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Internal Audit Report 2016/2017

Finance review (Debtors, Creditors, Payroll, Collection Fund)– 2016/17

*Cherwell District
Council*

Final

June 2017

pwc

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Distribution list

For action:

Denise Taylor, Group Accountant (Budgets & Accounts)

Leanne Lock, Group Accountant (Systems & Exchequer)

John Payne, Finance Officer

Belinda Green, Joint Revenues and Benefits Manager

Geni Hotchkiss, Business Support Unit Manager

For information:

Sanjay Sharma, Interim Head of Finance and Deputy Section 151 Officer

Paul Sutton, Chief Finance Officer and Section 151 Officer

Ian Davis, Interim Chief Executive

Executive summary (1 of 2) Summary of findings by areas of scope:



Report rating

Other Reconciliations and Access – Low risk (5 points)



Area of scope - Creditors	Number of findings				
	Critical	High	Medium	Low	Advisory
Control Design	0	0	1	1	0
Operating Effectiveness	0	0	0	1	0

Report rating Creditors - Low risk (6 points)



Area of scope - Creditors	Number of findings				
	Critical	High	Medium	Low	Advisory
Control Design	0	0	2	0	0
Operating Effectiveness	0	0	0	0	0

Report rating Debtors - Medium risk (12 points)



Area of scope - Debtors	Number of findings				
	Critical	High	Medium	Low	Advisory
Control Design	0	0	1	0	0
Operating Effectiveness	0	0	3	0	0

Executive summary (2 of 2)

Summary of findings by areas of scope:



Report rating Payroll - Low risk (6 points)



Area of scope - Payroll	Number of findings				
	Critical	High	Medium	Low	Advisory
Control Design	0	0	2	0	0
Operating Effectiveness	0	0	0	0	0

Report rating Collection Fund – Low risk (5 points)



Area of scope – Collection Fund	Number of findings				
	Critical	High	Medium	Low	Advisory
Control Design	0	0	0	2	0
Operating Effectiveness	0	0	1	0	0

We originally discussed and planned changing to a continuous audit approach over the key financial cycles through discussions held with management during September and the plan was subsequently updated to reflect this. The purpose of the planned continuous audit programme was to test key controls on an on-going basis to assess whether controls are operating effectively and to highlight areas and/or report transactions that appear to circumvent controls throughout the year to management.

Following subsequent discussions we were advised to carry out the reviews during quarter 4 given key finance staff availability, so were not able to perform a continuous audit as originally reflected in the updated plan. We have therefore updated our understanding and tested the key controls in creditors, debtors, payroll and collection fund, we have not suggested any agreed actions as the purpose going forward was to highlight performance for management to monitor and change where considered necessary.

The observations have been raised in current year findings section

Current year findings – Reconciliations (1 of 14)

Bank to General Ledger Reconciliations

Control design

1

Finding and root cause

We tested whether the general ledger and bank are reconciled, reconciling items investigated, segregation of duties between preparer and authoriser and prepared and authorised on a timely basis.

Our testing showed:

- The bank to general ledger reconciliations were not produced from April 2016 to July 2016 due to issues with the new Civica system. We also found that 1/13 reconciliations post July 2016 was not performed.
- There was no evidence of who prepared and who authorised the reconciliations so we could not confirm segregation of duties.
- The current control design does not involve agreeing the two reports. The control is currently that each day the bank statement is uploaded onto Civica, where predetermined rules will automatically match off items and then manually clear the unmatched items. There is nothing to evidence when the unmatched items are cleared as the interface file does not show these, only those matched are shown. There is no process/control to highlight and then clear any longstanding unmatched transactions if appropriate.

Responsible person/title: Leanne Lock, Group Accountant (Systems & Exchequer)

Finding rating

Rating

Medium

Current year findings – Reconciliations (2 of 14)

Income and Expenditure Reconciliations

Balance Sheet Reconciliations

Control design

2

Finding and root cause

We tested whether the Income and Expenditure reconciliations and Balance Sheet reconciliations are performed, reconciling items investigated, segregation of duties between preparer and authoriser and prepared and authorised on a timely basis.

The monthly Income and Expenditure reconciliation and Balance sheet reconciliation are all performed electronically, but with no date shown. Reconciliations were performed and reviewed, but we are unable to determine if these have been performed and reviewed in a timely manner.

