

# Agenda

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## Audit and Governance Committee

Date: **Monday 28 November 2011**

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Time: **6.00 pm**

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Place: **St Aldate's Room, Town Hall**

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# Audit and Governance Committee

## Membership

<b>Chair</b>	<b>Councillor Beverley Hazell</b>	Marston;
<b>Vice-Chair</b>	<b>Councillor Clark Brundin</b>	North;
	<b>Councillor Roy Darke</b>	Headington Hill and Northway;
	<b>Councillor Bryan Keen</b>	Cowley;
	<b>Councillor Mark Mills</b>	Holywell;
	<b>Councillor Matt Morton</b>	St. Mary's;
	<b>Councillor Oscar Van Nooijen</b>	Hinksey Park;

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## AGENDA

	<b>Pages</b>
<b>1 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS</b>	
<p>The Quorum for this Committee is 3 and substitutes are permitted.</p>	
<b>2 DECLARATIONS OF INTEREST</b>	
<b>3 AUDIT COMMISSION OPINION MEMO</b>	1 - 10
<p>The Head of Finance has submitted a report on behalf of the Audit Commission which details for information the Audit Commission's Opinion Memo.</p> <p>The Committee is asked to comment on and note the report.</p>	
<b>4 ANNUAL AUDIT LETTER - AUDIT COMMISSION</b>	11 - 26
<p>The Head of Finance has submitted a report on behalf of the Audit Commission which provides a summary of the findings from the 2010/11 audit.</p> <p>The Committee is asked to comment on and note the report.</p>	
<b>5 AUDIT COMMISSION PROGRESS REPORT</b>	27 - 32
<p>The Head of Finance has submitted a report on behalf of the Audit Commission which details the progress made in delivering the work set out in the 2010/11 audit plan.</p> <p>The Committee is asked to comment on and note the report.</p>	
<b>6 INTERNAL AUDIT SUMMARY REPORT - 2011/12 PLAN - PRICEWATERHOUSECOOPERS (PWC)</b>	33 - 42
<p>The Head of Finance has submitted a report on behalf of the Council's Internal Auditors, Pricewaterhousecoopers (PWC) which provides an update of the work undertaken as part of the 2011/12 Audit Plan.</p> <p>The Committee is asked to comment on and note the report.</p>	
<b>7 AUDIT RECOMMENDATIONS - IMPLEMENTATION UPDATE</b>	43 – 56

**8 MINUTES**

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Minutes of the meeting held on 29 September 2011.

**9 DATES OF FUTURE MEETINGS**

The Committee will meet on the following dates at 6.00pm in the Town Hall:

Monday 6 February 2012

Monday 16 April 2012

## **DECLARING INTERESTS**

What is a personal interest?

You have a personal interest in a matter if that matter affects the well-being or financial position of you, your relatives or people with whom you have a close personal association more than it would affect the majority of other people in the ward(s) to which the matter relates.

A personal interest can affect you, your relatives or people with whom you have a close personal association positively or negatively. If you or they would stand to lose by the decision, you should also declare it.

You also have a personal interest in a matter if it relates to any interests, which you must register.

### **What do I need to do if I have a personal interest?**

You must declare it when you get to the item on the agenda headed "Declarations of Interest" or as soon as it becomes apparent to you. You may still speak and vote unless it is a prejudicial interest.

If a matter affects a body to which you have been appointed by the authority, or a body exercising functions of a public nature, you only need declare the interest if you are going to speak on the matter.

### **What is a prejudicial interest?**

You have a prejudicial interest in a matter if;

- a) a member of the public, who knows the relevant facts, would reasonably think your personal interest is so significant that it is likely to prejudice your judgment of the public interest; and
- b) the matter affects your financial interests or relates to a licensing or regulatory matter; and
- c) the interest does not fall within one of the exempt categories at paragraph 10(2)(c) of the Code of Conduct.

### **What do I need to do if I have a prejudicial interest?**

If you have a prejudicial interest you must withdraw from the meeting. However, under paragraph 12(2) of the Code of Conduct, if members of the public are allowed to make representations, give evidence or answer questions about that matter, you may also make representations as if you were a member of the public. However, you must withdraw from the meeting once you have made your representations and before any debate starts.



# Agenda Item 3

**Audit Opinion Memo**

**Oxford City Council**

**Audit 2010/11**

**The Audit Commission is a public corporation set up in 1983 to protect the public purse.**

**The Commission appoints auditors to councils, NHS bodies (excluding NHS Foundation trusts), police authorities and other local public services in England, and oversees their work. The auditors we appoint are either Audit Commission employees (our in-house Audit Practice) or one of the private audit firms. Our Audit Practice also audits NHS foundation trusts under separate arrangements.**

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



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# Introduction

1 We audit the accounts in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). Our main objectives are to:

- give an opinion on the Council's financial statements, and
- review whether the Council has put proper arrangements in place for securing economy, efficiency and effectiveness in its use of resources.

2 We issued an unqualified audit opinion on 30 September 2011. We also issued an unqualified conclusion on your arrangements to secure value for money.

3 The purpose of this report is to record any issues which arose during the audit and recommend action required by the Council.

## Main conclusions

4 Improvements have been made since last year's audit. Working papers are better with a few exceptions. For example, it took a long time to agree the accounts to the ledger because we had to ask for more detailed breakdowns and coding information. This meant we took longer on this part of the audit than we planned.

5 Audit queries were answered quickly. Communication between the finance team and us has improved since last year, we had regular update meetings and progress statements.

6 We found several differences between the WGA return and the Accounts and it was time-consuming to reconcile the 2 documents.

7 We have made suggestions for making the Accounts process better next year. These have been split into 2 groups:

- those where the Council needs to do something (Appendix 1)
- those which are useful learning points for next year (Appendix 2)

8 We met with the Director of Finance and Efficiency on 14 October 2011 to discuss how we could make improvements for next year. In particular we discussed:

- the Council providing us with training on its finance systems and for us to have read only access to them. This should reduce the number of queries the finance team have to field and save some time for us;
- the Council using the good practice example we provided for linking the financial statements to supporting notes and working papers;
- the Council looking at simplifying the Trial Balance and how this links between the ledger and the financial statements. This will involve reviewing and updating the Council's coding structure and this would not be a simple or quick task but would allow more automation in the process.

9 Action on these will help to address the issues we have raised and make the final accounts audit more efficient.

## Appendix 1 Requiring action by the Council

### Recommendations

#### Recommendation 1

The Trial Balance (TB) did not provide enough detail to agree the ledger to the financial statements. For next year, provide a version of the TB that has code breakdowns and service analysis which allows it to be agreed to the statements

Responsibility	Anna Winship
Priority	High
Date	30 June 2012
Comments	We are working on improvements to Agresso reporting to ensure the TB is taken from the system and linked to all main notes and disclosure notes

#### Recommendation 2

Some working papers which were out of date and did not agree to the notes in the Accounts. For example Note 27 segmental analysis. Check working papers agree to the notes before handing them to us and are the most recent.

Responsibility	Anna Winship
Priority	High
Date	30 June 2012
Comments	this was due to late changes being made to the Income and Expenditure, with the reporting improvements made as described in Recommendation1 any late changes will be picked up through these reports

#### Recommendation 3

The Financial Statements did not disclose 2008/09 comparatives for balance sheet items. These were required.

Ensure all required disclosures are included in the statements.

Responsibility	Anna Winship
Priority	Medium
Date	30 June 2012
Comments	The CODE will be reviewed to ensure all disclosure requirements are included within the statements

#### Recommendation 4

There were a few cases where the wrong figure from working papers had been used in the Accounts (for example Notes 12 and 23).

Allow enough time to check the figures.

Responsibility	Anna Winship
Priority	Medium
Date	30 June 2012
Comments	Additional checks will be brought into the planning process and time allowed for final detailed checks of working papers ensuring all figures match

#### Recommendation 5

The workings for the Accounts payable (AP) reconciliation showed a £2.5m difference with the general ledger. This is because the AP and ledger reports are produced in different ways. This is the same as last year.

Find out how to produce the AP report to not show this difference

Responsibility	Pete Johnson
Priority	Medium
Date	31 March 2012
Comments	The AP ledger will be closed off on 31/3/11 therefore alleviating this issue of timing differences

#### Recommendation 6

Our testing of the debtors control account found 2 amounts which were unlikely to be recovered. These had a value of £16,935.

Write off these amounts.

Responsibility	Pete Johnson
Priority	Medium
Date	31 March 2012
Comments	These two accounts will be reviewed and write off will be considered

## Recommendation 7

Our work on Whole of Government Accounts (WGA) return found that £5.88m had been disclosed on the wrong line within the Comprehensive Income and Expenditure Statement. Allow enough time next year to check the accounts are accurate

Responsibility	Anna Winship
Priority	Medium
Date	30 June 2012
Comments	Additional checks will be brought into the planning process and time allowed for final detailed checks of working papers ensuring all figures match and are accurate

## Appendix 2 Other exceptions raised during the audit

### Exception 1

Balance sheet notes did not include the 2008/09 comparatives.

Outcome            These were added.

### Exception 2

Note 42 did not show Public Works Loan Board in the correct way.

Outcome            Corrected

### Exception 3

Note 33 Grant income did not include £70 million of housing benefit and council tax subsidy income.

Outcome            Corrected

### Exception 4

Note 11 was not consistent with note 33 (area based grant income missing)

Outcome            Note 11 corrected

### Exception 5

Other financing activities within the Cash Flow statement did not include council tax and national non domestic rates amounts of £36k

Outcome            The Cash Flow Statement corrected

### Exception 6

The wrong figures were used in note 12 for depreciation and impairment losses

Outcome            Note corrected

### Exception 7

There were some differences between the Explanatory Foreword and the statements

Outcome            Explanatory Foreword corrected

### Exception 8

The working papers for note 27 did not agree to the note

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Outcome Note corrected

### Exception 9

The wrong figures used in note 23

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Outcome Note corrected

### Exception 10

The Revaluation Reserve overstated by £104k and the Capital Adjustment Account understated by the same amount

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Outcome Reserves corrected.

