
Internal audit summary report for Audit and Governance Committee

November 2011



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Plan outturn

2011/12 Audit Plan

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

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

Reporting Activity and Progress

Final reports issued since the previous meeting

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

Fieldwork and draft reports

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

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

IT Risk Assessment

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

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

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

Completeness of assessments and future reviews

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

The following table details the risk areas identified

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

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

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

Appendix One – Plan Progress

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

Summary of recommendations (final reports only)

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

Appendix Two – Recent PwC Publications

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

Out in the Open – Delivering Public Sector Reform

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

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

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

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

The (local) state we're in

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

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

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

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

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

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

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

All publications can be read in full at www.psrc.pwc.com/.

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