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INFRASTRUCTURE, GOVERNMENT AND HEALTHCARE

Internal Audit Service 2008/09
Progress report (6)

Oxford City Council

28 April 2009

AUDIT

AUDIT ▪ TAX ▪ ADVISORY

Contents

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Audit Plan / Timing 2008/09

	Area	Planned Days	Timing	Scope
Authority Wide				
1	**Corporate Governance**	10	Final Report Issued 8 April 2009 WEAK/SATISFACTORY	Further enhancements are required within this area to improve the use of resources score received. We will focus on a couple of key issues to aid in the development of this area.
2	**Risk management**	15	Completed with on – going support	We have assisted the Authority in the development of a revised risk register format, attended a Wider Leadership Team to promote risk management, established a Risk Group to champion risk management, and given a training session to Members on risk management. We also assisted in the development of the 2007/08 year end risk register, meeting with Heads of Service to populate the register.
3	**Equality and Diversity**	15	Final report issued 3 February 2009 SATISFACTORY	This area has not been subject to a review by internal audit (brought forward from 2007/08). We will review the overall arrangement for ensuring equality and diversity across the organisation against good practice.
4	**Health and Safety follow-up**	6	Final report issued 3 February 2009 WEAK	This area was assessed as weak at the review in 2006/07, and follow up in 2007/08 identified recommendations remained outstanding. Members require independent assurance that controls and procedures are operating as intended and as such we will continue to review progress in the implementation of agreed actions.
5	**Single status**	6	To be completed April 2009	This review was requested by management and involves a validation of the single status pay model base data.
6	**Business Continuity/ Disaster Recovery**	10	Final report issued 7 November 2008 WEAK	The Authority has been reviewing its arrangements in light of recent issues, including the Oxford floods in 2007. We have reviewed the progress made by the Authority in implementing its action plan.

Audit Plan / Timing 2008/09 (cont'd)

	Area	Planned Days	Timing	Scope
Finance and Asset Management				
7	**Benefits**	15	Final report issued 12 January 2009 GOOD	Managed audit – essential for DA reliance. Satisfactory ratings in 2005/06 and 2006/7 and good in 2007/08. We propose a similar compliance type audit due to the significance and value of the transactions.
8	**Local Taxation**	10	Final report issued 12 January 2009 GOOD	Managed audit – essential for DA reliance. Satisfactory ratings in 2005/06 and good / satisfactory ratings in 2006/07 progressing to good in 2007/08. We propose walkthrough testing for both NNDR and Council tax.
9	**Payroll**	10	Final report issued 13 January 2009 WEAK	Managed audit – essential for DA reliance. Satisfactory ratings in 2005/06 to 2007/08. We propose to undertake compliance testing.
10	**Accounts payable**	5	Final report issued 9 March 2009 GOOD	Managed audit – essential for DA reliance. Satisfactory ratings to in 2005/6 and 2006/7 and good in 2007/08. We propose to carry out walkthrough testing.
11	**Accounts receivable**	5		Managed audit – essential for DA reliance. Satisfactory ratings to in 2005/6 and 2006/7 and good in 2007/08. We propose to carry out walkthrough testing.
12	**Main accounting**	5		Managed audit – essential for DA reliance. Satisfactory rating to date. We propose to undertake walkthrough testing to confirm that the design of the controls has not changed.
13	**Treasury management**	5	Final report issued 24 December 2008 GOOD	Managed audit – essential for DA reliance. Good rating to date. We propose to undertake walkthrough testing to conform that the design of the controls has not changed.
14	**Fixed Assets**	10	Final Report Issued 8 April 2009 SATISFACTORY	Managed audit – essential for DA reliance. We propose to undertake compliance testing in this area.

Audit Plan / Timing 2008/09 (cont'd)

	Area	Planned Days	Timing	Scope
Business Systems				
15	**Data Security**	10	Final report issued 7 November 2008 WEAK	We have reviewed the arrangements the Authority has in place which ensures the safe keeping of information both on and off site.
City Regeneration				
16	**Building Control / Planning / Inspection/ Enforcement**	20	Final Report Issued 8 April 2009 SATISFACTORY	We will review the controls in place over application processing, inspection and enforcement which ensure compliance with documented procedures.
17	**Taxi Licensing**	15	Final report issued 10 September 2008 WEAK	We have reviewed the controls in place over the approval and review of taxi licences which ensure compliance with documented procedures.
City Services				
18	**Local Financial Systems**	15	Final report issued 23 March 2009 WEAK	We have reviewed the local systems for receipting and collecting income within trade waste, leisure and the tourist information centre. We have also followed up the implementation of recommendations made in relation to the parks cash collection which was graded as weak in 2007/08.
19	**Housing Repairs**	20	Draft report issued 6 January 2009 SATISFACTORY	We have completed an end to end review of the responsive repairs process, from initial enquiry through to post inspection. We have also reviewed the controls in place for recharging tenants for repairs which are their responsibility.
20	**Leaseholder recharging**	10	Final Report Issued 8 April 2009 SATISFACTORY	We propose to review the processes in place which ensure compliance with legislation with the recovery of all income due to the Authority, including the approval of write-offs of bad debt.
21	**Car Parking**	10	Final report issued 10 September 2008 WEAK	We have reviewed the overall arrangements in respect of car parking including the implementation of the car parking strategy, setting and collecting of charges, and compliance with legal obligations.

Audit Plan / Timing 2008/09 (cont'd)

	Area	Planned Days	Timing	Scope
VFM				
22	**VFM follow up**	10	Completed	Members need assurance that management are beginning to implement the outcomes of value for money reports that have been agreed by the Audit & Governance Committee. We propose to undertake follow-up work on the Capital Programme, Street Cleaning, Vehicle Maintenance and Housing Repairs.
23	**Leisure Market Testing**	20	Completed	The market testing of Leisure Services is a major project for the City Council and is very important in delivering the savings required for 2009/10 and beyond. Members were keen that KPMG should have a role reviewing the project as it unfolds, rather than waiting until the end of the process. We will use our experience of market testing to discuss alternative approaches with relevant officers/Members and will keep the Audit & Governance Committee informed of progress.
24	**VFM Mapping**	7	Completed	This exercise commenced in 2007/08 and is attempting to collate all the available empirical evidence of the comparative cost and quality of individual services and will enable the Authority to make better informed decisions on the areas it should prioritise for improved VFM.
25	**VFM studies**	13	Yet to be utilised	As with last year, we have allowed some VFM days to be commissioned on a "call-off" basis by the Audit & Governance Committee and officers in order to address emerging issues.
Contingency				
26	**Contingency**	25		15 days utilised in relation to grant claim audits. 10 days utilised for further risk management support. Additional work completed in relation to: •Capitalisation of Assets •Home Choice Deposits

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INFRASTRUCTURE, GOVERNMENT AND HEALTHCARE

Internal Audit Report 2008/09
Leaseholder Service Charges

Satisfactory

Oxford City Council

8 April 2009

Report status	
Date of debrief	26 March 2009
Draft issued	3 April 2009
Management responses received	7 April 2009
Final report issued	8 April 2009
Presented to Audit and Governance Committee	28 April 2009

Distribution listing

For action:

Graham Bourton: Head of Oxford City Homes

Roy Summers: Business Services Manager

Suzanne Smart: Group Accountant

For information:

Sarah Fogden / Penny Gardner: Head of Finance

Jonathan Marks: Trainee Finance Officer

1. Executive summary

Conclusion

As internal auditors of the Oxford City Council ("the Authority") we provide an annual overview of the system of internal control. In arriving at this overview, we give a conclusion on the individual systems reviewed during the year. Our conclusion is either that the system is good, satisfactory, weak or unacceptable. However, in giving our conclusion, it should be acknowledged that our work is designed to enable us to form an opinion on the quality of the system examined based upon the work undertaken during our current review. It should not be relied upon to disclose all weaknesses that may exist and therefore the conclusion is not a guarantee that all aspects of the systems reviewed are adequate and effective.

From the work performed on the leaseholder service charges, we consider that there is some risk that objectives may not be fully achieved. Slight improvements are required to enhance the adequacy and / or effectiveness of risk management, control and governance. As a result, we have graded this report as Satisfactory.

We have made 2 recommendations, which will address the identified weaknesses. The implementation of our recommendations should enhance the control environment and provide an increased level of assurance to the Authority and management from the date of implementation.

Context

This audit was completed as part of the agreed internal audit plan for 2008-09. The objective was to review the adequacy and effectiveness of the controls in place designed to ensure that income due from leaseholders is billed and received.

The Authority issues its 620 leaseholders with quarterly estimated service charge bills and annual actual bills. The charges relate to the provision of communal services and associated management costs, as levied on leaseholder service charge accounts. These records are calculated using a combination of Microsoft Excel spreadsheets, ledger costs and billing through the iWorld system.

Service charges are raised for a range of costs and services including caretaking, a management fee (which includes staff and office overheads such as the Oxford City Homes Contact Centre), insurance and repair costs. The Authority has provided a Leaseholder Handbook to leaseholders to help them understand their service charges.

Our review has focussed on assessing the management fee and some of the larger estimated and actual service charge costs, in particular insurance, repairs and caretaking. We have summarised the management fee charged to leaseholders as a proportion of total costs to the Authority at Appendix 1.

The Oxford City Homes Business Services Manager has overall responsibility for leaseholder service charges. He is supported by the Group Accountant and Finance officers. The team co-ordinate the calculation and administration of the service charge process. At the audit date, the process was based on identifying service charge costs from the ledger, inputting these to service charges Microsoft Excel spreadsheets, apportioning costs across blocks in accordance with lease terms, preparing service charge estimates (based on annual RPI increases) and actual statements for leaseholders and uploading service charges to the iWorld system for billing and recovery.

1. Executive summary

Context (continued)

Leaseholder Valuation Tribunal

The Authority consults with leaseholders through bi-monthly Leaseholder Panel meetings. At the audit date, discussions were ongoing between the Authority and Leaseholders as regards the basis of calculating the service charge management fee.

In the December 2008 Leaseholder Panel meeting, it was suggested that the Authority approach the Leaseholder Valuation Tribunal (LVT) to arbitrate a decision on behalf of both parties in respect of the management fee. It was further suggested that if the LVT decision results in a service charge decrease then the Authority would credit leaseholders based on charges paid for 2007-08. However, if an increase results, the Authority would not reclaim the increase for 2007-08 but administer it from 2008-09.

In January 2009 the Authority provided leaseholders with a paper detailing the basis used to calculate the management fee from direct and indirect costs incurred during 2007-08. The Business Services Manager answered leaseholders questions regarding the paper at another Leaseholder Panel meeting on 29 January 2009. At this meeting, leaseholders also voted in favour of taking the case forward to obtain an LVT decision and this is now being progressed.

Acknowledgement

We would like to take this opportunity to thank all members of staff whom we contacted over the course of this review for their time and assistance.

1. Executive summary

The table below highlights the main findings of our review. Further details, together with our recommendations, are included in the 'detailed findings and recommendations section' of the report.

Areas of good practice	Areas for further development
Our review identified the following areas of good practice in respect of the Authority's leaseholder service charge arrangements: ✓ Leaseholder Panel meetings are held bi-monthly as a forum for the Authority to consult with leaseholders on service charge issues; ✓ Estimated service charge bills are issued to leaseholders quarterly with actual bills issued annually in September; ✓ The Authority provides service charge information to leaseholders through the Leaseholder Handbook, its website, lease agreements and verbal communication; ✓ Actual costs used in calculating leaseholder service charges are consistent with charges defined in lease agreements; ✓ Based on sample testing, major works costs are calculated and applied accurately and communicated to leaseholders with outstanding payments monitored for recovery; and ✓ Overall service charge debt has reduced by £84k (40%) from £213k in November 2008 to £129k in March 2009.	Our work has also identified the following areas where controls could be further strengthened. These include: ▪ ensuring that the rationale for all apportionments and reasons for all adjustments made in calculating service charges are clearly recorded on supporting spreadsheets (recommendation 1); and ▪ recording details of any service charge arrears recovery action taken on iWorld at the time that action is taken (see recommendation 2).

The table below details the number of recommendations made, the priority assigned and those accepted by management.

Recommendations	High	Medium	Low	Total
Made	-	1	1	2
Accepted	-	1	1	2

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INFRASTRUCTURE, GOVERNMENT AND HEALTHCARE

Internal Audit Report 2008/09 Development/Planning

Satisfactory

Oxford City Council

15 April 2009

Report status	
Date of debrief	24th March 2009
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Distribution listing	
Michael Crofton-Briggs – Head of City Development Niko Grigoropoulos – Development Performance Manager	Penny Gardner/Sarah Fogden – Head of Finance

1. Executive summary

Conclusion

As internal auditors to Oxford City Council ("the Authority") we provide an annual overview of the system of internal control. In arriving at this overview, we provide a conclusion on the individual systems reviewed during the year. Our conclusion is either that the system is good, satisfactory, weak or unacceptable. However, in giving our conclusion, it should be acknowledged that our work is designed to enable us to form an opinion on the quality of the systems examined based upon the work undertaken during our current review. It should not be relied upon to disclose all weaknesses that may exist and therefore the conclusion is not a guarantee that all aspects of the systems reviewed are adequate and effective.

