

Internal audit revised audit plan – 2009/10



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1 Introduction

Following the qualification of the Council's 2008/09 accounts; we were requested by the Interim Executive Finance Director to provide a high level overview of the Council's internal control framework. The results of this exercise were communicated to the Audit and Governance Committee on 24th November 2009 in the form of a heat map and have been used to re-evaluate the number and mix of audit days in our original internal audit plan.

A summary of our approach has been provided for your information:

2 Risk 'Heat Map'

The "heat map" detailed below was presented to the Council's Audit and Governance Committee on 24th November 2009. It provides a high level overview of the level of risk associated with the Council's key financial systems, income and expenditure streams and devolved departments. We assessed this risk in relation to the following 'key controls':

- Separation of Duties;
- Authorisation of transactions;
- Performance of interfaces and reconciliations;
- Production of management information; and
- Existence of Policies and Procedures.

The level of risk has been classified using our internal audit methodology as follows:



High Risk – Low Assurance

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.



Moderate Risk – Moderate Assurance

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 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, their impact would be less than significant or they are unlikely to occur.



Low Risk – High Assurance

There are 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.

The results of our heat map have been presented for information:

Key Financial Systems

	Days as per plan	Separation of Duties	Authorisation	Interfaces & Reconciliations	Management Info	Policies & Procedures	Prior year assurance	Overall Assurance
General Ledger (Agresso)	5	Green	Red	Red	Orange	Orange	Green	Red
Income and Debtors **	10	Red	Red	Orange	Orange	Red	Green	Red
Purchases and Payables	5	Orange	Red	Green	Orange	Green	Green	Red
Payroll	10	Green	Orange	Orange	Green	Orange	Orange	Orange
Collection Fund	10	Green	Orange	Green	Orange	Orange	Green	Orange
Housing Benefits	10	Green	Green	Orange	Green	Green	Green	Green
Treasury Management	5	Green	Orange	Green	Green	Orange	Green	Orange
Fixed Assets	10	Orange	Orange	Red	Orange	Red	Orange	Red
Housing Rents	10	Green	Green	Green	Green	Orange	Green	Green

* Note: Debtors reviews have been performed across the Authority. Current ratings are impacted by performance of City Works.

Key Income and Expenditure Streams and Devolved Departments

	Days as per plan	Separation of Duties	Authorisation	Interfaces & Reconciliations	Management Info	Policies & Procedures	Prior year assurance	Overall Assurance
Collection Fund	10	See Key Financial Systems						
Housing Benefits	10	See Key Financial Systems						
Housing Rents	10	See Key Financial Systems						
Car Parking	5							
Capital Programme	Within F Assets	n/a		n/a			n/a	
Budgetary Control	10	n/a						
Payroll	10	See Key Financial Systems						

	Days as per plan	Separation of Duties	Authorisation	Interfaces & Reconciliations	Management Info	Policies & Procedures	Prior year assurance	Overall Assurance
Oxford City Homes	n/a						n/a	
City Works	n/a						n/a	

3 Revised internal audit plan

Our internal audit plan has been reviewed with reference to the above heat map and a revised plan is proposed based on the levels of risk noted. We have held preliminary discussions with the Interim Executive Finance Director to discuss how the additional days we have suggested will be accommodated. It has been agreed that those reviews which do not focus on key strategic risks (e.g. financial accounts) will be rolled forward to the 2010/11 plan. This will be upon agreement of members and heads of finance in these areas.

Summary operational internal audit plan 2009/10

Area of coverage	Original planned days (2009/10)	Revised days	Days completed to date	Days to be completed in 09/10	Additional days to be billed (09/10)	Days to be rolled forward to 10/11
Fundamental assurance (core systems reviews)	90	147	54	86	50	7
Risk based assurance (operational systems reviews)	95	100	32	33	-30	35
Performance assurance (strategic reviews)	20	35	25	0	5	10
Other	45	55	24	31	10	0
TOTAL	250	337	135	150	35	52

Detailed operational internal audit plan 2009/10

Fundamental assurance (core systems reviews)

