

Agenda

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Audit and Governance Committee

Date: **Monday 6 February 2012**

Time: **6.00 pm**

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

For any further information please contact:

Mathew Metcalfe, Democratic Services Officer

Telephone: 01865 252214

Email: mmetcalfe@oxford.gov.uk

Audit and Governance Committee

Membership

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

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AGENDA

Pages

1 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

The Quorum for this Committee is 3 and substitutes are permitted.

2 DECLARATIONS OF INTEREST

3 AUDIT COMMISSION PROGRESS REPORT

The Head of Finance has submitted a report on behalf of the Audit Commission which details the progress made in delivering the work set out in the 2010/11 audit plan.

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

1 - 12

4 CERTIFICATION OF CLAIMS AND RETURNS - ANNUAL REPORT - AUDIT COMMISSION

The Head of Finance has submitted a report on behalf of the Audit Commission which sets out their findings and recommendations from their work on certifying grants claims and returns.

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

13 - 30

5 EXTERNAL AUDIT PLAN 2012/13 - AUDIT COMMISSION

The Head of Finance has submitted a report on behalf of the Audit Commission which sets out the work they will be undertaking in 2011/12.

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

31 - 52

6 JOINT WORKING PROTOCOL - INTERNAL AND EXTERNAL AUDIT - AUDIT COMMISSION

The Head of Finance has submitted a paper on behalf of the Audit Commission which sets out how they and Internal Audit will be working together in 2011/12.

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

53 - 66

7 INTERNAL AUDIT SUMMARY REPORT - 2011/12 PLAN - PRICEWATERHOUSECOOPERS (PWC)

The Head of Finance has submitted a report on behalf of the Council's

67 - 76

Internal Auditors, Pricewaterhousecoopers (PWC) which provides an update of the work undertaken as part of the 2011/12 Audit Plan.

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

8 GENERAL LEDGER AUDIT - PRICEWATERHOUSECOOPERS (PWC)

77 - 98

The Head of Finance has submitted a report on behalf of the Council's Internal Auditors, Pricewaterhousecoopers (PWC) which details the 2011/12 report on controls around the Councils General Ledger system

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

9 CREDITORS AUDIT - PRICEWATERHOUSECOOPERS (PWC)

The Head of Finance has submitted a report on behalf of the Council's Internal Auditors, Pricewaterhousecoopers (PWC) which details the 2011/12 report on the controls around the purchases and payables.

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

10 COLLECTION FUND AUDIT - PRICEWATERHOUSECOOPERS (PWC)

99 - 122

The Head of Finance has submitted a report on behalf of the Council's Internal Auditors, Pricewaterhousecoopers (PWC) which details the 2011/12 report on controls around Council Tax and Non Domestic Rates processes.

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

11 TRADE WASTE AUDIT - PRICEWATERHOUSECOOPERS (PWC)

123 - 152

The Head of Finance has submitted a report on behalf of the Council's Internal Auditors, Pricewaterhousecoopers (PWC) which details the 2011/12 report on controls around the collection of Trade Waste by the City Council.

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

12 INTERNAL AUDIT CHARTER - PRICEWATERHOUSECOOPERS (PWC)

153 - 162

The Head of Finance has submitted a report on behalf of the Council's Internal Auditors, Pricewaterhousecoopers (PWC) which outlines the roles and responsibilities of Internal Audit at the Council

The Committee is asked to note and approve this document.

13	PROGRESS ON THE IMPLEMENTATION OF AUDIT RECOMMENDATIONS	163 - 174
	<p>The Head of Finance has submitted a report which details the progress made on the implementation of recommendations from previous audits.</p> <p>Steve Sprason, Head of Asset Management, will be attending the Committee meeting to provide further information on recommendation EA015 (Asset Management Review).</p> <p>David Oakes, City ICT, will be attending the Committee meeting to provide further information on recommendation IA172 (Review of ICT)</p> <p>The Committee is asked to comment on and note the report.</p>	
14	MINUTES	175 - 178
	<p>Minutes of the meeting held on 28 November 2011.</p>	
15	DATES OF FUTURE MEETINGS	
	<p>The Committee will meet on the following dates at 6.00pm in the Town Hall:</p> <p>Monday 16 April 2012</p>	
	PART TWO	
16	ALLEGATIONS OF INTERNAL FRAUD, INVESTIGATIONS AND OUTCOMES	179 - 182
	<p>This item is exempt from publication by virtue of paragraphs 2,3 and 7, Schedule 12A, Local Government Act 1971</p> <ul style="list-style-type: none">(2) Information which is likely to reveal the identity of an individual(3) Information about someone's finances or business(7) Information about action to deal with a crime	

DECLARING INTERESTS

What is a personal interest?

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

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

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

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

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

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

What is a prejudicial interest?

You have a prejudicial interest in a matter if;

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

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

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

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Audit Commission Progress Report

Oxford City Council

Date **January 2012**



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Status of our reports

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

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

Introduction

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

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

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

Our responsibilities

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

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

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

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

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

2010/11 audit work

6 My 2010/11 work is complete.

2011/12 audit work

7 I am currently planning my opinion and value for money conclusion work and my initial thoughts are included in my draft audit plan.

Audit Commission updates

The Commission produces regular updates of issues for auditors to bring to the attention of those charged with governance. These focus on specific developments that could have an impact on the Council's activities and so the following are areas that may be of interest to Committee members.

2011/12 Final Accounts Workshops

8 We have invited your staff to a workshop that will help them to prepare your financial statements for 2011/12.

9 The closest event for you is at Oxford Town Hall on 8 February 2012. Please contact Maria Grindley if you have not received an invite to these workshops or if you would like to discuss the events in more detail.

Dealing with the economic downturn

10 On 17 November 2011 the Audit Commission published 'Tough Times - Councils' responses to a challenging financial climate'.

11 The report draws heavily on the expertise of the external auditors of each council and also includes new analysis of councils' budget data.

12 The key findings in the report are:

- most councils are managing well in the face of unprecedented reductions to their income, but services have been affected and a small number of councils may struggle to balance their books;
- although councils face a real terms loss of total income of £4.7 billion (7.5 per cent) in 2011/12, auditors felt nine out of ten councils are well prepared for this and are on track to deliver their budgets;
- to meet the future challenge of cuts in government funding, some elements of councils' cost-reducing strategies will have to change and many councils will face difficult decisions about how to meet their funding shortfall in the next few years; and
- councils are not planning to make significant withdrawals from their reserves this year - some even plan to increase them.

13 The report recommends that councils use the Audit Commission's Value for Money profiles to see how their council compares to the national picture set out in this report, identify councils facing similar challenges, and learn from others' approaches. Audit Commission's VFM profiles can be found [here](#).

Procurement Fraud in the Public Sector

14 The National Fraud Agency has recently issued a report on public sector procurement fraud which examines new approaches to reduce fraud risk and make processes both quicker and simpler.

15 The report acknowledges that procurement fraud is a complex problem. It covers a wide range of illegal activities from bid rigging during the pre-contract award phase through to false invoicing in the post-contract award phase. It can be perpetrated by those inside and outside an organisation.

16 The report includes a number of case studies and details a number of actions that can be taken both immediately and in the medium term.

Protecting the Public Purse 2011

17 In November 2011 the Audit Commission published 'Protecting the Public Purse 2011 - Fighting Fraud against Local Government.'

18 This report is based on the Audit Commission's annual fraud survey - which is still the sole source of evidence about the levels of detected fraud in Local Government and related bodies.

19 The report reveals that England's councils have succeeded in detecting £185 million worth of fraud, an improvement of 37 per cent on last year's figure of £135 million. This is equivalent to a year's funding for around 700 libraries or the wages of up to 11,000 care workers.

20 The key areas where fraud was detected are:

- housing benefits and council tax benefits fraud, which accounted for more than half of the total fraud losses detected by councils;
- false claims for student and single person council tax discounts - £22million; and
- procurement fraud, with 145 cases amounting to £14.6 million.

21 We have therefore developed a single person discount comparator tool that allows local authorities to compare their levels of council tax single person discount with their predicted levels, based on a national average and this can be found on our website.
Delete if not applicable

22 The report found that counter-fraud professionals increasingly recognise abuse of personal budgets in adult social care as a fraud risk for councils and, in addition to the above, the National Fraud Authority estimates that housing tenancy fraud could cost up to £900 million each year.

23 The report concludes with a checklist that organisations may find it helpful to self-assess against. Covering a wide range of issues from procurement to recruitment, it will help provide Audit Committees with assurance over the arrangements in place.

For information: Police Reform and Social Responsibility Act 2011

24 The Police Reform and Social Responsibility Act received Royal Assent on 15 September 2011.

25 This Act will abolish police authorities in England and Wales and replace them with directly elected police and crime commissioners.

26 The Act requires the police and crime commissioner for a policing area to hold the chief constable to account, while also safeguarding the chief constable's operational independence. A police and crime panel, established by the local authorities in a police area, will provide independent scrutiny of the police and crime commissioner.

27 The first elections of police and crime commissioners will take place on 15 November 2012 and police authorities will be abolished within a week of these elections. All staff and assets will transfer in the first instance to the office of the police and crime commissioner.

Localism Act 2011

28 On 15 November 2011 the Localism Bill received Royal Assent.

29 The Department for Communities and Local Government (DCLG) has published an updated plain English guide to the Localism Act to reflect the final legislation and this may be of interest to members of the Audit Committee.

30 Subject to commencement, key measures of the Act include:

- introducing a new general power of competence, giving councils freedom to work together to improve services and drive down costs. Councils are now free to do anything - provided they do not break other laws;
- giving communities the right to approve or veto - by way of a referendum - Council Tax increases higher than a limit determined by the Government.
- opening the door for the transfer of power to major cities to develop their areas, improve local services, and boost their local economies;
- abolishing the Standards Board;
- clarifying the rules on predetermination in order to free up councillors to express their opinions on issues of local importance without the fear of legal challenge;
- enabling councils to return to the committee system of governance, if they wish, regardless of their size;
- giving councils greater control over business rates. Councils will have the power to offer business rate discounts, which could help attract firms, investment and jobs;
- promoting openness regarding the pay of senior officers; and
- allowing councils to keep the rent they collect and use it locally to maintain social homes through the abolition of the housing revenue account.

31 Many of the measures in the Localism Act are expected to be in place by April 2012.

Openness and Accountability in Local Pay

32 The Localism Act referred to earlier requires local authority pay policies to be openly approved by democratically elected councillors.

33 On 17 November 2011 the Department for Communities and Local Government published guidance which sets out the requirements for councils to publish their remuneration arrangements and approve larger salary packages in an open session of the full council.

34 Pay policy statements must be in place by 31 March 2012 and Ministers explicitly say in the guidance that the pay vote ceiling should be set at £100,000.

35 There will be a requirement to publicly justify any big bonuses, above inflation annual pay rises, or hiring a person already in receipt of retirement or severance money and organisations should state in their pay policy statement whether or not they permit such practices.

Housing Revenue Account self financing determinations

36 The Department for Communities and Local Government (DCLG) has recently published a consultation exercise on the Housing Revenue Account (HRA) self-financing determinations.

37 The consultation - which closes on 6 January 2012 - can be found on the DCLG's website and covers five draft determinations, the key ones of which are:

- the amount each local authority will either pay the government or receive from the government on 28 March 2012 to exit the current subsidy system, and the way in which the payments will be made; and
- the cap on the amount of housing debt each council may hold.

Update on the externalisation of the Audit Practice

38 The Audit Commission's Chief Executive, Eugene Sullivan, wrote to clients on 21 September 2011 summarising the Department for Communities and Local Government's plans for externalising the Audit Commission's work that is currently undertaken by the Audit Practice.

39 The key points are:

- Contracts will be let from 2012/13 on a three- or five-year basis. The earliest you will be able to appoint your own auditors is therefore for the 2015/16 audit.
- The work is split into four regions, comprising ten 'lots'. Each lot will be awarded separately, but any individual bidder can only win a maximum of one lot in each region (i.e. four lots in total).
- The Commission is managing a fair and equitable procurement process to allow suitable private-sector providers the opportunity to bid.

- Bids are due in by mid-December 2011, with the contract awards planned for mid-February 2012, with formal Commission approval planned for late July 2012 following consultation.
- Appointments will start on 1 September 2012. As such, the Commission will extend the current audit appointment to allow any audit issues arising between 1 April 2012 and 31 August 2012 to be dealt with. The costs of this 'interim' audit role will be met by the Commission.
- Audit Practice staff in each lot area will in the main transfer to the successful bidders on 31 October 2012.

40 A further update was provided in Eugene Sullivan's letter to clients of 10 November 2011. Thirteen potential providers have now been invited to tender following the initial pre-qualification stage.

41 Further details are available on the Audit Commission's website. We will continue to keep you updated on developments.

42 Against this background, the Audit Practice's focus remains:

- Fulfilling our remaining responsibilities – completing our work for 2010/11 and delivering your 2011/12 audit - to the high standards you expect and deserve.
- Managing a smooth transition from the Audit Practice to your new audit provider.

Key Considerations

43 The Audit and Governance Committee may wish to consider the following questions in respect of the issues highlighted in this briefing paper.

- Has the Council considered the Tough Times report and made appropriate use of the Audit Commission's VFM profiles?
- Has the Council used the single person discount comparator tool to compare its levels of council tax single person discount with the predicted level?
- Has the Council completed the fraud prevention checklist and, where appropriate, developed an action plan to address any weaknesses?
- Has the Council circulated the DCLG's plain English guide to the Localism Act to all members?
- Has the Council responded to the DCLG's consultation exercise on the Housing Revenue Account self-financing determinations?

DRAFT

Appendix 1 Planned outputs

Audit Plan	Work carried out	Lead officer	Status	Start date	Draft report date	Final report date
2011/12 Audit						
Audit Fee Letter	Sets out audit fee.	Chief Executive	Complete	March 2011	March 2011	26 April 2011
Audit Opinion Plan	Provides detail of our opinion work.	Chief Executive and Corporate Director Finance & Efficiency	Draft to February 2012 Audit and Governance Committee meeting	December 2011	January 2012	
Opinion on accounts and VFM conclusion: <ul style="list-style-type: none"> interim visit IFRS restatement final accounts vfm conclusion 	Audit of financial statements leading to audit opinion and vfm conclusion.	Corporate Director Finance & Efficiency		January 2012	September 2012	
Whole of Government accounts	Audit of WGA data returns	Head of Finance		July 2012	September 2012	

Audit Plan	Work carried out	Lead officer	Status	Start date	Draft report date	Final report date
Annual Audit Letter 2011/12	Summary of the audit.	Chief Executive and Corporate Director Finance & Efficiency		September 2012	October 2012	

Grant claims 2011/12							
Grant claim	Details	Key contact	Progress	Council deadline provisional	Received from Council	Audit deadline provisional	Certified by Audit
BEN01	Housing and Council Tax benefits	Pauline Hull		31 May 2012		30 November 2012	
HOU01	Housing Subsidy	Jane Rees		30 September 2012		31 December 2012	
HOU21	Disabled facility grant	Paul Swaffield/ John Exeley		June 2012		October 2012	
LA01	NNDR	Adrian Wood		June 2012		September 2012	
CFB06	Pooling of Housing Capital Receipts	Debbie Williams		June 2012		September 2012	

Certification of claims and returns - annual report

Oxford City Council

Audit 2010/11



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Results of 2010/11 certification work.....	5
Summary of progress on previous recommendations	9
Summary of recommendations	12
Summary of certification fees	15

Introduction

Local authorities claim large sums of public money in grants and subsidies from central government and other grant-paying bodies, and must complete returns for it to government departments. My certification work gives these grant-paying bodies assurance that claims are made properly or that information in financial returns is reliable. This report summarises my work on your 2010/11 claims and returns.

Under section 28 of the Audit Commission Act 1998, the Audit Commission may, at the request of authorities, arrange for certifying claims and returns because scheme terms and conditions include a certification requirement. Where such arrangements are made, certification instructions issued by the Audit Commission to its auditors set out the work they must do before giving that certificate. The work necessary varies according to the value of the claim or return and the requirements of the government department or grant-paying body, but broadly:

- below £125,000 the Commission does not make certification arrangements and I do not need to audit the claim or return;
- between £125,000 and £500,000, I undertake limited tests to agree form entries to underlying records, but do not test that the expenditure is eligible; and
- over £500,000 I plan and perform my work in accordance with the certification instruction. I assess the control environment for preparing the claim or return to decide whether I can rely on it. Depending on the outcome, I undertake testing as appropriate to agree form entries to underlying records and test the eligibility of expenditure or data.

I agree amendments with your officers where that this is necessary. My certificate may also refer to a qualification letter where there is disagreement or uncertainty, or you have not complied with scheme terms and condition

Summary of my 2010/11 certification work

Overall the Authority has performed well in some areas in preparing claims and returns

All claims were received on time and I was able to complete my work in time to certify all the claims and returns before the deadline date. I issued two qualification letters. One was for the Housing and council tax benefit claim and did not contain any significant issues. The other was for the Housing finance base data return and contained issues which I had reported on last year.

I amended to two claims.

→ Table 1: Summary of 2010/11 certification work

Number of claims and returns certified	
Total value of claims and returns certified	£157,881,000
Number of claims and returns amended because of errors	2
Number of claims and returns where I issued a qualification letter because there was disagreement or uncertainty over the content of the claim or return or scheme terms and conditions had not been complied with	2
Total cost of certification work	£75,165

Results of 2010/11 certification work

This section summarises the results of my 2010/11 certification work and highlights the significant issues arising from that work.

I received all claims on time. I found that officers at the Council were knowledgeable about the claims they had prepared and were able to answer my queries quickly. There were some delays in getting information that I needed to complete my audit of the Housing Benefit and Council Tax claim and I have made recommendations on these in the table below.

→ The Housing Benefit and Council Tax claim is a large and complex claim. While I issued a qualification letter none of the issues were significant and related to applying the right amount of working tax credit and child tax credit figures (WTC & CTC) and correctly classifying overpayments.

My testing of rent rebates identified one case where the incorrect amount of WTC & CTC had been used resulting in overpayment of benefit (value £99.44). An additional random sample of 40 cases was selected and this identified a further 2 errors (value £5.18). Using the method provided this gives an extrapolated error of under £4,000. In line with guidance the claim I did not amend the claim for this.

Testing Council tax benefit of the first sample identified one case where the incorrect amount of WTC & CTC was used resulting in overpayment of benefit (value £4.35). An additional random sample of 40 cases was selected and no further errors were identified. In line with guidance I did not amend the claim for this.

Testing of rent rebate technical overpayments identified 2 overpayments classified as technical rather than claimant error following the death of the claimant. A further 26 cases (value £5,515.99) were identified where the overpayment was classified mistakenly. Using the method provided this gives an extrapolated error of just over £8,000. In line with guidance I did not amend the claim for this.

The housing related claims use a system called Logasnet to enter data for the claim. A number were not complete. The prescriptive guidance says that where the value for a field on the claim is nil, a zero must be entered. This had not been done and I had to ask DCLG to unlock the claim so these could be entered. This increased my time in auditing the claim.

There were some errors last year which had been repeated for 2010/11.

I issued a qualification letter on the Housing finance base data return. There were two issues:

- The Council carried out a comprehensive survey about 11 years ago, and the results of that survey are held by the Council. Since that survey, the Council has amended the field entries every year to reflect movements in stock numbers, and these movements have been confirmed through audit work in previous years. However, they have not kept individual listings for each of the field entries;
- I am required to ensure the entry in field F001RI is based on January 1999 prices at existing use value. The Council has provided me with a spreadsheet giving existing use value for each of the properties held as at 1 April 2011. While the property prices agree to those used to calculate the claim, the Council is unable to provide evidence that the prices represent those as at January 1999. In addition when the full valuation of the Council's housing stock was carried out in 2000 the valuation had to be adjusted back to 1999 values. This adjustment was based on the average percentage price rise increase between 1999 and 2000 (24%), rather than the average decrease required to lower the 2000 values back to the 1999 values (19%)". the HRA Accountant stated the calculation of the 1999 property values was reviewed and approved by the ODPM. I asked a copy of the ODPM letter, but the Council was unable to provide this letter. Therefore I cannot confirm whether there is an overstatement to this cell.

