

# Agenda

www.oxford.gov.uk



## Audit and Governance Committee

Date: **Thursday 24 April 2014**

---

Time: **6.00 pm**

---

Place: **Town Hall**

---

For any further information please contact:

**Mathew Metcalfe, Democratic and Electoral Services Officer**

Telephone: 01865 252214

Email: [mmetcalfe@oxford.gov.uk](mailto:mmetcalfe@oxford.gov.uk)

---

# Audit and Governance Committee

## Membership

<b>Chair</b>	<b>Councillor James Fry</b>	North;
<b>Vice-Chair</b>	<b>Councillor Craig Simmons</b>	St. Mary's;
	<b>Councillor Tony Brett</b>	Carfax;
	<b>Councillor Roy Darke</b>	Headington Hill and Northway;
	<b>Councillor Mike Rowley</b>	Barton and Sandhills;
	<b>Councillor David Rundle</b>	Headington;
	<b>Councillor Scott Seamons</b>	Northfield Brook;

### **HOW TO OBTAIN AGENDA**

In order to reduce the use of resources, our carbon footprint and our costs we will no longer produce paper copies of agenda over and above our minimum internal and Council member requirement. Paper copies may be looked at the Town Hall Reception and at Customer Services, St Aldate's and at the Westgate Library

A copy of the agenda may be:-

- Viewed on our website – [mycouncil.oxford.gov.uk](http://mycouncil.oxford.gov.uk)
- Downloaded from our website
- Subscribed to electronically by registering online at [mycouncil.oxford.gov.uk](http://mycouncil.oxford.gov.uk)
- Sent to you in hard copy form upon payment of an annual subscription.

## AGENDA

### Pages

#### 1 APOLOGIES FOR ABSENCE

The quorum for this Committee is three Members and substitutes are allowed.

#### 2 DECLARATIONS OF INTEREST

Members are asked to declare any disclosable pecuniary interests they may have in any of the following agenda items. Guidance on this is set out at the end of these agenda pages.

#### 3 ENVIRONMENTAL SERVICES - CLIMATE CHANGE RISK MITIGATION

The Head of Environmental Development, John Copley has been invited to attend the meeting to inform the Committee of work to mitigate the risk of climate change on the City Council. He will give a brief presentation.

#### 4 EXTERNAL AUDIT PROGRESS REPORT 2013/14 - ERNST AND YOUNG

9 - 16

The Head of Finance has submitted a report on behalf of the Council's External Auditors, Ernst and Young which details the progress made in delivering the work set out in the 2013/14 audit plan.

The Committee is asked to comment on and note the report.

#### 5 EXTERNAL AUDIT - OXFORD CITY COUNCIL GRANT CERTIFICATION FEE

17 - 18

The Head of Finance has submitted a letter on behalf of the Council's External Auditors, Ernst and Young which details the Oxford City council Grant Certification Fee.

The Committee is asked to comment on and note the contents of the letter.

#### 6 EXTERNAL AUDIT - LOCAL GOVERNMENT AUDIT COMMITTEE BRIEFING - ERNST AND YOUNG

19 - 26

The Head of Finance has submitted a document on behalf of the Council's External Auditors, Ernst and Young which provides a briefing on issues which might have an impact on the City Council.

The Committee is asked to comment on and note the report.

<b>7</b>	<b>INTERNAL AUDIT PROGRESS 2013/14 - PRICEWATERHOUSECOOPERS (PWC)</b>	27 - 40
	<p>The Head of Finance has submitted a report on behalf of the Council's Internal Auditors, Pricewaterhousecoopers (PWC) which details the progress made in delivering the work set out in the 2013/14 audit plan.</p> <p>The Committee is asked comment on and note the report.</p>	
<b>8</b>	<b>INTERNAL AUDIT RISK ASSESSMENT AND PLAN FOR 2014/15 - PRICEWATERHOUSECOOPERS (PWC)</b>	41 - 62
	<p>The Head of Finance has submitted a report on behalf of the Council's Internal Auditors, Pricewaterhousecoopers (PWC) which details the Internal Audit Risk Assessment and Plan for 2014/15.</p> <p>The Committee is asked comment on and note the report.</p>	
<b>9</b>	<b>INTERNAL AUDIT CHARTER - PRICEWATERHOUSECOOPERS (PWC)</b>	63 - 72
	<p>The Head of Finance has submitted a report on behalf of the Council's Internal Auditors, Pricewaterhousecoopers (PWC) which details the Internal Audit Charter</p> <p>The Committee is asked comment on and note the report.</p>	
<b>10</b>	<b>PROGRESS ON THE IMPLEMENTATION OF AUDIT RECOMMENDATIONS</b>	73 - 80
	<p>The Head of Finance has submitted a report which updates the Committee on the progress made on the implementation of internal and external audit recommendations.</p> <p>The Committee is asked to comment on and note the report.</p>	
<b>11</b>	<b>MINUTES</b>	81 - 84
	<p>Minutes of the meeting held on 27<sup>th</sup> February 2014.</p>	
<b>12</b>	<b>DATES AND TIMES OF MEETINGS</b>	
	<p>The Committee will meet at 6.00pm in the Town Hall on the following dates:</p> <p>Thursday 26<sup>th</sup> June 2014  Monday 22<sup>nd</sup> September 2014  Thursday 18<sup>th</sup> December 2014  Thursday 26<sup>th</sup> February 2015</p>	

Thursday 23<sup>rd</sup> April 2015

The Committee will also be asked to consider amending the date of the September 2014 meeting.

### **13 MATTERS EXEMPT FROM PUBLICATION**

If Committee wishes to exclude the press and the public from the meeting during consideration of any aspects of the preceding agenda items it will be necessary for Council to pass a resolution in accordance with the provisions of Section 100A(4) of the Local Government Act 1972 specifying the grounds on which their presence could involve the likely disclosure of exempt information as described in specific paragraphs of Part 1 of Schedule 12A of the Act if and so long as, in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

**(The Access to Information Procedure Rules – Section 15 of the Council’s Constitution – sets out the conditions under which the public can be excluded from meetings of the Council)**

## **DECLARING INTERESTS**

### **General duty**

You must declare any disclosable pecuniary interests when the meeting reaches the item on the agenda headed "Declarations of Interest" or as soon as it becomes apparent to you.

### **What is a disclosable pecuniary interest?**

Disclosable pecuniary interests relate to your employment; sponsorship (ie payment for expenses incurred by you in carrying out your duties as a councillor or towards your election expenses); contracts; land in the Council's area; licences for land in the Council's area; corporate tenancies; and securities. These declarations must be recorded in each councillor's Register of Interests which is publicly available on the Council's website.

### **Declaring an interest**

Where any matter disclosed in your Register of Interests is being considered at a meeting, you must declare that you have an interest. You should also disclose the nature as well as the existence of the interest.

If you have a disclosable pecuniary interest, after having declared it at the meeting you must not participate in discussion or voting on the item and must withdraw from the meeting whilst the matter is discussed.

### **Members' Code of Conduct and public perception**

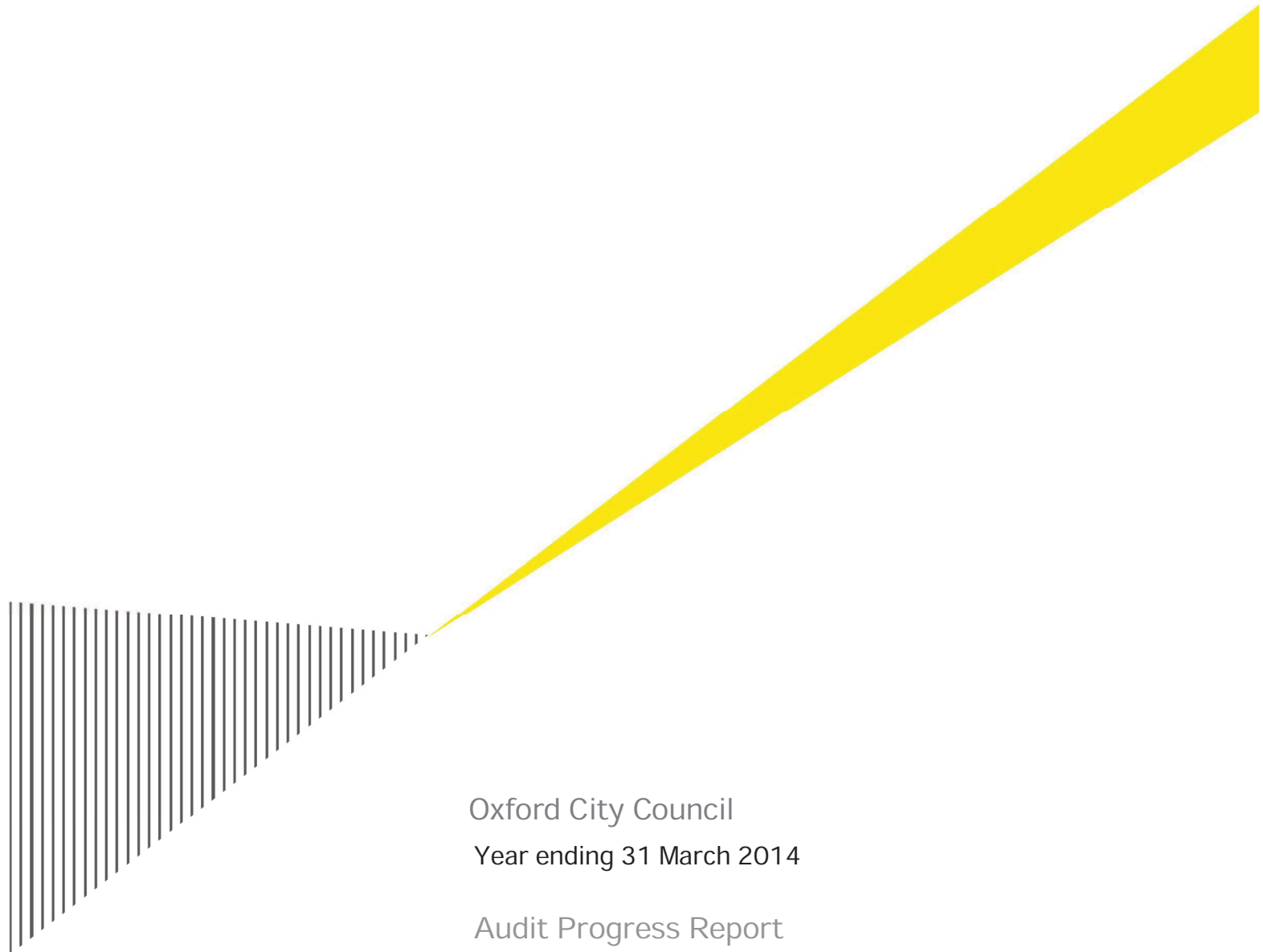
Even if you do not have a disclosable pecuniary interest in a matter, the Members' Code of Conduct says that a member "must serve only the public interest and must never improperly confer an advantage or disadvantage on any person including yourself" and that "you must not place yourself in situations where your honesty and integrity may be questioned". What this means is that the matter of interests must be viewed within the context of the Code as a whole and regard should continue to be paid to the perception of the public.

<sup>1</sup> Disclosable pecuniary interests that must be declared are not only those of the member her or himself but also those of the member's spouse, civil partner or person they are living with as husband or wife or as if they were civil partners.



This page is intentionally left blank





Oxford City Council  
Year ending 31 March 2014

Audit Progress Report

April 2014

Audit and Governance Committee  
Oxford City Council  
Town Hall Offices  
St Aldates  
Oxford  
OX1 1BX

24 April 2014

Dear Councillors

Audit Progress Report - 2013-14

We are pleased to attach our Audit Progress Report.

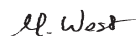
The purpose of this report is to provide the Audit and Governance Committee with an overview of the stage we have reached in your 2013-14 audit and ensure our audit is aligned with the Committee's expectations.

Our audit will be undertaken in accordance with the requirements of the Audit Commission Act 1998, the Code of Audit Practice, the Audit Commission Standing Guidance, auditing standards and other professional requirements.

We brought our Audit Fee Letter to the June 2013 Audit and Governance Committee.

We welcome the opportunity to discuss this report with you as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully



Mick West  
Director  
For and behalf of Ernst & Young LLP  
Enc

## Contents

1. Planned work .....	2
2. Timetable .....	4
Appendix 1: Audit Progress .....	5

# 1. Planned work

## Meetings

We will continue regular meetings with key officers as part of our ongoing audit process including:

- ▶ Fortnightly meetings with key finance staff during the opinion audit visit to discuss significant risks around the accounts, and updates on our work
- ▶ Quarterly meetings with the Executive Director of Organisation Development and Corporate Services and Senior Finance Officers to discuss the significant risks faced by the Council and our approach and progress with the audit

## Walk throughs and tests of control

We will have completed the majority of our walk throughs by the date of the Audit and Governance Committee. We have reviewed the work of Internal Audit where completed and appropriate. We are waiting for the following Internal Audit reports to review:

- ▶ Accounts payable
- ▶ Accounts receivable
- ▶ Fixed assets

Where we plan to rely on controls we are now selecting the controls that we will test. To date our work has not identified any issues that we need to bring to your attention as those charged with governance.

## Value for money assessment

We have started our assessment for our value for money work in line with the Audit Commission's specified criteria and areas of focus. We reported risks in our audit plan which came to the February Audit and Governance Committee and there are no further issues or risks from our ongoing review to raise at this stage.

## Financial statements

We will update our risk assessment for our financial statement work following completion of our interim work. We reported risks in our audit plan which came to the February Committee. We have identified a further significant risk relating to the NNDR provision for appeals:

### NNDR appeals provision

The new NDR system introduced full accrual accounting. One of the consequences of this is that billing authorities, such as the Council, will now have to calculate a provision in respect of valuation appeals that have yet to be decided at the year end. Previously, the impact of these appeals was not recognised until the appeal had been settled. Any outstanding appeals at 31 March 2013, not previously provided for, became a liability of the Council's Collection Fund on transition.

Our approach will focus on an early discussion of the approach taken to calculating the provision against the criteria set out in IAS 37 and a review of the supporting evidence to that approach.

#### Claims and returns certification 2013-14

We have not yet started work on the certification of your 2013-14 claims and returns. We plan to start work on your housing benefit subsidy claim in June and on your pooling of housing capital receipts return in August 2014.

We are no longer required to carry out Audit Commission certification work for the national non-domestic rates return or council tax benefits in the benefits subsidy claim. The Audit Commission certification scale fee has been revised to £35,275 to reflect these changes.

## 2. Timetable

### Audit and Governance Committee Timeline

We have set out below a timetable showing the key stages of the audit, including the value for money work and the work on Whole of Government Accounts, and the deliverables we have agreed to provide to you through the 2013-14 Audit and Governance Committee cycle.

We will provide formal reports to the Audit and Governance Committee throughout our audit process as outlined below. Where required, we will issue an Interim Report, summarising the findings from our audit at that stage. From time to time matters may arise that require immediate communication with the Committee and we will discuss them with the Committee Chair as appropriate.