Responsible person/title: Denise Taylor, Group Accountant (Budgets & Accounts)

Finding rating

Rating

Low

Current year findings - Access to systems (3 of 14)

Starters and Leavers

Operating Effectiveness

3

Finding rating

Rating

Low

Finding and root cause

We were provided with listings of access to all systems, we were not able to be provided with a list of financial systems access only as the Council cannot generate such a list from the system. We merged the testing for CDC and SNC together as listings for both Councils were provided together and have taken a sample from all officers having IT access, rather than just financial system access.

Starters

We tested whether starter forms are created/approved by line manager before IT give access.

- For 2/20 starters there was no authorisation by the line manager for the new starter to have access to purchasing system.

Leavers

We tested whether leavers are removed from the system in a timely basis when they leave the Council.

The Council's procedure is that employees' access to the network is revoked by IT one month after they have left. The Council state that employees could not access the financial systems after that time as their general log in to the Council system would have been stopped.

Best practice suggests employee access should be removed from all systems in a timely manner as employees could access the financial systems via general access from another employee's computer or existing employees using leavers account credentials in the period until all access is blocked or completely removed.

For 5/20 cases tested, leavers did not have their network access revoked in a timely basis:

- In 1 case, IT system access was removed within one month of Officer leaving as stated in the Council's procedures and the financial systems access removed 7 months after user left. Individual had CDC access, but not SNC access.
- In 1 case, IT system and financial systems access was removed 6 months after user left. Officer had SNC access, but not CDC access.
- In 3 cases, IT system access was removed before Officer's effective leave date but financial systems access removed 1, 5 and 6 months respectively after user left. In 2 cases the Officer had CDC access, but not SNC access, in the other case Officer had access to both Councils.

Responsible person/title: Leanne Lock, Group Accountant (Systems & Exchequer)

Current year findings - Creditors (4 of 14)

Aged Creditors to General Ledger Reconciliations

Control Design

4

Finding and root cause

Current procedures state that there should be a monthly aged creditors to general ledger reconciliation.

We tested whether aged creditors to the general ledger are reconciled, reconciling items investigated, segregation of duties between preparer and authoriser and prepared and authorised on a timely basis.

Missing reconciliations

Reconciliations have not been performed until September of 2016, this is due to issues in the transition from Agresso to Civica.

No evidence for date of authorisation

2 out of 2 months reconciliations tested did not show the date of authorisation, so we cannot determine if this was done in a timely basis.

Responsible person/title: Leanne Lock, Group Accountant (Systems & Exchequer)

Finding rating

Rating

Medium

Current year findings - Creditors (5 of 14)

Three way match

Control design

5

Finding rating

Rating

Medium

Finding and root cause

Segregation of duties

The key creditors controls are:

- A purchase order is appropriately authorised before a commitment to pay for goods/services.
- Invoices are matched to purchase orders and goods receipts and authorised by an appropriate officer prior to payment of invoice in a timely basis.
- Payments are reviewed and authorised prior to release.

2 out of the 25 samples tested were orders raised whilst the Council used Agresso. Evidence from Agresso cannot be obtained for the audit as all documentation relating to requisition raiser and approver were not kept post transfer to the new system Civica. For these, we are unable to test segregation of duties.

Automatic authorisation on Civica

As part of the 3 way match testing performed we tested whether a purchase order is appropriately authorised before a commitment to pay for goods/services.

1 out of 25 samples tested, Civica auto-approved the invoice; there was no segregation of duties. Officers had not seen this message on Civica before and were not aware that the system allowed this.

Responsible person/title: Leanne Lock Group Accountant (Systems & Exchequer)

Current year findings – Debtors (6 of 14)

New debtors account and invoice raising

Operating Effectiveness

6

Finding rating

Rating

Medium

Finding and root cause

We tested whether:

- New debtor accounts are opened with the appropriate authorisation.
- Segregation of duties exists between requester/inputter of the invoice and the Senior Recovery Officer

Listings differentiating between new debtors added in current year and those that were pre-existing are not able to be run from the system. We selected a sample of 25 of all of the debtors on the system (not just new debtors) who have received at least one invoice this year. We tested whether the debtor accounts had been opened with the appropriate authorisation, but the accounts may have been opened prior to April 2016.

Debtor invoice segregation of duties between requester / inputter and Senior Recovery Officer

- In 5 out of 25 cases, no documentation was provided on who requested the debtor invoice but we were able to confirm information of who input it into the system and the senior recovery officer check to appropriate documentation.
- In 11 out of 25 cases, signatures on paperwork were illegible. Names have not been printed in addition to signatures so it is not possible to identify who carried out the task, but we were able to confirm information of who input it into the system and the senior recovery officer check.