From the work performed on the Planning/Building Control/Enforcement process, we consider there is a low risk that the system will fail to meet its objectives. Minor improvements are required to improve the adequacy and effectiveness of risk management, control and governance. As a consequence we have graded the area as satisfactory.

We have made six recommendations that will address the identified weaknesses. The implementation of these recommendations should enhance the control environment in relation to the system reviewed and provide an increased level of assurance to the Authority and management from the date of implementation.

Context

As part of internal audit's review of the general control environment within the Authority, a review of the Planning/Building Control/Enforcement process in relation to major planning applications was undertaken. This was completed as part of the internal audit plan for 2008/09. The objective of the audit was to assess the adequacy and effectiveness of the controls in place.

Building control ensures the health and safety of people in and around buildings by providing functional requirements for building design and construction through Building Regulations. Planning control handles applications in relation to the erection of new buildings, structural alterations, change in use of buildings and displaying adverts.

The processes above are controlled by a variety of Regulations and internal procedures, and the performance of the Authority in respect of processing planning applications is monitored as part of the National Indicator set.

The planning system in England has a major role to play in delivering the Government's objectives on, among other things, housing provision. Housing developments require the approval of local planning authorities in England before they can proceed.

Before construction of new housing, a developer is required to submit a planning application and obtain permission from a local planning authority. The process by which a developer must submit a planning application and obtain permission from an Authority is known as development management (or development control). There were 649,000 planning applications of all types in England in 2007/08. The applications covered a wide range of developments, from major residential, commercial and infrastructure projects to minor housing alterations and changes of use. Decisions on major residential applications (those with 10 units and more) represent only 1.6 per cent of all decisions made, although their number has increased by almost 22 per cent in the last five years.

In respect of the Authority, the table overleaf sets out more detailed information.

1. Executive summary – cont'd

Areas	Year 1/4/08 – 14/3/09	Year 1/4/07 – 14/3/08	Year 1/4/06 – 14/3/07
Planning Applications Received	1,452	1,808	1,674
Major's received	32	50	51
Minors received	463	692	636
Other received	949	1,063	982
Applications decided	1,422	1,638	1,480
Applications withdrawn	120	134	127
Majors decided	28	45	43
Majors decided in 13 weeks	22	25	32
Majors decided in 13 weeks (%) National Target – 60%	79	56	74
Majors withdrawn	3	10	4

The table shows that there has been a reduction in the number of major applications received over the last three years. We understand that this has been due to fewer large scale developments occurring within the Authority's boundary. In response to this, the department has moved some officer resource away from the majors team and into processing the minor and other applications. In 2007/08, the performance in respect of majors was below the national target. We understand that this was in part due to a reduction in the number of smaller scale major applications as a consequence of i) the Council adopting three Supplementary Planning Documents (SPDs) on Planning Obligations (S106), Affordable Housing and Natural Resource Impact Analysis (NRIA); and ii) the changes to the Quarterly reporting arrangements to DCLG (PS1 and PS2), whereby there was a sustained effort to complete a number of pre-2007 cases with pending S106 agreements. As a result, there were proportionately more complex cases to process, which took longer and then impacted on the performance against the target.

Actual Performance (February 2009)

- Performance on Majors is 79% completed within the timescales, which meets the National Target (60%) and the Service Plan target (65%).
- Performance on Minors is 77% completed within the timescales, which meets the National Target (65%), but does not meet the Service Plan target (80%). This is due to it being set based on an unrepresentative increase in performance in 2008.
- Performance on Others is 88% completed within the timescales, which meets the National Target (80%) and the Service Plan target (86%).

1. Executive summary – cont'd

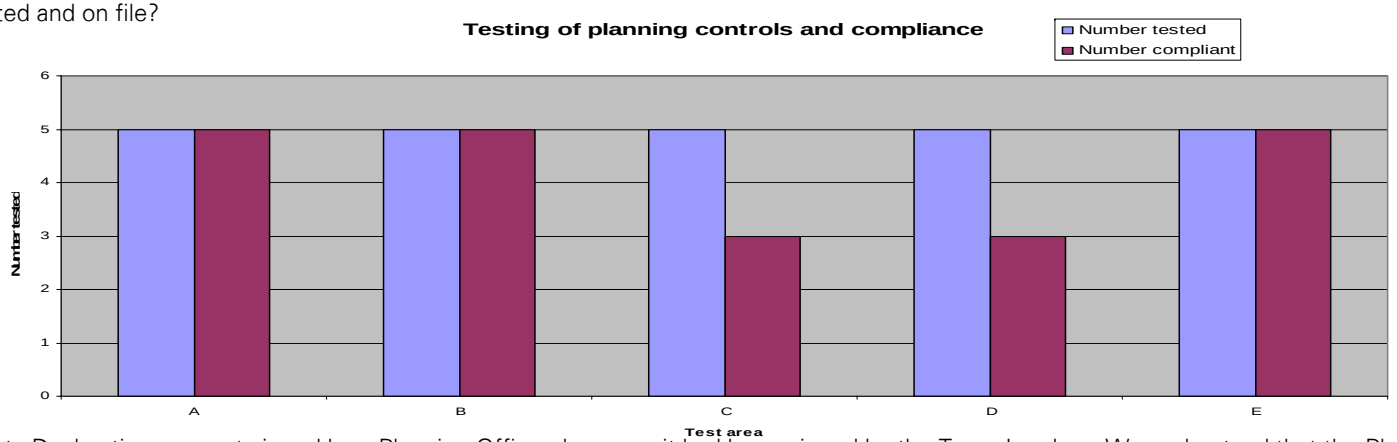
Planning applications

We tested a sample of planning applications to assess if procedures were being followed.

Testing of controls

The following criteria was tested:

Was the planning application on file and signed by the applicant?
B Was the validation checklist completed, signed and on file?
C Was the Recommendation Report on file, signed and approved?
D Was the Human Rights Declaration signed, reviewed and on file?
E If the planning application was subject to Committee approval was this documented and on file?



Key findings

A Human Rights Declaration was not signed by a Planning Officer, however it had been signed by the Team Leader. We understand that the Planning Officer went on Maternity Leave after the Committee meeting but prior to the completion of the S106 agreement and issuing of the planning approval and this was the reason why it was not signed (D)

The Recommendation report had been signed by a Team Leader and not signed by the Planning Officer (C). The Human Rights Declaration had been signed by the Planning Officer and not signed by the Team Leader (D). No reasons were provided for these occurrences. While we were on site the Development Performance Manager signed off the Human Rights Declaration which had not been signed by the Team Leader.

Both a Recommendation report and the Human Rights Declaration was signed by the Team Leader who was also the officer responsible for processing the application. (C,D).

E - Four of the planning applications required Committee approval. One of the applications was processed under delegated authority.

Conclusion

The controls in place are only partially effective.

1. Executive summary – cont'd

We have reviewed the procedures adopted by the Authority, and compared these to the good practice points within the recent "Planning for Homes" report issued by the National Audit Office. Our findings are based on discussion with staff and some corroboration as part of our work.

Areas covered in the good practice guide	OCC's current position as at March 2009
The establishment of a multi-disciplinary development team with representatives from across an authority's various departments to handle large applications.	The Authority has developed a set processes when large applications are processed and these involve multi-disciplinary teams.
The appointment of a project manager and use of project management techniques for large applications, including regular monitoring of progress.	Team Leaders are responsible for large applications. We have raised a recommendation in Appendix A on improving the monitoring processes.
Cooperation with the various stakeholders from an early stage, including cross local authority cooperation, regular contact with the applicant, partnership working, the use of a client manager, forums and panels for applicants and developers, and member involvement including the training of councillors.	The Authority co-operates with a number of local organisations in the processing of a application. It has also set up a Users forum, consisting of developers, Officers, Members and agents where improvements to the processes are considered. We have raised a recommendation in Appendix A on the training of Members.
The appointment of a coordinator specifically to deal with the negotiation of section 106 agreements.	The Team Leaders are usually appointed to processes and negotiate S106 agreements.
Proper enforcement of conditions after an application is accepted so that planning committees are happier to accept applications with conditions, without needing to wait for those conditions to be fulfilled first.	Conditions are reviewed and monitored. We have raised a recommendation in Appendix A on improving the monitoring processes and reporting to Committee.
Charging developers for the pre-application process involved for major applications.	The Development Performance Manager has recently introduced a new pre-application protocol. This is currently be trialled and if adopted, will result in fees being charged.
The separation of major applications into large scale and small scale majors with separate teams to handle these two types.	There are three teams within the Planning function. The "majors" team processes most 'majors' although some smaller 'majors' are being dealt with by other officers in the other two teams. The team structure is likely to change within the current restructure.

1. Executive summary – cont'd

This section of the report highlights the main findings of our review. Details on areas for further development is included in the 'detailed finding and recommendations' section of the report.

Areas of good practice	Areas for further development
Our review identified the following areas of good practice in respect of the Authority's planning application process: ✓The Authority is meeting and exceeding both service plan and national targets in the processing of "major" applications. ✓A User Forum is in place made up of developers, Officers and Members to discuss how improvements to the planning process can be made. ✓A new Pre-application protocol has been introduced which sets out the service which users can expect before they submit their applications. This also details potential charges for the service. ✓A separate team is in place which processes "major" applications, which is line with best practice issued by the National Audit Office. ✓A dedicated planning database is used which is linked to a document retrieval database.	Our work has also identified the following key areas where controls could be further strengthened. These include: ▪A set of documented procedure notes covering the planning and enforcement process should be compiled as soon as possible. ▪The Authority should develop a standard file structure. ▪The process by which management monitor the processing of planning applications should be enhanced. ▪The Authority should consider reporting to the relevant Area Planning Committee where developers have either complied or not complied with a condition imposed on an approved application. ▪The Authority should ensure that applications are processed in accordance with its procedures. ▪The Authority should develop an overall training programme for members of its Area Planning Committees.

The table below details the number of recommendations made, the priority assigned and those accepted by management.

Recommendations	Priority One	Priority Two	Priority Three	Total
Made	-	-	6	6
Accepted	-	-	6	6

KPMG

INFRASTRUCTURE, GOVERNMENT AND HEALTHCARE

Internal Audit Report 2008/09
Fixed Assets

Satisfactory

Oxford City Council

15 April 2009

Report status	
Date of debrief	13th March 2009
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Distribution listing
Sarah Fogden/ Penny Gardner- Head of Finance
Janine Graham- Trainee Accountant
Martin Lyons- Property Services Manager

1. Executive summary

Conclusion

As internal auditors of the Oxford City Council ("the Authority") we are required to give an annual overview of the system of internal control. In arriving at this overview, we give a conclusion on the individual systems reviewed during the year. Our conclusion is either that the system is good, satisfactory, weak or unacceptable. However, in giving our conclusion, it should be acknowledged that our work is designed to enable us to form an opinion on the quality of the systems examined based upon the work undertaken during our current review. It should not be relied upon to disclose all weaknesses that may exist and therefore the conclusion is not a guarantee that all aspects of the systems reviewed are adequate and effective.

From the work performed on the Authority's Fixed Asset system, we conclude that there is some risk that the system will fail to meet its objectives and improvements are required to improve the accuracy and effectiveness of risk management, control and governance in this area. We have graded this system as 'satisfactory'.

We are aware that the Fixed Asset Officer role has recently been taken over by a Trainee Accountant following the departure of the previous officer in September 2008. The Trainee Accountant has been in the post since January 2009 and over the period September to January the register and general ledger were not maintained. Reconciliations of the Fixed Asset Register to supporting registers and the general ledger do not take place on a consistent basis, and key reconciliations take place at the end of the year, rather than quarterly as per good practice. We also identified that the overall procedures could be updated and improved to identify the processes for asset disposals and additions and in respect of accounting for depreciation.

We have made 6 recommendations, which will address the identified weaknesses. The implementation of our recommendations should enhance the control environment and provide an increased level of assurance to the Authority and management from the date of implementation.

Context

As part of internal audit's review of the general control environment within Oxford City Council ("the Authority") a review of Fixed Assets was undertaken. This was completed as part of the internal audit plan for 2008/2009. The objective of the audit was to provide management with information as to the adequacy and effectiveness of the controls in place over the Fixed Asset system which ensures that the financial values for assets are correctly stated in the accounts.

The Fixed Assets of the Authority are recorded on the LogoTech Fixed Asset Register, with commercial property managed on the Terrier Property Management system. As at 31 March 2008 the Authority had over 11,500 assets with a Net Book Value of over £770m. The Capital Strategy 2008/9 highlights a capital budget of £13.149m in respect of the General Fund, however actual spend to January 2009 was only £3.63m. Management anticipate that retention payments as well as year end spends will bridge this gap.