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# Annual Audit Letter

Oxford City Council

Audit 2010/11



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**Traffic light explanation**  
Red ■ Amber ◆ Green ●

# Key messages

This report summarises the findings from my 2010/11 audit. My audit comprises two elements:

- the audit of your financial statements; and
  - my assessment of your arrangements to achieve value for money in your use of resources.
- I have included only significant recommendations in this report. The Council has accepted these recommendations.

Key audit risk	Our findings
Unqualified audit opinion	●
Proper arrangements to secure value for money	●

## Value for money

I issued an unqualified VFM conclusion. I concluded the Council has proper arrangements to secure, economy, efficiency and effectiveness in its use of resources. Maintaining effective management arrangements including financial resilience are essential for the Council as it continues to receive less funding from central government.

## Audit opinion and financial statements

I issued an unqualified opinion on the Council's 2010/11 financial statements on 30 September 2011.

# Financial statements and annual governance statement

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**The Council's financial statements and annual governance statement are an important means by which the Council accounts for its stewardship of public funds.**

## **Overall conclusion from the audit**

I issued an unqualified opinion on the Council's 2010/11 financial statements on 30 September 2011.

## **Financial statements**

It has been a challenging year for the Council with the introduction of IFRS and staffing changes during the year but against this backdrop it was pleasing to have good cooperation from the finance team. Performance has improved on the previous year with fewer errors identified this year.

Key issues arising from the audit are:

- The need to review of the Council's treatment of the provision for bad debts on investments with Icelandic banks;
- An adjustment required for £78 million in the lease note;
- Classification adjustment required of £5.788m income from investment properties in the Comprehensive Income and Expenditure Statement;
- Delays in providing restated IFRS compliant financial statements;
- Financial statements and notes needing extra work and explanation to gain assurance on them.

While there has been an improvement on last year there is more to do to ensure the accounts and working papers are prepared to the standard required and remove the need for extra audit work and resulting additional fee. I had to do more work on the IFRS restated accounts. I have also had to do extra work on agreeing the financial statements to the trial balance and ledger and supporting working papers.

## Annual Governance Statement

I have reviewed the Council's Annual Governance Statement. My review focused on:

- considering the completeness of the disclosures in the governance statement and whether it complies with proper practice as specified by CIPFA; and
- identifying any inconsistencies between the disclosures and the information that I am aware of from my work on the financial statements and other work.

In my view the statement is compliant and complete. I did not identify any inconsistencies between the disclosures and the information that I am aware of from my work on the financial statements and other work.

### Internal control

I did not identify any significant weaknesses in your internal control arrangements. I did identify some areas for improvement from my review of the Council's material financial systems and from my audit of the financial statements. I identified control weaknesses around the monthly reconciliations. This meant that I could not place reliance on them and I had to complete more substantive testing at the year end.

→ I will review progress in implementing my recommendation as part of my audit for 2011/12.

### Significant matters discussed with the Council

I have discussed with the Council the impact of IAS39 and LAAP Bulletin 82 update 4 issued by CIPFA in May 2011 about the treatment of Icelandic bank deposits. This requires Councils to come to a 'best estimate' based on information available to them and LAAP Bulletin 82 provided advice on estimating the impairments to be recognised.

I reviewed the Council's response to the LAAP Bulletin and I am comfortable that the explanation provided supports the Council's best estimate of the liability and this is in line with IAS 39.

Another significant matter discussed with officers was a property, Ramsey House with a value of £2.2million, which was included in assets held for sale. Following my discussions the asset was reclassified as a surplus asset.

### Questions and objections

I received some questions from local residents. None of the questions I received met the criteria for an objection as they did not contain details of any item in the accounts which broke the law. I therefore did not accept the questions as an objection. Where appropriate I have followed up questions with the Council to ensure that they are considering these and what action they may need to consider as a result.

## Audit fees

I reduced the audit fee in 2010/11 on the expectation there would be further efficiency savings and improvements to the financial statements, supporting notes and working papers. While there have been improvements on last year there is more to do to get the supporting notes and working papers to the standard expected therefore I have had to undertake extra work.

On top of the original fee of £200,000 a fee of £8,000 has been charged for the extra work I undertook on IFRS restatements and £15,000 for the extra final accounts work, resulting from the issues with notes, supporting documentation and also additional work needed in specific areas to gain assurance required. Audit fees in previous years have been higher, the fee for 2009/10 was £227,000 and in 2008/09 was £273,032.

## Recommendation

### Recommendation

**R1** The Council must monitor and ensure the timely implementation of recommendations I have made in the following reports to achieve the required improvements:

- 16
    - Annual Governance Report
    - Final accounts memo
    - Interim memo.
-

# Value for money

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**I considered whether the Council is managing and using its money, time and people to deliver value for money. I assessed your performance against the criteria specified by the Audit Commission and have reported the outcome as the value for money (VFM) conclusion.**

I assess your arrangements to secure economy, efficiency and effectiveness in your use of resources against two criteria specified by the Audit Commission. My overall conclusion is that the Council has adequate arrangements to secure, economy, efficiency and effectiveness in its use of resources.

My conclusion on each of the two areas is set out below.

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## Value for money criteria and key messages

Criterion	Key messages
<b>1. Financial resilience</b> <b>The organisation has proper arrangements in place to secure financial resilience.</b> Focus for 2010/11: The organisation has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.	The Council has put in place systems for monitoring and managing financial performance including a sound project and programme methodology for delivering its transformation savings. I found that the Council had responded well to the decrease in funding from central government by developing financial plans that reflected reduced grant income. The indications are, for example a balanced budget was set for 2010/11 and kept to, that the Council has a stable financial position for 2011/12 at half year and should be able to achieve its plans provided financial control remains effective.

**2. Securing economy efficiency and effectiveness**

**The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.**

Focus for 2010/11:

The organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

The Council has put in place arrangements for budget setting involving both Members and budgetholders to ensure there is a focus on priority areas and that cost reductions are deliverable.

The Council has a cost reduction target of £10 million in its 4 year Medium Term Financial Plan and aims to achieve them through a combination of efficiency savings £6 million, service reductions £1.8 million and fees and charges of £2.2 million. The Council's efficiency savings are front loaded (£3.2 million in 2011/12) will be delivered in part through its officer rationalisation programme and its customer contact services review.



# Current and future challenges

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Economic downturn and pressure on the public sector

The economic climate and the constraints on public finances will require the Council to meet cost pressures more through increasing efficiency and looking at new income generating activities.

The Council has reduced its workforce by voluntary redundancy and has developed new ways of working such as the new call centre. It is also on target to meet its savings targets in 2011/12.

Financial pressures remain. Cuts in the spending of other public sector bodies and changes in the benefits regime put pressure on the Council to maintain or increase spending. The key challenge will be in maintaining sound financial control through effective integrated performance reporting.

Operational performance

The Council reported improved performance against the National and retained Best Value Performance Indicators. Of the 79 performance figures measured 65 (82%) were at or above target. The Council also reported good performance against targets in the Corporate Plan with 78% of these being achieved. Only eight were not achieved. Of particular note is that the Council for the first time was able to report a lower number of average days lost to sickness than the target.

This is good performance given the economic backdrop and financial pressures and the Council needs to maintain this going forward. The Council have invested in the development of its management information system, Corvu to facilitate integrated performance reporting. The Council has also received IIP accreditation and is continuing to invest in staff development through Action Learning and coaching.

Financial statements and IFRS

The Council met the challenge of implementing IFRS. There is the need to embed processes to make them routine and less time-consuming for the finance team. Some aspects, such as assets held for sale, need to be considered on a routine basis to ensure that they are picked up accurately and in a timely manner.

The Finance team are keen to build on the success achieved in 2010/11 and are working on improving the quality of working papers.

Following a health check of the Council's financial ledger, a project is underway to streamline the coding structure, better integrate the system and enable the automatic generation of key reports thus providing productivity gains.

# Closing remarks

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I have discussed and agreed this letter with the Chief Executive and the Director of Finance. I will present this letter at the Audit and Governance Committee on 28 November 2011.

Further detailed findings, conclusions and recommendations in the areas covered by our audit are included in the reports issued to the Council during the year.

Report	Date issued
Audit plan	January 2011 and reported to January 2011 Audit and Governance Committee
Interim memo	May 2011 and reported to June 2011 Audit and Governance Committee
Final accounts memo	October and reported to November 2011 Audit and Governance Committee
Annual governance report	September 2011 and reported to September 2011 Audit and Governance Committee
Auditor's opinion on the financial statements and vfm conclusion	30 September 2011
Audit completion certificate	30 September 2011
Annual Audit Letter	28 November 2011 and reported to November Audit and Governance Committee

I can confirm the audit has been carried out in accordance with the Audit Commission's policies on integrity, objectivity and independence. The Council has taken a positive and constructive approach to our audit. The final audit fees for the Council for 2010/11 are set out in Appendix 1.

I wish to thank the Council staff for their support and co-operation during the audit.

Maria Grindley

District Auditor

November 2011

# Appendix 1 - Fees

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	Actual	Proposed	Variance
Scale fee	223,000	200,000	23,000
Non-audit work	0	0	0
<b>Total</b>	<b>223,000</b>	<b>200,000</b>	<b>23,000</b>

The Audit Commission paid a rebate of £10,673 to the Council in April 2010 to reduce the 2010/11 audit fee.

My proposed fees for grant claim work is £82,000. My work on grant claims is in progress and I will report the final fee once my work is complete.

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# Appendix 2 - Glossary

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## **Annual governance statement**

Governance is about how local government bodies ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.

It comprises the systems and processes, cultures and values, by which local government bodies are directed and controlled and through which they account to, engage with and where appropriate, lead their communities.

The annual governance statement is a public report by the Council on the extent to which it complies with its own local governance code, including how it has monitored the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period.

