

# Oxford City Council Internal Audit Report 2010/11

## City Works (Trade Waste) Review

### Final Report

December 2010

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Distribution list	
For action	Interim Finance Business Partner – Paul Jemetta Business Support Officer – Ian Bourton
For information	Chief Executive - Peter Sloman Corporate Director (Finance and Efficiency) – Jackie Yates Interim Head of Finance - Nigel Kennedy Executive Director City Services – Tim Sadler Head of City Works – Phil Dunsdon

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*This report has been prepared solely for Oxford City Council. In accordance with the terms and conditions set out in our engagement letter. We do not accept or assume any liability or duty of care for any other purpose or to any other party. This report should not be disclosed to any third party, quoted or referred to without our prior written consent.*

# 1. Executive Summary

Overall opinion	Summary of key findings																																													
<p><b>Overall opinion</b></p> <p><b>Limited Assurance</b> can be given on the adequacy and operating effectiveness of controls in place over Trade Waste. Our assurance ratings are defined in Appendix 1.</p> <p>Our opinion is based on the work performed as set out in the agreed terms of reference (Appendix 3) and is subject to the inherent limitations set out in Appendix 2.</p> <p><b>Scope and limitations of review</b></p> <p>We conducted a review of Trade Waste in accordance with the International Standard for Assurance Engagements 3000 “ISAE 3000”. The key objectives of the review, the scope and the limitations of scope were agreed with management in advance and set out in the terms of reference (Appendix 3).</p> <p><b>Direction of travel</b></p> <p>There has been some improvement in the performance of the Trade Waste processes since prior year; however a number of key recommendations around creating and recovering income still remain to be implemented.</p>	<p>The number of key findings resulting from audit work undertaken is as follows:</p> <table border="1" data-bbox="1050 483 1798 730"> <thead> <tr> <th colspan="2">Control Design</th> <th colspan="2">Operating Effectiveness</th> </tr> </thead> <tbody> <tr> <td>Critical</td> <td>0</td> <td>Critical</td> <td>0</td> </tr> <tr> <td>High</td> <td>0</td> <td>High</td> <td>2</td> </tr> <tr> <td>Medium</td> <td>7</td> <td>Medium</td> <td>1</td> </tr> <tr> <td>Low</td> <td>2</td> <td>Low</td> <td>0</td> </tr> </tbody> </table> <p><b>Follow up of Prior Year</b></p> <table border="1" data-bbox="1050 887 2018 1168"> <thead> <tr> <th></th> <th>Implemented</th> <th>Partially Implemented</th> <th>Outstanding</th> <th>Not Yet Due for Implementation</th> </tr> </thead> <tbody> <tr> <td>Critical</td> <td>0</td> <td>0</td> <td>0</td> <td>0</td> </tr> <tr> <td>High</td> <td>0</td> <td>2</td> <td>0</td> <td>0</td> </tr> <tr> <td>Medium</td> <td>2</td> <td>4</td> <td>0</td> <td>1</td> </tr> <tr> <td>Low</td> <td>1</td> <td>0</td> <td>0</td> <td>0</td> </tr> </tbody> </table>	Control Design		Operating Effectiveness		Critical	0	Critical	0	High	0	High	2	Medium	7	Medium	1	Low	2	Low	0		Implemented	Partially Implemented	Outstanding	Not Yet Due for Implementation	Critical	0	0	0	0	High	0	2	0	0	Medium	2	4	0	1	Low	1	0	0	0
Control Design		Operating Effectiveness																																												
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## 2. Background and Scope

### Introduction

This review was undertaken as part of the 2010/11 Internal Audit Plan agreed by the Audit and Governance (AG) Committee.

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### Background

The Council is responsible for collecting recyclable materials and other waste from businesses. Income is collected for this service which operates as a break even operation.

From April 2010, the Authority began operating Trade Waste facilities using the White Space system.

Following review in the prior year, we highlighted that while charges are set for Trade Waste on an annual basis, there was no formal approval of these charges. As there has not been sufficient time for the Council to implement this recommendation at the time of this review, we have not considered this recommendation in the course of the review. We will review this matter as part of a future review.

### Scope of review

In accordance with our Terms of Reference (Appendix 3), agreed with the Interim Finance Business Partner, we undertook a limited scope audit of the Trade Waste function.