New debtors

- In 20 out of 25 cases, the information of who set up the debtor was unavailable on the system.
- In 13 out of 25 cases, the information of who authorised the new debtor was unavailable on the system.

Responsible person/title: John Payne, Finance Officer

Current year findings – Debtors (7 of 14)

Aged Debt to General Ledger Reconciliations

Operating Effectiveness

7

Finding and root cause

Current procedures state the aged debt to general ledger reconciliations should be performed weekly.

No reconciliations have been performed in the current year.

Responsible person/title: Leanne Lock Group Accountant (Systems & Exchequer)

Finding rating

Rating

Medium

Current year findings – Debtors (8 of 14)

Aged debt

Control design

8

Finding and root cause

We tested whether aged debt is monitored, reported and appropriately followed up.

During the 14/15 external audit, it was identified by the Council’s external auditors that the Council had a debtor of £1.5 million in its financial statements due to an overpayment of NNDR in 2011/12. The error arose due to a journal posted through the general ledger rather than through sales ledger and then not followed up.

In 15/16 we raised a subsequent finding that aged debt monitoring is reviewed using sales ledger reports (Accelerator system). Aged debt monitoring does not pick up any income that has been journaled into the general ledger as income. This is still an issue in 16/17. Aged debt monitoring is being picked up from sales ledger reports only, not from the general ledger.

However we note that Debtors (long and short term) are being monitored quarterly and reported to Chief Finance Officer and Lead Member for Financial Management, that includes NNDR accounts to which the specific related, following previous report into matter and additional processes put in place.

The Council's current control to monitor aged debt monthly did not take place for 1 out of 2 of the samples; this was due to a staff handover issue.

Responsible person/title: Leanne Lock, Group Accountant (Systems & Exchequer), John Payne, Finance Officer

Finding rating

Rating

Medium

Current year findings – Debtors (9 of 14)

Reconciliation of Capita Pay.net to Civica Debtors module

Operating effectiveness

9

Finding and root cause

Current procedures state that there should be a daily reconciliation of Capita Pay.net to Civica Debtors module.

We tested whether the two system are reconciled, reconciling items investigated, segregation of duties between preparer and authoriser and prepared and authorised on a timely basis.

On 1 out of the 20 reconciliations reviewed, timely authorisation was not completed (within 2 weeks). The authorisation was done 100 days after the reconciliation was performed.

Responsible person/title: John Payne, Finance Officer

Finding rating

Rating

Medium

Current year findings – Payroll (10 of 14)

Payroll reconciliations

Control Design

10

Finding and root cause

Current procedures state the following reconciliations should be performed:

- Monthly GL to payroll reconciliation
- Monthly reconciliation of payroll bank account to wages and salaries control account

Due to the transition to Civica, there has been a delay in producing reconciliations. Currently none of these reconciliations have been performed.

Responsible person/title: Leanne Lock, Group Accountant (Systems & Exchequer)

Finding rating

Rating

Medium

Current year findings – Payroll (11 of 14)

Payroll Changes to Standing Data

Control Design

11

Finding rating

Rating

Medium

Finding and root cause

Amendments

We tested whether amendments to payroll data are only made following appropriate authorisation.

There is an informal monthly review of all personnel amendments made to standing data (for example starters, leavers, bank details and pay grade) but from hardcopy papers of changes, checks are not formally documented. The Council is not aware of a report that can be run of all amendments, so hardcopies are signed for input and verified by two different people (HR and Payroll), but if there is paperwork missing, then the check may be missed. We therefore could not amendment review control process as a listing cannot be provided by the Council and no formal review controls

We found no exceptions for the individual starters and leavers tested and confirmed, starters and leavers are processed in HR and then passed to Payroll to process. All were authorised prior to month end and included or removed from the payroll in timely fashion and appropriate pay-run.

It should be considered if review controls should be formalised to supplement the transactional controls.

Updates to global tax and NI changes

We tested whether global changes to Tax and NI data are updated on the system annually and input and authorised by separate individuals on a timely basis and with segregation of duties between inputter and authoriser.

Segregation of duties cannot be evidenced by the Council as the input evidence is under 'Northgate' which is a system the Council use. It is not possible to find out who input the data into Northgate, but we have seen evidence of who has authorised.

