

Internal audit summary report for Audit and Governance Committee



November 2009

Contents

Section

1.	Plan outturn	3
2.	Reporting and activity progress	4
3.	Summary of key risks	5
4.	Other issues.....	6
	Appendix One.....	7
	Appendix Two.....	9

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 having been issued for some of those reviews. We have also commenced planning for further reviews over the next quarter. In summary we have delivered 94 days out of the planned 250 days (38%)

In light of the recent issues noted with closedown and the consequent reports being submitted to this meeting we have been requested by the Interim Executive Financial Director to review the number of days we have allocated to the core financial systems this year and to consider whether additional audit work is required to provide assurance in other high risk areas. Our assessment on where additional audit work may be required will be based on a risk 'heat map' that we will discuss at tonight's meeting. This aims to outline those systems, departments and income and expenditure streams where our risk assessment suggests that additional audit work is required in order to provide assurance over the system of internal controls. We welcome this challenge to the plan and are keen to play an active part in working with management and members to increase the level of internal control within the Council.

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 if additional work is required in some high risk areas, a number of reviews may not be completed by the year end. We will work with officers to ensure that, where possible, all reviews required for year end close down are completed in order to aid this process.

2010/11 Audit Plan

We aim to bring the Internal Audit Plan for 2010/11 to Audit and Governance Committee early next year. In order to plan for this document, we will be requesting meetings with key stakeholders in the coming months to inform the risk assessment process and identify which areas to include. We strongly encourage both officers and members to reflect upon the high risk issues facing the Authority where they would welcome the independent assurance that can be provided by internal audit.

2. Reporting and activity progress

Final reports issued

- **Certification of Sports England Grant Claims – Well Being Hub**– We were requested to provide an opinion on the spend of this grant and compilation of claim in line with the Certification Instructions provided by the funding body. An **unqualified** opinion was issued to Sports England.
- **Treasury Management** – An opinion of **MODERATE ASSURANCE** has been issued for the Treasury Management function. This was due to issues which were noted around the review of cash flow forecasts and the use of overdraft facilities. In addition, issues were noted with the authorisation of investments in a number of our sample.
- **Anti Fraud and Corruption – HIGH ASSURANCE** was issued for the Councils anti fraud and corruption arrangements. These will be strengthened further with the implementation of the Councils new anti fraud policy.
- **General Ledger – LIMITED ASSURANCE** has been issued for the General Ledger review due to a number of high risk issues raised around the functionality of the system. Issues were noted the lack of controls over Fixed Assets and close down procedures. In addition the Council has limited controls around the authorisation of journals.

Draft reports

The following reports are currently in draft format and have been communicated to management-

- **Business Continuity Planning**
- **Leisure Centre Contract**

Fieldwork commenced

Fieldwork is currently being undertaken in the following areas:-

- **VAT**
- **Sustainability**
- **Governance**
- **ICT Audits**
- **Collection Fund**
- **Debtors**
- **Data Quality Spot Checks**
- **Car Parking**

3. Summary of key risks

Overview

Our final reports will include recommendations made in line with our risk ratings summarised in Appendix 3.

Issues noted in the General Ledger review with regards to Fixed Asset controls may indicate a significant control weakness. The absence of a reconciliation between the Fixed Asset Register and General Ledger means that little comfort can be gained over the completeness and accuracy of the Fixed Asset balances. This could lead to a material misstatement in the financial accounts. We have noted that the Council are planning to implement a reconciliation going forward and we will continue to monitor and report progress on this implementation.

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 to be presented today.
- We have met with members of the Audit and Governance committee to discuss the role of the Audit Committee in the scrutiny of the Councils work through the Audit Members Meeting.
- We have set out a planned programme of training sessions to be provided to members and officers. These will cover key areas such as internal control and financial reporting standards.

Appendix One

Planned activity	Planned days	Actual days	Status
1. Fundamental assurance			
OP1.1 General Ledger/ Fin. accounting		5	Final Report
OP1.2 Debtors		8	Fieldwork in progress
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		4	Fieldwork in progress
OP1.7 National Non Domestic Rates		4	Fieldwork in progress
OP1.8 Bank Reconciliations	75 in total	-	Within Treasury Management
OP1.9 Cashiers		0	To be commenced Feb 10
OP1.10 Treasury Management		5	Final Report
OP1.11 Housing Benefits		2	Fieldwork in progress
OP1.12 Fixed Assets		0	To be commenced Mar h 10
OP1.13 VAT		4	Fieldwork in progress
OP1.14 Car Parking		1	Fieldwork in progress
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	4	Fieldwork in progress

Planned activity	Planned days	Actual days	Status
2. Operational system reviews – risk based assurance			
OP 2.1 Partnership working	10	0	To be commenced Dec 09
OP 2.2 Leisure Centre Contract	10	5	Fieldwork in progress
OP 2.3 Health and Safety	5	0	To be commenced Jan 10
OP 2.4 ICT Audits	20	5	Fieldwork in progress
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 Dec 09
OP 2.8 Procurement	5	4	Fieldwork in progress
OP 2.9 Human Resources	10	0	To be commenced Nov 09
OP 2.10 Business Continuity Planning	5	4	Draft Report
OP 2.11 Anti Fraud and Corruption	5	6	Final Report





Planned activity	Planned days	Actual days	Status
3. Strategic Reviews			
OP 3.1 Transformation Project	10	1	Scoping Agreed
OP 3.2 Performance Management	10	8	Fieldwork in progress

Planned activity	Planned days	Actual days	Status
4. Other			
OP 4.1 General follow up	10	3	Ongoing
OP 4.2 Audit Management	35	20	Ongoing
Total	250	94	

Appendix Two

Our assessment criteria are shown below:

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

Risk rating	Assessment rationale
 Critical	Control weakness that could have a significant impact upon, not only the system, function or process objectives but also the achievement of the authority's objectives in relation to: the efficient and effective use of resources the safeguarding of assets the preparation of reliable financial and operational information compliance with laws and regulations.
 High	Control weakness that has or is likely to have a significant impact upon the achievement of key system, function or process objectives. This weakness, whilst high impact for the system, function or process does not have a significant impact on the achievement of the overall authority objectives.
 Medium	Control weakness that: has a low impact on the achievement of the key system, function or process objectives; has exposed the system, function or process to a key risk, however the likelihood of this risk occurring is low.
 Low	Control weakness that does not impact upon the achievement of key system, function or process objectives; however implementation of the recommendation would improve overall control.

Overall opinion rating:

Level of assurance	Description
High	<p>No control weaknesses were identified; or</p> <p>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.</p>
Moderate	<p>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.</p>
Limited	<p>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.</p>
No	<p>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.</p>

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 PricewaterhouseCoopers (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