## **Audit opinion**

On completion of the audit of the financial statements, I must give my opinion on the financial statements, including:

- whether they give a true and fair view of the financial position of the audited body and its spending and income for the year in question; and
- whether they have been prepared properly, following the relevant accounting rules.

## **Opinion**

If I agree that the financial statements give a true and fair view, I issue an unqualified opinion. I issue a qualified opinion if:

- I find the statements do not give a true and fair view; or
- I cannot confirm that the statements give a true and fair view.

**Value for money conclusion**

The auditor's conclusion on whether the audited body has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources based on criteria specified by the Audit Commission.

If I find that the audited body had adequate arrangements, I issue an unqualified conclusion. If I find that it did not, I issue a qualified conclusion.

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- any director/member or officer in their individual capacity; or
- any third party.



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# Audit Commission Progress Report

Oxford City Council  
Date **November 2011**



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## Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
- any third party.

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# Introduction

**1** My principal objective as the Council's appointed auditor is to carry out an audit which meets the Audit Commission's Code of Audit Practice. This report sets out the progress I have made in delivering the work set out in my 2010/11 audit plan.

**2** My audit plan sets our work based on the Audit Commission's risk-based approach to audit planning. It reflects:

- Audit and inspection work specified by the Audit Commission;
- Current national risks relevant to your local circumstances; and
- Your local risks and improvement priorities.

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## Our responsibilities

**3** In carrying out audit work, we comply with the statutory requirements governing it, in particular the:

- Audit Commission Act 1998; and
- Code of Audit Practice (the Code).

**4** My audit plan is consistent with the Commission's Strategic Plan.

**5** The new Audit Commission Code came into effect from March 2010 which sets out my principal objectives are to report on the Council's:

- financial statements; and
- arrangements for securing economy, efficiency and effectiveness in its use of resources.

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## 2010/11 audit work

**6** My 2010/11 work is complete except for grant claim work on Housing and Council Tax Benefits and Housing Subsidy.

# Appendix 1 Planned outputs

Audit Plan	Work carried out	Lead officer	Status	Start date	Draft report date	Final report date
<b>2010/11 Audit</b>						
Audit Fee Letter	Sets out audit fee.	Chief Executive	Complete	March 2010	March 2010	9 April 2010
Audit Opinion Plan	Provides detail of our opinion work.	Chief Executive and Corporate Director Finance & Efficiency	Complete	December 2010	January 2011	January 2011
Opinion on accounts and VFM conclusion: <ul style="list-style-type: none"> <li>interim visit</li> <li>IFRS restatement</li> <li>final accounts</li> <li>vfm conclusion</li> </ul>	Audit of financial statements leading to audit opinion and vfm conclusion.	Corporate Director Finance & Efficiency	Complete	January 2011	September 2011	30 September 2011
Whole of Government accounts	Audit of WGA data returns	Head of Finance	Complete	11 July 2011	September 2011	30 September 2011

<b>Audit Plan</b>	<b>Work carried out</b>	<b>Lead officer</b>	<b>Status</b>	<b>Start date</b>	<b>Draft report date</b>	<b>Final report date</b>
Annual Audit Letter 2010/11	Summary of the audit.	Chief Executive and Corporate Director Finance & Efficiency	Presented to November 2011 Audit and Governance Committee meeting	November 2011	November 2011	November 2011

<b>Grant claims 2010/11</b>							
<b>Grant claim</b>	<b>Details</b>	<b>Key contact</b>	<b>Progress</b>	<b>Council deadline provisional</b>	<b>Received from Council</b>	<b>Audit deadline provisional</b>	<b>Certified by Audit</b>
BEN01	Housing and Council Tax benefits	Pauline Hull	In progress	31 May 2011	Y	30 November 2011	
HOU01	Housing Subsidy	Jane Rees	Certified	30 September 2011	Y	31 December 2011	Y
HOU02	Base data return	Jane Rees	Certified	31 August 2011	Y	7 October 2011	Y
HOU21	Disabled facility grant	Paul Swaffield/ John Exeley	Certified	30 June 2011	Y	28 October 2011	Y
LA01	NNDR	Adrian Wood	Certified	24 June 2011	Y	23 September 2011	Y

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# Internal audit summary report for Audit and Governance Committee

*November 2011*



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# *Plan outturn*

## **2011/12 Audit Plan**

We have undertaken work in accordance with the 2011/12 Internal Audit Plan which was approved by the Audit and Governance Committee at its meeting in March 2011.

An outturn statement detailing assignments undertaken and actual activity for the year is shown in Appendix One. At present we have completed **145 days out of a total planned 250 days (58%)**. This is in line with the profile of our Internal Audit plan. We commit to completing our plan ahead of the year end.

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# Reporting Activity and Progress

## *Final reports issued since the previous meeting*

- **Cash Collection and Establishment Visits**– We reviewed the controls in place around cash collection and performed spot checks on a number of sites where cash is collected by the Council. We have classified our findings in this area as **Medium Risk**. The Council has made good progress with recommendations we made last year around production of management information, use of CCTV in cash offices and resolution of reconciling items on PARIS interfaces. We however re raised medium risk issues around the need to ensure segregation of duties within the cash collection function and the levels of balances held on cash suspense accounts. We noted no issues with the accuracy of cash balances during our spot checks.
- **Homelessness** – We have issued a **Medium Risk** rating following our review of how the Council manages the homelessness process. We noted 1 medium risk issue around budgetary control in this area. At the time of audit, no budget or aged debt information had been produced for the homelessness function, meaning that the true cost of the function cannot be understood by officers. Only minor exceptions were noted around the processing of homelessness applications.
- **Treasury Management** – In prior year we issued a high risk rating for this area. Significant improvement has been noted and as such we have classified our 2011/12 findings as **Low Risk**. We have recommended that the Council produce additional information to review liquidity on a periodic basis. This will become more important following housing subsidy reformed in 2011/12.

## *Fieldwork and draft reports*

Draft reports have been issued and/or fieldwork has commenced in the following areas: -

- General Ledger
- Debtors
- Creditors
- Payroll
- Collection Fund
- Housing Rents
- Risk Management and Performance Improvement
- Trade Waste
- Commercial Property income
- Budgetary Control
- Procurement Computer Aided Audit Techniques
- Contract Assurance

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# IT Risk Assessment

Our 2011/12 Internal Audit plan includes 25 days to review the Council's IT systems. In order to ensure that internal audit resources are deployed to address the risks facing the organisation, we have performed a risk assessment on the current IT environment.

The information which has been used to prepare our Risk Assessment and proposed IT Internal Audit plan has been collected and collated from a number of different sources, including:

- Prior year internal audit plans and reports;
- A review of risk registers ;
- Consultation with key individuals including Internal Audit at Oxfordshire County Council;
- A review of relevant documentation (e.g. policies and procedures)
- Our knowledge of the Council and results of Internal Audit work undertaken in prior years.

## Completeness of assessments and future reviews

Our risk assessment is limited to matters emerging from the processes listed above. We will review and update this assessment and the resulting internal audit plan annually. If, however, additional risks arise, or change in priority, during the year the audit plan will be reconsidered with management and, with the approval of the Audit and Governance Committee, amended to ensure that audit resources are focused on the new risk areas. Our planning process has been carried out in line with modern internal auditing standards and the CIPFA Code of Practice for Internal Audit in Local Government in the UK.

The following table details the risk areas identified

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Area of coverage	Key Risks Identified
IT Patching	Un-patched IT systems and hardware exposing the Council to unauthorised access or performance issues.
Lagan CRM System	Poor IT controls resulting in unauthorised access, modification or theft of sensitive personal information.  Poor performance of system.  System failing to deliver expected benefits.
ICT Contract with Oxfordshire County Council	Contract failing to deliver value for money.  Lack of contract detail or appropriate content resulting in the contract failing to deliver the expected services.  Contract not proactively managed by the Council.

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On this basis, our proposed IT internal audit plan for 2011/12 is set out below for the approval of management and the Audit and Governance Committee.

System	Source	Points of Focus	Audit approach	Days
IT Patching	Internal audit Consultation with officers	Patching policy and responsibilities System and server inventory Patch identification and deployment Patching tools used Patch testing and risk assessment	Assess patching policy Understand how accurate software and hardware inventory is maintained to facilitate patching Review how patches are identified, risk assessed tested and deployed Understand what tools are used to deploy patches	7
Lagan CRM system	Internal Audit Consultation with officers	Current status of CRM system implementation Data migration onto CRM system Staff training CRM system security and performance IT Controls (access, security, business continuity)	Determine the responsibilities for CRM system management Examine current status of CRM implementation Establish how data has been migrated onto the CRM system Identify the quality and level of training provided to staff Understand how CRM system security and performance is managed Review how benefits of introduction have been realised Testing of key IT controls.	10
ICT Contract with Oxfordshire County Council	Internal audit Consultation with officers Review of risk registers	Contract management Value derived from ICT contract Contract risks Retained organisation to manage contract	Review ICT contract Assess contract management responsibilities Identify key ICT contract risks NOTE: The final scope of this review will be agreed with management.	8
<b>Subtotal</b>				<b>25</b>

# Appendix One – Plan Progress

Review	Days	Quarter per plan	Progress
General Ledger	10	2	Draft report issued
Debtors	10	3	Fieldwork commenced
Creditors	10	3	Fieldwork concluded
Payroll	10	3	Fieldwork concluded
Collection Fund	10	2	Draft report issues
Cash Collection and Establishment	10	1	Final report issued
Treasury Management	5	2	Final report issued
Housing Benefit	10	3	To be commenced in Q4
Fixed Asset	10	4	To be commenced in Q4
Housing Rents	5	3	Fieldwork commenced
Risk Management and Performance Monitoring	15	3	Fieldwork commenced
Law and Governance - Transparency Agenda	5	1	Review parked
Homelessness	5	1	Final report issued
Income Stream - Car Parking	5	2	Final report issued
Income Stream - Trade Waste	5	2	Draft report issued
Income Stream - Commercial Property	5	2	Scoping commenced
Budgetary Control	10	2	Draft report issued
Year end Support	10	4	To be commenced in Q4
Procurement CAATS	5	2	Fieldwork commenced
ICT	25	-	Risk assessment completed
Contract Assurance	10	2	Fieldwork commenced
Project Governance	5	4	To be commenced in Q4
Fraud Awareness	5	1	Work completed
HRA Reform	10	2	Scoping commenced
Follow Up	10	-	Ongoing
Audit Management	30	-	Ongoing
	<b>250</b>		

## Summary of recommendations (final reports only)

Assignment	High (10 points)	Medium (3 points)	Low (1 point)	TOTAL POINTS	Overall Risk Rating
Car Parking	0	2	6	12	<b>MEDIUM</b>
Cash Collection & Establishment	0	3	3	12	<b>MEDIUM</b>
Treasury Management	0	1	3	6	<b>LOW</b>
Homelessness	0	2	1	7	<b>MEDIUM</b>
<b>Total</b>	<b>0</b>	<b>8</b>	<b>13</b>	<b>-</b>	

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# *Appendix Two – Recent PwC Publications*

As part of our regular reporting to you, we plan to keep you up to date with the emerging thought leadership we publish. The PricewaterhouseCoopers Public Sector Research Centre (PSRC) produces a range of research and is a leading centre for insights, opinion and research on best practice in government and the public sector.