This limited scope audit involved a review of the design of the key controls together with detailed testing to determine whether the controls are operating in practice.

### Limitations of scope

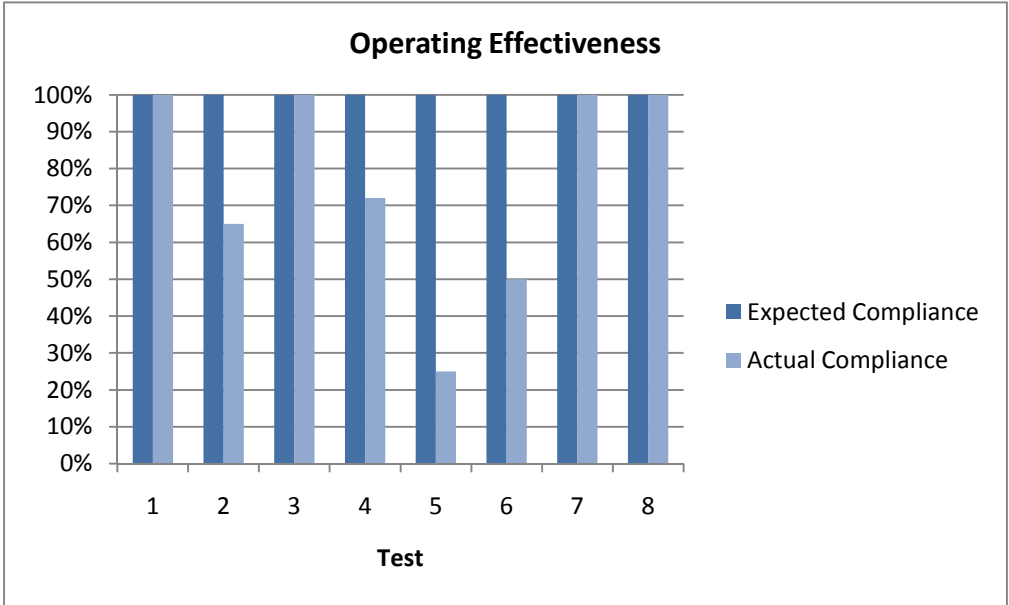
The scope of our work was limited to those areas identified in the terms of reference.

# 3. Overall Evaluation

## Summary of findings

Objective	Total number of issues	Number of control design issues				Number of operating effectiveness issues			
		Critical	High	Medium	Low	Critical	High	Medium	Low
Trade Waste accounts are only raised on receipt of properly authorised and complete request documentation.	2	0	0	1	0	0	0	1	0
Invoices are raised in a timely, complete and accurate fashion.	4	0	0	3	0	0	1	0	0
Only valid and accurate credit notes are raised.	1	0	0	1	0	0	0	0	0
Debt collection, recovery and write-off procedures are sufficient to ensure that delay in receiving payments and loss of credit income is minimised.	2	0	0	1	0	0	1	0	0
The correct information on Trade Waste income is fed into the Authority's General Ledger system.	1	0	0	0	1	0	0	0	0
The White Space system is protected against unauthorised access/processing and is secure against loss or damage of data.	2	0	0	1	1	0	0	0	0

# Compliance Summary



- Tests Performed:**
1. Trade Waste contracts provided for audit.
  2. Supporting documentation (both headed letter paper and Council Tax information) retained for contract applications.
  3. Excess collection invoices recorded on the Trade Waste database.
  4. Excess collections invoiced accurately.
  5. Trade Waste invoice runs run in line with billing timetable.
  6. Evidence retained for stages of debt recovery process.
  7. Credit notes evidenced as authorised.
  8. Reconciliations between WhiteSpace and Agresso performed without exception.