Responsible person/title: Leanne Lock, Group Accountant (Systems & Exchequer)

Current year findings – Collection Fund (12 of 14)

Collection Fund Reconciliations

Operating Effectiveness

12

Finding and root cause

Current procedures state Northgate/iWorld to general ledger reconciliations should be performed:

Reconciliations between Northgate/iWorld and the general ledger have not been performed during 16/17.

Systems are reconciled at year end to support financial accounts and NNDR 3 return, which was confirmed through our additional NNDR 3 review for the 2015/16 return.

Responsible person/title: Leanne Lock, Group Accountant (Systems & Exchequer)

Finding rating

Rating

Medium

Current year findings – Collection Fund (13 of 14)

Collection Fund System reconciliations

Control design

13

Finding and root cause

Revenues system and cash collection reconciliations - Council Tax

We tested whether the revenues and cash systems are reconciled, reconciling items investigated, segregation of duties between preparer and authoriser and prepared and authorised on a timely basis.

Hard copies not signed by the authoriser although the preparer has. We are unable to test evidence of segregation of duties.

Housing Benefits to council tax reconciliation

We tested whether the housing benefits to council tax systems are reconciled, reconciling items investigated, segregation of duties between preparer and authoriser and prepared and authorised on a timely basis.

There is no reference to the preparer or authoriser and there are no dates have been noted so we cannot deem if timely, nor is segregation of duties has been maintained. There is evidence that reconciliations are completed and where applicable items are understood and followed up or agreed to appropriate system reports or schedules maintained.

Responsible person/title: Belinda Green, Joint Revenues and Benefits Manager

Finding rating

Rating

Low

Current year findings – Collection Fund (14 of 14)

Collection Fund Valuation Office Reconciliations

Control design

14

Finding rating

Rating

Low

Finding and root cause

Weekly Valuation Office to Northgate/iWorld (number of properties) reconciliation - Council Tax:

We tested whether the Valuation Office to Northgate/iWorld weekly number of properties and total rateable values are reconciled, reconciling items investigated, segregation of duties between preparer and authoriser and prepared and authorised on a timely basis.

For 5 out of 5 weekly reconciliations tested, there was no evidence of who or when the reconciliations were performed and who authorised. We therefore cannot confirm if there was segregation of duties and if these were done on a timely basis.

Weekly Valuation Office to Northgate/iWorld (total rateable value) - NNDR:

An Officer runs reports weekly for the rateable values as per the Valuation Officer and as per Northgate/iWorld, but no formal reconciliation is kept. The Officer checks the values match, but there is no evidence of this, no record is kept to show a review is performed.

Responsible person/title: Geni Hotchkiss, Business Support Unit Manager



**Appendix A: Basis of our
classifications**

**Appendix B: Terms of
reference**

**Appendix C: Limitations
and responsibilities**

Appendices

Appendix A: Basis of our classifications

Individual finding ratings

Critical

A finding that could have a:

- **Critical** impact on operational; or
- **Critical** monetary or financial statement impact; or
- **Critical** breach in laws and regulations that could result in material fines or consequences; or
- **Critical** impact on the reputation or brand of the organisation which could threaten its future viability.

High

A finding that could have a:

- **Significant** impact on operational performance; or
- **Significant** monetary or financial statement impact; or
- **Significant** breach in laws and regulations resulting in significant fines and consequences; or
- **Significant** impact on the reputation or brand of the organisation.

Medium

A finding that could have a:

- **Moderate** impact on operational performance; or
- **Moderate** monetary or financial statement impact; or
- **Moderate** breach in laws and regulations resulting in fines and consequences; or
- **Moderate** impact on the reputation or brand of the organisation.

Appendix A: Basis of our classifications

Individual finding ratings

Low

A finding that could have a:





- **Minor** impact on the organisation’s operational performance; or
- **Minor** monetary or financial statement impact; or
- **Minor** breach in laws and regulations with limited consequences; or
- **Minor** impact on the reputation of the organisation.

Advisory

A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.

Report classifications

The report classification is determined by allocating points to each of the findings included in the report.

