

Internal audit
summary report
for Accounts,
Audit and Risk
Committee

December 2009



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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 the majority of reviews and reports are being issued either in draft or final format. At present we have completed **142 days out of a total planned 230 days (62%)**.

Management have noted that a number of reviews scheduled for 2009/10 are no longer required due to changes in the risk profile of the Council. We are currently in discussions with management to establish how these days will be used to address other areas of risk/concern. The following reviews are under consideration:

- Job Evaluation
- Corporate Planning

Reviews in the following areas may be requested by management:

- Local Area Agreement Indicators
- Bicester Town Centre Redevelopment
- Other areas of HR

2. Reporting and activity progress

Final reports issued since last meeting

- **Bank Reconciliations** –An opinion of **HIGH ASSURANCE** has been issued for Bank Reconciliations. Bank Reconciliations operate effectively within the Council. Minor issues were noted around clearing of suspense accounts and performance of the Housing Benefits bank reconciliation.
- **Cash Handling** – We reviewed the controls in place at the Council's 'One Stop Shops' at the request of members. We issued an opinion of **HIGH ASSURANCE** over the cash handling process. That said, efforts should be made to ensure that excessive cash balances are not held in tills. In addition, 2 officers should be present upon transfer of floats.
- **Non Domestic Rates**– An opinion of **MODERATE ASSURANCE (LIMITED IMPROVEMENT)** has been issued for the Business Rates function this was due to issues around the level of credit balances and aged debt in respect of business rates. At the time of audit, the balance of outstanding arrears totalled £705,000. Of this balance, £126,000 relates to debts dating back to 2004 or earlier. In addition, NDR credit balances stood at £871,000.
- **Performance Measurement** – We examined the collection methods and data quality for a sample of performance indicators selected by management. An opinion of **HIGH ASSURANCE** has been issued. In the majority of cases, collection methods ensure that a complete set of data is collected. In addition, minimal issues were noted when agreeing data to supporting documentation. However, the Council should ensure that supporting documentation is requested ahead of the data quality exercise (especially in the areas of temporary accommodation). In addition, further consideration should be given to the use of surveys for collecting data. Of 779 questionnaires sent out in 2008/09 for business satisfaction results, only 40 were returned (5.13% response rate).

Draft reports

The following reports are currently in draft format:-

- Anti Fraud and Corruption
- VAT
- Treasury Management

Fieldwork commenced

Fieldwork has commenced in the following areas:-

- General Ledger
- International Financial Reporting Standards (Ongoing work)
- Managing in a Downturn

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.

3. Other issues

Benefits Investigation Team – Summary of activity

An update on Benefits activity will be presented by the Benefit Fraud Investigation Officer during this meeting.

Appendix One

Planned activity	Planned days	Actual days	Status
1. Fundamental assurance			
OP1.1 General Ledger/ Fin. accounting	5	4	Fieldwork 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	5	Final Report
OP1.8 Bank Reconciliations	5	5	Final Report
OP1.9 Cashiers	10	10	Final Report
OP1.10 Treasury Management	5	4	Draft Report
OP1.11 Housing Benefits	10	0	To be commenced
OP1.12 Fixed Assets	5	0	To be commenced
OP1.13 IFRS Health check	5	3	Fieldwork ongoing
OP1.14 VAT	5	4	Draft Report
OP 1.15 Car Parking	10	10	Final Report
OP 1.16 Risk Management	5	1	Fieldwork scoped
OP 1.17 Governance	5	1	Survey to be commenced
OP 1.18 Establishment Visits	5	5	Final Report

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	12	Fieldwork commenced
OP 2.4 Job Evaluation	5	0	To be considered for audit
OP 2.5 Corporate Planning	10	0	To be considered for audit
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	5	Final 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	7	Ongoing
OP 4.3 Audit Management	30	25	Ongoing
TOTAL	230	142	

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
Bank Reconciliations	0	2	2	4	HIGH
Cash Handling	0	2	1	3	HIGH
Performance Measurement	0	2	3	5	HIGH
Non Domestic Rates	0	7	1	8	MODERATE
Total	2	41	24	67	

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: <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 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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