

March 2010

Internal audit final plan 2010/11



Distribution List

Accounts Audit and Risk Committee
Chief Executive
Strategic Directors
Corporate Managers

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1 Introduction

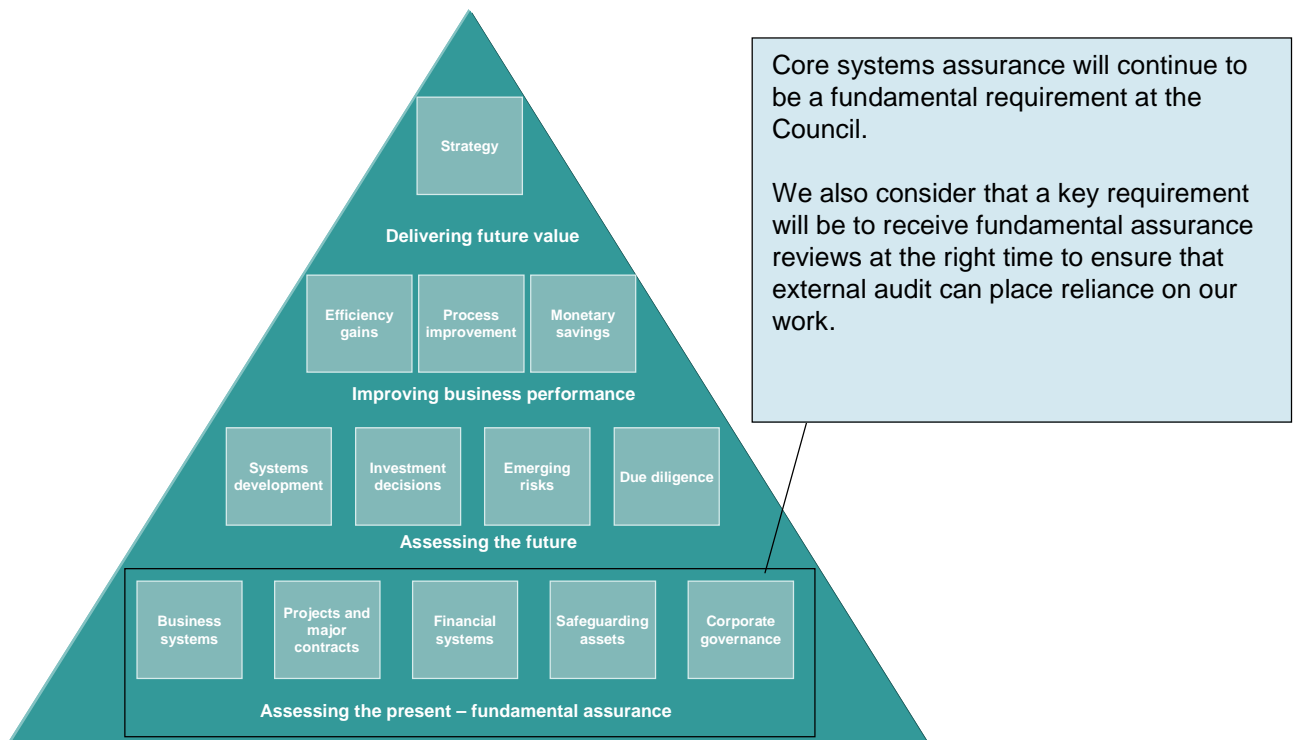
Our 2010/11 audit plan has been prepared in order to ensure that the risks facing Cherwell District Council (CDC) are effectively addressed and internal audit resources are appropriately utilised. This is in line with current Internal Audit Standards and the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom.

We have drawn our risk assessment from a wide range of sources which have been outlined in Section 2. As we have been CDC's internal auditors for a period of 18 months, we are able to draw upon our knowledge of you and our findings during this period.

This Risk Assessment has been a key factor in deciding how to allocate internal audit resources available. It ensures that resources are focused on those areas where they can be of most benefit to CDC by providing assurance to the Accounts Audit and Risk Committee and management on controls over key risks. This document sets out our responses as internal auditors to those risks and to other factors that have been considered as part of our assessment of audit need.