## 4. Detailed Findings

Issue 1: Account Authorisation		Control Design
<b>Control objective:</b> Trade Waste accounts are only raised on receipt of properly authorised and complete request documentation.		
<b>Matters arising</b>		
There is no process in place for approving new Trade Waste contracts. This was raised in prior year. Whilst authorisation is in place for credit notes, it remains possible for the same individual to create an account and cancel invoices against this.		
<b>Risks arising</b>		
Debtors may be set up inaccurately or in error.		
<b>Recommendations</b>		
Management should ensure that a process of authorisation is implemented for new Trade Waste debtors.		
<b>Management response</b>		
<b>Priority</b> Medium ●	<b>Management response</b> Recommendation accepted. A new accounts procedure will be developed. Responsibility for raising credit notes is being transferred to the Finance team.	<b>Action plan</b> <b>By whom:</b> Philip Dunsdon/ Paul Jemetta <b>Implementation date:</b> 1 December 2010

Issue 2: Debt Recovery Processes		Control Design
<b>Control objective:</b> Debt collection, recovery and write-off procedures are sufficient to ensure that delay in receiving payments and loss of credit income is minimised.		
<b>Matters arising</b>		
We recognise that efforts are now being undertaken to chase aged Trade Waste debt, although historically there had been no formal timetable in place for the chasing of unpaid debtors, nor any documentation retained to evidence actions taken. While actions have recently been taken to address this for large debtors through documentation within Whitespace of customer responses and actions taken, this process is not yet in place for all debtors.		
<b>Risks arising</b>		
Debts may become irrecoverable. Debtor balances may be misstated if write offs are not processed on a timely basis.		
<b>Recommendations</b>		
A formal recovery and write off procedure should be produced in line with corporate regulations and communicated to Trade Waste. All recovery action should be formally documented and evidenced.		
<b>Management response</b>		
<b>Priority</b>  Medium  ●	<b>Management response</b>  Recommendation accepted. Responsibility for debt collection has been transferred to the Finance team and considerable progress has been made in reducing the debtor balance. The existing credit control procedure will be updated to improve the documentation of actions taken and responses received.	<b>Action plan</b>  <b>By whom:</b> Paul Jemetta <b>Implementation date:</b> 1 December 2010



Issue 3: New Accounts		Operating Effectiveness
<b>Control objective:</b> Trade Waste accounts are only raised on receipt of properly authorised and complete request documentation.		
<b>Matters arising</b>		
Council procedures state that new Trade Waste accounts can be set up following receipt of a Business Rates confirmation and headed letter paper for the organisation. In 4/12 new accounts tested, these procedures were not followed and the Council had obtained Companies House confirmation in lieu of headed letter paper.		
<b>Risks arising</b>		
Customers may not exist or operate as a going concern, increasing the risk that income will not be collected.		
<b>Recommendations</b>		
Documentation should be obtained in line with the approved procedure before setting up a new Trade Waste account. If it is deemed that confirmation from Companies House can be used in lieu of other documentation, this should be clearly documented in procedure notes.		
<b>Management response</b>		
<b>Priority</b>  Medium  ●	<b>Management response</b>  The Council's procedure will be amended to require all limited company applications for new accounts to be subject to Business Rates confirmation and verification of the company's details with the Companies House website. The requirement for copy company headed notepaper will be deleted.	<b>Action plan</b>  <b>By whom:</b> Philip Dundson <b>Implementation date:</b> 1 December 2010

Issue 4: White Space Access		Control Design
<b>Control objective:</b> The White Space system is protected against unauthorised access/ processing and is secure against loss or damage of data.		
<b>Matters arising</b>		
There is no requirement for users to change their Whitespace password on a periodic basis.		
<b>Risks arising</b>		
Increased risk that the system may be liable to unauthorised access.		
<b>Recommendations</b>		
The functionality of the Whitespace system should be investigated to establish if enforced password changes can be introduced. Best practice states that passwords should be changed on a 6 weekly basis.		
<b>Management response</b>		
<b>Priority</b>  Medium  ●	<b>Management response</b>  Recommendation accepted. Whitespace does not currently have a facility to automatically require users to change passwords on a periodic basis. Whitespace have confirmed that this is technically feasible and we will work with them to implement it.	<b>Action plan</b>  <b>By whom:</b> Ian Bourton <b>Implementation date:</b> 1 January 2011

