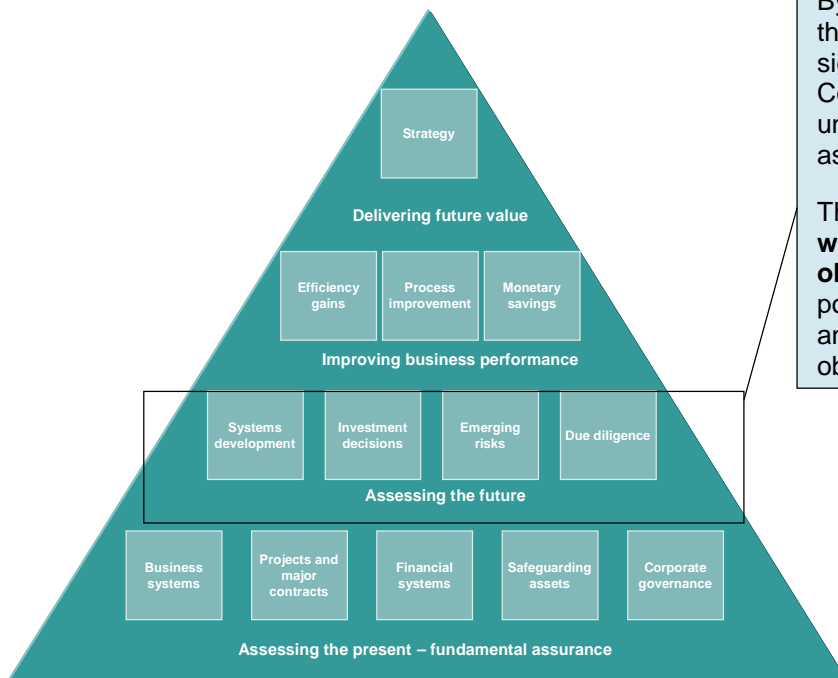
2 Providing assurance

Providing fundamental “core systems” assurance



We recognise the necessity to provide management with an on-going level of fundamental “core systems” assurance. We will also seek to maximise audit efficiency by working closely with the external auditors, the Audit Commission. This includes developing and enhancing existing working arrangements with the external auditors.

Moving towards a risk based audit approach



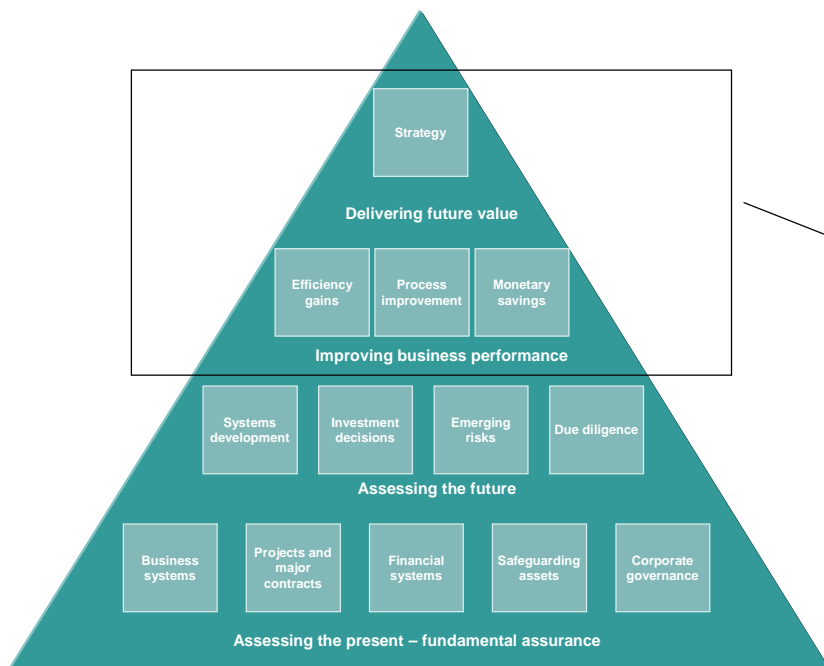
By adopting a risk based audit approach there will be clear linkage between the significant risks identified in the Council's Risk Registers and the work undertaken by internal audit in providing assurance against these.