Housing Revenue Account properties are currently being re-valued by an external valuer, as per the three year revaluation program, and commercial properties are re-valued on a 5 year rolling basis. We are aware that the Authority is currently discussing revaluation and related impairment processes with the Audit Commission, the Authority's external auditors.

Among other additions during the year we understand the Authority has acquired three commercial properties with a value of approximately £11.7m as part of the Westgate redevelopment project. These properties were purchased by private developers, although ownership was passed onto the Authority. The Authority will hold these assets on its Balance Sheet, as well as a liability to reflect the future obligation it may face depending on the outcome of the Westgate Development. Guidance around the accounting treatment for this agreement has been sought and received from CIPFA. We understand the Authority has disposed of nine assets in the year, including two HRA properties under Right to Buy, three pieces of land and a Public House.

1. Executive summary (cont'd)

This table below highlights the main findings of our review. On the following page we have documented the results of our compliance testing, and in Appendix A we have documented the overall design of the systems.

Areas of good practice	Areas for further development
✓ A capital strategy is in place for the year 08/09. The strategy details the Council's visions, aims, approach to investment and summary of funding. ✓ Revaluations of properties are undertaken by RICS qualified valuers. ✓ An asset verification exercise was undertaken on Fleet/vehicle asset base in the year. ✓ In addition to the above we are aware that the Authority is currently developing a formal Capital Policy. ✓ The fixed asset database is held on the network and is backed up on a weekly basis.	▪ Detailed procedure notes documenting processes for finance and other staff are not in place within the Authority. ▪ A formal process is not in place over the additions/disposals of assets, that ensures that finance are aware of asset changes when they occur. ▪ The fixed asset register was not updated for all additions/disposals in a timely manner and errors in calculated depreciation were found. ▪ There are no formal processes in place for verification of inventory items. ▪ Access to the LogoTech FAR has not been reviewed by the Authority and staff who have left the Authority have not been removed. ▪ The Terrier Property Management System is not reconciled to the LogoTech Fixed Asset register on a regular basis and evidence is not retained to support the reconciliation. ▪ The LogoTech Fixed Asset Register is only reconciled to the general ledger and HCA at the year end.

Recommendations	High	Medium	Low	Total
Made	-	4	2	6
Accepted	-	4	2	6

Acknowledgement

We would like to take this opportunity to thank all members of staff whom we contacted over the course of this review for their time and assistance.

1. Executive Summary (cont'd)

Results of compliance testing

As well as documenting the systems in place, undertaking walkthrough testing and holding discussions, we sample tested compliance with expected controls. The results are as follows:

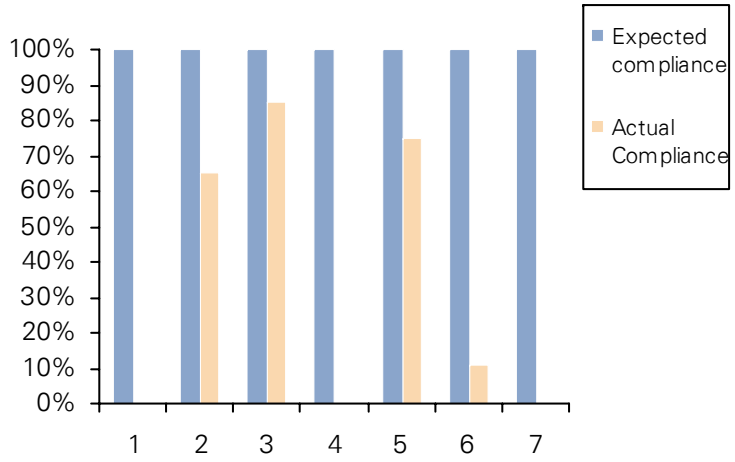
Additions/Disposal Testing

1. All of the Property additions tested were not actioned on Terrier Property Management System.
2. Seven additions could not be agreed supporting documents such as invoices and completion statements as they were not available in finance.
3. Three of 20 additions tested had not been added to the FAR.
4. None of the additions had been entered onto the General Ledger.
5. One of the four disposals was not recorded on the Terrier system.
6. Eight of the nine disposals were not recorded on the FAR.
7. None of the disposals were recorded on the General Ledger.

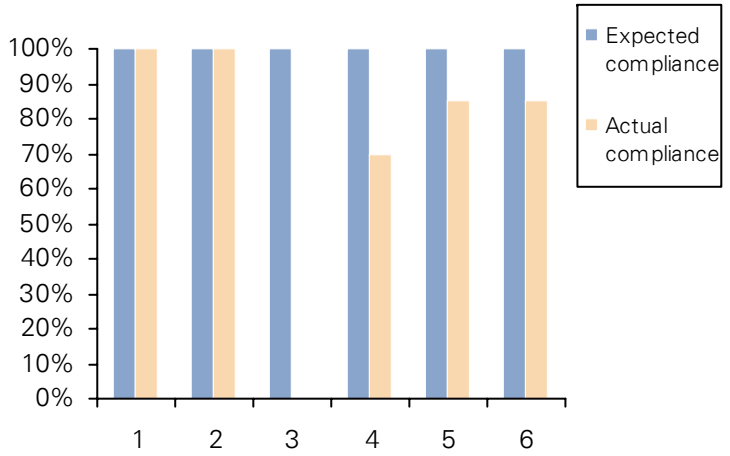
Depreciation Testing

1. All depreciation adjustments journals were agreed to supporting FAR and ledger reports.
2. All depreciation adjustment journals were signed off by the preparer.
3. None of the depreciation adjustments were actioned timely. One was actioned after three months, and the other after four months.
4. Six of 20 asset depreciation charges were calculated from the wrong start date as per the FAR.
5. Three of the 20 depreciation charges commenced from the wrong financial year.
6. Three of the depreciation charges within the FAR could not be re-performed to correct calculations. These have been highlighted to management and are being investigated.

Additions/Disposals



Depreciation Testing



KPMG

INFRASTRUCTURE, GOVERNMENT AND HEALTHCARE

Internal Audit Report 2008/09 Governance

Oxford City Council
15th April 2009

AUDIT

Annual Governance Statement
SATISFACTORY

Assurance Framework
WEAK

Report status	
Date of Debrief	13th March 2009
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Distribution for action	Distribution for information
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1. Executive summary

Conclusion

As internal auditors of Oxford City Council (the Authority) we are required to give an annual overview of the systems of internal control. In arriving at this overview, we give a conclusion on the individual systems reviewed during the year. Our conclusion is either that the system is good, satisfactory, weak or unacceptable. However, in giving our conclusion, it should be acknowledged that our work is designed to enable us to form an opinion on the quality of the systems examined based upon the work undertaken during our current review. It should not be relied upon to disclose all weaknesses that may exist and therefore the conclusion is not a guarantee that all aspects of the systems reviewed are adequate and effective.

For the work performed on governance we were requested to review the overall assurance statement and annual governance statement and, as such, have split our conclusion into two elements. The Annual Governance Statement has been concluded satisfactory, as the Statement itself broadly mirrors the CIPFA/ SOLACE model, however, some refinements are required to align the statement with best practice, and further improvements are required to link the statement to sources of assurance obtained.

The Assurance Framework processes have been concluded as weak as an overall framework is not in place and developments are required to embed the process throughout the Authority. Developing processes to cover a wider audience should help to promote and reinforce a culture of assurance at all levels within the organisation, this can then be reflected clearly in the year end Annual Governance Statement process.

Annual Governance Statement	Weak/ Satisfactory	Refinements are required to align the statement with the best practice model. Improvements to the process of developing the statement are required in order to enhance the linkage with the assurance framework.
Assurance Framework process	Weak	There is currently no documented assurance framework in place and developments are required to embed the assurance process throughout the Authority.

We have made 4 recommendations to further improve the control environment within these areas, which are documented in Appendix 1 of this report.

Context

As part of the planning process, it was agreed that we would review the overall assurance framework and statement of internal governance as the Authority had recently received a Use of Resources score of 2 in this area. The work was completed as part of the internal audit plan for 2008/2009. The objective of the audit was to provide management with recommendations by which the Authority can further develop its assurance processes. The scope of our work the following:

Reviewing the Assurance Framework currently in place;

Providing the Authority with a best practice example of how an overall Assurance Framework can be developed;

Reviewing the process which has been adopted for developing the Annual Governance Statement; and

Providing the Authority with a best practice example of a Governance Statement and its principles.

1. Executive summary (continued)

The profile of good governance has increased significantly in recent years, as arrangements in the public sector are keenly observed and often criticised. Good governance leads to good management, good performance and stewardship of public money, and ultimately, positive outcomes and results for citizens and service users. For this reason, Authorities should aim to meet the standards of the best, and governance arrangements should not only be sound, but also be seen to be sound. Across the public sector, this view has been accompanied by a recognition that effective governance arrangements must be driven by the leadership of organisations and become embedded as part of day to day processes.

Management has an explicit responsibility to take steps to identify, prioritise, manage and control the significant risks facing the Authority. The Head of Finance is the Authority's nominated risk champion, and is responsible for developing the Authority's risk management arrangements, and providing the Audit and Governance Committee with updates of the corporate risk register. Service areas have the responsibility for managing risk in their own areas. A Risk Management Strategy was developed in 2006 and updated in early 2009. A Corporate Risk Register is in place and is updated and refreshed by the Corporate Performance Board and Heads of Service, to reflect the risks facing the Authority. The corporate risk register is also reviewed by the Audit and Governance Committee on a quarterly basis.

In addition, annual assurance statements provided to the s151 officer also identify elements of risk management, with a statement of 'significant control issues' being documented. It is these statement which the Authority currently uses to underpin the development of its Annual Governance Statement. However, an overall Assurance Framework is not in place bringing elements of risk, assurance and performance together. It is this framework which would provide the clear link from the individual sources of assurance over the achievement of the Authority's objectives, to the year end Annual Governance Statement.

The Authority's arrangements in respect of internal control received a Use of Resources score of 2 in 2007/08 and the Authority is aware that in order to improve in this area an assurance framework which is fit for purpose, and which can clearly underpin the principles listed in the Annual Governance Statement needs to be developed.

We have sought to provide the Authority with examples of good practice, in appendices to this report, for example, a best practice Annual Governance Statement and Assurance Framework. We have also worked with the Authority in developing a timetable for the preparation of the Annual Governance Statement, which is included at Appendix 2 to this report.

The main findings of our review are highlighted overleaf. Further details, together with our recommendations, are included in the 'detailed findings and recommendations' section of the report which can be found at Appendix 1.

KPMG

1. Executive summary (continued)

Annual Governance Statement	
Areas of good practice	**Areas for further development**
✓ An annual statement of assurance is received from Heads of Service documenting significant risk and control issues; ✓ The Authority has identified all internal and external providers of assurance upon whom it can rely for assurance; ✓ The format of the Annual Governance Statement in broad terms reflects the CIPFA / SOLACE model (although a number of modifications are required to align with best practice); and ✓ The risk registers are used to inform the assurances within the development of the Annual Governance Statement.	• The Authority needs to embed a culture which promotes the importance of the Annual Governance Statement (AGS), and the underpinning assurances. Instead of being the sole responsibility of the Head of Legal & Democratic Services, the AGS process should involve a range or individuals and sources of assurance, working together as a steering group to develop a robust, evidence based Statement; • The Annual Governance Statement needs to align clearly with the assurance framework arrangements in place at the Authority. This will provide clear evidence of the sources of assurance upon which the Chief Executive and Leader rely when signing the Statement; and • A timetable, or roadmap for the approval of the Annual Governance Statement needs to be developed, communicated and monitored, to ensure that all assurances are received on a timely basis, and are robustly evaluated for any areas of concern which need to be documented in the Statement.
Assurance Framework	
Areas of good practice	**Areas for further development**
✓ A risk strategy is in place, and details the reasons why risk management is important to the Authority; ✓ The risk register is updated within the year to include all required information, and is discussed at Audit and Governance Committee on a quarterly basis; ✓ There is regular monitoring of performance, which has been enhanced within the year through the development of the 'Performance Matters' report; and ✓ The Authority uses a recommendation tracker to monitor the implementation of Internal and External Audit reports, which also informs the year end assurance process.	• There is currently no overall assurance framework in place in the Authority. Such a framework, based on an Assurance Strategy, would help to ensure that risk management and performance management processes are supporting the Authority's capacity to achieve its objectives; and • Whilst the governance arrangements in place are based in overall terms on the CIPFA / SOLACE code of good governance, the Authority needs to develop its own local code, tailored to its specific circumstances.

Acknowledgements

We would like to take this opportunity to thank all members of staff whom we contacted over the course of this review for their assistance.

Number of recommendations made

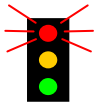
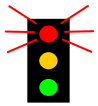
We have identified 4 areas for further development. More details are provided in Appendix 1.