Issue 5: Ad hoc invoicing		Control Design
<b>Control objective:</b> Invoices are raised in a timely, complete and accurate fashion.		
<b>Matters arising</b>		
Invoices can be raised on an ad hoc basis for one off collections of waste (e.g. following a university college ball). There is no formal timeline for running these invoices which will be parked until a batch can be processed.		
<b>Risks arising</b>		
Revenue is not being received on a timely basis. The Councils cash position may be adversely affected.		
<b>Recommendations</b>		
Invoice runs for ad hoc collections should be run on a periodic basis (e.g. quarterly in line with regular invoicing) to ensure the timely collection of funds.		
<b>Management response</b>		
<b>Priority</b>	<b>Management response</b>	<b>Action plan</b>
Medium ●	Recommendation accepted. Invoices will be raised on an at least fortnightly basis. Responsibility for raising excess collection and one-off invoices is to be transferred to the Finance team.	<b>By whom:</b> Paul Jemetta <b>Implementation date:</b> 1 December 2010

Issue 6: Procedure notes		Control Design
<b>Control objective:</b> The White Space system is protected against unauthorised access/ processing and is secure against loss or damage of data.		
<b>Matters arising</b>		
There are currently no procedure notes in place for the White Space system or Trade Waste process. It is acknowledged that these were in the process of being drawn up at the time of audit.		
<b>Risks arising</b>		
Officers may be unaware of how to operate the system, leading to an increased risk of error and omission.		
<b>Recommendations</b>		
Procedure notes should be formalised for the White Space system and Trade Waste processes and distributed to all responsible officers. Procedure notes should be reviewed on an annual basis and updated for any changes to systems and processes.		
<b>Management response</b>		
<b>Priority</b>	<b>Management response</b>	<b>Action plan</b>
Low ●	Recommendation accepted. Procedure to be developed.	<b>By whom:</b> Philip Dunsdon <b>Implementation date:</b> 1 February 2011

Issue 7: Excess Collections		Control Design
<b>Control objective:</b> Invoices are raised in a timely, complete and accurate fashion.		
<b>Matters arising</b>		
Requests are made on a daily basis for excess collections. All excess collection invoices should be authorised and recorded on both the Trade Waste database and the Agresso invoice run. The following issues were noted when testing 25 invoices raised in year:		
<ul style="list-style-type: none"> <li>In 16/25 cases, jobs had been completed but had not been flagged for invoicing on Whitespace. Some invoices dated back to April 2010.</li> <li>In 1/25 cases, the job completed could not be traced to a job ticket.</li> <li>In 1/25 cases, 2 job tickets had been raised for a job but only 1 invoiced.</li> </ul>		
<b>Risks arising</b>		
Revenue may not be maximised or accurately recorded. Income balances may be misstated.		
<b>Recommendations</b>		
Documentation should be retained for all excess collection invoices raised. Investigations should be undertaken to establish why Whitespace has not been invoicing excess collection runs.		
<b>Management response</b>		
<b>Priority</b>	<b>Management response</b>	<b>Action plan</b>
High ●	Recommendation accepted. The audit identified a systems error in the excess collections billing process. This has now been corrected and additional invoices totalling a maximum of £5,000 have been raised as a result. Documentation standards and retention will be reviewed as part of the process of transferring responsibility for raising one-off invoices to the Finance team.	<b>By whom:</b> Paul Jemetta <b>Implementation date:</b> 1 December 2010

Issue 8: Segregation of Duties		Control Design
<b>Control objective:</b> Invoices are raised in a timely, complete and accurate fashion.		
<b>Matters arising</b>		
It was noted during audit that the officer raising Trade Waste invoices often receipts and posts cheques.		
<b>Risks arising</b>		
Segregation of duties is not in place.		
<b>Recommendations</b>		
Controls around segregation of duties should be reviewed to ensure that officers do not have the ability to raise invoices and receipt payment.		
<b>Management response</b>		
<b>Priority</b>	<b>Management response</b>	<b>Action plan</b>
Medium ●	Recommendation accepted. This practice has been stopped. Segregation of duties is being reviewed as part of the process of transferring invoicing, credit notes and payment allocation responsibilities to the Finance team.	<b>By whom:</b> Paul Jemetta <b>Implementation date:</b> 1 December 2010

