

Interim Opinion Report

Sunderland City Council

Audit 2011/12

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We also help public bodies manage the financial challenges they face by providing authoritative, unbiased, evidence-based analysis and advice.

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Introduction

1 This report sets out the results of our interim opinion audit work for 2011/12.

2 The Code of Audit Practice requires review and reporting on the Council's financial statements and the Annual Governance Statement. The work at the interim stage informs the opinion process.

3 The requirements of the International Standards on Auditing United Kingdom and Ireland (ISA UK&I) require auditors to gain an understanding and test the systems which inform the material entries in the financial statements.

Background

4 External audit is an essential element in the process of accountability for public money and makes an important contribution to the stewardship of public resources and the corporate governance of public services.

5 The duties and powers of auditors appointed by the Audit Commission are set out in the Audit Commission Act 1998 and the Commission's statutory Code of Audit Practice. Under the Code of Audit Practice, appointed auditors are also required to comply with the current professional standards issued by the independent Auditing Practices Board.

6 Appointed auditors act quite separately from the Commission and in meeting their statutory responsibilities are required to exercise their professional judgement independently of both the Commission and the audited body.

Audit approach

7 The work we have completed to satisfy the requirements set out in the Introduction consists of the following.

- Mapping the financial and information systems that provide material figures in the financial statements. The material financial and information systems identified are as follows.
 - General ledger.
 - Bank reconciliation.
 - Loans.
 - Investments.
 - Accounts payable (Creditors).
 - Accounts receivable (Debtors).
 - Payroll.
 - Social care payment system (SWIFT).
 - National Non-Domestic Rates (NNDR)
 - Council Tax.
 - Housing and Council Tax Benefits.
 - Cash receipting.
 - Capital accounting.
 - Periodic income
 - Building maintenance.
- Documenting the processes and controls in place within each system and undertaking walkthrough tests (these follow a transaction through each part of the system) to ensure the system is operating as stated.
- Testing key controls within the systems to ensure that they are operating effectively (these are detailed sample tests covering the full financial year). We have a three-year cyclical programme for testing system controls where we seek to place reliance on controls for our opinion audit. This year we carried out controls testing on the following systems:
 - General ledger.
 - Cash receipting.

8 In addition to the interim financial systems work, we have also completed an IT risk assessment and a review of Internal Audit. All three of these areas of work are briefly summarised in this report.

Main conclusions and findings

Interim Systems Work

9 We report to Members if there are any significant issues arising from our work. Other issues are discussed and taken forward with officers.

10 We have concluded that, in general, the key controls within the Council's main financial systems are operating as designed. We have not identified any significant issues that need to be brought to the attention of Members.

11 At the time of drafting this report we have not completed our interim work on the National Non-Domestic Rates (NNDR) system. We do not expect any significant issues to arise, but if they do, we will report these to Members in our Annual Governance Report in September 2012.

Review of Internal Audit

12 We completed a review of Internal Audit against the CIPFA Code of Practice for Internal Audit in Local Government, and this included a detailed review of audit files.

13 Our review confirmed that Internal Audit continues to meet its professional and statutory duties. Processes in place are driven by an effective Quality System. Our detailed review of files did not highlight any significant non-compliance with the Quality System or the Code.

14 We note that in 2012/13 the Council is to adopt an innovative integrated organisation-wide approach to assurance. This will be a more efficient and effective approach and will result in a smaller Internal Audit team which will focus on planned audit work.

15 A separate report was agreed with officers.

IT risk assessment

16 As part of our work to support the opinion that we give on your accounts, we undertake an annual Information Technology Risk Assessment (ITRA) of your arrangements.

17 The scope of our review was to complete an ITRA that included testing some general IT controls surrounding the operation of the main financial systems and associated infrastructure.

18 Overall, we concluded that the IT arrangements for the key financial systems present a low risk of material error in the 2011/12 accounts.

19 At the time of drafting this report we have not completed our follow up of last year's report on the ITRA, as we are awaiting an update from officers on the current position against the action plan. We do not expect any significant issues to arise from this process, but if they do, we will report these to Members in our Annual Governance Report in September 2012.

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