

Internal audit
summary report
for Accounts,
Audit and Risk
Committee

September
2009

Cherwell

DISTRICT COUNCIL
NORTH OXFORDSHIRE

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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 Accounts, Audit and Risk 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 and reports are being issued either in draft or final format. We have also commenced planning in a number of reviews over the remaining quarters. At present we have completed **68.5 days out of a total planned 230 days (30%)**.

Future progress reports will continue to give an update on the percentage of the audit plan completed and will provide the Committee with assurance that our target of completing the audit plan in year is likely to be achieved.

2. Reporting and activity progress

Final reports issued

- **Car Parking** – An opinion of **MODERATE ASSURANCE** has been issued for this review. This was due to the exclusion of Excess Charge Notices due as debtors on the Councils Balance Sheet. The total value of liable debt for 2008/09 was approximately £29k. Further interrogation indicated that an additional balance of approximately £45k is due from prior years. Management acknowledged that these charges met the definition of a debtor under UK GAAP and therefore should be included on the Balance Sheet to ensure that debtors are fairly stated.
- **Council Tax** – The Council tax function was issued an opinion of **MODERATE ASSURANCE (WITH IMPROVEMENT)**. We noted an improvement of the Council Tax function from prior year and were pleased to note that the majority of prior year issues have been implemented. Issues however were still noted around inspection of empty properties and segregation of duties in the department. We recognise that the department is undergoing major change; however, management should ensure that efforts are made to implement audit recommendations to ensure a high level of internal control is maintained in the new arrangements for the delivery of the service.
- **Creditors** – The Creditors function has made excellent efforts to implement issues raised in prior year. That said, an opinion of **MODERATE ASSURANCE (LIMITED IMPROVEMENT)** has been issued due to the operating effectiveness of the Councils procurement function. From a sample of 25 orders tested, the procurement policy had not been adhered to in 12 cases and sufficient information could not be obtained for a further 5 cases. Further work is needed to embed these policies throughout the organisation.

Draft reports

The following reports are currently in draft format:-

- Data Quality
- VAT
- Payroll
- Debtors
- Cash Collection
- Performance Indicators (Assurance to External Audit)

Fieldwork commenced

Fieldwork has commenced in the following areas:-

- Non Domestic Rates

- Anti Fraud and Corruption

Additional Work Performed

We have carried out the following additional pieces of work outside the scope of our agreed audit plan:

- **Spiceball Leisure Centre** – During the initial work we performed on IFRS preparation in the previous year we observed that the contract in relation to the Councils new leisure centre required analysis under both UK GAPP and IFRS. We advised management that the scheme does not constitute a PFI but advised that the contract continues to be monitored to ensure that Value for Money is secured.
- **IFRS** – We continue to provide support to the Council through the implementation of IFRS. We are conducting a training session for the IFRS Steering Group in September 2009.
- **Investigative Work** – We continue to play an active role in any investigations within the Council

3. Summary of key risks

Overview

Our final reports include a number of recommendations and a breakdown of these can be found in Appendix Two, which summarises the risk ratings associated with each finding and recommendation. 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.

Opinions

We would like to draw members attention to our revised audit opinions which we have introduced for 2009/10. These have been summarised in Appendix 3. In addition to the opinions issued for each review, we will provide a 'direction of travel' rating for recurring audits. These will provide a view on the implementation of prior year recommendations.

We have also amended our reports to provide members and officers with further details on the testing we have performed and the impact of our conclusions on Use of Resources and the Corporate Plan. Initial feedback from officers is that this level of information has provided useful context to the issues raised. We welcome any additional feedback on this new report format and opinions.

4. Other issues

Benefits Investigation Team – Summary of activity

In order to provide the AAR Committee with a more complete picture of the internal control activity within the Council, we have provided a summary of the activity of the Benefits Investigation Team since 1st April 2009.

Referrals received	Investigations conducted	Sanctions	Success rate for year	Total Overpayments identified for recovery for the year to date
139	133	Cautions = 12 Ad Pens = 5 Prosecutions = 7	57.60% against a target of 50%	£70,865.94

Investigations have been taken out in the majority of cases and the team are achieving a good success rate against the target set.