	High	Medium	Low	Total
Made	1	3	0	4
Accepted	1	3	0	4

2. Annual Governance Statement

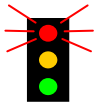
An evaluation of the process for developing the Statement

We have documented below an assessment of how the process for the development of the Annual Governance Statement complies with the requirements set out in the CIPFA / SOLACE best practice model.

Requirements per CIPFA/ SOLACE	Compliance?	KPMG Commentary
The Authority has reviewed available guidance from CIPFA/SOLACE and IPF and used that guidance to allocate responsibilities to appropriate individuals or groups for the delivery of specific elements of the assurance statement.		The 2007/08 Annual Governance Statement was based upon the CIPFA / SOLACE model in terms of format and structure. However there was no clear allocation of responsibility to individuals for the delivery of specific elements of the Statement. Whilst the Head of Finance was responsible for collecting the assurance statements, and the Head of Legal & Democratic Services developed the draft Annual Governance Statement, other relevant individuals were not specifically allocated tasks. The process was therefore not undertaken within the context of a defined 'Governance Group'.
The Authority has used available guidance to set out a "roadmap" for the delivery of the assurance statement, providing for timely and appropriate challenge & verification of assurance provided.		This has historically not been in place. The Authority recognises the need to develop a roadmap / project plan for the delivery of the 2008/09 Annual Governance Statement, including requests for assurance statements from service areas and time for a robust review of the submitted statements. We have worked with the Authority to develop an iindicative timetable which is included at Appendix 2.
The Authority's Audit & Governance committee has approved the allocation of responsibilities and the roadmap, and monitors delivery in line with the roadmap.		A roadmap was not in place for the development of the 2007/08 Annual Governance Statement. As identified above, the Authority intends to develop a roadmap for 2008/09. This will be circulated to relevant officers and Members and will include relevant review and sign off.
The Authority has identified all internal and external assurance providers upon whom it can rely for assurance.		The Authority has identified a number of assurance providers which are in line with our expectations and with CIPFA / SOLACE guidance .
The Authority has defined a standard framework to be used by internal providers of assurance that prompts the provision of all of the information required. That framework includes the certification of accuracy & completeness by the assurance provider.		The Authority circulated an assurance statement template in 2007/08, which was completed by Heads of Service and the Executive Director. However, we consider that the supporting evidence for the statement needs to be developed for the 2008/09 process, to include a detailed Internal Control Checklist which requires narrative and evidence to support the assurance. This will ensure that the assurance statement is considered in detail, and that any pertinent and relevant controls and weaknesses can be readily identified and evaluated for their impact on the overall Annual Governance Statement. We have provided at Appendix 4, an example of supporting framework.
The Authority has allocated to an officer of appropriate seniority and expertise the responsibility to monitor the delivery of assurance statements and to ensure that those statements contain all the specified information .		The Head of Finance is currently responsible for the dissemination, collation and evaluation of the assurance statements, and the Head of Legal & Democratic Services currently develops the Annual Governance Statement. In order to align with good practice, a working group should be set up, including the Section 151 Officer, Chief Executive, Monitoring Office, officers responsible for risk/ performance/procurement/legal and the Head of Internal Audit as a minimum. This would help to reinforce the importance of the Governance Statement, and promote overall governance arrangements, throughout the Authority.

2. Annual Governance Statement

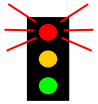
An evaluation of the process for developing the Statement (continued)

Requirements per CIPFA/ SOLACE	Compliance?	KPMG Commentary
The Authority has formally adopted Governance arrangements that are consistent with the CIPFA/SOLACE Model.		Whilst the Authority has based its Annual Governance Statement on the CIPFA Code of Good Governance, a formal Code is not in place at the Authority. We understand however that the Authority intends to progress with the development of a local Code in the coming year. The Code should reflect consideration of a number of factors, including outcomes for the local community, promoting values for the Authority, making decisions which are subject to robust scrutiny, and developing the capabilities of Members and officers. We have included at Appendix 5 a list of points of focus which the Authority should consider when developing its Code, and against which it should assess itself when evaluating assurances as part of the Annual Governance Statement process.
The Authority has a local code of good governance that has been approved by Members and communicated to staff, partners and other stakeholders.		As stated above, there is currently no formally documented local Code of Good Governance in place at the Authority. A local Code should be devised to include all aspects of the CIPFA / SOLACE code, and performance against the Code be evaluated as part of the process for developing the Annual Governance Statement.
The Authority has identified all the elements of its governance arrangements where annual / periodic evidence of ongoing compliance-effectiveness is required [e.g. declarations of interest] and has made provision for that evidence to be obtained.		Whilst provision is in place for obtaining evidence in relation to ongoing compliance/effectiveness, there is no mechanism whereby ongoing or periodic evidence is formally reviewed as part of the assurance process for the Annual Governance Statement. This is a control over which specific assurance can be gained if such a review is included in the year end assurance process.
The Authority monitors the operation of its Governance policies and supporting procedures and processes to determine if they generate appropriate levels of engagement and have the intended effect.		Whilst this control is in place, formal verification of this control is not performed as part of the year end assurance process for the Annual Governance Statement. This is a control over which specific assurance can be gained if such a review is included in the year end assurance process.
The Strategies and Policies that underpin the Council's Governance Model have a defined expiry date to prompt the review of their ongoing relevance.		The Authority's Constitution is the main policy underpinning the governance model. This is subject to a comprehensive annual review. The Whistleblowing Policy, which is also used to inform declarations within the Statement regarding fraud, is also reviewed on an annual basis.
The Authority has established a suite of KPIs that allow it to demonstrate appropriate movement towards corporate and community priorities and objectives.		The Authority has a specific set of KPIs which demonstrate achievement of corporate priorities and objectives, and these are reported in the 'Performance Matters' publication. This is circulated to all officers and Members and is monitored monthly by the Performance Board, and quarterly by the Executive Board.

2. Annual Governance Statement

Review of the Statement against best practice

We have documented below an evaluation of the extent to which contents of the 2007/08 Annual Governance Statement (AGS) align with best practice, and any areas for improvement for the 2008/09 process.

Section of Statement per CIPFA / SOLACE & best practice guidance	Compliance?	KPMG commentary
Scope of responsibility		This section of the 2007/08 AGS broadly mirrors the best practice template. However, the following an importantl clause needs be added "the Statement details how the Authority has followed the Local Code of Good Governance to meet the requirements of Regulation 4[2] of the Accounts and Audit Regulations 2003 as amended by the Accounts [Amendment] [England] and Audit Regulations 2006 in relation to the publication of a Statement on Internal Control."
The purpose of the governance framework		As above, this section of the 2007/08 AGS broadly reflects the template. However, two further enhancements need to be made to further align this with the model template: • The words 'effectively and economically' should be added to the sentence ending 'risks being realised and the impact should they be realised, and to manage them effectively'. This will reinforce a focus on all three principles of value for money. • A statement also needs to be added to confirm that the governance framework has been in place for the whole year, and up to the date of the approval of the accounts.
The governance framework		This section of the 2007/08 AGS is clearly set out to identify the Authority's arrangements as stipulated by the model, each highlighted under a separate subheading to aid clarification. The Authority has included a further aspect in this section relating to risk management, which reflects proactive tailoring of the statement to the Authority's circumstances, and the importance attached to this area. However, the 2007/08 AGS contains a table spanning eleven pages, which provides a list of assurances against each element of the Code of Good Governance. The Authority should consider the level of value this adds to the Statement, as we consider that the other information detailed within this section provides an adequate overview of assurances in place.
Review of effectiveness		The 2007/08 AGS did not contain this section, however this is the key section in the Statement which provides an overview of how the assurances have been obtained and evaluated. This section should contain the proforma wording which is provided in the best practice model (see below [1]), and should describe in detail the actual process applied in maintaining and reviewing the effectiveness of the governance framework (role of the Authority, Executive, Overview / Scrutiny committees, and any other sources of assurance). The section should be concluded with a second paragraph of proforma wording provided in the best practice model (see below [2]).
Significant governance issues		This section is referred to within the 2007/08 AGS as 'Areas for Improvement', but should be given the correct title. In overall terms this section complies with the requirements of the best practice model, providing outline details of the key issues and actions proposed, however, it lacks the required proforma sentence which the Leader is required to sign (see below [3]).

[1] "The Authority has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework, including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the Authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's Annual Report, and also by comments made by the external auditors and other review agencies and inspectorates."

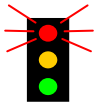
[2] "[I/ we] have been advised on the implications of the result of the review of effectiveness of the governance framework by [the executive / Audit Committee / Overview & Scrutiny Committee / Risk Management Committee] (amend list as appropriate) and a plan to address weaknesses and ensure continuous improvement of the system is in place."

[3] "We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness, and will monitor their implementation and operation as part of our next annual review."

3. Assurance Framework

Review of Assurance Framework

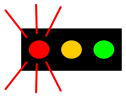
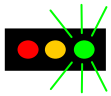
We have highlighted below the extent to which the Authority's assurance framework aligns with the 5 key principles of best practice in respect of assurance processes, along with areas for improvement.

Assurance process – best practice principle	Compliance?	KPMG commentary
Principle 1: Planning to gain assurance		*Overall assurance will only be gained if there is a strategy for obtaining it. The Assurance Framework should be approved by the Audit Committee and by Council. Furthermore, the process for obtaining assurance should be formally documented as a framework, and embedded into existing processes.* There is no formal Assurance Framework in place at the Authority. The formalisation of an assurance framework is essential to ensure that the Authority's risk management processes support its capacity to achieve its objectives. Appendix 6 details and example framework.
Principle 2: Making explicit the scope of the assurance boundaries		*In order to arrive at an overall opinion, the scope of the process required for obtaining assurance needs to encompass the whole of the organisation's risk and performance lifecycle. The review which takes place needs to provide:* • *assurance on the risk / performance management strategy;* • *assurance on the management of risks / controls themselves; and* • *assurance on the adequacy of the review / assurance process.* In 2007/08 the Authority relied on the assurance statements completed by Heads of Service. However, review of the statements indicates that these merely require the Head of Service to declare that their systems include a number of stated controls, and that assurances support these. This statement could be considerably enhanced if it were accompanied by a detailed Internal Control Checklist covering a range of governance areas, for which detailed responses and examples need to be given. This should then be subject to review by the Service Director. (We have worked with the Authority in developing a Checklist which should be circulated to Heads of Service. This can be found at Appendix 4).
Principle 3: Evidence		*The evidence supporting the assurance should be sufficient to support the conclusion, and be relevant, timely and understandable. It should also be fee from material misstatement and bias, and be such that another person would reasonably draw the same conclusion.* As stated above, assurances in 2007/08 were not adequately supported by relevant evidence. The Internal Control Checklist at Appendix 4 will ensure that evidence and examples are provided to support the conclusion. The Authority will need to ensure that its nominated officer then allows sufficient time to evaluate all checklists and evidence, to ensure that they accurately reflect the arrangements in place within the services.
Principle 4: Evaluation		*The objective of the evaluation process is to assess the adequacy of the risk and performance management policies and strategies to achieve their objectives, and evaluate the extent to which the risk management process constrain residual risk to the risk appetite.* *Furthermore the process should assess the extent to which performance management processes support the achievement of targets and goals. Gaps in control can then be identified, providing opportunity for continuous improvement, and supporting the preparation of the AGS.* The Authority has historically relied upon evidence such as Internal and External Audit reports and other inspection reports to identify any gaps in control. The risk register provides for gaps in control to be identified, however these do not link specifically to targets and goals.
Principle 5: Reviewing and reporting		*The Assurance Framework must clearly define stages where assurances will be evaluated and opinions reported to Cabinet. Assurance opinions need to be reported clearly, and worded to identify how the conclusion has been reached.* Audit & Governance Committee reviews the corporate risk register quarterly, and exceptions are reported to Cabinet. However, with the embedding of an overall assurance framework, the Authority will be able to clearly define the stages for providing assurance to Cabinet.

Appendix 1. Findings and Recommendations

This section summarises the findings of our review, focusing on areas where we have identified areas for improvement. The recommendations below our the key findings, however, the Authority should also consider all elements included in Section 2 for further areas for improvement.

Each of our observations has been allocated a risk rating (as explained below) and subsequent action to be taken has been agreed with relevant officers.

Priority rating for performance improvement observations raised		
 *High*: Issues arising referring to important matters that are fundamental and material to the Authority's system of internal control. We believe that the matters observed might cause a system objective not to be met or leave a risk unmitigated and need to be addressed as a matter of urgency.	 *Medium*: Issues arising referring mainly to issues that have an important effect on the Authority's controls but do not require immediate action. A system objective may still be met in full or in part or a risk adequately mitigated, but the weakness represents a deficiency in the system.	 *Low:* Issues arising that would, if corrected, improve the Authority's internal control in general but are not vital to the overall system of internal control.