Issue 9: Invoice runs		Operating Effectiveness
<b>Control objective:</b> Invoices are raised in a timely, complete and accurate fashion.		
<b>Matters arising</b>		
Invoices are issued to trade waste customers quarterly in advance. Invoice runs for Q1 and Q2 of 2010/11 were run in May and July respectively and therefore were not run in line with the agreed timetable.		
<b>Risks arising</b>		
Revenue is not being received on a timely basis. The Councils cash position may be adversely affected.		
<b>Recommendations</b>		
Invoice runs should be performed in line with the agreed timetable.		
<b>Management response</b>		
<b>Priority</b>	<b>Management response</b>	<b>Action plan</b>
Medium ●	Recommendation accepted. The Q3 quarterly invoice run was completed on time and performance in future quarters will be monitored by Senior Management Team.	<b>By whom:</b> Philip Dunsdon <b>Implementation date:</b> Completed

Issue 10: Credit Notes		Control Design
<b>Control objective:</b> Only valid and accurate credit notes are raised.		
<b>Matters arising</b>		
The Authorised Signatories List (ASL) that is in place for Trade Waste credit notes only includes signatory limits up to £99.		
<b>Risks arising</b>		
Credit notes may be raised with incorrect or inappropriate authorisation.		
<b>Recommendations</b>		
An ASL should be drawn up to outline who is eligible to authorised credit notes over £99. This should be followed in all cases.		
<b>Management response</b>		
<b>Priority</b> Medium ●	<b>Management response</b> The ASL will be amended to include higher signatory limits.	<b>Action plan</b> <b>By whom:</b> Philip Dunsdon <b>Implementation date:</b> 1 December 2010



Issue 11: Unmatched payments		Operating Effectiveness
<b>Control objective:</b> Debt collection, recovery and write-off procedures are sufficient to ensure that delay in receiving payments and loss of credit income is minimised.		
<b>Matters arising</b>		
It was noted during audit that there is currently £140k of unmatched payments for Trade Waste accounts being held on customer accounts. These relate to payments where the customer cannot be identified or has been applied incorrectly.		
<b>Risks arising</b>		
Customer accounts may be misstated. Recovery action may be taken unnecessarily where payments have not been matched.		
<b>Recommendations</b>		
A cleansing exercise should be performed to identify the correct accounts for all unmatched payments. Going forward, a Trade Waste suspense account should be put in place and all entries reviewed on a monthly basis to ensure that all payments are correctly applied.		
<b>Management response</b>		
<b>Priority</b>  High  ●	<b>Management response</b>  Recommendation accepted. Resources will be allocated to complete the clearance of unallocated payments. Current payment allocation procedures and documentation will be reviewed to improve initial allocation. The need for a suspense account will be reviewed following the completion of this process.	<b>Action plan</b>  <b>By whom:</b> Paul Jemetta <b>Implementation date:</b> 1 January 2011

Issue 12: Reconciliations		Control Design
<b>Control objective:</b> The correct information on Trade Waste income is fed into the Authority's General Ledger system.		
<b>Matters arising</b>		
Reconciliations between White Space and Agresso are performed on a quarterly basis to ensure the correct transfer of information between the systems. These are not signed to evidence review of the process.		
<b>Risks arising</b>		
If reconciliations are not reviewed, errors and omissions may not be identified and rectified on a timely basis.		
<b>Recommendations</b>		
All reconciliations should be signed to evidence timely review of the process.		
<b>Management response</b>		
<b>Priority</b>	<b>Management response</b>	<b>Action plan</b>
Low ●	Recommendation accepted. The Finance Business Partner will review the monthly reconciliation.	<b>By whom:</b> Paul Jemetta <b>Implementation date:</b> 1 November 2010

## 5. Follow Up of Prior Year Recommendations

Ref	Control weakness found	Risk rating	Recommendations	Management response	Follow up
1	<p>Contracts are issued to businesses to outline the terms and conditions of trade waste collection. This document has not been reviewed by legal services.</p> <p>Contracts may not be compliant with legislation and sufficiently protect the Council.</p>	<p>● Medium</p>	The standard contract for trade waste should be reviewed by the Councils legal team to ensure it is appropriate and complete.	<p><b>Agreed</b></p> <p>Contract has been reviewed and agreed by the Council's Legal department.</p>	Implemented.
2	Invoice information is uploaded into Agresso from a spreadsheet completed by the Trade Waste department. No checks are performed to ensure that the amount requested for upload agrees to the Trade Waste database.	<p>● Medium</p>	Checks should be performed and documented to ensure that a complete set of data from the Trade Waste database has been requested for upload onto Agresso.	<p><b>Agreed</b></p> <p>A full year reconciliation between income recorded on the Trade Waste database and invoices raised on Agresso will be performed as part of the close down.</p> <p>Confirm Whitespace process and develop procedures incorporating reconciliations where required.</p>	<p>Partially Implemented.</p> <p>See issue # 12</p>
3	There is no formal procedure in place for the recovery and write off of Trade Waste bad debts. Procedures do not appear to be followed consistently.	<p>● Medium</p>	A formal recovery and write off procedure should be produced in line with corporate regulations and communicated to Trade Waste.	<p><b>Agreed</b></p> <p>Current process to be reviewed and procedure to be developed/ amended if necessary.</p>	<p>Partially Implemented</p> <p>See issue # 2</p>