## *Out in the Open – Delivering Public Sector Reform*

Broadly speaking, up until the mid 19th Century, the provision of public services in the UK was largely through charitable giving with support administered at the parish level. There was, however, no mechanism to enforce provision and the system was, in general, fragmented and poorly funded. Much disliked at the time, the system's most enduring image is the workhouse.

Since then, the provision of public services has evolved at different paces. For example, in the late 19th Century, education became compulsory for the majority of young children and in the early 20th Century, there were reforms to the welfare system (for example, the National Insurance Act in 1911). However, it was not until the publication of the landmark Beveridge Report in 1942 that major welfare services, such as health, were moved towards a core function of central government. The report acknowledged that social insurance and services at the time were 'conducted by a complex of disconnected administrative organs, proceeding on different principles...' The subsequent system of public services that grew out of the post-war consensus, including the National Health Service and tripartite education system, funded by general taxation and primarily provided by the state, have remained largely unchallenged to this day.

In each chapter of this book, we address, from different angles, the central question that government is contending with in its White Paper on Open Public Services: how do we achieve improved, more responsive and more efficient public services?

We explore issues around diversification of providers, accountability and finance, using research and our own experiences from working in the public and private sectors across different industries. Our conclusions do not represent complete solutions; rather, insight into some of the issues that the Government will need to contend with if it is to achieve its vision of reformed public services.

## *The (local) state we're in*

In August 2011, PwC conducted an online survey of Local Authority Chief Executives to explore how councils have coped with central government funding cuts. The research examined where councils have generated immediate cost savings, and the actions they have taken as part of their cost reduction programmes. Looking ahead to the next few years, we asked how councils will find more savings, and what the major challenges would be in achieving their savings plans.

At the same time, we also conducted a national online poll with 2,013 members of the public to gather information about their awareness of the savings and service reductions made by their councils in the last 12 months.

This short report sets out the findings from those two surveys and is the first output from a programme of PwC work looking at how councils can respond to the financial challenges that they are now facing.

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## ***Making it happen: A roadmap for cities and local public services***

Today, cities around the world are seen as the engines for sustainable economic growth. And more than ever before the growth that cities can achieve is strongly linked to their power to address social, environmental and economic issues in a holistic manner, whilst making the most of future opportunities. But the most pressing challenge for most cities, which we address in our "Making it happen" report, is how to make this happen and turn city visions into reality.

Our survey reveals that whilst most local governments would claim to have a reasonable knowledge and awareness of the issues and trends in their communities, in practice this may be more anecdotal than evidence based. Developing a clear vision and internal management capabilities allows a city to prioritise, invest in and strategically manage the building blocks or 'capitals' needed by any city for long-term prosperity - social, environmental, cultural, intellectual, infrastructural, ICT and political participation.

Behaviour is key to making a strategy happen. Leadership is the stand-out feature but leadership on its own is not enough. The delivery of positive outcomes from strategies can also only happen if employees and external stakeholders are engaged and if everyone knows their respective roles and responsibilities for implementing the strategy (documented in a comprehensive implementation plan). Learn more in PwC's Making it Happen: A roadmap for cities and local public services to achieve outcomes.

All publications can be read in full at [www.psrc.pwc.com/](http://www.psrc.pwc.com/).

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**To:** Audit & Governance Committee

**Date:** 28 November 2011

**Report of:** Head of Finance

**Title of Report:** Progress on Implementation of Audit Recommendations

## **Summary and Recommendations**

**Purpose of report:** To report progress on the implementation of internal and external audit recommendations.

**Report Approved by:** Jackie Yates

**Policy Framework:** Financial stability

### **Recommendation(s):**

The Audit and Governance Committee is asked to note progress with the recommendations as listed in the Appendix.

Appendix A – Internal and External Audit recommendation tracker

### **Summary**

1. The outcomes of all internal and external audit reports are reported to this Committee. Each report includes recommendations or agreed actions a summary of those which remain outstanding together with updated management responses are provided in Appendix A.

### **Recommendation tracking**

2. Each recommendation is marked with a % complete which correlates to a red/amber/green rating depending on their percentage complete. Up to 25% complete are marked red, between 25% and 75% complete are amber and over 75% complete are green.
3. Any recommendations that were noted as 100% complete at the last meeting have been removed from the tracker.

### **External Audit Recommendations**

- 4 There are 13 recommendations that are showing as red on the external audit recommendation tracker, these are all medium risk items. There are 12 risks that relate to the recommendations made by Audit Commission following the audit of the 2010/11 accounts, and all but one of these recommendations will be picked up in the 2011/12 closure of accounts and therefore the due date is 30<sup>th</sup> June 2012. The Finance team are currently in the process of planning to ensure that these recommendations are completed and we have already held a number of post accounts 'wash up' meetings both internally and with the Audit Commission aimed at learning from and improving the closedown process. It is intended that these recommendations will be completed by the end of March in time for the commencement of the 2011/12 closedown process.
- 5 There are 3 external audit recommendations relating to Corporate Assets that are being reported as 100% complete and will be removed from the next report; together with 1 recommendation in this area where there are no plans to implement, this recommendation is in relation to setting up a profit centre approach for allocating expenditure, however all costs of management of corporate properties are allocated against the overall income from the investment portfolio at service level, therefore this recommendation will not be implemented. We will discuss this with the auditors to ensure that they can gain assurance from this approach, this is the remaining red risk.

Of the recommendations that are not yet complete there are 4 that are more than 3 months passed their review date, however work is progressing on these and they are all more than 50% complete. We are currently reviewing forecast completion dates for these, they will appear in the next report.

#### **Internal Audit recommendations**

- 6 There have been two internal audit reports finalised since the last meeting and these recommendations have been added to the tracker, these are:
  - **Cash Collection – Medium Risk Rating** – Whilst there were only two low risks and one medium risk on the current audit, there are two medium risks and one low risk from the previous years audit that have yet to be implemented and therefore overall the risk rating is medium
  - **Treasury Management – Low Risk Rating**. This is the highest possible score that can be given to an audit and is indicative of sound processes and procedures operating within this area, to the credit of the Financial Accounting Team. There were only four recommendations from this audit, three low and one medium all of which have since been implemented.
- 7 There is one red recommendation on the internal audit recommendation tracker, and this is from the recently completed Cash Collection audit and is in relation to guidance notes being issued in relation to daily cash

procedures, these are expected to be completed and distributed by the end of January 2012.

- 8 There are 31 internal audit recommendations that are being reported as 100% complete and will be removed from the next report. A number of these recommendations that have been completed relate to work in the area of debt collection. Following the implementation of the facility to collect debts by direct debit, a review of debt collection procedures and the issue of guidance notes to staff these recommendations can be deleted from the tracker as having been finalised.
- 9 The Finance Team are implementing a number of workstreams recommended by the Corporate Services Modernisation Board which will see the resolution and completion of the four outstanding audit recommendations that are allocated to Finance, the work includes:
  - a health check on the Agresso Financial Management, which will review reports and processes
  - Implementation of the Purchase to Pay Module for the on-line ordering of goods and services and electronic payment
  - A review of the accounting coding system
- 10 There are four recommendations that are not allocated to finance that are not yet complete and these are all more than 3 months past their original review date, work is progressing on these recommendations and only one is currently showing red as percentage complete. We will be reviewing the forecast completion date for the next report for all of those recommendations that are passed their initial review date.

### **Financial Implications**

- 11 Whilst this report is primarily for noting there is the potential that financial implications could arise for the Council if recommendations are not implemented and the internal audit of processes and procedures highlight areas of risk.

### **Legal Implications**

- 12 There are no legal implications arising from the recommendations in this report.