#	Priority	Issue and Risk	Recommendation	Management Response
1	Medium	**Embedding a culture of assurance** The development of the Annual Governance Statement has historically been the responsibility of the Head of Legal & Democratic Services within the Authority. However, a range of other individuals should be involved in its development to ensure that the statements represent the process and views of the wider executive and offices involved in the purchase of governance.	The Authority needs to embed a culture which promotes the importance of the Annual Governance Statement, and the underpinning assurances. The process for developing the AGS should involve a wide range of individuals and sources of assurance, working together as a steering group to develop a robust, evidence based statement. We recommend that the working group should include as a minimum: • Chief Executive; • Section 151 Officer •Monitoring Officer; • Executive Directors; • Head of Internal Audit; and • Risk Champion.	Accepted. The AGS will be prepared with the input of and be reviewed by a Governance Group consisting of all the parties named in the recommendation. Head of Legal & Democratic Services July 2009

Appendix 1. Findings and Recommendations (continued)

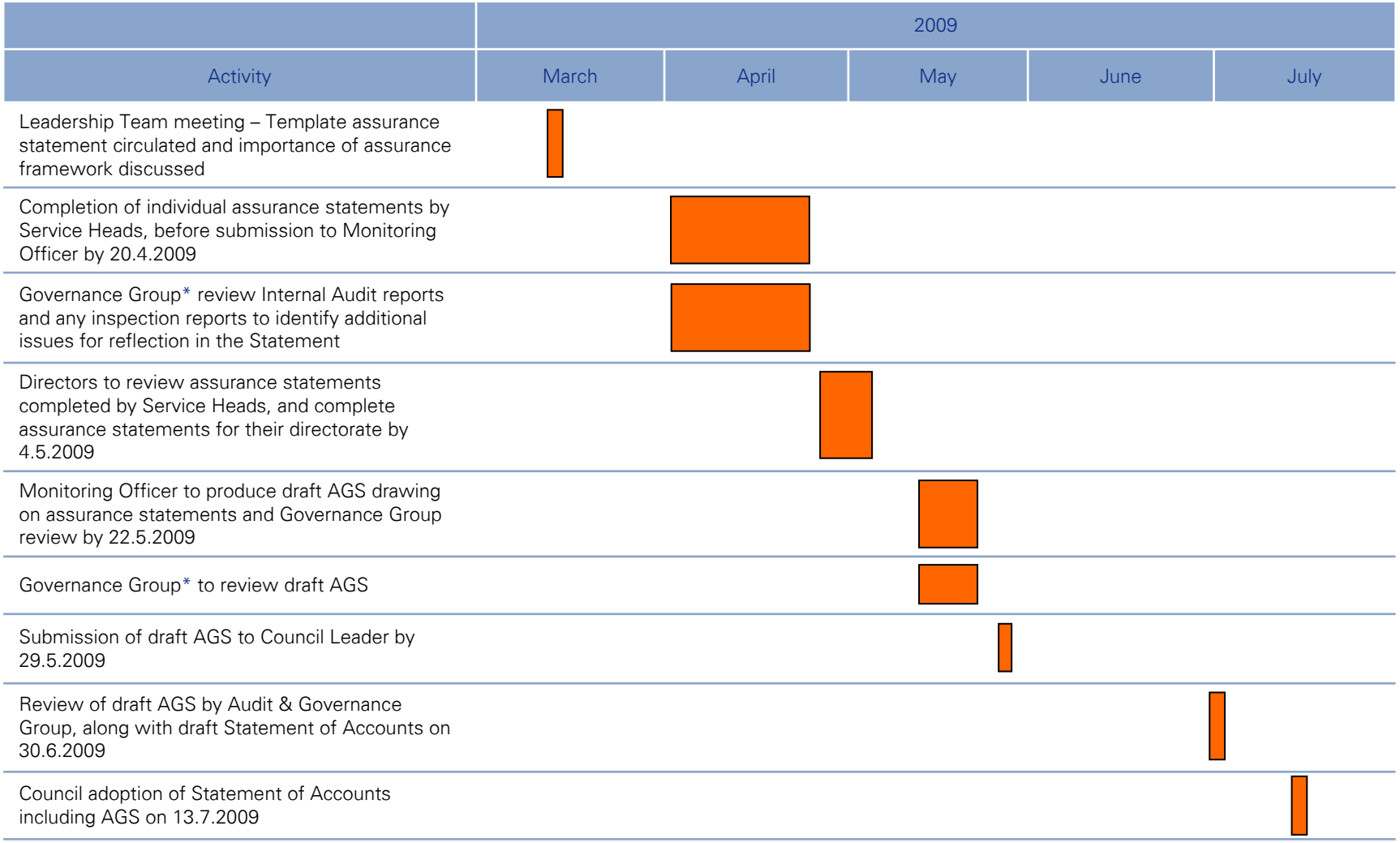
#	Priority	Issue and Risk	Recommendation	Management Response
2	High	**Aligning the Annual Governance Statement with the assurance framework** The 2007/08 Use of Resources assessment by the Audit Commission concluded that whilst the Annual Governance Statement met CIPFA guidance, it was not underpinned by an assurance framework. As a consequence, it was unclear how the Chief Executive and Members were able to obtain their assurance. Our review of the processes in place, which has historically underpinned the preparation of the Statement, also supports this view. A range of risk management arrangements and other sources of assurance are in place, including a risk management strategy and risk registers (which are discussed at Audit Committee). However, there is no framework in place which draws together all individual sources to inform the overall judgement for the Annual Governance Statement.	The Authority should develop an overall assurance framework which should be embedded at all levels of the organisation. This will help to ensure that risk management and performance management processes are supporting the Authority's capacity to achieve its objectives. We have documented at Appendix 4 an example checklist to support statements of assurance, and in Appendix 6, an example of an assurance framework.	Accepted. An assurance framework and an assurance checklist were circulated to all Heads of Service on the 19.3.09. Head of Legal & Democratic Services
3	Medium	**Annual Governance Statement timetable** Best practice advises that authorities should set out a "roadmap" or timetable to aid their timely preparation and appropriate challenge and verification of assurances provided to support the Annual Governance Statement. Discussion with the Head of Legal & Democratic Services confirms that historically no such timetable has been in place.	The Authority should adopt a formal timetable which highlights the deadlines for requesting, collating and evaluating sources of assurance. We have worked with the Head of Legal & Democratic Services to provide an indicative timetable which can be seen at Appendix 2. The Authority should closely monitor the achievement of each milestone within the timetable, taking corrective action as necessary to ensure that the Statement is approved in line with the Authority's accounts submission process.	Accepted. An assurance timetable was circulated to all Heads of Service on the 19.3.09. Head of Legal & Democratic Services

Appendix 1. Findings and Recommendations (continued)

#	Priority	Issue and Risk	Recommendation	Management Response
4	Medium	**Developing a Local Code of Good Governance** Whilst the Authority has based its Annual Governance Statement on the CIPFA Code of Good Governance, a formal Code has not been developed by the Authority. The Code is a key tool for ensuring that the six core principles underpinning local authority governance, are reflected in individual organisations' own arrangements. A local Code would assist the Authority in meeting the good practice governance standards, and, importantly to ensure that its aspirations are not only sound, but seen to be sound. We understand that the Authority intends to progress with the development of a local Code in the coming year.	The Authority should ensure that a local Code is developed, approved by Council, and disseminated to all staff and key stakeholders, including partnerships. The Code should reflect consideration of a number of factors, including outcomes for the local community, promoting values for the Authority, making decisions which are subject to robust scrutiny, and developing the capabilities of Members and officers. We have included at Appendix 5 a list of points of focus which the Authority should consider when developing its Code, and against which it should assess itself when evaluating assurances as part of the Annual Governance Statement process.	Accepted. A code of corporate governance will be developed at the same time as the AGS and reviewed by the Governance Group before being reported to the Audit and Governance Committee and Council alongside the AGS. Head of Legal & Democratic Services July 2009

Appendix 2. Timeframe for the development of the Annual Governance Statement

We have set out below a proposed timetable for the Authority, to ensure timely collation of the assurances underpinning the Annual Governance Statement. This will help to ensure that the Statement is prepared and fully reviewed in in time for its adoption by Council as part of the draft financial statements.



* Governance Group should include as a minimum the following: Chief Executive Officer, Section 151 Officer, Executive Directors, Monitoring Officer, Head of Internal Audit and Risk Champion.

Appendix 3. Example Annual Governance Assurance Statement

We have provided below a good practice assurance statement which should be signed by each Service Head / Director, following completion of a detailed Internal Control Checklist, which is provided at Appendix 4. This is to be submitted to the Monitoring Officer as part of the process for developing the AGS.

CERTIFICATES OF ASSURANCE:
[To be completed together with the Internal Control Checklist by Heads of Service or equivalents]

Director
Copy to: Finance Team
ANNUAL ACCOUNTS 2008-09: ASSURANCE FOR THE ANNUAL GOVERNANCE STATEMENT

1. I am aware that, as Director / Head of [Name of Directorate / Unit], you are required to provide an assurance to the Council Leader on the standard of internal control within your area of responsibility to enable him / her to provide an assurance to the Accountable Officer in relation to the Annual Governance Statement (AGS) provided alongside the financial statements for 2008-09.

2. To assist you in that process, I can confirm that I have undertaken a review, evidenced by the attached Internal Control Checklist, of the internal control arrangements in my area of responsibility.

   [As appropriate: I have also made enquiries as to whether there are any internal control issues likely to merit inclusion in the AGS of any partnerships managed by / accountable to my Division / Unit.]

   Having done that, [I can confirm controls in my area have been, and are, working well. There are, in my opinion, no significant matters arising which would require to be raised specifically in the assurance you are required to give the Accountable Officer] **or**
[I would draw your attention to the following matters which you may wish to consider when preparing the assurance you are required to give to the Accountable Officer:

3. [Apart from the above], I can confirm that controls in my area have been, and are, working well.

   There are, in my opinion, no other significant matters arising which would require to be raised specifically in the assurance you are required to give the Accountable Officer.

Name:

Division / Unit:

Date:

Appendix 4. Example Internal Control Checklist

We have provided below a supporting assessment of the assurance statement which should be signed by each Service Head, following completion of the detailed Internal Control Checklist. This is to be submitted to the Monitoring Officer as part of the process for developing the Annual Governance Statement.

Issue	Response (Yes / No)	Details, including review work you have carried out to verify response (mandatory)
1. Risk Management		
Do you monitor and update your service risk registers on a monthly basis, including assessing each risks for impact and likelihood, and identifying mitigating controls? Do you escalate significant risks as appropriate into the Corporate risk register? (please provide specific examples if this has been done).	Yes / No Yes / No	
Have you an updated Business Continuity Plan in place in your service area? Is it regularly updated to reflect service changes?	Yes / No	
2. Business Planning		
Do you monitor achievement of your monthly service plan objectives?		
3. Projects and Project Management		
Please list projects undertaken within this service area		
Do you adhere to the relevant guidance for reviewing major investment projects and assessing value once the contract has been delivered?	Yes / No	
4. Financial Management		
Do you monitor your service budget on a monthly basis? Have there been any significant unplanned variances from budget (please list), and how have these been managed?	Yes / No Yes / No	

Appendix 4. Example Internal Control Checklist

Issue	Response (Yes / No)	Details, including review work you have carried out to verify response (mandatory)
Do you have procedural instructions, cleared with your finance team, about how financial matters are handled within the area?	Yes / No	
Do you have in place processes for regular monitoring of compliance with these instructions?	Yes / No	
Do you delegate financial authority to staff at appropriate levels?	Yes / No	
Do you maintain an up to date Authorised signatory list? (please provide)	Yes / No	
Are staff with financial duties aware of - and adequately trained to discharge - their responsibilities?	Yes / No	
5. Fraud		
Are operational managers and other members of staff within your area aware of their responsibilities in relation to preventing and detecting fraud?	Yes / No	
Are there mechanisms where staff are required to record and acknowledge their responsibility?	Yes / No	
Are any cases of suspected fraud within your area dealt with in accordance with the Authority's fraud reporting procedures?	Yes / No	
Have you reported all frauds of which you are aware, in line with documented policies and procedures?	Yes / No	
6. Procurement		
Is all procurement activity within your area undertaken in accordance with documented procurement policies, and undertaken by officers with the necessary delegated purchasing authority?	Yes / No	
7. Human Resources		
Are staff aware of their responsibilities?	Yes / No	

Appendix 4. Example Internal Control Checklist

Issue	Response (Yes / No)	Details, including review work you have carried out to verify response (mandatory)
Do you have adequate procedures for disseminating guidance and instructions?	Yes / No	
Have appraisals been completed within the year for all staff within your service? (if no, please indicate how many staff have not received an appraisal)	Yes / No	
Have you obtained establishment control approval for all staff engaged (whether permanently / temporarily / or via agency) in the past year?	Yes / No	
How many vacancies do you have in your service area? (please provide a list of vacant posts)		
8. Equality and Diversity		
Have you completed Equality Impact Assessments: - in accordance with your Service Transformation Plan? and - in respect of any new policies developed in the year?	 Yes / No Yes / No	
9. Data Quality		
Does your area adhere to the Authority's policy on Information Governance? Are routine checks undertaken to ensure that compliance with documented policies and procedures continues?	Yes / No Yes / No	
Are all significant IT related posts manned in your area of responsibility? Can you confirm that all information assurance measures have been extended to delivery partners (partnerships) in conjunction with whom you deliver services?	Yes / No Yes / No	