System	Original days	Revised Days	Rationale	Days completed to date (09/10)	Days to be rolled forward to 10/11
OP1.1 General Ledger / Financial accounting	5	12	Review performed in October 2009. Limited assurance opinion due to a number of high risk issues. Additional time required to perform detailed follow up and review trial close down process	5	-
OP1.2 Debtors	10	15	Review performed in November 2009. A number of high risk issues were noted. Additional time required to perform detailed follow up	10	-
OP1.3 Creditor payments	5	10	Initial overview has been performed and area deemed high risk. Additional time required given the high level of transactions	0	-
OP1.4 Payroll	10	10	Days appear sufficient	0	-
OP1.5 Budgetary Control / financial accounting	5	10	Additional days required to perform detailed work on Capital Programme.	0	-
OP1.6 Council Tax	5	5	Days appear sufficient	5	-
OP1.7 National Non Domestic Rates	5	5	Days appear sufficient	5	-
OP1.9 Cashiers	5	10	Additional days required to ensure that work is performed on both cash systems used in year (Spectrum and PARIS)	3	-
OP1.10 Treasury Management	5	5	Days appear sufficient	5	-
OP1.11 Housing	10	10	Days appear sufficient	7	-

System	Original days	Revised Days	Rationale	Days completed to date (09/10)	Days to be rolled forward to 10/11
Benefits					
OP1.12 Fixed Assets	10	10	Days appear sufficient	-	-
OP1.13 VAT	5	5	Days appear sufficient	4	-
OP1.14 Car parking	5	5	Days appear sufficient	4	-
OP1.15 Housing rents	10	10	Days appear sufficient	2	-
OP 1.16 Risk management (including fraud risk management assessment)	10	10	Days appear sufficient	0	7 High level review to be performed in 09/10 to inform Annual Governance Statement
OP 1.17 Governance	5	5	Days appear sufficient	4	-
City Works	0	10	Area highlighted as high risk in initial heat map. Additional days required to perform full scope review of operations	-	-
Subtotal	90	147		54	7

Risk based assurance (operational systems reviews)

System	Original days	Revised Days	Rationale	Days completed to date (09/10)	Days to be rolled forward to 10/11
OP 2.1 Partnership working	10	10	Days appear sufficient	0	10
OP 2.2 Leisure Centres contract management	10	10	Days appear sufficient	8	0
OP2.3 Health and Safety	5	5	Days appear sufficient	0	0
OP2.4 ICT audits	20	20	Days appear sufficient	5	0
OP 2.5 Housing services	10	10	Days appear sufficient	0	10
OP 2.6 Sustainability	10	15	Additional days due to cancellation of number of meetings	5	0
OP 2.7 CAA	5	5	Days appear sufficient	0	5
OP2.8 Procurement	5	5	Days appear sufficient	5	0
OP2.9 Human Resources	10	10	Days appear sufficient	0	10
OP2.10 Business Continuity	5	5	Days appear sufficient	4	-
OP 2.11 Anti-fraud and corruption	5	5	Days appear sufficient	5	-
Subtotal	95	100		32	35

Performance assurance (strategic reviews)

System	Original days	Revised Days	Rationale	Days completed to date (09/10)	Days to be rolled forward to 10/11
OP3.1 Transformation project	10	10	Days appear sufficient	0	10
OP3.2 Performance management	10	25	Extended scope as requested by Performance Team	25	0
Subtotal	20	35		25	10

Other

System	Original days	Revised Days	Rationale	Days completed to date (09/10)	Days to be rolled forward to 10/11
OP4.1 General follow up	10	10	Days appear sufficient	4	-
OP4.2 Contingency & Investigative work					
OP4.3 Audit management	35	45	Days increased to reflect increased reporting requirements.	20	-
Quality Assurance	0	10	Additional Quality Assurance on the Council's close down process has been requested by the Council. This will be provided outside the scope of the Internal Audit plan		
Subtotal	45	55		24	0
TOTAL	250	337		135	52

Fees

Our fees will be charged on the basis of time spent, using the hourly rates agreed in our internal audit plan. An indicative cost based on the number of additional days has been detailed for reference:

Grade	Hourly Rate (£)	Daily Rate (£)	Number of Days	Additional Fee (£)
Auditor (Senior Associate)	65	485	23	11,155
Contract Manager	65	485	8	3,880
Chief Internal Auditor	117	874	4	3,496
TOTAL			35	18,531

Recommendation

The Audit and Governance committee should consider and approve the revised audit plan.

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.

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