Following the conclusion of our audit we will prepare an Annual Audit Letter in order to communicate to the Council and external stakeholders, including members of the public, the key issues arising from our work.

Audit phase	Timetable	Deliverables
High level planning:	June 2013	Fee letter taken to the June 2013 Audit and Governance Committee
Risk assessment and setting of scopes	December/ January	Report on the audit of 2012-13 grant claims
Testing of routine processes and controls	February 2014	Audit plan
Value for money conclusion	February/September 2014	Ongoing
Update on progress and interim feedback	April 2014	Progress report
Year-end audit	July – September 2014	Report to those charged with governance  Audit report (including our opinion on the financial statements and value for money).  Audit completion certificate  Whole of Government Accounts certification
Reporting	October 2014	Annual Audit Letter
Claims and returns	December 2014	Annual certification report

In addition to the above formal reporting and deliverables we will seek to provide practical business insights and updates on regulatory matters through our Sector Briefings.

### Planning discussions

We will update our planning throughout the course of our audit.

## Appendix 1: Audit Progress

### *Progress against key deliverables*

Key deliverable	Timetable in plan	Status	Comments
Fee Letter	June 2013	Completed	Reported to Those Charged With Governance July 2013
2012-13 grant claim report	January 2014	Completed	Reported to Those Charged With Governance February 2014
Audit Plan	January 2014	Completed	Reported to Those Charged With Governance February 2014
Report to Those Charged with Governance	September 2014	not due	
Audit Report (including opinion and vfm conclusion)	September 2014	not due	
Audit Certificate	September 2014	not due	
WGA Certificate	October 2014	not due	
Annual Audit Letter	October 2014	not due	
Report on the Audit of Grant Claims	January 2015	not due	

Ernst & Young LLP

Assurance | Tax | Transaction | Advisory

[www.ey.com/uk](http://www.ey.com/uk)

The UK firm Ernst & Young LLP is a limited liability partnership registered in England and Wales with registered number OC300001 and is a member firm of Ernst & Young Global Limited

Ernst & Young LLP, 1 More London Place, London, SE1 2AF.

© Ernst & Young LLP 2012. Published in the UK.  
All rights reserved.



Jackie Yates  
Executive Director, Organisational Development & Corporate Services  
Oxford City Council  
Town Centre  
Oxford  
OX1

9 April 2014

Direct line: 07881518875

Email: mwest@uk.ey.com

Dear Jackie

## Oxford City Council – 2012-13 Housing and Council Tax Subsidy Benefit certification fee

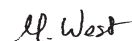
We issued our 'Certification of claims and returns annual report 2012-13' on the February 2014, to report the outcome from our audit work on your claims and returns. Within this report, we set out the audit fees in respect of those claims and returns.

In that report we said the Audit Commission were considering our request for the additional fees we required to complete our work on your housing and council tax benefits subsidy claim. Since we issued the report the Audit Commission has approved our request for additional fees of £4,377. A summary of the impact is set out below

	2011-12	2011-12	2012-13	2012-13
Certification of claims and returns	Actual fee	2011-12 fee less 40% reduction	Indicative fee	Actual fee
	£	£	£	£
Total fee per annual report	72,609	44,586	36,850	41,200
Total final fee	72,609	44,586	36,850	41,227

I would be grateful if you could arrange for this letter to be included as part of the next Audit Committee agenda, for completeness.

Yours sincerely



Mick West  
Audit Director  
Ernst & Young LLP  
United Kingdom

This page is intentionally left blank

## Local Government Audit Committee briefing

**Contents at a glance**

**Sector and economic news**

**Accounting, auditing and governance**

**Regulation news**

**Find out more**

### Introduction

This sector briefing is one of the ways that we hope to continue to support you and your organisation in an environment that is constantly changing and evolving.

It covers issues which may have an impact on your organisation, the Local Government sector and the audits that we undertake. The public sector audit specialists who transferred from the Audit Commission form part of EY's national Government and Public Sector (GPS) team. Their extensive public sector knowledge is now supported by the rich resource of wider expertise across EY's UK and international business. This briefing reflects this, bringing together not only technical issues relevant to the Local Government sector but wider matters of potential interest to you and your organisation.

Links to where you can find out more on any of the articles featured can be found at the end of the briefing, as well as some examples of areas where EY can provide support to Local Authority bodies. We hope that you find the briefing informative and should this raise any issues that you would like to discuss further please do contact your local audit team.





## Sector and economic news

---

### **Economic Outlook**

The ITEM Club, one of the UK's foremost independent economic forecasting groups, sponsored by EY, published its Winter Forecast in January 2014. It recognises that the UK's economic rebound is continuing to exceed expectations with GDP now projected to grow by 2.7% in 2014 followed by 2.4% in 2015.

Although this headline news is positive, the reality is more complex. The current recovery is lopsided in two ways. The first is that it's being driven almost exclusively by consumer spending and housing. Until rising business confidence is matched by a revival in investment and exports, the upturn will be neither balanced nor sustainable.

The second imbalance is that, despite rising employment, real wages are continuing to fall. This gap reflects a number of structural shifts in the workforce, and should close by the start of 2015. But its effect is that consumer spending cannot continue to drive the recovery without triggering a new and unwelcome rebound in household debt.

EY ITEM Club notes: 'this situation poses a dilemma for the Bank of England's Monetary Policy Committee as it gauges when to raise interest rates.'

With employment rising but real wages falling, the unemployment rate alone is too blunt a measure. Instead, the MPC must hold interest rates steady until real wages and business investment are rising. Otherwise it risks aborting the recovery before it reaches escape velocity.'

### **Enhancements to Bellwin Grant**

The government is changing the terms of the Bellwin scheme to help local authorities meet costs associated with the recent severe weather. The changes will ensure the grant is paid at 100% above the threshold instead of 85%, extend the eligible spending period to the end of March 2014, reduce the thresholds for county councils and unitary authorities, and allow upper tier authorities with fire responsibilities to claim on the same basis as standalone fire authorities for fire related costs.

The Bellwin scheme was activated in December 2013. Ministers have also committed to a longer term review of the Bellwin scheme to consider changes to its operation which may be required due to more frequent and challenging weather events.



## Sector and economic news

---

### **Making best use of the Better Care Fund**

Announced by the government in the June 2013 spending round, the £3.8bn Integration Transformation Fund now known as the Better Care Fund is described as 'a single pooled budget for health and social care services to work more closely together in local areas, based on a plan agreed between the NHS and Local Authorities'. The Fund, available from April 2015, offers an opportunity to bring resources together to address immediate pressures on services and lay foundations for a much more integrated system of health and care. The intention is that social care and health care be fully integrated by 2018.

For Local Authorities, this will require the contribution of the Social Care Capital grant and Disabled Facilities Grant allocations for 2015/16 to the pooled budget.

Health and Wellbeing Board areas were required to submit a draft plan for their use of this fund by 14th February, and the revised plan by 4th April 2014. The King's Fund has published 'Making best use of the Better Care Fund – Spending to Save?' which 'offers an evidence-based guide to aid the discussions between clinical commissioning groups, Local Authorities and health and wellbeing boards' and presents evidence from The King's Fund and others in a number of different areas including primary prevention, selfcare, and case management.



# Accounting, auditing and governance

---

## Greater Business Challenges call for Stronger Audit Committees

Audit committees have traditionally comprised of people with deep finance and accounting expertise, a reflection of the committee's statutory financial control and reporting oversight duties. But, in recent years, the business environment has become more complex and its role has expanded, leading many boards and audit committees to rethink the skills they need.

The audit committee's remit now includes overseeing risk management, compliance and a series of emerging business risks in areas such as bribery, corruption and cybersecurity.

This increased responsibility includes a call by some regulators for 'stronger audit committees' to oversee the regulatory and business risks that organisations face.

Participants surveyed for the EY report, Greater business challenges call for stronger audit committees, identified diversity of culture, roles and experience as the most important elements of an effective audit committee.

Critical skills include:

- ▶ **Financial expertise:** the committee needs a keen understanding of internal controls and experience in disclosure to its key stakeholders.
- ▶ **Accounting and auditing expertise:** one of the most critical audit committee responsibilities is overseeing the internal and external auditors. The committee needs at least one member who has experience working with both functions, and someone who understands accounting rules and how to apply them.
- ▶ **Leadership:** the committee should include someone who has hands-on experience of leading in an operational role within an organisation. In particular, audit committees would benefit from people who have been CEOs and CFOs.
- ▶ **Industry or sector knowledge:** it's important to have members with sector-specific knowledge – including an understanding of the regulatory environment.



## Regulation news

---

### **Business rates valuation: a consultation**

Since 1 April 2013, local government has had a 50% share in business rates income, meaning that local authorities now carry a 50% share of the risk of reductions and refunds from challenges against rateable value. This means that local authorities have to forecast the impact of successful challenges on their future income, a task made difficult by the large number of speculative challenges. The government has launched a consultation, which lasted for 12 weeks until 3 March 2014, on proposals aimed at reforming the appeals process. The objectives of the proposals under consultation are to:

- ▶ Improve transparency of the valuation process
- ▶ Bring business rates into line with the way official decisions are normally challenged
- ▶ Enshrine in law a more formal separation between the Valuation Office Agency (a government taxation setting body) and the Valuation Tribunal for England (the judicial body which reviews decisions made by the VOA)

The government intends to implement these proposals from 1 October 2014.

### **Technical Reforms to Council Tax: national discount for annexes**

Between August and October 2013, the government ran a consultation on the proposed introduction of a discount on the council tax for annexes, where such annexes are occupied by a member of the family of an occupier of the main dwelling. The responses to this consultation were published in December 2013, and the government is planning to implement its proposals. The majority of respondents supported the government's proposed discount of 50%. However, over half of respondents considered that the implementation of this policy would lead to extra costs, mainly in the areas of promotion, IT and administration. The government does not consider that the administration of the new discount will constitute a new burden, as under Regulation 14 of the Council Tax (Administration and Enforcement) Regulations 1992, billing authorities already have a statutory duty to ascertain whether a property is entitled to a discount. However, the overall cost of the discount will be reimbursed to billing authorities by DCLG.



## Regulation news

---

### **Local Audit and Accountability Act 2014**

The Local Audit and Accountability Act 2014, which provides for the abolition of the Audit Commission and repeals the Audit Commission Act 1998, received Royal Assent on 30 January 2014. This Act makes provision for the Audit Commission to officially be wound down in 2015. The effective closure date will be 31 March 2015 and will bring to an end the Commission's 30 year involvement with public sector audit.

A transitional body will manage the current round of supplier contracts when they end in 2016/17 or, if extended, 2018/19. Subsequently, the new framework for public audit will replace the Audit Commission. When the existing contracts have run their course, local bodies will be able to appoint their own auditors, although local audit appointments will be overseen by an Independent Auditor Panel, and collective audit procurement will be enabled. Quality will be overseen by the Financial Reporting Council, as for Companies House audits.

The Audit Commission has identified where some of its key functions will be transferred to. These include:

- ▶ The National Fraud Initiative will transfer to the Cabinet Office on 1 April 2015.
- ▶ The National Audit Office will take on the statutory responsibility to produce and maintain the Code of Audit Practice and issue guidance to auditors.

The Commission is still in talks with several government departments to determine where other key areas which it is responsible for such as Value for Money and Counter Fraud will be transferred to.





## Find out more

---

### **Economic Outlook**

See the full analysis at:

<http://www.ey.com/UK/en/Issues/Business-environment/Financial-markets-and-economy/ITEM---Forecast-headlines-and-projections>

### **Enhancements to Bellwin Grant**

Read more at:

<https://www.gov.uk/government/news/more-support-for-communities-affected-by-floods>

### **Making best use of the Better Care Fund**

Find out more at:

<http://www.local.gov.uk/documents/10180/12193/Developing+plans+for+better+care+fund+guidance.pdf/734c155e-7820-4761-976a-6c56053c0e78>

<http://www.kingsfund.org.uk/publications/making-best-use-better-care-fund>

### **Audit Committee Challenges**

Read the latest briefing at:

[http://www.ey.com/Publication/vwLUAssets/EY-Audit-Committee-Bulletin-Issue-5-October-2013/\\$FILE/EY-Audit-Committee-Bulletin-Issue-5-October-2013.pdf](http://www.ey.com/Publication/vwLUAssets/EY-Audit-Committee-Bulletin-Issue-5-October-2013/$FILE/EY-Audit-Committee-Bulletin-Issue-5-October-2013.pdf)

### **Consultation on checking and challenging your rateable value**

Find out more at:

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/263015/Checking\\_and\\_Challenging\\_your\\_Rateable\\_Value.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/263015/Checking_and_Challenging_your_Rateable_Value.pdf)

### **Technical Reforms to Council Tax: national discount for annexes**

Find out more at:

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/263411/131115-\\_Annex\\_A-\\_Draft\\_summary\\_of\\_responses\\_on\\_annexes\\_consultation-\\_pr.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/263411/131115-_Annex_A-_Draft_summary_of_responses_on_annexes_consultation-_pr.pdf)

### **Local Audit and Accountability Act 2014**

Find out more at:

<http://www.audit-commission.gov.uk/2014/01/finish-line-in-sight-for-audit-commission/>

#### About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit [ey.com](http://ey.com).

#### Ernst & Young LLP

The UK firm Ernst & Young LLP is a limited liability partnership registered in England and Wales with registered number OC300001 and is a member firm of Ernst & Young Global Limited.

Ernst & Young LLP, 1 More London Place, London, SE1 2AF.

© 2014 Ernst & Young LLP. Published in the UK.  
All Rights Reserved.

ED None

1481657.indd (UK) 03/14. Artwork by Creative Services Group Design.



In line with EY's commitment to minimise its impact on the environment, this document has been printed on paper with a high recycled content.

Information in this publication is intended to provide only a general outline of the subjects covered. It should neither be regarded as comprehensive nor sufficient for making decisions, nor should it be used in place of professional advice. Ernst & Young LLP accepts no responsibility for any loss arising from any action taken or not taken by anyone using this material.

[ey.com/uk](http://ey.com/uk)

# *Oxford City Council*

## Internal Audit Progress Monitoring Report

April 2014

27

April 2014

# Table of Contents

---

Plan outturn	2
<i>2013/14 Audit Plan</i>	2
<hr/>	
Reporting Activity and Progress	3
<i>Final reports issued since the previous Committee meeting</i>	3
<i>Fieldwork and draft reports</i>	9
<hr/>	
Appendix 1 - Internal audit detailed progress tracker	10
Appendix 2 –Thought leadership publications	11

---

**Distribution list:** Audit and Governance Committee, Executive Team

---

**Background and scope:** The purpose of this report is to provide a progress update on the agreed 2013/14 plan, including details of the reports we have completed to date.

---

# *Plan outturn*

## ***2013/14 Audit Plan***

We have undertaken work in accordance with the 2013/14 Internal Audit Plan that was approved by the Audit and Governance Committee at its meeting in June 2013.





A statement tracking assignments undertaken and planned activity for the year is shown in Appendix One.