### **Name and contact details of author:**

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**Background papers:** None

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**Audit Tracker**  
As at: Sep-2011

Ref	Review	Review Date	Issue Noted	Risk Rating	Recommendation	Service	Updater	Owner	Due Date	Forecast Completion Date	Comments	% Complete
EA015	Asset Management	27-Apr-2010	A profit centre approach will be established in respect of discrete property portfolios eg City Centre Retail, Agricultural etc so as to be able to allocate expenditure, including costs of management against income.	Medium	A profit centre approach will be established in respect of discrete property portfolios eg City Centre Retail, Agricultural etc so as to be able to allocate expenditure, including costs of management against income.	Corporate Assets	Richard Hawkes	Steve Sprason	7-Apr-2010		This proposal has not been taken forward. All costs of management of corporate properties are allocated against the overall income from the investment portfolio at service level. There are no immediate plans to change this.	0
EAAGR001	Annual Governance Report	Sep-11	Better attention to detail and review of supporting working papers is needed to improve the efficiency of the audit by reducing the amount of queries I have had to raise. This would save	Medium	Better attention to detail and review of supporting working papers is needed to improve the efficiency of the audit by reducing the amount of queries I have had to raise. This would save	Finance	Anna Winship	Anna Winship	30/06/12		The format of Working papers will be reviewed and improved ahead of the completion of the accounts for 11/12; this will include ensuring all working papers received are accurate.	0
EAAGR002	Annual Governance Report	Sep-11	The council should check on the implementation of the recommendations made in our interim report	Medium	The council should check on the implementation of the recommendations made in our interim report	Finance	Anna Winship	Anna Winship	31/03/12		Recommendation on the interim report will be reviewed	0
EAAGR003	Annual Governance Report	Sep-11	Simplify process for agreeing the ledger to the Trial Balance and then agreeing this to the financial statements	Medium	Simplify process for agreeing the ledger to the Trial Balance and then agreeing this to the financial statements	Finance	Anna Winship	Anna Winship	30/06/12		As part of the planning and preparation process for completion of the accounts for future years we will look to introduce a more robust and easy to follow way of agreeing the ledger to the financial statements	0
EAAGR004	Annual Governance Report	Sep-11	Provide a narrative explanation for related spreadsheets to make it easier to follow the thought process of the preparer. Sample check supporting information to the disclosures in the financial statements to ensure that they agree. Provide an explanation for any variance	Medium	Provide a narrative explanation for related spreadsheets to make it easier to follow the thought process of the preparer. Sample check supporting information to the disclosures in the financial statements to ensure that they agree. Provide an explanation for any variance	Finance	Anna Winship	Anna Winship	30/06/12		As part of the review process of the completion of the accounts checks will be introduced to review disclosure notes against working papers. Within the improvements of working papers we will look to introduce a standard format including a header sheet which will include narrative to accompany the working papers	0
EAAGR005	Annual Governance Report	Sep-11	Include all bank accounts in the financial statements	Medium	Include all bank accounts in the financial statements	Finance	Anna Winship	Anna Winship	30/06/12		All bank accounts will be included within future financial statements	0
EAAGR006	Annual Governance Report	Sep-11	Review cut off prior to presenting the accounts to audit	Medium	Review cut off prior to presenting the accounts to audit	Finance	Anna Winship	Anna Winship	30/06/12		Further review will be undertaken on cut-off to ensure data is accurate within the financial statements	0
EAOM002	Audit Opinion Memo	Oct-11	Some working papers which were out of date and did not agree to the notes in the Accounts. E.g. Note 27 segmental analysis.	Medium	Check working papers agree to the notes before handing them to us and are the most recent.	Finance	Anna Winship	Anna Winship	30/06/12		The timetable will build in time for review to ensure working papers are reviewed prior to submission to the auditors	0
EAOM003	Audit Opinion Memo	Oct-11	The Financial Statements did not disclose 2008/09 comparatives for balance sheet items. These were required.	Medium	Ensure all required disclosures are included in the statements.	Finance	Anna Winship	Anna Winship	30/06/12		A review will be undertaken of the Guidance and the code to ensure all disclosures are included in the 2011/12 accounts	0
EAOM004	Audit Opinion Memo	Oct-11	There were a few cases where the wrong figure from working papers had been used in the Accounts (e.g. Notes 12 and 23).	Medium	Allow enough time to check the figures.	Finance	Anna Winship	Anna Winship	30/06/12		The timetable will build in time for review to ensure working papers are reviewed prior to submission to the auditors	0
EAOM007	Audit Opinion Memo	Oct-11	Our work on Whole of Government Accounts return found that £5.88m had been disclosed on the wrong line within the CIES.	Medium	Allow enough time next year to check the accounts are accurate.	Finance	Anna Winship	Anna Winship	30/06/12		The timetable will build in time for review to ensure working papers are reviewed prior to submission to the auditors	0
EAOM005	Audit Opinion Memo	Oct-11	The workings for the AP reconciliation showed a £2.5m difference between AP and the general ledger. This was because the AP and ledger reports were produced in different ways. This is the same as last year.	Medium	Find out how to produce the AP report to not show this difference.	Finance	Anna Winship	Anna Winship	30/06/12		we are undertaking work with Agresso Consultants to ensure this issue does not arise in 2011/12	20
EAOM001	Audit Opinion Memo	Oct-11	The TB provided was not detailed enough to agree the ledger to the financial statements.	Medium	provide a version of the TB that has code breakdowns and service analysis which allows it to be agreed to the statements	Finance	Anna Winship	Anna Winship	30/06/12		Work is being undertaken to improve the system and improve the reporting to ensure that TB and the financial statements all link together	25

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Ref	Review	Review Date	Issue Noted	Risk Rating	Recommendation	Service	Updater	Owner	Due Date	Forecast Completion Date	Comments	% Complete
EAOM006	Audit Opinion Memo	Oct-11	Our testing of the debtors control account found 2 amounts which were unlikely to be recovered. These had a value of £16,935.	Medium	Write off these amounts.	Finance	Anna Winship	Anna Winship	30/06/12		the write off of these is currently being reviewed with our Legal Department	50
EA010	Equality & Diversity	24-Sep-2009	The Authority should ensure that the website is kept up to date with progress on equality and diversity objectives.	Medium	The Authority should ensure that the website is kept up to date with progress on equality and diversity objectives.	People and Equalities	Simon Howick	Simon Howick	1-Mar-2009		Web pages have improved recently and will be updated with progress regarding the Council's various initiatives in this area	80
EA010	Equality & Diversity	24-Sep-2009	Equalities Questionnaire completed and analysis to be undertaken Workforce Plan is complete and an action plan is being developed A review timetable is in place with a list of policies/procedures to be revised The recruitment and selection Policy is part of the policy review timetable	Medium	improve the approach to workforce planning and HR by improving the baseline knowledge about the workforce against the six equality strands; ensuring that gaps in workforce planning are addressed rapidly; reviewing current HR policies and procedures, including implementation of a fair employment and equal pay policy; improving the selection and recruitment process to attract a wider group of appropriately qualified applicants; and developing staff networks to support minority groups and to inform policy development.	People and Equalities	Simon Howick	Simon Howick	1-Mar-2010		All HR policies reviewed and now up to date - and reflect 2010 Equalities Act. Fair employment and Equal Pay policies in place. More proactive R&S underway such as job fair, targeting community groups with job ads, recruitment coaching sessions. We still need to do more work in this aspect	80
EA002	Certification of Claims and Returns	23-Mar-2010	All PC and Laptop Assets recorded with user and location details. All infrastructure Assets to be documented (with photographic evidence where possible) with location details	Medium	The Council should obtain a record of the laptop allocations and confirm their location	ICT Strategy	David Oakes	Adrian Orchard	1-Jan-2011		We now have the last logged on user information for all City PCs (laptops and desktops), MFDs and all routers on the network. We're still short of information on sepecific server info (though we know overall numbers) and switch information. County have been accessed to provide this information.	85
EA010	Equality & Diversity	24-Sep-2009	An Action Plan is in place for 2009/10 An Action Plan is currently being developed for 2010/11 Monitoring forms part of Performance Management Framework and is monitored on a monthly basis Steering group established and forms part of Corporate Equality Objectives 2009/10	Medium	improve the strategic approach to equality and diversity by: establishing a clear action plan to improve the Councils position against the Local Government Equality Standard and the emerging Local Government Equality Framework; monitoring strategic equality and diversity plans regularly; ensuring that the new Corporate Equality scheme is well publicised and available; and ensuring that the Council is compliant with the Commission for Racial Equality's code of housing.	People and Equalities	Jarlath Brine	Peter McQuitty			The EFLG Peer Review has been rescheduled to take place in January 2012. The submission and self assessment documents are under review (against confidential comparators from other authorities) and will be put before CMT and the Council Leader before being sent to the Peer Review advisor w/c 14/11/11. All final documentation will be sent off before the end of December. The PR team have acknowledged that there is clearly a lot of E&D work going on and the review of the submission is to enable the Council to show case work to the best effect.	90
EA010	Equality & Diversity	24-Sep-2009	The equalities section that is in the transformation Service Plans are all undergoing an internal review. These plans will be monitored every month to assess progress and will then be discussed at the Directorate meeting with the Strategic Directors. This information will be reported quarterly to the Performance Board. There will also be an equalities item on the Wider Leadership Meetings. Peter Sloman, Mel Barrett, Tim Sadler and all the Heads of Service. Melanie Faulkner-Barrett will collate the monitoring information and update the action plan for circulation Reports will be issued at the beginning of every month for the previous month.	Medium	The Authority should ensure there are processes in place which allow service areas to share good practice. For example: identify progress of service areas and compare against each other; introduce timescales to measure progress; discuss and monitor progress of service areas at the Wider Leadership Meetings; and take rectification of action, as appropriate.	People and Equalities	Simon Howick	Simon Howick	3-Feb-2009		Service areas have completed their workforce plans which address E&D and a corporate overview of these will ensure we share good practice. A monthly publication is in place highlighting service area achievements. Service areas are progressing their own key service objectives linked to a diversity theme	100

