

Agenda

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Audit and Governance Committee

Date: **Thursday 28 February 2013**

Time: **6.00 pm**

Place: **Town Hall**

For any further information please contact:

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Audit and Governance Committee

Membership

Chair	Councillor Mike Rowley	Barton and Sandhills;
Vice-Chair	Councillor David Rundle Councillor Craig Simmons	Headington; St. Mary's;
	Councillor Tony Brett	Carfax;
	Councillor Mary Clarkson	Marston;
	Councillor Roy Darke	Headington Hill and Northway;
	Councillor James Fry	North;

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AGENDA

Pages

1 APOLOGIES FOR ABSENCE

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

2 DECLARATIONS OF INTEREST

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

3 PERFORMANCE OF BENEFITS SERVICE

1 - 16

The Head of Customer Services has submitted a report which provides an update on the performance of the Benefits Service.

The Committee is asked to note the performance of the Benefits Team, the work being undertaken to improve performance, and the challenges around delivering the Benefits Service.

4 INTERNAL AUDIT SUMMARY REPORT - 2012/13 PLAN - PRICEWATERHOUSECOOPERS (PWC)

17 - 26

The Head of Finance has submitted a report on behalf of the Council's Internal Auditors, Pricewaterhousecoopers (PWC) which provides an update of the work undertaken as part of the 2012/13 Audit Plan.

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

5 NEW BARTON DEVELOPMENT - PRICEWATERHOUSECOOPERS (PWC)

27 - 40

The Head of Finance has submitted a report on behalf of the Council's Internal Auditors, Pricewaterhousecoopers (PWC) which provides details of a review of the procurement process followed.

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

6 KEY FINANCIAL SYSTEMS - PRICEWATERHOUSECOOPERS (PWC)

41 - 82

The Head of Finance and has submitted a report on behalf of the Council's Internal Auditors, Pricewaterhousecoopers (PWC) which details the findings of a review into the design and operating effectiveness key controls in place

relating to four key financial systems during 2012/13.

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

7 AUDIT PROGRESS REPORT - ERNST AND YOUNG

83 - 90

The Head of Finance has submitted a report on behalf of Ernst and Young which details the progress made in delivering the work set out in the 2012/13 audit plan.

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

8 AUDIT PLAN 2012-13 - ERNST AND YOUNG

91 - 110

The Head of Finance has submitted a report on behalf of Ernst and Young which details the Audit Plan 2012/13.

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

9 RISK MANAGEMENT QUARTERLY REPORTING - QUARTER 3, 2012/13

111 - 120

The Head of Finance has submitted a report which updates Members on both corporate and service risks as at the end of quarter 3, 31st December 2012.

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

10 PROGRESS ON THE IMPLEMENTATION OF AUDIT RECOMMENDATIONS

121 - 126

The Head of Finance has submitted a report which updates the Committee on the progress made on the implementation of internal and external audit recommendations.

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

11 MINUTES

127 - 130

Minutes of the meeting held on 29th November 2012.

12 DATES OF FUTURE MEETINGS

The next scheduled meeting of the Committee will be on Thursday 18th April 2013 at 6.00pm in the Town Hall.

13 MATTERS EXEMPT FROM PUBLICATION

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

DECLARING INTERESTS

General duty

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

What is a disclosable pecuniary interest?

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

Declaring an interest

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

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

Members' Code of Conduct and public perception

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

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

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To: Audit and Governance Committee
Date: 28th February 2013
Report of: Head of Customer Services
Title of Report: Performance of Benefits Service

Summary and Recommendations

Purpose of report: To provide an update on the performance of the Benefits Service

Key decision: No

Executive lead member: Councillor Van Coulter

Policy Framework:

Recommendation(s): Members are recommended to:

1. Note the performance of the Benefits Team, the work being undertaken to improve performance, and the challenges around delivering the Benefits Service.

Appendix Numbers

- 1 – National Comparison of Benefits Processing Performance
- 2 – Benefits Fundamental Service Review Recommendations
- 3 – Examples of Performance Data
- 4 – Customer Satisfaction Survey

Introduction

1. The purpose of this report is to provide an update on performance of the Benefit team in Customer Services. It also sets out where the Team is in regard to implementing the recommendations of the Fundamental Service Review (FSR) which was carried out in 2011-12.
2. The Benefit Team's key performance measures are the time taken to assess new claims for Housing Benefit and Council Tax Benefit, and the time taken to process changes in circumstances to claims already in the caseload. The targets for these measures are 14 and 10 days

respectively. These targets were set following a consultation exercise carried out in 2010. The target for new claims is a particularly stretching one, though is considered to be achievable.

Current Performance

3. Performance for 2012/13 as at the end of December 2012, was 24 days for new claims and 12 days for changes in circumstance. The last quarter of the year sees a lot of rent increases processed. These high volume, quick to process transactions see the performance in changes in circumstance turnaround improve considerably at the end of the year. As such, it is anticipated that the target for this measure will be met on a cumulative basis.
4. Performance for the last two full years has been as follows:
2010/11, New Claims – 17 days, Changes – 11 days
2011/12, New Claims – 19 days, Changes – 12 days
5. A table at Appendix A compares the performance of Oxford City Council with national performance. This shows that although we are closer to achieving our target for Changes work than for New Claims, our New Claims performance is much better from a comparative perspective. New Claims performance for the last two years has been in the top quartile nationally, where as for Changes we have been slightly below average. In the current year we continue to be above average for new claims.
6. The table also shows a decline in performance both nationally, and at Oxford since 2010. This comes despite a decade of continual improvement in the assessment of benefit claims. The reasons for this are outlined at paragraph 17 below.
7. There is a range of other work carried out by the Benefits Team which has no specific performance measures attached, but which is nevertheless important in delivering the service. Until a couple of years ago, we had a perpetual backlog of reconsiderations and appeals against benefit decisions. We worked hard to clear this and ever since have remained up to date in this area. This year we have dealt with 62 appeals and 493 reconsiderations to date. Our decision making is robust, we have only lost three cases at appeal in the last 30 months.
8. Awards of Housing Benefit and Council Tax Benefit are claimed back from central government via subsidy arrangements. The Department of Work & Pensions (DWP) audits all Local Authorities to ensure benefit is being paid correctly, and that the maximum amount of subsidy can be paid. In 2001, the City Council lost £1.5 million of subsidy due to the amount of error found in its subsidy audit. Since then the team has worked hard to reduce the amount of subsidy loss. In 2011/12 the loss was £800 against a claim for approximately £70 million. This improvement has been achieved by focussing on the quality of work, and the elimination of error.

9. The service also performs well in terms of Customer Satisfaction. Our last survey was carried out in September 2011. This showed that 82% of those surveyed thought we were above average, and 25% of respondents rated the service 7 out of 7. A summary of the survey is attached at Appendix 4.

Fundamental Service Review (FSR) Implementation

10. The recommendations of the Benefits FSR can be seen in Appendix 2. The aims of the FSR were to both improve performance and reduce the cost of the service. Due to the need to make savings, £115,000 was taken out of the service in 2010/11. This was done by deleting vacant posts. The FSR needed to deliver an additional £70,000 for 2011/12, and to also deliver an improved service. Savings of £110,000 were identified by the FSR. However only £70,000 was taken, as the costs had to be removed from the budget, before all the necessary improvements could be delivered. The difference of £40,000 was used to provide additional support to the service whilst the changes were implemented. As it transpired, it took longer than anticipated to deliver the recommendations of the FSR which has had an impact on performance.
11. A restructure of the Benefits service was carried out in the spring of 2012 which enabled the £70,000 saving to be realised. Completion of the restructure meant that all the recommendations except those under Item B (Appendix 2) had been implemented. Item B includes a number of process improvements which are still being implemented.
12. The key process improvements which will enable higher performance are the implementation of Risk Based Verification (RBV) and electronic benefit claim forms (eClaim). RBV is a way of determining what evidence we require from customers before assessing a new claim. We used to ask everyone to evidence all aspects of a claim before putting it into payment. RBV is a technical solution which assesses the risk of information in a claim being incorrect. This allows low risk claims to be assessed without any evidence, and high risk claims to have additional resources put in to verify their accuracy. Low risk claims comprise 60% of the caseload so result in a significant time saving. It is chasing the evidence that takes up most of the time in assessing new benefit claims, so RBV should lead to significant improvements in the time taken to assess new claims.
13. Risk Based Verification and eClaim went live in January 2013, although in the case of eClaim we are only taking a small number of claims in this way initially, in order to iron out any technical issues.
14. EClaim allows information from benefit claims to be automatically loaded into the Benefits system saving assessors time inputting the information from the 24 page form. It will also eliminate errors incurred in transposing data.

15. The outstanding items still to be implemented in relation to process improvement are as follows:
- a. Item 9: The Risk Based Verification solution needs to be integrated with the eClaim to deliver this improvement. Work will begin on this once the live pilot of eClaim has been completed which is anticipated to be in April.
 - b. Items 10 and 12: These are both cultural changes which are ongoing pieces of work, to be addressed through one-to-ones and appraisals.

Challenges

16. Benefit caseloads have been at increased levels for the last four years. The caseload at Oxford increased by approximately 20% three years ago. All authorities have received additional funding from the Department of Work and Pensions (DWP) to cope with this increased caseload, so this alone should not have too negative an impact on performance.
17. A more significant impact on work has been caused by the DWP's ATLAS project which began 18 months ago. ATLAS stands for the Automated Transfers to Local Authority Systems. This involves the transfer of data in relation to changes to Welfare Benefits claimed from DWP, and Tax Credits claimed from Her Majesty's Revenue and Customs. This has resulted in a substantial increase in workload. Although some of these notifications were already being received in a different format, the old information is still being received in the same way which adds to the time taken in processing the work. On average we receive about 700 notifications a week, which requires two full time equivalents (FTE) per day to deal with this workload. With just 16 FTE assessors, this is a considerable additional resource requirement. This is replicated across the country which is why national performance in assessment of Benefit claims has worsened.

Measures to deliver performance improvement

18. The Benefits team has undertaken a number of measures to improve assessment performance as outlined below in paragraphs 20-28.
19. Performance data is based on the dates assessors enter into the Benefits system. There is a complex set of rules governing these dates, and errors are often found in this area when checking work. Focussed checking of this work, along side additional training has been carried out to ensure this data is accurate.
20. Although there has been a strong performance culture in benefits for the last three years, the focus of this has been changed. Instead of just focussing on volume of work processed, we also now measure staff on

the level of delay they add to the processing times. They now receive a richer analysis of their performance, which is also compared to the team performance. An example of this is shown at Appendix 3.

21. This new performance information represents the second phase of performance management in benefits. The first phase began three years ago and resulted in improved performance across the whole assessment team. Phase One focussed on volume of work, which was managed through one-to-ones with assessors to understand reasons for below average performance. Meetings were also held with individual team leaders, the Benefits Manager and the Head of Service to ensure robust performance management was being carried out, and to understand the issues that were being found.
22. Significant work has been undertaken across Customer Services to increase attendance. In April 2011 we were forecast to lose 20 days attendance per employee. We are now down to the Council target this year of 8 days. This enables us to deliver improved performance as this improvement is the equivalent of employing an extra full time benefits assessor.
23. We have a resilience contract in place with an external provider to help deal with increased workloads. This is funded partly by savings identified in our FSR, and partly from additional Administration Subsidy provided by the DWP.
24. During our restructure last year, we set demanding criteria for people who wanted to be considered for team leader roles. This resulted in some difficult decisions which led to some staff leaving the authority. However, we now have high calibre people in these key roles, which is helping deliver our performance framework.
25. For the last three years there have been two assessment teams, split by function. One deals with new claims, and the other deals with changes in circumstances. During this period the number of changes has increased significantly, while the amount of new claims has remained constant. This has meant an imbalance in the amount of work, and so we are removing this distinction from the teams. By having all assessors working on all types of work, we create better resilience, and enable team leaders to move resources around to cope with increases in one area or another.
26. Staff are encouraged to make prompt decisions and stick rigidly to time limits in the Regulations. This is an ongoing piece of work which is picked up through the appraisal and one-to-one process.
27. The Benefits Team is working with the Customer Contact Team to ensure that a consistent message is provided to customers regarding time limits for provision of information. This will become easier now we have introduced RBV, as most customers will not need to provide evidence in support of their claim.