100

I issued a qualification letter for the same two issues in 2009/10.

These claims should be reviewed before the claims are sent to me to ensure action is taken to deal with the qualification issues.

Due to changes being made to the way housing is funded a housing finance base data return will no longer be required and 2011/12 will be the final year of the subsidy claim. Recommendations are included for completeness.

The standard of working papers and the knowledge of preparer of the National non-domestic rates return was excellent.

Table 2: **Claims and returns above £500,000**

Claim or return	Value of claim or return presented for certification (£'000)	Was reliance placed on the control environment?	Value of any amendments made (£'000)	Was a qualification letter issued?
Housing and council tax benefit scheme	69,878	No – The work I need to do is set out in a certification instruction agreed with the DWP which requires substantive testing of individual claims.	2	Yes
HRA subsidy	-11,704	No – because I have had to amend to the claim in 2008/09 and 2009/10	-82	No
Housing finance base data return	No value – this return contains housing information.	No - because of the claims history of amendment and qualification	0	Yes
National non-domestic rates return	75,448	Yes	0	No

Table 3: Claims between £125,000 and £500,000

Claim or return	Value of claim or return presented for certification (£'000)	Value of any amendments made (£'000)	Qualification letter
Pooling of housing capital receipts	404	0	No
Disabled facilities	447	0	No

Summary of progress on previous recommendations

This section considers the progress made in implementing recommendations I have previously made arising from certification work.

Table 4: Summary of progress made on recommendations arising from certification work undertaken in earlier years

Agreed action	Priority	Date for implementation	Responsible officer	Current status	Comments
Introduce a review of the HRA Subsidy base data return and the working papers by a second person before the audit.	M	July 2011	Management Accounting Manager and Financial Accounting Manager	Completed	The return had been reviewed this year.
Produce working papers which are clearly set out and cross referenced.	M	July 2011	Management Accounting Manager and Financial Accounting Manager	Completed	The standard of working papers for all grant claims was good this year.
Ensure figures used in the HRA subsidy base data return are calculated	M	April 2011	Management Accounting Manager	Not completed	Fields SF000CF and SF001CF had incorrect values. 53 fields had

Agreed action	Priority	Date for implementation	Responsible officer	Current status	Comments
following grant instructions.					been left empty and needed zeros entered.
Ensure figures used in the Housing Subsidy return agree to reports and are calculations follow grant instructions.	M	April 2011	Management Accounting Manager	Not completed	Fields F001ci and F005ci had incorrect values. 3 fields had been left empty and needed zeros entered.
Train benefit staff on areas identified during the audit where mistakes are being made and more supervisory review of benefits during the year.	M	April 2011	Head of Customer Services	Completed	I can confirm that a training course on earnings was provided on 5 May 2010. The SRP problems (and any other subsidy problems that are identified within the year) are mentioned in an advisory update that is sent out by the benefits manager weekly. We have a system of quality checks. We continue with targeted subsidy cell checks the outcomes of which are reported to the team leaders

Agreed action	Priority	Date for implementation	Responsible officer	Current status	Comments
Train benefits staff on how earnings figures should be used in benefit calculations to ensure benefit is paid at the correct rate.	M	April 2011	Head of Customer Service	Completed	monthly (as examples see rent officer attachment and eligible overpayments).
Train benefits staff on how state retirement pension figures should be used in benefit claim calculations to ensure benefit is paid at the correct rate	M	April 2011	Head of Customer Service	Completed	See above
Ensure the uncashed cheque figure on the Housing Benefits and Council tax benefit claim is complete.	M	April 2011	Financial Accounting Manager	Not fully completed	Improvements made but a small amendment had to be made for items double counted (value of amendment less than £200).

Summary of recommendations

This section highlights the recommendations arising from my certification work and the actions agreed for implementation.

Table 5: Summary of recommendations arising from 2010/11 certification work

Recommendation	Priority	Claim or return	Agreed action	Date for implementation	Responsible officer
Ensure that enough resources are available to allow the Council to answer audit questions and queries.	M	Housing and council tax benefit scheme			Helen Bishop Head of Customer Services
Process all adjustments from cell 23 before producing the housing benefit and council tax claim.	M	Housing and council tax benefit scheme			Pauline Hull Team Leader Systems and Subsidy Team
Ensure that the necessary IT technical skills are readily available to run Academy reports for subpopulations that I need to test	M	Housing and council tax benefit scheme			Helen Bishop Head of Customer Services
Ensure that officers are aware of the need to apply the correct	M	Housing and council tax benefit scheme			Pauline Hull

Recommendation	Priority	Claim or return	Agreed action	Date for implementation	Responsible officer
rates of WTC & CTC					Team Leader Systems and Subsidy Team
Ensure that internal checks cover the areas where we have identified errors.	M	Housing and council tax benefit scheme			Pauline Hull Team Leader Systems and Subsidy Team
Ensure that officers are aware of the correct classification of overpayments	M	Housing and council tax benefit scheme			Pauline Hull Team Leader Systems and Subsidy Team
Ensure that uncashed cheques contained within report hb9883f are only counted once.	M	Housing and council tax benefit scheme			Pauline Hull Team Leader Systems and Subsidy Team
For claims entered on to Logasnet, check that zeros are entered in any cells with a nil value, before sending me the claim.	M	All Housing claims using Logasnet			David Watt Finance Business Partner
Survey the housing stock to support property listings used in the Housing finance base data return.	M	Housing finance base data return			Richard Hawkes Corporate Asset Manager

Recommendation	Priority	Claim or return	Agreed action	Date for implementation	Responsible officer
Review the 24% discount rate for the value of stock used in the Housing finance base data return.	M	Housing finance base data return			David Watt Finance Business Partner
Ensure that the Housing finance base data return is calculated next year in accordance with grant instructions.	M	HRA subsidy			David Watt Finance Business Partner
Ensure that the Housing Subsidy return is calculated next year in accordance with grant instructions.	M	Housing finance base data return			David Watt Finance Business Partner

Summary of certification fees

This section summarises the fees arising from my 2010/11 certification work and highlights the reasons for any significant changes in the fees from 2009/10.

Table 6: Summary of certification fees

Claim or return	2010/11 fee £	2009/10 fee £	Reasons for changes in fee greater than +/- 10 per cent
Housing and council tax benefit scheme	57,644	74,869	Less additional testing identified and low level of error found
Pooling of housing capital receipts	2,108	4,968	Reliance placed on systems and no errors identified
HRA subsidy	7,145	8,256	No new issues identified – same issues as in prior year
Housing finance base data return	5,144	6,730	No new issues identified – same issues as in prior year
National non-domestic rates return	1,775	1,505	Fee dependent on time taken to do the work and this can vary.
Disabled facilities	391	1,609	Reliance placed on systems and no errors identified
Planning and report writing	958	840	-

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Claim or return	2010/11 fee £	2009/10 fee £	Reasons for changes in fee greater than +/- 10 per cent
Total	75,165	96,044	

Our initial estimate was that the certification of claims and returns would generate fees of £81,500.

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The Statement of responsibilities of grant-paying bodies, authorities, the Audit Commission and appointed auditors in relation to claims and returns issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body.



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Audit plan

Oxford City Council

Audit 2011/12



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Introduction

This plan sets out the work for the 2011/12 audit. It uses the Audit Commission's risk-based approach to audit planning.

Responsibilities

The Audit Commission's Statement of Responsibilities of Auditors and of Audited Bodies sets out the respective responsibilities of the auditor and the audited body. The Audit Commission has issued a copy of the Statement to you.

The Statement summarises where the different responsibilities of auditors and of the audited body begin and end. I undertake my work to meet them.

I comply with the statutory requirements governing my audit work, in particular:

- the Audit Commission Act 1998; and
- the Code of Audit Practice for local government bodies.

My audit does not relieve management or the Audit and Governance Committee, as those charged with governance, of their responsibilities.

Accounting statement and Whole of Government Accounts

I will carry out the audit of the accounting statements in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board (APB). I must issue an audit report giving my opinion on whether the accounts give a true and fair view.

34 **Materiality**

I will apply the concept of materiality in planning and performing my audit, in evaluating the effect of any identified misstatements, and in forming my opinion.

Identifying audit risks

I need to understand the Authority to identify any risk of material misstatement (from either fraud or error) in the accounting statements. I do this by:

- identifying the business risks you face, including assessing your own risk management arrangements;
- considering your financial performance;
- assessing internal control, including reviewing the control environment, the IT control environment and internal audit; and
- assessing the risk of material misstatement arising from the activities and controls in your information systems.

Identification of significant risks

I have considered the risks relevant to the audit of the accounting statements and set them out below.

Table 1: **Audit risks**

Risk	Audit response
<p>Housing Revenue Account (HRA) reform</p> <p>The government plans to reform local authority housing finance by adopting a self-financing model from 1 April 2012. This will be through a one-off payment to or from central government by 28 March 2012 to adjust the HRA debt of the Council. Because of the complexity, size and timing of the HRA reform, there is a risk that the financial statements will be materially misstated.</p>	<p>Review of how management oversees HRA reforms and transactions required.</p> <p>Test the one-off payment or receipt.</p>
<p>Valuation of property, plant and equipment (PPE)</p> <p>The Council must value PPE at fair value (with some exceptions). The risk is that the value in the financial statements will be materially misstated because of past problems, and the use of spreadsheets rather than a specific fixed assets system.</p> <p>The value of the Council's housing stock is material and there is a risk that it may be materially misstated because of concerns over the adequacy and accuracy of its housing stock records.</p> <p>The risk is there will not be a full disclosure of investment properties and Assets Held for Sale.</p>	<p>Review of controls over preparing estimates, including arrangements for instructing your valuer and controls over information provided.</p> <p>Procedures for relying on the work of the valuer.</p> <p>Testing of valuations and associated depreciation calculations</p> <p>Review of how management oversees the valuation of housing stock, including arrangements for instructing a valuer and controls over information provided.</p> <p>Testing to ensure proper disclosure and valuation of investment properties and Assets Held for Sale.</p>
<p>Heritage Assets</p> <p>In 2011/12 the Council needs to meet the requirements of FRS 30 Heritage Assets. The risk is the Council may be unable to identify and account for all heritage assets because of the large number of such assets.</p> <p>A heritage asset is a tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities, held and kept</p>	<p>I will evaluate your management controls to recognise and value heritage assets. I will also test that the Authority has accounted for heritage assets following FRS 30 and the Code and the financial statements are not materially misstated.</p>

Risk	Audit response
<p>principally for its contribution to knowledge and culture. For the Council this is likely to include your Civic Regalia.</p>	
<p>Icelandic banks The Council has deposits in Icelandic banks and I need to ensure that proper accounting treatment and disclosures are made.</p>	<p>I will assess how much you estimate you will be able to recover from your investments in Icelandic banks. I will also test that the disclosure in the financial statements is correct.</p>
<p>Operating Leases The calculation of the lease disclosure was incorrect in 2010/11</p>	<p>I need to test the disclosure to ensure that it is materially correct</p>
<p>Trial Balance and coding structure The Council is updating its financial coding structure and seeking to streamline production of the Trial Balance. There may be a risk that this is not completed successfully or on time</p>	<p>I will review and test as necessary the Council's Trial Balance and financial coding structure</p>
<p>Testing strategy</p>	
<p>Based on risks identified above I will produce a testing strategy which will consist of testing key controls and/or substantive tests of transaction streams and material account balances at year end.</p>	
<p>My testing can be carried out both before and after the draft financial statements have been produced (pre- and post-statement testing) and involves:</p> <ul style="list-style-type: none"> ■ review and reperformance of work of your internal auditors as necessary; ■ testing of the operation of controls; ■ reliance on the work of other auditors when appropriate; ■ reliance on the work of experts; and ■ substantive tests of detail of transactions and amounts. <p>I seek to:</p> <ul style="list-style-type: none"> ■ maximise reliance, subject to review and reperformance, on the work of your internal auditors; and ■ maximise the work that can be undertaken before you prepare your accounting statements. 	
<p>The nature and timing of my proposed work is as follows.</p>	
<p>Audit Commission</p>	<p>Audit plan</p>

Table 2: Proposed work

	Review of internal audit	Controls testing	Reliance on the work of other auditors	Reliance on work of experts	Substantive testing
Interim visit	General Ledger Payroll Accounts Payable Accounts Receivable Treasury Management	Housing Rents Council Tax	None	None	Sale of Grantham House Development and any other large fixed asset disposals or purchase.
Final visit	Review of relevant Internal Audit work	Pensions assets and liabilities – auditor to Oxfordshire County Council Pension Fund	Pensions liabilities and assets – Oxfordshire County Council fund and our own consulting actuary	All material accounts balances and amounts Year-end feeder system reconciliations	Valuation of property, plant and equipment – reliance on internal and external valuers and our own independent valuer.

I will agree with you a schedule of working papers needed to support the entries in the accounting statements.

Whole of Government Accounts

Alongside my work on the accounting statements, I will also review and report to the National Audit Office (NAO) on your Whole of Government Accounts return. The NAO specify the extent of my review and the nature of my report.

Value for money

I must reach a conclusion on your arrangements to secure economy, efficiency and effectiveness.

My conclusion on your arrangements is based on two criteria, specified by the Commission. These relate to your arrangements for:

- securing financial resilience – focusing on whether you are managing financial risks to secure a stable financial position for the foreseeable future; and
- challenging how you secure economy, efficiency and effectiveness – focusing on whether you are prioritising resources within tighter budgets and improving productivity and efficiency.

Identification of significant risks

☞ I have considered the risks relevant to my value for money conclusion and have not identified any significant risks.

I consider the Authority's arrangements to secure economy, efficiency and effectiveness.

For 2011/12 the Commission has determined that the scope of my work on value for money at the Authority is limited to:

- reviewing the Annual Governance Statement (AGS);
- reviewing the results of the work of other relevant regulatory bodies or inspectorates, to consider whether there is any impact on my responsibilities; and
- other risk-based work as appropriate.

Once I have completed my work I will then decide whether there are any matters I need to report.

Key milestones and deadlines

The Authority must prepare accounting statements by 30 June 2012. I aim to complete my work and issue my opinion and value for money conclusion by 30 September 2012.

Table 3: Proposed timetable and planned outputs

Activity	Date	Output
Opinion: controls and early substantive testing	March 2012	Interim Memo
Opinion: receipt of accounts and supporting working papers	July 2012	None
Opinion: substantive testing	By 30 September 2012	Auditors opinion
Present Annual Governance Report at the Audit Committee	By 30 September 2012	Annual Governance Report
Issue opinion and value for money conclusion	By 30 September 2012	Auditor's report
Summarise overall messages from the audit	October 2012	Annual Audit Letter



The audit team

The key members of the team for the 2011/12 audit are as follows.

Table 4: **Audit team**

Name	Contact details	Responsibilities
Maria Grindley District Auditor	m-grindley@audit-commission.gov.uk 0844 798 8952	Responsible for the overall delivery of the audit including quality of reports, signing the auditor's report and liaison with the Chief Executive.
Alan Witty Audit Manager	a-witty@audit-commission.gov.uk 0844 798 8956	Manages and coordinates the different elements of the audit work. Key point of contact for the Director of Finance.
Susan Whipp Team Leader	<u>s-whipp@audit-commission.gov.uk</u> 0844 798 8967	Manages day to day work of the audit team and is the key point of contact for the Finance Team.

Independence and quality

Independence

I comply with the ethical standards issued by the APB and with the Commission's additional requirements for independence and objectivity as summarised in appendix 1.

I am aware of the following relationship which might constitute a threat to independence and I am required to report to you. I have therefore introduced the following safeguard to reduce the threat.

Table 5: Threats and safeguards

Threat	Safeguard
The husband of the Team Leader for the audit is a Heating Engineer within the Council's City Works department.	My Team Leader will not undertake or review any work on payroll or on the Council's City Works department.

Quality of service

I aim to provide you with a fully satisfactory audit service. However, if you are unable to deal with any difficulty through me and my team, please contact Chris Westwood, Director – Standards & Technical, Audit Practice, Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ (c-westwood@audit-commission.gov.uk) who will look into any complaint promptly and to do what he can to resolve the position.

If you are still not satisfied, you may of course take up the matter with the Audit Commission's Complaints Investigation Officer (The Audit Commission, Westward House, Lime Kiln Close, Stoke Gifford, Bristol BS34 8SR).

Fees

The fee for the audit is £190,000, as set out in my letter of 26 April 2011

The audit fee

The Audit Commission has set a scale audit fee of £190,000 which represents a 17 per cent decrease on the audit fee for 2010/11.

The scale fee covers:

- my audit of your accounting statements and reporting on the Whole of Government Accounts return; and
- my work on reviewing your arrangements for securing economy, efficiency and effectiveness in your use of resources.

↻ The scale fee reflects:

- the Audit Commission's decision not to increase fees in line with inflation;
- a reduction resulting from the new approach to local VFM audit work; and
- a reduction following the one-off work caused by the adoption of International Financial Reporting Standards (IFRS).

Variations from the scale fee only occur where my assessments of audit risk and complexity differ significantly from those reflected in the 2010/11 fee. I have not identified any significant issues and as discussed at Audit and Governance Committee I have assumed that agreed recommendations are implemented so that improvements are achieved. I have therefore set your fee at the scale fee.

Total fees payable

As well as the fee for the audit, the Audit Commission charges for:

- certifying claims and returns; and
- where I have agreed to provide non-audit services under the Audit Commission's advice and assistance powers.

Based on current plans the fees are as follows.

Table 6: Fees

	2011/12 proposed	2010/11 actual	Variance
Audit	£190,000	£223,000	£33,000
Certification of claims and returns	£74,500	£81,500 (estimate)	£7,000
Non-audit work	None	None	-
Total	264,500	304,500	40,000

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Assumptions

In setting the fee, I have made the assumptions set out in Appendix 2. Where these assumptions are not met, I may need to undertake more work, which may increase the audit fee. Where this is the case, I will discuss this first with the Corporate Director Finance and Efficiency and I will issue a supplement to the plan to explain any revisions to the risk and the fee impact.

Specific actions you could take to reduce your audit fee

The Audit Commission requires me to inform you of specific actions you could take to reduce your audit fee. I have identified the following actions:

- improve quality of working papers;
- simplify preparation of the Trial Balance and the financial coding structure; and
- ensure appropriate disclosure and valuation of plant property and equipment including assets held for sale.

Appendix 1 – Independence and objectivity

Auditors appointed by the Audit Commission must comply with the Commission’s Code of Audit Practice and Standing Guidance for Auditors. When auditing the accounting statements, auditors must also comply with professional standards issued by the Auditing Practices Board (APB). These impose stringent rules to ensure the independence and objectivity of auditors. The Audit Practice puts in place robust arrangements to ensure compliance with these requirements, overseen by the Audit Practice’s Director – Standards and Technical, who serves as the Audit Practice’s Ethics Partner.