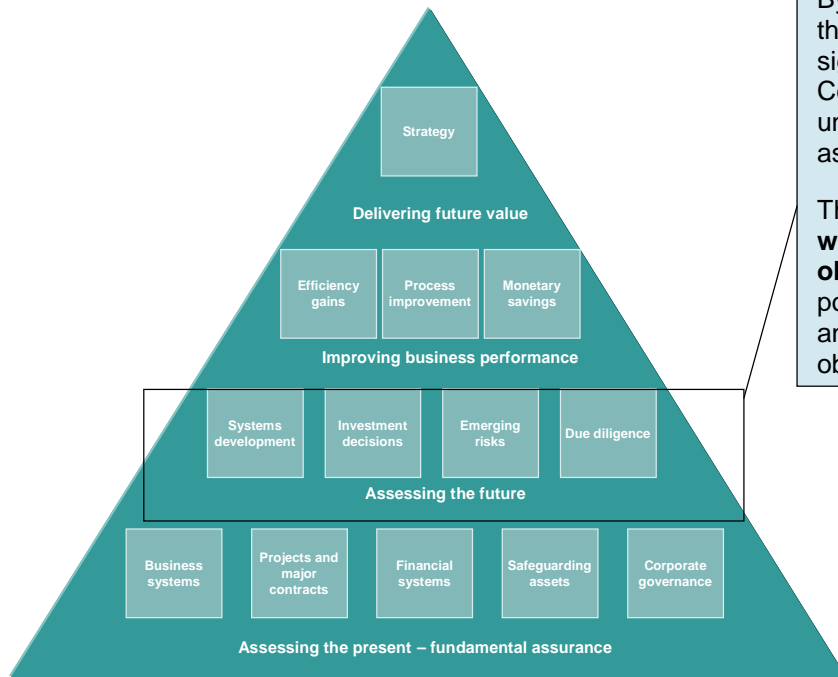
2 Providing assurance

Providing fundamental “core systems” assurance



We recognise the necessity to provide management with an on-going level of fundamental “core systems” assurance. We will also seek to maximise audit efficiency by working closely with the external auditors, the Audit Commission. This includes developing and enhancing existing working arrangements with the external auditors.

Moving towards a risk based audit approach



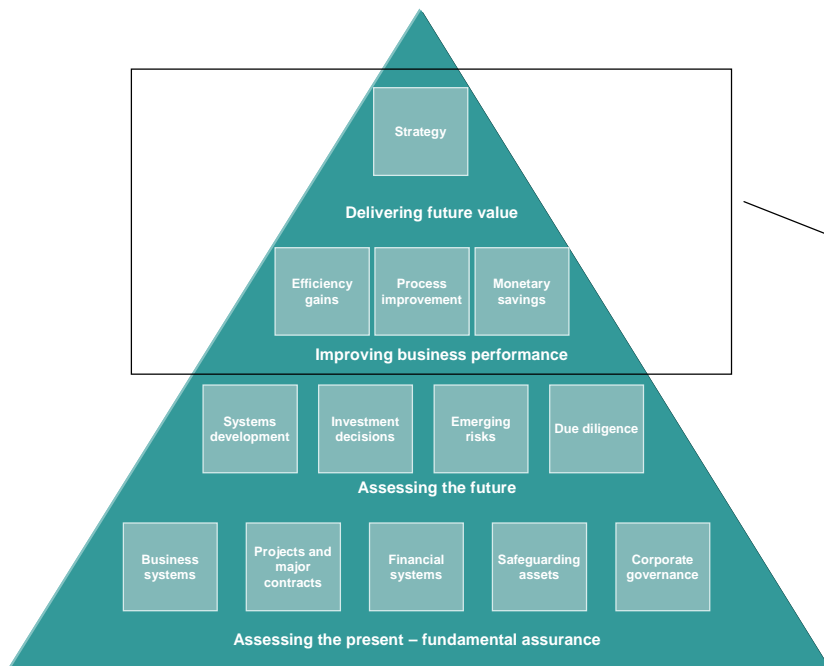
By adopting a risk based audit approach there will be clear linkage between the significant risks identified in the Council's Risk Registers and the work undertaken by internal audit in providing assurance against these.

The definition of risk is **“anything that will prevent you from achieving your objectives”**. As a result, the starting point for a risk based audit approach is an understanding of the Council's objectives.

Risk based work is also critical to the Council, as it seeks to improve the risk awareness of staff, and improve overall control. The internal audit work programme is designed to provide assurance that the significant risks identified within the Council's risk registers are being managed effectively. As part of this process we will also examine the risk management framework and governance procedures.

Delivering value through improved performance

Internal audit can also provide a valuable role in improving business performance and delivering future value. We can assist the Council through the deployment of specialist skills and experience,



A significant element of the internal audit plan will be focused on fundamental assurance. However, over time as risk management processes develop and the internal control environment strengthens, we would expect the proportion of the internal audit plan spent on this to reduce. This will enable us to concentrate more of our resources on assisting the Council in areas such as efficiency gains, process improvements and delivering savings.