We have continued to review our Audit Plan on an ongoing basis to ensure that it meets Oxford City Council's (the Council's) risks. We have made two revisions to our audit plan since the Audit and Governance Committee meeting in February 2014. We will complete our reviews of Environmental Development Carbon Budgeting and Corporate Property Health and Safety during 2014/15. We have agreed to roll forward the days allocated to these reviews to the new audit plan.

# Reporting Activity and Progress

## Final reports issued since the previous Committee meeting

30

Ref	Name of audit	Conclusion	Date final report issued	No of recommendations made			
				 Critical	 High	 Medium	 Low
1	Direct Services – Income Generation through DSOs	Value Enhancement review – No risk rating	March 2014	N/A	N/A	N/A	N/A
2	Business Improvement and Technology – System Implementation	Value Enhancement review – No risk rating	March 2014	N/A	N/A	N/A	N/A
3	Grant Payments	Value Enhancement review – No risk rating	March 2014	N/A	N/A	N/A	N/A
4	Finance – Town Hall Income	Medium Risk	March 2014	0	0	1	5
5	Collection Fund	Low Risk	March 2014	0	0	0	2
6	Community Development: Community Centres and Associations	Low Risk	March 2014	0	0	1	2
7	IT General Controls	Low Risk	April 2014	0	0	0	5
8	Fraud Risk Assessment	Low Risk	April 2014	0	0	0	3

Ref	Name of audit	Conclusion	Date final report issued	No of recommendations made			
				 Critical	 High	 Medium	 Low
9	Debtors and Creditors	Debtors – Medium Risk	April 2014	0	0	1	5
		Creditors – Low Risk		0	0	0	3

We summarise the findings from these reviews below.

**1) Direct Services – Income Generation through DSOs - No risk rating**

The purpose of this review was to provide the Council with timely assurance over whether Direct Services, and the Council more broadly, are managing the risks of an increasingly commercial approach; and to consider whether there are robust processes and controls in place to achieve the revenue budget.

There are strengths in the Council’s approach to income generation services:

- The Council has systematically identified its potential customer base;
- The team has considerable relevant expertise in the services offered and the management of the team seems to have an effective working relationship;
- The budget set appears achievable; and
- The governance and reporting channels in place are clear and effective with timely departmental meetings; detailed procedure notes and monthly reports produced.

There are two weaknesses which need to be addressed:

- There is no ICT system to track customer contacts, details, future events and activity and a CRM system would improve this important function; and
- Financial data is significantly reliant on manual intervention for invoicing and preparing monitoring reports. System development for automatic invoicing and interfacing with financial systems would improve information and speed up the process.

## **2) Business Improvement and Technology – System Implementation - No risk rating**

The Windows 7 roll out project was a complicated and difficult project with the Council experiencing a number of issues, mainly due to tight timescales and a complex suite of applications. This review was requested by senior members of the project team as a lessons learnt exercise for future roll outs of this nature. During our review we identified that the project had achieved what it intended to deliver and was on track to realise the intended benefits; and the issues experienced by the project were conveyed in the lessons learnt workshop and many were robustly recorded the project issues log.

We recommended the following:

- More time should be allocated to the planning phase of future similar projects, including better understanding of the likely issues that may occur by carrying out better research to understand the scope and potential issues. Where necessary, mitigations are put in place, particularly in relation to technical issues. This plan should include more contingency time;
- Partnership engagement should be tightened and better monitored by the two sponsors (County and City) with clear escalation arrangements if there is a delay or conflict between the two teams, particularly around delivery and timelines; and
- Resourcing for the different project stages needs more planning including ensuring business users have been secured for testing.

## **3) Grant Payments**

2

This review focused on the Annual open bidding programme for grant payments for one off grants over £10,000. This included considering the controls relating to the application process; the assessment of applications; that payments are authorised; that changes to bank details are controlled; and that grant payments are monitored and reported to City Executive Board.

Overall the control environment for grant payments is strong; however improvements can be made:

- Three of twenty two applications tested did not have documentation to backup all of their organisations' grant expenditure. There were also organisations who did not provide the Council with year-end monitoring forms;
- Each application form is assessed using a standard evaluation form; the application is given a rating by quantifying how eligible the organisation is to receive the grant. This is an excellent way of helping panel members make the decision. We found the written documentation on the evaluation form was often limited; and
- The number of applications for grants has decreased by almost half over a period of 2 years. We recommend increasing advertisement and support to organisations wanting to apply for grants ensuring the Council is supporting a range of projects.



#### **4) Finance – Town Hall Income – Medium Risk**

This review focused primarily on the key controls and processes over the income from the Town Hall and controls implemented to mitigate against the risk of fraud. The review consisted the controls relating to the invoicing of income; the recognition of income to the main accounting system; the recovery of income; and the budget setting process.

The review identified one medium control design risk issue that cash is not signed for when physically transferring it from the Town Hall to the Finance Department. The review also identified five low risk issues with the control design and operating effectiveness:

- No reconciliation between Artifax (Town Hall Booking system) and Agresso (General Ledger);
- No clear process in place for identifying all bookings for which invoices have not been raised;
- Artifax invoices are not being authorised;
- All invoices requested in our testing could not be located in hardcopy; and
- Procedures are not being followed for cash transactions.

#### **5) Collection Fund – Low Risk**

This review is performed annually on the key controls over the Collection Fund process.

Controls have continued to improve and our previous recommendations have been addressed. Our review identified two low operating effectiveness risk issues:

- The daily reconciliation of council tax cash to the general ledger is not being reviewed on a timely basis; and
- The NNDR reconciliation between Academy to Paris includes a reconciling item of £600 which has not been cleared for six months.

#### **6) Community Development: Community Centres and Associations – Low Risk**

This review focused primarily on the key controls and processes over community centres. This included considering the controls relating to lease arrangements; monitoring of how centres are run; the maintenance process and the funding and payments.

The controls in place around Community Centres are strong. All Council audits of community centres were documented and are in an easy to understand format, with clear reporting to community centres of areas they need to improve. A plan of which centres need more monitoring and support is in place and is clearly documented.

Our review identified one medium and two low operating effectiveness risk issues:

- One of nineteen centres has a formal lease. The other centres have less formal agreements with the Council;
- One of the five centre audits that was performed was documented in less detail and did not follow the template audit report; and
- Some community centres contact the Council's repairs and maintenance team directly rather than going through the community development department.

## 7) **IT General Controls**

This review focused on the design and operating effectiveness of key controls in IT with the main focus on password settings; user access and system administrator access.

The controls in place around IT are strong. Our review identified one low risk operating effectiveness issue and four low risk control design issues:

- There are currently limited password controls over the Whitespace, Uniform and Paris systems;
- One of five leavers had not had access to the Northgate system removed; and
- The Agresso system has a number of accounts which are inactive or has users who have never logged in.

## 8) **Fraud Risk Assessment**

The objective of this review was to assess the progress made by the Council in complying with the National Fraud Authority ('NFA') checklist and to follow up the recommendations made in the prior year.

There are strengths in the way the Council considers fraud, particularly in Council Tax; Benefits and Housing; and has an experienced Investigations Team. We identified that improvements have been made in identifying wider Corporate Fraud. The National Single Fraud Investigation Service has prompted additional consideration as to how the Council can resource its corporate fraud requirements post implementation of the scheme.

Looking ahead there are challenges for the Council in terms of fraud. The Council is currently working together with other Oxfordshire Local Authorities exploring the possibilities of a County wide approach to a Corporate anti-fraud network. This is a useful opportunity for the Council and its local partners to consider whether corporate fraud is a risk that is managed effectively, and what is the most efficient way to utilise the resources available.

Our review identified three low risk operating effectiveness issues:

- Internal fraud cases are not currently recorded on a system unless they relate to housing benefits or council tax. The Investigations Team are deemed to have sufficient knowledge to perform risk assessment to enable cases to be prioritised. The detail of the cases is maintained locally by the team;
- The Investigations Team do not report the success they are having in repossessing houses as part of the housing tenancy fraud work through all publication methods; and

- The Council has to explore how it can resource its corporate fraud requirements in the National Single Fraud Investigation Service. Part of this has considered the introduction of the Oxfordshire Fraud Hub. This proposal has been formally created and introduced to the Audit and Governance Committee. However, there is no formal action plan that details delivery or timescales.

## 9) **Debtors and Creditors**

These reviews are performed annually on the key controls over the debtors and creditors process.

The overall control environment within debtors is strong with performance in this area consistent with the prior year. Improvements have been made with only one finding from the previous review remaining open.

Our review identified one medium operating effectiveness risk issue that a number of old debts had not been written off or actively recovered. The review also identified four low risk operating effectiveness issues:

- Three invoices tested had taken over a month from service delivery to having an invoice request submitted;
- Eight out of twenty five invoices had been raised by individuals not on the authorised signatory list;
- Eight out of twenty five invoices had been raised and authorised by the same individual; and
- Three out of twenty write-offs did not have appropriate segregation of duties between the authoriser and preparer.

The creditors control environment is strong and performance in this area has improved with only one finding from the previous review remaining open. Our review identified no control design issues and two new low operating effectiveness risk issues:

- One out of twenty five invoices had been authorised but it was not possible to verify this signature and confirm if segregation of duties was maintained; and
- For two out of twenty five invoices we were unable to confirm if the invoice had been received before the purchase order as no date stamp was made on the invoices.

### ***Fieldwork and draft reports***

Fieldwork will be underway or complete for the following reviews as at the date of the June Audit and Governance Committee. In some cases the draft report will have been issued but the final report will not be available until the next Audit and Governance Committee meeting.

- Budgetary Control, Risk Management and Performance - fieldwork to commence w/c 21 April 2014 further detail is included in Appendix 1 ref A5;
- Human Resources and Facilities – Payroll including Tax, NI and Compliance (Fieldwork complete) further detail is included in Appendix 1 ref VE2;
- Finance – Fixed Asset Register Implementation (Fieldwork complete) further detail is included in Appendix 1 ref RF1;

# Appendix 1 - Internal audit detailed progress tracker

37

<b>Ref</b>	<b>Auditable unit</b>	<b>Indicative number of days*</b>	<b>Scoping meeting date</b>	<b>Proposed fieldwork dates</b>	<b>Proposed clearance meeting dates</b>	<b>Proposed draft report date</b>	<b>Proposed management response date</b>	<b>Proposed final report date</b>	<b>Audit Committee reporting date</b>
A5	Budgetary Control, Risk Management and Performance	15	w/c 7 April 2014	w/c 21 April 2014	w/c 28 April 2014	w/c 5 May 2014	w/c 12 May 2014	w/c 19 May 2014	June 2014
VE2	Human Resources and Facilities – Payroll including Tax, NI and compliance	16	Held	Held	Held	w/c 7 April 2014	w/c 14 April 2014	w/c 21 April 2014	June 2014
RF1	Finance – Fixed Asset Register Implementation	5	Held	Held	Held	w/c 7 April 2014	w/c 14 April 2014	w/c 21 April 2014	June 2014

\* Consistent with the delivery of previous plans, where appropriate and in agreement with client management, we are able to flex our audit service to include more senior or specialist staff to respond to the risks generated by audit reviews. Where we do this we effectively agree a fixed fee for the audit work which is derived from the combined fees of the planned audit days allocated to this audit review during the annual planning process.

# Appendix 2 – Thought leadership 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 PwC 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.

## **Redefining Local Government**

Prolonged austerity is driving an important shift in local government. The early years of austerity have been characterised by authorities taking action to reduce costs through a range of traditional ‘supply side’ cost reduction measures. However, given that austere public finances will last well into the next parliament, local government needs to raise its sights and shift beyond traditional cost reduction approaches.

Many authorities are already reaching a tipping point where it is no longer possible to undertake the same activities as before. Local authorities now have to fundamentally redefine their role and purpose.

Local public services need to be viewed in a much more holistic way, with a focus on how multiple organisations, and citizens themselves, can contribute to securing desired outcomes.

This new landscape will require fundamentally different organisational cultures and behaviours to make it successful, along with an intense focus on digital innovation and intelligent and insightful data collection and management.

This will be a complex journey. In our latest Talking Points we set out the six steps that will help to create the right foundations to deliver more effectively against this agenda.



<http://www.pwc.co.uk/government-public-sector/publications/redefining-local-government.jhtml>

In the event that, pursuant to a request which Oxford City Council has received under the Freedom of Information Act 2000, it is required to disclose any information contained in this report, it will notify PricewaterhouseCoopers (PwC) promptly and consult with PwC prior to disclosing such report. Oxford City Council agrees to pay due regard to any representations which PwC may make in connection with such disclosure and the Oxford City Council shall apply any relevant exemptions which may exist under the Act to such report. If, following consultation with PwC, Oxford City Council discloses this report or any part thereof, it shall ensure that any disclaimer which PwC has included or may subsequently wish to include in the information is reproduced in full in any copies disclosed.

©2014 PricewaterhouseCoopers LLP. All rights reserved. 'PricewaterhouseCoopers' refers to PricewaterhouseCoopers LLP (a limited liability partnership in the United Kingdom) or, as the context requires, other member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.

This page is intentionally left blank



# *Internal Audit Risk Assessment and Plan* **2014/15**

**DRAFT**

Oxford City Council  
April 2014

# Contents

<b>1. Introduction and approach</b>	<b>1</b>
<b>2. Audit universe, corporate objectives and risks</b>	<b>4</b>
<b>3. Risk assessment</b>	<b>6</b>
<b>4. Annual plan and internal audit performance</b>	<b>9</b>
<b>Appendix 1: Detailed methodology</b>	<b>14</b>
<b>Appendix 2: Risk assessment criteria</b>	<b>16</b>
<b>Appendix 3: Key performance indicators</b>	<b>18</b>

## **Distribution List**

For action	Members of the Audit and Governance Committee
For information	Corporate Management Team
	Heads of Service

This document has been prepared only for Oxford City Council and solely for the purpose and on the terms agreed with Oxford City Council.

# 1. Introduction and approach

## Introduction

This document sets out the risk assessment and our internal audit plan for Oxford City Council.

## Approach

The internal audit service will be delivered in accordance with the Internal Audit Charter. A summary of our approach to undertaking the risk assessment and preparing the internal audit plan is set out below. The internal audit plan is driven by Oxford City Council's organisational objectives and priorities, and the risks that may prevent Oxford City Council from meeting those objectives. A more detailed description of our approach can be found in Appendix 1 and 2.