The definition of risk is **“anything that will prevent you from achieving your objectives”**. As a result, the starting point for a risk based audit approach is an understanding of the Council's objectives.

Risk based work is also critical to the Council, as it seeks to improve the risk awareness of staff, and improve overall control. The internal audit work programme is designed to provide assurance that the significant risks identified within the Council's risk registers are being managed effectively. As part of this process we will also examine the risk management framework and governance procedures.

Delivering value through improved performance

Internal audit can also provide a valuable role in improving business performance and delivering future value. We can assist the Council through the deployment of specialist skills and experience,



A significant element of the internal audit plan will be focused on fundamental assurance. However, over time as risk management processes develop and the internal control environment strengthens, we would expect the proportion of the internal audit plan spent on this to reduce. This will enable us to concentrate more of our resources on assisting the Council in areas such as efficiency gains, process improvements and delivering savings.

Next steps

Following consultation with key stakeholders, we will seek final approval of the risk assessment and internal audit plan. When approved, we will agree a 'project sponsor' for each review with management. All project sponsors will then be contacted and made aware of all audits during the year where they are the nominated sponsor. At this stage we will agree the timing of each review and a more detailed scope of work. We will then issue a more detailed operational audit plan for the remainder of the year which will include the agreed audit dates and the key contact from the Council and the internal auditor who will be responsible for the audit. We will then issue Terms of Reference for each review. The intention is for all internal audit work to be completed before the end of March 2010.

3 The risk assessment process

The information which has been used to prepare our Risk Assessment and proposed Internal Audit plan has been collected and collated from a number of different sources, including:

- Prior year internal audit plans and reports
- A review of risk registers
- Consultation with key individuals
- Meeting with performance board
- A review of relevant documentation and reports provided to us
- Our knowledge of the Council and results of Internal Audit work undertaken in prior years.

Completeness of assessments and future reviews

Our risk assessment is limited to matters emerging from the processes listed above. We will review and update this assessment and the resulting internal audit plan annually. If, however, additional risks arise, or change in priority, during the year the audit plan will be reconsidered with management and, with the approval of the Audit and Governance Committee, amended to ensure that audit resources are focused on the new risk areas.

4 Proposed internal audit plan

The proposed internal audit plan for 2009/10 is set out below (in summary and detail) for the approval of management and the Accounts Audit and Risk Committee. This has been informed by the risk analysis in Section 3 in accordance with modern internal auditing standards and the CIPFA Code of Practice for Internal Audit in Local Government in the UK.

In each instance an overview of the review has been included, along with estimated days. Once the programme has been agreed in outline, we will refine the precise scope of each review and agree this, and the related days, with management.

Summary operational internal audit plan 2009/10

Area of coverage	Proposed Days (2009/10)
Fundamental assurance (core systems reviews)	90
Risk based assurance (operational systems reviews)	95
Performance assurance (strategic reviews)	20
Other	45
TOTAL	250

Detailed operational internal audit plan 2008/09

System	Source	Suggested Points of Focus	Possible Audit approach	Days
<p>OP1 Core systems reviews – fundamental assurance</p> <p>The exact breakdown of days across financial systems will be determined following an initial financial systems 'health-check' assessment.</p>				
OP1.1 General Ledger / Financial accounting	Managed audit	<p>Input controls.</p> <p>Accuracy of outputs.</p> <p>Security over access and data.</p> <p>System enhancements.</p> <p>Changes in key staff or operating procedures.</p>	<p>Limited scope review;</p> <p>Review any system enhancements.</p> <p>Changes in key staff or operating procedures.</p> <p>Follow up</p>	
OP1.2 Debtors	Managed audit	<p>All sources of income are identified.</p> <p>Invoices are raised in a timely, complete and accurate fashion.</p> <p>Adequacy of debt collection, recovery and write-off procedures.</p> <p>Security over access and data.</p>	<p>Limited scope review;</p> <p>Review any system enhancements.</p> <p>Changes in key staff or operating procedures.</p> <p>Follow up</p>	
OP1.3 Creditor payments	Managed audit	<p>Accuracy and review of output from the creditors system.</p> <p>Orders are raised in respect of all goods required.</p> <p>Payments are accurately made for goods received and appropriate authorisation has taken place.</p> <p>Security over access and data.</p>	<p>Full scope review;</p> <p>Changes in key staff or operating procedures.</p> <p>Review of existing controls</p> <p>Follow up</p>	

