

---

# Internal audit summary report for Audit and Governance Committee

*April 2012*



---

# *Table of Contents*

---

Plan outturn	3
Reporting Activity and Progress	4
Appendix One – Plan Progress	7
Appendix Two – Recent PwC Publications	9

---

# *Plan outturn*

## **2011/12 Audit Plan**

We have undertaken work in accordance with our 2011/12 Internal Audit Plan. We have deferred our work on the repairs and maintenance and project management reviews until 2012/13 to reflect the timing of when these projects will be carried out internally

Our revised plan and an outturn statement detailing assignments undertaken and actual activity for the year is shown in Appendix 1. At present we have completed **221 days out of a total planned 257 days (86%)**. We have 3 reports to finalise ahead of issuing our Annual Report to the June meeting and we do not anticipate any delays in these areas. In addition, we have dedicated 15 days of our 2011/12 plan for assistance in the year end process. This has been agreed with finance and will be carried out in May/June 2012. As this support is deemed “value enhancement” it does not impact on our ability to form a year end opinion.

## **2012/13 Audit Plan**

We are delighted that we have been reappointed as the Internal Auditors for Oxford City Council for 2012/13. As a result of our contract extension we have been able to hold meetings with all Directors, Heads of Service and the Chair of this committee during March to conclude our planning for 2012/13 on a timely basis. Our draft plan has been brought in full to this meeting.

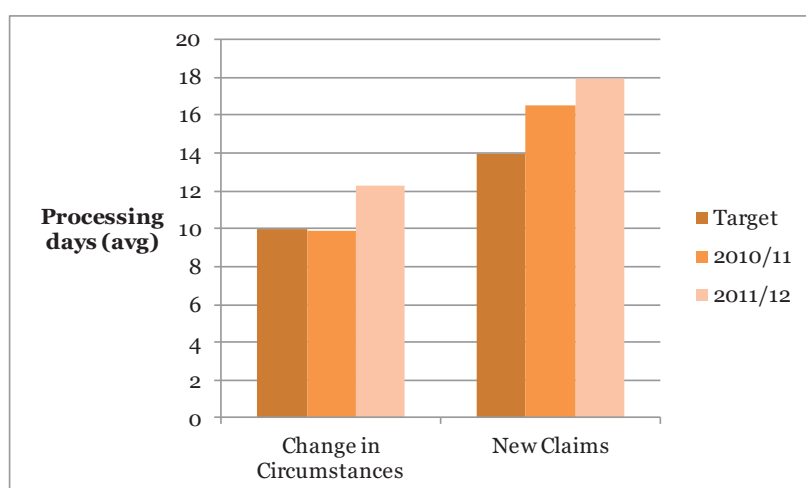
# Reporting Activity and Progress

## Final reports issued since the previous meeting

### Housing Benefits

We reviewed the controls in place for processing Housing Benefits claims. We have classified our findings in this area as **Low Risk**. No control design issues were noted through our review of Housing Benefits, indicating that controls are designed in a way that addresses the risks associated with Housing Benefits. One medium risk issue is outstanding from prior year and reflects the decline in performance against processing indicators as depicted below. The Council should look to identify reasons for the increase in processing days and implement controls to ensure that these targets are met going forwards.

In addition, 2 low risk issues have been noted. The common theme was the need to formalise processes for monitoring and processing Housing Benefits in areas such as parameter setting and quality checking processes.



### Standard Operation Procedures

Internal Audit was requested to review the existence and content of procedure notes in place for the Council's key systems as part of the 2010/11 Annual Governance Statement (AGS). The following issue was raised in the AGS:

"The results of this sample showed that 13 out of 18 systems were fully documented with procedure notes in place. For 7 of those systems, the procedure notes had not been reviewed in the past year, but for 6 of the systems the procedure notes had not been reviewed (or there was no evidence of the last review date). No information was provided for 5 of the systems."

The Council has undergone a review of procedure notes in 2011/12 and this review looked to assess the existence and content of these documents and provide an update on the issue for inclusion in the 2011/12 AGS. Policies and procedures exist for all systems tested. Some further enhancements which outline how the Council has tailored certain systems for use would improve the quality of these documents to a best practice standard.

No risk rating was given for this work

---

## **Computer Assisted Auditing Techniques**

The Council currently operates a centralised creditors function that is charged with processing expenditure transactions for the Council. The following systems are used for processing purchases:

- Fleetplan – Fleet and stores purchases;
- Servitor – Housing repairs purchases;
- Agresso – Corporate purchases

We used Computer Assisted Audit Techniques (CAATs) to interrogate transactions processed on these systems in year and identified a number of potential duplicate payments and vendors that may have occurred on more than one system. This information has been passed to the revenues manager for further investigation.