28. Additionally, we have implemented two pilot projects in conjunction with the DWP to help inform the government's ambitious program of welfare reform, and the design of the new Universal Credit benefit. The City Council is recognised as being a leader in this area which is good for the Council's reputation, but does take time away from service delivery issues. This has been recognised in the recently revised Customer Services Management structure, where additional capacity has been added to oversee the development of the Service.

29. The work of these two pilots is also vital to informing how services in support of Universal Credit will be delivered locally. This month the government published a framework document to set out its vision for the provision of these services. Our work on the pilots will inform how such services are designed, and assist in the task of workforce planning.

Financial Implications

30. None

Legal Implications

31. None

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List of background papers: None

Version number: 1.1

National Comparison of Benefits Processing Performance

The figures in the table below show the average national performance in the assessment of new claims and changes in circumstances, followed by the equivalent performance in Oxford. The figures represent the average number of days to assess the claim in each case.

Period	National		Oxford	
	New Claims	Changes	New Claims	Changes
2012/13 Q2	25	12	22	10
2012/13 Q1	26	10	24	14
2011/12 Q4	24	7	21	12
2011/12 Q3	23	11	23	20
2011/12 Q2	24	11	18	11
2011/12 Q1	25	12	16	10
2010/11 Q4	22	6	11	5
2010/11 Q3	22	11	14	9
2010/11 Q2	22	11	19	15
2010/11 Q1	23	11	25	17

Benefits Fundamental Service Review Recommendations

The Fundamental Service Review Board is recommended to;

- a) Note the findings of the Review, in that the Service has;
 - i. Reduced its costs by £115,000 during 2010/11 and so achieved an £80 cost per claim, and seeks to further improve towards the benchmark average of £59 per claim
 - ii. Improved its performance in its call handling
 - iii. To date not yet improved processing times for new claims and changes in circumstance to the targets set by the Review
- b) Approve the process changes and service redesign as summarised in 5c i) to xiv) and in full in Appendix 4
- c) Agree that the savings to be taken as a result of the Review changes be £109,710, comprising;
 - i. Removal of 3 FTE Assessment Officer posts (saving £94,938)
 - ii. An additional £4,500 resource within the Pre-Assessment team as a result of the predicted increase in workload
 - iii. Savings in general postage and printing (£7,247)
 - iv. Savings in postage from no longer sending remittance slips (£26,325)
- d) Agree that no additional CSO savings other than already in the budget be taken as part of the outcomes of this Review
- e) Approve the following changes in staff structure as set out in 5d, namely
 - i. Reduce the number of teams overall in Housing Benefits to 4, comprising 2 generic assessment teams, pre-assessment team and a single team covering all other support functions. Organise the generic assessment teams by either geographic area or surname
 - ii. Reduce Team Leader posts from 4.14 FTE to 4.0 FTE to reflect the new team structure
 - iii. Create an additional Senior Office post to enhance the quality function and lead on training and legislation updates
 - iv. Increase the Pre-Assessment team establishment by 1.3 FTE to provide additional capacity to support the process changes arising from the Review
- f) Use the £40k headroom in savings above the £70k target to fund the resilience contract if required, given the assumptions made in the savings model

- g) Commence a consultation exercise with affected staff, with a view to its introduction as soon after 1 April 2012 as possible;
- h) Request the Head of Customer Service prepare a detailed implementation plan to enact the review changes for implementation as early as possible.

Further to item b above, the process changes referred to are as follows:

- i. Move to electronic capture of claims data at first point of contact
Currently Assessment Officers are required to interpret hand-written claim forms and carry out data entry as part of their assessment activities, which is expensive and duplicates effort. Electronic capture at the first point of contact will ensure that data is more accurate, and that the data entry work is carried out either by the customer or third party (at no cost to the council) or customer service staff (at a lower cost to the council).
- ii. Eliminate paper forms
A proliferation of different Housing Benefit forms exists at present, which all require printing, distribution and maintenance. Consultation has revealed that these forms are not considered easy to interpret by some claimants. Also, their use requires duplication of effort in capturing and entering data. The use of Capita's eClaims module, already procured as part of a recent contract renewal, would allow for replacement of paper forms. eClaims forms provide context-specific questions that eliminate unnecessary sections depending on the claimants response to earlier questions, making form completion easier. The replacement of paper forms also reduced the volume of scanning and indexing required.
- iii. Promote self-service for claimants
The introduction of an eClaim form means that claimants will be able to make claims online. Further enhancements planned through eCitizen will allow them to check the progress of their claims and book appointments with customer service officers online as well. In addition, claimants will be able to use the online benefits calculator to assess their eligibility prior to contacting the council. All such activities reduce contact with the council and the associated costs of dealing with it.

The consultation exercise indicated a propensity for online claiming and a relatively high access to the internet for claimants. The availability of self service terminals in the contact centre will assist this.
- iv. Extend the use of assisted claiming
As well as self-service, the introduction of eClaims gives rise to the opportunity to extend the use of assisted claiming, where claimants can have hands-on help from council staff to complete their claim form. This is currently carried out using paper forms at appointments, but will be able to be extended to telephone claiming, and the utilisation of third parties such as housing associations and advice centres. Benefits of this approach include better understanding of claims questions (as staff

are on hand to explain them further), more accurate completion of claims forms and a reduction in nil qualifying claims (reducing associated processing and assessing costs).

v. Introduce Risk Based Verification (RBV) on new claims

The introduction of electronic capture of data at the first point of contact enables the use of RBV as part of the service redesign. The financial benefits RBV have been set out in 3a above. Estimates show that there could be a 59.6% reduction in the volume of scanning and indexing as a result of its introduction in Oxford. The identification of claims as 'low risk' will also enable a greater proportion of claims to proceed to payment on the day they are assessed (currently only 3-4% of claims are paid this quickly).

The proposal is to have the Pre-Assessment Team undertake RBV work as part of their revised duties for all eClaims submitted by claimants, via third parties or through assisted claiming by Customer Service Officers.

vi. Introduce a 'Fast Track' process for providing supporting evidence

Currently claimants visiting the customer service centre with no appointment either have wait in order to hand in documentation associated with their claims, or to use a 'drop box' to leave it with the council. The former creates queuing and frustration for claimants, whilst the latter leads to extra handling issues for the council, particularly for sensitive documents such as passports. The proposed change will introduce a 'fast track' process where benefits staff are on hand to accept, scan and return documentation to customers in a timelier manner, leading to faster processing times and keeping appointment slots free for other customers.

vii. Remove nil qualifying applicants as early as possible

Of the 7,500 annual new claims for housing benefit, around 760 are assessed as not qualifying for benefit. However, before being declined they will have been right through the assessment process. The intention is to remove as many nil qualifiers as possible from making an application in order to reduce cost. This approach was used by Colchester to remove 26% of their claim volume. This will be achieved through promotion of the online benefits calculator (for self service claims) and through Customer Service Officers carrying out an initial check when processing an assisted claim.

viii. Identify potential changes in circumstance at the earliest opportunity

A large proportion of changes in circumstance are predictable as they relate to pay increases. Despite this, the onus is on the claimant to inform the council of these changes in order that a new assessment can be made, and often these are not reported in a timely way. Delays in notification lead to overpayments requiring recovery activity.

As new claims or changes in circumstance are dealt with, officers will move to make enquiries about likely dates for future changes, and these will be programmed in to the Academy system to prompt action.

Where applicable, appointments can be made with a customer service officer for the date in question so that the change can be processed.

ix. Introduce a 'right first time' approach to claims assessment

Currently, in around 49% of cases, assessment officers are required to write to claimants for additional evidence to support their claim. The proposed change is to ensure that sufficient evidence for assessment is obtained by customer service and pre-assessment team staff before claims are considered by assessment officers in order that decisions can be made as swiftly as possible. This will also transfer the majority of evidence requests to lower paid staff, creating a financial saving.

An exception to this will be those claims identified as 'high risk' through risk based verification, which will be considered in full by assessment officers given the fraud risk.

x. Determine claims on minimum evidence received after one calendar month

Currently there is a practice of waiting for all evidence to be submitted with a claim before making an assessment. There are two issues with this; firstly, it is not always necessary to have every item of evidence before making a determination (i.e. 3 payslips instead of 5 may be sufficient). Secondly, this places the onus on the Council to take action in sending reminders and await action by the claimant with no consequence for their delays. The proposed changes are to move to accepting minimum evidence in determining a claim, and to wait no longer than one calendar month before doing so. In this way processing times will improve and the onus will move to the claimant to act swiftly in order to have their claim determined with the correct information.

xi. Cease sending routine remittance advice slips automatically

For a large number of claims, a BACS payment is made and a remittance slip sent to the claimant every two weeks, regardless of payments remaining the same. This incurs a postage cost for no appreciable benefit. The proposal is to discontinue this practice for relevant claimants and make a large financial saving in postage.

xii. Send fewer letters, use more immediate forms of communication

For many assessment staff there is a preference to use written communication with claimants to verify information or request new information. This incurs a cost in terms of postage, and also a delay in letters going both ways through the postal system. A cultural change is proposed where assessment officers will be encouraged to telephone claimants, or email them, to verify information or discuss their claim with them rather than write.

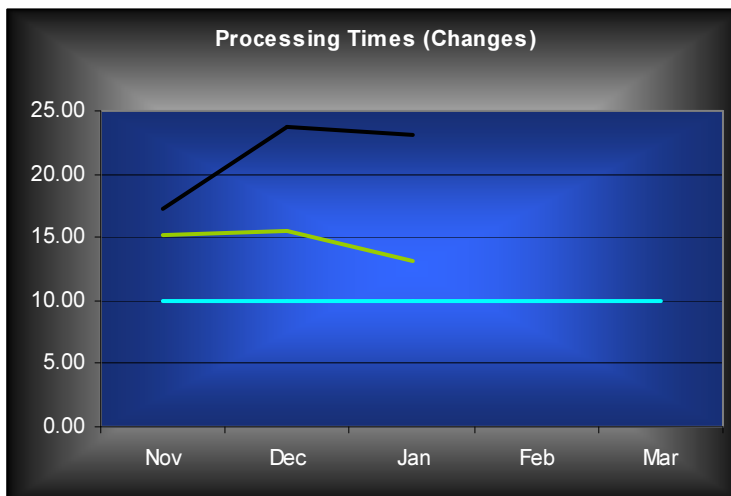
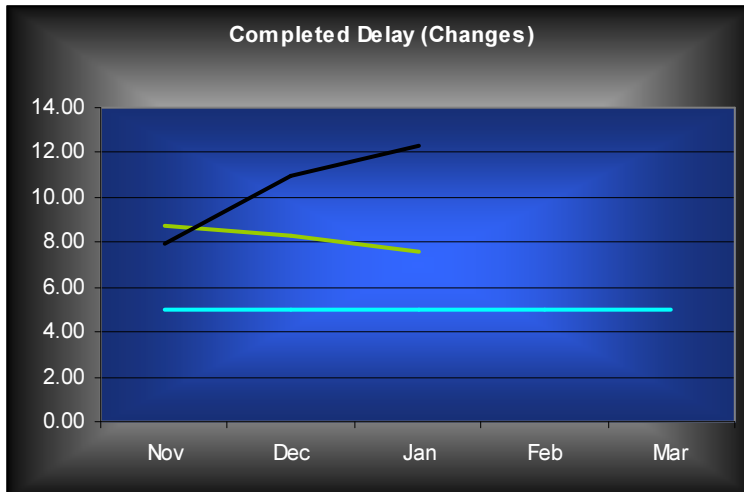
In addition, a letter is sent currently every time a change in circumstances is made to a claim. The proposal is that only a first notification letter and end of year letter need go to the physical address (as required by regulations), with other communication following more informal channels.

xiii. Introduce expert support for Customer Service Officers

In the proposed service changes, greater emphasis will be placed on getting claims correct the first time, and for Customer Service Officers to play more of a role in assisting with claims as well as eliminating nil qualifiers. For the large majority of claims and claims enquiries their training will be sufficient to cover the types of issues that may be raised. However, for a small number of claims it would be beneficial for expert advice to be on hand from Assessment Officers. This will be achieved via a rota system to ensure that an experienced Assessment Officer is available to take calls from CSOs, and monitored to check the volume and nature of queries for future CSO training.