Appendix 4. Example Internal Control Checklist

Issue	Response (Yes / No)	Details, including review work you have carried out to verify response (mandatory)
Are access control mechanisms in place for each system? Do you have processes in place for dealing with breaches of security / data handling incidents?	Yes / No Yes / No	
10. Health and Safety		
Do you have documented procedures as to how the service will discharge its Health & Safety responsibilities? How are staff made aware of this?	Yes / No	
Are your local risk assessments regularly reviewed and updated?	Yes / No	
Have you reported all accidents / incidents within the year in your service area, in accordance with agreed procedures?	Yes / No	
11. External Accreditations		
Is any part of your service externally accredited in respect of quality assurance systems? (e.g. ISO 9001 / LEXCEL).	Yes / No	
12. Review		
Do you review from time to time the effectiveness of internal controls in your area? Have you done so this year, and what was the outcome? Have you taken action to improve controls?	Yes / No Yes / No	
Have controls and risks in your area been subject to independent review (e.g. by Internal Audit) in the course of the year? Has appropriate action been taken to implement agreed recommendations resulting from such reviews?	Yes / No Yes / No	

Appendix 4. Example Internal Control Checklist

Issue	Response (Yes / No)	Details, including review work you have carried out to verify response (mandatory)
Have you documented, in a format which is readily accessible to all staff, procedures in respect of key functions and processes?	Yes / No	
13. Other issues		
Apart from the issues raised above, are there any significant control matters arising in your area which could adversely affect the signing of the AGS? (if yes, please provide specific details)	Yes / No	

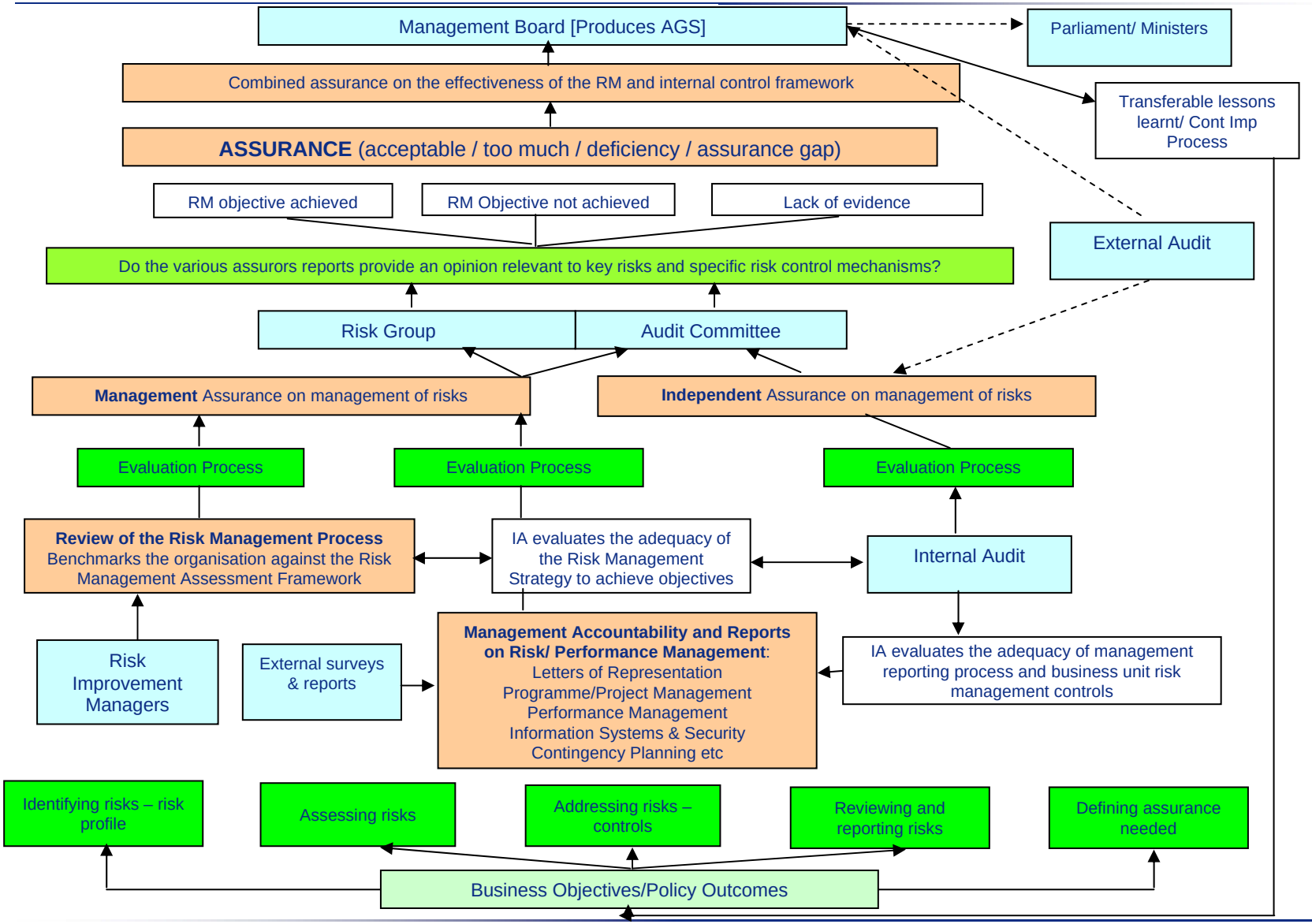
Appendix 5. Points of focus for consideration when developing and assessing against the Local Code of Good Governance

Good governance through clear purpose for the Authority, and vision and outcomes for the community	Good governance through working together, with defined roles and responsibilities
• Are we clear about what we are trying to achieve as an Authority? • Is this at the forefront of our minds when we make decisions? • How well are we doing in achieving our intended outcomes? • How well do we communicate our vision to the local community? • Do we receive regular information on users' views of quality? • How well do we understand the views of the public and service users? • Do we receive information on these views which we use when making decisions?	• Do we all know what we are supposed to be doing? • Is our approach to the Authority's main functions clearly set out and understood by the Leader and Members? • Have we formally agreed on the types of decision which are delegated to the Executive, and those which are reserved for the Council? • How does the size and complexity of the Authority impact our approach for each of the main functions of governance? • Are governance arrangements understood throughout the Authority? • Do all Members of the Authority take collective responsibility for decisions?
Good governance through standards of conduct and behaviour	**Good governance through decision making which is subject to scrutiny**
• How do we show through our behaviour that we take our responsibilities to the Authority seriously? • How might our behaviour weaken the Authority's aims and values? • What values do we expect our staff to demonstrate in their behaviour? • How well are these values reflected in our approach to decision making? • What more should we do to ensure that these values guide our actions and those of our staff?	• Is the quality of information consistent across all areas, including partnerships? • How does information on cost and performance drive our decisions on improving value for money? • How effectively do we use this information in decision making? • How well do we explain reasons for our decisions, to those who might be affected by them? • Are decision making processes properly adhered to? • How do we ensure that full Council maintains a key role in decision making? • Is information received by Members robust and appropriate to their needs? • Do we take professional advice on decisions when appropriate to do so? • How effective is the Authority's risk management system?

Appendix 5. Points of focus for consideration when developing and assessing against the Local Code of Good Governance (continued)

Good governance through developing Member and officer capabilities	Good governance through engaging with local people and ensuring public accountability
• What skills must Members have to do their job effectively? • How do political parties identify people with necessary skills for election, and reach people from a wide cross section of society? • What can we do to ensure that becoming a Member is practical for as many people as possible? • How effective are we at developing our skills and updating knowledge? • How effective are we at reviewing performance of individual Members? • Do we put into practice action plans for improving performance as an Authority? • How do we ensure that officers have the skills to do their job? • Do we have a balance between continuity of knowledge and renewal of thinking in our Membership? Does this need to be reviewed?	• Who are we accountable to, and what for? • Do we need to clarify or strengthen any relationships? • What is our policy on consulting the public and service users? • Do we need to review this policy and ensure its implementation? • What is our policy on involving staff in decision making? Is this clearly communicated to staff and how well do we do this in practice? • How well do we exercise 'leadership' in the community? • How effectively do we invite feedback from the local community, and act on it?

Appendix 6. Best practice assurance framework arrangement linking business objective setting process to declaration in the Annual Governance Statement



KPMG

INFRASTRUCTURE, GOVERNMENT AND HEALTHCARE

Parks, Leisure, Ice Rink
Weak
Trade Waste
Satisfactory

Internal Audit Report 2008/09
Local Financial Systems – income controls

Oxford City Council
20th March 2009

AUDIT

Report status	
Date of Debrief	28th November 2008
Draft report issued	19th December 2008
Management responses received	16th March 2009
Final report issued	20th March 2009
Presented to Audit and Governance Committee	28th April 2009

Distribution for action	Distribution for information
Ian Brookes – Head of Leisure Colin Bailey – Head of City Works	Penny Gardner/Sarah Fogden - Head of Finance

1. Executive summary

Conclusion

As internal auditors to Oxford City Council ("the Authority") we are required to provide an annual overview of the system of internal control. In arriving at this overview, we provide a conclusion on the individual systems reviewed during the year. Our conclusion is either that the system is good, satisfactory, weak or unacceptable. However, in giving our conclusion, it should be acknowledged that our work is designed to enable us to form an opinion on the quality of the systems examined based upon the work undertaken during our current review. It should not be relied upon to disclose all weaknesses that may exist and therefore the conclusion is not a guarantee that all aspects of the systems are adequate and effective.

From the work performed on local financial systems (income management) we have concluded that:

Area	Grading	
Parks	**Weak**	There is considerable risk that the system will fail to meet its objectives. Significant improvements are required to improve the adequacy and effectiveness of risk management, control and governance.
Ice Rink		
Leisure		
Trade Waste	**Satisfactory**	There is some risk that objectives may not be fully achieved. Slight improvements are required to enhance the adequacy and / or effectiveness of risk management, control and governance.

We arrived at our conclusion by assessing the expected key controls against those actually put in place by management in relation to income management.

We believe that the controls are not adequately designed to mitigate the key risks, particularly with regard to the following:

- Management information – there is limited review of income received against that expected and exception reports, which could highlight differences;
- Management review – there is limited review of compliance with processes by management which could highlight unusual transactions; and
- Segregation of duties – there is limited segregation of duties in some areas which increases the risk of errors or irregularities remaining undetected.

We have made 14 recommendations to address the weaknesses identified. The implementation of these recommendations should enhance the control environment in relation to the systems reviewed and provide an increased level of assurance to the Authority and management from the date of implementation.

We have also documented at Appendix A, a set of key controls which are critical for the secure operation and management of income collection systems. The controls contained in the appendix should be applied to all income systems in operation at the Authority. As an additional recommendation , we would recommend that the suite of controls is circulated to all areas within the Authority that collect income, with officers reviewing compliance against the controls and where these controls are not in place, develop procedures to strengthen the control environment.

1. Executive summary –cont'd

Context

In carrying out our work we reviewed the key controls in place within the income management systems at specific areas within the Authority. We reviewed Parks, Trade Waste, a Leisure Centre and the Ice Rink as the Authority had raised concerns over the adequacy of control in these areas. The controls reviewed included:

- Charging Processes – reviewing the setting of charges, informing customer of charges, correct application of charges and authorisation of changes to charges.
- Income Receipting – issue of receipts for income received, safe protection of income, reconciliations of receipts to income, and ensuring insurance levels are not exceeded.
- Credit Income – accurate and timely raising of invoices, recovery of income due, authorisation of credit notes and changes to invoices, and posting of income received to invoices raised.
- Banking – regular banking of income, reconciliations of income banked to general ledger, and the independence over receipt of income and associated banking.
- Management Information – reviews of income received against activity, general budgetary control processes, review of exception reports, and the independence over the receipt and banking processes to the review of management information.

We have documented below our assessment of the controls in place for each of the above areas for the four services reviewed.

Key –
- Red - significant weaknesses
- Amber - some weaknesses
- Green - satisfactory

P=Parks, W= Waste, L=Leisure, I=Ice Rink

Process	Key Control Area Reviewed															
Charging Process	Setting Charges				Informing of Charges				Application of Charges				Authorisation			
	P	W	L	I	P	W	L	I	P	W	L	I	P	W	L	I
Income Receipt	Receipt Issued				Income held secure				Reconciliation				Insurance			
	P	W	L	I	P	W	L	I	P	W	L	I	P	W	L	I
Credit Income	Invoice raised				Debt Recovery				Credits Authorised/Reviewed				Income Posted			
	P	W	L	I	P	W	L	I	P	W	L	I	P	W	L	I
Banking	Regular				Safe and Secure				Receipts to Ledger				Independence			
	P	W	L	I	P	W	L	I	P	W	L	I	P	W	L	I
Management Information	Income to Activity				Budgetary Control				Exception reporting				Independence			
	P	W	L	I	P	W	L	I	P	W	L	I	P	W	L	I

On the following pages we have documented the results of compliance testing which supports the above results.