## **Contract Assurance**

We undertook a high level review of the contract management procedures for four external contracts, covering (i) Building Materials, (2) Materials Recycling Facility (MRF), (iii) Groundworks and (iv) Leisure. The objective of the review was to provide the Council with independent feedback on the following agreed elements of contract management:

- Contract ownership
- Transference of risk
- Control of scope of services
- Monitoring mechanisms
- Governance and reporting

We observed a number of good contract management practices in certain areas, including detailed knowledge of the operations, regular communication with contractors, and good working relationships between the contract managers and procurement. However, we noted further opportunity to enhance contract management, visibility and control over contractual activities such as defining the roles and responsibilities of the contract manager and creating knowledge sharing forums.

## **HRA**

The Council has developed a model to assess the impact of the HRA reforms and to act as a medium to long term HRA financial plan. We carried out a high level review of this plan as part of our review to assess its reasonableness and impact on future funding decisions.

Based on the work performed, the outputs of this plan appear reasonable in the light of the underlying assumptions. The financial plan shows that the Council will have sufficient resources to fund its capital programme (including new build) over the first 10 years and to set aside £60m for additional capital projects. Over the longer term, the financial plan projections appear to flow from the assumptions.

Our review of the assumptions underlying the financial plan showed that they were, in the main, reasonable and in a number of cases cautious. For example, there is likely to be scope to generate additional rental income if needed, and also to achieve revenue cost savings as stock numbers reduce through right to buy. However, through HRA self-financing the Council will need to absorb a broader range of risks, including full asset management responsibility for its housing. The financial plan currently assumes that the future investment needs of existing housing are less than the allowances assumed by Government. There are other risks that the Council will now need to absorb, including welfare reforms and the impact of changes in the “Right to Buy” regime announced on 12 March. Sensitivity analysis has been performed within the plan to reflect this.

Government is encouraging local authorities to reinvest the new HRA self-financing resources to deliver new and improved housing. In view of the scale of surpluses projected in its HRA financial plan, the Council is likely

---

to have sufficient capacity and no immediate financial need to pursue alternatives. However, we would expect the Council to continue to consider the full range of delivery options in the context of its capacity and local needs.

### **Risk management and performance improvement**

We undertook a high level review of the policies and procedures around both risk management and performance improvement that have been in place during 2011/12 and examine the relationship between the areas.

We noted that the introduction of Corvu by the Council has driven a number of improvements in viewing and analysing risk. However, additional work needs to be performed to ensure clear reporting frameworks are in place to allow for effective scrutiny of risks by members and management.

The Council has made significant efforts over the year to ensure performance is monitored and reported effectively. A Performance Improvement Framework has been developed which outlines the processes for ensuring continued improvement within the Authority and “Corvu” has been rolled out to ensure a joined up approach to risk and performance. The Council has in place a robust performance audit process to ensure the quality of data collected for reporting. Targets are effectively disaggregated across corporate and service levels to ensure that improvement is considered at all levels. New forums have been put in place, including the Performance and Improvement Scrutiny Panel which ensures that messages are communicated and best practice shared. We identified one medium risk issue in this area around the need to consider completeness of data reported for performance management as well as the accuracy of individual transactions.

The following report has been issued with a medium risk rating and has been brought in full to this meeting at the request of the Chair:

- Commercial Property

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

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

- Project and Programme Management – Working Capital Project
- Lagan Post Implementation Review
- Patching Review
- ICT Contract Review

# Appendix One – Plan Progress

Review	Days	Amendments	Overrun	Revised days	Quarter per plan	Progress
General Ledger	10	0	-	10	2	Final report issued
Debtors	10	0	-	10	3	Final report issued
Creditors	10	0	1	11	3	Final report issued
Payroll	10	0	-	10	3	Final report issued
Collection Fund	10	0	-	10	2	Final report issued
Cash Collection	10	0	-	10	1	Final report issued
Treasury Management	5	0	-	5	2	Final report issued
Housing Benefit	10	0	-	10	3	Final report issued
Fixed Asset Testing	10	0	-	10	4	To commence during closedown
Housing Rents	5	0	-	5	3	Final report issued
Risk Management and Performance Monitoring	15	0	-	15	3	Final report issued
Law and Governance	5	-5	-	0	1	-
Standard Procedures Review	0	2	-	2	4	Final report issued
Homelessness	5	0	-	5	1	Final report issued
Car Parking	5	0	-	5	2	Final report issued
Trade Waste	5	0	-	5	2	Final report issued
Commercial Property Income	5	0	-	5	2	Final report issued
Budgetary Control	10	0	-	10	2	Final report issued
Year end Support	10	0	-	10	4	To commence during closedown
Procurement CAATS	5	0	2	7	2	Final report issued
IT Patching	7	0	-	7	4	Draft Report issued
LAGAN	10	-4	2	8	4	Fieldwork commenced