Examples of Performance Data

All assessors receive graphs like the ones below which show their performance in dealing with Changes in Circumstances. They receive similar charts for their performance in dealing with New Claims. The key has been deleted to anonymise the data. However the black (top) line represents the team's average performance, the green (middle) line represents the individual's performance, and the pale blue (bottom) line is the target.





Customer Satisfaction Survey

SUMMARY

In summary of the Customer & Partnership Interface Report the following factors and issues have been highlighted and deemed to be important to customer interests and satisfaction:

Positives

- Customer satisfaction is high – 82 % rating us above average with 25% giving us full marks as a service. Housing Associations (HA), customers and Voluntary Groups (VG) also cited how helpful and friendly our staff are.
- Current targets in line with customer expectation - Most customers would expect new claims to be assessed within 11-15 days (34%) and changes within 6-10 days (36%).
- Better than franchised services – HA/VG confirmed that service is better than neighbouring councils who have such services.
- Survey generally representative of caseload

Negatives

- Repeat contact – 60% of those asked had contacted us between 1-6 times, this may indicate that we are not dealing with matters at the first point of contact and has been highlighted in further comments. However, may be a consequence of multiple changes of circumstance.
- Phones – Waiting too long as confirmed by 26 of our respondents. HA/VG also raised this problem, along with being unsure of what buttons to press, lack of knowledge of staff on the phone and the apparent nature of staff reading from scripts.
- Who do I contact? – Joint highest response (26) that claimant's didn't know who they were meant to contact within the service.
- What benefits are available? – 19 of our respondents were unclear of what benefits they may be entitled to.
- English a barrier – 18 of our respondents raised this as an issue
- Forms too complicated – 18 of our respondents raised this as a concern. This was also raised by HA.
- Communication – with HA/VG has declined, no direct quick response as in the past. A lack of consistency in service was also highlighted. Several suggestions made included making things simpler, such as the letters we send to our customers.
- Waiting – HA stated that this was an issue when coming in to see us face to face.

Technology – The way forward?

- Eclaim – 65 % of respondents would be happy to use online claim form, with 11% being happy to claim over the phone. 50% have access to the internet at home, with a further 36% having access to it outside of their households. HA/VG confirmed how people had adapted to the electronic nature of Choice Based Lettings.
- Self Service terminals – Support from HA/VG and would be willing to have them at their offices.

- Acceptable for most but inappropriate for significant minority – This was the general consensus by HA/VG, who voiced concerns at electronic forms and communication for those who are vulnerable in society.
- How people prefer to contact us – 48% face to face, be it by appointment (25%) or no appointment (23%) and 35% by phone. However, customers may have gone for more familiar options through not experiencing other methods.
- Improvement - Suggestions included making service quicker, continuity of dealing with the same person, more advice on other benefits, claiming online and putting more information on the website regarding the service.

Internal audit summary report for Audit and Governance Committee

February 2013



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Plan outturn

2012/13 Audit Plan

We have undertaken work in accordance with the 2012/13 Internal Audit Plan which was approved by the Audit and Governance Committee at its meeting in April 2012.

An outturn statement detailing assignments undertaken and actual activity for the year is shown in Appendix One. At the time of this meeting of the Audit and Governance Committee, we have completed 170 days out of a total planned 220 days (77%). This is in line with the agreed profile of work.

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

- Our original plan included 8 days to review Data Quality. It has been agreed with management that our controls work relating to Data Quality is covered through the Risk Management and Performance audit and the review has been cancelled. These days have been utilised for a value enhancement review of Standard Operating Procedures;
- The scope of the Standard Operating Procedures review has been calculated as taking 5 internal audit days. The remaining 3 days have been placed as a contingency for any overruns or additional reviews to be performed.

The standards that Internal Audit in local government is expected to operate to are changing. From April 2013, the new Public Sector Internal Audit Standards will replace the CIPFA Code. We will be updating our internal audit charter to reflect the new standards and will bring this to a future meeting of the Committee. We will also produce a briefing note on the new standards for the Committee's information.

Reporting Activity and Progress

Final reports issued since the previous meeting

General Ledger

We have classified our findings in this area as **Low Risk**.

The Council has continued to improve controls relating to general ledger processing. No control design issues were noted this year and only one medium risk issue has been identified relating to the authorisation of journals. One low risk issue has been raised regarding timely performance of reconciliations.

Payroll

We have classified our findings in this area as **Low Risk**.

Payroll performance is comparable to last year and the control environment continues to be strong. Only one issue has been noted:

- One member of staff was paid for two months after their leave date, this was due to the leaver form not being forwarded to Payroll at the time the employee left; and, that one leaver had exceeded their annual leave entitlement and no adjusting calculation was made.

Creditors

We have classified our findings as **Medium Risk**.

Performance has significantly improved since last year. No control design issues were noted this year but the Council need to ensure they adhere to processes in place to ensure these controls operate effectively. The implementation of purchase to pay (P2P) should ensure that the majority of these issues are addressed (authorisation, date stamping, raising of purchase orders and documenting goods receipt checks) however the findings noted will remain risks for any invoices processed outside of the P2P process.

The report has been included in full as part of these papers.

Debtors

We have classified our findings as **Medium Risk**.

The overall control environment within the Debtors function is strong and the increase in risk rating this year is largely due to non-compliance by other departments across the organisation with procedures: for example, authorisation of sales orders and timeliness of invoice processing. The Debtors function should ensure departments are reminded of their responsibility to comply with these procedures to maintain good performance.

The report has been included in full as part of these papers.

Barton Project

This was a value enhancement review conducted at the request of management. No overall classification has been provided and the report will be presented separately to this meeting.

Fieldwork and draft reports

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

- Direct Payments;
- Budgetary Control and Efficiency Savings;
- P2P implementation;
- Collection Fund;
- Disaster Recovery and Business Continuity;
- Risk Management and Performance;
- Standard Operating Procedures;
- Health and Safety – Housing and Communities and Corporate Assets;
- Member Development;
- Fixed Assets; and
- Policy Review.

Appendix 1 – Plan Progress

Ref	Auditable Unit	Indicative number of AuditDays	Status/Revisions to plan
A	Cross-cutting Processes		
A.1	General Ledger	5	Completed.
A.2	Creditors	5	Completed.
A.3	Budgetary Control and Efficiency Savings	5	Fieldwork completed.
A.4	Collection Fund	10	Fieldwork completed.
A.5	Housing Benefits	5	Fieldwork completed.
A.6	Fixed Assets	5	Fieldwork completed.
A.7	Car Parking	5	Completed.
A.9	Governance	2	To commence in Q4.
A.10	Risk Management and Performance	10	Fieldwork commenced.
A.12	Debtors	5	Completed.
A.14	Payroll	5	Completed.
	TOTAL	62	
B	Department Level		
B.1	Finance – Fixed Asset Register Implementation	5	To commence in Q4.
B.2	Finance – Year end Support	5	To commence in Q4.
B.3	Finance – Insurance	5	Completed.
B.4	Corporate Assets – Commercial Property Follow Up	5	Completed.
B.5	Housing and communities – Northgate testing	-	Review cancelled as Capita undertook this work. Days to be utilised for Health and Safety review. See VE.7.
B.6	Housing and Communities – Direct Payments	7	Fieldwork completed.
B.7	Business Improvement – Data Quality (DQ)	-	Review cancelled as DQ covered in Risk Management review. Days utilised for Standard Operating Procedure review. See VE.9.
B.8	Direct Services – Garden Waste	5	Completed.
B.9	Law and Governance – Business Continuity	5	Scoping commenced.
B.10	ICT Strategy – Windows Licensing	13	To commence in Q4.
B.11	ICT – Lagan Post Implementation and Benefits Realization	10	To commence in Q4.
B.12	People and Equalities – Health and Safety	5	Completed.
	TOTAL	65	
VE	Value Enhancement		

VE.1	Law and Governance – Member Development	10	Scoping commenced.
VE.2	Direct Services – Transport Services VfM and Trading Services	10	To commence in Q4.
VE.3	Business Improvement – P2P Implementation	5	Scoping commenced.
VE.4	Fraud Risk Assessment	5	Completed.
VE.5	People and Equalities – Policy Review	10	Draft report.
VE.6	Corporate Asset – Asset Management Strategy	5	To commence in Q4.
VE.7	Health and Safety – Housing and Communities and Corporate Assets	5	Fieldwork completed.
VE.8	Barton Project	5	Completed.
VE.9	Standard Operating Procedures	5	Draft report.
	TOTAL	60	
	Follow up	5	Ongoing.
	Audit Management	25	Ongoing.
	Contingency	3	Scope to be agreed.
	TOTAL	220	
	2011/12 Roll Forward		
RF.1	Repairs and Maintenance	4	Completed.
RF.2	Project Management	-	Days utilised for Barton Project review. See VE.8.

Summary of recommendations (cross cutting and departmental only)

Assignment	High (10 points)	Medium (3 points)	Low (1 point)	TOTAL POINTS	Overall Risk Rating
General Ledger	0	1	1	4	LOW
Debtors	0	2	1	7	MEDIUM
Creditors	0	2	3	9	MEDIUM
Payroll	0	1	0	3	LOW
Health and Safety	0	1	2	5	LOW
Insurance	0	2	4	10	MEDIUM
Car Parking	0	0	4	4	LOW
Commercial Property	0	1	2	5	LOW
Garden Waste	0	1	2	5	LOW
Total	0	11	19	-	-

Appendix 2 – 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.

Under Pressure: Securing success, managing risk in public services

Government is still in the foothills when it comes to reducing the public debt mountain and demand for public services just keeps growing. Public sector organisations must deal with overwhelming pressure to cut costs, while continuing to deliver and improve public services.

Our new book, *Under Pressure: Securing success, managing risk* is a practical guide for government on how to deliver public service reform and identify, manage and avoid failure as public services open out to new and different providers.

