

# Internal audit summary report for Audit Committee



September 2009

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# 1. Plan outturn

## 2009/10 Audit Plan

We have undertaken work in accordance with the 2009/10 Internal Audit Plan which was approved by the Audit and Governance Committee at its meeting in June 2009.

An outturn statement detailing assignments undertaken and actual activity for the year is shown in Appendix One. This shows that we have now commenced a number of reviews with draft reports now in the process of being issued for some of the reviews. We have also begun planning a number of reviews over the next quarter and have provided an outline timetable of the plan to the Head of Finance.

As committed, we aim to complete the internal audit plan in full before the end of the financial year in order that the annual internal audit report can be produced in time to inform the Annual Governance Statement (AGS). It should be noted that a number of the key financial systems reviews have not yet been commenced on the request of the Head of Finance. This was to enable adequate time for closedown procedures and to ensure maximum coverage over the financial year.

Our initial financial systems review has indicated that we may need to spend more time than originally envisaged on the fundamental systems and we plan therefore to hold further discussions with management to see if there is scope to reduce some of the operational areas in order to ensure that the number of days in the plan is consistent with the approved planned days (250). We will inform the Audit and Governance Committee of any confirmed changes at the next meeting.

## 2. Reporting and activity progress

### Final reports issued

No reports have been issued in final to date.

We have however delivered conclusions on the following pieces of work which were approved outside the scope of our initial audit plan:

- **Financial Systems 'Health Check'** – A high level understanding was gained of all of the Councils key financial systems to assess the original allocation of days in our audit plan. Due to a number of control weaknesses identified in the Fixed Asset cycle around asset verification and the accuracy of the Fixed Asset Register, it was concluded that the number of days for this review will be increased from 5 to 10. In addition, the same increase was proposed for the Accounts Receivable review. This is due to the level of delegation of this function to a number of devolved departments (e.g. Oxford City Homes and City Works).
- **Certification of Sports England Grant Claims – Active Sports/ Core Funding Partnership and Active England** – We were requested to provide an opinion on the spend of these grants and compilation of claims in line with the Certification Instructions provided by the funding body. In both cases an **unqualified** opinion was issued to Sports England. A common issue was noted regarding the provision of complete listings of expenditure for these claims. Officers are encouraged to reconcile expenditure to the ledger on a regular basis to ensure that grant claims are complete.

### Draft reports

The following reports are currently in draft format:-

- **Business Continuity Planning**
- **Anti Fraud and Corruption**
- **Certification of Sports England Grant Claim – Well Being Hub**

### Fieldwork commenced

Terms of Reference have been scoped for the following areas and reviews will be commencing shortly:-

- **Procurement**
- **VAT**
- **Sustainability**
- **Governance**
- **ICT Audits**

# 3. Summary of key risks

## Overview

Our final reports include a number of recommendations in line with our risk ratings summarised in Appendix 3. In future progress reports we will detail in this section the main findings from our reviews including any specific issues that we wish to draw to the attention of the Committee.

At the time of this progress report, we have not yet issued any final audit reports and we have reported no significant issues.

We would point out however that our initial finance systems review did highlight some concerns in respect of the Fixed Asset cycle which could potentially result in significant control weaknesses. We will continue to monitor these and report on these risks as part of our dedicated report on Fixed Assets which is scheduled to commence in Quarter 4.

# 4. Other issues

## Other issues

- Meetings have been held with external audit to discuss working together and the way in which external audit will place reliance on the work of internal audit. This has resulted in the formulation of a protocol document.
- We will be meeting with management shortly in order to agree more formal working practices including arrangements for notification of audits, and availability of staff during audits.
- We have been requested to carry out a number of grants certifications in relation to funds awarded to the Council by Sports England. Whilst we have been able to accommodate this, we recommend that in future years such reviews are included within the agreed audit plan to ensure sufficient planning of resources.
- We have also undertaken additional work, outside of the audit plan in relation to Use of Resources, Accounts review and have also held discussions about support for the financial evaluation model for the Waste and Recycling service.