Ref	Control weakness found	Risk rating	Recommendations	Management response	Follow up
4	Charges are set for Trade Waste on an annual basis. There is no formal approval of these charges.	● Medium	Trade Waste charges should be formally approved ahead of implementation. Documentation should be retained to evidence this decision.	<b>Agreed</b> Approval of charges for Trade Waste will be formally documented within Management Team meetings. Trade waste charges are agreed in the budget along with all other fees and charges.	Not due for implementation at this time. Will be followed up at the time of a future review.
5	It has been noted that the majority of activities within the Trade Waste function are carried out by a sole individual.	● Medium	Consideration should be given to delegating certain activities within the Trade Waste function to other officers. Clear procedure notes should be drawn up to mitigate against the risk of the loss of knowledge within the department.	<b>Agreed</b> The split of activities in Trade Waste will be considered as part the internal restructuring process.	Partially Implemented See issue # 8
6	There is no process in place for approving new Trade Waste contracts.	● Medium	Management should ensure that a process of authorisation is implemented for new Trade Waste debtors.	<b>Agreed</b> Procedure for authorisation of new Trade Waste debtors to be developed.	Partially Implemented See issue #1





Ref	Control weakness found	Risk rating	Recommendations	Management response	Follow up
7	<p>Before a Trade Waste contract is granted to a business, the following evidence is obtained to validate the organisations existence:</p> <ul style="list-style-type: none"> <li>• Headed Letter Paper;</li> <li>• Business Rates notification; and</li> <li>• Companies House confirmation.</li> </ul> <p>No evidence is retained to support the Companies House checks performed. When testing a sample of 30 new contracts headed letter paper was not retained for 15 contracts and business rates documentation was not filed for 19 cases. A further 3 contract files could not be provided for audit.</p>	<p>● High</p>	<p>Documentation should be retained to support all new applications.</p> <p>Discussions should be held across the Council to establish when this information is required. Responsibility for obtaining the information should be clarified to avoid duplication of effort.</p>	<p><b>Agreed</b></p> <p>It should be noted that this process has been tightened up. Those issues noted by audit were in the process of being dealt with.</p> <p>All documentation should be retained for new contracts. Conversations will be held with Business Rates to consider how this information can be shared.</p>	<p>Partially Implemented See issue #3</p>
8	<p>Requests are made on a daily basis for excess collections. All excess collection invoices should be authorised and recorded on both the Trade Waste database and the Agresso invoice run. The following issues were noted when testing 50 invoices raised in year:</p> <ul style="list-style-type: none"> <li>• No records had been retained for excess collections on 1 day sampled. On 1 further day the invoices were not authorised;</li> <li>• 8 invoices were not recorded on the Trade Waste database;</li> <li>• 8 invoices were omitted from the invoice run. No rationale was documented for these omissions.</li> </ul>	<p>● High</p>	<p>Documentation should be retained for all excess collection invoices raised.</p> <p>Checks should be performed to ensure that invoices are recorded accurately and included in invoice runs. If amounts are not invoiced the rationale should be clearly documented on file.</p>	<p><b>Agreed</b></p> <p>Procedure for raising and filing of monthly and excess collection invoices to be reviewed and amended as required.</p> <p>Spot checks will be performed on invoices to ensure that they have been authorised and included for invoicing.</p> <p>Whitespace will make this process more effective by creating electronic worksheets for each additional lift in addition to in-cab technology and bin-weigh.</p>	<p>Partially Implemented See issue # 7</p>