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

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

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Oxford City Council

Barton Development Project

FINAL

Internal Audit Report
2012/2013
February 2013

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Distribution List

For information

Steve Sprason (Head of Corporate Assets)
Jane Winfield (Major Projects and Disposals Manager)
David Edwards (Executive Director – Regeneration and Housing)
Nigel Kennedy (Head of Finance)
Jackie Yates (Executive Director – Organisational Development & Corporate Services)
Peter Sloman (Chief Executive)

Executive summary

Background

The Council is committed to investing in Oxford's future through the delivery of a range of physical regeneration projects to deliver new housing, create jobs and improve the quality of life in communities. This is in-line with the Council's ambition to create a world-class city for everyone, its corporate priority to build a vibrant and sustainable economy and the Oxfordshire Structure Plan 2016 which was adopted by the Council in 2005 and expects that 50% of all new housing in Oxfordshire should be affordable. The Barton development is an initiative to create a new neighbourhood and state-of-the-art community facilities to the west of Barton. The proposed site is between Barton and Northway and is intended to provide around 1,000 homes for Oxford residents.

The Council launched the selection process for a joint venture partner in November 2010 to help deliver the new neighbourhood at Barton. This has been set up as a LLP. Over 20 bids were received from a range of parties. On 23 September 2011, the Council entered into a joint venture with its preferred bidder Grosvenor Developments Limited (Grosvenor).

The Council has a 50% interest in the Company and shares profits and losses in accordance with a payment mechanism agreed between both parties. The Council received £0.5 million as a contribution to the costs of establishing the company in 2011/12 and transferred the land with a value of £0.8 million to the LLP on 31 October 2011. The land was subject to independent valuation and will be repaid with interest by January 2019.

As at 31 March 2012 the company had net liabilities of £8,363. Fifty percent of these liabilities have been incorporated into the Council's Group Accounts. Net expenditure per the Group Comprehensive Income and Expenditure Statement is £228,844k.

The purpose of this review was to review the procurement process followed, contract terms and conditions and external advice received to determine whether the deal represents best value in light of the Council's corporate objectives.

Key findings

The procurement process was in line with the Council's procurement policy and the procurement process helped to secure value for money (VfM). The process adopted was in line with good practice: the Council adopted a business case development approach and followed a competitive tender process.

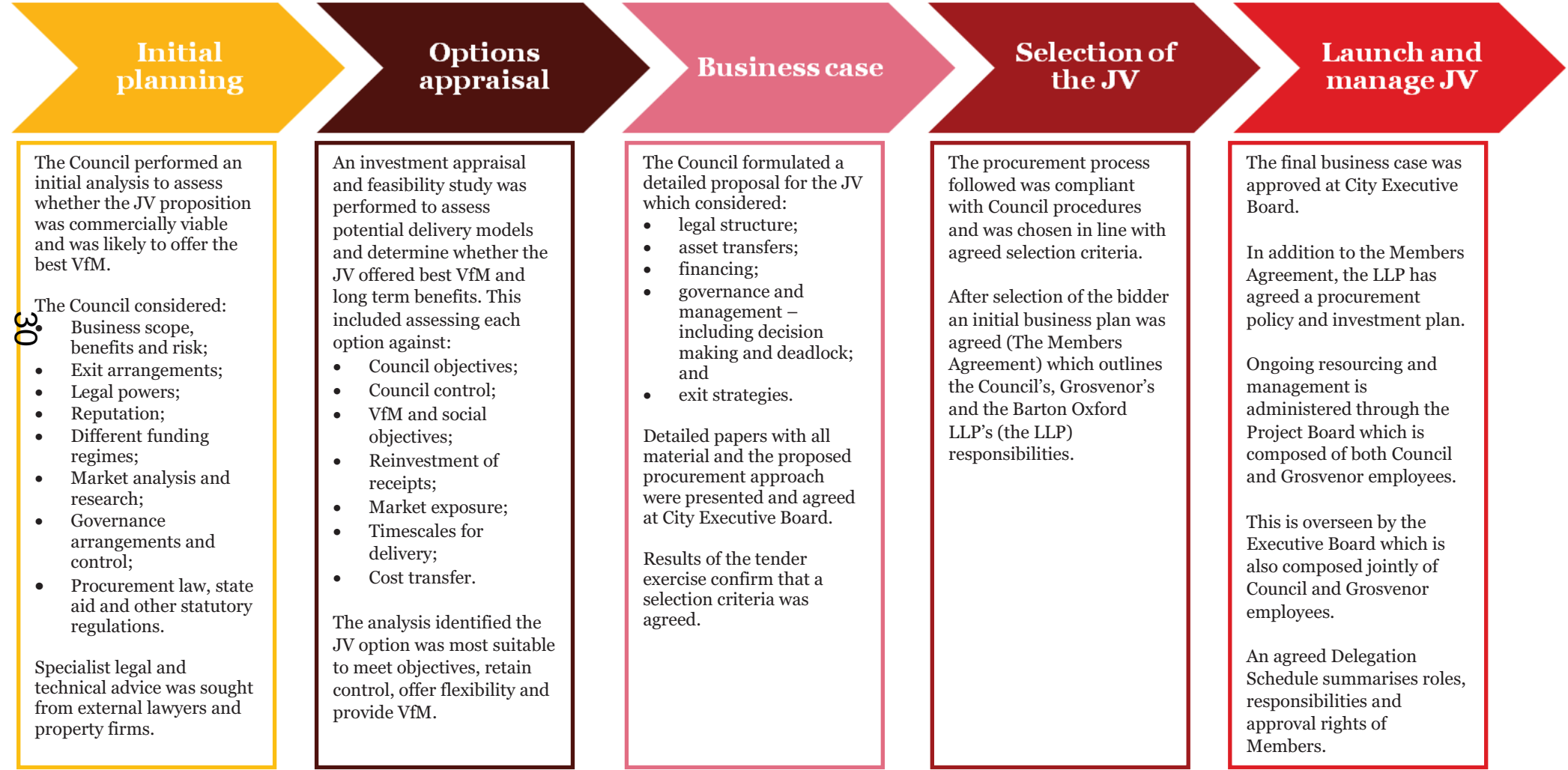
External advice received considered whole life costs, quality and user requirements to ensure VfM is achieved. This process involved performing an options appraisal which considered the benefits, drawbacks and risks of each option and assessment of both qualitative and quantitative factors.

The Members Agreement is also focused on VfM: it outlines the responsibilities of the joint venture (JV) between the Council and Grosvenor and contains aligned objectives, shared risks and rewards and a defined management and control framework. The JV provides VfM through combining the flexibility of a partnership with the safeguard of limited liability. This is supported by the payment mechanism which offers fiscal transparency and allows a flexible basis for profit distributions.

Our work also included an assessment of the process followed to arrive at the valuation of land transferred to the JV. Our work confirmed this was arrived at by an external valuer and based on the existing use value (EUV). The assessment of land included the consideration of whole life cost and value of the assets, timing and other sensitivities and included consideration of the ownership of the land and the social and economic development of the area – this is in line with good practice.

Procurement Process

Good practice suggests that joint ventures should be entered where there are complementary objectives and where there is a shared viewpoint on the nature and scope of activities and the joint venture’s longer term objectives and benefits; this ought to be tested through business case development and a competitive tender procurement process. Our review shows the Council’s procurement process is consistent with good practice - a summary of the approach against good practice is outlined below:



Initial planning

The Council performed an initial analysis to assess whether the JV proposition was commercially viable and was likely to offer the best VfM.

- The Council considered:
- Business scope, benefits and risk;
 - Exit arrangements;
 - Legal powers;
 - Reputation;
 - Different funding regimes;
 - Market analysis and research;
 - Governance arrangements and control;
 - Procurement law, state aid and other statutory regulations.

Specialist legal and technical advice was sought from external lawyers and property firms.

Options appraisal

An investment appraisal and feasibility study was performed to assess potential delivery models and determine whether the JV offered best VfM and long term benefits. This included assessing each option against:

- Council objectives;
- Council control;
- VfM and social objectives;
- Reinvestment of receipts;
- Market exposure;
- Timescales for delivery;
- Cost transfer.

The analysis identified the JV option was most suitable to meet objectives, retain control, offer flexibility and provide VfM.

Business case

The Council formulated a detailed proposal for the JV which considered:

- legal structure;
- asset transfers;
- financing;
- governance and management – including decision making and deadlock; and
- exit strategies.

Detailed papers with all material and the proposed procurement approach were presented and agreed at City Executive Board.

Results of the tender exercise confirm that a selection criteria was agreed.

Selection of the JV

The procurement process followed was compliant with Council procedures and was chosen in line with agreed selection criteria.

After selection of the bidder an initial business plan was agreed (The Members Agreement) which outlines the Council’s, Grosvenor’s and the Barton Oxford LLP’s (the LLP) responsibilities.

Launch and manage JV

The final business case was approved at City Executive Board.

In addition to the Members Agreement, the LLP has agreed a procurement policy and investment plan.

Ongoing resourcing and management is administered through the Project Board which is composed of both Council and Grosvenor employees.

This is overseen by the Executive Board which is also composed jointly of Council and Grosvenor employees.

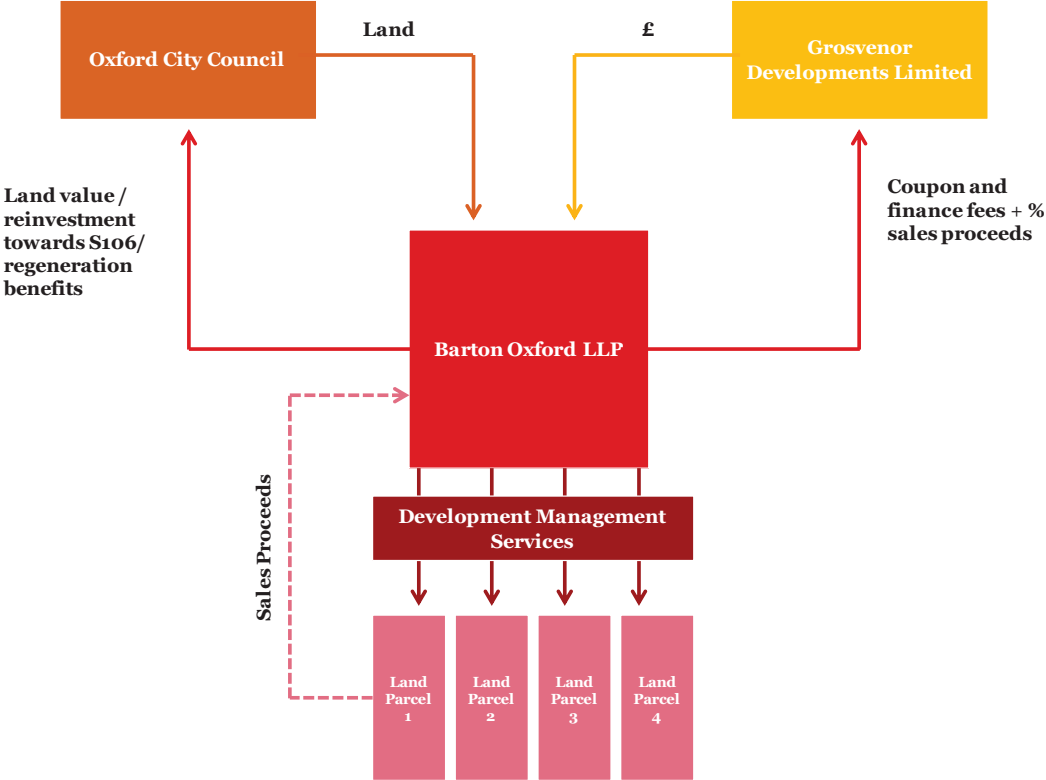
An agreed Delegation Schedule summarises roles, responsibilities and approval rights of Members.