System	Source	Suggested Points of Focus	Possible Audit approach	Days
OP1.4 Payroll	Managed audit	<p>Starters, leavers and amendments</p> <p>Calculation of deductions</p> <p>Temporary variations to pay</p> <p>Security of system and access controls</p> <p>Operation, recording and certification of flexi time scheme</p>	<p>Full systems review;</p> <p>Review any system enhancements.</p> <p>Changes in key staff or operating procedures.</p> <p>Follow up</p>	
OP1.5 Budgetary Control / financial accounting	Managed audit	<p>Budgets setting.</p> <p>Budgetary responsibility is delegated to trained and clearly defined budget holders who receive sufficient management information.</p> <p>Monitoring data on overall budget performance is accurate, produced on a regular basis, and subject to appropriate levels of review within the organisation.</p> <p>Budget variations are analysed, investigated, explained and acted upon.</p> <p>Any savings and efficiencies highlighted are realistic and achieved.</p>	<p>Limited scope review;</p> <p>Update existing control objectives and record any changes to existing arrangements.</p>	

System	Source	Suggested Points of Focus	Possible Audit approach	Days
OP1.6 Council Tax	Managed audit	<p>All properties have been identified and appropriate charges made</p> <p>Adequate control over monitoring and collection of charge</p> <p>Any dispensations are appropriately evidenced and authorised</p> <p>Arrears management</p> <p>Authorisation of write offs</p> <p>Process for amending bandings</p>	<p>Limited scope review;</p> <p>Review any system enhancements.</p> <p>Changes in key staff or operating procedures.</p> <p>Follow up</p>	
OP1.7 National Non Domestic Rates	Managed audit	<p>Identification and valuation of properties</p> <p>Relief's and exceptions are appropriately calculated and applied</p> <p>Billing & collection</p> <p>Recovery and enforcement</p> <p>Accounting for NNDR</p> <p>Compliance with legislation</p>	<p>Limited scope review;</p> <p>Assess any changes made to the system.</p> <p>Undertake testing to ensure controls are operating.</p> <p>Follow up</p>	
OP1.8 Bank Reconciliations	Managed audit	<p>All bank accounts are subject to regular independently reviewed reconciliations.</p> <p>Use of suspense accounts is limited and items promptly cleared.</p> <p>Re-performance of reconciliations to ensure accurately completed.</p>	<p>Limited scope review;</p> <p>Assess any changes made to the system.</p> <p>Undertake testing to ensure controls are operating.</p> <p>Follow up</p>	

System	Source	Suggested Points of Focus	Possible Audit approach	Days
OP1.9 Cashiers	Managed audit	<p>All income collection points are known.</p> <p>Adequate controls are in place over post opening and processes in place for the secure receipt and recording of cash.</p> <p>Cash is adequately safeguarded.</p> <p>Banking takes place promptly.</p> <p>Accurately recorded against debtor and income accounts.</p> <p>Minimal use of suspense accounts.</p> <p>Adequate segregation of duties are in place.</p>	<p>Full scope review;</p> <p>Assess any changes made to the system.</p> <p>Undertake testing to ensure controls are operating.</p> <p>Follow up</p>	
OP1.10 Treasury Management	Managed audit	<p>Corporate treasury activities are monitored and controlled</p> <p>Reporting and monitoring of treasury management activities</p>	<p>Limited scope review;</p> <p>Assess any changes made to the system.</p> <p>Undertake testing to ensure controls are operating.</p> <p>Follow up</p>	
OP1.11 Housing Benefits	Managed audit	<p>Benefit assessment and payments</p>	<p>Review of assessment and payment procedures</p> <p>Overview of progress against improvement plan</p> <p>Follow-up</p>	