Findings rating	Points	Report classification	Option A	Option B	Points
Critical	40 points per finding		Low risk	Satisfactory	6 points or less
High	10 points per finding		Medium risk	Satisfactory with exceptions	7 – 15 points
Medium	3 points per finding		High risk	Needs improvement	16 – 39 points
Low	1 point per finding		Critical risk	Unsatisfactory	40 points and over

Terms of reference

Finance Reviews – Creditors, Debtors, Payroll, Council Tax and NNDR

To: George Hill, Corporate Finance Manager, Leanne Locke, Technical and Project Accountant (Creditors and Payroll), Belinda Green, Joint Revenues and Benefits Manager (Debtors), Vicki Taplin, Team Leader Joint Revenues and Recovery (Collection Fund), Ryszard Filipiak, Service Assurance Team Leader (Collection Fund)

From: Edward Cooke, Audit Manager

***Cherwell District
Council***

Final

January 2017

Audit scope and approach (1 of 3)



Scope / Audit Approach

We will review the design and operating effectiveness of key controls in place for creditors, debtors, payroll, Council Tax and NNDR during the period 2016/17. The sub-processes and related key controls included in this review are:

	Sub-process	Key controls
All	Reconciliations	1. Financial accounts are reconciled, reconciling items investigated, segregation of duties between preparer and authoriser and prepared and authorised on a timely basis.
	Access to Agresso (general ledger and sub systems)	2. Starter forms are created/approved by line manager before IT give access. 3. Leavers are removed from the system in a timely basis when they leave the Council.
	Three way match – purchase order, invoice and goods receipt	4. A purchase order is appropriately authorised before a commitment to pay for goods/services. 5. Invoices are matched to purchase orders and goods receipts and authorised by an appropriate officer prior to payment of invoice in a timely basis. 6. Payments are reviewed and authorised prior to release.
Creditors	Standing data	7. Changes to bank details are appropriately reviewed and authorised.
	New debtor accounts and invoice raising	8. New debtor accounts are opened with the appropriate authorisation. 9. Segregation of duties exists between requester/inputter of the invoice and the Senior Recovery Officer
Debtors	Aged debt	10. Aged debt is monitored, reported and appropriately followed up.

Audit scope and approach (2 of 3)



Sub-process	Key controls
<p>Payroll</p> <p>Changes to standing data</p>	<p>11. Segregation of duties exists between setting up new starters on the system, entering their payroll details in line with contract, and final review in a timely manner.</p> <p>12. Leavers are removed on a timely basis from the payroll with correct cut off for pay/annual leaver entitlements as per leavers form.</p> <p>13. Amendments to payroll data are only made following appropriate authorisation.</p> <p>14. Global changes to Tax and NI data are updated on the system annually and inputter and authorised by separate individuals on a timely basis and with segregation of duties between inputter and authoriser.</p>
<p>Reports (monthly exceptions and BACs)</p>	<p>15. Monthly exception reports are generated on a timely basis which are appropriately authorised and actioned prior to monthly payment run, following authorisation by the Head of Finance.</p> <p>16. Segregation of duties exists for the monthly BACS report which is authorised prior to processing by the Head of Finance.</p>

Audit scope and approach (3 of 3)



Sub-process	Key controls
Number of properties (Council Tax) RV Valuation Updates (NNDR)	17. The Valuation Office to Northgate/iWorld weekly number of properties/total rateable value are reconciled, reconciling items investigated, segregation of duties between preparer and authoriser and prepared and authorised on a timely basis.
Refunds and reliefs	18. Refund monitoring is performed and evidence of investigation for any differences is shown with an authorised person evidencing checks. 19. Evidence is kept to support the reasons exemptions, discounts and reliefs are awarded.
Input of base data	20. An independent review of the accuracy of the Band D input (Council Tax) and the 2016-17 multipliers (NNDR) is evidenced, the rate per Northgate/i-World to the DCLG match. Authorisation is evidenced before new figures go live.

Council Tax and NNDR

Audit scope and approach



Limitations of scope

The scope of our work will be limited to the areas identified in this Terms of Reference. Our work will focus solely on reviewing the controls outlined above. We will not produce a report with actions but a summary of our findings only around effectiveness of key controls. These will be provided at the point of work is completed and all evidence as been provided and findings agreed. Management can then review and action appropriately to address.

Audit approach

Our audit approach is as follows:

- Obtain an understanding of the creditors, debtors and payroll through discussions with key personnel, review of systems documentation and walkthrough tests.
- Identify the key risks of creditors, debtors, payroll, Council Tax and NNDR.
- Evaluate the design of the controls in place to address the key risks.
- Test the operating effectiveness of the key controls.