Ref	Review	Review Date	Issue Noted	Risk Rating	Recommendation	Service	Updater	Owner	Due Date	Forecast Completion Date	Comments	% Complete
EA010	Equality & Diversity	24-Sep-2009	It is agreed that the CES will be reviewed and updated on an annual basis to take into account legislative changes. Monitoring reports will be completed by Melanie Faulkner-Barrett and sent to the Equalities Board. Daniel Rawstorne (Legal) and Simon Howick (HR) will update the legislative changes. August 2009 and March 2010 Melanie Faulkner-Barrett will update the CES. Peter Mc Quitty and Melanie Faulkner-Barrett. Monthly reports issued from May 2009. Quarterly reports from July 2009. In addition we have also made a commitment in the Transformation Service Plan for PPC that we will, Collate and evidence all the work undertaken from August 2008 to March 2009 and issue an annual report.	Medium	The CES should be reviewed and updated on an annual basis.	People and Equalities	Simon Howick	Simon Howick	1-May-2009		CES redraft now complete and going to CEB on 07/12/11 for wider consultation afterwards - includes current action plan -	100
EA015	Asset Management	27-Apr-2010	Make investment decisions that encompass the costs, risks and benefits over the whole-life of the asset. (NOT ASSESSED)	Medium	Make investment decisions that encompass the costs, risks and benefits over the whole-life of the asset. (NOT ASSESSED)	Corporate Assets	Richard Hawkes	Steve Sprason	7-Apr-2010		Business case methodology has now been developed and will be used for all investment/capital planning.	100
EA010	Equality & Diversity	24-Sep-2009	There is a corporate equality training programme in place and a commitment has been made in the Transformation Service Plan for Human Resources for 2008/9 and 2009/10. This programme will run through 2009/10. Peter Mc Quitty, Melanie Faulkner-Barrett (PPC) and Andy Davice (HR). An action Plan for City Works and City Leisure will be developed to ensure that it is flexible to meet the needs of the service. Colin Bailey (CW), Ian Brooke (CL), Melanie Faulkner-Barrett (PPC) and Andy Davice (HR).	Low	The Authority should ensure that all staff attend the training on equality and diversity. This could be undertaken by regularly monitoring and reporting on attendance levels of staff to the Equalities Board and reiterating the importance of this training to management. With regards to the low attendance from City Leisure and City works staff, discussions with heads of service should continue and an action plan should be developed to achieve higher attendance amongst these groups.	People and Equalities	Simon Howick	Simon Howick	0-Jun-2009		Diversity training has been in place in its most recent form for the last 3 years and many staff have been through it. Revised training now written and launched in November 2011 for Management Practice Group, to cascade through the Council	80
EA015	Asset Management	27-Apr-2010	The development of the strategic Asset Management Plan will include for high level challenge of the portfolio together with two pilot area based reviews. The intention is to establish a rolling programme of area based reviews on a prioritised basis. At the same time the Council is embarking on a strategic review of its markets.	Low	Provide a corporate challenge to the size, form, mix and distribution of the current asset base through the continuation of its programme of property reviews of assets. (GREEN)	Corporate Assets	Richard Hawkes	Steve Sprason	7-Apr-2010		The programme of property reviews has continued in line with the Asset Management Plan and will be picked up in the refreshed plan currently being produced.	100
EA015	Asset Management	27-Apr-2010	Work of developing the Strategic Plan for Property and the preparation of a new Asset Management Plan has already commenced. This will fully encompass these requirements.	Low	Ensure that the strategic plans for assets fully encompass the aims of the Council, and the long-term business plans of the service departments and those of its partners.(GREEN)	Corporate Assets	Richard Hawkes	Steve Sprason	7-Apr-2010		The current Asset Management Plan is currently being refreshed and will consider individual Service Plans and will be consulted on fully as part of the adoption process.	100
IA208	General Ledger	1-Oct-2010	Codes may be used incorrectly or not identified for management reporting.	High	A review of cost centre and account codes should be performed to ensure that they remain valid and in use.	Finance	Martin Westmoreland	Nigel Kennedy	1-Oct-2010		The Agresso health check report has been delivered and actions devised. The report recommends and fundamaetal review of the Chart of Accounts and ths is a major piece of work. We are currently working through the implications of this.	30
IA101	Health and safety	1-Mar-2010	Risk assessments should be completed by individual departments for specific Health and Safety Risks. 1/20 assessments tested had not been completed.	High	Officers should be reminded that risk assessment forms should be completed fully upon submission. Any incomplete forms should be returned to the officer for re-work.	People and Equalities	Mark Preston	Simon Howick	1-Jul-2010		Risk assessment training has been designed for delivery in December 2011/January 2012	75

Ref	Review	Review Date	Issue Noted	Risk Rating	Recommendation	Service	Updater	Owner	Due Date	Forecast Completion Date	Comments	% Complete
IA264	Collection Fund	31-Mar-2011	Overpayments and refunds may not be identified on a timely basis.	High	Efforts should be made to investigate all accounts in credit and issue refunds and overpayments if necessary. Going forward, reports should be run on a periodic basis to identify credit balances.	Customer Services	Anne Harvey-Lynch	Helen Bishop	1-Mar-2011		Automated weekly reports are now in place listing all accounts that have had an overall credit generated within a specified time. These are processed on a weekly basis to prevent amounts and values of credits increasing. Backlog of credits is a resource issue that still needs addressing.	80
IA264	Collection Fund	31-Mar-2011	Reliefs may no longer be applicable. The Council may not be maximising their income streams.	High	A review of all single person discount accounts should be undertaken. All individuals should be requested to confirm that they are still eligible for the discount. Where confirmation has not been provided, the relief should be suspended.	Customer Services	Anne Harvey-Lynch	Helen Bishop	1-Mar-2012		Contract with third party supplier is about to be signed for them carry out full review. Project to start 04/01/2012.	100
IA278	Debtors	31-Mar-2011	Debtors are more likely to default on payments if automated direct debits are not set up.	High	The Authority should investigate the use of the direct debit function within Agresso to facilitate periodic payments and payment plans. If the system does not support this function then further enquiries should be made into utilising the Council's cash collection system for this facility.	Finance	Pete Johnson	Nigel Kennedy	1-Jul-2011		Now complete, DDs are being used for Trade Waste and Commercial Property income	100
IA278	Debtors	31-Mar-2011	Unauthorised deletions/alterations may be made to the debtor system if security over access to standing data is not adequately maintained. Unauthorised access to and alteration of system data could assist theft/misappropriation. Inaccurate changes to standing data lead to incorrect invoices being raised.	High	Amendment reports should be produced and distributed to Revenues teams on a monthly basis and reviewed by an appropriate member of staff to confirm that amendments are accurate and authorised.	Finance	Pete Johnson	Nigel Kennedy	1-Mar-2011		Permissions have been reviewed only 3 officers, within the incomes team, can amend.	100
IA278	Debtors	31-May-2011		High	The Authority should investigate the use of the direct debit function within Agresso to facilitate periodic payments and payment plans. If the system does not support this function then further enquiries should be made into utilising the Council's cash collection system for this facility.	Finance	Pete Johnson	Nigel Kennedy	1-Jul-2011		Duplicate recommendation	100
IACC005	Cash Collection	Nov-11	There is no procedure in place to outline how unders and overs should be dealt with during cashing up. Follow up and reporting procedures are based on individual cashier discretion	Medium	Guidance will be produced to ensure departments are aware of their responsibilities with this and the procedures to follow	Finance	Denise Sheppard	Denise Sheppard	01/11/11	31/01/12	A policy in this area will be drafted.	0
IA208	General Ledger	1-Oct-2009	The Council does not undergo a regular review of cost centres and account codes to ensure they remain valid and in use. It was noted through review of the ledger that 21 account codes have been set up outside of the normal coding structure. In addition it appears that a number of codes have duplicate names and descriptions (e.g. creditors, windows, unidentified corporate savings)	Medium	The Authority should seek to review the chart of accounts on an annual basis. All dormant and duplicate codes should be removed.	Finance	Martin Westmoreland	Nigel Kennedy	1-Mar-2010		This will be picked up as part of the fundamental review of the Chart of Accounts as recommended in the Agresso health check report	30
IA084	Debtors	23-Mar-2010	The Agresso system used for raising of corporate debtors and periodic payments does not have a direct debit function.	Medium	The authority should investigate the functionality of the corporate debtor system to facilitate the use of direct debits for periodic payments and payment plans.	ICT Strategy	Pete Johnson	Nigel Kennedy	1-Oct-2010		Phase 1 of the Direct Debit Project covering Periodic payments complete. Phase 2 of the project is to tackle payment plans	50



Ref	Review	Review Date	Issue Noted	Risk Rating	Recommendation	Service	Updater	Owner	Due Date	Forecast Completion Date	Comments	% Complete
IA172	ICT	27-Apr-2010	We were informed that no user access reviews have been performed recently, to determine who has access to particular network shared drives and if the access rights granted are appropriate. Similarly no formal reviews have been performed to determine and validate the level of access available to users in the applications such as CRM and Iworld.	Medium	The user access rights to network shares should be reviewed, to ensure that only authorised City Council staff can access the specific network shares they are entitled to access. Formal reviews covering user access rights within applications in the system should be performed to identify any remove any excess privileges available to users.	ICT Strategy	David Oakes	Adrian Orchard	0-Apr-2010		Project to migrate from the 'M' drive to a network share with an up to date and standardised structure has been put on hold pending Partnership Board discussions on funding and alternatives. The Business Partners are working to produce official procedures to replace the currently ad hoc approach to reviewing user access rights within applications.	75
IA278	Debtors	31-May-2011		Medium	Efforts should be made to assess all aged debt for write off. Any debts deemed as recoverable (e.g. where payment plans are in place) should be clearly highlighted and, in future, all aged debt should be reviewed on a periodic basis. The method of calculating the bad debt provision should be reviewed and procedures should be drawn up to help members of the Finance team calculate this going forward.	Finance	Martin Westmoreland	Nigel Kennedy	1-Feb-2011		The Method of calculating bad debt provision was reviewed during close down and deemed appropriate. The methodology needs to be documented	80
IA034	Council Tax	10-Jan-2009	Council not undertaken review of all single person discount accounts.	Medium	Review to be done. All individuals to confirm entitlement to discount. When conformation not provided, relief should be suspended.	Customer Services	Anne Harvey-Lynch	Helen Bishop	1-Mar-2011		SPD review now in place and will continue on a rolling review basis. All other discounts/exemptions are now set up on a rolling review.	100
IA034	Council Tax	10-Jan-2009	Procedures missing from shared drive.	Medium	Procedure notes needed for whole Council Tax process. All documents to be held on shared drive.	Customer Services	Anne Harvey-Lynch	Helen Bishop	1-Mar-2011		Lagan back office has now been rolled out into the back office. All processes are scripted through the back office system and linked to the ACS on-line manuals.	100
IA101	Health and safety	1-Mar-2010	Key Pis are not in place for the Health and Safety function. No management information is reported at present. Both documents have been drafted for consideration.	Medium	Pis and management information should be formally agreed and monitored on a regular basis by management. Action plans should be put into place to rectify adverse performance.	People and Equalities	Mark Preston	Simon Howick	01-Jun-2010		CMT received a report on Safety Policy Changes and Safety Performance Indicators in end July 2011 which has now been rolled out	100
IA145	Creditors		Budget information may not acknowledge future commitments. Creditor accruals may be inaccurate.	Medium	The Authority should consider the use of commitment accounting. This would require purchase orders to be posted to cost centres on Agresso when they are raised.	Finance	Denise Sheppard	Nigel Kennedy	1-Dec-2010		we have considered using commitment accounting, and P2P will be implemented once we have completed the Agresso Healthcheck project.	100
IA145	Creditors	1-Apr-2010	Manual controls around purchases and payments decrease the effectiveness of the controls. Payments may be made fraudulently and in error and management have limited comfort over the completeness and accuracy of invoices paid.	Medium	Further consideration should be given to the introduction of an electronic purchase and matching process within the Agresso system. It is acknowledged that a cost will be incurred in the introduction of this workflow; however it will facilitate improved internal control within the Council.	Finance	Denise Sheppard	Nigel Kennedy	1-Dec-2010		P2P will be implemented once the Agresso Healthcheck project has been finalised.	100
IA145	Creditors	1-Apr-2010	Unusual or unauthorised transactions may not be detected, leading to an increased risk or misstatement and fraud.	Medium	The Authority should agree upon a suite of exception reports which should be run and reviewed on a regular basis. These should include: Incomplete orders; Goods received not invoiced; Invoices raised without purchase orders; Unusual payments; and Changes made to supplier standing data. It is acknowledged that a number of these reports cannot be run from Agresso unless an automated purchase order process is enabled (see issue #2). In these cases, the Authority should consider collating this information manually.	Finance	Denise Sheppard	Nigel Kennedy	1-Aug-2010		during the implementation of P2P these reports will be designed and implemented.	100