Ref	Control weakness found	Risk rating	Recommendations	Management response	Follow up
9	At the time of audit, £25,000 of Trade Waste debts had been flagged for write off but this process had not been performed.	● Medium	All flagged debts should be written off as a matter of urgency.	<b>Agreed</b> Write offs to be processed.	Implemented
10	Credit notes should be signed as authorised before processing. In 3/30 cases, the credit notes could not be provided for audit.	● Low	Supporting documentation should be retained for all credit notes.	<b>Agreed</b> Procedure for raising, authorisation and filing of credit notes to be reviewed and amended as required. Spot checks will be performed on transactions ahead of the year end to ensure that clear audit trail is in place.	Implemented

# Appendix 1 – Basis of our Opinion

## Individual risk ratings

Each of the control weaknesses identified have been categorised according to risk as follows:

Risk rating	Assessment rationale
Critical 	A control weakness that could have a: <ul style="list-style-type: none"> <li>• <b>Significant</b> impact in the achievement of the <b>organisation’s operational objectives</b> as set out in its operational plan; or</li> <li>• <b>Material</b> financial impact on the organisation (quantify); or</li> <li>• Significant breach in laws and regulations resulting in <b>severe fines or consequences</b>; or</li> <li>• Critical impact on the reputation of the organisation which could <b>threaten its future viability</b>.</li> </ul>
High 	A control weakness that could have a: <ul style="list-style-type: none"> <li>• <b>Significant</b> impact in the achievement of the <b>objectives of the system, function or process</b> under review as set out in the terms of reference; or</li> <li>• <b>Significant</b> financial impact on the organisation (quantify); or</li> <li>• Breach in laws and regulations resulting in fines and consequences which are <b>significant to the system, function or process under review but not the overall organisation</b>; or</li> <li>• Significant impact on the reputation of the organisation.</li> </ul>
Medium 	A control weakness that could have a: <ul style="list-style-type: none"> <li>• <b>Moderate</b> impact in the achievement of the <b>objectives of the system, function or process</b> under review as set out in the terms of reference; or</li> <li>• <b>Moderate</b> financial impact on the organisation (quantify); or</li> <li>• Breach in laws and regulations resulting in fines and consequences which <b>impact but are not significant</b> to the system, function or process under review; or</li> <li>• Moderate impact on the reputation of the organisation.</li> </ul>
Low 	A control weakness that could have a: <ul style="list-style-type: none"> <li>• <b>Minor</b> impact on the achievement of the <b>objectives of the system, function or process</b> under review as set out in the terms of reference; or</li> <li>• <b>Minor</b> financial impact on the organisation (quantify); or</li> <li>• <b>Minor</b> breach in laws and regulations with <b>limited consequences</b>; or</li> <li>• Minor impact on the reputation of the organisation.</li> </ul>

## Assurance ratings

The table below details the assurance ratings for grading individual audits:

Level of assurance	Description
High	No control weaknesses were identified; or Our work found some low impact control weaknesses which, if addressed would improve overall control. However, these weaknesses do not affect key controls and are unlikely to impair the achievement of the objectives of the system. Therefore we can conclude that the key controls have been adequately designed and are operating effectively to deliver the objectives of the system, function or process.
Moderate	There are some weaknesses in the design and/or operation of controls which could impair the achievement of the objectives of the system, function or process. However, either their impact would be less than significant or they are unlikely to occur.
Limited	There are some weaknesses in the design and / or operation of controls which could have a significant impact on the achievement of key system, function or process objectives but should not have a significant impact on the achievement of organisational objectives. However, there are discrete elements of the key system, function or process where we have not identified any significant weaknesses in the design and / or operation of controls which could impair the achievement of the objectives of the system, function or process. We are therefore able to give limited assurance over certain discrete aspects of the system, function or process.
No	There are weaknesses in the design and/or operation of controls which [in aggregate] could have a significant impact on the achievement of key system, function or process objectives and may put at risk the achievement of organisation objectives.



# Appendix 2 – Limitations and Responsibilities

## Limitations inherent to the internal auditor's work

We have undertaken this review of Trade Waste subject to the limitations outlined below. This is an independent assurance report and our work has been performed in accordance with ISAE 3000 (“International Standard on Assurance Engagements”).