3 The risk assessment process

The information which has been used to prepare our Risk Assessment and final Internal Audit plan has been collected and collated from a number of different sources, including:

- Prior year internal audit plans and reports
- A review of risk registers
- Consultation with key stakeholders during a Strategic Risk Workshop on 17th December 2009
- Ongoing discussions with members and officers
- Attendance of the Accounts, Audit and Risk Committee and Corporate Management Team meeting
- A review of relevant documentation and reports from external inspectorates (e.g. The Audit Commission)
- Review of technical and legislative updates

Completeness of assessments and future reviews

Our risk assessment is limited to matters emerging from the processes listed above. We will review and update this assessment and the resulting internal audit plan annually. If, however, additional risks arise, or change in priority, during the year the audit plan will be reconsidered with management and, with the approval of the Accounts Audit and Risk Committee, amended to ensure that audit resources are focused on the new risk areas.

4 Proposed internal audit plan

The proposed internal audit plan for 2010/11 is set out below (in summary and detail) for the approval of management and the Accounts Audit and Risk Committee. This was presented in draft to committee in January 2010. Our plan has been produced in line with modern internal auditing standards and the CIPFA Code of Practice for Internal Audit in Local Government in the UK.

Once the programme has been agreed in outline, we will refine the precise scope of each review and agree this, and the related days, with management.

Summary operational internal audit plan 2010/11

Area of coverage	Proposed Days (2010/11)
Fundamental assurance (core systems reviews)	115
Risk based assurance (operational systems reviews)	55
Performance assurance (strategic reviews)	15
Other	35
TOTAL	220

Detailed operational internal audit plan 20010/11

Review area	Days	Points of Focus
Core systems reviews		
General Ledger	5	Input controls. Accuracy of outputs. Security over access and data. System enhancements. Changes in key staff or operating procedures.
Debtors	10	All sources of income are identified. Invoices are raised in a timely, complete and accurate fashion. Adequacy of debt collection, recovery and write-off procedures. Security over access and data.
Creditors	5	Accuracy and review of output from the creditors system. Orders are raised in respect of all goods required. Payments are accurately made for goods received and appropriate authorisation has taken place. Security over access and data.
Payroll	5	Starters, leavers and amendments Calculation of deductions Temporary variations to pay Security of system and access controls Operation, recording and certification of flexi time scheme
Budgetary Control	10	Budgets setting. Budgetary responsibility is delegated to trained and clearly defined budget holders who receive sufficient management information. Monitoring data on overall budget performance Budget variations are analysed, investigated, explained and acted upon. Any savings and efficiencies highlighted are realistic and achieved.
Council Tax National Non Domestic Rates	15	Identification and valuation of properties Relief's and exceptions are appropriately calculated and applied Billing & collection Recovery and enforcement

Review area	Days	Points of Focus
Bank Reconciliations	5	All bank accounts are subject to regular independently reviewed reconciliations.
Cashiers	5	All income collection points are known. Adequate controls are in place over post opening and processes in place for the secure receipt and recording of cash. Cash is adequately safeguarded. Banking takes place promptly. Accurate recording against debtor and income accounts. Minimal use of suspense accounts. Adequate segregation of duties are in place.
Treasury Management	10	Corporate treasury activities are monitored and controlled Reporting and monitoring of treasury management activities
Housing Benefits	10	Benefit assessment and payments
Fixed Assets	10	Acquisitions identified Treatment of surplus assets Disposals/transfer of assets Capital assets are completely and accurately recorded Capital asset verification Accounting for fixed assets and associated capital charges / revaluations Fixed assets are appropriately disclosed System is secure against unauthorised access and data loss
IFRS	5	Review of IFRS draft accounts and consideration of policies in place to ensure compliance
Car Parking	5	Management information Income collection and banking arrangements
Risk management	5	Risk management framework Fraud risk management Embedding risk management Link to service planning
Governance – survey	5	Governance framework
Procurement	5	Compliance with procurement strategies
Total core systems	115	

Review area	Days	Points of Focus
Operational reviews - risk based assurance		
Partnership working	5	Identification of key partners Risk assessment process Governance framework
Freedom of Information and Data Protection	5	Compliance with relevant legislation Policies and procedures
Health and Safety	5	Policies and procedures Reporting of incidents and management information Preventative controls
ICT Audits	20	IT risks – New systems Data security
Job Evaluation	5	Job Evaluation process and retention of audit trail
Sustainability	10	Controls and infrastructure in place to meet CAA standards
Strategic Planning	5	Forward planning and communication
Total operational systems reviews	55	
Strategic – performance assurance		
Anti Fraud and Whistleblowing	5	Policies and procedures Whistleblowing
Performance management	10	Effectiveness of data collection and collation arrangements
Total strategic – performance assurance	15	
Other		
Follow up –	5	
Audit Management	30	
Total Other	35	
Annual audit days	220	

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