Internal audit team and key contacts (1 of 2)



Internal audit team

Name	Title
Richard Bacon	Head of Internal Audit
Chris Dickens	Internal Audit Senior Manager
Edward Cooke	Internal Audit Manager
Lucy Fenton	Internal Audit Team Leader
Drew Barker	Auditor

Key contacts - Cherwell District Council

Name	Title	Role	Contact details
George Hill	Corporate Finance Manager	Audit Sponsor	Audit sponsor: Hold initial scoping meetings Review and approve Terms of Reference Review draft and final findings
Creditors and Payroll - Leanne Lock	Group Accountant (Systems and Exchequer)	Audit Contacts	Audit contacts: Hold scoping meetings Provide assistance and information during testing stages Review draft and final findings
Debtors – Belinda Green	Joint Revenues and Benefits Manager		
Collection Fund - Vicki Taplin	Team Leader Joint Revenues and Recovery		
Collection Fund – Ryszard Filipiak	Service Assurance team Leader		

Internal audit team and key contacts (2 of 2)



Name	Title	Role	Contact details
Collection Fund – Belinda Green	Joint Revenues and Benefits Manager	Audit Contacts	Audit contacts: Hold scoping meetings Provide assistance and information during testing stages Review draft and final findings
Collection Fund - Geni Hotchkiss	Business Support Unit Manager		
Paul Sutton	Chief Finance Officer and Section 151 Officer	Other roles and responsibilities	Other roles and responsibilities: Receive final findings
Sue Smith	Chief Executive		

Information request (1 of 2)



Information request

All

- Access to all finance reconciliations performed with evidence of review and authorisation, date performed and authorised and evidence of any reconciling items followed up;

Creditors

- A listing of all purchases (including invoice ref, purchase order ref and goods receipt ref);
- A listing of all new suppliers created;
- A listing of bank changes to suppliers details created;

Debtors

- A listing of all invoices raised;
- A listing of all new debtors accounts created;
- A copy of the latest aged debt position and aged debt report;
- A listing of all users with access to the G/L system;
- A listing of all starters and leavers with G/L system access;
- A listing of all users with access to the system by sub system (e.g sales ledger, purchase leger and payroll);

Payroll

- Evidence of the global changes to Tax and NI data have been updated on the system – annual control which will be tested when testing Q1/Q2.
- A listing of all starters and leavers;
- A listing of other amendments that impact pay (for example: bank details, full time and part time changes, working hours, temporary additional allowances, staff position changes);
- Access to all monthly BACS reports with evidence of authorisation
- Access to all exception reports run with evidence of authorisation

Note: List is not an exhaustive list and additional information may be requested to support the review during on site work.

Information request (2 of 2)



Information request

Collection Fund

Access to all reconciliations performed (including):

- Revenues system and cash collection system
- Northgate/iWorld to Agresso (GL)

Access to Valuation Office to Northgate/iWorld reconciliations;

Evidence of the billing checks performed;

Reports showing all refunds, reliefs and overpayments in year;

Listings of all accounts eligible for discounts, exemptions and reliefs;

Evidence of the independent review of the Band D input (Council Tax) and the 2015-16 multipliers (NNDR) has been performed;

DCLG notification of bandings and multipliers.

Note: List is not an exhaustive list and additional information may be requested to support the review during on site work.

Appendix C: Limitations and responsibilities

Limitations inherent to the internal auditor’s work

We have undertaken this review subject to the limitations outlined below:

Internal control

Internal control systems, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgment in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

Future periods

Our assessment of controls is for the period specified only. Historic evaluation of effectiveness is not relevant to future periods due to the risk that:

- The design of controls may become inadequate because of changes in operating environment, law, regulation or other changes; or
- The degree of compliance with policies and procedures may deteriorate.

Responsibilities of management and internal auditors

It is management’s responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management’s responsibilities for the design and operation of these systems.

We endeavour to plan our work so that we have a reasonable expectation of detecting significant control weaknesses and, if detected, we carry out additional work directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected.

Accordingly, our examinations as internal auditors should not be relied upon solely to disclose fraud, defalcations or other irregularities which may exist.

This document has been prepared only for Cherwell District Council and solely for the purpose and on the terms agreed with Cherwell District Council in our agreement dated 26th April 2012. We accept no liability (including for negligence) to anyone else in connection with this document, and it may not be provided to anyone else.

Internal audit work was performed in accordance with PwC's Internal Audit methodology which is aligned to public sector internal audit standards. As a result, our work and deliverables are not designed or intended to comply with the International Auditing and Assurance Standards Board (IAASB), International Framework for Assurance Engagements (IFAE) and International Standard on Assurance Engagements (ISAE) 3000.

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