Ref	Review	Review Date	Issue Noted	Risk Rating	Recommendation	Service	Updater	Owner	Due Date	Forecast Completion Date	Comments	% Complete
IA264	Collection Fund	31-Mar-2011	Debts are not collected or reviewed on a timely basis.	Medium	The Council should regularly review tenants' accounts in arrears and ensure that reminders, formal notices, etc. are being issued in line with procedure. A review of all accounts in arrears over one year should be undertaken to ensure that necessary legal action has been undertaken with write offs made as appropriate.	Customer Services	Anne Harvey-Lynch	Helen Bishop	1-Mar-2012		On previous audit trackers I have asked for confirmation that "tenants" is a typing error and should read "Council Tax". All Council Tax billing and recovery notices up to and including liability order are system generated and parameters are set in line with legislation - hence the query is this Council Tax or Rents? Assuming it is Council Tax - reports are in place to list all acc's post liability order stage by age of debt and recovery status. These are used to target area's of recovery work i.e. monthly targets, bankruptcy work. Report was generated in Oct 2010 on all closed acc's on the system with action being taken by either moving recovery stages on if applicable or submitting acc's for w/off. All these w/off's were processed before year end.	100
IA278	Debtors	23-Mar-2010	The Council does not run exception reports to display all significant credit notes raised.	Medium	Exception reports disclosing all credit notes should be run on a periodic basis. All significant credit notes should be reviewed by management to ensure they are valid and appropriate.	Finance	Pete Johnson	Nigel Kennedy			cross ref A1082 - complete	100
IA278	Debtors	23-Mar-2010	The provision against doubtful debts should be calculated by individual devolved departments.	Medium	All responsible officers should meet to discuss individual approaches to calculation of the bad debt provision.	Finance	Martin Westmoreland	Nigel Kennedy	0-Apr-2010		Officers discuss month end issues on a regular basis	100
IA278	Debtors	31-Mar-2011	Credit notes may be raised inappropriately or in error and revenue may not be optimised.	Medium	Exception reports disclosing all credit notes should be run on a periodic basis. All significant credit notes should be reviewed by management to ensure they are valid and appropriate.	Finance	Anna Winship	Nigel Kennedy	1-Mar-2011		This is run every two months.	100
IA278	Debtors	31-Mar-2011	Write off procedures should be reviewed so that they are consistent across the entire Council. These should be re-distributed to staff and kept electronically on the shared drive.	Medium	Write off procedures should be reviewed so that they are consistent across the entire Council. These should be re-distributed to staff and kept electronically on the shared drive.	Finance	Nigel Kennedy	Nigel Kennedy	1-Mar-2011		Write off procedures have now been reviewed	100
IA278			The Council holds a cash suspense account for all erroneous cash transactions. It is best practice that all transactions hitting this account should be cleared on a timely basis (within 1 month). At the time of audit a total of 230 transactions with a total value of £194,535 were outstanding on the account. The oldest amount was dated July 2010.	Medium	Work has been performed following the finance restructure to review the suspense accounts. Further efforts will be made to identify accounts and process refunds or write offs if required.	Finance	Denise Sheppard	Denise Sheppard	01/11/11		Details of all suspense items are being circulated throughout the authority (via Service Heads) to assist in clearing suspense account.	100
IACC002	Cash Collection	Nov-11		Medium								100
IA278				Medium	An additional part of the reconciliation will be introduced whereby details of the cash counted will should be included on the cashing up sheet. All reconciliations will be signed by the Car Parking Manager and any differences over £10 will be formally investigated and documented. The details of this control will be included in procedure noted.							100
IA278	Car Parking	Aug-11	Cash balances may be incomplete, indicating the potential loss or theft of Council income.	Medium		Direct Services	Jason Munro	Jason Munro	1st August 2011		recommendation complete	100

Ref	Review	Review Date	Issue Noted	Risk Rating	Recommendation	Service	Updater	Owner	Due Date	Forecast Completion Date	Comments	% Complete
IACP006	Car Parking	Aug-11	Assets may have been lost or stolen. The value of Council assets may be overstated.	Medium	All officers will be reminded of the requirements to record in full when assets have been issued on long term loan. Inventory checks will be performed by management on a regular basis and documentation retained to evidence the process.	Direct Services	Jason Munro	Jason Munro	1st August 2011		recommendation complete	100
IATM002	Treasury Management	Nov-11	Last year we pointed out that actual cash flows were not compared to those budgeted in the cash flow forecast. A procedure of reviewing large movements has been introduced; however this is an informal process and the outputs are not formally considered or reported. Monthly reports are provided to the Corporate	Medium	A procedure will be introduced going forward for reporting large movements over a set threshold to the s151 officer during monthly finance meetings. At present, the cash flow and borrowing position of the Authority is static and does not pose a risk to financial resilience. Following the introduction of self financing in 2011/12, the profile of	Finance	Anna Winship	Anna Winship	31/10/11		Cashflow actual against forecast is now being reported on a monthly basis to the S151 Officer.	100
IACC006	Cash Collection	Nov-11	It was identified that one member of staff involved in the bank reconciliation process holds access to administration and cash receipting functions in PARIS. It should be noted that no evidence has been found that cash receipting access has been used as this has been set up only to facilitate sickness cover.	Medium	Though the member of staff has very limited day to day involvement in cash receipting the point is accepted and agreed to be best practice. Access rights will be reviewed and changes made as necessary.	Finance	Denise Sheppard	Denise Sheppard	01/11/11		Permissions have been reviewed, and any member of the team carrying out the bank reconciliations does not have admin permissions	100
IACC003	Cash Collection	Nov-11	Daily reconciliations are performed between the PARIS system and the General Ledger (Agresso), to ensure that the interface between the systems has operated correctly. At the time of audit, no reconciliations had been performed for the previous 9 days	Low	The reconciliations were not completed due to staff absence. The backlog has now been cleared and all reconciliations are up to date.	Finance	Denise Sheppard	Denise Sheppard	01/11/11		Work being undertaken, still reviewing process. Investigating differences and correcting.	80
IA278	Debtors	31-Mar-2011	Inconsistencies could lead to inefficiencies in processes, resulting in the Council not maximising its cash flow from its revenue generating streams.	Low	In order to ensure that the issues which have been highlighted by this review are addressed effectively within the revised system, it is imperative that staff are fully trained to allow the Council to make best use of the revised structure.	Finance	Pete Johnson	Nigel Kennedy	1-Jul-2011		Training complete. Direct Debit training ongoing.	100

