

Internal audit summary report

July 2010



Contents

Section

1. Plan outturn	3
2. Reporting and activity progress	4
Appendix One – Assessment criteria	5

1. Plan outturn

2009/10 Audit Plan

We are pleased to report that we have completed our planned work for the year. An outturn statement detailing assignments undertaken and actual activity for the year is shown in our Internal I Audit Annual Report which was presented at your June meeting.

We have commenced planning for the phasing of our 2010/11 plan and initial fieldwork has commenced.

2. Reporting and activity progress

Final reports issued

- **Business Continuity Planning** – A **LIMITED ASSURANCE** opinion have been issued for this report and as such will be discussed in full during this meeting.
- **Fixed Assets** - An opinion of **MODERATE ASSURANCE** has been issued for the Council's Fixed Assets processes. The Council has made excellent headway in implementing recommendations arising following prior year. Minimal issues were noted with transaction level testing. That said, the Council needs to ensure that the Fixed Asset register is reconciled on a regular basis and detailed procedure notes are drawn up for all aspects of the process.
- **VAT**– We examined the controls and processes in place for accounting for VAT. The Council has good controls in place to ensure that tax is accounted for correctly and on a timely basis. A detailed partial exemption method has been agreed with HMRC and is used to monitor the Council's partial exemption position regularly. More efforts need to be deployed on processing more complex and unusual transactions (e.g. in relation to estates and car schemes) to ensure correct treatment. On this basis we have issued a **MODERATE ASSURANCE** opinion.
- **Creditors** – **MODERATE ASSURANCE** We examined the Council's processes for purchases and payables. Some issues were noted around the manual processes that the Council use for raising creditors which differ between departments. The Council should seek to investigate how the Agresso system can be utilised to improve both transaction and reporting activities.
- **Budgetary Control** – **MODERATE ASSURANCE**. We examined the budget setting and monitoring processes in place at the Council and noted high levels of control around the process. Minor issues were noted around the need to ensure that training is given to all budget holders and that budgets are signed off on a timely basis.

Appendix One – 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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