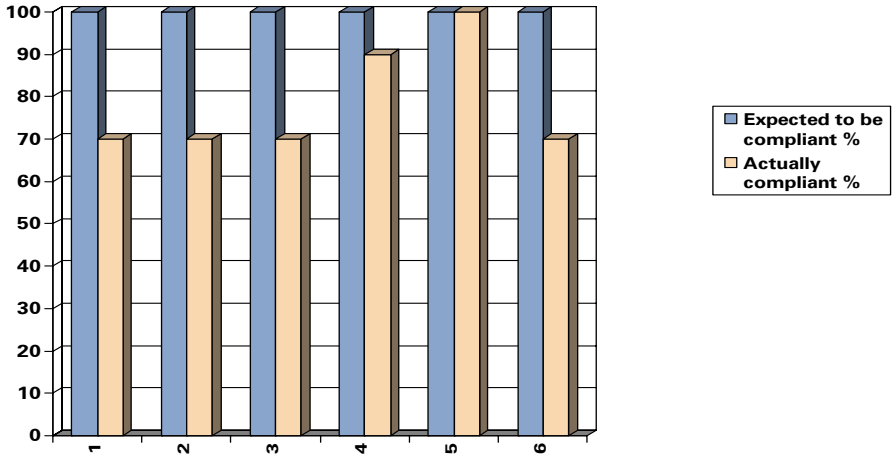
1. Executive summary –cont'd

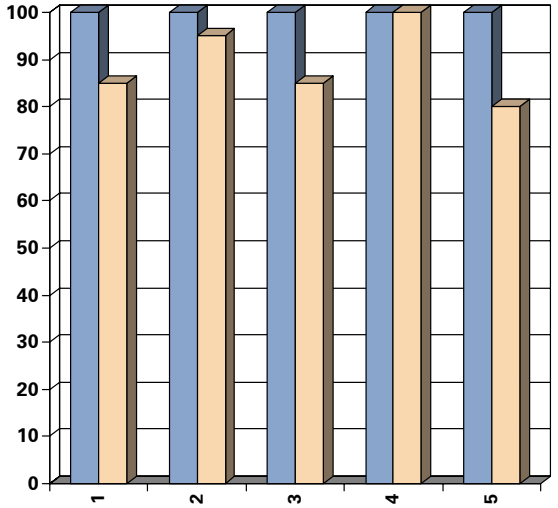
Compliance Testing - Parks

1. 70% of the pitch bookings had insurance details on file
2. 70% of the pitch bookings had been paid prior to the pitch being used
3. 70% of the prices as per the bookings matched the approved price lists
4. 90% of the bookings had VAT charged correctly
5. 100% of the bookings had terms and conditions on file
6. 70% of the pitch bookings paid, were agreed to the ledger

Compliance Testing – Waste

1. 85% contracts on file were valid and in date
2. 95% had an authorised discount applied to account
3. 85% of changes were supported by evidence
4. 100% prices agreed to price list as per leaflet
5. 80% of the credit notes had been authorised prior to input into system





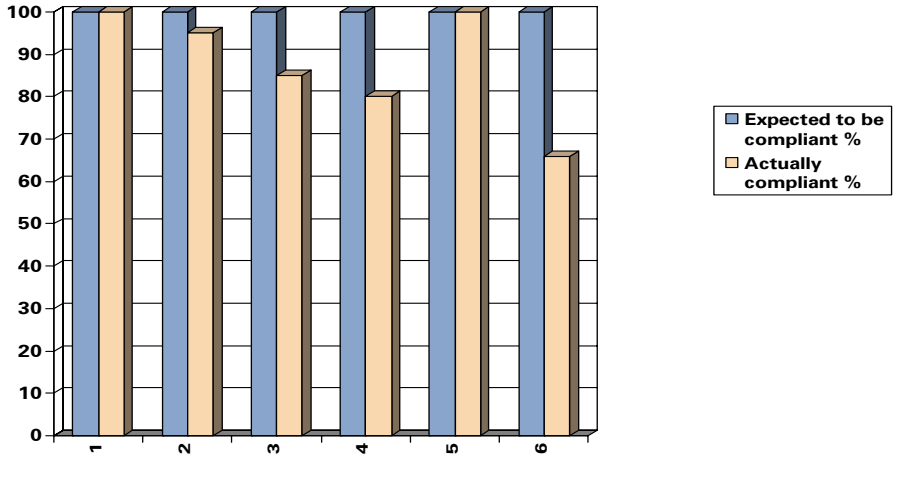
1. Executive summary –cont'd

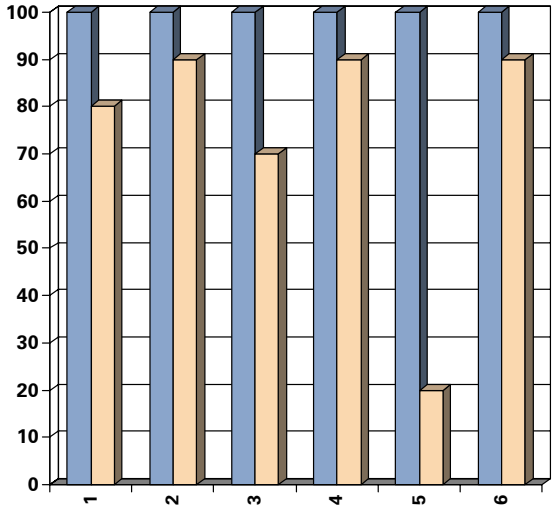
Compliance Testing – Ice Rink

1. 100% of the floats were signed for
2. 95% of the Flex reconciliations were attached to the float reconciliations
3. 85% of the cashier reconciliations were completed in full
4. 70% of the daily return sheets agreed to the Flex and cashier reconciliations
5. 100% of refunds were processed in line with procedures
6. 66% of floats discrepancies were fully detailed and reviewed

Compliance Testing – Leisure Centre

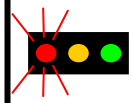
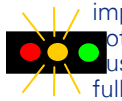
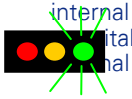
1. 80% of the floats were signed for
2. 90% of the Flex reconciliations were signed by managers
3. 70% of the cashier reconciliations were completed in full
4. 90% of the daily return sheets were completed in full
5. 20% of refunds were processed in line with procedures with clear explanations
6. 90% of floats discrepancies were fully detailed and reviewed





2. Detailed findings and recommendations

We have assessed each finding in our report and assigned to it a rating, as follows:

Priority rating for recommendations raised		
 *Priority One*: Issues arising referring to important matters that are fundamental to the system of internal control. We believe that the matters observed might cause a business objective not to be met or leave a risk unmitigated and need to be addressed as a matter of urgency	 *Priority Two*: Issues arising referring mainly to matters that have an important effect on controls but do not require immediate action. A business objective may still be met in full or in part or a risk adequately mitigated but the weakness represents a significant deficiency in the system.	 *Priority Three*: Issues arising that would, if corrected, improve internal control in general but are minor to the overall system of internal control.

The table below details the number of recommendations made, the priority assigned and those accepted by management.

Recommendations	Priority One	Priority Two	Priority Three	Total
Made	1	11	2	14
Accepted	1	11	2	14

2. Detailed findings and recommendations- Leisure Centre & Ice Rink

	Observation and Priority	Risk	Recommendation	Management response / officer responsible / date of action by
1	**Segregation of Duties** From our enquiries it was highlighted that the Systems Administrator at the Leisure Centre undertakes a number of transaction activities and has access to a number of modules within the Flex System. The system administrator can process transactions on the till and is solely responsible for debtor listings and recovery of debts. The system administrator can remove debtors from the debtors list without additional review or authorisation by a manager. Enquiries at the Ice Rink highlighted that: • A debtors report is not generated on a monthly basis, and there is no reconciliation to the manual Invoice log; • Payments received for debtor balances are agreed to the receipt but not the Flex system; • The Manual Invoice log is not annotated or signed off by the Ice Rink manager to confirm which paid invoices have been reviewed; • The training module can generate receipts, as such payments can be taken, and a receipt produced, but the payment not logged or accounted for in the Flex system; • Testing of seven bookings highlighted that one payment was £219 less than the invoice, although no explanation was noted on the Manual Invoice Log; and • Exception reports detailing debtors removed from system are not produced and reviewed by managers. High ●	Income and transactions can be manipulated due to access to all parts of the system and lack of management review.	The systems and procedure should be reviewed to ensure segregation of duties is improved. Access controls for the System Administrator should be reviewed along with the job role functions. The Leisure Centre and Ice Rink should produce monthly exception reports which detail the users who have logged onto the training module. This report should be reviewed to ascertain the level and regularity of transactions and any patterns of use with any unusual activity investigated. Payments received for debtor balances should be agreed by an independent officer in a three way match to; the invoice, the receipt and the Flex system to confirm appropriate receipt. A debtor list should be produced on a monthly basis and reconciled to the manual Invoice log. Outstanding debtor balances should be chased and actions logged.	a) Review of leisureflex Access levels. Responsible Officer: Steve Holt. Date of of Action: April 2009 b) Monthly Exception Report for Training Module *This has already been completed at the Ice Rink .* Responsible Officer: Melanie Kubicki Date of Action: Immediately c) Agreement of debtor Balances. Responsible Officer: Mark Saunders Date of Action: Immediately d) Actions on debtor list. Responsible Officer Mark Saunders Date of Action: Immediately e) Monthly Exception report for write offs. Responsible Officer: Mark Saunders Date of Action: Immediately

2. Detailed findings and recommendations- Leisure Centre & Ice Rink (cont'd)

	Observation and Priority	Risk	Recommendation	Management response / officer responsible / date of action by
			An exception report detailing all debtors written off should be produced on a period basis and reviewed by the Ice Rink Manger for appropriateness.	
2	**Nil Receipts** A nil payment receipt is generated by the Flex till system for customers who have a prepaid/Direct Debit based Slice Card. These customers will not pay cash on entry to the Ice Rink or the Leisure centre but will gain access. Exception reports detailing the frequency of multiple transactions made by the same slice card are not produced on a periodic basis. The Daily income breakdown is not reviewed to ensure multiple nil payments receipts have not been entered. Medium ●	The Slice card details of Direct Debit customer may be used to note a 'nil payment' for customers who are paying and income not recorded.	Exception reports detailing multiple usage of Direct Debit/pre paid Slice cards and 'nil' receipts should be produced and reviewed by management on a period basis to confirm reasonable use of nil receipts. Any unusual multiple uses or trends should be investigated by management.	a) Quarterly exception report for multiple use of nil-receipts cards. Responsible Officer: Melanie Kubicki Date of Action: May 2009

2. Detailed findings and recommendations- Leisure Centre & Ice Rink (cont'd)

	Observation and Priority	Risk	Recommendation	Management response / officer responsible / date of action by
3	**Floats** We tested a random sample of 20 floats, at the Leisure Centre, and found that: • In four cases the receptionist did not sign for the float upon receipt; • In one case the issue of a float was not recorded on the float issues form; and • In two cases the Duty Manager did not sign to confirm the float balance when issued to the receptionist. From the random sample tested at the Ice Rink, there were no such instances to report. We noted that multiple staff will operate a single float. Staff will log into the Flex till system under the appropriate ID, although conduct transactions from a single float. Although this is not an ideal control we recognise that this is for operational purposes. Medium ●	It may be more difficult to establish accountability in the event of any errors.	The importance of confirming the opening float balance and signing the 'Issues Log' should be reiterated to staff. On a periodic basis the Centre Manager should review a sample of float records to ensure processes are being consistently applied.	a) Management instruction to staff regarding floats. Responsible Officer: David Evans Date of Date of Action: April 2009 b) Quarterly management audit of float & finance Records. Responsible Officer: David Evans Date of Action: May 2009
4	**Refunds** We tested a sample of 10 refunds made in the year at the leisure centre to check if the refund process was followed. This highlighted that; • One of the refunds was processed without the refund slip being authorised by the manager; and • 70% of refunds did not have an explanation. We tested a sample of refunds at the Ice Rink and did not find any similar issues. Medium ●	Inappropriate refunds may be processed and cash misappropriated.	The importance of annotating the refund receipt with a detailed explanation should be reiterated to all staff and Duty Managers. On a periodic basis the Centre Manager should review a sample of records to ensure processes are being applied on a consistent basis.	a) Management Instruction to staff & Duty Officers regarding Refunds. Responsible Officer: David Evans Date of Action: Immediately b) Quarterly management audit of float & finance records Responsible Officer: David Evans Date of Action: May 2009