Contract Review

At the request of the Council, we have performed a high level review of the contract between the Council and Grosvenor in order to comment on its VfM. This included an assessment of the payment mechanism, an assessment of the transfer of risk to Grosvenor and the management of residual risk, a review of the Governance and reporting mechanism and a review of the external legal, financial and valuation advice received by the Council. Our findings are summarised below:

Payment Mechanism

The diagram below illustrates how the payment mechanism works¹:



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¹ This has been taken from City Executive Board minutes, dated 10/11/2010, prepared by the Council

- Entering into an LLP gives fiscal transparency as each member is directly in receipt of its share of profits or losses of the LLP. It also allows a flexible basis for profit distributions. The following order of priority has been established for distribution of cash:
 - Repayment of Grosvenor funding contributions;
 - Repayment of Grosvenor returns;
 - Remaining balance up to a sum equal to 125% of the Transfer Price for land transferred by the Council to the LLP. This is divided 80:20 between the Council and Grosvenor; and
 - Remaining balances are distributed at a ratio of 60: 40 to the Council and Grosvenor respectively.
- The arrangement is tax transparent. This means non-tax payers do not suffer value leakage;
- The LLP arrangement combines the flexibility of a partnership with the safeguard of limited liability. As an LLP each member’s liability is limited through the Limited Liability Partnership Act 2000, combining both the features of a UK Partnership and UK limited company.

Transfer of risk and management of residual risk

- The joint venture arrangement involves risk sharing. This offers the best structure for the Council whereby the management and mitigation of risk and realisation of benefits is shared between Members;
- There is a common understanding and alignment of interests between the Council and Grosvenor of risks and their management. The LLP has its own objectives and there are agreed standards for assessing risk. These objectives are clearly aligned to the Council’s own corporate objectives and strategy;
- There is a joint risk register; this allows the Council and Grosvenor an opportunity to share judgements and enables a joint approach for managing risk. It also gives clarity on who is responsible for managing risk;
- Risk communication, monitoring and managing of risk is inherent throughout the reporting process.

Governance and reporting mechanism

- A Project Board has been established to manage the day-to-day running of the project. This is combined of both Council and Grosvenor employees. An Executive Board has also been established to retain overall oversight of the LLP and monitoring overall strategic, operational and financial issues. These are deemed to be appropriate arrangements for monitoring the ongoing progress of the project, including risks and key issues;
- The contract also includes a ‘right of access’ clause allowing each party to access information as defined in the contract.

Legal, financial and valuation advice received

- The Council has secured external legal and technical advice throughout the project to ensure VfM is achieved. This has included:
 - The appointment of external consultants by the Council and the Homes and Community Agency (HCA) to undertake a feasibility study for the Barton site’s allocation for residential development. The consultancy team included:

- Knight Frank – who provided development appraisal and property advice;
 - LDA Design – who advised on planning/master planning issues;
 - Peter Brett Associates (PBA) – who provided engineering, technical and highway related advice; and
 - Pinsent Masons – who provided some legal support.
- Independent advice (in addition to the joint arrangements with the HCA) was sought from Kings Sturge and Eversheds to provide technical and legal advice;
 - An environmental report assessing the geo-physical, remediation strategy and cost aspects was performed by PBA;
 - PBA – in conjunction with the County Council, as Highway Authority - also advised on highway and access solutions;
 - Kings Sturge performed a viability study to examine different options;
 - Both Kings Sturge and Eversheds provided advice in relation to the most appropriate vehicle through which to structure the JV and the resource/other implications for the Council in participating in this approach. This included a financial appraisal and tax implications.
 - The Council has engaged Eversheds solicitors throughout the project. This has included providing advice on the legal position of the Council such as impact of the structure of the JV, procurement considerations and state aid considerations. The evaluation panel for the tender was chaired by senior representatives of Eversheds.

Conclusion

The Council's approach is centred around achieving VfM. This is demonstrated through both external advice received and provisions of the contract (governance arrangements, the payment mechanism and risk transfer). External advice has considered the optimum combination of whole-life costs, quality and user requirements. This VfM assessment has followed a business case approach involving a staged process where different cases have been made for the proposed actions. These have been communicated and agreed at City Executive Board meetings.

VfM has been secured through the payment mechanism, risk transfer arrangements and governance mechanisms, for example:

- Complementary and aligned objectives;
- Shared risk and rewards;
- A defined and clear management and control framework;
- Performance of an options appraisal which compared the JV to other options including benefits, drawbacks and risks; and
- Assessment of qualitative factors – e.g. flexibility, management of risks, dispute resolution processes and deadlock, costs and roles and responsibilities borne by the Council – and quantitative factors, such as sensitivities.

Land valuation

Our third deliverable was to understand and, where appropriate and possible, validate the process followed to arrive at the assessment for the valuation of land transferred to the LLP. Our work in this area consisted of performing a review of the independent valuer's report against International Standards of Auditing (ISAs) used for assessing a management expert. This work has excluded performing an assessment of the appropriateness of the experts work. Key findings are below:

1. Competence, capability and objectivity of valuer

- The Council has used an external valuer to value their properties. The valuer was Kings Sturge who are an international property consultancy with operations across the UK and Europe. In May 2011, Kings Sturge were purchased by Jones Lang LaSalle.
- The valuation has been performed by a partner of the firm who was MRICS qualified.

2. Understanding of work performed

- The land value was arrived at by comparing it to similar sized lots. Adjustments were made for size, location, condition and existing use in forming views of EUV.
- This approach included consideration of the designations of the Oxford City Council Local Plan, Core Strategy and the emerging Barton Area Action Plan. This included consideration of the likelihood of land coming into further development as this would be considered by a purchaser in determining market value.
- It was noted that no planning applications has been approved as at the date of valuation but this would have increased the value of the land.
- Substation land was excluded and 'rate per acre' was applied for agricultural areas and the flood plain. Allotments and recreation areas were considered and included in EUV.

3. Role of external audit

ISA 500.8 states that if information used as audit evidence has been prepared using the work of a management's expert, the auditor must evaluate the competence, capabilities and objectivity of that expert, obtain an understanding of the work of that expert and evaluate the appropriateness of that expert's work as audit evidence for the relevant assertion. An unqualified opinion was issued over the financial statements for 2011/12. This included group accounts for the LLP.

4. Good practice

- Assessment of land has included elements of good practice, including:
 - The whole life cost and value of the assets has been understood;
 - Timing and other sensitivities were considered as part of the valuation e.g. the effect of not having planning applications and other recent sales;
 - Updates to City Executive Board demonstrate that ownership and title of land and the social and economic development of the area was considered.

Joint venture arrangement and risks

Our fourth deliverable was to identify any potential risks with the joint venture arrangement. The table below summarises the key risks identified and identified controls implemented by the Council to mitigate against these.

Risk	Controls
Lack of control	<ul style="list-style-type: none"> Delivering services through partners can bring significant benefits and help bring about successful innovation but the arrangement offers less direct control than delivering them alone. The Council has managed this through developing a Project Board and Executive Board which include representatives from both the Council and Grosvenor. Rights of access have been included in the Members Agreement giving transparency to both parties.
Separate lines of accountability	<ul style="list-style-type: none"> The development of the Project Board and Executive Board for the LLP means both parties are accountable to the same governance and reporting mechanism.
Failure to align agendas and ineffective communication mechanisms could create polarised perspectives and difficulties in agreeing roles and responsibilities	<ul style="list-style-type: none"> The Council has adopted good practice established for contractual relationships for use with other partners. For example they have agreed separate objectives, owned by the LLP. Objectives are aligned to the Council's corporate priorities and are revisited at Project Board and Executive Board meetings to monitor progress. The Members Agreement defines the roles and responsibilities of: <ul style="list-style-type: none"> the LLP, Council and Grosvenor; Project Board and Executive Board; and individual roles.
Service delivery chains can be complex this may mean that defining responsibilities for managing risk may be a challenge	<ul style="list-style-type: none"> The diversity of different cultures in partnerships brings a need to understand different perspectives on risks and arrangements for managing them. The Barton Oxford LLP has its own risk register which is reported to Project Board and Executive Board. This provides opportunity to share judgements and gives complete understanding to both parties enabling a joint approach for managing risks. The responsibilities of relevant parties are outlined in the Members Agreement giving clarity on who is responsible for the management of risk.
Controls could undermine the joint venture's ability to be effective in delivering the objectives for which it was established	<ul style="list-style-type: none"> The development of a specific project team, who report to Project Board and Executive Board mitigates against this risk; objectives and progress against these is reported as part of the reporting protocols in place.

Appendix 1. Terms of Reference

Oxford City Council *Terms of Reference – Barton Development* *Project*

To: *Jackie Yates, Executive Director – Organisational Development and Corporate Services*
From: *Charlotte Bisland, Audit Manager*

This review is being undertaken as part of the 2012/13 internal audit plan approved by the Audit Committee.

Background

Oxford City Council ('the Council') is committed to investing in Oxford's future through the delivery of a range of physical regeneration projects to deliver new housing, create jobs and improve the quality of life in communities. This is in-line with the Council's ambition to create a world-class city for everyone, its corporate priority to build a vibrant and sustainable economy and the Oxfordshire Structure Plan 2016 which was adopted by the Council in 2005 and expects that 50% of all new housing in Oxfordshire should be affordable.

The Barton development is an initiative to create a new neighbourhood and state-of-the-art community facilities to the west of Barton. The proposed site is between Barton and Northway and is intended to provide around 1,000 homes for Oxford residents.

The Council launched the selection process for a joint venture partner in November 2010 to help deliver the new neighbourhood at Barton. Over 20 bids were received from a mix of parties. On 23 September 2011, the Council entered into a joint venture with its preferred bidder, Grosvenor Developments Limited ('Grosvenor').

The Council has a 50% interest in the Company and shares profits and losses in accordance with a payment mechanism agreed between both parties. The Council received £0.5 million as a contribution to the costs of establishing the company in 2011/12 and transferred the land with a value of £0.8 million to the LLP on 31 October 2011. The land was subject to independent valuation and will be repaid with interest by January 2019.

As at 31 March 2012 the company had net liabilities of £8,363. 50% of these have been incorporated into the Council's Group Accounts. Net expenditure per the Group Comprehensive Income and Expenditure Statement is £228,844k.

Scope

This review will cover the following scope:

- A review of the Council's procurement process followed and compliance checks to ensure this was in line with Council procedures and recognised best practice;
 - A high level review of the contract between the Council and Grosvenor in order to comment on its value for money. This will include:
 - An assessment of the payment mechanism;
 - An assessment of the transfer of risk to Grosvenor and the management of residual risk;
 - A review of the Governance and reporting mechanism; and
 - A review of the external legal, financial and valuation advice received by the Council.
 - We will understand and, where appropriate and possible, validate the process followed to arrive at the assessment for the valuation of land transferred to the LLP;
 - We will understand the structure of the joint venture arrangement and identify any potential risks with the structure.
-

Limitations of scope

The scope of our work will be limited to those areas outlined above. This review is deemed as value enhancing within the Internal Audit plan. No consideration will be made of control design and operating effectiveness.

Our review will be performed in the context of the information provided to us. Where circumstances change the review outputs may no longer be applicable. In these situations, we accept no responsibility in respect of the advice given. Our deliverables are limited to those outlined within the scope above.

Our review of the contract is limited to a high level review of the contract. We will support our understanding of the areas of contract management outlined in the scope above, through interviews and discussions with relevant personnel and our knowledge and experience of contract management practices we have seen elsewhere. In making this assessment we may corroborate certain practices, however we will not be substantively validating or testing all of the information provided.

The scope of work includes a review of the external legal, financial and valuation advice received by the Council. Our work in this area will be limited to reviewing the different advice received and validating any data where appropriate and possible to do so. We will not perform any assessment of the quality of advice received or provide any advice of this nature.