<p><i>Step 1</i> <i>Understand corporate objectives and risks</i></p>	<ul style="list-style-type: none"> <li>• Obtain information and utilise sector knowledge to identify corporate level objectives and risks.</li> </ul>
<p><i>Step 2</i> <i>Define the audit universe</i></p>	<ul style="list-style-type: none"> <li>• Identify all of the auditable units within the organisation. Auditable units can be functions, processes or locations.</li> </ul>
<p><i>Step 3</i> <i>Assess the inherent risk</i></p>	<ul style="list-style-type: none"> <li>• Assess the inherent risk of each auditable unit based on impact and likelihood criteria.</li> </ul>
<p><i>Step 4</i> <i>Assess the strength of the control environment</i></p>	<ul style="list-style-type: none"> <li>• Assess the strength of the control environment within each auditable unit to identify auditable units with a high reliance on controls.</li> </ul>
<p><i>Step 5</i> <i>Calculate the audit requirement rating</i></p>	<ul style="list-style-type: none"> <li>• Calculate the audit requirement rating taking into account the inherent risk assessment and the strength of the control environment for each auditable unit.</li> </ul>
<p><i>Step 6</i> <i>Determine the audit plan</i></p>	<ul style="list-style-type: none"> <li>• Determine the timing and scope of audit work based on the organisation's risk appetite.</li> </ul>
<p><i>Step 7</i> <i>Other considerations</i></p>	<ul style="list-style-type: none"> <li>• Consider additional audit requirements to those identified from the risk assessment process.</li> </ul>

## *Basis of our plan*

In order to carry out the level of work that our risk assessment indicates is appropriate, we estimate that the resource requirement for Oxford City Council's internal audit service is 220 days and £84,500. Based on our risk assessment, this is the level of resource that we believe would be necessary to evaluate the effectiveness of risk management, control and governance processes. The level of agreed resources for the internal audit service for 1 April 2014 to 31 March 2015 is 220 days and £84,500, and therefore the plan does not purport to address all key risks identified across the audit universe as part of the risk assessment process. Accordingly, the level of internal audit activity represents a deployment of limited internal audit resources and in approving the risk assessment and internal audit plan, the Audit and Governance Committee recognises this limitation.

## *Delivery*

The internal audit service comprises a number of reviews. Each review addresses one or more risks or systems, and is scoped to identify the relevant controls and monitoring, and then to test their operation.

There is a "Protocol" for the delivery of the internal audit service which establishes responsibilities of auditors and auditees, covering the whole process from agreeing terms of reference to implementation of recommendations. This is shared with each auditee at the first point of contact, and has been attached to the Internal Audit Charter which is a separate document that we update and present to the Audit and Governance Committee on an annual basis.

## *Reporting*

We recognise that it is essential that reports are produced and monitored in a timely and effective manner. Formal reports will be produced for each review identified in our internal audit plan, unless an alternative deliverable is agreed. Following completion of fieldwork, findings will be discussed at a clearance meeting with the audit sponsor and reports will be produced in line with the final report grading and circulation arrangements, as set out in the Internal Audit Charter.

Final reports receiving a risk classification of "Medium Risk" or above will be sent to the Audit and Governance Committee, along with a progress report which will summarise the work performed since the previous Committee meeting, and will highlight any areas of weakness and high priority recommendations.

## *Basis of our annual internal audit conclusion*

Internal audit work will be performed in accordance with PwC's Internal Audit methodology which is aligned to Public Sector Internal Audit Standards. As a result, our work and deliverables are not designed or intended to comply with the International Auditing and Assurance Standards Board (IAASB), International Framework for Assurance Engagements (IFAE) and International Standard on Assurance Engagements (ISAE) 3000.

Our annual internal audit opinion will be based on and limited to the internal audits we have completed over the year and the control objectives agreed for each individual internal audit. The agreed control objectives will be reported within our final individual internal audit reports.

In developing our internal audit risk assessment and plan we have taken into account the requirement to produce an annual internal audit opinion by determining the level of internal audit coverage over the audit universe and key risks. We do not believe that the level of agreed resources will impact adversely on the provision of the annual internal audit opinion.

## *Other sources of assurance*

In developing our internal audit risk assessment and plan we have taken into account other sources of assurance and have considered the extent to which reliance can be placed upon these other sources. Other sources of assurance for each auditable unit are noted in our Risk Assessment in section 3 of this document, and a summary is given below.

The other sources of assurance for Oxford City Council are as follows:

- External audit work;

- External inspections and awards;
- ISO accreditations; and
- The outcomes of previous internal audit reviews.

We do not intend to place reliance upon these other sources of assurance.

### *Key contacts*

Meetings have been held with the following key personnel during the planning process:

<i>Name, Job Title</i>	<i>Name, Job Title</i>	<i>Name, Job Title</i>
<i>Organisational Development and Corporate Services</i>	<i>Community Services</i>	<i>City Regeneration and Housing</i>
Jackie Yates, Executive Director	Tim Sadler, Executive Director	David Edwards, Executive Director
Simon Howick, Head of Human Resources and Facilities	Graham Bourton, Head of Oxford Direct Services	Jane Winfield, Regeneration and Major Projects Team
Jeremy Thomas, Head of Law and Governance (Monitoring Officer)	Ian Brooke, Head of Leisure, Parks and Communities	Stephen Clarke, Head of Housing and Property
Helen Bishop, Head of Customer Services	John Copley, Head of Environmental Development	Michael Crofton-Briggs, Head of City Development
Nigel Kennedy, Head of Finance (Section 151 Officer)	Peter McQuitty, Head of Policy, Culture and Communications	
Jane Lubbock, Head of Business Improvement and Technology		

## 2. Audit universe, corporate objectives and risks

### Audit universe

We have identified the auditable units within the Council based on the Council's structure and meetings with Officers and Members. Any processes running across a number of different elements in the Council and which can be audited once have been separately identified under cross-cutting reviews in the audit universe.

### Corporate objectives and risks

Corporate level objectives and risks have been determined by Oxford City Council. The corporate level objectives and risks have been considered when preparing the internal audit plan and have been mapped to the auditable units.

The corporate level objectives as documented in the "Corporate Plan 2013-17" are recorded in the table below.

<i>Objective</i>	<i>Cross reference to Internal Audit Plan (see Section 4)</i>
<b>Vibrant, Sustainable Economy:</b> A strong local economy, supported by effective education and training centre.	VE.1 Planning Applications
<b>Meeting Housing Needs:</b> More affordable, high quality housing in Oxford. This is essential for the vibrancy of the economy and the health and well-being of residents.	A3. Housing Benefits A4. Housing Rents VE.2 Void Properties VE.3 Discretionary Housing Payments and Social Funds
<b>Strong, Active Communities:</b> Communities that are socially cohesive and safe, and citizens who are actively engaged in pursuing their own well-being and that of their communities.	B4. Sports Pitch and Facility Bookings
<b>Cleaner, Greener Oxford:</b> A cleaner, greener Oxford: in the city centre, in our neighbourhoods and in all public spaces.	C1. Carbon Budgeting
<b>Efficient, Effective Council:</b> A flexible and accessible organisation, delivering high-quality, value-for-money services.	All of our cross cutting process reviews address this objective along with reviews in the following areas: <ul style="list-style-type: none"> <li>• B.3 Managing Capital Projects</li> <li>• VE.5 Contract Management with IT Suppliers and Smarter Procurement</li> <li>• VE.6 Streamlining Year End Close Down Processes</li> </ul>

We have also reviewed the Corporate Risk Register presented to the Audit and Governance Committee on 27 February 2013 and linked all risks scoring in excess of 8 gross points to our audit plan.

<i>Risk(s) to the achievement of objectives</i>	<i>Cross reference to Internal Audit Plan (see Section 4)</i>
<b>CRR-019 ICT Resilience:</b> Resilience of ICT function managing projects and improvements alongside business as usual.	VE.5 Contract Management with IT Suppliers and Smarter Procurement

<i>Risk(s) to the achievement of objectives</i>	<i>Cross reference to Internal Audit Plan (see Section 4)</i>
<b>CRR-022 Welfare Reform:</b> Changes to legislation regarding Welfare Reform will impact financially, directly and indirectly on the Council.	A.3 Housing Benefits VE.3 Discretionary Housing Payments and Social Funds
<b>CRR-023 Managing Capital Projects and Contract Management:</b> The need to ensure efficient management of capital projects and contracts.	B.3 Managing Capital Projects

## 3. Risk assessment

### *Risk assessment*

Our risk assessment is based on:

- A review of the Council's risk registers;
- Consultation with a number of key stakeholders across the Council;
- A review of relevant documentation and reports;
- Our knowledge of the Council and results of Internal Audit work in 2013/14; and
- Our broader understanding of local government and the broader public sector.

Our risk assessment is limited to matters emerging from the processes listed above. We will review and update this assessment and the resulting plan annually. We will continually review the plan with management as risks emerge or change in priority and, with the approval of the Audit and Governance Committee, ensure that audit resources are appropriately focused.

A full risk assessment is included below. In order to carry out the risk assessment, we have defined all the auditable activities and processes in the Council (defined as the 'audit universe') and risk assessed each separate element of the audit universe (defined as 'auditable units') applying the methodology outlined in Appendix 1 and 2. This approach helps to ensure that we have a complete understanding of all areas in the Council which should be subject to Internal Audit and that these have been assessed on a Council-wide level.

From this risk assessment we have identified the areas that we propose to audit in 2014/15 and these have been included in the Internal Audit Plan in section 4.

### *Risk assessment results*

Each auditable unit has been assessed for inherent risk and the strength of the control environment, in accordance with the methodology set out in Appendix 1 and 2. The results are summarised in the table below.

<i>Ref</i>	<i>Auditable Unit</i>	<i>Corporate objectives and risks</i>	<i>Inherent Risk Rating</i>	<i>Control Environment Indicator</i>	<i>Audit Requirement Rating</i>	<i>Colour code</i>	<i>Frequency</i>
<b>A</b>	<b>Cross Cutting Systems</b>						
A.1	General Ledger	Efficient, effective Council	6	4	4	●	Annual
A.2	Debtors		6	3	5	●	Annual
A.3	Creditors		6	3	5	●	Annual
A.4	Payroll		6	4	4	●	Annual
A.5	Budgetary Control		6	4	4	●	Annual
A.6	Collection Fund		6	4	4	●	Annual
A.7	Treasury Management		5	4	3	●	Every 2



<i>Ref</i>	<i>Auditable Unit</i>	<i>Corporate objectives and risks</i>	<i>Inherent Risk Rating</i>	<i>Control Environment Indicator</i>	<i>Audit Requirement Rating</i>	<i>Colour code</i>	<i>Frequency</i>
							years
A.8	Housing Benefits		6	4	4	●	Annual
A.9	Fixed Assets		6	4	4	●	Annual
A.10	VAT		3	3	2	●	Every 3 years
A.11	Housing Rents		6	4	4	●	Annual
A.12	Risk Management		6	4	4	●	Annual
<b>B</b>	<b>Department Level</b>						
	<b>Organisational Development and Corporate Services</b>						
B.1	Human Resources and Facilities	Efficient, effective Council	5	3	4	●	Annual
B.2	Law and Governance		5	4	3	●	Every 2 years
B.3	Customer Services		5	3	4	●	Annual
B.4	Finance		5	3	4	●	Annual
B.5	Business Improvement and Technology		5	4	3	●	Every 2 years
	<b>Community Services</b>						
B.6	Oxford Direct Services	Cleaner, greener Oxford	5	3	4	●	Annual
B.7	Leisure, Parks and Communities	Stronger, active communities	3	2	2	●	Every 3 years
B.8	Environmental Development	Cleaner, greener Oxford	3	2	2	●	Every 3 years
B.9	Policy, Culture and Communications	Vibrant, sustainable economy	3	2	2	●	Every 3 years
	<b>City Regeneration and Housing</b>						
B.10	Regeneration and Major Projects Team	Vibrant, sustainable economy	5	4	3	●	Every 2 years
B.11	Housing and Property	Meeting housing needs	5	3	4	●	Annual

<i>Ref</i>	<i>Auditable Unit</i>	<i>Corporate objectives and risks</i>	<i>Inherent Risk Rating</i>	<i>Control Environment Indicator</i>	<i>Audit Requirement Rating</i>	<i>Colour code</i>	<i>Frequency</i>
B.12	City Development	Stronger, active communities	5	4	3	●	Every 2 years

### *Key to frequency of audit work*

<i>Audit Requirement Rating</i>	<i>Frequency – PwC standard approach</i>	<i>Colour Code</i>
6	Annual	●
5	Annual	●
4	Annual	●
3	Every two years	●
2	Every three years	●
1	No further work	●
	Key areas of focus	●●

The audit requirement rating drives the frequency of internal audit work for each auditable unit. Our recommended planning approach involves scheduling an annual audit when the rating ranges from 6 to 4, an audit every two years when the rating is 3 and an audit every three years when the rating is 2.

The internal audit budget of £84,500 and 220 days means our recommended planning approach can't be followed. Therefore, the frequency with which internal audits are scheduled has been flexed. This means all auditable units can now be audited over a three year cycle given the size of the internal audit budget. Flexing the frequency means management and Audit and Governance Committee is accepting an increased risk appetite.

# 4. Annual plan and internal audit performance

## Annual plan and indicative timeline

The following table sets out the internal audit work planned for 1 April 2014 to 31 March 2015, together with indicative start dates for each audit.

