

Internal audit
summary report
for Accounts,
Audit and Risk
Committee

March 2010

Cherwell

DISTRICT COUNCIL
NORTH OXFORDSHIRE

Contents

Section

1. Plan outturn	3
2. Reporting and activity progress	4
3. Summary of key risks	6
4. Other issues.....	7
Appendix One.....	8
Appendix Two.....	10
Appendix Three	11

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 **210 days out of a total planned 230 days (91%)**.

2. Reporting and activity progress

Final reports issued since last meeting

- **General Ledger** –An opinion of **MODERATE ASSURANCE** has been issued for the Council's General Ledger system. The General Ledger system provides an excellent control framework for the Council and is being utilised well by the finance team. Some issues were noted around the incorrect authorisation of journals and the removal of access rights when individuals leave the Council.
- **Housing Benefits** – The Housing Benefits function is operating to a high level and therefore **HIGH ASSURANCE** has been issued for this report. No issues were noted with the processing of Housing Benefit claims in any transactions tested by audit. The Council is however underperforming against their target to recover overpayments due to the economic climate. Action plans should be put in place to rectify this performance.
- **Treasury Management – HIGH ASSURANCE** has been given for the Treasury Management function. No issues were noted with the operation of controls around investing and borrowing and monitoring of this activity. An issue was however noted with the use of the Councils overdraft facility. This limit has been exceeded on 3 occasions in year and has incurred a cost to the Authority. In addition, the Council should review their counterparty listings to minimise the risk of overexposure.
- **VAT** – An opinion of **HIGH ASSURANCE** has been issued for the Council's VAT arrangements. The controls around charging and accounting for VAT appear to be in place Recommendations were however made around changes that should be made to VAT calculated on catering. The current coding arrangements have meant a potential VAT overpayment of £4,500.
- **Government Connect Secure Internet Review – HIGH ASSURANCE** has been given on the Councils arrangements for Government Connect. The Council's Code of Conduct is compliant with relevant guidance in the area and a formal project plan is in place to address changes. That said, the Council needs to perform mandatory Health Checks to ensure compliance.
- **Server Investigation Follow up – MODERATE ASSURANCE** was issued for the follow up of the failure of the Council's servers in prior year. Action plans have been put in place to follow up issues noted in our previous report; however additional work needs to be performed on widening the scope of disaster recovery plans and implementing a formal IT response process should future events occur.

Draft reports

The following reports are currently in draft format:-

- Fixed Assets
- Partnerships
- LAA Indicators
- Governance

Fieldwork commenced

Fieldwork has commenced in the following areas:-

- International Financial Reporting Standards (Ongoing work)
- Managing in a Downturn (Ongoing Work)
- Budgetary Control

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

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	Sanctions	Success rate for year	Total Overpayments identified for recovery for the year to date
261	Cautions = 34 Ad Pens = 9 Prosecutions = 12	60.27% against a target of 50%	£163,277

This information is prepared by Jeff Brawley, the Council's Benefits Investigation Manager.

Appendix One

Planned activity	Planned days	Actual days	Status
1. Fundamental assurance			
OP1.1 General Ledger/ Fin. accounting	5	5	Final 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	2	Fieldwork 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	5	Final Report
OP1.11 Housing Benefits	10	10	Final Report
OP1.12 Fixed Assets	5	4	Draft Report
OP1.13 IFRS Health check	5	3	Fieldwork ongoing
OP1.14 VAT	5	5	Final Report
OP 1.15 Car Parking	10	10	Final Report
OP 1.16 Risk Management	5	5	Final Report
OP 1.17 Governance	5	5	Draft Report
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	4	Draft Report
OP 2.2 Managing in a Downturn	5	3	Fieldwork ongoing
OP 2.3 ICT audits	25	20	Fieldwork ongoing
OP 2.4 Job Evaluation	5	0	Removed from audit plan
OP 2.5 Corporate Planning	40	0	Removed from audit plan
OP 2.6 CAA	40	0	Removed from audit plan
OP 2.4 LAA Indicators	10	8	Draft Report
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	10	Ongoing
OP 4.3 Audit Management	30	29	Ongoing
OP 4.4 Contingency	5	3	Ongoing
TOTAL	230	210	

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
General Ledger	0	5	7	12	MODERATE
Housing Benefits	0	2	3	5	HIGH
VAT	0	5	1	6	HIGH
Treasury Management	0	3	0	3	HIGH
Government Connect Secure Internet	0	0	2	2	HIGH
Server Failure Follow up	0	6	2	8	MODERATE
Anti Fraud and Corruption	0	6	4	10	MODERATE
Governance	n/a No opinion issued				
Bicester Village	n/a No opinion issued				
Risk Management	n/a No opinion issued				
Total	2	68	43	113	

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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