### Internal control

Internal control, no matter how well designed and operated, can provide only reasonable and not absolute assurance regarding achievement of an organisation's objectives. The likelihood of achievement is affected by limitations inherent in all internal control systems. These include the possibility of poor judgment in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

### Future periods

The assessment of controls relating to cashiers is at the present date. Historic evaluation of effectiveness is not relevant to future periods due to the risk that:

- the design of controls may become inadequate because of changes in operating environment, law, regulation or other; or
- the degree of compliance with policies and procedures may deteriorate.

## Responsibilities of management and internal auditors

It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

We shall endeavour to plan our work so that we have a reasonable expectation of detecting significant control weaknesses and, if detected, we shall carry out additional work directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected.

Accordingly, our examinations as internal auditors should not be relied upon solely to disclose fraud, defalcations or other irregularities which may exist, unless we are requested to carry out a special investigation for such activities in a particular area.

# Appendix 3 – Terms of Reference

## Objectives

To ensure that Trade Waste invoices are raised in a timely manner, cash received is correctly allocated, outstanding debts are recovered and the ledger is updated to reflect the Whitespace system.

## Deliverables

Our deliverable will be a report detailing our findings with regard to our assessment of the design and effectiveness of controls in place over the Trade Waste process.

## Information Requirements

Listed below is information that may be required at the commencement of the audit:

- Copies of the contract with White Space.
- Listing of all new accounts set up in year. Supporting documentation (e.g. signed contract and business rates checks) will be required for a sample of contracts.
- Evidence of all invoice runs made in year.
- Listing of all excess charge invoices raised in year.
- Details of aged debt for all Trade Waste to date. Evidence of recovery procedures will be required for a sample of debts.
- Listing of credit notes raised in year.
- Evidence of interface of information into Agresso and reconciliations performed.
- Access listing for Whitespace.
- Access to suspense accounts.
- Details of all trade waste write offs made in year.

The list is not intended to be exhaustive. Evidence should be available to support all operating controls. Other information arising from our review of the above documentation may be requested on an ad hoc basis.

## Scope and Approach

Our work will focus on identifying the guidance, procedures and controls in place to mitigate key risks through:

- Documenting the underlying guidance, policy and processes in place and identifying key controls;
- Considering whether the policies and procedures in place are fit for purpose; and
- Testing key controls.

The key points that we will focus on are:

- Trade Waste accounts are only raised on receipt of properly authorised and complete request documentation.
- Invoices are raised in a timely, complete and accurate fashion.
- Only valid and accurate credit notes are raised.
- Debt collection, recovery and write-off procedures are sufficient to ensure that delay in receiving payments and loss of credit income is minimised.
- The correct information on Trade Waste income is fed into the Authority's General Ledger system.
- The White Space system is protected against unauthorised access/ processing and is secure against loss or damage of data.

## Limitations of Scope

The scope of our work will be limited to those areas identified in the terms of reference.

## Stakeholders and responsibilities

Role	Contact	Responsibilities
Interim Finance Business Partner	Paul Jemetta	<ul style="list-style-type: none"> <li>• Review draft terms of reference.</li> <li>• Review and meet to discuss issues arising and develop management responses and action plan.</li> <li>• Review draft report.</li> <li>• Implement agreed recommendations and ensure ongoing compliance.</li> </ul>
Business Support Officer	Ian Bourton	
Head of City Works	Phil Dunsdon	<ul style="list-style-type: none"> <li>• Receive agreed terms of reference.</li> <li>• Receive draft and final reports.</li> </ul>
Interim Head of Finance	Nigel Kennedy	
Executive Director City Services	Tim Sadler	
Executive Finance Director	Jackie Yates	
Chief Executive	Peter Sloman	<ul style="list-style-type: none"> <li>• Receive final report.</li> </ul>

## Our team

Role	Contact
Chief Internal Auditor	Chris Dickens
Audit Manager	Katherine Bennett
Auditor	Rob Grey

## Timetable

The timetable for this review is as follows:

TOR approval	August 2010
Fieldwork commencement	23 <sup>rd</sup> August 2010 (T)
Fieldwork completed	T + 1 weeks
Draft report of findings issued	T + 3 weeks
Receipt of Management response	T + 5 weeks
Final report of findings issued	T + 6 weeks

Our budget for this assignment is 5 days. If the number of days required to perform this review increases above the number of days budgeted, we will bring this to management attention.

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