Ref	Auditable Unit	Indicative number of audit days	Indicative start dates			
			Q1	Q2	Q3	Q4
<b>A</b>	<b>Cross Cutting Systems</b>					
	<b>Value Protection Reviews</b>					
A.1	<p><b>Finance Systems:</b></p> <p>Fixed Assets:</p> <ul style="list-style-type: none"> <li>Asset movement controls</li> <li>Management of Capital Programme</li> <li>Early substantive testing</li> <li>Effectiveness of new fixed asset register</li> </ul> <p>General Ledger:</p> <ul style="list-style-type: none"> <li>Key control account reconciliations</li> <li>Input and output controls</li> <li>System enhancements</li> <li>System integrity</li> </ul> <p>Payroll:</p> <ul style="list-style-type: none"> <li>Changes to standing data</li> <li>Payment process</li> <li>Expenses and flexi time</li> <li>System integrity</li> <li>Implementation of new pensions regulations</li> </ul> <p>IT based testing (CAATs) to cover each of the above systems and reporting of transactions against controls.</p>	16			✓	
A.2	<p><b>Debtors and Creditors</b></p> <p>Debtors:</p> <ul style="list-style-type: none"> <li>Raising sales orders</li> <li>Billing processes</li> <li>Debt collection and recovery</li> <li>Accounting for debtors</li> </ul> <p>Income Collection:</p> <ul style="list-style-type: none"> <li>Safeguarding of cash</li> <li>Banking procedures</li> <li>Recording of income</li> </ul> <p>Creditors:</p> <ul style="list-style-type: none"> <li>Order and invoice process</li> <li>Payments process</li> <li>Creditor system outputs</li> </ul>	16			✓	

Ref	Auditable Unit	Indicative number of audit days				
			Q1	Q2	Q3	Q4
	<ul style="list-style-type: none"> <li>Post implementation review of P2P and integration with Agresso</li> </ul> IT based testing (CAATs) to cover each of the above systems and reporting of transactions against controls.					
A.3	<b>Collection Fund (Council Tax and NNDR)</b> <ul style="list-style-type: none"> <li>Calculation of liabilities</li> <li>Billing processes</li> <li>Debt collection and recovery</li> <li>Exceptions</li> <li>System integrity</li> <li>Arrangements for changes in legislation</li> <li>Management/maximisation of the Council's retained element including best practice of other Council's</li> <li>IT based testing (CAATs) and reporting of transactions against controls.</li> </ul>	12		✓		
A.4	<b>Housing Benefits</b> <ul style="list-style-type: none"> <li>Benefits processing</li> <li>Calculation and payment of benefits and subsidy</li> <li>Quality checking</li> <li>Student income and child care disregards claims</li> <li>Classification between HRA and non-HRA</li> <li>Calculation of earnings</li> <li>Reconciliation between subsidy to software balancing report</li> <li>IT based testing (CAATs) and reporting of transactions against controls.</li> </ul>	10		✓		
A.5	<b>Housing Rents</b> <ul style="list-style-type: none"> <li>Rent collection and recovery</li> <li>Temporary accommodation income</li> <li>Accounting and banking arrangements</li> <li>Arrears management and performance</li> <li>IT based testing (CAATs) and reporting of transactions against controls.</li> </ul>	10		✓		
A.6	<b>Budgetary Control, Risk Management and Performance</b> Budgetary control: <ul style="list-style-type: none"> <li>Budget setting</li> <li>Budget monitoring</li> <li>Management and monitoring of efficiency savings and income collection/generation activities</li> </ul> Risk management and performance: <ul style="list-style-type: none"> <li>Review of risk management arrangements for adequacy</li> <li>Use of performance monitoring software and integration with P2P</li> <li>Data quality spot checks</li> <li>Use of increased functionality and access to integrated reporting</li> </ul>	13			✓	
A.6	<b>VAT and Treasury Management</b> VAT: <ul style="list-style-type: none"> <li>Preparation of the VAT return</li> <li>Income and expenditure process and VAT recovery</li> </ul> Treasury Management: <ul style="list-style-type: none"> <li>Corporate treasury activities are monitored and controlled</li> </ul>	10				✓

Ref	Auditable Unit	Indicative number of audit days	Indicative number of audit days			
			Q1	Q2	Q3	Q4
	<ul style="list-style-type: none"> <li>Reporting and monitoring of treasury management activities</li> </ul>					
	<b>Sub Total</b>	<b>87</b>				
<b>B</b>	<b>Department Level</b>					
	<b>Value Protection Reviews</b>					
B.1	<b>Finance – Year End Support</b> Year end accounts support in June 2015.	5				[✓]
B.2	<b>Car Parking</b> <ul style="list-style-type: none"> <li>Cash collection</li> <li>Accounting for income</li> <li>Excess charge notice processes</li> <li>Credit card payment</li> </ul>	7		✓		
B.3	<b>Managing Capital Projects</b> <ul style="list-style-type: none"> <li>Creation of capital programme</li> <li>Approval of capital programme</li> <li>Monitoring of projects</li> <li>Response to slippage</li> <li>Reporting</li> </ul>	10			✓	
B.4	<b>Sports Pitch and Facility Bookings</b> <ul style="list-style-type: none"> <li>Review of controls and processes for bookings</li> <li>Accounting for income</li> <li>Cash management and collection of income</li> </ul>	8		✓		
	<b>Sub Total</b>	<b>117</b>				
<b>V</b>	<b>Value Enhancement Reviews</b>					
VE.1	<b>Planning Applications</b> <ul style="list-style-type: none"> <li>Review of the action plan to manage planning and building control for adequacy and to ensure applications are processed effectively</li> <li>Has the action plan been implemented?</li> </ul>	10		✓		
VE.2	<b>Void Properties (Council Housing)</b> <ul style="list-style-type: none"> <li>Review of processes including changes for void properties for adequacy</li> <li>Implementation of changes</li> <li>Are processes and controls operating effectively?</li> </ul>	10			✓	
VE.3	<b>Discretionary Housing Payments and Social Funds</b> <ul style="list-style-type: none"> <li>Review of controls and processes for award and payment of Discretionary Housing Payments</li> <li>Review of the changes introduced for the award of Discretionary Housing Payments due to increased demand and what are other local authorities doing to minimise impact to the Council</li> <li>Review of the exposure of the Council for unmet Social Fund demand considering who received payments previously, whether they were residents in the City and whether they meet the statutory obligations for Social Funds.</li> </ul>	10			✓	
VE.4	<b>Post Implementation Review Business Rates and Council Tax Collection</b> <ul style="list-style-type: none"> <li>Review of new processes and controls which have been introduced for Business Rates and Council Tax collection for adequacy</li> </ul>	10				✓

Ref	Auditable Unit	Indicative number of audit days	Indicative number of audit days			
			Q1	Q2	Q3	Q4
	<ul style="list-style-type: none"> <li>Review of processes and controls for discounts for adequacy</li> <li>Are processes and controls operating effectively?</li> <li>Comparison of existing processes against best practice</li> </ul>					
VE.5	<b>Contract Management with IT Suppliers and Smarter Procurement</b> <ul style="list-style-type: none"> <li>Contract management diagnostic to assess the importance of the contract area against the maturity/robustness of control processes</li> <li>Assessment of the structure of the IT partnership including allocation of roles and responsibilities and risk sharing between the parties and how these are managed.</li> <li>Review of existing procurement processes for IT with comparison to others to identify areas for improvement</li> <li>How value for money is achieved</li> </ul>	12		✓		
VE.6	<b>Streamlining Year End Close Down Processes</b> <ul style="list-style-type: none"> <li>Review of existing year end processes for Collection Fund/rent accounts/billing which may include: <ul style="list-style-type: none"> <li>Use of system vs manual processes</li> <li>Robustness of reconciliations</li> <li>Timetable for year-end close down and reporting</li> <li>Allocation of roles and responsibilities</li> <li>Hand-over between teams</li> </ul> </li> <li>Comparison of existing processes against best practice</li> <li>How effectively systems are used</li> </ul>	16	✓			
<b>Sub Total</b>		<b>185</b>				
	Follow Up	5	✓	✓	✓	✓
	Audit Management	25	✓	✓	✓	✓
	Contingency	15	✓	✓	✓	✓
<b>2014/15 Sub Total</b>		<b>230</b>				
<b>C</b>	<b>2013/14 Roll Forward</b>					
C.1	<b>Environmental Development – Carbon Budgeting</b> Two part review: <ul style="list-style-type: none"> <li>Phase one to focus on learning from others through sharing good practice and benchmarking information</li> <li>Phase two to focus on reviewing improvements against the Council's plans to improve beyond scope 1 compliance.</li> </ul>	10	✓			
C.2	<b>Corporate Property – Health and Safety</b> <ul style="list-style-type: none"> <li>Are processes in place adequate?</li> <li>Are policies being adhered to?</li> <li>How have new processes and initiatives been implemented and communicated?</li> <li>Is the system being kept up to date?</li> <li>Are roles, responsibilities and reporting requirements clear?</li> <li>Is data retention adequate?</li> </ul>	5	✓			
<b>2014/15 Total</b>		<b>245</b>				

In addition to these services, we will provide a range of benefits to the Council at no additional cost which include:

- Regular technical updates and alerts from PwC Assurance on topics including accounting changes and new legislation;
- Circulation of recent publications by PwC and PwC's Public Sector Research Institute plus ad hoc reports;
- Provision of thought leadership pieces;
- Ad hoc briefings for the Audit Committee (e.g. risk management and local government finance); and
- An invitation for the Chair of Audit Committee and officers to attend our local training days.

### *Key performance indicators*

Appendix 4 sets out the proposed Key Performance Indicators for internal audit. Performance against these indicators will be reported quarterly to the Audit and Governance Committee.

# Appendix 1: Detailed methodology

## Step 1 - Understand corporate objectives and risks

In developing our understanding of your corporate objectives and risks, we have:

- Reviewed your Corporate Plan 2013-17 and Strategic Risk Register;
- Drawn on our knowledge of the Local Government sector; and
- Met with a number senior management and non-executive members.

## Step 2 - Define the Audit Universe

In order that the internal audit plan reflects your management and operating structure we have identified the audit universe for Oxford City Council made up of a number of auditable units. Auditable units include functions, processes, systems, products or locations. Any processes or systems which cover multiple locations are separated into their own distinct cross cutting auditable unit.

## Step 3 - Assess the inherent risk

The internal audit plan should focus on the most risky areas of the business. As a result each auditable unit is allocated an inherent risk rating i.e. how risky the auditable unit is to the overall organisation and how likely the risks are to arise. The criteria used to rate impact and likelihood are recorded in Appendix 2.

The inherent risk assessment is determined by:

- Mapping the corporate risks to the auditable units;
- Our knowledge of your business and its sector; and
- Discussions with management.

Impact Rating	Likelihood Rating					
	6	5	4	3	2	1
6	6	6	5	5	4	4
5	6	5	5	4	4	3
4	5	5	4	4	3	3
3	5	4	4	3	3	2
2	4	4	3	3	2	2
1	4	3	3	2	2	1

## Step 4 - Assess the strength of the control environment

In order to effectively allocate internal audit resources we also need to understand the strength of the control environment within each auditable unit. This is assessed based on:

- Our knowledge of your internal control environment;
- Information obtained from other assurance providers; and
- The outcomes of previous internal audit reviews.

## Step 5 - Calculate the audit requirement rating

The inherent risk and the control environment indicator are used to calculate the audit requirement rating. The formula ensures that our audit work is focused on areas with high reliance on controls or a high residual risk.



Inherent Risk Rating	Control design indicator					
	1	2	3	4	5	6
6	6	5	5	4	4	3
5	5	4	4	3	3	n/a
4	4	3	3	2	n/a	n/a
3	3	2	2	n/a	n/a	n/a
2	2	1	n/a	n/a	n/a	n/a
1	1	n/a	n/a	n/a	n/a	n/a

### *Step 6 - Determine the audit plan*

Your risk appetite determines the frequency of internal audit work at each level of audit requirement. Auditable units may be reviewed annually, every two years or every three years.

In some cases it may be possible to isolate the sub-process (es) within an auditable unit which are driving the audit requirement. For example, an auditable unit has been given an audit requirement rating of 5 because of inherent risks with one particular sub-process, but the rest of the sub-processes are lower risk. In these cases it may be appropriate for the less risky sub-processes to have a lower audit requirement rating be subject to reduced frequency of audit work. These sub-processes driving the audit requirement areas are highlighted in the plan as key sub-process audits.

### *Step 7 - Other considerations*

In addition to the audit work defined through the risk assessment process described above, we may be requested to undertake a number of other internal audit reviews such as regulatory driven audits, value enhancement or consulting reviews. These have been identified separately in the annual plan.

# Appendix 2: Risk assessment criteria

## *Determination of Inherent Risk*

We determine inherent risk as a function of the estimated **impact** and **likelihood** for each auditable unit within the audit universe as set out in the tables below.

<i>Impact rating</i>	<i>Assessment rationale</i>
6	Critical impact on operational performance; or Critical monetary or financial statement impact (materiality); or Critical breach in laws and regulations that could result in material fines or consequences; or Critical impact on the reputation or brand of the organisation which could threaten its future viability.
5	Significant impact on operational performance; or Significant monetary or financial statement impact (materiality/2); or Significant breach in laws and regulations resulting in large fines and consequences; or Significant impact on the reputation or brand of the organisation.
4	Major impact on operational performance; or Major monetary or financial statement impact (materiality/4); or Major breach in laws and regulations resulting in significant fines and consequences; or Major impact on the reputation or brand of the organisation.
3	Moderate impact on the organisation's operational performance; or Moderate monetary or financial statement impact (materiality/8); or Moderate breach in laws and regulations with moderate consequences; or Moderate impact on the reputation of the organisation.
2	Minor impact on the organisation's operational performance; or Minor monetary or financial statement impact (materiality/16); or Minor breach in laws and regulations with limited consequences; or Minor impact on the reputation of the organisation.
1	Insignificant impact on the organisation's operational performance; or Insignificant monetary or financial statement impact (materiality/32); or Insignificant breach in laws and regulations with little consequence; or Insignificant impact on the reputation of the organisation.

<i>Likelihood rating</i>	<i>Assessment rationale</i>
6	Has occurred or probable in the near future
5	Possible in the next 12 months
4	Possible in the next 1-2 years
3	Possible in the medium term (2-5 years)
2	Possible in the long term (5-10 years)
1	Unlikely in the foreseeable future

# Appendix 3: Key performance indicators

## Key performance indicators

To ensure your internal audit service is accountable to the Audit and Governance Committee and management, we have proposed the following key performance indicators.

<i>KPI</i>	<i>Target</i>	<i>Responsible</i>
<b>Infrastructure</b>		
Audits budgeted v actual	100%	Internal Audit
<b>Planning</b>		
Percentage of audits with Terms of Reference	100%	Internal Audit
Audit sponsor contacted	<b>No less than 4 weeks</b> before the start of audit fieldwork	Internal Audit
Meeting between Audit Sponsor and Internal Audit to agree scope of review	<b>No less than 3 weeks</b> before the start of audit fieldwork	Internal Audit and Audit Sponsor
Draft scope issued to Audit Sponsor and Head of Service for agreement	<b>No less than 3 weeks</b> before the start of audit fieldwork	Internal Audit
<b>Fieldwork</b>		
Exit meeting to confirm matters arising from the audit.	<b>No more than 1 week</b> after the completion of fieldwork	Internal Audit and Audit Sponsor
<b>Reporting</b>		
Initial draft report issued to Audit Sponsor, Head of Service, Executive Director, Head of Finance, Executive Director Organisational Development and Corporate Services and other agreed stakeholders	<b>No more than 2 weeks</b> after exit meeting	Internal Audit
Report finalised, and circulated.	<b>No more than 1 week</b> after final draft report has been issued.	Internal Audit
Attendance at Audit and Governance Committee	100%	Internal Audit



In the event that, pursuant to a request which Oxford City Council has received under the Freedom of Information Act 2000 or the Environmental Information Regulations 2004 (as the same may be amended or re-enacted from time to time) or any subordinate legislation made thereunder (collectively, the "Legislation"), Oxford City Council is required to disclose any information contained in this document, it will notify PwC promptly and will consult with PwC prior to disclosing such document. Oxford City Council agrees to pay due regard to any representations which PwC may make in connection with such disclosure and to apply any relevant exemptions which may exist under the Legislation to such [report]. If, following consultation with PwC, Oxford City Council discloses any this document or any part thereof, it shall ensure that any disclaimer which PwC has included or may subsequently wish to include in the information is reproduced in full in any copies disclosed.

This document has been prepared only for Oxford City Council and solely for the purpose and on the terms agreed with Oxford City Council in our agreement. We accept no liability (including for negligence) to anyone else in connection with this document, and it may not be provided to anyone else.

© 2014 PricewaterhouseCoopers LLP. All rights reserved. In this document, "PwC" refers to PricewaterhouseCoopers LLP (a limited liability partnership in the United Kingdom), which is a member firm of PricewaterhouseCoopers International Limited, each member firm of which is a separate legal entity.