45 Table 7: Independence and objectivity

Area	Requirement	How we comply
Business, employment and personal relationships	<p>Appointed auditors and their staff should avoid any official, professional or personal relationships which may, or could reasonably be perceived to, cause them inappropriately or unjustifiably to limit the scope, extent or rigour of their work or impair the objectivity of their judgement.</p> <p>The appointed auditor and senior members of the audit team must not take part in political activity for a political party, or special interest group, whose activities relate directly to the functions of local government or NHS bodies in general, or to a particular local government or NHS body.</p>	<p>All audit staff must declare all potential threats to independence. Details of declarations are made available to appointed auditors. Where appropriate, staff are excluded from engagements or safeguards introduced to reduce the threat to an acceptably low level.</p>

Area	Requirement	How we comply
Long association with audit clients	The appointed auditor responsible for the audit should, in all but the most exceptional circumstances, be changed at least once every seven years, with additional consideration of threats to independence after five years.	The Audit Practice maintains and monitors a central database of auditor and senior audit staff assignments.
Gifts and hospitality	The appointed auditor and members of the audit team must abide by the Commission's policy on gifts, hospitality and entertainment.	All audit staff must declare any gifts or hospitality, whether or not accepted. They may only be accepted with line manager approval.
Non-audit work	<p>Appointed auditors should not perform additional work for an audited body (that is work above the minimum required to meet their statutory responsibilities) if it would compromise their independence or might result in a reasonable perception that their independence could be compromised.</p> <p>Auditors should not accept engagements that involve commenting on the performance of other auditors appointed by the Commission on Commission work without first consulting the Commission.</p> <p>Work over a specified value must only be undertaken with the prior approval of the Audit Commission's Director of Audit Policy and Regulation.</p>	<p>All proposed additional work is subject to review and approval by the appointed auditor and the Director – Standards and Technical, to ensure independence is not compromised.</p>
<i>Code of Audit Practice, Audit Commission Standing Guidance and APB Ethical Standards</i>		

Appendix 2 – Basis for fee

In setting the fee, I have assumed the following.

- The risk in relation to the audit of the financial statements is not significantly different from that identified for 2010/11. For example:
 - internal controls are operating effectively;
- Internal Audit meets the proper professional standards; and
- Internal Audit undertakes sufficient appropriate work on financial systems that provide material figures in the accounting statement on which I can rely.
- The risk to my value for money responsibilities is not significantly different from that identified for 2010/11.
- The Council provides:
 - good quality working papers and records to support the accounting statements and the text of the other information to be published with the statements by July 2011;
 - other information requested within agreed timescales;
 - prompt responses to draft reports; and
- there are no questions asked or objections made by local government electors.

Where these assumptions are not met, more work will be necessary, which is likely to mean an increased audit fee.

Appendix 3 – Glossary

Accounting statements

The annual statement of accounts that the Authority must prepare, which report its financial performance and financial position in accordance with the Accounts and Audit (England) Regulations 2011 and the Code of Practice on Local Authority Accounting in the United Kingdom.

Annual Audit Letter

Report issued by the auditor to the Authority after the completion of the audit summarising the work carried out in the period and significant issues arising.

Annual Governance Report

The auditor's report on matters arising from the audit of the accounting statements. It is presented to those charged with governance before auditors issue their opinion and conclusion.

Annual Governance Statement

The annual report on the Authority's systems of internal control supporting how it achieves its policies, aims and objectives.

Audit of the accounts

The audit of the accounts of an audited body comprises all work carried out by auditors under the Code to meet their statutory responsibilities under the Audit Commission Act 1998.

Audited body

A body to which the Audit Commission is responsible for appointing the external auditor.

Auditing Practices Board (APB)

The body responsible in the UK for issuing auditing standards, ethical standards and associated guidance to auditors. Its objectives are to establish high standards of auditing which meet the developing needs of users of financial information and ensure public confidence in the auditing process.

Auditing standards

Pronouncements of the APB containing basic principles and essential procedures with which auditors must comply, except where otherwise stated in the auditing standard concerned.

Auditor(s)

Auditors appointed by the Audit Commission.

Code (the)

4 The Code of Audit Practice for local government bodies issued by the Audit Commission and approved by Parliament.

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Commission (the)

The Audit Commission for Local Authorities and the National Health Service in England.

Ethical Standards

Pronouncements of the APB containing basic principles relating to independence, integrity and objectivity which apply to the conduct of audits and with which auditors must comply, except where otherwise stated in the standard concerned.

Group accounts

Consolidated accounting statements of an Authority and its subsidiaries, associates and jointly controlled entities.

Internal control

The whole system of controls, financial and otherwise, that the Authority establishes to provide reasonable assurance of effective and efficient operations, internal financial control and compliance with laws and regulations.

Materiality

The APB defines this concept as ‘an expression of the relative significance or importance of a particular matter in the context of the accounting statements as a whole. A matter is material if its omission would reasonably influence the decisions of an addressee of the auditor’s report; likewise a misstatement is material if it would have a similar influence. Materiality may also be considered in the context of any individual primary statement within the accounting statements or of individual items included in them. Materiality is not capable of general mathematical definition, as it has both qualitative and quantitative aspects’.

The term ‘materiality’ applies only to the accounting statements. Auditors appointed by the Commission have responsibilities and duties under statute, as well as their responsibility to give an opinion on the accounting statements, which do not necessarily affect their opinion on the accounting statements.

Significance

The concept of ‘significance’ applies to these wider responsibilities. Auditors adopt a level of significance which may differ from the materiality level applied to their audit of the accounting statements. Significance has both qualitative and quantitative aspects.

Those charged with governance

Those entrusted with the supervision, control and direction of the Authority. This term includes the members of the Authority and its Audit Committee.



Whole of Government Accounts

A project leading to a set of consolidated accounts for the entire UK public sector on commercial accounting principles. The Authority must submit a consolidation pack to the department for Communities and Local Government which is based on, but separate from, its accounting statements.

If you require a copy of this document in an alternative format or in a language other than English, please call:
0844 798 7070

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

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



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Joint working protocol - Internal and external audit

Oxford City Council

Audit 2011/12

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

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

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

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Introduction

1 Oxford City Council (the Council) faces ever increasing pressures on its resources. As external and internal auditors we can assure management and the Audit and Governance Committee that with our commitment to work together efficiently and effectively and represent good value for money. This protocol sets out arrangements that support that commitment.

2 The objectives of this protocol are to:

- provide a basis for cooperation in planning and conducting our respective audit work;
- promote joint working, within the bounds of our respective roles;
- make the most of available audit resources, through agreed coordination arrangements; and
- help the Audit and Governance Committee to fulfil its responsibility for overseeing effective liaison between us.

3 To achieve these objectives, we need to work together effectively with clear communication throughout the year. This document reflects my commitment to promote productive joint working between my external audit team and your internal audit team.

Planning our respective audits

4 As the appointed auditor for the Council I plan and carry out an audit that meets the requirements of the Audit Commission's Code of Audit Practice (the Code). I adopt a risk-based approach to planning the audit, and the audit focuses on the risks that are relevant to my audit responsibilities under the Code.

5 We both produce annual audit plans based on our own risk assessments. We will liaise during the planning stage to ensure the timing and scope of our work makes the most of coverage and avoids duplication.

6 My risk assessment evaluates the control environment in place at the Council, of which Internal Audit is an important part. As well as testing financial systems, you will also complete work on other areas of the control environment, for example, risk management.

7 We will meet regularly to support a cooperative, professional working relationship, share relevant information and coordinate the overall audit effort. From these arrangements we will specifically seek to:

- gain audit assurance;
- inform our opinions and conclusions;
- help our understanding of the Council; and
- rely on specific pieces of work where suitable.

8 We will tell each other of any significant issues which arise as soon as practicable, and of any changes or delays in agreed areas of reliance. I will also highlight to you if I am unable to place reliance on agreed areas of joint working.

My audit approach

9 To support effective joint working I want you to understand my approach to delivering the audit at the Council. Table 1 shows a summary of my approach and my proposed timetable.

Table 1: **Summary of my audit approach**

I adopt a two-stage approach

Stage	Procedures	Timing
1. Prestatements	Evaluating the control environment including assessing general information technology (IT) controls. Documenting and walking through material information systems. Testing the key controls within these systems, including where possible, reviewing the work of internal audit. Carrying out testing before the year-end on material balances that are expected to be included in the financial statements.	Agree during 2011/12
2. Post-statements	Testing the material balances and notes within the financial statements.	Agree during 2011/12

10 My team will liaise with you before they start the prestatements stage of the audit.

Prestatements audit

Documenting and walking through systems

11 I use the prestatements stage of the audit to gain an understanding of the information systems the Council uses to produce the material figures within the financial statements. I am required to do this by auditing standards – ISAs (International Standards on Auditing in the UK and Ireland). This understanding enables me to focus my audit on relevant matters. It also enables me to highlight to the Council any significant weaknesses in how these systems produce materially accurate figures for the financial statements. I include a list of the systems that I have determined as 'material' at appendix 1.

12 To achieve this I document my understanding of the material information systems and undertake a 'walk through test'. The walk through test entails tracing a single transaction through the system, from beginning to end. I am required by auditing standards to do this each year. However, where I have gained an understanding of a system in one year and have confirmed there have been no changes to that system, I simply walk through the system to confirm my understanding.

13 I expect that in meeting these requirements my team will liaise with you to find out whether the work that you carry out on financial systems can help inform my work.

Identifying and testing key controls

14 Having documented my understanding of the material information systems I then consider the controls within each system that are key to ensuring the outputs are materially accurate. I call these 'key controls'.

15 Testing that these key controls are working effectively provides me with some assurance the financial statements are free from material error. It also enables me to report to the Council deficiencies in the system of internal control. I include the key controls that I have identified at appendix 2.

16 Wherever possible I will seek to rely on the work undertaken by you for these key controls. My team will therefore discuss the scope and timing of our respective audit work. This will include sharing with you the key controls that I have identified within each material information system. I recognise that controls that are 'key' to producing materially accurate financial statements may not be controls that you assess as part of the internal audit programme.

17 Where you are testing the 'key controls' that I have identified and we have agreed that I will rely on your work, please note my minimum sample sizes for manual controls as set out below.

Table 2: **Sample sizes for manual controls**

Based on Audit Commission approach

Control Frequency	Sample Size
Quarterly	2 (including period end)
Monthly	2
Weekly	5
More than weekly	20

18 If I do seek to place reliance on your work, I am required by auditing standards to review and evaluate the work. This will include evaluating the evidence that you have gained to support your conclusions.

Control environment and Information Technology (IT) controls

19 I consider the strength of the Council's control environment and general IT controls in assessing the risk the financial statements are free from material misstatement.

20 As part of the prestatements audit, I will therefore consider and document the control environment in which the Council works. For example, I will discuss with management and the Audit and Governance Committee (as those charged with governance) the arrangements in place for issues including fraud, governance and complying with laws and regulations.

21 In addition, I also evaluate and test the general IT controls, such as access controls within material information systems. This may be another area where we can work together to reduce the risk of duplication.

Post-statements audit

22 At the post statements stage of the audit I focus my work on testing the material balances and notes within the financial statements. I decide the extent of this testing in part by the results of the pre-statements testing.

23 There may also be occasions where I seek to place reliance on your work, for detailed testing of items within the financial statements. I refer to these tests of detail as substantive testing. Appendix 3 lists the areas where I may seek to rely on your substantive testing. My team will discuss these areas with you later this year.

The way forward

24 I include a list of our key contacts at appendix 4. I am committed to an effective relationship between our respective teams and will share this protocol with the Council.

Appendix 1 Material systems

Table 3: **Material systems identified by my team for the Oxford City Council opinion audit (based on 2010/11 work)**

General Ledger
Payroll
Accounts payable
Accounts receivable
Housing Benefit
Business Rates
Council Tax
Car park income
Treasury Management
Housing Rents
Fixed Assets *

** – I will test this system substantively at year-end as this is the most efficient way of getting assurance*

Appendix 2 Key controls

Table 4: **Key controls identified by external audit for the Oxford City Council opinion audit**

System	Key controls identified
General Ledger	1. Monthly reconciliations between feeder systems and GL
	2. TB = 0
	3. Journals are reviewed prior to input
	4. Suspense accounts are reviewed and cleared regularly
Payroll	1. Monthly review of exception reports
	2. Monthly reconciliation of payroll, GL and payments is produced, reviewed and differences investigated
Accounts Payable	1. Authorisation of payments
	2. Reconciliation of AP to GL is produced, reviewed and differences investigated
Accounts Receivable	1. Authorisation of Invoice Request Form
	2. Reconciliation of AR to GL is produced, reviewed and differences investigated
Housing Benefit	1. Weekly reconciliation between HB system and GL is produced, reviewed and differences investigated
	2. Supporting evidence for new claims is reviewed
	3. Quality checks of assessors' work are carried out
	4. Review of year-end accrual by senior finance manager
Business Rates	1. Reconciliations to VO reports
	2. Parameters updated and reviewed at start of year
	3. Monthly reconciliation to GL is produced, reviewed and differences are investigated

System	Key controls identified
Council Tax	1. Reconciliations to VO reports 2. Monthly reconciliation to GL is produced, reviewed and differences are investigated
Car park income	1. Reconciliation of car park audit tickets to the money collected by GS4 and any differences are investigated 2. Monthly cash reconciliation of money received to GL and to bank statement and any differences investigated
Treasury Management	1. Daily Treasury Figures reviewed and signed off by stage 2 officer 2. Agreement of detail between broker and 3rd party letter 3. Monthly reconciliation agreeing capital and interest to GL
Housing Rents	1. Tenant's details are agreed back to paperwork from sign up meeting 2. Reconciliation of cash received to GL 3. Annual rent parameters are reviewed by senior officer at start of year 4. Tenants' control account reconciliation at year-end
Fixed Assets	No in-year controls identified, our approach is to substantively test at year-end

Appendix 3 Activity and responsibility

Table 5: **Work plan**

Activity	Responsibility
Identify material entries in the financial statements	External Audit
Link material accounts entries to feeds	External Audit
Agree material systems	Both
Document material systems including the general ledger.	Internal Audit
Identify key controls and assess risk of material misstatement	Both
Test operation of each key control – walkthrough	External Audit
Test that key controls being relied on have operated effectively over the whole of the period (sample size to be determined as per paragraph 19)	Internal Audit
Review and discuss results	Both
Assess the risks/reliance/assurance to determine the approach to accounts opinion audit	External Audit
Establish material entries where reliance/assurance will not be sought from internal controls – ie substantive tests	External Audit
Undertake substantive testing.	Both
Complete the opinion audit placing reliance on and gaining assurance from the above activities.	External Audit

Appendix 4 Key contacts

Table 6: **Key contacts**

External Audit	Internal Audit
Maria Grindley – Engagement Lead	Chris Dickens – Head of Internal Audit
Alan Witty – Audit Manager	Kat Bennett – Audit Manager

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Audit Commission

1st Floor
Millbank Tower
Millbank
London
SW1P 4HQ

Telephone: 0844 798 3131

Fax: 0844 798 2945

Textphone (minicom): 0844 798 2946

www.audit-commission.gov.uk

January 2012

Internal audit summary report for Audit and Governance Committee

January 2012



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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 **180 days out of a total planned 250 days (72%)**. This is in line with the profile of our Internal Audit plan. We commit to completing our plan ahead of the year end.

We have continued to review our Audit Plan on an ongoing basis to ensure that it meets the Council's risks. On that basis, we have made a number of revisions to our audit plan as outlined below:

- Given the work the Council has procured to review the new LAGAN system; we have reduced the days planned for reviewing this system to ensure we do not duplicate work in this area. We have used these days (4 in total) to increase our review of the ICT contract with the County;
- Our original plan included 5 days in the area of law and governance to consider Freedom of Information and the disclosure of expenditure over £500. The Council has not noted any issues with compliance in this area and the level of risk considered as low. As a result, this review has been deferred;
- We have utilised the days from the law and governance review to increase our days allocated to our work on the Council's Housing Revenue Account. This reflects the risks associated with the implementation of self financing. In addition, 2 days from this review have been allocated to follow up the issues noted with procedure notes identified from our review of the Annual Governance Statement in prior year.

Reporting Activity and Progress

Final reports issued since the previous meeting

- **Payroll**– We reviewed the controls in place around the payroll system. We have classified our findings in this area as **Low Risk**. The department has continued to make improvements since last year, with the majority of our recommendations implemented. Only one advisory issue remains regarding the need to investigate the Council’s position with VAT on mileage claims. We identified no control design issues in year. This suggests that the Council has controls in place which effectively address the risks associated with payroll. We noted no issues with controls around payroll processing, exception reporting and the processing of new starters. These are all deemed key controls by the Council’s External Auditors.
- **Housing Rents:** We have issued a **Low Risk** rating on the Housing Rents system. No issues were noted with the design and operation of controls around rent setting and processing of rebates. The Council has put in place effective controls to ensure that rents are set in line with the DCLG determination and are reviewed before being communicated to tenants. Two of the three issues identified relate to performance of reconciliations. No reconciliation is currently performed between the rents system and the Council’s Fixed Asset Register. The Council can therefore have limited comfort that the value of Council stock is correctly stated. Issues in this area have been noted as part of the close down process in prior years and therefore efforts should be made to perform a reconciliation ahead of the year end. In addition, the reconciliation of the rents system to the General Ledger and cash system are not currently signed to evidence performance and review.
- **Debtors:** Last year we gave medium assurance for in this area. The department has made considerable improvements to address the control deficiencies identified as well as implementing a series of new controls to enhance the effectiveness of the income process. We have therefore issued a **Low Risk** rating for 2011/12.

One medium risk issue was noted on the timely raising of invoices. All invoices are raised within departments and passed to the central income team for processing. 7/25 invoice request forms tested were dated 2 months after the service had been provided and 6/25 invoices were raised over one week after being received by the income department. This issue increases the risk that debts may become irrecoverable and that income may not be accounted for in the correct period. The Council should look to work with departments to ensure that the importance of raising invoices on a timely basis is reiterated.

- **Financial planning** – This review considered the setting and monitoring of Council’s Medium Term Financial Strategy (MTFS) and efficiency savings. We have issued a **Low Risk** rating in this area. The Council has made significant strides over the past few years to identify savings and deliver more efficient services. The Council has developed a MTFS which prudently forecasts its position over a 4 year period and has consulted widely on the impact of changes in Government Policy. There is a robust process for budget monitoring which is considered at both a cost centre and fund level. Monthly service line meetings have been introduced since June ’11 to ensure that budget holders take ownership for performance. Despite this good track record, the scale of the challenge over the next few years is significant and much of the good practice demonstrated will need to continue and be intensified if planned savings and service reductions are to be delivered. Our work identified the need to consider the wider implications of cost savings in conjunction with performance and quality indicators. The Council is currently rolling out use of the CorVu system which will help to facilitate this link.

We identified a number of issues around standardisation of reporting and the quality of budget information. Whilst the budgetary control process introduced is robustly designed, we noted that the standard of explanations for variances and documentation of action plans was varied. The Budgetary Control manual (currently in draft) should be used to introduce standard methods in these areas. In

relation to your MTFs, you have set a challenging and robust budget after going through a process of extensive consultation.

The following reports have been issued with medium risk ratings and have been brought in full to this meeting at the request of the Chair:

- General Ledger;
- Creditors – at the time of issuing this report, this report had not been finalised. We hope to bring the completed report in full to this meeting;
- Collection Fund; and
- Trade Waste

Fieldwork and draft reports

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

- Housing Benefits
- Risk Management and Performance
- Standard Procedures Review
- Commercial Property
- Computer Assisted Audit Techniques
- IT Reviews
- Contract Assurance

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	Draft 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	Draft report issued
Fixed Asset	10	0	-	10	4	To commence in Q4
Housing Rents	5	0	-	5	3	Final report issued
Risk Management and Performance Monitoring	15	0	-	15	3	Draft report issued
Law and Governance	5	-5	-	0	1	-
Standard Procedures Review	0	2	-	2	4	Scoping commenced
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	Fieldwork concluded
Budgetary Control	10	0	-	10	2	Final report issues
Year end Support	10	0	-	10	4	To commence in Q4
Procurement CAATS	5	0	2	7	2	To commence in Q4
IT Patching	7	0	-	7	4	Fieldwork commenced
LAGAN	10	-4	-	6	4	Fieldwork commenced
ICT Contract Review	8	4	-	12	4	Fieldwork commenced
Contract Assurance	10	0	-	10	2	Draft report issued
Project Governance	5	0	-	5	4	To commence in Q4
Fraud Awareness	5	0	-	5	1	Completed
HRA Cashflow	10	-3	-	7	4	Scoping commenced
HRA Repairs and Maintenance	0	6	-	6	4	Scoping commenced
Follow Up	10	0	-	10	-	Ongoing
Audit Management	30	0	-	30	-	Ongoing
TOTAL	250	0	3	253		

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
Debtors	0	1	2	5	LOW
General Ledger	0	2	3	9	MEDIUM
Trade Waste	0	3	5	14	MEDIUM
Financial Planning	0	1	2	5	LOW
Housing Rents	0	1	2	5	LOW
Collection Fund	1	0	3	13	MEDIUM
Payroll	0	0	2	2	LOW
Creditors	TBC				
Total	1	16	32	-	

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.

