

*Oxford City Council*

Internal Audit Progress Monitoring  
Report

April 2014



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

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**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.

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# *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

Ref	Name of audit	Conclusion	Date final report issued	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

<i>Ref</i>	<i>Name of audit</i>	<i>Conclusion</i>	<i>Date final report issued</i>	<i>No of recommendations made</i>			
				 <b>Critical</b>	 <b>High</b>	 <b>Medium</b>	 <b>Low</b>
9	Debtors and Creditors	Debtors – Medium Risk Creditors – Low Risk	April 2014	0	0	1	5
				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**

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

Ref	Auditable unit	Indicative number of days*	Scoping meeting date	Proposed fieldwork dates	Proposed clearance meeting dates	Proposed draft report date	Proposed management response date	Proposed final report date	Audit Committee reporting date
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>

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