

Progress Report

Cherwell District Council

June 2011

Area of work	Date	Comments
2010/11 audit		
Fees letter	April 2010	2010/11 fees letter discussed and agreed with Chief Executive and Senior Management Team April 2010.
Opinion audit - changes you can expect to see	Dec 2010	Presented to January Accounts, Audit and Risk Committee
Opinion audit plan	Dec 2010	Presented to January Accounts, Audit and Risk Committee
Annual governance report	Sept 2011	
Opinion on accounts and VFM conclusion:	Sept 2011	<p>We are required to issue an opinion on the financial statements. To support this work we review key financial systems including the evaluation and testing of key controls (reliance on internal audit as appropriate). This fieldwork was completed in March, and the results of our work is summarised in this progress report.</p> <p>Work on reviewing the Council's restatement of 2009/10 figures consistent with IFRS requirements was carried out in March/April. This took longer than originally anticipated due to the new cashflow model and fixed asset system that the Council purchased. We will complete our review in June 2011.</p>
• interim visit	March 2011	
• IFRS restatement	March 2011	
• final accounts	July 2011	
• vfm conclusion	June 2011	

Area of work	Date	Comments
		Our value money conclusion work will be based on the two new criteria specified by the Audit Commission. These reflect the key challenges facing audited bodies in improving efficiency and productivity, and reducing their costs. As part of this work we completed a financial resilience survey during April and May.
Annual Audit Letter	Nov 2011	
Grant claims 2010/11:		
NNDR	Sept 2011	Housing Benefit Claim work begins on-site 20th June.
Disabled facilities	Oct 2011	Other claims to be audited during August and Sept 2011
Housing benefit	Nov 2011	
Annual return	March 2012	
2011/12 audit		
Fees letter	April 2011	<i>We issued the 2011/12 fees letter to the Chief Executive in April and will present this letter to the June meeting of the Accounts, Audit and Risk Committee.</i>

Interim systems audit

1 We audit the accounts in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). One of our main objectives is to give an opinion on the financial statements.

2 We develop our testing strategy to determine the appropriate level of testing needed to give our opinion on the financial statements. To do this, we carry out a review of all systems which we identify as material to the financial statements and then assess the level of assurance that we can get from the proper operation of those systems. We liaise with Internal Audit in planning and performing our audit work. Our work involves:

- documenting all material systems;
- walkthrough testing for all material systems to assess whether the system and controls are operating as described;
- developing our testing strategy; and
- testing the key controls which we need to place reliance on, as determined by the testing strategy.

3 The material systems where we place reliance on the on proper operation of controls are: general ledger; payroll; accounts payable; accounts receivable; fixed assets; housing benefits; council tax/NNDR; car parking; treasury management and cash receipting/bank.

4 Our interim work is complete. We highlighted two control weaknesses with officers: retaining evidence to support the checking of Capita's work on NNDR and Council Tax; and reconciling Pay and Display car park income from the machines to the bank account. Recommendations are included in our action plan.

5 We are required to understand and evaluate the Council's IT controls and environment that support the material financial systems. We completed our work in February. We did not identify any weakness that would indicate a risk of material misstatement. We highlighted three issues with officers: disaster recovery testing; internal audit's work on firewalls; and IT change processes. Recommendations are included in our action plan.

Action Plan

Recommendations	
Issue: Revenues	
Council staff indicated that they carry out the following control checks on the work carried out by Capita but were unable to produce evidence to substantiate this:	
<ul style="list-style-type: none">■ accuracy/completeness of the 2010/11 NNDR and Council Tax billing runs;■ accuracy of input of the 2010/11 NNDR and Council Tax multipliers and banding; and■ review of accuracy of 10% review of accuracy of NDR processing.	
Rating	high
Recommendation	Retain evidence to support the checking of work carried out by Capita
Response	<p>The annual billing paperwork for the current financial year [2011/12] has been retained as suggested. Currently attempting to reinstate the paperwork for 2010/11 to provide supporting evidence that this was done and figures used correct.</p> <p>There is currently no NNDR 10% check made on a daily basis. 100 accounts are reviewed for the monthly KPI. The standard of work is consistently very high and gives no cause for concern. The checks can easily be reinstated if the standard of work was to drop but there has been no sign of this in the past 16 months.</p>

Recommendations	
Issue: Car Parking Income	
There is no reconciliation between machine audit trails and banked income to ensure that Pay & Display car parking income received into the bank account is consistent with that paid into car parking machines by customers.	
Rating	high
Recommendation	Ensure that Pay and Display Car Parking income received into the bank account is reconciled to machine audit trails.

Recommendations

Response	<p>We have arrangements in place. Every day Jade (our cash collection agents) send us a sheet of paper analysing each days parking machine takings. Slips from each machine are attached on the back for verification and audit trail.</p> <p>This sheet of paper is used to create a journal transaction to put these amounts in to Agresso. When the cash is received in to the bank account, the two amounts are then matched off against each other on the Agresso bank rec module. If the two amounts didn't agree then they can not be matched off.</p>
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Recommendations

Issue: Information Technology

The last full Disaster Recovery Exercise was carried out in 2009. It is important that exercises are carried out on a regular basis to ensure that data is not lost in the event of a system failure

Rating	high
Recommendation	Carry out a Full Disaster Recovery exercise on a regular (annual) basis
Response	<p>The full DR test scheduled for Q4 2011/12 was postponed by the risk owner (Paul Marston-Weston) pending the completion of re-building work at the DR site at the Council's Thorpe Lane Depot. A service-specific DR test with the Elections Service, simulating the loss of all infrastructure and the Council's datacentre at Bodicote House, was carried out and successfully demonstrated (and verified by the system owner) that no data was lost and that the service could be very speedily reinstated</p>

Recommendations

Issue: Information Technology

Internal Audit work in 2010/11 identified two high priority issues around firewalls.

Rating	high
Recommendation	Ensure that issues raised by Internal Audit during their testing on firewalls are addressed
Response	<p>All the recommended actions from Internal Audit's work have been implemented.</p>

Recommendations

Issue: Information Technology

The IT change process in place is the same for emergency change and non emergency changes, as a result of which all change is treated in the same way.

Rating	medium
Recommendation	Distinguish between emergency and non-emergency changes so that the different types of change can be prioritised accordingly
Response	Urgent changes are communicated in person; the team is small and located in one place, so when something which constitutes a change needs to be done urgently, the person requesting the change tells the approvers in person, so that the change can be approved or otherwise speedily.