Spending Review – One Year On

A year ago, the markets were eagerly anticipating the announcement of the Coalition's first Spending Review settlement, setting out plans for dealing with the deficit and the public sector debt mountain.

Before the Chancellor's announcement, we assessed the impact of the fiscal squeeze on output and jobs in private sector industries and different regions¹, which we subsequently updated after the announcement. Our estimates were a reality check:

- Around 435,000 private sector job losses by 2014/15 in addition to the loss of public sector jobs (then estimated by OBR at 490,000 but later revised down to around 400,000 by 2015/16).
- The hardest hit regions were expected to be Northern Ireland, Scotland, Wales and the North East of England (in terms of job losses as a percentage of total employment in these regions).
- The key sectors worst affected by the cuts were expected to be construction and business

One year on, we take a look back and assess what has happened by reviewing:

- The key economic developments to date, including growth prospects for the global and UK economies, the key tax and spend changes in the last year and the outlook for the underlying fiscal position.
- The key impacts of public spending cuts on the labour market for both public and private sector employment (by sector and region as well as in particular age groups).
- The fiscal policy options that the Chancellor may consider as he prepares his Autumn Statement on 29 November.
- The views of the public on how the principles underpinning the Spending Review – of Reform, Growth and Fairness – are being achieved, and the particular challenges that lie ahead for growth and public service reform

Developing a Cloud Strategy

By now, you've undoubtedly heard about cloud computing. Traditionally implemented as a method to cut and contain information technology (IT) costs, it's no longer considered just a better IT solution, but rather, a better *business* solution.

The key to make cloud a value-added part of your organizational framework is to develop a sound strategy at the outset. Today's business leaders are increasingly using the cloud to transform their capabilities, gain business agility and competitive advantage. But what are the implications for public sector agencies and government organisations? What should public sector CIOs consider when preparing for this dynamic business trend?

This paper is designed to help you on your journey as you select and develop your cloud solution. In this paper we:

- explain cloud computing and the various deployment and service models
- highlight the implications of cloud on the public sector (perceived barriers and benefits)
- review the public sector experience to date in various jurisdictions around the world
- outline an approach to developing a cloud computing strategy.

Making the most of HRA reform

As the legislation to reform the Housing Revenue Account concludes its passage through Parliament we thought it would be useful to examine the opportunities and risks arising from the changes.

In particular, we wanted to better understand the impact of the reforms over time and explore the extent to which a new self-financing regime could increase investment in affordable housing.

While we recognise that HRA reform will affect councils in different parts of the country in different ways and that the changes will be shaped by other factors (notably public spending and borrowing constraints, housing benefit reforms, capital market conditions, and the push for more localism), we have started from a position that the new regime is a positive step.

The reforms are complex and some aspects are controversial, but overall the legislation has cross-party support. Moreover, many local authorities (with registered providers and developers) are actively exploring ways to make the most of HRA reform. The Smith Institute has been tracking HRA reform since it was first introduced in 2009. PwC has meanwhile been advising Government on the shape and scope of the reforms and working with councils on what the financial effects might be.

We wanted to combine our expertise and look beyond the technical details in the Bill and associated guidance and look at the medium to long term investment prospects. How much investment will HRA reform unlock? And how should councils best prepare themselves?

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

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Oxford City Council

General Ledger

FINAL

Internal Audit Report
2011/2012

January 2012

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pwc

Agenda Item 8

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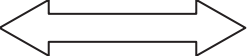
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Distribution List

For action	Anna Winship (Financial Accounting Manager)
For information	Nigel Kennedy (Head of Finance) Jackie Yates (Corporate Director – Finance and Efficiency) Peter Sloman (Chief Executive)

1. Executive summary

Report classification	Trend	Total number of findings					
 Medium Risk (9 points)	 Performance in this area is comparable to prior year	Critical	High	Medium	Low	Advisory	
		Control design	0	0	0	2	0
		Operating effectiveness	0	0	2	0	0
		Open prior year findings	0	0	0	1	0
		Total	0	0	2	3	0

Summary of findings:

Medium risk issues have been identified regarding access to the ledger and processing of journals. Users who are no longer employed by the Council continue to be active on the system and administrator access is held by a number of inappropriate users. In terms of journals, issues have been noted with processing transactions. Non compliance in this area has been noted for a number of years. Journals are deemed by International Auditing Standards as being susceptible to management override of control and therefore the Council should ensure robustness of compliance in this area .

As a result of the fundamental service review and the implementation of International Financial Reporting Standards (IFRS), there have been delays in a review of costs centres and account codes and publication of management information. The Council has put in place a control to ensure that any changes to the ledger following close down are identified and reviewed. A full review of the chart of the accounts is planned as part of the Agresso healthcheck.

No issues were noted with the control design or operating effectiveness of key control account reconciliations and interfaces. The general ledger suspense account held around 80 aged transactions which should be matched or written off on a timely basis. This has now been cleared.

2. Background and scope

Background

The Authority operates their General Ledger using the Agresso system. This system is supported by a number of feeder systems which are regularly interfaced. The system is operated and monitored by the Finance Team which is responsible for statutory duties such as the preparation, monitoring and reporting of revenue and capital budgets; the closedown of the accounts each financial year; the publication of the financial statements and the completion of statutory returns and claims. A system administrator is in place for the system who is charged with monitoring access as well as the operating effectiveness of the system.

Scope and limitations of scope

Scope

We will review the design and operating effectiveness of General Ledger key controls during 2011/12. Our work in this area will concentrate on the follow up of prior year issues and review of key controls identified by Internal Audit and the Audit Commission. In addition we will enquire as to any changes in the systems and processes from prior year and document these accordingly

The sub-processes and related control objectives included in this review are:

Sub-process	Control objectives
Journals	Journals are input to the ledger in a complete, accurate and timely fashion following appropriate authorisation
Feeder systems and Control Account Reconciliations	Information is interfaced on a timely basis from supporting systems and checks are performed to ensure the completeness of this process.
Procedure notes	Procedure notes are in place to outline the functionality of the system.
General Ledger access	The system is protected against unauthorised access/ processing and is secure against loss or damage of data.

Limitations of Scope

The scope of our work will be limited to those areas outlined above. This review will not consider the IT Infrastructure of the General Ledger system, nor will consideration be made of the supporting systems interfaced into Agresso.

3. Detailed current year findings

1. Agresso User Access – Operating Effectiveness

Finding		
<p>The Agresso system currently has over 250 users throughout the Council. Currently no review is performed on the access list to ensure that access rights are up to date and reasonable. In addition, no exception reports are run to identify and review changes to standing data. The following issues were noted when reviewing the current access lists:</p> <ul style="list-style-type: none"> • There are currently 5 officers with administrator access to the Agresso system. 2 of these officers are members of the operational finance team and therefore should not hold this level of access • 5/25 Agresso users tested are no longer employed by the Authority 		
Risks		
The system may be open to misuse. If no monitoring reports are produced, management can have limited comfort over the appropriateness of access and changes to the system.		
Action plan		
Finding rating	Agreed action	Responsible person / title
Medium	Current users will be reviewed and superusers rationalised to ensure that appropriate access is held. A request will be sent to reduce all IT level access from superusers within finance.	Anna Winship
		Target date:
		30 th November 2011

2. Journal Processing- Operating effectiveness

Finding


Council procedures state that all journals should be appropriately authorised ahead of processing and should be supported by a completed journal input form, relevant supporting documentation and a General Ledger print to evidence the transaction. The following issues were noted from a sample of 25 journals processed in year:

- 4/25 journals were authorised after the journal had been processed;
- No supporting documentation was in place for 2/25 journals tested; and
- In 6/25 cases, there was no Agresso print to support the transaction.


Risks

Transactions are posted to the ledger without adequate justification or authorisation. Journals are generally accepted to be more susceptible to fraud as they are often based on accounting estimates

Action plan

Finding rating	Agreed action	Responsible person / title
 Medium	The policy on journals will be reiterated to officers. Quality review processes have been put in place by finance to ensure that sufficient documentation is provided for journals.	Anna Winship Target date: 30 th November 2011

3. Opening Balances - Control Design

Finding		
Opening balances are rolled forward on the ledger following completion of the statutory audit. This process is not authorised ahead of processing.		
Risks		
Opening balances may be rolled forward incorrectly or incompletely. Balances may be misstated.		
Action plan		
Finding rating	Agreed action	Responsible person / title
Low 	The 10/11 open balances journal will be reviewed. As part of the Agresso healthcheck, the Council are reviewing the implementation of an automated roll forward process to reduce the risks in this area.	Anna Winship Target date: <hr/> 2010/11 Journal: 31 st October 2011 Agresso Healthcheck: 31 st October 2012

4. Procedure Notes - Control Design

Finding		
It was noted from review that elements of the Agresso procedure notes have not been updated since 2004.		
Risks		
Procedures may be out of date, leading to an increased risk of errors in processes.		
Action plan		
Finding rating	Agreed action	Responsible person / title
Low	A review of all procedure notes is being carried out centrally by the Council. Updating of Agresso procedures will be covered as part of this process.	Janice Brown
		Target date:
		31 st December 2011

4. Prior year findings

1. Monitoring of Suspense Accounts – Control Design

Issue Noted		
The Authority does not produce reports of significant balances on suspense accounts.		
Original agreed action		
Agreed that the Authority will consider producing a report of significant balances on suspense over a certain threshold.		
Status update		
Reports are now produced in this area and reported to the management team on a periodic basis.		
Action plan		
Finding rating	Revised action	Responsible person / title
Low	Issue addressed. No further action required	n/a
		Revised target date:
		n/a

2. Code Review – Control Design

Issue Noted		
The Council has not completed its review of account and cost codes. Therefore, there may be incorrect or dormant codes on the system which are either being used incorrectly or not identified for management reporting.		
Original agreed action		
This will be reviewed as part of the year end process, linking to the new service structures which are being created for 2011/12.		
Status update		
A complete review of all account codes has not yet been performed. Open prior year issue. To be used in calculation of overall risk rating.		
Action plan		
Finding rating	Revised action	Responsible person / title
Low	The planned Agresso healthcheck will help to rationale and review the current chart of accounts. The outputs of this review will be considered.	Anna Winship
		Revised target date:
		31 st October 2012

3. Management Information – Operating Effectiveness

Issue Noted		
At the time of audit, the Performance Matters information which documents performance statistics for the entire Council had not been produced for August 2010.		
Original agreed action		
This was a temporary glitch whilst we reviewed what we wanted to publish.		
Status update		
The Council no longer publish Performance Matters. The Council have introduced Corvu as an integrated performance and risk system in 2011/12. This system allows for detailed performance information to produced for members and officers. Corvu has been reviewed as part of the internal audit review on Performance Improvement and Risk Management.		
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Action plan		
Finding rating	Revised action	Responsible person / title
Low	Not applicable	n/a
		Revised target date:
		n/a

4. Temporary Employees – Control Design

Issue Noted		
Monthly leavers' reports are sent from payroll to Agresso administrators. This ensures that all leavers are removed from the system. There is no process in place for removing temporary agency staff.		
Original agreed action		
The Finance department are currently working with Sue Green, Champion Recruitment, to devise a way to ensure that system administrators are able to remove temporary agency staff access rights when they have left.		
Status update		
No reports of this nature are currently being run.		
Action plan		
Finding rating	Revised action	Responsible person / title
Medium	See issue #1 above for revised current year recommendation.	See issue #1
		Revised target date:
		See issue #1

5. Month End Close Down – Operating Effectiveness

Issues Noted		
During testing of the general ledger closedown it was noted that in 3/3 months tested, the ledger was closed after the specified deadline of the 7th of the month. In 1 case (May 10) the period was reopened 2 weeks after closedown.		
Original agreed action		
The general ledger was re-opened in May for a Paypoint negation on 28/06/2010.		
Status update		
A log is now kept to highlight when the General Ledger is re-opened following close down and the reasons for this occurring.		
Action plan		
Finding rating	Revised action	Responsible person / title
Medium	Issue addressed. No further action required	n/a
		Revised target date:
		n/a

6. Journal Processing – Operating Effectiveness

Issue raised		
During testing of journals it was noted that 5/45 journals tested had not been authorised until after the journal had been processed.		
Original agreed action		
Agreed that all journals should be authorised prior to system input to ensure that journals are mathematically accurate, posted to correct codes and for valid reasons		
Status update		
Issues were noted with 4/25 journals tested in year. See issue #2		
Action plan		
Finding rating	Revised action	Responsible person / title
Medium	See issue #2 above for revised current year recommendation.	See issue #2
		Revised target date:
		See issue #2





Appendix 1. Basis of our classifications

Individual finding ratings

Finding rating	Assessment rationale
Critical	A finding that could have a: <ul style="list-style-type: none"> • Critical impact on operational performance (quantify if possible); or • Critical monetary or financial statement impact (quantify if possible = materiality); or • Critical breach in laws and regulations that could result in material fines or consequences (quantify if possible); or • Critical impact on the reputation or brand of the organisation which could threaten its future viability (quantify if possible).
High 91	A finding that could have a: <ul style="list-style-type: none"> • Significant impact on operational performance (quantify if possible); or • Significant monetary or financial statement impact (quantify if possible); or • Significant breach in laws and regulations resulting in significant fines and consequences (quantify if possible); or • Significant impact on the reputation or brand of the organisation (quantify if possible).
Medium	A finding that could have a: <ul style="list-style-type: none"> • Moderate impact on operational performance (quantify if possible); or • Moderate monetary or financial statement impact (quantify if possible); or • Moderate breach in laws and regulations resulting in fines and consequences (quantify if possible); or • Moderate impact on the reputation or brand of the organisation (quantify if possible).
Low	A finding that could have a: <ul style="list-style-type: none"> • Minor impact on the organisation's operational performance (quantify if possible); or • Minor monetary or financial statement impact (quantify if possible); or • Minor breach in laws and regulations with limited consequences (quantify if possible); or • Minor impact on the reputation of the organisation (quantify if possible).
Advisory	A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.

Report classifications

Findings rating	Points
Critical	40 points per finding
High	10 points per finding
Medium	3 points per finding
Low	1 point per finding

Report classification	Points
 Low risk	6 points or less
 Medium risk	7– 15 points
 High risk	16– 39 points
 Critical risk	40 points and over

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Appendix 1: Terms of Reference

Oxford City Council Terms of Reference – General Ledger

To: Pete Johnson, Revenues Manager

From: Katherine Bennett, Audit Manager

This review is being undertaken as part of the 2011/12 internal audit plan approved by the Audit and Governance Committee.

Background

The Authority operates their General Ledger using the Agresso system. This system is supported by a number of feeder systems which are regularly interfaced. The system is operated and monitored by the Finance Team which is responsible for statutory duties such as the preparation, monitoring and reporting of revenue and capital budgets; the closedown of the accounts each financial year; the publication of the financial statements and the completion of statutory returns and claims. A system administrator is in place for the system who is charged with monitoring access as well as the operating effectiveness of the system.

Scope

We will review the design and operating effectiveness of key controls relating to Cash Collection and Establishment and follow up issues noted during the prior year.

The sub-processes and related control objectives included in this review are:

Sub-process	Control objectives
Journals	Journals are input to the ledger in a complete, accurate and timely fashion following appropriate authorisation
Feeder systems and Control Account Reconciliations	Information is interfaced on a timely basis from supporting systems and checks are performed to ensure the completeness of this process.
Procedure notes	Procedure notes are in place to outline the functionality of the system.
General Ledger access	The system is protected against unauthorised access/ processing and is secure against loss or damage of data.

Limitations of Scope

The scope of our work will be limited to those areas outlined above. This review will not consider the IT Infrastructure of the General Ledger system, nor will consideration be made of the supporting systems interfaced into Agresso.

Internal audit team

Name	Role
Richard Bacon	Engagement Leader
Chris Dickens	Chief Internal Auditor
Katherine Bennett	Audit Manager
Charlotte Bilsland	Team Manager
Matthew Pattison	Team Member

Key contacts – Oxford City Council

Name	Title	Role	Responsibilities
Anna Winship	Financial Accounting Manager	Audit Sponsor	Review and approve terms of reference Review draft report Review final report Hold initial scoping meeting Review and meet to discuss issues arising and develop management responses and action plan

Other Roles and Responsibilities – Oxford City Council

Name	Title	Responsibilities
Nigel Kennedy	Head of Finance	Receive draft and final reports
Jackie Yates	Corporate Director (Finance and Efficiency)	Receive final report
Peter Sloman	Chief Executive	

Timetable

Fieldwork start	5 th September 2011
Fieldwork completed	9 th September 2011
Clearance Meeting	w/c 19 th September 2011
Draft report to client	By 23 rd September 2011
Response from client	By 30 th September 2011
Final report to client	By 7 th October 2011

Agreed timescales are subject to the following assumptions:

- All relevant documentation, including source data, reports and procedures, will be made available to us promptly on request
- Staff and management will make reasonable time available for interviews and will respond promptly to follow-up questions or requests for documentation

Appendix 2. Limitations and responsibilities

Limitations inherent to the internal auditor's work

We have undertaken the review of the General Ledger subject to the limitations outlined below.

Internal control

Internal control, no matter how well designed and operated, can provide only reasonable and not absolute assurance regarding achievement of an organisation's objectives. The likelihood of achievement is affected by limitations inherent in all internal control systems. These include the possibility of poor judgment in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

Future periods

Our assessment of controls relating to the General Ledger review is for the 2011/12 year . Historic evaluation of effectiveness is not relevant to future periods due to the risk that:

- the design of controls may become inadequate because of changes in operating environment, law, regulation or other; or
- the degree of compliance with policies and procedures may deteriorate.

Responsibilities of management and internal auditors

It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

We endeavour to plan our work so that we have a reasonable expectation of detecting significant control weaknesses and, if detected, we shall carry out additional work directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected.

Accordingly, our examinations as internal auditors should not be relied upon solely to disclose fraud, defalcations or other irregularities which may exist.

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Oxford City Council

Collection Fund

FINAL

Internal Audit Report
2011/2012

January 2012

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Distribution List

For action	Anne Harvey-Lynch (Revenues Manager) Anna Winship (Accountancy Manager)
For information	Helen Bishop (Head of Customer Services) Nigel Kennedy (Head of Finance) Jackie Yates (Corporate Director – Finance and Efficiency) Peter Sloman (Chief Executive)

Executive summary

Report classification	Trend	Total number of findings					
 Medium risk (13 points)	 There has been an improvement in performance since prior year		Critical	High	Medium	Low	Advisory
		Control design	0	0	0	0	0
		Operating effectiveness	0	0	0	3	0
		Open prior year findings	0	1	0	0	0
		Total	0	1	0	3	0

Summary of findings:

We have noted improvements in controls around exemptions and credit balances. The Council is in the process of sourcing a partner to perform a review of Single Person Discounts and no issues were noted with the existence of documentation to support exemptions. A process of reviewing credit balances has been introduced and is performed on a weekly basis.

No control design issues were noted in year which indicates that the controls in place are effectively designed to address risk. However, operating effectiveness issues were noted in relation to:

- Arrears not being chased in line with policies and procedures;
- Academy users no longer being employed by the Council;
- Out of date supporting documentation for exemptions; and
- Completeness and timely performance of reconciliations.

Compliance issues were noted in these areas in prior year .

1 high risk issue has been rolled forward from prior year in relation to aged debt. The Council continues to have large debt balances over 1 year old for both Council Tax and Business Rates. Efforts should be made to review this debt to ensure it is recoverable and the need for write offs should be considered.