This page is intentionally left blank

---

# *Internal Audit Charter*

## DRAFT

Oxford City Council

April 2014

---

### **Distribution List**

Members of the Audit and Governance Committee

---

## About this charter

This Internal Audit Charter provides the framework for the conduct of the Internal Audit function in Oxford City Council and has been approved by the Audit and Governance Committee. It has been created with the objective of formally establishing the purpose, authority and responsibilities of the Internal Audit function.

Regular communication is essential to achieve effective co-operation. Heads of Service or other delegated members of Council Staff will be appointed for individual reviews to act as the first point of contact between Internal Audit and their area of responsibility, and to participate fully in the audit planning and reporting process. A timetable for the liaison and coordination of work is set out in Appendix 1. Internal Audit's performance against this will be reported quarterly to the Audit and Governance Committee.

## Definitions

Board	<p>The highest level of governing body charged with the responsibility to direct and/or oversee the activities and management of the organisation.</p> <p>Throughout this document, the term 'Board' refers to the Audit and Governance Committee.</p>
Audit and Governance Committee	<p>The governance group charged with independent assurance of the adequacy of the risk management framework, the internal control environment and the integrity of financial reporting.</p>
Senior Management	<p>The individuals at the highest level of organisational management who have day-to-day responsibility for managing the organisation.</p> <p>Throughout this document, the term 'Senior Management' refers to the Executive Director – Organisational Development and Corporate Services.</p>
Chief Audit Executive	<p>Chief Audit Executive describes a person in a senior position responsible for effectively managing the internal audit activity. The specific job title of the Chief Audit Executive may vary across organisations.</p> <p>Throughout this document, the term 'Chief Audit Executive' refers to Head of Internal Audit and this role is fulfilled by Richard Bacon, PwC Partner.</p>

## Purpose

Internal Auditing is an independent, objective assurance and consulting activity designed to add value to and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes. The function provides independent and objective evaluation of, and opinion on, the overall adequacy and effectiveness of the framework of governance, risk management and control in an economical, efficient and timely manner. This includes identification of risks and assessment of their management, and implementation of changes to strengthen the governance framework.

## Scope

All of Oxford City Council's activities (including outsourced activities) and legal entities are within the scope of Internal Audit. Internal Audit determines what areas within its scope should be included within the annual audit plan by adopting an independent risk based approach. Internal Audit does not necessarily cover all potential scope areas every year. The audit program includes obtaining an understanding of the processes and systems under audit, evaluating their adequacy, and testing the operating effectiveness of key controls.



Internal Audit can also, where appropriate, undertake special investigations and consulting engagements at the request of the Audit and Governance Committee, senior management and regulators.

The scope of work of Internal Audit is to determine whether the network of risk management, control, and governance processes, as designed and represented by management, is adequate and functioning in a manner to ensure:

- Risks are appropriately identified and managed;
- Interaction with the various governance groups occurs as needed;
- Significant financial, managerial, and operating information is accurate, reliable, and timely;
- Employees' actions are in compliance with policies, standards, procedures, and applicable laws and regulations;
- Resources are acquired economically, used efficiently, and adequately protected;
- Programs, plans, and objectives are achieved;
- Quality and continuous improvement are fostered in the control process;
- Significant legislative or regulatory issues are recognised and addressed appropriately; and
- Opportunities for improving management control, profitability and the image may be identified during audits.

Notwithstanding Internal Audit's responsibilities to be alert to indications of the existence of fraud and weaknesses in internal control which would permit fraud to occur, the Internal Audit activity will not undertake specific fraud-related work.

Internal Audit will coordinate activities with other internal and external providers of assurance and consulting services to ensure proper coverage and minimise duplication of efforts.

## Authority

The Internal Audit function of Oxford City Council derives its authority from the Council through the Audit and Governance Committee. The Chief Audit Executive is authorised by the Audit and Governance Committee to have full and complete access to any of the organisation's records, properties and personnel. The Chief Audit Executive is also authorised to designate members of the audit staff to have such full and complete access in the discharging of their responsibilities, and may engage experts to perform certain engagements which will be communicated to management. Internal Audit will ensure confidentiality is maintained over all information and records obtained in the course of carrying out audit activities.

The Chief Audit Executive are not authorised to perform any operational duties; initiate or approve accounting records; and direct the activities of any employees, except to the extent such employees have been appropriately assigned to auditing teams or to otherwise assist the Internal Auditors.

## Responsibility

The Chief Audit Executive is responsible for preparing the annual audit plan in consultation with the Audit and Governance Committee and senior management, submitting the audit plan, internal audit budget, and resource plan for review and approval by the Audit and Governance Committee, implementing the approved audit plan, and issuing periodic audit reports on a timely basis to the Audit and Governance Committee and senior management.

The Chief Audit Executive is responsible for ensuring that the Internal Audit function has the skills and experience commensurate with the risks of the organisation. The Audit and Governance Committee should make appropriate inquiries of management and the Chief Audit Executive to determine whether there are any inappropriate scope or resource limitations.

It is the responsibility of management to identify, understand and manage risks effectively, including taking appropriate and timely action in response to audit findings. It is also management's responsibility to maintain a sound system of internal control and improvement of the same. The existence of an Internal Audit function, therefore, does not in any way relieve them of this responsibility.

Management is responsible for fraud prevention and detection. As Internal Audit performs its work programs, it will be observant of manifestations of the existence of fraud and weaknesses in internal control which would permit fraud to occur or would impede its detection.

## Independence

Internal Audit staff will remain independent of the business and they shall report to the Chief Audit Executive who, in turn, shall report functionally to the Audit and Governance Committee and administratively to the Executive Director Organisational Development and Corporate Services.

Internal Audit staff shall have no direct operational responsibility or authority over any of the activities they review. Therefore, they shall not develop nor install systems or procedures, prepare records or engage in any other activity which they would normally audit. Internal Audit staff with real or perceived conflicts of interest must inform the Chief Audit Executive, then the Audit and Governance Committee, as soon as these issues become apparent so that appropriate safeguards can be put in place.

## Professional competence and due care

The Internal Audit function will perform its duties with professional competence and due care. Internal Audit will adhere to the Definition of Internal Auditing, Code of Ethics and the Standards for the Professional Practice of Internal Auditing that are published by the Institute of Internal Auditors.

Internal Audit will also adhere to the requirements of the Public Sector Internal Audit Standards (PSIAS).

## Reporting and monitoring

At the end of each audit, the Chief Audit Executive or designee will prepare a written report and distribute it as appropriate. Internal Audit will be responsible for appropriate follow-up of audit findings and recommendations. All significant findings will remain in an open issues file until cleared by the Chief Audit Executive or the Audit and Governance Committee.

The Audit and Governance Committee will be updated regularly on the work of Internal Audit through periodic and annual reports. The Chief Audit Executive shall prepare reports of audit activities with significant findings along with any relevant recommendations and provide periodic information on the status of the annual audit plan.

The Chief Audit Executive reports to the Audit and Governance Committee for organisational purposes but will report significant audit findings and audit progress directly to Senior Management. The Chief Audit Executive has a direct right of access to Senior Management as and when required.

Should the Chief Audit Executive not be satisfied with management's response to a given audit report then this will be highlighted to Senior Management initially and subsequently the Chair of the Audit and Governance Committee where these are not resolved.

Periodically, the Chief Audit Executive will meet with Senior Management to discuss internal audit matters.

The performance of Internal Audit will be monitored through the implementation of a Quality Assurance and Improvement Programme, the results of which will be reported periodically to Senior Management and the Audit and Governance Committee.

Public Sector Internal Audit Standards ("PSIAS") include both internal and external assessments.

All of PwC's Internal Audit Engagement are subject to a thorough internal peer review of quality by PwC, to ensure that its work meets the standards expected from its staff. For example, the internal file quality reviews undertaken by PwC cover the following:

- All work undertaken is in accordance with PSIAS;
- The work is planned and undertaken in accordance with risks associated with areas under review;
- Sampling is undertaken in accordance with PwC methodology; and

- The conclusions are fully supported by our detailed work undertaken.

An external assessment must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. The Chief Audit Executive will discuss options for the assessment with Senior Management and the Audit and Governance Committee.

## Accountability

The Chief Audit Executive, in the discharge of their duties, shall be accountable to the Audit And Governance Committee and Senior Management for:

- Providing, at least annually, an objective evaluation of, and opinion on, the overall adequacy and effectiveness of the framework of governance, risk management and control;
- Reporting significant issues related to the processes for controlling activities, including recommendations and status of implementation of improvements;
- Periodically providing information on the status and results of the annual audit plan and the sufficiency of the Internal Audit function's resources; and
- Co-ordination with other significant assurance functions.

## Management responsibilities

An Internal Audit service can only be effective if it receives the full co-operation of management. By approving this Internal Audit Charter Senior Management and the Audit and Governance Committee are mandating management to co-operate with Internal Audit in the delivery of the service in accordance Appendix 1 Communication Protocol to this document.

The Audit and Governance Committee is responsible for appointing the Chief Audit Executive. Senior Management is responsible for the performance management of the Chief Audit Executive. Instances of late responses to reports, and agreed actions not being implemented will be escalated to Senior Management initially and subsequently the Chair of the Audit and Governance Committee where these are not resolved.

Whilst the annual Internal Audit report is a key element of the assurance framework required to inform the Annual Governance Statement, there are also a number of other sources from which those charged with governance should gain assurance. The level of assurance required from Internal Audit will be agreed with the Audit and Governance Committee at the beginning of the year and presented in the annual Internal Audit plan (and subsequent agreed amendments). As such, the annual Internal Audit opinion does not supplant responsibility of those charged with governance from forming their own overall opinion on internal controls, governance arrangements, and risk management activities.

## Advisory work

Public Sector Internal Audit Standards ("PSIAS") allow that Internal Audit effort may sometimes be more usually focused towards providing advice rather than assurance over core controls. Where appropriate, Internal Audit will act in a consultancy capacity by providing guidance and advice for strengthening the control environment, providing:

- The objectives of the Consulting engagement address governance, risk management and control process to the extent agreed upon;
- The request has been approved at Senior Management level;
- Internal Audit is considered to have the right skills, experience, and available resource;
- Internal Audit's involvement will not constitute a conflict of interest in respect of maintaining an independent stance, and Internal Audit will not assume a management role in providing this advice.

When performing consulting services, the auditor must maintain objectivity and not take on management responsibility.

The Chief Audit Executive is responsible for ensuring that all requests are reviewed in accordance with the above criteria and for making the final decision. The role which Internal Audit will assume on any particular

---

advisory assignment will be agreed with the sponsor, will be documented within the assignment plan and reported to the Audit and Governance Committee.

---

This charter is authorised within Oxford City Council:

**Executive Director: Organisational Development and Corporate Services** – Jackie Yates

**Audit and Governance Committee Chair** – Councillor James Fry

With the agreement of:

**Chief Audit Executive** – Richard Bacon

Presented to the Audit and Governance Committee 24 April 2014

## Appendix 1 – Communication protocol

Protocol	Responsible	Timescale
<b>Audit planning:</b> <i>These timescales may be amended with the agreement of the Audit Sponsor <sup>1</sup></i>		
Audit Sponsor contacted	Internal Audit	<b>No less than 5 weeks</b> before the start of audit fieldwork
Meeting between Audit Sponsor and Internal Audit to agree scope of review	Internal Audit and Audit Sponsor	<b>No less than 4 weeks</b> before the start of audit fieldwork
Draft scope issued to Audit Sponsor and Head of Service for agreement <sup>2</sup>	Internal Audit	<b>No less than 3 weeks</b> before the start of audit fieldwork
Audit Sponsor and Head of Service agreement of scope	Audit Sponsor and Head of Service	<b>No less than 2 weeks</b> before the start of audit fieldwork
<b>Audit fieldwork and closure</b>		
Exit meeting to confirm matters arising from the audit	Internal Audit and Audit Sponsor	<b>No more than 1 week after completion of fieldwork</b>
<b>Audit reporting</b>		
Initial draft report issued to Audit Sponsor, Head of Service, Executive Director, Head of Finance, Executive Director Organisational Development and Corporate Services, and other agreed key stakeholders	Internal Audit	<b>No more than 2 weeks</b> after exit meeting
Audit Sponsor confirmation as the material accuracy of the initial draft report, or highlighting of accuracy issues to be discussed/amended	Audit Sponsor	<b>No more than 1 week</b> after receipt of report
If required, clearance meeting to resolve material factual accuracy issues and discuss management responses	Internal Audit and Audit Sponsor	<b>No more than 2 weeks</b> after receipt of initial draft report. A revised report will then be issued within 1 week
<b>Management responses</b>		
Audit Sponsor provides: <ul style="list-style-type: none"> <li>Management responses, including responsible officers for implementation and deadlines, to audit recommendation; and</li> <li>Overall conclusion for inclusion within executive summary of the report.</li> </ul>	Audit Sponsor	<b>No more than 1 week</b> after issue of revised report following clearance meeting. If a clearance meeting is not required, management responses will be provided 2 weeks after confirmation of material accuracy of initial draft report by audit sponsor.
<b>Report finalisation</b>		
Report finalised, and circulated	Internal Audit	<b>No more than 1 week</b> after final draft report has been issued
<b>Actions</b>		
Implementation of recommendations in line with agreed report	Audit Sponsor	<b>In line with agreed report</b>

<sup>1</sup> The audit sponsor, is typically, the Head of Service or other delegated member of Council Staff.

<sup>2</sup> The scoping document will confirm key audit milestone dates for the fieldwork and reporting stages of the audit and represents a contract of agreement between the audit sponsor and Internal Audit.

In the event that, pursuant to a request which Oxford City Council has received under the Freedom of Information Act 2000 or the Environmental Information Regulations 2004 (as the same may be amended or re-enacted from time to time) or any subordinate legislation made thereunder (collectively, the “Legislation”), Oxford City Council is required to disclose any information contained in this document, it will notify PwC promptly and will consult with PwC prior to disclosing such document. Oxford City Council agrees to pay due regard to any representations which PwC may make in connection with such disclosure and to apply any relevant exemptions which may exist under the Legislation to such report. If, following consultation with PwC, Oxford City Council discloses any this document or any part thereof, it shall ensure that any disclaimer which PwC has included or may subsequently wish to include in the information is reproduced in full in any copies disclosed.

This document has been prepared only for Oxford City Council and solely for the purpose and on the terms agreed with Oxford City Council in our engagement letter. We accept no liability (including for negligence) to anyone else in connection with this document, and it may not be provided to anyone else.

© 2014 PricewaterhouseCoopers LLP. All rights reserved. 'PricewaterhouseCoopers' refers to PricewaterhouseCoopers LLP (a limited liability partnership in the United Kingdom) or, as the context requires, other member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.

This page is intentionally left blank



**To:** Audit & Governance Committee

**Date:** 24<sup>th</sup> April 2014

**Item No:**

**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.

**Policy Framework:**

**Report Approved by:**

**Finance:** Jacqueline Yates – Executive Director, Organisational Development and Corporate Services

**Legal:** Jeremy Thomas – Head of Law and Governance

**Recommendation(s):**

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

Appendix A – Internal and External Audit recommendation tracker

### **Background**

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.
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. However, if there are any recommendations that are less than 50% complete but have not yet

exceeded their expected completion date these are also marked as green or amber if they are within one month of their completion date.

3. Any recommendations that were noted as 100% complete at the last meeting have been removed from the tracker.

#### **External Audit Recommendation**

4. There are no high risk recommendations on the external audit tracker that are not 100% complete and therefore no outstanding recommendations which would give cause for concern.
5. At the last Audit and Governance Committee Ernst and Young presented an audit report following their Grant claim work. There were seven recommendations that arose out of this report. These are all included within the audit tracker, with five of the recommendation already complete and the remaining three in progress and expected to be completed by end of May 2014.
6. There are no external audit recommendations that have exceeded their completion date.

#### **Internal Audit recommendations**

7. There has been four new internal audit reports finalised since the last meeting:
  - **Town Hall income review – Medium risk rating** – One medium and Five low risk recommendations were raised during the audit. These related to processes and procedures not being robust or in written form, and also relating to reconciliations between Artifax and Agresso. All recommendations are noted on the tracker.
  - **Collection Fund - Low risk rating** – One low risk recommendation in relation to reconciliation of Academy to Paris.
  - **Community Development, Community Centres and Associations - Low risk rating** – Two low risks and one medium risk in relation to the lack of signed lease agreements for the community centres.
  - **Grant Payments - an advisory report with no overall risk rating** - Six advisory recommendations were made relating to the processes followed when approving and paying grant payments.
  - **Creditors – Low risk rating** – Performance in this area has improved from the last review performed. Three low risk recommendations were raised during this audit, these related to operational processes not being fully in place, such as date stamping and initialling approvals.
  - **Debtors – Low risk rating** – Performance in this area has improved from the last review performed. Five low risk recommendations were raised during this audit, these also related to operational process not being fully in place, such as updating authorised signatories and ensuring invoices are raised timely.

8. There are 31 recommendation on the internal audit tracker that are not 100% complete as follows:
- a. Health & Safety - updating of information within Uniform – All information is now up to date on Uniform and further work is being done to report and communicate the repairs data so that it can be update into Uniform in a timely manner;
  - b. Business Continuity Planning (BCP) – work is ongoing and all Heads of Service are updating and reviewing their BCP's, with a revised deadline of end of May for completion;
  - c. Asset Management – recommendations made relating to the Asset Management Plan are ongoing and are approx. 50% complete, these will be fully implemented on the next version of the plan scheduled to be approved by CEB in Oct 2014;
  - d. Cash and Card Payments – work is being undertaken to move towards the reduction of the use of cash;
  - e. Community Centres and Associations – Ensuring lease agreements are signed and the review of the process for repairs are recommendations that are in progress but not yet finalised;
  - f. Creditor and Debtors – all recommendations made during this recent audit are being implemented by end of April 2014;
  - g. Grants – Training to be provided to successful applicants will be in place by the end of June 2014;
  - h. Town Hall Income – the cash handling procedures are being reviewed and will be issued to all departments.
9. The recommendation relating to Housing Benefit quality checks is a follow up from prior years, and has now been replaced by IA 532 as a follow up in this years audit. At least 10% of work processed is being checked daily. The target is now consistently being met and is expected to continue in this way.
10. There are sixteen internal audit recommendations that are being reported as 100% complete and will be removed from the next report.
11. As previously reported there has been an overall improvement in the outcome of our internal audit reviews over the last two years, with the number of low risk audits increasing significantly, this is an encouraging direction of travel. The table below details the percentage of reports and their risk ratings.

Risk Rating	13/14		12/13		11/12		10/11	
	No of reports	% of reports	No of reports	% of reports	No of reports	% of reports	No of reports	% of reports
High	1	9%	1	10%	1	7%	2	15%
Medium	1	9%	3	30%	9	60%	8	62%
Low	9	82%	6	60%	5	33%	3	23%
	<b>11</b>		<b>10</b>		<b>15</b>		<b>13</b>	

12. Alongside the reduction in risk rating the number of recommendations has also reduced and any recommendations made are now being dealt with in a much timelier manner. The use of the audit tracker and reporting to the Audit & Governance Committee has increased the focus placed on recommendations and ensured they are dealt with more swiftly.

**Financial Implications**

13. 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**

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

**Equalities Impact**

15. There are no Equalities implications arising from the recommendations in this report.

**Climate change/environmental impact**

16. There are no Climate Change implications arising from the recommendations in this report.

**Name and contact details of author:**

Anna Winship  
Financial Accounting Manager  
Telephone: (01865) 252517  
awinship@oxford.gov.uk

**Background papers:** None

Audit Tracker

Ref	Review	Review Date	Issue Noted	Risk Rating	Recommendation	Updater	Owner	Due Date	Forecast Completion Date	% Complete	Comments
EA050	Certification of Claims and Returns	Nov 2013	Ensure sufficient staff are available to complete Housing Benefit workbooks and respond to audit queries	High	Agreed - Additional team member in place and for 2013/14 there will be on less workbook as CT Benefit will no longer be part of the claim	Pauline Hull	Helen Bishop	31/3/14		100	Actions agreed and completed
EA052	Certification of Claims and Returns	Nov 2013	Review housing benefit assessments completed in 2013/14 to identify impact of errors identified in 2012/13. If necessary take action to reduce the impact	High	as 100% check of student income claims, more testing has taken place across the range of claims	Pauline Hull	Helen Bishop	31/3/14		100	Actions agreed and completed
EA053	Certification of Claims and Returns	Nov 2013	Improve training for all temporary staff employed by the Council assessing Housing Benefit Claims	High	The use of temporary staff has been reduced. The only temporary staff used are those who have been used before and produce good work. They are only used when there is a specific need	Sharon Warner	Helen Bishop	31/3/14		100	Actions agreed and completed
EA054	Certification of Claims and Returns	Nov 2013	Review work of temporary assessors as soon as possible to ensure that they are making accurate assessments	High	this is less likely to be an issue as fewer temporary staff are being used.	Sharon Warner	Helen Bishop	31/3/14		100	Actions agreed and completed
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	Fiona Colcutt	Jane Lubbock	31-Jan-2011		100	#####
EA051	Certification of Claims and Returns	Nov 2013	Student Income: provide training on the correct treatment of student grant and loan income	Medium	100% check undertaken to identify any errors and inform training programme. Training delivered	Pauline Hull		31/3/14		100	Actions agreed and completed
EA055	Certification of Claims and Returns	Nov 2013	Child Care Disregard: provide training to standardise the approach and how to record the calculation	Medium	These claims will be subject to a 100% check. Doing this will help us develop a consistent approach to these claims	Pauline Hull		30/5/14		50	Agreed and in progress
EA056	Certification of Claims and Returns	Nov 2013	Complete reconciliation of subsidy to software balancing report to resolve differences between the two	Medium	The aim is to balance direct payments claims earlier to identify potential problems	Pauline Hull		30/5/14		50	Agreed and in progress
EA057	Certification of Claims and Returns	Nov 2013	For the three cases where the Council was unable to recalculate the amount of subsidy, complete additional work to complete the recalculation so that the Council understands how the benefit paid was calculated	Medium	recalculate to understand how the benefit paid was calculated	Pauline Hull		30/5/14		50	Agreed and in progress
IA506	BCP	1-Aug-2013	Unless the information in BCPs is reviewed and kept up-to-date, the risk is that the plans will be ineffective during a disruption, leading to inability to deliver critical business services.	High	#####	LDS Support	Jeremy Thomas	30-Nov-2013	30/5/14	50	Service heads asked to update plans November 2013 taking account of audit findings and recommendations , some revised versions now received. A reminder has been send out in April with a revised deadline of completion of end of May
IA507	BCP	1-Aug-2013	Failure to identify all dependencies of Service Area critical activities could result in unforeseen	High	#####	LDS Support	Jeremy Thomas	31-Dec-2013	30/5/14	50	Service heads asked to update plans November 2013 taking account of audit findings and recommendations , some revised versions now received. A reminder has been send out in April with a revised deadline of completion of end of May
IA521	Cash and Card Receipts Review	7-Feb-2014	#####	Medium	Items are not cleared on a timely basis, and failure to allocate payments to an account can lead to errors in customer accounts.	Pete Johnson	Pete Johnson			100	All balances over 6 months old have been cleared to a cash reserve. Daily reconciliation and review is done on this account and any balances over 6 months old will be cleared out on a monthly basis
IA172	ICT	27-Apr-2010	#####	Medium	#####	Fiona Colcutt	Jane Lubbock	30-Apr-2010		100	All admin rights have been removed for Windows 7 users. Approximately 3 staff left to upgrade. Members have been upgraded. Staff are no longer able to download any software onto their laptops, giving the Council control of the applications used.
	Town Hall Income Review	March 2014	Cash received at the Town Hall is physically taken to the Finance team, there is no record or signature retained to confirm that the cash has been passed onto Finance	Medium	A process should be put in place to ensure that each time cash is taken to finance documentation is retained showing the amount and what it relates to, this will also be signed by the recipient of the cash to confirm they have accepted it	Richard Clements	Simon Howick	immediately		100	Process now in place that all cash taken to finance is signed for and the documentation for this is retained
IA396	HR Policy Review	1-Mar-2013	Performance Improvement Policy- The staff expectations section within the policy is limited and there is little information on how staff can maintain or improve performance.	Medium	A section is added in the policy for staff on how they can maintain or improve their own performance	Simon Howick	Simon Howick	1-Apr-2013		100	policy now updated and awaiting Council approval

IA510	Asset Management	1-Dec-2013	Some areas were unclear with regard to the linkage between actions and objectives and to the Corporate Plan.	Medium	Future iterations should ensure that objectives are linked to those in the Corporate Plan, and that objectives, actions, targets and measures are linked together. With an executive summary included for the key messages and conclusions.	Lorraine Newman-Robson	Richard Hawkes	31-Oct-2014	31/10/14	50	Actions will be addressed in new Asset Management Plan scheduled to be issues to CEB October 2014.
IA511	Asset Management	1-Dec-2013	The strategy includes a risk register, however this should include the key risks to the individual objectives, and include details of the actions and assurance sources to address the risks.	Medium	Risk register to include the key risks to the individual objectives, and include details of the actions and assurance sources to address the risks.	Lorraine Newman-Robson	Richard Hawkes	31-Mar-2014	31/10/14	50	Actions will be addressed in new Asset Management Plan scheduled to be issues to CEB October 2014.
IA512	Asset Management	1-Dec-2013	#####	Medium	Plan to include reference to how the Council manages assets on a day to day basis.	Lorraine Newman-Robson	Richard Hawkes	31-Mar-2014	31/10/14	50	Actions will be addressed in new Asset Management Plan scheduled to be issues to CEB October 2014.
IA513	Asset Management	1-Dec-2013	A section should be included on the review process which is undertaken on completion of key projects and the capital programmes.	Medium	A section should be included on the review process which is undertaken on completion of key projects and the capital programmes.	Lorraine Newman-Robson	Richard Hawkes	31-Mar-2014	31/10/14	50	Actions will be addressed in new Asset Management Plan scheduled to be issues to CEB October 2014.
IA514	Asset Management	1-Dec-2013	#####	Medium	#####	Lorraine Newman-Robson	Richard Hawkes	31-Mar-2014	31/10/14	50	Actions will be addressed in new Asset Management Plan scheduled to be issues to CEB October 2014.
IA515	Asset Management	1-Dec-2013	Within the General Fund Assets, an investment fund strategy should be included which details objectives, commentary on the portfolio and any assets which re identified as problems/low return.	Medium	Within the General Fund Assets, an investment fund strategy should be included which details objectives, commentary on the portfolio and any assets which a re identified as problems/low return.	Lorraine Newman-Robson	Richard Hawkes	31-Mar-2014	31/10/14	50	Actions will be addressed in new Asset Management Plan scheduled to be issues to CEB October 2014.
IA516	Asset Management	1-Dec-2013	There needs to be a definition included of the levels of the strategy, sub-geographies and assets, with details of how these are layered and refreshed in the Housing Revenue Account assets list.	Medium	There needs to be a definition included of the levels of the strategy, sub-geographies and assets, with details of how these are layered and refreshed in the Housing Revenue Account assets list.	Lorraine Newman-Robson	Richard Hawkes	31-Mar-2014	31/10/14	50	Actions will be addressed in new Asset Management Plan scheduled to be issues to CEB October 2014.
IA517	Asset Management	1-Dec-2013	There needs to be challenge on the current use of assets and an assessment included of the benefit and suitability within the Housing Revenue Account Asset list.	Medium	There needs to be challenge on the current use of assets and an assessment included of the benefit and suitability within the Housing Revenue Account Asset list.	Lorraine Newman-Robson	Richard Hawkes	31-Mar-2014	31/10/14	50	Actions will be addressed in new Asset Management Plan scheduled to be issues to CEB October 2014.
IA518	Asset Management	1-Dec-2013	Details are required over the source of finance and/or consideration to other models of financing within the Housing Revenue Account Asset list.	Medium	Details are required over the source of finance and/or consideration to other models of financing within the Housing Revenue Account Asset list.	Lorraine Newman-Robson	Richard Hawkes	31-Mar-2014	31/10/14	50	Actions will be addressed in new Asset Management Plan scheduled to be issues to CEB October 2014.
IA519	Asset Management	1-Dec-2013	A summary should be included of tenant satisfaction within the Housing Revenue Account Asset list.	Medium	A summary should be included of tenant satisfaction within the Housing Revenue Account Asset list.	Lorraine Newman-Robson	Richard Hawkes	31-Mar-2014	31/10/14	50	Actions will be addressed in new Asset Management Plan scheduled to be issues to CEB October 2014.
IA508	BCP	1-Aug-2013	A lack of information contained within BCPs which is necessary for recovery could result in unforeseen delays and ineffective co-ordination of recovery activities.	Medium	#####	LDS Support	Jeremy Thomas	31-Dec-2013	30/5/14	25	Service heads asked to update plans November 2013 taking account of audit findings and recommendations , some revised versions now received. A reminder has been send out in April with a revised deadline of completion of end of May
	Community centres and associations	April 2014	1 of 19 community centres has a signed lease agreement. The remaining community centres have less formal agreements in place	Medium	Agree with each centre to get a lease agreement signed	Angela Cristofoli	Ian Brooke	immediately		25	Federation meeting with lead Councillors planned for June. Key documentation agreed internally
IA509	BCP	1-Aug-2013	Inconsistent plans could result in key information required for successfully service recovery being omitted.	Medium	#####	LDS Support	Jeremy Thomas	31-Mar-2014	30/5/14	50	Service heads asked to update plans November 2013 taking account of audit findings and recommendations , some revised versions now received. A reminder has been send out in April with a revised deadline of completion of end of May
IA531	Housing Benefits	31-Mar-2014	#####	Low	#####	Sharon Warner	Sharon Warner			75	#####
IA525	Risk Management & Performance Improvement	7-Feb-2014	For one of the five service areas tested, the full summary of the risk portfolio did not contain any controls information for one of the risks.	Low	The risk is not mitigated with controls.	Anna Winship	Anna Winship			100	Training has been carried out to ensure all key updaters in all service areas are aware of the information that needs to be provided in Corvu
IA528	Risk Management & Performance Improvement	7-Feb-2014	#####	Low	Staff do not understand fully the requirements of the CorVu system.	Anna Winship	Anna Winship			100	Training has been carried out to ensure all key updaters in all service areas are aware of the information that needs to be provided in Corvu
IA532	Housing Benefits	10-Feb-2014	#####	Low	We found that the 10% quality checking target was not met in 1 of the 5 months tested.	Sharon Warner	Sharon Warner			100	The process has been refined since we missed the target and since October, we have hit the 10% each month and in some months, exceeded the checking.
	Town Hall Income Review	March 2014	Details are manually entered into Agresso from an invoice generated in Artifax. No reconciliation is performed between the two - our findings did no find any instances where the figures were different	Low	Team leader authorises and reviews the input into Agresso	Richard Clements	Simon Howick	31/12/13		100	Process in place for invoices to be authorised and checked when appropriate

	Town Hall Income Review	March 2014	There are no controls in place for identifying all bookings in Artifax where an invoice has not been raised. All bookings may no be invoiced resulting in loss of income	Low	The authority will enquire with the providers of Artifax whether the system can produce reports highlighting bookings which have not been invoiced	Richard Clements	Simon Howick	immediately		100	Artifax does not provide this information. However, we now have increased the number of checks we have to ensure that invoices are not missed
	Town Hall Income Review	March 2014	A sample of 25 invoices raised in artifax during the year was tested and it was found that 2 of the 25 had not been authorised	Low	Staff will be reminded of the need to appropriately carry out authorisation	Richard Clements	Simon Howick	31/12/13		100	Staff have been reminded of this and authorisation is done when appropriate
	Town Hall Income Review	March 2014	A sample of 25 invoices raised in artifax during the year was tested and it was found that 2 of the 25 had not been authorised	Low	The process for retaining invoices will be reviewed and action will be taken to ensure that a record of all invoices is appropriately kept and consideration will be given to storing the invoices electronically.	Richard Clements	Simon Howick	immediately		100	The process has been reviewed and an appropriate record is now kept of invoices
	Grants	March 2014	From testing performed there was no date on the payment authorisation forms signed by the Neighbourhood and Communities manager meaning there is no evidence that the terms and conditions were signed before payment	Low	A date stamp is used on payment authorisation forms	Angela Cristofoli	Ian Brooke	30-06-2014		100	Date stamp being used to show when creditor payment forms are authorised
	Grants	March 2014	Grants and external funding officer does not receive documentation or meeting minutes from the decisions made by councillors to increase,decrease,include and exclude applications from receiving the grant	Low	Grants and external funding officer should receive backing documentation for any changes made to grant funding at Councillor level	Angela Cristofoli	Ian Brooke	30-06-2014		100	Process in place for this to happen in future
	Grants	March 2014	The same organisation often receive the same grant income every year with 14 grant applications being from the same people in 2012/13, 2013/14 and 2014/15 and the number of successful applicants dropping from 57 to 30 between 2012/13 and 2014/15.	Low	Increase advertisement of the scheme including use of social media	Angela Cristofoli	Ian Brooke	30-06-2014		100	Being done through twitter and Facebook
	Grants	March 2014	Proposals are due midday on the due date in 2014/15 2 applications came in on the due date but after the deadline.	Low	Deadline for the proposals should be midnight on deadline day	Angela Cristofoli	Ian Brooke	30-06-2014		100	amendments to grant application forms done
	Community centres and associations	April 2014	1 out of 5 audits tested had the documentation in a different format than the template. This was in less detail and was only ticks rather than providing a commentary for each risk.	Low	All audits and follow up work will be documented on the audit templates	Angela Cristofoli	Ian Brooke	30-06-2014		100	Template is now in place
	Collection Fund	March 2014	A daily reconciliation between Paris and Academy is performed. When testing this there was one reconciliation item (£600) which was a difference for over 6 months without being cleared	Low	Differences are investigated and cleared within one month of discovery	Pete Johnson	Nigel Kennedy	immediately		100	This procedure is now in place
IA402	Health and Safety: Housing Stock and Corporate Assets	1/8/13	The reports currently being run for monitoring purposes are not as effective as they could be due to the electrical data on Uniform not being up to date	Low	The electrical inspections data is uploaded to ensure the Uniform system is up to date	Steve Stansfield	Steve Stansfield	31/12/2013		75	Further work is being carried out on the reporting and communication of the repair data to ensure Uniform is updated timely
	Grants	March 2014	2 of 22 successful grants tested had no evidence backing up expenditure and 1 of 22 successful grants was missing an invoice for an item of expenditure.	Low	Introduction of a training programme for the successful applicants, and more regular monitoring of non compliant organisations will be introduced	Angela Cristofoli	Ian Brooke	30-06-2014		50	Training to focus on monitoring requirements from funded groups, meeting with OCVA on 9/4/14 to discuss requirements. Publish details of training by the end of June. In work programme of Grants Officer will target those with non-compliant history.
	Grants	March 2014	1 of 5 year end monitoring forms tested no evidence was received from organisations but the grant was still given in full	Low	Organisations that do not provide supporting documents are not able to apply for grants in future years	Angela Cristofoli	Ian Brooke	30-06-2014		50	This will be a recommendation in the annual monitoring report going to CEB July 2014 - monitoring information currently being collected
IA523	Cash and Card Receipts Review	7-Feb-2014	Whilst the Council are moving towards becoming cash free there is no regular monitoring of the cash payments which are being received.	Low	#####	Pete Johnson	Pete Johnson			30	A report is being generated within PARIS to facilitate further investigation
	Community centres and associations	April 2014	Some community centres contact the repairs and maintenance team directly and have jobs raised on the Uniform system	Low	All repairs has to go through the community development team to authorise. All direct requests to the repairs team are rejected	Angela Cristofoli	Ian Brooke	immediately		25	Review process and management with Property to ensure budgets, management and repairs can go through CAN
	Town Hall Income Review	March 2014	There are no procedure notes in place for cash payments, this may lead to staff not being fully aware of the controls and processes	Low	Procedure notes will be written for cash payments	Richard Clements	Simon Howick	31/12/13		0	These procedures are being revised and will be circulated across all services
	Debtors	April 2014	A list of late invoice requests is not being taken to the management accountant meetings, 3 invoices tested had taken over a month from service delivery to raising the request	Low	An agenda item is added to the Management Accountant meeting to ensure this list is reviewed, and a reminder is sent to all officers to ensure invoices are issued timely	Pete Johnson	Nigel Kennedy	immediately		0	Recommendation agreed and in progress to implement by end of April 2014
	Debtors	April 2014	8 out of 25 sundry debts tested did not have a separate preparer and authoriser	Low	Staff are to be reminded that separate people need to input and run sales orders	Nicki Peirce	Nigel Kennedy	immediately		0	Recommendation agreed and in progress to implement by end of April 2014

	Debtors	April 2014	8 out of 25 debts tested had been raised by individuals not on the authorised signatory list	Low	ensure authorised signatory list is updated and staff are to be reminded that only individuals on the authorised signatory list can approve debts	Nicki Peirce	Nigel Kennedy	immediately		0	Recommendation agreed and in progress to implement by end of April 2014
	Debtors	April 2014	The aged debt report includes 366 uncoded balances over 56 days old	Low	The aged debt list is monitored on a weekly basis and debts over 30 days are chased with debts which are not likely to be recovered written off	Nicki Peirce	Nigel Kennedy	immediately		0	Recommendation agreed and in progress to implement by end of April 2014
	Debtors	April 2014	Exception reports are not produced for amendments to standing data on a frequent basis	Low	Use of amendment reports will be investigate	Nicki Peirce	Nigel Kennedy	immediately		0	Recommendation agreed and in progress to implement by end of April 2014
	Creditors	April 2014	1 of 25 invoices (Servitor) were authorised and had a signature to show this, however it was not possible to verify the signature as the authoriser did not print or date the invoice	Low	Authorisers will include the date and their initials to identify who has signed the invoice for payment	Ivana Ilic	Nigel Kennedy	immediately		0	Recommendation agreed and in progress to implement by end of April 2014
	Creditors	April 2014	2 out of 25 supplier invoices were not date stamped by the finance department upon arrival (1 Fleetplan and 1 P2P). PWC were unable to verify that these invoices were received after a purchase order	Low	All invoices are to be date stamped when received	Ivana Ilic	Nigel Kennedy	immediately		0	Recommendation agreed and in progress to implement by end of April 2014
	Creditors	April 2014	Creditor payment forms should be stamped	Low	Procedures for stamping all supplier invoices will be reiterated to all departments concerned	Pete Johnson	Nigel Kennedy	immediately		0	Recommendation agreed and in progress to implement by end of April 2014



## AUDIT AND GOVERNANCE COMMITTEE

**Thursday 27 February 2014**

**COUNCILLORS PRESENT:** Councillors Fry (Chair), Brett, Darke, Seamons and Hollick.

**OFFICERS PRESENT:** Mathew Metcalfe (Democratic and Electoral Services), Jackie Yates (Executive Director Organisational Development and Corporate Services), Nigel Kennedy (Head of Finance), Anna Winship (Financial Accounting Manager), Lindsay Cane (Law and Governance), Mick West (Ernst & Young), Christopher Dickens (Pricewaterhousecoopers (PWC)) and Timothy Baker (Pricewaterhousecoopers (PWC)).

### **35. APOLOGIES FOR ABSENCE**

Apologies were received from Councillors David Rundle and Craig Simmons (Councillor Sam Hollick attended as a substitute for Councillor Craig Simmons).

### **36. DECLARATIONS OF INTEREST**

None declared.

### **37. EXTERNAL AUDIT PROGRESS REPORT 2013/14 - ERNST AND YOUNG**

The Head of Finance submitted a report (previously circulated, now appended) on behalf of the Council's External Auditors, Ernst and Young, which detailed the progress made in delivering the work set out in the 2013/14 audit plan.

Mick West from Ernst and Young introduced the report.

In response to questions Mick West said that the collection risk for Business Rates and Council Tax now lay with the Council and Ernst and Young would be reviewing the arrangements the Council had in place to provide assurance. Regarding certifications, he said that the amount of work on this area was reducing each year and that the indicative fee for this would also reduce.

The Committee agreed to note the report.

### **38. ERNST AND YOUNG - CERTIFICATION OF CLAIMS AND RETURNS ANNUAL REPORT 2012-13**

The Head of Finance submitted a report (previously circulated now appended) on behalf of the Council's External Auditors, Ernst and Young which summarised the results of their work on the Council's 2012-13 claims and returns.

Mick West from Ernst and Young introduced the report.

In response to questions, Jacqueline Yates, Executive Director, Organisational Development and Corporate Services, said the recommendations related to the level of quality assurance that the Council put around each claim. To this end, a new Revenues and Benefits Manager has been appointed and was currently reviewing the structure below to improve resillance.

The Committee agreed to note the report.

**39. INTERNAL AUDIT PROGRESS 2013/14 -  
PRICEWATERHOUSECOOPERS (PWC)**

The Head of Finance submitted a report (previously circulated, now appended) on behalf of the Council's Internal Auditors, Pricewaterhousecoopers (PWC) which detailed the progress made in delivering the work set out in the 2013/14 audit plan.

Chris Dickens from Pricewaterhousecoopers introduced the report. He informed the Committee that the review work concerning the Temple Cowley Pools had been put back, to allow for the initial works on the new pool to be completed.

In response to questions, Nigel Kennedy, Head of Finance, regarding card and cash payments said that the promotion of cashless payment methods was still ongoing. However despite this, the amount of cash transactions had increased, mainly due to increased income at the Council's Depot. Regarding a new fixed asset register, this will go live on 13<sup>th</sup> March 2014, and will be run in tandem with the existing system for the 2013/14 closure of accounts.

Mick West, commenting on Housing Benefit payments, said that there were no problems with the Direct Payment Project.

The Committee agreed to note the report.

**40. REVIEW OF THE AVOIDING BRIBERY, FRAUD AND CORRUPTION POLICY, AND THE MONEY LAUNDERING POLICY AND PROCEDURE.**

The Head of Finance has submitted a report (previously circulated, now appended) which detailed the outcomes of a review into the Avoiding Bribery, Fraud and Corruption Policy and the Money Laundering Policy and procedure.

Nigel Kennedy, Head of Finance introduced the report.

The Committee was informed that an iLearn training module had been prepared for staff and Members. All staff have been asked to undertake this training.

The Committee agreed:

- (a) To note the review of the Avoiding Bribery, Fraud and Corruption Policy and the Money Laundering Policy Procedures and Reporting form;
- (b) The revised documents as set out in appendices 1-4 of the report;

- (c) To note the new iLearn module on Avoiding Bribery, Fraud and Corruption which all staff had been asked to complete;
- (d) To note that the Executive Director, Organisational Development and Corporate Services would provide a briefing session on the Avoiding Bribery, Fraud and Corruption Policy.

#### **41. PROGRESS ON THE IMPLEMENTATION OF AUDIT RECOMMENDATIONS**

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

Anna Winship from Finance introduced the report.

In response to questions concerning the rollout of Windows 7, Anna Winship said that a residual 1% of Council laptops and PC's now required upgrading and this included Members laptops/desktops.

The Committee commented on how well the Council had coped during the recent floods in Oxford.

The Committee agreed to note the report.

#### **42. RISK MANAGEMENT QUARTERLY REPORTING - QUARTER 3 - 2013/14**

The Head of Finance submitted a report (previously circulated, now appended) which updated the Committee on both the corporate and service risks as at the end of quarter 3.

Nigel Kennedy, Head of Finance, introduced the report.

During discussion of the report, the Committee commented on recruitment which was a risk to the authority as well as climate change and fluctuations in the price of energy.

The Committee agreed:

- (a) To note the report;
- (b) To invite the Head of Environmental Development to a future meeting of the Committee to hear of the mitigation work that the Environmental Development Service Area is undertaking on the effects of climate change.

#### **43. MINUTES**

The Committee agreed to approve the minutes of the meeting held on 28<sup>th</sup> November 2014.

#### **44. DATES AND TIMES OF MEETINGS**

The Committee agreed:

- (a) To note that it would meet in the Town Hall on the following dates at 6.00pm:

Thursday 24<sup>th</sup> April 2014  
Thursday 26<sup>th</sup> June 2014  
Thursday 18<sup>th</sup> December 2014  
Thursday 26<sup>th</sup> February 2015  
Thursday 23<sup>rd</sup> April 2015

- (b) To ask Officers to bring forward the date of the September 2014 meeting and to inform Members of the new date.

#### **45. MATTERS EXEMPT FROM PUBLICATION**

The Committee agreed to exclude the press and public from the meeting during consideration of items on the exempt for publication part of the agenda.

#### **46. 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 7.25 pm**