

Internal audit
summary report
for Accounts,
Audit and Risk
Committee

October 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 **103 days out of a total planned 230 days (45%)**.

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 since last meeting

- **Debtors** –An opinion of **MODERATE ASSURANCE (LIMITED IMPROVEMENT)** has been issued for the Debtors function. This is primarily due to the absence of consistent procedures for raising and authorising debt invoice rasing within the Authority. Inconsistent working practices can lead to orders being inappropriately raised and creates an issue for the Councils revenue recognition.
- **Payroll** – The payroll function was issued with an opinion of **HIGH ASSURANCE (WITH IMPROVEMENT)**. The payroll system is well controlled and operates effectively. Only 1 minor issue was noted for reporting.
- **Cash Collection**– An opinion of **MODERATE ASSURANCE (LIMITED IMPROVEMENT)** has been issued for cash collection. This was due to issues that were identified during a recent cash discrepancy. In addition, limited progress has been made with developing an interface between the Paypoint system and the Councils ledger. A large amount of manual matching is still required which is both inefficient and increases the risk of error
- **Data Quality** – We examined the arrangements for ensuring levels of Data Quality at the Council and have issued an opinion of **MODERATE ASSURANCE** for this area. Whilst excellent headway has been made in embedding the importance of Data Quality within the Council, further work is required on setting target milestones, benchmarking performance and cleansing data that is held.

Draft reports

The following reports are currently in draft format:-

- NNDR
- VAT
- Performance Indicators (Assurance to External Audit)
- Anti Fraud and Corruption

Fieldwork commenced

Fieldwork has commenced in the following areas:-

- Establishment Visits
- Managing in a Downturn
- ICT

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 conducted a training session for the IFRS Steering Group in September 2009 on the impact of the International Financial Reporting Standards on the Council.
- **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'.
- **Investigative Work** - The Head of Internal Audit also attended the review panel which considered the serious incident relating to failure of a Council server.

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.

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
143	135	Cautions = 18 Ad Pens = 6 Prosecutions = 7	58.66% against a target of 50%	£104,781

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.

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	5	Final Report
OP1.3 Creditor payments	10	10	Final Report
OP1.4 Payroll	10	10	Final 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	4	Draft Report
OP1.8 Bank Reconciliations	5	0	To be commenced
OP1.9 Cashiers	10	10	Final 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	3	Fieldwork 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	2	Fieldwork commenced
OP 2.3 ICT audits	25	5	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	5	Final 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	4	Draft Report

Planned activity	Planned days	Actual days	Status
4. Other			
OP 4.1 General Follow Up	10	2	Ongoing
OP 4.3 Audit Management	30	20	Ongoing
TOTAL	230	103	

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
Debtors	0	3	3	6	MODERATE
Data Quality	0	6	7	13	MODERATE
Payroll	0	0	1	1	HIGH
Cash Collection	0	5	2	7	MODERATE
Total	2	28	17	47	

Appendix Three

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: <ul style="list-style-type: none"> • 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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