Background and scope

Background

Oxford City Council is responsible for the collection of Council Tax and Business Rates on behalf of Central Government. Both rates are billed and collected in house by the Customer Services department using the Academy system. In 2010/11, the Council collected £63million of Council Tax and £76million of Business Rates. Collection of Council Tax have increased to 96.8% in year but were below the 97.3% target.

This review will evaluate the design and operating effectiveness of key controls in the Collection Fund process with the objective of ensuring that all properties are identified, correctly valued and billed so that Council Tax and Business Rates income is reflected accurately in the Authority's accounts. The review will also follow up prior year findings to ensure that agreed action plans have been implemented.

Scope and limitations of scope

Scope

We will review the design and operating effectiveness of key controls relied on by the Audit Commission relating to the Collection Fund and follow up issues noted during the prior year.

The sub-processes and related control objectives included in this review are:

Sub-process	Control objectives
Valuation	All properties are identified, correctly valued and billed to ensure maximum revenue is received
Billing	Billing is accurate and complete
Overpayments and refunds	Overpayments and refunds are granted accurately and with prior authorisation
Discounts, reliefs and exemptions	Discounts, reliefs and exemptions are granted accurately and in line with guidance
Collection	Revenue due from Council Tax and Business Rates is maximised and collected accurately. Accounts are updated on a timely basis
Recovery and enforcement	Outstanding income is collected and action taken against non-tax payers

Accounting for Council Tax and Business Rates	Information transferred from the Council Tax and Business Rates system is complete and accurate Reconciliations of the Council Tax and Business Rates system to the General Ledger and Cash Collection system are performed
Access to the Council Tax and Business Rates systems	Access to the Council Tax and Business Rates systems is appropriately controlled and restricted
Follow up of prior year issues	Agreed action plans regarding prior year issues have been implemented

Limitations of scope

The scope of our work will be limited to those areas outlined above.

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Detailed current year findings

1. Academy Users - Operating effectiveness

Finding		
Testing of access to Academy highlighted that 1/25 active users on Academy system no longer worked for the Council.		
Risks		
Unauthorised personnel may be able to gain access to the system and make amendments to data.		
Action plan		
Finding rating	Agreed action	Responsible person / title
Low 104	Responsibility for informing the Academy system administrator of leavers lies with individual departments. A reminder will be sent to all departments with users to reinforce that they must communicate all leavers on a timely basis.	System administrator
		Target date: 31 st January 2012

2. Valuation Office Reconciliations – Council Tax - Operating Effectiveness

Finding

The Council updates Academy on a weekly basis following receipt of information from the Valuation Office on changes in property information. A reconciliation is subsequently performed. The following issues were noted when testing 5 reconciliations performed in year:

- Reconciliations are not currently reviewed;
- 1 unreconciled property has existed on the reconciliation since the start of the year; and
- For 1 reconciliation tested we were unable to trace the property values included in the reconciliation to Academy. This was because the information had not been scanned into Council's document management system.

Risks

Council tax information may not be accurate and complete resulting in incorrect billing. If reconciliations are not reviewed, errors and omissions may not be identified on a timely basis.

Action plan

Finding rating	Agreed action	Responsible person / title
Low	<p>The Council are aware of the reconciling items and are investigating this with the valuation office. This should be rectified by the 12/13 billing run.</p> <p>In relation to scanning, this process was newly introduced in year and therefore some delays were encountered. All documents are now scanned.</p>	<p>Anne Harvey-Lynch</p> <hr/> <p>Target date:</p> <p>31st March 2012</p>

3. Key Control Account Reconciliations – Council Tax - Operating Effectiveness

Finding		
Monthly reconciliations are performed between Academy and Agresso (General Ledger system). It was noted during testing that the Council Tax reconciliation for April was not performed and reviewed until 16 th June 2011.		
Risks		
Errors and omissions in balances may not be identified on a timely basis.		
Action plan		
Finding rating	Agreed action	Responsible person / title
Low	There was a delay in some of these reconciliations at the beginning of the year due to a hand over of tasks All systems reconciliations are now completed and reviewed up to date.	Anna Winship
		Target date:
		Implemented

4. Prior year findings

1. Volume of Aged Debt – Council Tax and NNDR – Operating Effectiveness

Issue Noted

At the time of audit, 72% of Council Tax debt was over 1 year old (£3.3 million). £0.954 million of this debt is over 5 years old, with the oldest debt being raised in 1993/4. At the time of audit, 49% of Business Rates debt was over 1 year old (£1.257 million), with £0.161 million of this debt aged over 5 years old, with the oldest debt being raised in 1992/3.

The following issues were noted during testing of Council Tax arrears:

- 10/25 tested should be written off because they are over 4 years old.
- 3/25 tested should be referred to the bailiffs.
- 2/25 are below £1. This is not deemed to be efficient to chase these debts and should therefore be written off.
- 1/25 appears to be due a liability order but no action has been taken.
- 4/25 tested should be written off because they have been returned from the bailiff or moved property and no longer traceable.

Testing of NNDR accounts in arrears highlighted 1/25 accounts needed to be referred to the bailiffs per Authority procedures.

Original agreed action

This is due to resourcing issues and lack of knowledge in producing reports from Academy system/gap in skills when Business systems were transferred to County. This will be resolved when Academy moves to windows system. Timetable for move is January/February 2011.

In the interim monthly reports have been written to flag all defaults on attachment of earnings, attachment of benefits and special arrangements. Reports are actioned on agreed recovery frequency and appropriate follow up recovery action put in place. .

Status update

At the time of audit, the aged debt position of the Collection Fund was as follows:

Levy	Total debt (£m)	Debt over 1 year old (£m)	% of debt over 1 year old	Movement since prior year
Council Tax	4.5	3.2	71%	-0.1million
NNDR	3.6	1.8	50%	+0.5million

It should be noted that of the total debt, £0.5million of Council Tax and £0.1million of NNDR debt are currently under charging orders/instalments and therefore will be recovered.

The Council has a collection procedure in place for both Council Tax and Business Rates debts. The following issues were noted when testing the a sample of debts:

- 6/25 Council tax and 9/25 Business Rates debts had not been pursued in line with policy. In each case, the debt should have been moved onto the next stage of collection;
- 4/25 Council Tax and 9/25 Business Rates debts were deemed to be valid for write off. In these cases the debts were either too small in value to recover or represent aged debts where no collection has been achieved to date.

Open prior year issue. To be used in calculation of overall risk rating.

Action plan

Finding rating	Revised action	Responsible person / title
<p>High</p> <p>108</p>	<p>The current economic climate has meant an increase in debt relating to Business Rates. That said, the Council is performing well against their collection rate targets. Going forward there are plans to review debt on a quarterly basis to assess what cases can be moved to the next stage and to encourage attachment of earnings/benefits as a recovery solution.</p> <p>In relation to recovery action:</p> <p><u>Council Tax:</u></p> <p>Reports are now being run to show debts by recovery stage and age. These are to be reviewed on a risk basis going forward (i.e. with emphasis on large or excessively aged balances) to ensure that correct action is being taken.</p> <p><u>NNDR</u></p> <p>The Council is looking to roll out Council Tax recovery processes into the Business Rates section in 12/13. This will ensure that processes are followed consistently and will improve the collection rates for this levy.</p>	<p>Anne Harvey- Lynch</p> <p>Revised target date:</p> <p>30th September 2012</p>

2. User List - Academy

Issue Noted		
Testing of access to Academy highlighted that 7/25 users still active on the Academy system no longer worked for the Council.		
Original agreed action		
6 of the 7 users identified were all given access to the system following a request from the Benefits systems team. Regrettably no request was received to remove access once the temporary users had left the Council. A procedure will be put in place to ensure this oversight does not recur		
Status update		
A sample of users was tested for 2011/12 and exceptions have been detailed in issue #1		
Action plan		
Finding rating	Revised action	Responsible person / title
Low	See issue #1 above for revised current year recommendation.	Jacky Brown / Tracey Thompson / Anne Harvey Lynch
		Revised target date:
		-

3. Performance and Timeliness of Reconciliations – Council Tax and NNDR

Issue Noted		
<p>During testing of monthly Council Tax reconciliations between Academy and Agresso, the following issues were noted:</p> <ul style="list-style-type: none"> • The August reconciliation was not reviewed until 18/11/2010; and • The September reconciliation was not performed or reviewed until 18/11/2010. <p>Also, no reconciliations had been performed between Academy and Agresso for NNDR.</p>		
Original agreed action		
<p>The Council were behind on reconciliations but are now up-to-date. This was due to an upgrade to the system which meant the previous reports used to perform the reconciliation were no longer available. However, this has now been amended and going forward reconciliations will be performed on a monthly basis</p>		
Status update		
<p>A sample of reconciliations was tested for 2011/12 and exceptions have been detailed in issue #5</p>		
Action plan		
Finding rating	Revised action	Responsible person / title
Medium	See issue #3 above for revised current year recommendation.	Anna Winship
		Revised target date:
		-

4. Review of Single Person Discounts – Council Tax

Issue Noted		
The Council has not undertaken a review of all single person discount (SPD) accounts to ensure that the relief is still applicable.		
Original agreed action		
Agreed. A data matching exercise with NFI records has just been completed and highlighted accounts where single person discount may no longer be applicable. An overall review has not been performed due to resourcing issues. The Council is looking into going into partnership with neighbouring authorities and outsourcing the review		
Status update		
A joint project with Cherwell District Council is planned for November for a full review of SPD cases. A tender has been put out for this work.		
Action plan		
Finding rating	Revised action	Responsible person / title
Low	Recommendation Implemented.	-
		Revised target date:
		-

5. Credit Balances – Council Tax

Issue Noted		
Testing highlighted that the Council does not review credit balances which exist on Council Tax accounts		
Original agreed action		
With effect from April 2011 a review of accounts put into credit is to be introduced as a weekly admin function.		
Status update		
A review of accounts in credit is now completed on a weekly basis.		
Action plan		
Finding rating	Revised action	Responsible person / title
Low	Recommendation Implemented	-
		Revised target date:
		-

6. Valuation Office Reconciliations – Council Tax

Issue Noted		
<p>Weekly reconciliations are performed between Academy and the Valuation Office listing of properties. However, it was noted when reviewing these reconciliations that the total has not reconciled (by one property) throughout the year. In addition, these reconciliations are not reviewed.</p> <p>In addition, testing of the weekly schedule of amendments highlighted that 2/5 weeks tested had not been reviewed until over one month following the receipt of the amendment schedule.</p>		
Original agreed action		
<p>The Authority is waiting for the valuation office to provide a listing of all band C properties; once this is received a reconciliation will be undertaken before any further changes to the Academy system are made.</p> <p>Files can be accessed on shared drive and the department is aware of the ongoing problems regarding the Academy and Valuation Office variance, therefore, formal review of the reconciliation is not necessary.</p> <p>of changes.</p> <p>A full reconciliation of all 58,000 properties (data matching between the Valuation list and Academy database) was undertaken in 2010. Whilst the reconciliation was being effected, no Valuation schedules, which are received weekly, could be actioned as this would have distorted the reconciliation figures. All schedules had to be 'held' until the reconciliation was complete. The delay in clearing these schedules was exceptional and solely due to the reason given above. VO schedules are generally completed within the week they are received.</p>		
Status update		
A sample of reconciliations was tested for 2011/12 and exceptions have been detailed in issue #4		
Action plan		
Finding rating	Revised action	Responsible person / title
Low	See issue #2 above for revised current year recommendation	Jacky Brown
		Revised target date:
		-

7. Retention of Evidence – Council Tax

Issue Noted		
<p>Testing of discounts and exemptions highlighted that in 1/25 properties, no evidence was retained to support the discount given; and in another 1/25 properties, discount continued to be applied despite the tenant no longer being eligible.</p> <p>In addition, testing of refunds highlighted that supporting documentation could not be found for 2/25 refunds given as the Council Tax system (Anite) is usually referenced using property number rather than account number which may have led to this discrepancy.</p>		
Original agreed action		
<p>Agreed. A review of disabled discounts is planned for next year and ideally every year afterwards. Previous resourcing issues mean that discounts have not been reviewed. although some exemptions, G, C, A are reviewed regularly and in some cases (Exemption A) the property is subject to an inspection before the exemption is awarded.</p> <p>In the first case identified above, the evidence is held on the Anite system but recorded under the property reference. In the 2 cases where refunds were issued, 1 was due to the evidence beign held in Anite and the second was due to an error made by a CSO in closing the account down and the account was subsequently re-opened</p>		
Status update		
Supporting documentation could be obtained for all discounts and exemptions tested.		
Action plan		
Finding rating	Revised action	Responsible person / title
Low	Recommendation Implemented	-
		Revised target date:
		-

8. Procedure Notes for unpaid bills- NNDR

Issue Noted		
Upon inspection of the NNDR procedure notes, it was noted that there were no procedure notes for 'Liaising with planning and utilising control'.		
Original agreed action		
Agreed. There is no procedure, however, the ACS procedure application is in a generic format and used by many local authorities. The headings for the procedures are given by ACS and do not always 'warrant' a procedure note from the local authority. All planning lists are sent to the Council Tax team, where the officer responsible for maintaining the Council Tax property database will review the planning list and issue an inspection record for any property under construction, for Council Tax or Business Rates.		
Status update		
Procedures notes have now been updated.		
Action plan		
Finding rating	Revised action	Responsible person / title
Low	Recommendation Implemented	-
		Revised target date:
		-

Appendix 1. Basis of our classifications





Individual finding ratings

Finding rating	Assessment rationale
Critical	A finding that could have a: <ul style="list-style-type: none"> • Critical impact on operational performance (quantify if possible); or • Critical monetary or financial statement impact (quantify if possible = materiality); or • Critical breach in laws and regulations that could result in material fines or consequences (quantify if possible); or • Critical impact on the reputation or brand of the organisation which could threaten its future viability (quantify if possible).
High 116	A finding that could have a: <ul style="list-style-type: none"> • Significant impact on operational performance (quantify if possible); or • Significant monetary or financial statement impact (quantify if possible); or • Significant breach in laws and regulations resulting in significant fines and consequences (quantify if possible); or • Significant impact on the reputation or brand of the organisation (quantify if possible).
Medium	A finding that could have a: <ul style="list-style-type: none"> • Moderate impact on operational performance (quantify if possible); or • Moderate monetary or financial statement impact (quantify if possible); or • Moderate breach in laws and regulations resulting in fines and consequences (quantify if possible); or • Moderate impact on the reputation or brand of the organisation (quantify if possible).
Low	A finding that could have a: <ul style="list-style-type: none"> • Minor impact on the organisation's operational performance (quantify if possible); or • Minor monetary or financial statement impact (quantify if possible); or • Minor breach in laws and regulations with limited consequences (quantify if possible); or • Minor impact on the reputation of the organisation (quantify if possible).
Advisory	A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.

Report classifications

Findings rating	Points
Critical	40 points per finding
High	10 points per finding
Medium	3 points per finding
Low	1 point per finding

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Report classification	Points
 Low risk	6 points or less
 Medium risk	7– 15 points
 High risk	16– 39 points
 Critical risk	40 points and over

Appendix 1: Terms of Reference

Oxford City Council Terms of Reference – Collection Fund

To: Anne Harvey-Lynch, Revenues Manager

From: Katherine Bennett, Audit Manager

This review is being undertaken as part of the 2011/12 internal audit plan approved by the Audit and Governance Committee.

Background

Oxford City Council is responsible for the collection of Council Tax and Business Rates on behalf of Central Government. During 2009/10, the Council collected £76 million of Business Rates and £63 million of Council Tax.

This review will evaluate the design and operating effectiveness of key controls in the Collection Fund process with the objective of ensuring that all properties are identified, correctly valued and billed so that Council Tax and Business Rates income is reflected accurately in the Authority's accounts. The review will also follow up prior year findings to ensure that agreed action plans have been implemented.

Scope

We will review the design and operating effectiveness of key controls relied on by the Audit Commission relating to the Collection Fund and follow up issues noted during the prior year

The sub processes we will review are:

Sub-process	Control objectives
Valuation	All properties are identified, correctly valued and billed to ensure maximum revenue is received
Billing	Billing is accurate and complete
Overpayments and refunds	Overpayments and refunds are granted accurately and with prior authorisation
Discounts, reliefs and exemptions	Discounts, reliefs and exemptions are granted accurately and in line with guidance
Collection	Revenue due from Council Tax and Business Rates is maximised and collected accurately. Accounts are updated on a timely basis
Recovery and enforcement	Outstanding income is collected and action taken against non-tax payers
Accounting for Council Tax and Business Rates	Information transferred from the Council Tax and Business Rates system is complete and accurate Reconciliations of the Council Tax and Business Rates system to the General Ledger and Cash Collection system are performed
Access to the Council Tax and Business Rates systems	Access to the Council Tax and Business Rates systems is appropriately controlled and restricted
Follow up of prior year issues	Agreed action plans regarding prior year issues have been implemented

Limitations of scope

The scope of our work will be limited to those areas outlined above

Audit approach

Our audit approach is as follows

- Obtain an understanding of the Collection Fund through discussions with key personnel, review of systems documentation and walkthrough tests
- Identify the key risks relating to the Collection Fund
- Evaluate the design of the controls in place to address the key risks
- Test the operating effectiveness of the key controls

Internal audit team

Name	Role
Richard Bacon	Engagement Leader
Chris Dickens	Chief Internal Auditor
Katherine Bennett	Audit Manager
Charlotte Bilstrand	Team Manager
Kaj Tank	Team Member

Key contacts – Oxford City Council

Name	Title	Role	Responsibilities
Anne Harvey-Lynch	Revenues Manager	Audit Sponsor	Review and approve terms of reference
Helen Bishop	Head of Customer Services	Head of Service	Review draft report
			Review final report
			Review and meet to discuss issues arising and develop management responses and action plan

Other Roles and Responsibilities – Oxford City Council

Name	Title	Responsibilities
Nigel Kennedy	Head of Finance	Receive draft and final reports
Jackie Yates	Corporate Director (Finance and Efficiency)	Receive final report
Peter Sloman	Chief Executive	Receive final report

Timetable

Fieldwork start	26/09/2011
Fieldwork completed	07/10/2011
Clearance Meeting	24/10/2011 (TBC)
Draft report to client	31/10/2011 (TBC)
Response from client	07/11/2011 (TBC)
Final report to client	14/11/2011 (TBC)

Agreed timescales are subject to the following assumptions:

- All relevant documentation, including source data, reports and procedures, will be made available to us promptly on request
- Staff and management will make reasonable time available for interviews and will respond promptly to follow-up questions or requests for documentation

Appendix 2. Limitations and responsibilities

Limitations inherent to the internal auditor's work

We have undertaken the review of the Collection Fund subject to the limitations outlined below.

Internal control

Internal control, no matter how well designed and operated, can provide only reasonable and not absolute assurance regarding achievement of an organisation's objectives. The likelihood of achievement is affected by limitations inherent in all internal control systems. These include the possibility of poor judgment in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

Future periods

Our assessment of controls relating to the Collection Fund review is for the 2011/12 year . Historic evaluation of effectiveness is not relevant to future periods due to the risk that:

- the design of controls may become inadequate because of changes in operating environment, law, regulation or other; or
- the degree of compliance with policies and procedures may deteriorate.

Responsibilities of management and internal auditors

It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

We endeavour to plan our work so that we have a reasonable expectation of detecting significant control weaknesses and, if detected, we shall carry out additional work directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected.

Accordingly, our examinations as internal auditors should not be relied upon solely to disclose fraud, defalcations or other irregularities which may exist.