Our review of the land valuation will constitute understanding and where appropriate, validating the process followed to arrive at the valuation of land. This will not involve any judgement or challenge of the land value agreed or recalculation of land value.

The services and deliverables are designed to assist you in considering the ongoing management of the Barton development however it is your decision whether or not to proceed with this execution.

The services do not include the provision of due diligence services and are not intended to form the basis of an investment decision by you.

Review approach

Our audit approach is as follows:

- Obtain an understanding of the Barton Development Project through discussions with key personnel, review of the contract and procurement documentation and other reports;
- Identify any risks relating to the project and overall governance structure;
- Corroborate key practices.

Internal audit team

Name	Role
Richard Bacon	Engagement Leader
Chris Dickens	Chief Internal Auditor
Charlotte Bilsland	Audit Manager

Key contacts

Name	Title	Role	Responsibilities
Jackie Yates	Executive Director – Organisational Development and Corporate Services	Audit Sponsor**	Review and approve terms of reference
David Edwards	Executive Director – Regeneration and Housing	Audit Contact	Review draft report
Steve Sprason	Head of Corporate Assets	Audit Contact	Review final report
Jane Winfield	Major Projects and Disposals Manager	Audit Contact	Hold initial scoping meeting Review and meet to discuss issues arising and develop management responses and action plan

Other Roles and Responsibilities

Name	Title	Responsibilities
Nigel Kennedy	Head of Finance	Receive agreed terms of reference
Peter Sloman	Chief Executive	Receive draft and final reports Receive final report

*The audit sponsor should respond by email to the audit manager to confirm agreement with these Terms of Reference. By agreeing to the document, the responsible manager is confirming the following:

- Appropriateness of scope and any limitation;
- 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; and
- Agreement with the timetable of reporting within the document and the audit reporting protocol within the Annual Audit plan.

Timetable

Fieldwork start	w/c 08/10/2012
Fieldwork completed	31/10/2012
Clearance Meeting	w/c 05/11/2012
Draft report to client	w/c 05/11/2012
Response from client	w/c 12/11/12012
Final report to client	w/c 19/11/2012

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; and
- 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 Barton Development Project is 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 Barton Project is for the 2012/13 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

Key Financial Systems Report

FINAL

Internal Audit Report
2012/2013
January 2013

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pwc

Agenda Item 6

Contents

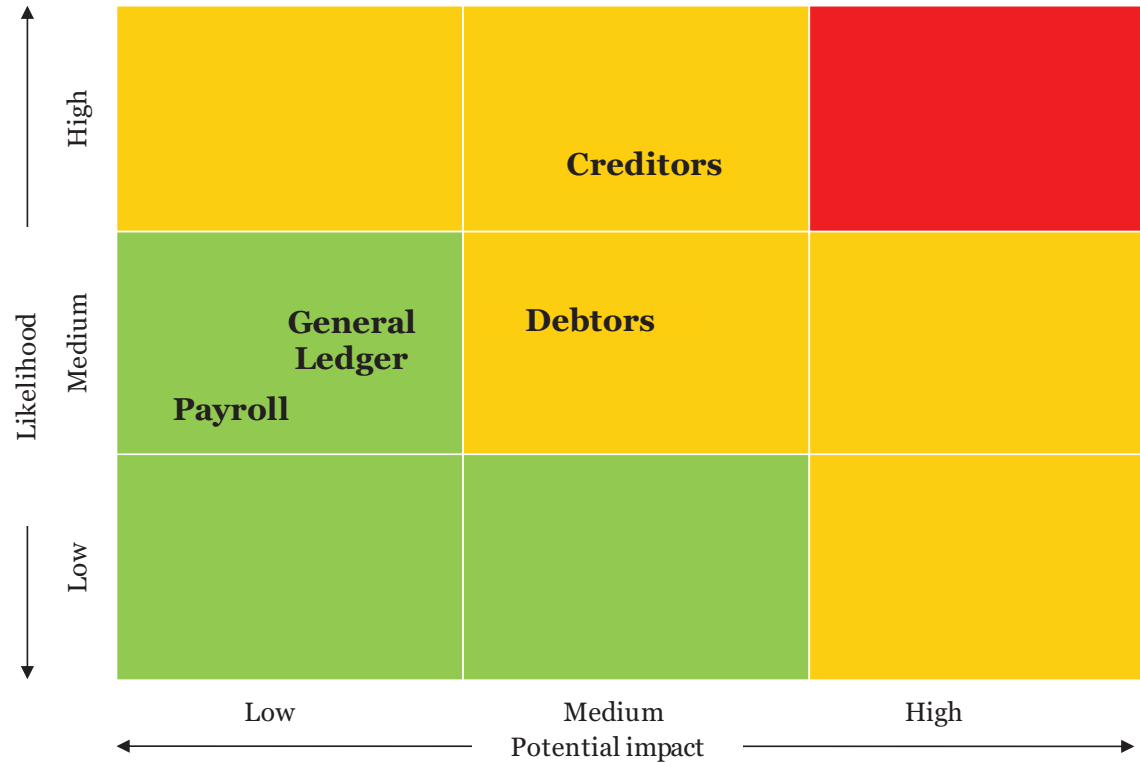
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42 Distribution List

For action	Anna Winship (Financial Accounting Manager) Pete Johnson (Revenues Manager) Andrew Woodward (Interim Revenues Manager) Denise Sheppard (Payments Team Leader) Nicki Peirce (Income Team Leader) Sean Hoskin (Systems and Reward Manager)
For information	Simon Howick (Head of Human Resources and Facilities) Nigel Kennedy (Head of Finance) Jackie Yates (Executive Director – Organisational Development & Corporate Services) Peter Sloman (Chief Executive)



1. Executive summary

Risks Heat Map – Financial Systems





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Creditors

Report classification	Trend	Total number of findings					
 Medium risk (9 points)	 Performance in this area has improved since the last review performed.		Critical	High	Medium	Low	Advisory
		Control design	0	0	0	0	0
		Operating effectiveness	0	0	2	3	0
		Total	0	0	2	3	0



Creditors performance has significantly improved since the 2011/12 audit. No control design issues were noted this year but the Council need to ensure they adhere to processes in place to ensure these controls operate effectively. The implementation of P2P should ensure that the majority of these issues are addressed (authorisation, date stamping, raising of POs and documenting goods receipt checks) however the findings noted will remain risks for any invoices processed outside of the P2P process.

Debtors

Report classification	Trend	Total number of findings					
 Medium risk (7 points)	 Performance in this area has reduced since the last review performed.		Critical	High	Medium	Low	Advisory
		Control design	0	0	0	1	0
		Operating effectiveness	0	0	2	0	0
		Total	0	0	2	1	0



The overall control environment within the Debtors function is strong - the issues identified largely relate to non-compliance by other departments across the organisation. For example, authorisation of sales orders and timeliness of invoice processing. The Debtors function should ensure departments are reminded of their responsibility to comply with these procedures to maintain good performance.

General Ledger

<p>Report classification</p> <p style="text-align: center;"></p> <p style="text-align: center;">Low risk (4 points)</p>	<p>Trend</p> <p style="text-align: center;"></p> <p>Performance in this area has improved since the last review performed.</p>	<p>Total number of findings</p> <table border="1"> <thead> <tr> <th></th> <th style="background-color: red; color: white;">Critical</th> <th style="background-color: orange;">High</th> <th style="background-color: yellow;">Medium</th> <th style="background-color: green;">Low</th> <th style="background-color: pink;">Advisory</th> </tr> </thead> <tbody> <tr> <td>Control design</td> <td style="text-align: center;">0</td> <td style="text-align: center;">0</td> <td style="text-align: center;">0</td> <td style="text-align: center;">0</td> <td style="text-align: center;">0</td> </tr> <tr> <td>Operating effectiveness</td> <td style="text-align: center;">0</td> <td style="text-align: center;">0</td> <td style="text-align: center;">1</td> <td style="text-align: center;">1</td> <td style="text-align: center;">0</td> </tr> <tr> <td>Total</td> <td style="text-align: center;">0</td> <td style="text-align: center;">0</td> <td style="text-align: center;">1</td> <td style="text-align: center;">1</td> <td style="text-align: center;">0</td> </tr> </tbody> </table>		Critical	High	Medium	Low	Advisory	Control design	0	0	0	0	0	Operating effectiveness	0	0	1	1	0	Total	0	0	1	1	0
	Critical	High	Medium	Low	Advisory																					
Control design	0	0	0	0	0																					
Operating effectiveness	0	0	1	1	0																					
Total	0	0	1	1	0																					

The Council has continued to improve controls relating to general ledger processing. No control design issues were noted this year and only one medium risk issue has been identified relating to the authorisation of journals. One low risk issue has been raised regarding timely performance of reconciliations.

Payroll

<p>Report classification</p> <p style="text-align: center;"></p> <p style="text-align: center;">Low risk (3 points)</p>	<p>Trend</p> <p style="text-align: center;"></p> <p>Performance in this area is comparable to the last review performed.</p>	<p>Total number of findings</p> <table border="1"> <thead> <tr> <th></th> <th style="background-color: red; color: white;">Critical</th> <th style="background-color: orange;">High</th> <th style="background-color: yellow;">Medium</th> <th style="background-color: green;">Low</th> <th style="background-color: pink;">Advisory</th> </tr> </thead> <tbody> <tr> <td>Control design</td> <td style="text-align: center;">0</td> <td style="text-align: center;">0</td> <td style="text-align: center;">0</td> <td style="text-align: center;">0</td> <td style="text-align: center;">0</td> </tr> <tr> <td>Operating effectiveness</td> <td style="text-align: center;">0</td> <td style="text-align: center;">0</td> <td style="text-align: center;">1</td> <td style="text-align: center;">0</td> <td style="text-align: center;">0</td> </tr> <tr> <td>Total</td> <td style="text-align: center;">0</td> <td style="text-align: center;">0</td> <td style="text-align: center;">1</td> <td style="text-align: center;">0</td> <td style="text-align: center;">0</td> </tr> </tbody> </table>		Critical	High	Medium	Low	Advisory	Control design	0	0	0	0	0	Operating effectiveness	0	0	1	0	0	Total	0	0	1	0	0
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Control design	0	0	0	0	0																					
Operating effectiveness	0	0	1	0	0																					
Total	0	0	1	0	0																					

Payroll performance continues to be strong. Only one issue has been noted: we identified one member of staff was paid for two months after their leave date, this was due to the leaver form not being forwarded to Payroll at the time the employee left; and, that one leaver had exceeded their annual leave entitlement and no adjusting calculation was made.

2. Background and scope

Background

The key financial system reviews have been undertaken as part of our value protection, cross-cutting audit work included within the 2012/13 Internal Audit Plan. Our report outlines findings from reviews of controls and processes in place relating to debtors, creditors, payroll and general ledger as at the time of our internal audit fieldwork (November 2012).

Scope and limitations of scope

We have reviewed the design and operating effectiveness of key controls in place relating to the four key financial systems during the period 2012/13. The scope was limited to the areas identified in the terms of reference s (Appendix 2).

3. Detailed current year findings

Creditors

1. Goods receipt checks – Operating Effectiveness

Finding

It is the responsibility of individual departments to ensure that the price and quality of goods received agree to original purchase orders raised. Goods receipt checks are evidenced on a creditor payment form which is completed by the department and sent to Finance to authorise payment. For Fleetplan, goods receipts checks are documented on the system against the order. The following issues were noted when testing invoices paid in year:

- 1/25 invoices did not have evidence of goods receipts checks being performed. This related to an Agresso invoice.

Risks

Goods received are inappropriate or incomplete.