# Appendix One

Planned activity	Planned days	Actual days	Status
<b>1. Fundamental assurance</b>			
OP1.1 General Ledger/ Fin. accounting		0	To be commenced Nov 09
OP1.2 Debtors		0	To be commenced Nov 09
OP1.3 Creditor payments		0	To be commenced Jan 10
OP1.4 Payroll		0	To be commenced Oct 09
OP1.5 Budgetary Cont./ Fin. accounting		0	To be commenced Feb 10
OP1.6 Council Tax		0	To be commenced Oct 09
OP1.7 National Non Domestic Rates		0	To be commenced Oct 09
OP1.8 Bank Reconciliations	75 in total	-	Within Treasury Management
OP1.9 Cashiers		0	To be commenced Feb 10
OP1.10 Treasury Management		0	To be commenced Nov 09
OP1.11 Housing Benefits		0	To be commenced Feb 10
OP1.12 Fixed Assets		0	To be commenced Mar h 10
OP1.13 VAT		0.5	Scope agreed
OP1.14 Car Parking		0	To be commenced Dec 09
OP 1.15 Housing Rents		0	To be commenced Dec 09
OP 1.16 Risk Management	10	0	To be commenced Jan 10
OP 1.17 Governance	5	0.5	Survey to be sent to key stakeholders in Sept 09

Planned activity	Planned days	Actual days	Status
<b>2. Operational system reviews</b>			
– risk based assurance			
OP 2.1 Partnership working	10	0	To be commenced Dec 09
OP 2.2 Leisure Centre Contract	10	0	Timing to be agreed
OP 2.3 Health and Safety	5	0	To be commenced Jan 10
OP 2.4 ICT Audits	20	1	Scope agreed
OP 2.5 Housing Services	10	0	Timing to be agreed
OP 2.6 Sustainability	10	1	Scoping agreed
OP 2.7 CAA	5	0	To be commenced Nov 09
OP 2.8 Procurement	5	0.5	Scope agreed
OP 2.9 Human Resourced	10	0	To be commenced Nov 09
OP 2.10 Business Continuity Planning	5	3	Fieldwork completed
OP 2.11 Anti Fraud and Corruption	5	3	Fieldwork completed

Planned activity	Planned days	Actual days	Status
<b>3. Strategic Reviews</b>			
OP 3.1 Transformation Project	10	0	Timing to be agreed
OP 3.2 Performance Management	10	0	Timing to be agreed

Planned activity	Planned days	Actual days	Status
<b>4. Other</b>			
OP 4.1 General follow up	10	1	Ongoing
OP 4.2 Audit Management	35	10	Ongoing
<b>Total</b>	<b>250</b>	<b>20.5</b>	



# Appendix Two

## Our assessment criteria are shown below:

Each of the issues identified has been categorised according to risk as follows:

Significance	
High	A significant and serious control weakness, which must be referred to the Internal Control Working Group via the Service Unit Manager's quarterly Assurance Statement on the effectiveness of internal control. Immediate action is required.
Medium	A weakness that could undermine the system of internal control and compromise its operation. Action is required as soon as possible.
Low	An improvement to comply with best practice or which offers efficiency savings. Action date to be agreed within a maximum of 12 months.

## Overall opinion rating:

Level of assurance	Description
<b>High</b>	No control weaknesses were identified; or Our work found some low impact control weaknesses which, if addressed would improve overall control. However, these weaknesses do not affect key controls and are unlikely to impair the achievement of the objectives of the system. Therefore we can conclude that the key controls have been adequately designed and are operating effectively to deliver the objectives of the system, function or process.
<b>Moderate</b>	There are some weaknesses in the design and/or operation of controls which could impair the achievement of the objectives of the system, function or process. However, either their impact would be less than significant or they are unlikely to occur.
<b>Limited</b>	There are some weaknesses in the design and / or operation of controls which could have a significant impact on the achievement of key system, function or process objectives but should not have a significant impact on the achievement of organisational objectives. However, there are discrete elements of the key system, function or process where we have not identified any significant weaknesses in the design and / or operation of controls which could impair the achievement of the objectives of the system, function or process. We are therefore able to give limited assurance over certain discrete aspects of the system, function or process.
<b>No</b>	There are weaknesses in the design and/or operation of controls which [in aggregate] could have a significant impact on the achievement of key system, function or process objectives and may put at risk the achievement of organisation objectives.