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Oxford City Council

Trade Waste

FINAL

Internal Audit Report
2011/2012

January 2012

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Agenda Item 11

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Distribution List

For action	Lynne Barker Natalie Desenclos	Business Partner - Finance Trade Waste Officer
For information	Graham Bourton Nigel Kennedy Tim Sadler Jackie Yates Peter Sloman	Head of Service (Direct Services) Head of Finance Corporate Director (City Services) Corporate Director (Finance and Efficiency) Chief Executive

1. Executive summary

Report classification	Trend	Total number of findings					
 Medium risk (14 points)	 Performance in this area has improved since prior year		Critical	High	Medium	Low	Advisory
		Control design	0	0	0	0	0
		Operating effectiveness	0	0	2	2	1
		Open prior year findings	0	0	1	3	0
		Total	0	0	3	5	1

Summary of findings:

In prior year, we issued a limited assurance opinion on the Councils Trade Waste controls. Whilst some agreed actions have been implemented, 4 open prior year findings have been re-raised in this report.

We identified no control design issues in year. This implies that the Council has controls in place which effectively address the risks associated with Trade Waste income. That said, a number of operating effectiveness points have been raised in the following areas:

- No reconciliations between Whitespace and the Council's General Ledger had been performed at the time of audit. This provides limited comfort that all income has been accounted for completely and accurately;
- The Council has high levels of Trade Waste aged debt. Testing identified that there has been issues with processing invoices to customers and a number of exceptions were noted with effective collection and credit balances; and
- Supporting documentation is not always in place to support Trade Waste transactions. The required documentation for new accounts is not consistently obtained before setting up a new contract and no procedure notes are in place for the function.

Responsibility for Trade Waste is shared across Direct Services and finance. Whilst Direct Services are responsible for administering and contracting the service, all invoice raising and recovery is the responsibility of finance based on the information provided by the service. All issues have been allocated to their responsible department to allow for effective follow up.

2. Background and scope

Background

The Council operates a service for the regular collection of recyclable materials and other waste from businesses. Arrangements for this service are operated through a standardised contract. Services are offered for collection of Trade Bulky Waste and for events on a ad hoc basis and the Council is currently piloting the collection of food waste to customers.

Income is collected for this service which is billed on a quarterly basis. The total net budget for this service for 2011/12 is:

	(£000)
Trade Refuse	1,088
Trade Recycling	145

From April 2010, the Authority began operating Trade Waste facilities using the White Space system. Information from this system is uploaded into the Agresso (General Ledger) system each quarter.

Scope and limitations of scope

We have reviewed the design and operating effectiveness of key controls in place relating to Trade Waste income during the period 2011/12.

The sub processes and related controls objectives included in the review are:

Sub-process	Control objectives
Setting up Trade Waste accounts	Trade Waste accounts are only raised on receipt of properly authorised and complete request documentation
Processing of invoices and refunds	Invoices are raised in a timely, complete and accurate fashion. Only valid and accurate credit notes are raised
Income collection	Debt collection, recovery and write-off procedures are sufficient to ensure that delay in receiving payments and loss of income is minimised.


Accounting for Trade Waste	The correct information on Trade Waste income is fed into the Authority's General Ledger system
Access to Whitespace	The White Space system is protected against unauthorised access/ processing and is secure against loss or damage of data
Follow up of prior year	Prior year issues have been implemented in line with agreed action plans

Limitations of Scope

The scope of our work has been limited to those areas outlined above. This review has not considered the IT controls around the Whitespace system.

3. Detailed current year findings

1. Customer Invoicing – Operating Effectiveness - Direct Services

Finding		
Following the set up of new customers on Whitespace, invoices are raised for accounts within the Agresso (General Ledger) system. In 3/25 new customers tested, the customer had not been invoiced to date (the earliest being set up in April 2011) It was established that this was due to a Whitespace error which meant that some accounts have not been flagged for billing.		
Risks		
Revenue from Trade Waste may not be recovered.		
Action plan		
Finding rating	Agreed action	Responsible person / title
 128 Low	The upgrade to Fleetplan v7.5 will allow exception reports showing where accounts have not been flagged for billing. Until this system is implemented, an additional review of the invoice listing will be performed to ensure that all accounts have been flagged.	Phil Dunsdon Target date: Upgrade to be performed in January 2012

2. Reconciliations – Operating Effectiveness - Finance

Finding

Reconciliations between White Space and Agresso are performed on a quarterly basis to ensure the correct transfer of information between the systems. At the time of the audit no reconciliation had been prepared for the first 2 quarters of 2011/12. A reconciliation was prepared for audit with but no supporting documentation was provided with this document.

Risks

Trade waste income may be accounted for inaccurately. Comfort cannot be had over the operation of this key control for the entire year.

Action plan

Finding rating

129



Low

Agreed action

The reconciliation process was not handed over during staff restructures. Regular reconciliations will be performed going forward and the process will improve with the upgrade of Fleetplan to v7.5,

Responsible person / title

Lyn Barker

Target date:

With Immediate Effect

3. Aged Debt Position – Operating Effectiveness - Finance

Finding

At the date of audit, the Council had £268k of Trade Waste debt. £138k (52%) of this debt is over 90 days old, with £89k raised over 1 year ago. In 3/25 collection cases tested, no action had been taken to recover income for over 2 months. In 1 case, the debt had been flagged for a credit note in 2007 but had not yet been raised.

Risks

Debts may not be recovered leading to an increased risk that write offs may occur.

Action plan

Finding rating

Agreed action

Responsible person / title



130
Medium

Responsibility for debt collection transferred to finance for Trade waste in March 2011. Since this audit has been completed we have received instructions for various actions relating to aged debt from Trade Waste. This should reduce the balance considerable. Progress against this will be monitored on a regular basis and target for a reduction set internally.

Pete Johnson

Target date:

With Immediate Effect

4. Access to Whitespace – Operating Effectiveness – Direct Services

Finding		
1/20 Whitespace users tested was no longer employed by the Council. The access for this individual had not been disabled.		
Risks		
Users may have inappropriate access to the Council’s systems.		
Action plan		
Finding rating	Agreed action	Responsible person / title
131 Advisory	All users access is automatically deleted on Whitespace following 20 consecutive days of inactivity. On that basis the risk of misappropriation is minimised.	-
		Target date:
		-

5. New Accounts – Operating Effectiveness – Direct Services

Finding

Council procedures state that new Trade Waste accounts can be set up following receipt of a business rates notification and confirmation from Companies House evidencing the existence of the organization. All new sole trade accounts should be supported by a Council Tax notification. The following issues were noted when testing 20 new accounts set up in year:

- Companies House checks had not been performed for 5/20 accounts;
- 2 sole trader accounts were not supported by a Council Tax notification. A business rates account had not been identified for 1 additional business account
- In 2/20 accounts tested, no contract was in place for the Trade Waste arrangement

Risks

Customers may not exist or operate as a going concern, increasing the risk that income will not be collected. If no contract is in place, the position of the customer and the Council is not clearer defined.

Action plan

Finding rating



Medium

Agreed action

There is now a new permanent member of staff within Direct Services responsible for processing applications. This will improve compliance with policies and procedures in this area. Checks will be performed on applications each month to verify compliance.

Responsible person / title


Phil Dundson

Target date:


With Immediate Effect

4. Prior year findings


1. Excess Collection - Direct Services

Issue Noted		
Requests are made on a daily basis for excess collections. All excess collection invoices should be authorised and recorded on both the Trade Waste database and the Agresso invoice run. The following issues were noted when testing 25 invoices raised in year:		
<ul style="list-style-type: none"> In 16/25 cases, jobs had been completed but had not been flagged for invoicing on Whitespace. Some invoices dated back to April 2010. In 1/25 cases, the job completed could not be traced to a job ticket. In 1/25 cases, 2 job tickets had been raised for a job but only 1 invoiced. 		
Recommendation		
Documentation should be retained for all excess collection invoices raised. Investigations should be undertaken to establish why Whitespace has not been invoicing excess collection runs.		
Original agreed action		
Documentation standards and retention will be reviewed as part of the process of transferring responsibility for raising one-off invoices to the Finance team.		
Status update		
Job tickets are now signed off on round sheets to evidence they have been processed. Issues have been noted during current year testing with flagging invoices on Whitespace.		
Action plan		
Finding rating	Revised action	Responsible person / title
 High	Recommendation addressed in part. See issue #1 above for revised current year recommendation.	-
		Revised target date:
		-


2. Unmatched Payments – Direct Services

Issue Noted		
It was noted during audit that there is currently £140k of unmatched payments for Trade Waste accounts being held on customer accounts. These relate to payments where the customer cannot be identified or has been applied incorrectly.		
Recommendation		
A cleansing exercise should be performed to identify the correct accounts for all unmatched payments. Going forward, a Trade Waste suspense account should be put in place and all entries reviewed on a monthly basis to ensure that all payments are correctly applied.		
Original agreed action		
Resources will be allocated to complete the clearance of unallocated payments. Current payment allocation procedures and documentation will be reviewed to improve initial allocation. The need for a suspense account will be reviewed following the completion of this process.		
Status update		
The unallocated payments are at a reduced level of £38k. Open prior year issue. Finding rating reduced to reflect movement in balance. To be used in calculation of overall risk rating.		
Action plan		
Finding rating	Revised action	Responsible person / title
 Low	Reports showing unmatched balances will be sent to relevant Heads of Service on a weekly basis to review and clear transactions.	Pete Johnson Revised target date: With Immediate Effect


3. Account Authorisation - Direct Services

Issue Noted		
There is no process in place for approving new Trade Waste contracts. This was also raised in the prior year.		
Recommendation		
Management should ensure that a process of authorisation is implemented for new Trade Waste debtors.		
Original agreed action		
A new accounts procedure will be developed.		
Status update		
There is no formalised and documented process in place for approving new Trade Waste contracts. This has to be introduced from October 2011. Open prior year issue. Finding rating reduced to reflect that process has now been introduced.		
Action plan		
Finding rating	Revised action	Responsible person / title
 Low	A policy for approval has been introduced from October 2011.	Phil Dundson
		Revised target date:
		With Immediate Effect


4. Debt Recovery Process - Finance

Issue Noted		
We recognise that efforts are now being undertaken to chase aged Trade Waste debt, although historically there had been no formal timetable in place for the chasing of unpaid debtors, nor any documentation retained to evidence actions taken. While actions have recently been taken to address this for large debtors through documentation within Whitespace of customer responses and actions taken, this process is not yet in place for all debtors.		
Original agreed action		
Responsibility for debt collection has been transferred to the Finance team and considerable progress has been made in reducing the debtor balance. The existing credit control procedure will be updated to improve the documentation of actions taken and responses received.		
Status update		
A timetable is now in place to outline the recovery process for Trade Waste debt.		
Action plan		
Finding rating	Revised action	Responsible person / title
 Medium	Issue addressed. No further action required	n/a
		Revised target date:
		n/a


5. New Accounts – Direct Services

Issue Noted		
Council procedures state that new Trade Waste accounts can be set up following receipt of a Business Rates confirmation and headed letter paper for the organisation. In 4/12 new accounts tested, these procedures were not followed and the Council had obtained Companies House confirmation in lieu of headed letter paper.		
Original agreed action		
The Council's procedure will be amended to require all limited company applications for new accounts to be subject to Business Rates confirmation and verification of the company's details with the Companies House website. The requirement for copy company headed notepaper will be deleted.		
Status update		
A sample of new accounts set up was tested in year. Issues were noted with the retention of the correct information in all cases.		
Action plan		
Finding rating	Revised action	Responsible person / title
 Medium	Recommendation addressed in part. See issue #6 above for revised current year recommendation.	-
		Revised target date: -


6. Whitespace Access – Direct Services

Issue Noted		
There is no requirement for users to change their Whitespace password on a periodic basis.		
Original agreed action		
Whitespace does not currently have a facility to automatically require users to change passwords on a periodic basis. Whitespace have confirmed that this is technically feasible and we will work with them to implement it.		
Status update		
The Council has upgraded Whitespace since prior year. All users are now required to change their password on a periodic basis.		
Action plan		
Finding rating	Revised action	Responsible person / title
 Medium	Issue addressed. No further action required	n/a
		Revised target date:
		n/a


7. Adhoc Invoicing – Direct Services

Issue Noted		
Invoices can be raised on an ad hoc basis for one off collections of waste (e.g. following a university college ball). There is no formal timeline for running these invoices which will be parked until a batch can be processed.		
Original agreed action		
Invoices will be raised on an at least fortnightly basis. Responsibility for raising excess collection and one-off invoices is to be transferred to the Finance team.		
Status update		
Ad-hoc invoices continue to be run on a sporadic basis but our review identified that runs are generated at least monthly. No formal timetable has been implemented. Open prior year issue. To be used in calculation of overall risk rating.		
Action plan		
Finding rating	Revised action	Responsible person / title
 Low	A formal timetable will be put in place to ensure invoice runs are processed on a monthly basis.	Phil Dunsdon
		Revised target date:
		With Immediate Effect


8. Whitespace Procedure Notes – Direct Services

Issue Noted		
There are currently no procedure notes in place for the White Space system or Trade Waste process. It is acknowledged that these were in the process of being drawn up at the time of audit.		
Original agreed action		
Procedure notes will be formalised for the White Space system and Trade Waste processes and distributed to all responsible officers. Procedure notes should be reviewed on an annual basis and updated for any changes to systems and processes.		
Status update		
No procedure notes have been produced to date. Open prior year issue. To be used in calculation of overall risk rating.		
Action plan		
Finding rating	Revised action	Responsible person / title
 Medium	A permanent member of staff has now been employed and charged with producing procedure notes. These will be reviewed as part of the central review of system procedures being undertaken by corporate IT.	Phil Dunsdon Revised target date: 31 st January 2012


9. Segregation of Duties – Direct Services

Issue Noted		
It was noted during audit that the officer raising Trade Waste invoices often receipts and posts cheques.		
Original agreed action		
Segregation of duties is being reviewed as part of the process of transferring invoicing, credit notes and payment allocation responsibilities to the Finance team.		
Status update		
Segregation of duties is now maintained as responsibility for raising invoices has been transferred to the finance department.		
Action plan		
Finding rating	Revised action	Responsible person / title
 Medium	Issue addressed. No further action required	n/a
		Revised target date:
		n/a


10. Invoice Runs – Direct Services

Issue Noted		
Invoices are issued to trade waste customers quarterly in advance. Invoice runs for Q1 and Q2 of 2010/11 were run in May and July respectively and therefore were not run in line with the agreed timetable.		
Original agreed action		
Invoice runs will be performed in line with the agreed timetable.		
Status update		
Invoices for 2011/12 have been run on a timely basis.		
Action plan		
Finding rating	Revised action	Responsible person / title
42  Medium	Issue addressed. No further action required	n/a
		Revised target date:
		n/a

11. Credit Notes – Direct Services/Finance

Issue Noted		
The Authorised Signatories List (ASL) that is in place for Trade Waste credit notes only includes signatory limits up to £99.		
Original agreed action		
The ASL will be amended to include higher signatory limits.		
Status update		
The ASL has now been updated.		
Action plan		
Finding rating	Revised action	Responsible person / title
 Medium	Issue addressed. No further action required	n/a
		Revised target date:
		n/a

12. Reconciliations – Finance

Issue Noted		
Reconciliations between White Space and Agresso are performed on a quarterly basis to ensure the correct transfer of information between the systems. These are not signed to evidence review of the process.		
Original agreed action		
The Finance Business Partner will review the monthly reconciliation.		
Status update		
Reconciliations are not signed off per the agreed action.		
Action plan		
Finding rating	Revised action	Responsible person / title
4  Low	See issue #1 above for revised current year recommendation.	-
		Revised target date:
		-





Appendix 1. Basis of our classifications

Individual finding ratings

Finding rating	Assessment rationale
Critical	A finding that could have a: <ul style="list-style-type: none"> • Critical impact on operational performance (quantify if possible); or • Critical monetary or financial statement impact (quantify if possible = materiality); or • Critical breach in laws and regulations that could result in material fines or consequences (quantify if possible); or • Critical impact on the reputation or brand of the organisation which could threaten its future viability (quantify if possible).
High 145	A finding that could have a: <ul style="list-style-type: none"> • Significant impact on operational performance (quantify if possible); or • Significant monetary or financial statement impact (quantify if possible); or • Significant breach in laws and regulations resulting in significant fines and consequences (quantify if possible); or • Significant impact on the reputation or brand of the organisation (quantify if possible).
Medium	A finding that could have a: <ul style="list-style-type: none"> • Moderate impact on operational performance (quantify if possible); or • Moderate monetary or financial statement impact (quantify if possible); or • Moderate breach in laws and regulations resulting in fines and consequences (quantify if possible); or • Moderate impact on the reputation or brand of the organisation (quantify if possible).
Low	A finding that could have a: <ul style="list-style-type: none"> • Minor impact on the organisation's operational performance (quantify if possible); or • Minor monetary or financial statement impact (quantify if possible); or • Minor breach in laws and regulations with limited consequences (quantify if possible); or • Minor impact on the reputation of the organisation (quantify if possible).
Advisory	A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.

Report classifications

Findings rating	Points
Critical	40 points per finding
High	10 points per finding
Medium	3 points per finding
Low	1 point per finding

Report classification	Points
 Low risk	6 points or less
 Medium risk	7– 15 points
 High risk	16– 39 points
 Critical risk	40 points and over

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Appendix 1: Terms of Reference

Oxford City Council

Terms of Reference – Trade Waste

To: Lyn Barker, Business Partner- Finance

From: Katherine Bennett, Audit Manager

This review is being undertaken as part of the 2011/12 internal audit plan approved by the Audit and Governance Committee

Background

The Council operates a service for the regular collection of recyclable materials and other waste from businesses. Arrangements for this service are operated through a standardised contract. Services are offered for collection of Trade Bulky Waste and for events on an ad hoc basis and the Council is currently piloting the collection of food waste to customers.

Income is collected for this service which is billed on a quarterly basis. The total net budget for this service for 2011/12 is:

	(£000)
Trade Refuse	1,088
Trade Recycling	145

From April 2010, the Authority began operating Trade Waste facilities using the White Space system. Information from this system is uploaded into the Agresso (General Ledger) system each quarter.

Scope

We have reviewed the design and operating effectiveness of key controls in place relating to Trade Waste income during the period 2011/12.

The sub processes and related controls objectives included in the review are:

Sub-process	Control objectives
Setting up Trade Waste accounts	Trade Waste accounts are only raised on receipt of properly authorised and complete request documentation
Processing of invoices and refunds	Invoices are raised in a timely, complete and accurate fashion. Only valid and accurate credit notes are raised
Income collection	Debt collection, recovery and write-off procedures are sufficient to ensure that delay in receiving payments and loss of income is minimised.
Accounting for Trade Waste	The correct information on Trade Waste income is fed into the Authority's General Ledger system
Access to Whitespace	The White Space system is protected against unauthorised access/ processing and is secure against loss or damage of data
Follow up of prior year	Prior year issues have been implemented in line with agreed action plans

Limitations of scope

The scope of our work has been limited to those areas outlined above. This review has not considered the IT controls around the Whitespace system.

Audit approach

Our audit approach is as follows:

- Obtain an understanding of the Trade Waste process through discussions with key personnel, review of systems documentation and walkthrough tests
- Identify the key risks relating to Trade Waste
- Evaluate the design of the controls in place to address the key risks
- Test the operating effectiveness of the key controls

Internal audit team

Name	Role
Richard Bacon	Engagement Leader
Chris Dickens	Chief Internal Auditor
Katherine Bennett	Audit Manager
Charlotte Bilstrand	Audit Team Leader
Kaj Tank	Team Member

Key contacts – Oxford City Council

Name	Title	Role	Responsibilities
Lyn Barker	Business Partner - Finance	Audit Sponsor	Review and approve terms of reference
Natalie Descenclos	Trade Waste Officer	Key contact	Review draft report
Graham Bourton	Head of Service – Direct Services	Head of Service	Review final report
			Review and meet to discuss issues arising and develop management responses and action plan

Other Roles and Responsibilities – Oxford City Council

Name	Title	Responsibilities
Nigel Kennedy	Head of Finance	Receive draft and final report
Tim Sadler	Corporate Director (City Services)	Receive final report
Jackie Yates	Corporate Director (Finance and Efficiency)	Receive final report
Peter Sloman	Chief Executive	

Timetable

Fieldwork start	03/10/2011 (Initial meeting 10am to be attended by LB and ND)
Fieldwork completed	11/10/2011
Draft report to client	25/10/2011
Response from client	08/11/2011
Final report to client	15/11/2011

Agreed timescales are subject to the following assumptions:

- All relevant documentation, including source data, reports and procedures, will be made available to us promptly on request
- Staff and management will make reasonable time available for interviews and will respond promptly to follow-up questions or requests for documentation

Appendix 2. Limitations and responsibilities

Limitations inherent to the internal auditor's work

We have undertaken the review of Trade Waste subject to the limitations outlined below.