Action plan

Finding rating

Agreed action

Responsible person / title

Low

The Agresso invoice is an isolated issue. Staff will be reminded of the need to complete creditor payment forms fully to evidence this check.

Andrew Woodward (Interim Revenues Manager)

Target date:

With immediate effect

2. Invoice receipt – Operating Effectiveness

Finding


The following exceptions were noted when testing 25 invoices paid during the year:

- 2/25 invoices were supported by a creditor payment form which had not been stamped by finance;
- 2/25 invoices had not been date stamped by the ordering department;
- Goods receipts checks are recorded on the Fleetplan system. We noted that 100% of Fleetplan invoices tested (8/25) had been stamped by the department. 7 stamps were incomplete. This is not consistent with Council procedures.

Risks

Lack of invoice stamps may make it difficult to monitor timeliness of invoice processing.

Action plan

Finding rating	Agreed action	Responsible person / title
Low 	<p>Creditor payment forms should be stamped. Procedures will be reiterated to the processing team to reduce exception levels.</p> <p>Non-compliance issues cause by ordering departments will be raised with relevant departments.</p> <p>Goods receipt checks for Fleetplan invoices should be completed on the system against the order. We have advised departments to stop using stamps. Staff will be reminded of this procedure.</p>	<p>Andrew Woodward (Interim Revenues Manager)</p> <hr/> <p>Target date:</p> <p>With immediate effect</p>

3. Authorisation– Operating Effectiveness

Finding

We noted the following exceptions relating to authorisation:

- 2/25 purchase orders had not been authorised;
- In 4/25 instances, we could not confirm is goods receipt checks had been approved by an appropriate member of staff as the signatory was not on the authorised signatory listing (ASL);
- 3/25 invoices had not been authorised appropriately: the creditor payment form had not been signed (Servitor invoices).

This meant we could not approve segregation of duties for these transactions.

Risks

Orders may be made incorrectly or inappropriately. This could mean the Council incurs unnecessary expenditure on goods / services which are not needed.

Action plan

<u>Finding rating</u>	<u>Agreed action</u>	<u>Responsible person / title</u>
Medium	<p>Procedures will be reiterated to the processing team to reduce exception levels.</p> <p>We do not have signatory listings for goods receipts checks, however the authorised signatory uses this to ensure they are happy for the invoice to be paid; they will ensure that they are satisfied that the member of staff can sign for the goods or service.</p> <p>Hard copy ASLs will be updated to ensure they are accurate and complete. A standard ASL is being introduced with the implementation of P2P which is due to go live in January.</p> <p>The implementation of P2P will also introduce segregation of duties within the creditors process.</p>	<p>Andrew Woodward (Interim Revenues Manager)</p> <p>Target date:</p> <p>31/01/2013</p>

4. Purchase Orders – Operating Effectiveness

Finding

The following exceptions were noted during testing of purchase orders:

- 2/25 invoices did not have a purchase order;
- 1 purchase order had been raised retrospectively after invoice receipt.

Risks

Orders may be made incorrectly or inappropriately. This could mean the Council incurs unnecessary expenditure on goods / services which are not needed.

Action plan

Finding rating	Agreed action	Responsible person / title
Medium 50	Procedures will be reiterated to the processing team to reduce exception levels. The implementation of P2P will require purchase orders to be raised unless it is on the specified purchase order exemption list.	Andrew Woodward (Interim Revenues Manager) Target date: With immediate effect

5. Investigation of differences – Operating Effectiveness

Finding		
The details on 2/25 invoices sample did not match the details on the purchase order. There was no supporting documentation to explain differences prior to authorisation.		
Risks		
Inadequate documentation means it is not possible to validate management decisions made and ensure that decisions were appropriate.		
Action plan		
Finding rating	Agreed action	Responsible person / title
Low	This should be documented. Staff will be reminded to document rationale for approval of differences so that an audit trail is maintained.	Andrew Woodward (Interim Revenues Manager)
51		Target date:
		With immediate effect

Debtors

1. Timely raising of invoices - Operating effectiveness

Finding

We tested a sample of 25 invoices and 15 credit notes to ensure these the Council's policies and procedures were being adhered to. Testing noted that:

- 3/25 invoice request forms tested were dated 2 months after the service had been provided;
- 3/25 invoice request forms took more than a week to be approved and passed onto the income department; and
- 1/25 invoices were raised over 5 working days after being received by the income department.

Risks

Debtors not finalised/chased in a timely fashion, and may lead to increasing number of write-offs.

Action plan

Finding rating	Agreed action	Responsible person / title
Medium	<p>The majority of these delays were caused by Departments not complying with procedures:</p> <ul style="list-style-type: none"> • Invoice request forms dated 2 months after service provided – 2/3 related to departmental delays. 1 of these was referred back to the department as there was a query and the other was caused by change in staff within the team. The third was caused by human error; • Invoice request forms taking more than a week to be approved and passed to income – delays were due to changes of staff during an individual's maternity leave; • Invoice raised over 5 working days after being received by income – this was raised by new staff member to cover for someone on long term sick. This individual was not on Agresso so we had to get authorisation to set them up causing the delay. <p>We will reissue guidance to all departments to remind them of the need to process invoices and credit notes on a timely basis so that we can achieve our target processing time of 5 working days.</p>	<p>Andrew Woodward (Interim Revenues Manager)</p> <p>Target date:</p> <p>With immediate effect</p>

2. Amendments to standing data report – Control Design

Finding		
Exception reports are not produced for amendments to standing data on a frequent basis.		
Risks		
Unauthorised or unusual amendments may not be identified and rectified as appropriate.		
Action plan		
Finding rating	Agreed action	Responsible person / title
Low	Use of amendment reports will continue to be investigated.	Andrew Woodward (Interim Revenues Manager)
		Target date:
		31/03/2013

3. Authorisation of sales invoices and credit notes– Operating Effectiveness

Finding		
<p>During testing of sales invoices and credit notes we identified:</p> <ul style="list-style-type: none"> • 1/25 sales invoices tested were raised and authorised by the same individual; • 1/15 credit notes had been authorised by someone who was not on the ASL. The Council are satisfied that this is appropriate to their job role; • We could not prove segregation of duties for 3/15 credit notes tested as the individual raising the credit note also authorised it or individual raising invoice could not be identified. 		
Risks		
Lack of appropriate authorisation and/or segregation of duties may mean transactions are initiated or processed incorrectly or by unauthorised personnel.		
Action plan		
Finding rating	Agreed action	Responsible person / title
Medium	<p>We will remind staff in departments of the need for segregation of duties between raising and authorisation of sales invoices and credit notes.</p> <p>The individual who was not on the ASL was omitted as this ASL had not been updated at the time of audit. We are comfortable that the authorisation of this credit note, by the individual was appropriate and relevant to their job responsibilities.</p> <p>We will review the hard copy ASLs and update them to include staff that are not listed and remind staff of the need to write legibly to prove authorisation is appropriate.</p>	<p>Andrew Woodward (Interim Revenues Manager)</p> <p>Target date:</p> <p>31/03/2013</p>

General Ledger

1. Journal processing - Operating effectiveness

Finding

Authority 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 input before they were authorised; and
- 1/25 journals has not been dated to document when it had been authorised.

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

<u>Finding rating</u>	<u>Agreed action</u>	<u>Responsible person / title</u>
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 (Financial Accounting Manager)
		<u>Target date:</u> 31/12/2012

2. Reconciliations – Operating Effectiveness

Finding

We reviewed a sample of reconciliations and noted:

- The Fixed Asset Register was reconciled to Uniform in Q1. However, it was not reconciled to Agresso during this period; a full reconciliation between all three systems (Agresso, Uniform and the Fixed Asset Register) was completed fully in Q2.

Risks

If reconciliations are not performed on a timely basis there is a risk that issues go un noticed. These may become more difficult to reconcile.

Action plan

Finding rating	Agreed action	Responsible person / title
5 LOW	<p>The initial delay in performing this reconciliation was because this was a new process. A reconciliation between the Fixed Asset Register, Uniform and Agresso was completed in Q2 and we will continue to do perform this on a quarterly basis.</p> <p>We will record the date that reconciliations have been prepared and reviewed to evidence timeliness.</p>	<p>Anna Winship (Financial Accounting Manager)</p> <p>Target date:</p> <p>With immediate effect</p>

Additional findings related to Human Resources

The following finding was identified as part of our Payroll review. They relate to Human Resources and thus have been excluded from the findings for the core financial systems:

1. Leavers processing – operating effectiveness

Finding		
<p>A leavers form must be completed for all officers leaving the Council. At this point, any salary or holiday owed to or by the individual are calculated. During testing of leavers processed in 12/13, we identified:</p> <ul style="list-style-type: none"> 1/20 officers tested had been paid for two months after their leave date. This was due to the leaver form not being forwarded to Payroll at the time the employee left; 1/20 officers had exceeded their annual leave entitlement and no adjusting calculation was made. 		
Risks		
Leavers are overpaid.		
Action plan		
Finding rating	Agreed action	Responsible person / title
Medium	<p>These issues have been investigated by the Payroll team:</p> <ul style="list-style-type: none"> The overpayment of one leaver was due to the relevant department failing to inform HR that they had left employment. We have now removed the employee from the Payroll and are recovering the overpayments; We have reviewed the holiday entitlement of the other employee and believe this to be an isolated error. We will take the necessary steps to recover any monies owed. <p>Going forward, staff will be reminded of the need to double check the salary and holiday owed, to or by individuals, and ensure that the correct units are used.</p>	<p>Sean Hoskin (Systems and Reward Manager)</p> <hr/> <p>Target date:</p> <p>31/12/2012</p>

4. Follow up of 2011/12 findings

Creditors

1. Goods receipts checks- Operating Effectiveness

Issue Noted		
<p>It is the responsibility of individual departments to ensure that the price and quality of goods received agree to original purchase orders raised. Goods receipt checks are evidenced on a creditor payment form which is completed by the department and sent to Finance to authorise payment. For Fleetplan, goods receipts checks are documented on the system against the order. The following issues were noted when testing 30 invoices paid in year:</p> <ul style="list-style-type: none"> • 8 Agresso invoices were not supported by a creditor payment form and there was no other evidence of goods receipts checks being performed; and • Evidence of goods receipt checks were not provided to audit for 3 Fleetplan transactions. 		
Original agreed action		
<p>A notification will be issued to departments reiterate the process in relation to goods receipting. Invoices will not be processed for payment if no creditor payment form is in place.</p>		
Status update		
<p>Not implemented. See issue #1 above.</p>		
Action plan		
Finding rating	Revised action	Responsible person / title
Medium	See issue #1 above for current year revised recommendation.	Andrew Woodward (Interim Revenues Manager)
		Revised target date:
		With immediate effect

2. ASL - Control design

Issue Noted

Responsibility for setting ASLs currently rests with individual departments and during review of the ASLs, it was noted 9/15 lists tested did not specify any limits for authorisation of purchase orders or invoices. In addition, 1/15 lists did not specify limits for purchase orders and 3/15 omitted invoices. In addition, testing of authorisation of a sample of 30 expenditure transactions in year identified that:

- Goods Received checks were signed by individuals not included on the ASL for 7 Agresso transactions;
- In 3 cases the authoriser of the purchase order was included on the ASL however there were not permitted to authorise purchase orders;
- 1 Agresso purchase order had not been authorised; and
- In 2 cases where differences occurred between the value of the order and invoice, there was no documentation to validate that this difference had been followed up. These were in relation to Fleetplan purchases.

Original agreed action

A standard ASL form is to be introduced with P2P. This will also allow for an automated authorisation workflow within Agresso.

