

Internal audit
summary report
for Accounts,
Audit and Risk
Committee

January 2010



Contents

Section

1. Plan outturn	3
2. Reporting and activity progress	4
3. Summary of key risks	5
4. Other issues.....	6
Appendix One.....	7
Appendix Two.....	9
Appendix Three	10

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 **186 days out of a total planned 230 days (81%)**.

As noted in our December 2009 progress report, management has 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 have agreed with management that the following reviews will not be performed in 2009/10:

- Job Evaluation
- Corporate Planning
- Comprehensive Area Assessment

Work has therefore been agreed to cover the following risks to the Council in the revised audit plan:

- Local Area Agreement Indicators
- Bicester Town Centre Redevelopment

We have provided members with an outline of how this will affect the audit plan in Appendix 1 and recommend that the Committee approve these changes.

2. Reporting and activity progress

Final reports issued since last meeting

- **Fraud and Corruption** –An opinion of **MODERATE ASSURANCE** has been issued for the Council's anti fraud and corruption procedures. The Council has a good infrastructure in place to prevent and detect occurrences of fraud. Issues were noted around the Authority's policies and procedures in this area which require updating and linking to other key documents (e.g. Anti Money Laundering and Disciplinary Policies). In addition, the Council's risk register should be reviewed to ensure it is relevant to current anti fraud policies.
- **Bicester Town Centre VAT implications** – We provided the Council with advice on the VAT implications of their proposed construction in Bicester Town Centre. No opinion has been offered on this subject. PwC has recommended that Cherwell opt to tax the Bicester site in order to protect their tax position. This should be performed before the year end.
- **Risk Management** – We conducted a workshop with key stakeholders to identify and explore the strategic risks to the Council. We identified 9 strategic risks during the workshop, the most likely and severe being that the Authority fails to have 'robust resources in place to deliver the Council's Strategic Agenda'. The issues that we have identified will feed into our risk assessment for the 2010/11 audit plan. We recommend that the Council identifies controls in place to mitigate against the risks identified during this process and provides a detailed action plan address all potential issues noted. No opinion has been provided for this work,

Draft reports

The following reports are currently in draft format:-

- VAT
- Treasury Management
- General Ledger

Fieldwork commenced

Fieldwork has commenced in the following areas:-

- Housing Benefits
- Governance
- International Financial Reporting Standards (Ongoing work)
- Managing in a Downturn
- Partnerships
- LAA Indicators

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

A full update on Benefits activity will be presented in our next update report.

Appendix One

Planned activity	Planned days	Actual days	Status
1. Fundamental assurance			
OP1.1 General Ledger/ Fin. accounting	5	4	Draft Report
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	8	Fieldwork 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	5	Final Report
OP 1.17 Governance	5	3	Survey 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	1	Fieldwork scoped
OP 2.2 Managing in a Downturn	5	2	Fieldwork commenced
OP 2.3 ICT audits	25	20	Fieldwork commenced
OP 2.4 Job Evaluation	5	0	Removed from audit plan
OP 2.5 Corporate Planning	10	0	Removed from audit plan
OP 2.6 CAA	10	0	Removed from audit plan
OP 2.4 LAA Indicators	10	8	Fieldwork commenced
OP 2.5 Bicester Village	10	9	Final Report
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	5	Final Report

Planned activity	Planned days	Actual days	Status
4. Other			
OP 4.1 General Follow Up	10	8	Ongoing
OP 4.3 Audit Management	30	27	Ongoing
OP 4.4 Contingency	5	0	Ongoing
TOTAL	230	186	

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
Anti Fraud and Corruption	0	6	4	10	MODERATE
Bicester Village	n/a No opinion issued				
Risk Management	n/a No opinion issued				
Total	2	47	28	77	

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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