Internal control

Internal control, no matter how well designed and operated, can provide only reasonable and not absolute assurance regarding achievement of an organisation's objectives. The likelihood of achievement is affected by limitations inherent in all internal control systems. These include the possibility of poor judgment in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

Future periods

Our assessment of controls relating to the Trade Waste review is for the 2011/12 year . Historic evaluation of effectiveness is not relevant to future periods due to the risk that:

- the design of controls may become inadequate because of changes in operating environment, law, regulation or other; or
- the degree of compliance with policies and procedures may deteriorate.

Responsibilities of management and internal auditors

It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

We endeavour to plan our work so that we have a reasonable expectation of detecting significant control weaknesses and, if detected, we shall carry out additional work directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected.

Accordingly, our examinations as internal auditors should not be relied upon solely to disclose fraud, defalcations or other irregularities which may exist.

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Oxford City Council
Internal audit charter
2011/12



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1. Mission and scope of work

The mission of internal audit is to provide independent, objective assurance and consulting services designed to add value and improve the Council's operations. It helps the Council accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

The scope of work of internal audit is to determine whether the Council's 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 Council's control process.
- Significant legislative or regulatory issues impacting the Council are recognised and addressed appropriately.
- Opportunities for improving management control, profitability and the Council's image may be identified during audits. They will be communicated to the appropriate level of management.

2. Accountability

The Chief Internal Auditor, in the discharge of his/her duties, shall be accountable to management and the Audit and Governance Committee to:

Provide annually an assessment on the adequacy and effectiveness of the Council's processes for controlling its activities and managing its risks in the areas set forth under the mission and scope of work.

Report significant issues related to the processes for controlling the activities of the Council and its affiliates, including potential improvements to those processes, and provide information concerning such issues through resolution.

Periodically provide information on the status and results of the annual audit plan and the sufficiency of department resources.

Coordinate with and provide oversight of other control and monitoring functions (risk management, compliance, security, legal, ethics, environmental, external audit).

Whilst the annual internal audit report is a key element of the assurance framework required to inform the Annual Governance Statement (AGS), 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

3. Independence

To provide for the independence of internal audit, its personnel report to the Chief Internal Auditor, who reports functionally to the Audit and Governance Committee and administratively to the Corporate Director of Finance & Efficiency in a manner outlined in the above section on Accountability. It will include as part of its reports to the Audit and Governance Committee a regular report on internal audit progress against the internal audit plan.

4. Responsibility

The Chief Internal Auditor and staff of the internal audit team have responsibility to:

- Develop a flexible annual audit plan using an appropriate risk-based methodology, including any risks or control concerns identified by management, and submit that plan to the Audit and Governance Committee for review and approval as well as periodic updates.
- Implement the annual audit plan, as approved, including as appropriate any special tasks or projects requested by management and the Audit and Governance Committee.
- Maintain a professional audit staff with sufficient knowledge, skills, experience, and professional certifications to meet the requirements of this Charter.
- Evaluate and assess significant merging/consolidating functions and new or changing services, processes, operations, and control processes coincident with their development, implementation, and/or expansion.
- Issue periodic reports to the Audit and Governance Committee and management summarising results of audit activities.
- Keep the Audit and Governance Committee informed of emerging trends and successful practices in internal auditing.
- Provide a list of significant measurement goals and results to the Audit and Governance Committee.
- Assist in the investigation of significant suspected fraudulent activities within the Council in accordance with its anti fraud and corruption procedures and notify management and the Audit and Governance Committee of the results.
- Consider the scope of work of the external auditors and regulators, as appropriate, for the purpose of providing optimal audit coverage to the Council at a reasonable overall cost.

5. Authority

The Chief Internal Auditor and internal audit staff are authorised to:

- Have unrestricted access to all functions, records, property, and personnel.
- Have full and free access to the Audit and Governance Committee.
- Allocate resources, set frequencies, select subjects, determine scopes of work, and apply the techniques required to accomplish audit objectives.
- Obtain the necessary assistance of personnel in units of the Council where they perform audits, as well as other specialised services from within or outside the Council.

The Chief Internal Auditor and internal audit staff are not authorised to:

- Perform any operational duties for the Council or its affiliates.
- Initiate or approve accounting transactions.
- Direct the activities of any Council employee, except to the extent such employees have been appropriately assigned to auditing teams or to otherwise assist the internal auditors.

6. Relationships

The Chief Internal Auditor and internal audit staff are involved in a wide range of relationships and the quality of those relationships impact on the quality of the audit function and the effective delivery of that function.

- **Relationships With Management**

The Chief Internal Auditor and internal audit staff will maintain effective relationships with managers of the Authority. Regular meetings will be held with key stakeholders and management will be consulted with in the audit planning process. Timing of audit work will be in conjunction with management. The Chief Internal Audit will also attend Performance Board to gain approval on reports ahead of finalisation.

- **Relationships With Other Internal Auditors**

Where it is necessary for the Chief Internal Auditor and internal audit staff to work with the internal auditors of another organisation, the roles and responsibilities of each party will be agreed. Appropriate safeguards will be put in place to ensure that third party responsibilities are clearly defined understood by all concerned.

- **Relationships With External Auditors**

Internal audit and the Audit Commission will establish a working relationship where internal and external audit can rely on each other's work, subject to the limits determined by their responsibilities, enabling them to evaluate, review and only re-perform where necessary. Regular meetings will be held and plans and reports shared. External audit are consulted as part of the internal audit planning process.

- **Relationships With Other Regulators And Inspectors**

The Chief Internal Auditor and his staff will take account of the results and reports from any inspections when planning and undertaking internal audit work. Where appropriate, the Chief Internal Auditor will establish a dialogue with representatives of the appropriate inspection agencies.

- **Relationships With Elected Members**

The Chief Internal Auditor will establish a good working relationship with members, in particular with members of the Audit and Governance Committee. The Chief Internal Auditor has the opportunity to meet with the Chair of the Audit and Governance Committee if desired.

7. Standards of audit practice

Internal audit will meet or exceed the *Standards for the Professional Practice of Internal Auditing* of The Institute of Internal Auditors, The Government Internal Audit Standards (“GIAS”) and the CIPFA Code of Practice for Internal Audit in Local Government in the UK 2006



Chris Dickens - Chief Internal Auditor

Presented to Audit and Governance Committee February 2012

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To: Audit & Governance Committee

Date: 6th February 2012

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.

Report Approved by:

Policy Framework: Financial Control

Recommendation(s):

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

Appendix A – Internal and External Audit recommendation tracker

Summary

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

Recommendation tracking

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

External Audit Recommendations

- 4 There is one recommendation showing as red on the external audit recommendation tracker, and this is a medium risk recommendation. This recommendation is in relation to establishing a profit centre approach in relation to the investment portfolio. The Council does not currently have the information on its investment portfolio in one area in the manner required in the audit recommendation but it does recognise the usefulness of having this information. It is proposed that Corporate Assets will look to consolidate all information regarding the investment portfolio in an effort to meet the recommendation by 31st July 2012.
- 5 There are 7 recommendations arising from the audit of the 2010/11 accounts, which will be implemented as part of the 2011/12 close down process. The due date for these is 30th June 2012.
- 6 Of the recommendations that are not yet complete there are 4 that are more than 3 months passed their due date. However, work is progressing on these and they are all more than 50% complete. These have now been updated with forecast completion dates two of which will be complete by the end of February, one which relates to the red item in the paragraph above and will not be completed until July and one which will be completed by 31/12/2012.

Internal Audit recommendations

- 7 There have been six internal audit reports finalised since the last meeting and these recommendations have been added to the tracker, these are:
 - **Homelessness – Medium Risk Rating** – This report contains two medium and one low rated recommendation, giving an overall rating of Medium
 - **General Ledger – Medium Risk Rating** – This report contains two medium and three low rated recommendations, giving an overall rating of Medium
 - **Trade Waste – Medium Risk Rating** - This report contains three medium and five low rated recommendations, giving an overall rating of Medium
 - **Housing Rents – Low Risk Rating** – This report contains one medium and two low rated recommendation, giving an overall rating of Low
 - **Financial Planning and Efficiency – Low Risk Rating** – This is the highest possible score that can be given and is indicative of sound financial planning and efficiency, this report contains one medium and two low rated recommendations. The report also includes three advisory findings, but these do not form part of the overall rating.
 - **Payroll – Low Risk Rating**. This is the highest possible score that can be given to an audit and is indicative of sound processes and

procedures operating within this area. There are only two low rated recommendations from this audit.

- **Collection Fund – Medium Risk Rating.** This report contains 3 low risks and 1 high risk from a previous year
- **Debtors – Low Risk Rating** – There is only one risk raised in the current audit relating to reconciliations which has been implemented. In addition there is only 1 low risk for to a prior period relating to exception reports which will be implemented in March 2012. This rating is reflective of the work undertaken in Finance through the Corporate Modernisation Project.

8 There are no red recommendations on the internal audit recommendation tracker, due to the ongoing work of officers to ensure audit recommendations are complied with in a timely manner.

9 There are 18 internal audit recommendations that are being reported as 100% complete and will be removed from the next report.

10 Of those recommendations remaining on the tracker that are more than three months past their due date, there are:

- Reviewing superusers on the Financial System, Agresso – this will be completed by 29th February 2012 as part of the Healthcheck project.
- Monitoring of key PIs in relation to Health and Safety – this work is progressing and a report is due to be produced by 29th February 2012.
- Review of access to shared drives – access to sensitive areas has been reviewed and the remaining areas will be picked up as part of a larger project to review the network structure. This project will be fully completed by 30th September 2012.

Financial Implications

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

Legal Implications

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

Name and contact details of author:

Nigel Kennedy
Head of Finance
Telephone: (01865) 252708
nkennedy@oxford.gov.uk

Background papers: None

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Audit Tracker

As at:

Dec-11

Ref	Review	Review Date	Issue Noted	Risk Rating		Recommendation	Service	Updater	Owner	Due Date	Forecast Completion Date	Comments	% Complete
EA019	Asset Management	27-Apr-2010	A profit centre approach will be established in respect of the investment property portfolio so as to be able to allocate expenditure, including costs of management against income. Legal property and Finance collectively monitor income and arrears on the commercial estate on a routine basis	Medium	2	A profit centre approach will be established in respect of the investment property portfolio so as to be able to allocate expenditure, including costs of management against income.	Corporate Assets	Richard Hawkes	Steve Sprason	7-Apr-2010	31-Jul-12	The Council does not currently have the information on its investment portfolio in one area in the manner required in the audit recommendation but it does recognise the usefulness of having this information. It is proposed that Corporate Assets will look to consolidate all information regarding the investment portfolio in an effort to meet the recommendation by 31 st July 2012.	0
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	2	The Council should obtain a record of the laptop allocations and confirm their location	ICT Strategy	David Oakes	Adrian Orchard	1-Jan-2011	31-Mar-12	'Scaleable' asset management software has been implemented on the network that records and tracks all our PC and laptop assets, including types, serial numbers and the most recent user of the equipment. Following the closure of the Offices for The Future programme in March, a visual check will be conducted across the estate to reconcile physical location with the asset records	75
EA043	Audit Opinion Memo	1-Oct-2011	The TB provided was not detailed enough to agree the ledger to the financial statements	Medium	2	For next year, provide a version of the TB that has code breakdowns and service analysis which allows it to be agreed to the statements	Finance	Anna Winship	Nigel Kennedy	30-Jun-12	30-Jun-12	This recommendation will be addressed as part of the 11/12 closedown process	0
EA044	Audit Opinion Memo	1-Oct-2011	Some working papers which were out of date and did not agree to the notes in the Accounts e.g. Note 27 segmental analysis.	Medium	2	Check working papers agree to the notes before handing them to us and are the most recent.	Finance	Anna Winship	Nigel Kennedy	30-Jun-12	30-Jun-12	This recommendation will be addressed as part of the 11/12 closedown process	0
EA045	Audit Opinion Memo	1-Oct-2011	The Financial Statement did not disclose 2008/09 comparatives for balance sheet items. These were required.	Medium	2	Ensure all required disclosures are included in the statements.	Finance	Anna Winship	Nigel Kennedy	30-Jun-12	30-Jun-12	This recommendation will be addressed as part of the 11/12 closedown process	0
EA046	Audit Opinion Memo	1-Oct-2011	There were a few cases where the wrong figure from working papers had been used in the Accounts (e.g. Notes 12 and 23).	Medium	2	Allow enough time to check the figures.	Finance	Anna Winship	Nigel Kennedy	30-Jun-12	30-Jun-12	This recommendation will be addressed as part of the 11/12 closedown process	0

Ref	Review	Review Date	Issue Noted	Risk Rating		Recommendation	Service	Updater	Owner	Due Date	Forecast Completion Date	Comments	% Complete
EA047	Audit Opinion Memo	1-Oct-2011	The workings for the AP reconciliation showed a £2.5m difference between AP and the general ledger. This was because the AP and ledger reports were produced in different ways. This is the same as last year.	Medium	2	Find out how to produce the AP report to not show this difference.	Finance	Anna Winship	Nigel Kennedy	30-Jun-12	30-Jun-12	This recommendation will be addressed as part of the 11/12 closedown process	0
EA048	Audit Opinion Memo	1-Oct-2011	Our testing of the debtors control account found 2 amounts which were unlikely to be recovered. These had a value of £16,935.	Medium	2	Write off these amounts.	Finance	Anna Winship	Nigel Kennedy	30-Jun-12	30-Jun-12	This recommendation will be addressed as part of the 11/12 closedown process	0
EA049	Audit Opinion Memo	1-Oct-2011	Our work on Whole of Government Accounts return found that £5.88m had been disclosed on the wrong line within the CIES.	Medium	2	Allow enough time next year to check the accounts are accurate	Finance	Anna Winship	Nigel Kennedy	30-Jun-12	30-Jun-12	This recommendation will be addressed as part of the 11/12 closedown process	0
EA050	AGS	30-Sep-2011	Better attention to detail and review of supporting working papers	Medium	2	Better attention to detail and review of supporting working papers is needed to improve the efficiency of the audit by reducing the amount of queries I have had to raise. This would save officer time and reduce the need for additional fees in future.	Finance	Anna Winship	Nigel Kennedy	30-Jun-12	30-Jun-12	This recommendation will be addressed as part of the 11/12 closedown process	0
EA051	AGS	30-Sep-2011	The Council should check on the implementation of the recs made in our interim report.	Medium	2	The Council should check on the implementation of the recs made in our interim report.	Finance	Anna Winship	Nigel Kennedy	1-Mar-2012	1-Mar-2012	This recommendation will be addressed as part of the 11/12 closedown process	0
EA052	AGS	30-Sep-2011	Simplify process for agreeing the ledger to the trial balance and then agreeing this to the financial statements.	Medium	2	Simplify process for agreeing the ledger to the trial balance and then agreeing this to the financial statements.	Finance	Anna Winship	Nigel Kennedy	30-Jun-12	30-Jun-12	This recommendation will be addressed as part of the 11/12 closedown process	0
EA053	AGS	30-Sep-2011	Provide a narrative explanation for related spreadsheets to make it easier to follow the thought process of the preparer. Sample check supporting information to the disclosures in the financial statements to ensure that they agree. Provide an explanation for any variance.	Medium	2	Provide an explanation for any variance.	Finance	Anna Winship	Nigel Kennedy	30-Jun-12	30-Jun-12	This recommendation will be addressed as part of the 11/12 closedown process	0
EA054	AGS	30-Sep-2011	Include all bank accounts in the financial statements.	Medium	2	Include all bank accounts in the financial statements.	Finance	Anna Winship	Nigel Kennedy	30-Jun-12	30-Jun-12	This recommendation will be addressed as part of the 11/12 closedown process	0
EA055	AGS	30-Sep-2011	Review cut-off prior to presenting the accounts to audit.	Medium	2	Review cut-off prior to presenting the accounts to audit.	Finance	Anna Winship	Nigel Kennedy	30-Jun-12	30-Jun-12	This recommendation will be addressed as part of the 11/12 closedown process	0
EA006	Equality & Diversity	24-Sep-2009	An Action Plan is in place for 2009/10 An Action Plan is currently being developed for 2010/11 Monitoring forms part of Performance Management Framework and is monitored on a monthly basis Steering group established and forms part of Corporate Equality Objectives 2009/10	Medium	2	Improve the strategic approach to equality and diversity by: establishing a clear action plan to improve the Councils position against the Local Government Equality Standard and the emerging Local Government Equality Framework; monitoring strategic equality and diversity plans regularly; ensuring that the new Corporate Equality scheme is well publicised and available; and ensuring that the Council is compliant with the Commission for Racial Equality's code of housing.	People and Equalities	Jarlath Brine	Peter McQuitty	31/12/2010	29/2/2012	Peer Review 18/19th January will test the authority against the EFLG "Achieving" level. Successful accreditation will see further recommendations from the Peer Review team mainstreamed into the current action plans contained within the recently approved Corporate Equality Scheme 2012-2015. Corporate/ Service Area equality objectives will be reviewed in February & March 2012 to determine progress against the outlined targets.	95

Ref	Review	Review Date	Issue Noted	Risk Rating		Recommendation	Service	Updater	Owner	Due Date	Forecast Completion Date	Comments	% Complete
EA008	Equality & Diversity	24-Sep-2009	There is a corporate equality training programme in place and a commitment has been made in the Transformation Service Plan for Human Resources for 2008/9 and 2009/10. This programme will run through 2009/10. Peter Mc Quitty, Melanie Faulkner-Barrett (PPC) and Andy Davice (HR). An action Plan for City Works and City Leisure will be developed to ensure that it is flexible to meet the needs of the service. Colin Bailey (CW), Ian Brooke (CL), Melanie Faulkner-Barrett (PPC) and Andy Davice (HR).	Low	3	The Authority should ensure that all staff attend the training on equality and diversity. This could be undertaken by regularly monitoring and reporting on attendance levels of staff to the Equalities Board and reiterating the importance of this training to management. With regards to the low attendance from City leisure and City works staff, discussions with heads of service should continue and an action plan should be developed to achieve higher attendance amongst these groups.	People and Equalities	Mel Magee	Simon Howick	30-Jun-09	29/2/2012	Internal training scheduled for 2nd & 3rd February 2012 to maximise attendance. E-learning package to be introduced during spring 2012 to enable wider participation in equalities & diversity training.	80
IA332	General Ledger	1-Jan-2012	The Agresso system currently has over 250 users throughout the Council. Currently no review is performed on the access list to ensure that access rights are up to date and reasonable. In addition, no exception reports are run to identify and review changes to standing data. The following issues were noted when reviewing the current access lists: There are currently 5 officers with administrator access to the Agresso system. 2 of these officers are members of the operational finance team and therefore should not hold this level of access 5/25 Agresso users tested are no longer employed by the Authority	Medium	2	The system may be open to misuse. If no monitoring reports are produced, management can have limited comfort over the appropriateness of access and changes to the system.	Finance	Anna Winship	Nigel Kennedy	1-Oct-11	29-Feb-12	Current users will be reviewed and superusers rationalised to ensure that appropriate access is held. A request will be sent to reduce all IT level access from superusers within Finance	25
IA100	Health and safety	1-Mar-2010	Key PIs are not in place for the Health and Safety function. No management information is reported at present. Both documents have been drafted for consideration.	Medium	2	PIs and management information should be formally agreed and monitored on a regular basis by management. Action plans should be put into place to rectify adverse performance.	People and Equalities	Mark Preston	Simon Howick	1-Jun-10	29/02/2012	CMT is scheduled to receive a report on Safety Policy Changes and Safety Performance Indicators at end February 2012	50
IA172	ICT	27-Apr-2010	We were informed that no user access reviews have been performed recently, to determine who has access to particular network shared drives and if the access rights granted are appropriate. Similarly no formal reviews have been performed to determine and validate the level of access available to users in the applications such as CRM and Iworld.	Medium	2	The user access rights to network shares should be reviewed, to ensure that only authorised City Council staff can access the specific network shares they are entitled to access. Formal reviews covering user access rights within applications in the system should be performed to identify any remove any excess privileges available to users.	ICT Strategy	David Oakes	Adrian Orchard	1-Apr-10	30-Sep-12	A review of active directory accounts has been conducted and reconciled against our principle shared drive access. Measures have been adopted to ensure that redundant accounts are disabled and denied access to any OCC network resources. City ICT are to extend the scope of this activity further by restricting network folder access to a finer degree of granularity, and limiting access to a refreshed catalogue of departmental users. To facilitate this County ICT have purchased and implemented an entirely new storage system. County and City ICT have initiated a project to create a new network directory structure that mirrors the new organisation structure of this council. All data on the existing shared drives will be migrated to the new storage network in Q2 2012/13	75

Ref	Review	Review Date	Issue Noted	Risk Rating		Recommendation	Service	Updater	Owner	Due Date	Forecast Completion Date	Comments	% Complete
IA331	Trade Waste	01/01/12	There are currently no procedure notes in place for the White Space system or Trade Waste processes.	Medium	2	Produce procedure notes and ensure kept upto date	Direct Services	Phil Dunsdon	Phil Dunsdon	30-Jan-12	31/01/12	A permanent member of staff has now been employed and charged with producing procedure notes. These will be reviewed as part of the central review of system procedures being undertaken by corporate IT.	50
IA327	Homelessness	1-Nov-2011	Management are not aware of the costs of services, increasing the risk that overspends may not be identified and management decisions cannot be made effectively.	Medium	2	Staffing issues at the start of the year combined with year end close down resulted in a high level review of the Communities and Housing cost centres. Since August 2011 we have appointed a permanent finance business partner to City Regeneration and a permanent management accountant to this service area It is the case that cost centre managers will have access to better and more timely budget information after 1st November 2011. At this stage we will have rolled out the CorVu budget monitoring tool. This allows cost centre managers access to budget data in Agresso via a CorVu front end. Cost centre managers will be able to access month the date, year to date and full year spend vs. budget and drill down to transactional levels to understand key variances. Roll out of the tool will allow cost	Housing and Communities	Martin Westmoreland	Graham Stratford	1-Nov-2011	31-Mar-12	Agresso Training Sessions has been delivered 30/11/11 The area has a dedicated management accountant CorVu monitoring is due to go live before the end of the year Once live this action can be closed	75
IA084	Debtors	23-Mar-2010	The Agresso system used for raising of corporate debtors and periodic payments does not have a direct debit function.	Medium	2	The authority should investigate the functionality of the corporate debtor system to facilitate the use of direct debits for periodic payments and payment plans.	ICT Strategy	Pete Johnson	Adrian Orchard	1-Oct-2010	31/12/2011	This has been investigated. Direct Debits are in operation for periodic payments. Not a viable option for payment plans as only a handful in place and does not warrant the expense for a small area of debtors	100
IA333	General Ledger	1-Jan-2012	Council procedures state that all journals should be appropriately authorised ahead of processing and should be supported by a completed journal input form, relevant supporting documentation and a General Ledger print to evidence the transaction. The following issues were noted from a sample of 25 journals processed in year: 4/25 journals were authorised after the journal had been processed; No supporting documentation was in place for 2/25 journals tested; and In 6/25 cases, there was no Agresso print to support the transaction.	Medium	2	Transactions are posted to the ledger without adequate justification or authorisation. Journals are generally accepted to be more susceptible to fraud as they are often based on accounting estimates	Finance	Anna Winship	Nigel Kennedy	30-Nov-11	30-Nov-11	The policy on journals has been reiterated to all finance staff, and quality review processes have been put in place by finance to ensure that sufficient documentation is provided for journals.	100

Ref	Review	Review Date	Issue Noted	Risk Rating		Recommendation	Service	Updater	Owner	Due Date	Forecast Completion Date	Comments	% Complete
IA326	Homelessness	1-Nov-2011	Value for money may not be maintained. The Council may be able to source cheaper and more appropriate accommodation.	Medium	2	Because of the nature of the purchase being made, it is not always possible to obtain quotes for accommodation. However a listing of approved accommodation suppliers will be produced and communicated to officers.	Housing and Communities	Tom Porter	Graham Stratford	1-Nov-2011	1-Nov-2011	The service uses only two suppliers of such accommodation in the vast majority of cases, and officers default to using the cheapest suppliers. As the recommendation notes, in some emergency situations (such as out-of hours placements when usual suppliers are full) it is not always possible to obtain advance quotes, but officers always look to use suppliers that offer best rates	100
IA321	Financial Planning and Efficiency	1-Nov-2011	There is currently no standardised method for collating information at service level meetings nor is there a set threshold for investigating variances against budget.	Medium	2	Standardised methodology should be introduced for all monthly meetings	Finance	Martin Westmoreland	Nigel Kennedy	31-Dec-11		The monthly service level meetings have now been rolled out and the process is fully embedded. In order to ensure that all points are covered going forward, a standard agenda template will be rolled out for use in these meetings. Feedback from this issue will be included in future non finance managers training sessions.	100
IA325	Housing Rents	01/01/12	The Fixed asset register to IWorld reconciliation cannot currently be evidenced as performed as it is held in electronic form on a shared drive and is not locked for editing. It is recommended that upon the completion of the quarterly reconciliation a copy of the spreadsheet is saved and locked for editing by a reviewer.	Medium	2	Complete regular reconciliations between systems	Finance	Anna Winship	Nigel Kennedy	31-Jan-12	Completed	These reconciliations have been completed as at end of Sept 2011 and will be continually reconciled on a regular basis	100
IA329	Trade Waste	01/01/12	The council had £268k of Trade Waste debt, £138k (52%) is over 90 days old. In 3/25 collection cases tested no action had been taken to recover income for over 2 months.	Medium	2	recover debts timely to avoid write offs	Finance	Pete Johnson	Nigel Kennedy	31-Jan-12	31/12/11	Instructions have been received to take various actions relating to aged debt, which has reduced the balance considerably. Progress against this will be monitored on a regular basis.	100

Ref	Review	Review Date	Issue Noted	Risk Rating		Recommendation	Service	Updater	Owner	Due Date	Forecast Completion Date	Comments	% Complete
IA330	Trade Waste	01/01/12	Trade Waste companies that have been set up may not exist or operate as a going concern, leading to an increasing risk that income will not be collected.	Medium	2	Ensure full checks are carried out to ensure companies set up actually exist	Direct Services	Phil Dunsdon	Phil Dunsdon	30-Jan-12	31/12/11	There is now a permanent member of staff within Direct Services responsible for processing applications. This will improve compliance with policies and procedures in this area, checks will be performed on applications each month to verify compliance	100
IA326	Housing Rents	01/01/12	Tenancy agreements could not be evidenced as hed and signed by both Council and Tenant	Low	3	Management team should ensure that Tenancy Agreements are completed, signed and filed for at least 6 years	Housing and Communities	Graham Stratford	Graham Stratford	31-Jan-12	31-Jan-12	The Council will put in place a process to check that all new tenancy agreements are signed by the tenant and officer ahead of processing	0
IA327	Trade Waste	01/01/12	Invoices are raised for accounts within Agresso, 3/25 customers tested had not been invoiced. Revenue may not be recovered.	Low	3	Ensure invoices are raised and the error on Whitespace is resolved	Direct Services	Phil Dunsdon	Phil Dunsdon	31-Jan-12	31-Jan-12	Upgrade will allow exception reports showing where accounts have not been flagged for billing, until this system is implemented an additional review of the invoice listing will be performed to ensure that all accounts have been flagged	0
IA332	Trade Waste	01/01/12	A number of unmatched payments were identified on customer accounts.	Low	3	A cleansing exercise should be performed to identify the correct accounts for all unmatched payments. Going forward, a Trade Waste suspense account should be put in place and all	Finance	Pete Johnson	Nigel Kennedy	30-Jan-12	31-Jan-12	Reports showing unmatched balances will be sent to relevant Heads of Service on a weekly basis to review and clear transactions.	0
IA330	General Ledger	1-Jan-2012	Opening balances are rolled forward on the ledger following completion of the statutory audit. This process is not authorised ahead of processing.	Low	3	Opening balances may be rolled forward incorrectly or incompletely. Balances may be misstated.	Finance	Anna Winship	Nigel Kennedy	30-Nov-11	28-Feb-12	As part of the Agresso Healthcheck project the methodology for this process is being reviewed and improved, therefore this will be complete as part of this project	50

Ref	Review	Review Date	Issue Noted	Risk Rating		Recommendation	Service	Updater	Owner	Due Date	Forecast Completion Date	Comments	% Complete
IA331	General Ledger	1-Jan-2012	The Council has not completed its review of account and cost codes. Therefore, there may be incorrect or dormant codes on the system which are either being used incorrectly or not identified for management reporting.	Low	3	A complete review of all account codes has not yet been performed. Open priot year issue.	Finance	Anna Winship	Nigel Kennedy	1-Oct-12	28-Feb-12	This work is being undertaken as part of the Agresso healthcheck project.	75
IA313	Cash collection	1-Nov-2011	Differences in the interface may not be identified on a timely basis leading to an increased risk that cash may not be posted to customer accounts and balances may be misstated.	Low	3	The reconciliations were not completed due to staff absence. The backlog has now been cleared and all reconciliations are up to date.	Finance	Denise Sheppard	Nigel Kennedy	1-Nov-2011	28-Feb-12	Post now filled and reconciliations up to date Some small historical items still to be investigated and resolved	90
IA017	General Ledger		The Council upgraded their version of Agresso to v5.5 in March 2009. Although key procedure notes have been amended to reflect the new system, this has not been performed for all procedures notes in place	Low	3	GL: All procedure notes should be reviewed to ensure they reflect Agresso v5.5. Going forward, procedure notes should be reviewed on an annual basis to reflect changes in working practices.	ICT Strategy	Dave Swann	Adrian Orchard	31/12/11	31/12/11	Complete	100
IA328	Payroll	1-Jan-2012	A new user form must be completed for all officers requiring access to the I-Trent system. This must be authorised by the officer's line manager. During testing of new users, it was noted that 1/5 new sampled since April 2011 had been granted access to I-Trent the day before the new user form had been authorised. This was an administrative error with dating of the form.	Low	3	Users may gain unauthorised and inappropriate access to payroll data	People and Equalities	Sean Hoskin	Simon Howick	1-Mar-2012	31/12/11	Picked up at recent payroll audit. Issue was down to a transposed date on authorisation form for access to system, therefore confident stringent checking and authorisation process is in place to manage this.	100
IA329	Payroll	1-Jan-2012	A leavers form must be completed for all officers leaving the Council. At this point, any amounts owed to or by the individual are calculated. During testing of leavers processed in	Low	3	Miscalculation of underpayments may be deemed a breach of contractual terms, leading to reputational damage to the Council.	People and Equalities	Sean Hoskin	Simon Howick	1-Jan-2012	31/12/11	Picked up in recent payroll audit. Have reviewed and looked at checking process to ensure errors are captured before payroll completed.	100
IA307	Treasury Management	1-Nov-2011	Bank transfers may be made without appropriate authorisation.	Low	3	The Councils current policy for 3 signatories will be reviewed to consider if 2 signatures is sufficient to mitigate against the risk of inappropriate transfers. This is deemed a reasonable approach by Internal Audit.	Finance	Anna Winship	Nigel Kennedy	1-Oct-2011	1-Oct-2011	The policy has now been amended to allow internal trnsfers to be approved by two signatories - COMPLETE	100
IA320	Homelessness	1-Nov-2011	Temporary accommodation may be provided unnecessarily and without appropriate evidence. This may incur an additional cost to the Authority.	Low	3	All exceptions have been reviewed and agreed. A briefing note reminding officers of applications process will be drafted and circulated.	Housing and Communities	Darren Smith	Graham Stratford	1-Nov-2011	1-Nov-2011	Upto date procdures for all aspects of this wrok are now included in our on-line procedure manual, and officers have been briefed	100
IA322	Financial Planning and Efficiency	1-Nov-2011	budget information may not be received and issues resolved on a timely basis	Low	3	consider shortening the monthly deadline to 10 working days	Finance	Martin Westmoreland	Nigel Kennedy	31-Dec-11	31-Dec-11	The performance target is to have the report ready for review on Working day 15 with the final report following the agreed CMT deadlines. The wording of the measure will be updated to	100

Ref	Review	Review Date	Issue Noted	Risk Rating		Recommendation	Service	Updater	Owner	Due Date	Forecast Completion Date	Comments	% Complete
IA323	Financial Planning and Efficiency	1-Nov-2011	There is currently no direct link between efficiency and performance. Efficiency savings are not considered in conjunction with qualitative indicators and consequently efficiency is seen as solely a finance issue.	Low	3	Finance risks are not shared throughout the organisation. If qualitative indicators are not monitored along with efficiency savings, management have limited comfort that quality standards are not been impacted by cuts.	Finance	Martin Westmoreland	Nigel Kennedy	31-Dec-11	31-Dec-11	It is agreed that additional links between efficiency and performance will aid the decision making process. Going forward, this topic will be included on the standard agenda document outlined in issue #1 to ensure that conversations around quality are held at service level meetings.	100
IA324	Housing Rents	01/01/12	Lack of segregation of duties may lead to increased risk of fraud and/or error. If reconciliations are not reviewed on a timely basis, reconciling items may not be cleared and balances may be misstated	Low	3	Amend the reconciliation to include a date column, and ensure the reconciliations are reviewed regularly	Finance	Pete Johnson	Nigel Kennedy	31-Jan-12	31-Dec-11	Finance have amended the reconciliation to include a 'date' column. Going forward this will be electronically initialled and dated by the preparer each day and then by an independent reviewer at the month end.	100
IA328	Trade Waste	01/01/12	Quarterly reconciliations between White space and Agresso are performed, at the time of the audit no reconciliation had been prepared for 2011/12.	Low	3	Produce regular reconciliations	Finance	Lyn Barker	Nigel Kennedy	31-Jan-12	31-Dec-11	Regular reconciliations will be performed going forward and the process will improve with the upgrade of Fleetplan to V7.5	100
IA333	Trade Waste	01/01/12	There is no process in place for approving new trade Waste contracts	Low	3	Management should ensure that a process of authorisation is implemented for new Trade Waste debtors	Direct Services	Phil Dunsdon	Phil Dunsdon	31-Jan-12	1-Oct-2011	A policy for approval has been introduced from October 2011.	100
IA334	Trade Waste	01/01/12	There is no formal timeline for running one off invoices which will be parked until a batch can be processed.	Low	3	Invoices should be raised regularly	Direct Services	Phil Dunsdon	Phil Dunsdon	31-Jan-12	31-Jan-12	A formal timetable will be put in place to ensure invoice runs are processed on a monthly basis	50
	Debtors Review	01/01/12	Reconciling items may not be noted and resolved on a timely basis	Low	3	All reconciliations are now up-to-date and being performed on a monthly basis	Customer Services	Denise Sheppard	Pete Johnson	31-Jan-12	31-12-11	Completed	100

AUDIT AND GOVERNANCE COMMITTEE

Monday 28 November 2011

COUNCILLORS PRESENT: Councillors Hazell (Chair), Darke, Mills and Van Nooijen.

OFFICERS PRESENT: Mathew Metcalfe (Democratic and Electoral Services), Jeremy Thomas (Democratic Services), Nigel Kennedy and Anna Winship (Finance), Maria Grindley and Alan Witty (Audit Commission), and Christopher Dickens (Pricewaterhousecoopers).

34. APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

Apologies were received from Councillor Clark Brundin (Councillor David Rundle was to attend as substitute, but also submitted his apologies) and Jackie Yates (Director, Finance and Efficiency).

35. DECLARATIONS OF INTEREST

None declared.

36. AUDIT COMMISSION OPINION MEMO

The Head of Finance submitted a report (previously circulated, now appended) on behalf of the Audit Commission which detailed the Audit Commission's Opinion Memo.

Alan Witty from the Audit Commission introduced the report and highlighted paragraph 8 of the main conclusions, where Officers from the Audit Commission had met with Council Officers and discussed further improvements for next year.

The Committee agreed to note the report and to thank Officers for their work to continually improve the audit process.

37. ANNUAL AUDIT LETTER - AUDIT COMMISSION

The Head of Finance submitted a report (previously circulated, now appended) on behalf of the Audit Commission which provided a summary of the findings from the 2010/11 audit.

Maria Grindley from the Audit Commission introduced the report. She drew the Committees attention to the current and future challenges detailed in the report and to the additional fee of £23k for the additional audit work. She added that although there had been an additional fee, the overall fee paid was lower than the previous year.

Councillor Hazell said that she had raised the issue of the additional fee with Officers, and that there should be no additional fees next year. Nigel Kennedy

added that with the on going improvements and with the IFRS now introduced, he anticipated no additional fees would be paid.

Jeremy Thomas informed the Committee that as part of the governance arrangements this report would also be submitted to the Standards Committee for information.

The Committee agreed to note the report.

38. AUDIT COMMISSION PROGRESS REPORT

The Head of Finance submitted a report (previously circulated, now appended) on behalf of the Audit Commission which detailed the progress made in delivering the work set out in the 2010/11 audit plan.

Alan Witty from the Audit Commission introduced the report and said that all of the audits had been delivered. He added with regard to Grant Claims for 2010/11 that all of the claims had been certified apart from the Housing and Council Tax Benefits claim which would be signed off on 29th November 2011 which was ahead of the 30th November 2011 deadline.

He further added that there would be some minor qualifications on the Housing and Council Tax Benefits claim, and he would be bringing to the next Audit and Governance Committee some recommendations, but emphasized that there were no significant errors.

Councillor Van Nooijen said that it was an extraordinary achievement that the Housing and Council Tax Benefit claim and the Housing Subsidy claim had been completed ahead of schedule, once you take into account the organisational changes that have taken place during the year.

The Committee agreed to note the report.

39. INTERNAL AUDIT SUMMARY REPORT - 2011/12 PLAN - PRICEWATERHOUSECOOPERS (PWC)

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

Christopher Dickens from Pricewaterhousecoopers (PWC) introduced the report and said that he expected to complete all of the audits in the plan for the year.

The Committee agreed:

- (a) To note the report;
- (b) That in future, audits with a rating of a "low risk" would not be submitted to the Committee, but that all audits with a rating of "medium or high risk" would be submitted to the Committee unless the Chair agreed otherwise;

- (c) To request that Pricewaterhousecoopers (PWC) provide with their reports, performance information concerning the issuing of recommendations and the time taken for a response form the Council to be received by them.

40. AUDIT RECOMMENDATIONS - IMPLEMENTATION UPDATE

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

Anna Winship introduced the report and took Members through the contents.

The Committee agreed:

- (a) To note the report;
- (b) To request that Steve Sprason, Head of Asset Management come to the next meeting of the Audit and Governance Committee to provide further details and to answer questions concerning recommendation EA015 and the comments made on this;
- (c) To request that David Oakes, City ICT, come to the next meeting of the Audit and Governance Committee to provide further details and to answer questions concerning recommendation IA172 and the comments made on this;
- (d) To request that the “forecast completion date” column be populated with dates.

41. MINUTES

The Committee agreed to approve the minutes (previously circulated) of the meeting held on 29th September 2011.

42. DATES OF FUTURE MEETINGS

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

Monday 6th February 2011

Monday 16th April 2011

The meeting started at 6.00 pm and ended at 6.45 pm

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