Ref	Review	Review Date	Issue Noted	Risk Rating	Recommendation	Service	Updater	Owner	Due Date	Forecast Completion Date	Comments	% Complete
IACC001	Cash Collection	Nov-11	Random spot checks were performed at 3 Council sites where cash is collected. In each case, the physical controls around cash were understood and validated and a spot check was performed on the till balance to ensure completeness. The following issues were noted during these visits (sites are to remain anonymous for the purpose of reporting)At 1 site, the keys for the till are kept in the till lock throughout the day; Cashing up is only performed on a weekly basis at 1 site visited. Whilst the level of cash received is often low, officers did reflect upon large cash transactions that remained in the safe for a number of nights before banking; The cashing up process is not reviewed by an independent officer at 1 site. This is common practice on the other sites visited; and Key logs are not maintained at all sites	Low	Instructions will be issued to all cash collection offices to remind them of best practice in these areas. The Revenues Manager is planning to implement spot checks on cash offices to ensure that effective physical controls are in place.	Finance	Pete Johnson	Pete Johnson	01/11/11		Revised Guidance has been issued, and spot checks have been built into workplan for the next quarter	100
IACP002	Car Parking	Aug-11	The Council does not have detailed information on the whereabouts of their assets, leading to an increased risk of misappropriation.	Low	The department now has an established team responsible for Shopmobility. The Car Parking manager will perform spot checks on the assets in addition to the quarterly full stock count.	Direct Services	Jason Munro	Jason Munro	1st August 2011		recommendation complete	100
IACP003	Car Parking	Aug-11	Non compliance may not be identified leading to lost income and potential fraud.	Low	It has been agreed with audit that it is sufficient for this control to be performed on a weekly basis in order to balance efficiency and risk. All differences will be followed up and reasons clearly documented on the reconciliation. The Parking Manager will monitor trends to ensure that issues are not indicative of misappropriation. Procedure notes will be updated to reflect this change in process.	Direct Services	Jason Munro	Jason Munro	1st August 2011		recommendation complete	100
IACP004	Car Parking	Aug-11	Any suspicious or fraudulent activity may not be identified and followed up on a timely basis.	Low	It has been agreed with audit that it is sufficient for this control to be performed on a weekly basis in order to balance efficiency and risk. All differences will be followed up and reasons clearly documented on the reconciliation. The Parking Manager will monitor trends to ensure that issues are not indicative of misappropriation. Procedure notes will be updated to reflect this change in process.	Direct Services	Jason Munro	Jason Munro	1st August 2011		recommendation complete	100
IACP005	Car Parking	Aug-11	The Council does not have full transparency over the use of their assets.	Low	A requirement to include a photocopy of appropriate ID on file is included within the procedure notes.	Direct Services	Jason Munro	Jason Munro	1st August 2011		recommendation complete	100
IACP007	Car Parking	Aug-11	Cash balances may be incorrectly stated. The Council may not identify lost or stolen cash on a timely basis.	Low	Documentation should be increased to outline the reason for all variances over the £10 threshold. This will be reiterated to officers and examples of good documentation provided for reference.	Direct Services	Jason Munro	Jason Munro	1st August 2011		recommendation complete	100
IATM001	Treasury Management	Nov-11	The Treasury Management Manual requires interbank transfers to be approved by 3 separate authorising officers. Only 2 authorisations were obtained for 1 of the 7 transactions processed in year.	Low	The Councils current policy for 3 signatories will be reviewed to consider if 2 signatures is sufficient to mitigate against the risk of inappropriate transfers. This is deemed a reasonable approach by Internal Audit.	Finance	Anna Winship	Anna Winship	01/10/11		This procedure has now been amended and approved and is in place	100

Ref	Review	Review Date	Issue Noted	Risk Rating	Recommendation	Service	Updater	Owner	Due Date	Forecast Completion Date	Comments	% Complete
IATM003	Treasury Management	Nov-11	An investment reconciliation is performed every month to ensure that the total value of investments in the General Ledger agrees to the transactions undertaken in that month. The transaction listing used for this control should be authorised for use. This was not performed in May 2011.	Low	All supporting documentation should be approved for use in reconciliations	Finance	Anna Winship	Anna Winship	31/10/11		Reconciliations are now fully signed off	100
IATM004	Treasury Management	Nov-11	All bank accounts should be subject to regular independently reviewed reconciliations and reasons for any imbalance properly investigated and actioned. It is best practice that any reconciling items should be cleared promptly (within 1 month of the date of reconciliation). It was noted when reviewing the General Fund bank reconciliation that 1 reconciling item of £21,030.57 has been outstanding since April 2011.	Low	The reconciling items relates to a year end accrual journal which will be cleared when opening balances are rolled forward on the General Ledger (this will occur on completion of the 2010/11 External Audit). It is agreed that explanations for reconciling items should be detailed on the reconciliation with information on the action that will be taken.	Finance	Denise Sheppard	Denise Sheppard	31/10/11		A full explanation is included on all reconciling items	100
IACC004	Cash Collection	Nov-11	Reconciliations of PARIS balances and PARIS suspense accounts are not signed as reviewed. This is due to both controls being performed electronically	Low	Daily reconciliations of the PARIS and Agresso balances are not signed as reviewed.	Finance	Denise Sheppard	Denise Sheppard	01/11/11		Daily reconciliations of the PARIS and Agresso balances are not signed as reviewed.	100

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## AUDIT AND GOVERNANCE COMMITTEE

**Thursday 29 September 2011**

**COUNCILLORS PRESENT:** Councillors Brundin (Vice-Chair), Coulter, Darke, Mills, Morton, Rowley and Van Nooijen.

**OFFICERS PRESENT:** Mathew Metcalfe (Democratic Services), Nigel Kennedy (Head of Finance), Jeremy Thomas (Head of Law and Governance), Anna Winship (Financial Accounting Manager), Jackie Yates (Corporate Director Finance and Efficiency) and Maria Grindley (Audit Commission) Carol Quinton (Finance) Maria Grindley and Alan Witty (Audit Commission) Christopher Dickens (Pricewaterhousecoopers)

### **24. APOLOGIES FOR ABSENCE AND SUBSTITUTIONS**

Apologies were received from Councillor Beverly Hazell (Councillor Mike Rowley attended as a substitute) and Councillor Bryan Keen (Councillor Van Coulter attended as a substitute).

Apologies were also received from Peter Sloman (Chief Executive) and Richard Bacon (Pricewaterhousecoopers).

### **25. DECLARATIONS OF INTEREST**

No declarations of interests were made.

### **26. INTERNAL AUDIT SUMMARY REPORT - 2011/12 PLAN - PRICEWATERHOUSECOOPERS (PWC)**

The Head of Finance submitted a report (previously circulated, now appended) on behalf of the Council's Internal Auditors, Pricewaterhousecoopers (PWC) which provided an update of the work undertaken as part of the 2011/12 Audit Plan.

Christopher Dickens from Pricewaterhousecoopers introduced the report and highlighted that the completion of the 2011/12 Audit Plan was on track and that so far 35% of the field work had been completed. The bulk of the reporting would take place in quarter 3. With regard to the audit report on Car Parking, he said that there was a positive trend of improvement.

The Committee agreed to note the report.

### **27. ANNUAL GOVERNANCE REPORT - 2010/11 AUDIT - AUDIT COMMISSION**

The Head of Finance submitted a report (previously circulated, now appended) on behalf of the Audit Commission which detailed the Annual Governance report and the audit work undertaken during the 2010/11 Audit Year.

Maria Grindley from the Audit Commission introduced the report and highlighted that the audit work had been completed and that the statement of accounts had an unqualified opinion. She said that the introduction of the IFRS (International Financial Reporting Standard) had created more work and made the accounts more complicated and this had resulted in many organisations struggling to put their accounts together. However the Council had once again improved on the production of its accounts and she praised the authority for this.

Maria Grindley said that one area for improvement was the standard and production of working papers, which had been highlighted as a key recommendation and the need for this and the additional work on IFRS had resulted in an additional audit fee. She further drew the Committees attention to independence as the spouse of her Team Leader was employed by the Council, but that all of the necessary safeguards had been put in place to reduce any threat to the independence of the work of the Audit Commission and the accounts for the Council.

Alan Witty also from the Audit Commission informed the Committee of changes to the accounts since the report was printed with the agenda and details were circulated at the meeting.

Councillor Brundin with the support of the Committee underlined the need and importance of working papers to support the accounts. In response Jackie Yates said that there had been a step change in what was provided and that meetings were being held to review the process and the necessary changes would be implemented immediately. She added that the Council's ledger was being improved to allow greater access to the Auditors and that all of these changes were part of an improvement plan.

The Committee agreed:

- (a) To note the report;
- (b) To thank the Finance Team for their hard work and superb achievement and success.

## **28. STATEMENT OF ACCOUNTS 2010/11**

The Head of Finance submitted a report (previously circulated, now appended) which presented the Council's Statement of Accounts for approval and authorisation.

Nigel Kennedy introduced the report and said that this was the second year that the Committee had been presented with an unqualified set of accounts.

Jackie Yates with regard to the late adjustments that had been circulated at the meeting confirmed that they were accounted for in the Statement of Accounts that would be signed and published on the Councils website.

The Committee agreed:



- (a) To note that Jackie Yates as the Council's Section 151 Officer signed the accounts;
- (b) That the Vice-Chair sign the accounts on behalf of the Audit and Governance Committee;
- (c) That the Letter of Representation be approved.

## **29. PROGRESS ON IMPLEMENTATION OF AUDIT RECOMMENDATIONS**

The Head of Finance submitted a report (previously circulated, now appended) which provided information on the progress made on the implementation of internal and external audit recommendations.

Anna Winship introduced the report and informed the Committee that the Council's Corvu system was now being used to monitor the implementation of recommendations and she took the Committee through the report.

In response to questions concerning the debtors/creditors recommendations, Anna Winship said that officers continued to make improvements which had included the introduction of direct debit payments. Jackie Yates added that the Council had recently received a health check on the system and that all of the changes would happen by the end of February 2012.

The Committee agreed:

- (a) To welcome the new layout of the information contained in the report;
- (b) To request a further progress report and that target dates for implementation also be included.

## **30. MINUTES**

The Committee agreed to approve the minutes (previously circulated) of the meeting held on 30<sup>th</sup> June 2011.

## **31. DATES OF FUTURE MEETINGS**

The Committee agreed to note that the Committee would meet at 6.00pm in the Town Hall on the following dates:

Monday 28<sup>th</sup> November 2011  
Monday 6<sup>th</sup> February 2012  
Monday 16<sup>th</sup> April 2012

## **32. MATTERS EXEMPT FROM PUBLICATION**

The Committee agreed that, under Section 100A(4) of the Local Government Act 1972, the press and the public be excluded from the meeting for the remaining item of business on the grounds that their presence would involve the likely

disclosure of information as described in paragraphs 2, 3 and 7 of Part I of Schedule 12A of the Act and to record that in all the circumstances of the case, the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

### **33. ALLEGATIONS OF INTERNAL FRAUD, INVESTIGATIONS AND OUTCOMES**

The Head of Finance submitted a report (previously circulated, now appended), which detailed recent investigations and outcomes of cases of alleged fraud involving Oxford City Council staff.

The Committee agreed to note the report.

**The meeting started at 6.00 pm and ended at 7.05 pm**