ICT Contract Review	8	4	-	12	4	Fieldwork commenced
Contract Assurance	10	0	-	10	2	Final report issued
Project Governance	5	0	-	5	4	Deferred to 2012/13
Fraud Awareness	5	0	-	5	1	Completed
HRA Cashflow	10	-3	-	7	4	Final report issued
HRA Repairs and Maintenance	0	6	2	8	4	Deferred to 2012/13
Follow Up	10	0	-	10	-	Ongoing
Audit Management	30	0	-	30	-	Ongoing
<b>TOTAL</b>	<b>250</b>	<b>0</b>	<b>5</b>	<b>257</b>		

### Summary of recommendations (final risk based reports only)

Assignment	High (10 points)	Medium (3 points)	Low (1 point)	TOTAL POINTS	Overall Risk Rating
Car Parking	0	2	6	12	<b>MEDIUM</b>
Cash Collection & Establishment	0	3	3	12	<b>MEDIUM</b>
Treasury Management	0	1	3	6	<b>LOW</b>
Homelessness	0	2	1	7	<b>MEDIUM</b>
Debtors	0	1	2	5	<b>LOW</b>
General Ledger	0	2	3	9	<b>MEDIUM</b>
Trade Waste	0	3	5	14	<b>MEDIUM</b>
Financial Planning	0	1	2	5	<b>LOW</b>
Housing Rents	0	1	2	5	<b>LOW</b>
Collection Fund	1	0	3	13	<b>MEDIUM</b>
Payroll	0	0	2	2	<b>LOW</b>
Creditors	0	4	2	14	<b>MEDIUM</b>
Housing Benefits	0	1	2	5	<b>LOW</b>
Risk Management	0	1	2	5	<b>LOW</b>
Performance Improvement	0	1	0	3	<b>LOW</b>
Commercial Property	2	1	2	25	<b>HIGH</b>
<b>Total</b>	<b>3</b>	<b>24</b>	<b>40</b>	<b>-</b>	



---

# *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.

## *Taking Responsibility – Government and the Global CEO*

Global economic recovery appears not only fragile but also unbalanced, with developing economies still growing but more mature economies, particularly in Europe, flat-lining or facing double-dip recession.

Economic uncertainty and volatility continue to impact on business confidence to invest and grow. Governments need to provide political leadership to lay the foundations for a stable and lasting global recovery, with fiscal austerity the order of the day.

This report assesses the changing relationship between government and business and sets out the policy and public sector delivery responses needed to address the challenging conditions businesses are facing.

### **Key findings:**

- **65%** of CEOs are concerned about governments' responses to fiscal deficits and the debt burden. Prioritisation, making tough choices and doing more for less (or increasingly the same for less) is the key to success.
- **48%** of CEOs believe the global economy will decline further in the next 12 months: indeed, only about 1 in 7 (15%) CEOs believe the global economy will improve in the next year.
- **54%** of CEOs are concerned about the availability of key skills as a threat to growth

## *Cloud Computing*

Cloud computing provides a valuable business solution to transform capabilities, deliver cost savings, gain business agility and competitive advantage. CIOs must develop a proactive strategy to leverage the benefits.

CIOs must develop a cloud computing strategy at the outset or run the risk of disparate approaches within ministries or groups.

CIOs who take a reactive, “wait-and-see” approach to developing a cloud computing strategy run the risk of having the strategy and protocol dictated onto them, leaving little room for control

## *Fighting Fraud in Government*

Since our 2009 Global Economic Crime Survey, governments around the world have taken action to address their faltering economies and this has directly impacted on those who work for, and with, the public sector.

This public sector analysis of our 2011 Global Economic Crime Survey examines the current fraud landscape, taking a close look at who is committing economic crime, what new types of fraud are emerging and how they can be addressed.

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

---

*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 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.*

*©2012 PricewaterhouseCoopers LLP. All rights reserved. PricewaterhouseCoopers refers to the United Kingdom firm of PricewaterhouseCoopers LLP (a limited liability partnership) and other member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity*