

Internal audit summary
report and final 2010/11
plan for Audit and
Governance Committee



March 2010

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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 reports having been issued for some of those reviews in either draft or final format. In summary we have delivered 240 days out of the planned 285 days (84%).

As previously stated, our aim is 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), however, it should be noted that due to the additional work that has been requested at such a late point during the year, some reviews may not be fully 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.

2. Reporting and activity progress

Final reports issued

- **Car Parking** – An opinion of **MODERATE ASSURANCE** has been issued for the Car Parking function. The findings from our audit identified the significant amount of work that has been performed to rectify the issues noted with collection of car parking monies in prior year. However, work is still required to ensure that the Council receive audit tickets from car parking machines to ensure that income has been collected correctly. In addition, the Council should ensure that parking fines are accounted for as debtors. This is currently not performed.
- **Debtors** – a **LIMITED ASSURANCE** opinion was issued for the Debtors function. High risk issues were noted around the absence of regular write offs and provisions for bad debt. In addition, it was noted that limited segregation of duties are in place within the debt raising function at Oxford City Works.
- **Housing Benefits** – We issued **HIGH ASSURANCE** for the Housing Benefits function. Some minor issues were noted with the retention of supporting documentation for claims but overall the function was found to be well controlled.
- **Governance** – We performed a survey of all senior officers and members to obtain opinions and perceptions around the governance arrangements at the Council. The overall opinion was very positive and many respondents complemented current governance arrangements and the high performance of senior officers. Common recommendations were noted around the need to define the role of chairs in more detail and consideration of how public consultation can be improved.
- **Leisure Centre Contract** – An opinion of **MODERATE ASSURANCE** has been issued for the arrangements in place for outsourced Leisure Centres. The findings from our audit identified a number of areas of good practice, particularly around performance monitoring and risk management within the contract. However some issues were noted in relation to accounting for the Leisure Centres. Due to the complexity of the contract, further work is required by finance to ensure that the scheme is accounted for correctly.
- **Performance Measurement** – We reviewed the data collected for a sample of performance indicators assessed by the Authority. We have issued an opinion of **MODERATE ASSURANCE** in this area. Common issues were noted around retention of an audit trail for all data collected. In addition, officers should perform reconciliations for data to ensure completeness of the population.
- **Housing Rents** – **HIGH ASSURANCE** has been issued for Housing Rents due to the small number of issues noted. Additional work is however required on reviewing access rights to the Housing Rents system to ensure protection of data.
- **Trial Close Down** – We have reviewed the trial close down process performed by the finance team. We noted a significant amount of improvement in the operation of the Logotech system in accounting for Fixed Assets. That said, further work is required on reconciling significant balances and providing clear working papers for audit. No opinion has been issued for this work.

- **Payroll** – The report for Payroll had not been finalised at the time of producing this report. Our final opinion will be discussed during this meeting.

Draft reports

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

- **IT Security**
- **Fixed Assets**
- **VAT**
- **City Works**
- **Health and Safety**

Fieldwork commenced

Fieldwork is currently being undertaken in the following areas:-

- **Sustainability**
- **ICT Audits**
- **Cashiers**
- **Budgetary Control**
- **Creditors**

3. Summary of key risks

Overview

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

We are continuing to monitor the Councils implementation of risks noted by External Audit in prior year which may constitute as significant risks.

Appendix One – Outturn statement

Our schedule of work has been based upon the revised audit plan that has been presented to you in this meeting.

Planned activity	Planned days	Actual days	Status
1. Fundamental assurance			
OP1.1 General Ledger/ Fin. Accounting		5	Final Report
General Ledger follow up		6	Report issued to Project Board
OP1.2 Debtors		10	Final Report
Debtors follow up		0	To be rolled forward to 10/11
OP1.3 Creditor payments		2	Fieldwork in progress
OP1.4 Payroll		10	Final Report
OP1.5 Budgetary Cont./ Fin. accounting		2	Fieldwork in progress
OP1.6 Council Tax	140 days in total	5	Final Report
OP1.7 National Non Domestic Rates		5	Final Report
OP1.8 Bank Reconciliations		-	Within Treasury Management
OP1.9 Cashiers		5	Work performed on outgoing system
OP1.10 Treasury Management		5	Final Report
OP1.11 Housing Benefits		10	Final Report
OP1.12 Fixed Assets		8	Draft Report
OP1.13 VAT		4	Draft Report
OP1.14 Car Parking		5	Final Report
OP 1.15 Housing Rents		10	Final Report
OP 1.16 Risk Management		2	Fieldwork commenced
OP 1.17 Governance		5	Final Report
City Works		10	Draft Report

Planned activity	Planned days	Actual days	Status
2. Operational system reviews – risk based assurance			
OP 2.2 Leisure Centre Contract	10	10	Final Report
OP 2.3 Health and Safety	5	4	Draft Report
OP 2.4 ICT Audits	20	15	Fieldwork in progress
OP 2.6 Sustainability	15	12	Fieldwork in progress
OP 2.8 Procurement	5	5	Draft Report
OP 2.10 Business Continuity Planning	5	5	Draft Report
OP 2.11 Anti Fraud and Corruption	5	5	Final Report

Planned activity	Planned days	Actual days	Status
3. Strategic Reviews			
OP 3.2 Performance Management	25	25	Final Report

Planned activity	Planned days	Actual days	Status
4. Other			
OP 4.1 General follow up	10	10	Completed
OP 4.2 Audit Management	45	40	Ongoing
Total	285	240	

Appendix Two – Summary of recommendations

Below is a table summarising the recommendations made in our finalised reports.

Assignment	Critical	High	Medium	Low	Total	Overall assurance rating
Treasury Management	0	0	5	1	6	Moderate
Anti Fraud and Corruption	0	0	2	5	7	High
General Ledger	0	5	7	3	15	Limited
Procurement	0	0	3	2	5	Moderate
Collection Fund	0	2	9	0	11	Moderate
Car Parking	0	0	2	3	5	Moderate
Debtors	0	4	11	4	19	Limited
Leisure Contract	0	0	2	1	3	Moderate
Housing Rents	0	0	3	2	5	High
Performance Measurement	0	2	6	4	12	Moderate
Housing Benefits	0	0	0	3	3	High
Trial Close Down	n/a					
Governance	n/a					
TOTAL	0	13	50	28	91	

Appendix Three – Audit plan 2010/11

Below is our final Internal Audit plan for 2010/11. This has been finalised in liaison with members and senior officers:

Review area	2010/11 Proposed Days	Scope
Core systems reviews		
General Ledger	10	Input controls. Accuracy of outputs. Security over access and data. Changes in key staff or operating procedures.
Debtors	10	All sources of income are identified. Invoices are raised in a timely, complete and accurate fashion. Adequacy of debt collection, recovery and write-off procedures. Security over access and data.
Creditors	10	Accuracy and review of output from the creditors system. Orders are raised in respect of all goods required. Payments are accurately made for goods received and appropriate authorisation has taken place. Security over access and data.
Payroll	10	Starters, leavers and amendments Calculation of deductions Temporary variations to pay Security of system and access controls Operation, recording and certification of flexi time scheme
Budgetary Control	5	Budgets setting. Budgetary responsibility is delegated to trained and clearly defined budget holders who receive sufficient management information. Monitoring data on overall budget performance Budget variations are analysed, investigated, explained and acted upon. Any savings and efficiencies highlighted are realistic and achieved.
Council Tax	5	Identification and valuation of properties Relief's and exceptions are appropriately calculated and applied





Review area	2010/11 Proposed Days	Scope
		Billing & collection Recovery and enforcement
National Non Domestic Rates	5	Identification and valuation of properties Relief's and exceptions are appropriately calculated and applied Billing & collection Recovery and enforcement
Cashiers	5	All income collection points are known. Adequate controls are in place over post opening and processes in place for the secure receipt and recording of cash. Cash is adequately safeguarded. Banking takes place promptly. Accurate recording against debtor and income accounts. Minimal use of suspense accounts. Adequate segregation of duties is in place.
Treasury Management	5	Corporate treasury activities are monitored and controlled Reporting and monitoring of treasury management activities
Housing Benefits	5	Benefit assessment and payments
Fixed Assets	10	Acquisitions identified Treatment of surplus assets Disposals/transfer of assets Capital assets are completely and accurately recorded Capital asset verification Accounting for fixed assets and associated capital charges / revaluations Fixed assets are appropriately disclosed System is secure against unauthorised access and data loss
VAT	5	Preparation and authorisation of VAT returns
Car Parking	5	Management information Income collection and banking arrangements
Housing Rents	10	Rent accounting Income collection and banking arrangements Arrears management and performance
Risk management	5	Risk management framework Fraud risk management Embedding risk management

Review area	2010/11 Proposed Days	Scope
Governance	3	Governance framework
Total core systems	108	
Operational reviews - risk based assurance		
Partnership working – reporting and monitoring	5	Identification of key partners Risk assessment process Governance framework
ICT Audits – New payroll system / Government Connect / Contract with County	20	IT risks – New systems Government Connect Outsourced arrangements Data security
Housing Services	10	Risk assessment to be performed
Sports Development Funding	5	Grants certification if required Review of funding arrangements
City Works	10	Full scope review of Fleetplan including stocks and stores and purchase ordering Trade waste process
Total operational systems reviews	50	
Strategic – performance assurance		
Programme and Project Management	5	Scope to be agreed
Performance management (including data quality)	50	Effectiveness of data collection and collation arrangements
Total strategic – performance assurance	55	
Other		
Follow up	10	
Audit Management	30	
Total Other	40	
Annual audit days	253	

Appendix Four – Assessment criteria

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>

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