

Internal audit summary report for Audit and Governance Committee



September 2010

Contents

Section

1. Plan outturn	3
2. Reporting and activity progress.....	4
3. Summary of key risks	6
5. Performance Indicators	7
Appendix One.....	8
Appendix Two.....	10

1. Plan outturn

2010/11 Audit Plan

We have undertaken work in accordance with the 2010/11 Internal Audit Plan which was approved by the Accounts, Audit and Risk Committee at its meeting in March 2010. Following approval, a number of changes have been made to the audit plan to reflect the changing priorities of the Council and the assurance required following a number of new system implementations. The changes to the plan have been detailed in Appendix 1 and have been summarised as follows:

Review	Original Days	Amendments	Revised Days
Agreed Plan	253	-	-
Performance Management (including data quality)	50	-25	25
Review of final accounts	0	10	10
Post Implementation Review of PARIS and ITrent	0	10	10
IT process controls for PARIS and ITrent	0	10	10
Growth Funding Review	0	2	2
Revised Plan	253	7	260

An outturn statement detailing assignments undertaken and actual activity for the year is shown in Appendix One. At present we have completed **83 days out of a total planned 260 days (32%)**.

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. A **qualified** opinion was issued to Sports England as no supporting documentation could be provided to substantiate an element of expenditure funded by the grant. No funding has been clawed back by Sports England.
- **Review of New Growth Funding** – We were required to review expenditure incurred using the New Growth Funding provided from the Homes and Communities Agency. We found no issues with this testing and were able to provide assurance to the Agency that the conditions of the grant claim had been complied with.
- **Review of Final Accounts** – We reviewed the close down process performed by the finance team as well as a number of transactions in the high risk areas of the accounts (Fixed Assets and Fleetplan). We noted a significant amount of improvement in the quality of the working papers and accounts submitted for external audit. No opinion has been issued for this work.
- **Follow Up** – We have performed a follow up of all high risk issues raised in our 2009/10 audit reports. We can verify that of the 21 high risk issues raised, 11 have now been implemented. Details of this follow up by review has been provided for your reference:

Review	High Risk Issues	Issues Cleared	Issues Outstanding	Details of Outstanding Issues
Business Continuity Planning	2	0	2	<ul style="list-style-type: none"> • Testing required on all Business Continuity Plans • Further work required on Pandemic Planning
City Works (Fleetplan)	4	3	1	<ul style="list-style-type: none"> • Correct ordering procedures are not being followed in all cases
City Works (Trade Waste)	3	0	3	<ul style="list-style-type: none"> • Correct supporting documentation is not being provided for new Trade Waste Accounts • Excess collection invoices are not correctly invoiced on Whitespace • No documentation retained for recovery processes
Collection Fund	2	2	0	-

Debtors	2	1	1	<ul style="list-style-type: none"> • Certain officers continue to hold access to both raise invoices and collect cash
Fixed Assets	1	1	0	-
General Ledger	5	4	1	<ul style="list-style-type: none"> • Exceptions remain where journals are not authorised
Performance Measurement	2	0	2	<ul style="list-style-type: none"> • NI196 – Levels of Fly Tipping: Audit trail not maintained for 2009/10 data • BV008 – Invoices paid in 30 days: Exceptions remain where invoices are not date stamped

Fieldwork and draft reports

Draft reports have been issued and/or fieldwork has commenced in the following areas: -

- Cashiers
- Performance Management and Data Quality
- Trade Waste
- Treasury Management
- Car Parking
- PARIS and I Trent Post Implementation Review
- Housing Rents
- Housing Services

3. Summary of key risks

Overview

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

Further information is provided in the individual reports which can be produced in full if required.

At the time of this report, we have identified no issues that should be considered as significant control weaknesses.

5. Performance Indicators

A set of performance indicators have been agreed with officers to monitor performance of our audit contract for 2010/11. These have been detailed below for reference. Progress against performance indicators will be reported on a 6 monthly basis and therefore will be brought to this meeting in November and then in June to reflect performance to year end:

Objective	Performance Indicators PwC	Performance Indicators OCC
Delivering the internal audit service in an efficient manner	<ul style="list-style-type: none"> • Delivery of programme of audits against the set audit plan. • Scoping meeting held with project sponsors on all reviews. • Terms of reference for audits submitted at least 2 weeks prior to the start of fieldwork. • Draft reports issued within 10 working days after completion of the audit. • Final reports issued within 5 days of receipt of final management responses. 	<ul style="list-style-type: none"> • Terms of Reference to be agreed (by email or hard copy) within 1 week of receipt • Management responses to be provided within 10 working days of receipt of draft report.
Are our services addressing the issues of relevance to the Council?	<ul style="list-style-type: none"> • Individual audit survey issued for every completed review • Feedback from individual audit surveys – aims to achieve an average of 3 (Good) for overall performance • Reliance on financial control work by external audit. 	<ul style="list-style-type: none"> • Audit survey completed by audit sponsor for each review
Our work has impact	<ul style="list-style-type: none"> • All issues noted from prior year should be followed up in year. All high/critical risk issues to be followed up within 6 weeks of issuing final report. Progress is to be reported to those charged with governance • Arrangement of 2 training sessions in year to address training needs of members/officers 	<ul style="list-style-type: none"> • Number of recommendations implemented by management • All critical issues to be addressed within 6 weeks
We communicate with you	<ul style="list-style-type: none"> • Attendance and presentation of progress report to all Audit Committee meetings • Quarterly meetings with contract manager 	<ul style="list-style-type: none"> • Bills to be paid in line with prompt payment policy (30 days) once agreed

Appendix One

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			
General Ledger	10	0	To be commenced
Debtors	10	0	To be commenced
Creditor payments	10	0	To be commenced
Payroll	10	0	To be commenced
Budgetary Cont	5	0	To be commenced
Collection Fund	10	0	To be commenced
Cashiers	5	4	Draft Report
Treasury Management	5	2	Fieldwork commenced
Housing Benefits	5	0	To be commenced
Fixed Assets	10	0	To be commenced
VAT	5	1	Scoping commenced
Car Parking	5	3	Fieldwork commenced
Housing Rents	10	1	Scoping commenced
Risk Management	5	0	To be commenced
Governance	3	0	To be commenced
Final Accounts Review	10	10	Final Report Issued

Planned activity	Planned days	Actual days	Status
2. Operational system reviews			
– risk based assurance			
Partnership working	5	0	To be commenced
ICT Audits	20	2	Scoping Commenced
Housing Services	10	2	Fieldwork commenced
Sports Development Funding	5	5	Final Opinion Issued
City Works Fleetplan	5	0	To be commenced
City Works Trade Waste	5	4	Fieldwork concluded
Post Implementation Review	10	8	Fieldwork concluded
IT Process Controls	10	2	Scoping Commenced
Growth Funding Review	2	2	Final Opinion Issued





Planned activity	Planned days	Actual days	Status
3. Strategic Reviews			
Programme and Project Management	5	0	To be commenced
Performance Management	25	22	Fieldwork concluded

Planned activity	Planned days	Actual days	Status
4. Other			
General follow up	10	5	Ongoing
Audit Management	30	10	Ongoing
Total	260	83	

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>

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