

Internal audit summary report for the Audit and Governance Committee

March 2011

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**OXFORD
CITY
COUNCIL**

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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 Audit and Governance Committee at its meeting in March 2010. Since the last meeting, the following reviews have been removed from the plan:

- Housing Services – 10 days
- Partnerships – 5 days

As agreed with the Director of Finance and Efficiency, these days will be used as follows:

- Post Implementation of IT systems – 5 days
- Year end accounts work – 10 days

An outturn statement detailing assignments undertaken and actual activity for the year is shown in Appendix One. At the time of writing we have completed **226 days out of a total planned 260 days (87%)**.

2. Reporting and Activity Progress

Final reports issued

Since the last Audit and Governance Committee in December 2010, we have issued the following final reports to the Council:

Creditors *– We have provided a **MODERATE** assurance opinion on the adequacy and operating effectiveness of controls in place over Creditors. Medium risk issues were identified around the need to ensure that purchase orders are raised for all orders and the requirement for exception reports to highlight unusual transactions. A wider point was raised around the inconsistency in the processes used to process purchases and payments. This will be rectified following the proposed centralisation of the debtors and creditors functions.

Treasury Management – We have provided a **LIMITED** assurance opinion on the Councils Treasury Management processes. This was due to 10 medium risk issues raised on this report around the following areas:

- Bank reconciliations were not reviewed and cleared on a timely basis;
- Policies and procedures not being in place for bank reconciliations and Treasury Strategies;
- Exceptions in relation to authorisation of interbank transfers and investments; and
- Irregular review of bank overdrafts and cash flow actual against budget.

Car Parking – We reviewed the controls in place around car parking and the Councils processes for Shopmobility and provided **MODERATE ASSURANCE** in these areas. This was due to the need to improve controls around the issuing and recording of Shopmobility scooters. Generally controls around car parking processes were operating effectively.

Risk Management *– We have provided a **MODERATE** assurance opinion on the adequacy and operating effectiveness of controls the Council's Risk Management processes. We noted that there are robust policies and procedures in place for risk management; however, these have not been operating consistently throughout 2010/11. In addition, there is a need for the Council to reflect upon recent transformations in Local Government and consider these for inclusion on the risk register.

Fleetplan – We noted considerable improvement in our review of the Fleetplan system since prior year. Some issues were noted around adherence to the correct purchasing processes but these were much reduced from 2009/10. On this basis we have issued a **MODERATE** assurance opinion.

*These reports were issued in final in the period between production of this report for papers and the Audit Committee meeting

Fieldwork and draft reports

Draft Reports

Debtors
Collection Fund*

IT Firewalls*
PARIS and I Trent Implementation*
Performance Management*

Fieldwork

Budgetary Control
VAT
Fixed Assets
Project and Programme Management

*We have had delays in receiving management responses for a number of reports. In those cases highlighted, management responses have not been provided in line with the agreed performance indicators (10 days from issue)

3. Summary of Key Risks

Overview

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

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.

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	10	Final report issued
Debtors	10	9	Draft Report issued
Creditors	10	10	Final report issued
Payroll	10	10	Final report issued
Budgetary Control	5	2	Fieldwork commenced
Collection Fund	10	9	Draft report issued
Cashiers	5	5	Final report issued
Treasury Management	5	5	Final report issued
Housing Benefits	5	5	Final report issued
Fixed Assets	10	5	Draft Report issued
VAT	5	3	Fieldwork concluded
Car Parking	5	5	Final report issued
Housing Rents	10	10	Final report issued
Risk Management	5	5	Final report issued
Governance	3	0	To be commenced
Final Accounts Review 09/10	10	10	Final report issued
Final Accounts Review 10/11	10	0	To be commenced

Planned activity	Planned days	Actual days	Status
2. Operational system reviews			
– risk based assurance			
Partnership working	5	0	Review removed from plan
ICT Audits	20	15	Draft reports issued
Housing Services	40	0	Review removed from plan
Sports Development Funding	5	5	Final opinion issued
City Works Fleetplan	5	5	Final report issued
City Works Trade Waste	5	5	Final report issued
Post Implementation Review	15	15	Draft report issued
IT Process Controls	10	10	Draft report issued
Growth Funding Review	2	2	Final opinion issued





Planned activity	Planned days	Actual days	Status
3. Strategic Reviews			
Programme and Project Management	5	4	Fieldwork commenced
Performance Management	25	25	Draft Report issued

Planned activity	Planned days	Actual days	Status
4. Other			
General follow up	10	9	Ongoing
Audit Management	30	28	Ongoing
Total	260	226	

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: <ul style="list-style-type: none">• the efficient and effective use of resources;• the safeguarding of assets;• the preparation of reliable financial and operational information; or• 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: <ul style="list-style-type: none">• has a low impact on the achievement of the key system, function or process objectives; or• 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	No control weaknesses were identified; or 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.
Moderate	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.
Limited	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.
No	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.

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