This information is prepared by Jeff Brawley, the Council's Benefits Investigation Manager. Internal Audit is working with Jeff in reviewing policies and procedures relating to fraud and fraud related issues. An update on this will be provided at the December meeting of the Committee.

IT Audit – increase in planned days

Following a recent risk assessment of IT, we have produced a more detailed IT audit plan (copy available on request). This shows a need for 31 days against the 25 in the original plan. The additional input will be at the specialist rate of £874 per day as set out in our proposal document meaning an additional cost to the Council of £5,244.

As detailed in the contract conditions, this proposed increase has been submitted to the Authorised Officer (Strategic Director Customer Services and Resources) for approval.

Member training

Along with our colleagues from the Audit Commission, Internal Audit provided training to some members of this Committee on the roles and responsibilities of members and officers at Audit Committee meetings. This was followed by a discussion on the role of members in relation to 'serious incidents'.

Review Panel

The Head of Internal Audit also attended the review panel which considered the serious incident relating to the server failure which was reported to the previous meeting of the AAR Committee. A separate report on the outcome of this panel is being presented to the meeting.

Appendix One

Planned activity	Planned days	Actual days	Status
1. Fundamental assurance			
OP1.1 General Ledger/ Fin. accounting	5	0	To be commenced
OP1.2 Debtors	5	4.5	Draft Report
OP1.3 Creditor payments	10	10	Final Report
OP1.4 Payroll	10	8	Draft Report
OP1.5 Budgetary Cont./ Fin. accounting	5	0	To be commenced
OP1.6 Council Tax	5	5	Final Report
OP1.7 National Non Domestic Rates	5	1	Fieldwork in progress
OP1.8 Bank Reconciliations	5	0	To be commenced
OP1.9 Cashiers	10	8	Draft Report
OP1.10 Treasury Management	5	0	To be commenced
OP1.11 Housing Benefits	10	0	To be commenced
OP1.12 Fixed Assets	5	0	To be commenced
OP1.13 IFRS Health check	5	0	To be commenced
OP1.14 VAT	5	4	Draft Report
OP 1.15 Car Parking	10	10	Final Report
OP 1.16 Risk Management	5	0	To be commenced
OP 1.17 Governance	5	0	Survey to be commenced
OP 1.18 Establishment Visits	5	0	To be commenced

Planned activity	Planned days	Actual days	Status
2. Operational system reviews – risk based assurance			
OP 2.1 Partnership working	5	0	To be commenced
OP 2.2 Managing in a Downturn	5	0	To be commenced
OP 2.3 ICT audits	25	2	Fieldwork commenced
OP 2.4 Job Evaluation	5	0	To be commenced
OP 2.5 Corporate Planning	10	0	To be commenced
OP2.6 CAA	10	0	To be commenced
OP 2.7 Data Quality	5	4	Draft Report

Planned activity	Planned days	Actual days	Status
3. Strategic Reviews			
OP 3.1 Performance Management	5	4	Draft Report
OP 3.2 Anti Fraud and Corruption	5	1	Fieldwork commenced

Planned activity	Planned days	Actual days	Status
4. Other			
OP 4.1 General Follow Up	10	2	Ongoing
OP 4.3 Audit Management	30	10	Ongoing
TOTAL	230	68.5	

Appendix Two

Summary of recommendations (final reports only)

Assignment	High	Medium	Low	Total	Overall opinion
Car Parking	1	4	2	7	MODERATE
Council Tax	0	8	1	9	MODERATE
Creditors	1	2	1	4	MODERATE
Total	2	14	4	20	

Appendix Three

Our assessment criteria are shown below:

Each of the issues identified has been categorised according to risk as follows:

Significance	
High	A significant and serious control weakness, which must be referred to the Internal Control Working Group via the Service Unit Manager's quarterly Assurance Statement on the effectiveness of internal control. Immediate action is required.
Medium	A weakness that could undermine the system of internal control and compromise its operation. Action is required as soon as possible.
Low	An improvement to comply with best practice or which offers efficiency savings. Action date to be agreed within a maximum of 12 months.

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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