System	Source	Suggested Points of Focus	Possible Audit approach	Days
OP1.12 Fixed Assets	Managed audit	<p>Acquisitions identified</p> <p>Treatment of surplus assets</p> <p>Disposals/transfer of assets</p> <p>Management of capital programme</p> <p>Capital assets are completely and accurately recorded</p> <p>Capital asset verification</p> <p>Accounting for fixed assets and associated capital charges / revaluations</p> <p>Fixed assets are appropriately disclosed</p> <p>System is secure against unauthorised access and data loss</p>	<p>Limited scope review;</p> <p>Assess any changes made to the system.</p> <p>Undertake testing to ensure controls are operating.</p> <p>Follow up</p>	
OP1.13 VAT	Internal audit	<p>Preparation and authorisation of VAT returns</p>	<p>Specialist review:</p> <p>Review arrangements for preparation and authorisation of VAT returns.</p> <p>Overview of VAT arrangements in place</p>	
OP1.14 Car parking	Managed audit	<p>Management information</p> <p>Income collection and banking arrangements</p>	<p>Full scope audit:</p> <p>Review existing arrangements in place for managing and monitoring controls over car parking income</p>	
OP1.15 Housing rents	Managed audit	<p>Rent accounting</p> <p>Income collection and banking arrangements</p> <p>Arrears management and performance</p>	<p>Limited scope audit</p> <p>Review existing systems and processes.</p> <p>Review arrears position.</p>	

System	Source	Suggested Points of Focus	Possible Audit approach	Days
OP 1.16 Risk management (including fraud risk management assessment)	Use of resources	Risk management framework Fraud risk management Embedding risk management Link to service planning	Specialist review Progress with risk management and assurance Adequacy of risk register / RM arrangements Fraud risk assessment Benefit investigation service	10
OP 1.17 Governance	Code requirement	Governance framework	Limited scope review Assessment against Good Governance Standard	5
Subtotal				90

System	Source	Points of Focus	Audit approach	Days
OP2 Operational systems reviews – risk based assurance				
OP 2.1 Partnership working	Internal audit	Identification of key partners Risk assessment process Governance framework CAA implications	Limited scope review: Review monitoring, management and reporting arrangements	10
OP 2.2 Leisure Centres contract management	Internal audit	Contract management Reporting arrangements Benefit realisation	Limited scope review: Review management and monitoring arrangements Ascertain extent of benefit realisation	10
OP2.3 Health and Safety	Prior year	Follow-up of prior year audit report	Follow-up review: Review of action plan Confirmation of management actions	5
OP2.4 ICT audits	Management issues	IT risks – New systems Government Connect Outsourced arrangements Data security	Full scope reviews: Data security review Government connect readiness System implementation	20
OP 2.5 Housing services	Internal Audit	Risk assessment	Exact scope to be agreed following risk assessment	10

System	Source	Points of Focus	Audit approach	Days
OP 2.6 Sustainability	Internal audit	CSR initiatives UoR input	Review Council initiatives and objectives Reporting and monitoring arrangements	10
OP 2.7 CAA	Internal audit	New assessment and inspection regime	Support through new arrangements Ensure evidence is robust and available	5
OP2.8 Procurement	Management issue	Tendering process	Limited scope review: Review arrangements for tendering and quotations Assess compliance with Council policies	5
OP2.9 Human Resources	Internal audit	Sickness absence	Exact scope to be agreed following initial risk assessment	10
OP2.10 Business Continuity	Management issue	Contingency planning Identification of critical systems	Limited scope review: Review testing of plan Identification and evaluation of critical systems	5
OP 2.11 Anti-fraud and corruption	Internal audit	Policies and procedures Whistleblowing	Limited scope review: Compliance with policies Reporting of incidents	5
Subtotal				95