2. Detailed findings and recommendations- Leisure Centre & Ice Rink (cont'd)

	Observation and Priority	Risk	Recommendation	Management response / officer responsible / date of action by
5	**Reconciliation of Floats to Flex till system** We tested a sample of 20 reconciliations at the Leisure Centre, for adherence to the reconciliation processes and found that: • There were two cases where the Duty Manager did not signed the Flex System Till reconciliation; and • There were six occasions where the Cashier Till Reconciliation was not fully completed, i.e. bank deposit slip details, security bag number, were not documented. We tested a sample of 15 reconciliations at the Ice Rink which highlighted: • Two cases where the cashier reconciliation sheets did not record till discrepancies which were noted in the Flex Till reconciliations; and • One case where the Flex reconciliation could not be located. Medium ●	Procedures designed to ensure that income is fully accounted for is not being adhered to increasing the risk of error and / or irregularity.	The reconciliation sheets should be fully completed with the required details and signed by both the cashier and Duty Manager to confirm adequacy and accuracy. Any discrepancies should be followed up and investigated by the Duty Manager with this review evidenced. On a periodic basis the Centre Manager should review a sample of records to ensure processes are being applied on a consistent basis.	a) Management instruction to staff & Duty officers regarding full completion of reconciliation documents & Duty Officer follow up. Responsible Officer: David Evans Date of Action: April 2009 b) Quarterly management audit of float & finance Records. Responsible Officer: David Evans Date of Action: May 2009

2. Detailed findings and recommendations- Leisure Centre & Ice Rink (cont'd)

	Observation and Priority	Risk	Recommendation	Management response / officer responsible / date of action by
6	**Variance/Discrepancy till reports** We tested a sample of 20 takings at the Leisure Centre to ensure variation procedures were followed. It was highlighted that there were two occasions where the discrepancy was over £5. We identified: •in one of these cases a till deficit form was not completed; and •in the second case a till deficit form was completed although the accompanying explanatory note did not sufficiently detail the reason behind the discrepancy. Till discrepancies at the Ice Rink are not completed on a till discrepancy form, but detailed on the Flex Till reconciliation. We tested a sample of 15 takings and found five where a discrepancy was noted. We identified: •in one of the cases the till discrepancy was not noted on the cashier reconciliation; and •in another case the till discrepancy was found, and corrective action taken, although an explanation was not noted. Medium ●	Discrepancies may not be identified, investigated or sufficiently explained..	The importance of completing a till variation form should be reiterated to staff and Duty Managers. The investigative/corrective action taken by the cashier and Manager should be noted on the reconciliation or on the till discrepancy form. On a periodic basis the Centre Manager should review a sample of records to ensure processes are being consistently applied.	a) Management instruction to staff & Duty officers regarding ensuring that discrepancies are recorded Appropriately. Responsible Officer: David Evans Date of Action: April 2009 b) Quarterly management audit of float & finance Records. Responsible Officer: David Evans Date of Action: May 2009

2. Detailed findings and recommendations- Leisure Centre & Ice Rink (cont'd)

	Observation and Priority	Risk	Recommendation	Management response / officer responsible / date of action by
7	**Cash Handling Procedure** A cash handling procedure is in place at the Leisure Centre and Ice Rink. Guidance on the handling and processing of cash payments is included within the Financial Procedures Manual and Flex Manual Handbook. The procedures have not been reviewed or updated for 2 years. New systems and procedures have been put in place during the last 2 years. New Till staff are made aware of the manuals and given 'on the job' training by experienced staff members. A log of the staff who have received till training is not maintained by the Leisure Centre. However, a till trained staff log is maintained by the Ice Rink, which has been recently updated. Low ●	Staff may claim that they have not received any training on the till in the event of an irregularity.	The cash handling procedures should be reviewed by management and updated where necessary to incorporate the new processes. The Leisure Centre should maintain a log which details staff who are trained to use the till.	a) Review cash handling procedure . Responsible Officers David Evans Date of Action: April 2009 b) Produce a log of those who are trained & authorised to use the tills. Responsible Officer: David Evans Date of Action: April 2009

3. Detailed findings and recommendations- Park Income

	Observation and Priority	Risk	Recommendation	Management response / officer responsible / date of action by
8	**Changes to Prices** A number of different charges could be applied to bookings. This includes: • an Adult size pitch could also be used as an under 11's at a lower rate; and • pitch bookings where more than 10 games are booked receive a discount. However, the system for raising invoices only recognises one price and therefore this leads to manual adjustments of invoices to reflect the price reduction or discount. This process still does not sufficiently explain the purpose of the adjustments. We identified that there is no management review of the charges which are applied to ensure that they are appropriate. Medium ●	Incorrect charges may be applied and remain undetected.	The Authority should ensure: - there is information on invoices to reflect why a manual change was undertaken for example, state "under 11's" using Adult pitch; and - management should spot check a sample of invoices to ensure only approved charges have been applied to bookings.	a) Management audit review to be made monthly to ensure 1) Manual changes have suitable information attached. 2) Approved changes are being applied. Responsible Officer: Stuart Fitzsimmons Date of Action: May 2009

3. Detailed findings and recommendations- Park Income (cont'd)

	Observation and Priority	Risk	Recommendation	Management response / officer responsible / date of action by
9	**Reconciliation of cash in till to z report.** It is normal procedure for income collected to be reviewed against the till records which total the actual income receipted per the till. This reconciliation is carried out by counting the cash and agreeing it to the "z" reading on the till roll. A review of this procedure highlighted that the above process is not documented. We held discussions with key staff and were informed that two officers are responsible for undertaking this check. Medium ●	There is no evidence that two officers are involved in the cash reconciliation process which could lead to loss of accountability for income.	A reconciliation should be produced, which would show the value of cash/ cheques counted against the till records. This should be signed and dated by two officers. Any variances should be noted on the reconciliation and investigated. Management should spot check records to ensure compliance.	Introduce monthly reconciliation and document in Quality procedures manual. Monthly audit of records to be undertaken and documented as per above. Responsible Officer: Stuart Fitzsmimmons Date of Action: June 2009

3. Detailed findings and recommendations- Park Income (cont'd)

	Observation and Priority	Risk	Recommendation	Management response / officer responsible / date of action by
10	**Safe Controls** A review of safe controls identified that the key to the lockable safe is not kept in secure place throughout the day. We found that the key is kept next to the till in a bag which is easily accessible to the public. Medium ●	The key may be stolen and the safe accessed.	The key to the safe should be held on an individual's person throughout the day.	Designated key holders to be assigned and physical holding of key implemented. Responsible Officer: Stuart Fitzsimmons. Date of Action: Immediately
11	**Insurance documents** The Authority's procedures require that one of the pre-requisites to pitch bookings is the production of relevant insurance details for review and retention on file, if these are regular bookings. Testing of ten bookings identified three which did not have insurance documents on file. Where bookings are not regular, teams are required to obtain cover from the Council which should be documented on file. Medium ●	Procedures designed to ensure that liability for injury is clearly established are not being followed which could lead to disputes.	Officers should ensure that valid insurance documents are on file to support each booking. Management should spot check a sample of bookings to ensure insurance documents have been received prior to bookings.	Review procedure under quality procedures – document and update Spot checks will be undertaken under monthly review and recorded in accordance with quality procedures. Responsible Officer: Stuart Fitzsimmons. Date of Action: June 2009
12	**Credit Sales** A review of the credit sales process revealed that if matches are cancelled within 48 hours of the game and the Authority has received payment, the booking is credited, and available for the next game. The details of credited games are noted in a red book. A review of the red book revealed that some teams had games credited from the previous financial year. This could lead to teams playing their games in a different year when different prices should be applied. Low ●	Matches may be played using previous year's fees leading to a potential loss of income.	The process for credit sales should be reviewed. An alternative approach could include refunding the payment at the time of the cancellation.	A review into cancellation fees and refunds will be undertaken to ensure that any credits are refunded at the time of cancellation. Responsible Officer Stuart Fitzsimmons. Date of Action: June 2009

3. Detailed findings and recommendations- Waste Income

	Observation and Priority	Risk	Recommendation	Management response / officer responsible / date of action by
13	**Credit Notes** A review of credit notes issued identified that for three of the fifteen tested , the credit notes had not been authorised prior to input into the system. In addition, we identified there is no management review of credit notes raised to ensure that they are appropriate. Medium ●	Income due to the Council may be cancelled in error or for inappropriate reasons.	Management should review a sample of credit on a regular basis to ensure their appropriateness.	Monthly review to be implemented and documented in the Quality Procedures. We will implement a better system of raising credit notes and audit. Responsible Officer Nathalie Desenclos Date of Action: April 2009
14	**Contracts** A review of contracts identified the following: • one of the twenty contracts reviewed had not been signed and dated; • three of the twenty trade waste bookings related to closed out contracts/contracts which had changed. However no evidence of the change/contract closure were on file; and • one of the twenty contracts reviewed had a 5% discount applied to the contract price for 6 months, however as per procedures, no discount form had been filled out and authorised by management. Medium ●	Procedures designed to ensure that services provided and prices paid agree to contracts are not being applied on a consistent basis, which could lead to disputes.	Staff should be reminded of the procedures which should be followed which should include: • customer accounts are only set up when a signed and dated contract is received; • contract changes are evidenced and authorised; • whenever discounts are provided to the customers, a discount form is filled out and authorised by management. Management should spot check a sample of transactions to ensure that procedures are complied with.	Training programme for staff to be implemented following the recommendations Monthly review to be implemented and documented in the Quality Procedures. Responsible Officer: Philip Dunsdon Date of Action: May 2009

Appendix 1 – Key Controls in Income Systems

Key Controls in income systems

Charging Processes

Charges are set each year and approved

Charges are published in appropriate format for service

Charges are made in accordance with charging policy

Deviations from the charging policy are approved by a senior officer

Income Receipting

Receipts are issued for income received

Expectation to receive a receipt is clearly published

Income received is reconciled to receipts

Income is held safe prior to banking

Income held does not exceed insurance levels

Credit Income

Invoices are raised accurately and timely

Debt recovery procedures are in place and followed

Issue of credit notes are authorised by a senior officer

Income received is posted timely and accurately to invoices raised

Aged debtor reports are produced and reviewed

Banking

Banking of income takes place regularly

Prior to banking income is safely held

Income in transit does not exceed insurance levels

Reconciliation of income to be banked to receipted income occurs

Reconciliations of income banked to the general ledger takes place

Banking functions are independent to receipt of income

Management Information

Income is reviewed against activity

Budgetary Control process are in place for income management

Exception reports are produced and reviewed by management

Key Controls for all system

Purpose

- Clearly defined mission, vision, values
- Clear policies
- Communication within the organisation

Commitment

- Job descriptions
- Performance Appraisal systems
- Performance Contracts
- Lines of Accountability
- Management meetings

Direct Controls

- Segregation of duties
- Physical security
- Accuracy of data – exception reporting
- Management systems – policy and procedure
- Supervision – internal checks
- Organisational Structure
- Authorisation levels
- Personnel – qualification

Indicators

- Customer surveys
- Employee surveys
- Benchmarking
- Complaints
- KPIs

Performance Information

Performance indicators

We have documented below the performance against the indicators included in the Protocol for the routine internal audit reviews:

Performance Area	**Performance Target**	**2008/09 Performance to date**
Issue Terms of Reference	15 days before start on site (target 100%)	(18/18) 100% ☺
Issue Draft Report	Within 15 days of final debrief (target 100%)	[16/18] 88% ☺
Management response to routine audit reports	Within 15 days of draft report (target 100%)	[13/18] 72% ☺
Issue Final Report	Within 10 days of management responses (target 100%)	(17/18) 94% ☺

We have documented prior year performance below for information:

Performance Area	Performance Target	2007/08 Performance	2006/07 Performance	2005/06 Performance
Issue Terms of Reference	15 days before start on site (target 100%)	88.9% ☺	88.9% ☺	66.6% ☹
Issue Draft Report	Within 15 days of final debrief (target 100%)	64.7 % ☹	83.3% ☺	83.8% ☺
Management response to routine audit reports	Within 10 days of draft report (target 100%)	23.53% ☹	55.5% ☹	50% ☹
Issue Final Report	Within 10 days of management responses (target 100%)	100% ☺	100% ☺	100% ☺

Audit and Governance Committee reporting schedule

Audit and Governance Committee Date	Proposed reports	
25th June 2008	•Progress report 1	
24th July 2008	•Progress update	
23th September 2008	•Progress report 2	•Taxi Licensing •Car Parking
25th November 2008	•Progress report 3	•Business Continuity/Disaster Recovery •Data Security
27th January 2009	•Progress report 4 •Payroll	•Benefits •Local Taxation
24th March 2009	•Progress report 5 •Equality and Diversity •Repairs	•Health and Safety Follow up •Core Financial Systems (AR/AP/MAS)
28th April 2009	•Corporate Governance •Leaseholders •Building Control/Planning/Enforcement	•Local Financial Systems •Annual report