System	Source	Points of Focus	Audit approach	Days
OP3 Strategic reviews				
OP3.1 Transformation project	Management issue	To be agreed	Exact scope to be agreed following initial risk assessment	10
OP3.2 Performance management	Performance Board	Effectiveness of data collection and collation arrangements	Effectiveness of performance management system Sample testing of data used for performance information	10
Subtotal				20

System	Source	Points of Focus	Audit approach	Days
OP4 Other				
OP4.1 General follow up	Internal audit	Recommendations made as part of 2008/09 Internal Audit Work.	To obtain confirmation of actions taken to address any weakness highlighted as part of prior year and verify where appropriate.	10
OP4.2 Contingency & Investigative work				Outside of audit plan
OP4.3 Audit management	Internal audit	Chief Internal Auditor	Audit planning and management Attendance at audit committee Report and audit plan preparation	35
Subtotal				45
TOTAL				250

5 Outline strategic plan 2009 – 2012

We have set out below an indicative three year strategic audit plan. This plan has been based on interviews with service heads and directors, information available to us and from our own awareness of topical issues.

Review area	2009/10	2010/11	2011/12
Core systems reviews			
General Ledger			
Debtors			
Creditors			
Payroll			
Budgetary Control			
Council Tax			
National Non Domestic Rates			
Bank Reconciliations			
Cashiers			
Treasury Management			
Housing Benefits			
Fixed Assets			
VAT			
Car Parking – follow-up			
Housing Rents			
Risk management	10	10	10
Governance - survey	5	5	5
The exact breakdown of days across financial systems will be determined following an initial financial systems 'health-check' assessment.			
Total core systems	90	100	95
Operational reviews - risk based assurance			
Partnership working – reporting and monitoring	10	10	10
Leisure Centres – contract management	10	5	5

Review area	2009/10	2010/11	2011/12
Freedom of Information and Data Protection	0	5	0
Health and Safety	5	0	5
ICT Audits – New payroll system / Government Connect / Contract with County	20	20	20
Corporate Planning	0	5	0
Housing Services – scope to be agreed	10	10	10
CSR/Sustainability	10	0	5
CAA	5	5	0
Procurement – tendering process	5	5	10
Human Resources	10	10	10
Business Continuity Planning	5	5	5
Anti Fraud and corruption arrangements	5	0	5
Covered market	0	5	0
Total operational systems reviews	95	85	85
Strategic – performance assurance			
Transformation project – scope to be agreed	10	10	10
Performance management (including data quality)	10	10	10
Total strategic – performance assurance	20	20	20
Other			
Follow up – inc all areas with a 'weak' opinion last year.	10	10	10
Audit Management	35	30	30
Total Other	45	38	38
Annual audit days	250	245	240

Possible areas outside of internal audit plan:

IFRS

Transformation

CRM

Accounts review

City Works – market testing

Benchmarking

Investment portfolio

Customer Care – Service review / Business Process Re-engineering

In the event that, pursuant to a request which Oxford City Council has received under the Freedom of Information Act 2000, it is required to disclose any information contained in this report, it will notify PwC promptly and consult with PwC prior to disclosing such report. Oxford City Council agrees to pay due regard to any representations which PwC may make in connection with such disclosure and Oxford City Council shall apply any relevant exemptions which may exist under the Act to such report. If, following consultation with PwC, Oxford City Council discloses this report or any part thereof, it shall ensure that any disclaimer which PwC has included or may subsequently wish to include in the information is reproduced in full in any copies disclosed.

©2009 PricewaterhouseCoopers LLP. All rights reserved. PricewaterhouseCoopers refers to the United Kingdom firm of PricewaterhouseCoopers LLP (a limited liability partnership) and other member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.