Status update

Implemented. It was agreed that a standardised ASL would not be introduced as individual departments have different formats and different uses for their ASLs. However, a standardised ASL for transactions processed through the P2P system has been developed and will be used from January 2013 onwards.

Action plan

<u>Finding rating</u>	<u>Revised action</u>	<u>Responsible person / title</u>
Medium	N/A - Issue addressed, no further action required.	N/A
		<u>Revised target date:</u>
		N/A

3. Creation/amendments of creditors – Operating Effectiveness

Issue Noted		
A supplier amendment form must be completed for all changes in supplier information. This should be signed by the preparer, inputter and an independent reviewer. All amendments must be supported by a request from the supplier: <ul style="list-style-type: none"> 4/20 creditor amendments tested were not accompanied by supporting documentation from the supplier. 		
Original agreed action		
A notification will be issued to the creditors team to reiterate that creditor amendments should not be made without supporting documentation from the supplier		
Status update		
Implemented. Staff responsible for processing supplier amendments have been reminded not to process amendments without obtaining supporting documentation and will not process supplier amendment requests without acceptable backup documentation.		
Action plan		
Finding rating	Revised action	Responsible person / title
Low	N/A - Issue addressed, no further action required.	N/A
		Revised target date:
		N/A

4. Consistency of policies and procedures – Operating Effectiveness

Issue Noted		
Our work identified inconsistencies between departments in goods receipting and use of creditor payment forms. In addition, the policy on segregations of duties differs considerable between the creditor systems. Segregation of duties could not be confirmed for all Fleetplan invoices tested (10/30 transactions). This is because Fleetplan does not record who has authorised good received notes or invoices.		
Original agreed action		
Dedicated revenues manager is now in post and will be responsible for reviewing policies and procedures to ensure consistency across the different purchase order systems. Segregation of duties will be explicitly considered in this process.		
Status update		
Partially implemented. Policy and procedure notes have been formalised. This includes the Council's policy on segregation of duties. However, during testing we were unable to verify segregation of duties for some invoices sampled due to lack of documentation. See issue #3 above for revised recommendation.		
Action plan		
Finding rating	Revised action	Responsible person / title
Low	See issue #3 above for current year revised recommendation.	Andrew Woodward (Interim Revenues Manager)
		Revised target date:
		With immediate effect

5. Automated purchase order system and commitment accounting – Operating effectiveness

Issues Noted		
<p>There is currently no commitment accounting in place at the Authority as orders are placed manually within Agresso.</p> <p>12/30 transactions tested were not supported by a purchase order. 9 cases were in relation to Agresso purchases and 3 related to Fleetplan transactions where no evidence was provided to audit.</p> <p>As at September 2011 the Authority was not meeting its prompt payment targets (85.96% of invoices were being paid within 30 days against a target of 97%). Some issues have been noted with the quality of data in this area. In September 2011, 2.1% of invoices (45/2109) were stamped after being paid.</p>		
Original agreed action		
<p>Commitment accounting to be introduced through the P2P system. For Fleetplan and Servitor, journals showing open purchase orders will be processed each month to reflect commitments. Issues in relation to prompt payment are due to a number of grant payments set up at the start of the year. In these cases an estimated “date stamp” was used which has adversely affected performance. These will be reviewed for inclusion in the indicator going forward to ensure an accurate reflection of performance. Performance on prompt payment is due to Accepted on the BVPI.</p>		
Status update		
<p>Implemented. P2P is due to go live in January 2013. The Council processed 93.78% of invoices within 30 days in September 2012 and 96.15% of invoices within 30 days in October 2012. Although the target is still not being achieved, this is an improvement from the prior year where the Council achieved a rate of 85.96% (September 2012). These results are monitored on the Councils performance management system, Corvu, on a monthly basis where adverse performance is challenged which is deemed a suitable mechanism to ensure the Council continue to aim to achieve this target.</p>		
Action plan		
Finding rating	Revised action	Responsible person / title
Low	N/A - Issue addressed, no further action required.	N/A
		Revised target date:
		N/A

6. Invoice receipt – Operating Effectiveness

Issue raised		
<p>The following exceptions were noted when testing 30 invoices paid during the year:</p> <ul style="list-style-type: none"> • 8/30 Agresso invoices did not have a creditor payment form and there was no other evidence of stamps to show receipt by finance; • 11/30 invoices were supported by a creditor payment form which had not been stamped by finance; • 6/30 invoices had not been date stamped by the ordering department. 		
Original agreed action		
<p>A dedicated revenues manager is now in post to ensure consistency and compliance with procedures. Procedures will be reiterated to the processing team to reduce exception levels.</p>		
Status update		
<p>Not implemented. See issue #2 above.</p>		
Action plan		
Finding rating	Revised action	Responsible person / title
Medium	See issue #2 above for current year revised recommendation.	Andrew Woodward (Interim Revenues Manager)
		Revised target date:
		With immediate effect

Debtors

1. Debtors control account reconciliations – Operating effectiveness

Issue raised		
The debtors control account is reconciled to the General Ledger on a monthly basis. It is best practice for reconciliations to be performed and reviewed within one month of the period end. The July 2011 reconciliation was not prepared or reviewed until October 2011. This was due to close down commitments within the Finance department.		
Original agreed action		
All reconciliations will be updated and be performed on a monthly basis.		
Status update		
Implemented. All reconciliations are now up-to-date and being performed and reviewed on a monthly basis.		
Action plan		
Finding rating	Revised action	Responsible person / title
Low	N/A - Issue addressed, no further action required.	N/A
		Revised target date:
		N/A

2. Timely raising of invoices - Operating effectiveness

Issue raised		
<p>We tested a sample of 25 invoices and 18 credit notes to ensure these the Council's policies and procedures were being adhered too. Testing noted that:</p> <ul style="list-style-type: none"> • 7/25 invoice request forms tested were dated 2 months after the service had been provided; • 3/25 invoice request forms took more than a week to be approved and passed onto the income department; • 6/25 invoices were raised over one week after being received by the income department. The average delay across the sample was 5 days; • 3/18 credit note request forms were submitted to income over 1 week after approval; and 2/18 credit notes were not raised within a week of receipt by income. 		
Original agreed action		
<p>The Council has reissued guidance to all departments to remind them of the need to process invoices and credit notes on a timely basis. The Authority has a target date of 5 working days.</p>		
Status update		
<p>Not implemented. See issue #1 for current year revised recommendation.</p>		
Action plan		
Finding rating	Revised action	Responsible person / title
Medium	See issue #1 above for current year revised recommendation.	Andrew Woodward (Interim Revenues Manager)
		Revised target date:
		With immediate effect

3. Monitoring of standing data amendments - Control design

Issue raised		
Exception reports are not produced for amendments to standing data on a frequent basis. This should be mitigated through the invoice authorisation process, however, during testing it was noted that for 2/10 amendments tested there was no documentation to support the change being made.		
Original agreed action		
Use of amendment reports will be investigated as part of the Agresso health-check process which is currently underway.		
Status update		
Not implemented. Amendment reports have not been introduced.		
Action plan		
Finding rating	Revised action	Responsible person / title
Low	See issue #2 above for current year revised recommendation.	Andrew Woodward (Interim Revenues Manager)
		Revised target date:
		31/03/2013

General Ledger

1. Agresso User Access – Operating effectiveness

Issue raised		
<p>The Agresso system currently has over 250 users throughout the Authority. 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.		
Original agreed action		
<p>Current users will be reviewed and super users rationalised to ensure that appropriate access is held. A request will be sent to reduce all IT level access from super users within Finance.</p>		
Status update		
<p>Implemented. All leavers had access removed from the system and new starters were only set up at the appropriate approval.</p>		
Action plan		
Finding rating	Revised action	Responsible person / title
Low	N/A - Issue addressed, no further action required.	Anna Winship (Financial Accounting Manager)
		Revised target date:
		N/A

2. Journal Processing - Operating effectiveness

Issue raised		
<p>Authority 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:</p> <ul style="list-style-type: none"> • 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. 		
Original agreed action		
The policy on journals will be reiterated to officers. Quality review processes should be put in place by finance to ensure that sufficient documentation is provided for journals.		
Status update		
Not implemented. See issue #1 above for current year revised recommendation.		
Action plan		
Finding rating	Revised action	Responsible person / title
Medium	See issue #1 above for current year revised recommendation.	Anna Winship
		Revised target date:
		31/12/2012

3. Opening Balances - Control Design

Issue raised		
Opening balances are rolled forward on the ledger following completion of the statutory audit. This process is not authorised ahead of processing.		
Original agreed action		
The 10/11 open balances journal will be reviewed. As part of the Agresso health check, the Authority is reviewing the implementation of an automated roll forward process to reduce the risks in this area.		
Status update		
Implemented. Opening balances for 12/13 have correctly been carried forward.		
Action plan		
Finding rating	Revised action	Responsible person / title
Low	N/A - Issue addressed, no further action required.	Anna Winship (Financial Accounting Manager)
		Revised target date:
		N/A

4. Procedure Notes - Control Design

Issue raised		
It was noted from review that elements of the Agresso procedure notes have not been updated since 2004.		
Original agreed action		
A review of all procedure notes is being carried out centrally by the Authority. Updating of Agresso procedures will be covered as part of this process.		
Status update		
Implemented. We obtained procedure notes and confirmed that these have been reviewed in last 12 months.		
Action plan		
Finding rating	Revised action	Responsible person / title
Low	N/A - Issue addressed, no further action required.	Anna Winship (Financial Accounting Manager)
		Revised target date:
		N/A

5. Code Review - Control Design

Issue raised		
A complete review of all account codes has not yet been performed.		
Original agreed action		
The planned Agresso health-check will help to rationale and review the current chart of accounts. The outputs of this review will be considered.		
Status update		
Implemented.		
Action plan		
Finding rating	Revised action	Responsible person / title
Low	N/A - Issue addressed, no further action required.	Anna Winship (Financial Accounting Manager)
		Revised target date:
		N/A

Payroll

1. New user access – Operating effectiveness

Issue raised		
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.		
Original agreed action		
The process for new users will be reiterated to staff to ensure that a clear audit trail is in place		
Status update		
Implemented. No issues were noted were part of audit work.		
Action plan		
Finding rating	Revised action	Responsible person / title
Low	N/A - Issue addressed, no further action required.	Sean Hoskin (Systems and Reward Manager)
		Revised target date:
		N/A

2. Leavers - Operating effectiveness

Issue raised		
A leavers form must be completed for all officers leaving the Authority. At this point, any amounts owed to or by the individual are calculated. During testing of leavers processed in 11/12, it was noted that 1/20 officers had been under paid by the Authority. In this instance the individual was owed £1,363.91 by the Authority for 17 days holiday but had only been paid £123.88. This was due to the system using a payment hourly rate instead of daily pay.		
Original agreed action		
Staff will be reminded of the need to double check the amount owed to or by individuals and ensure that the correct unit has been used.		
Status update		
Not implemented. Staff have been reminded to double check calculations and the growing use of the self service holiday system is contributing to ensuring such issues do not recur. However, as part of audit fieldwork we identified one instance where a leaver had been paid after they terminated their employment and one instance where the leaver had overtaken their holiday entitlement. See issue #1.		
Action plan		
Finding rating	Revised action	Responsible person / title
Low	See current year revised recommendation at issue #1.	Sean Hoskin (Systems and Reward Manager)
		Revised target date:
		N/A

Appendix 1: Basis of our classifications

Individual finding ratings





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

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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 2: Terms of References

Oxford City Council

Terms of reference – Creditors/Debtors/General Ledger/Payroll

To: *Andrew Woodward, Interim Revenues Manager*
Pete Johnson, Revenues Manager
Anna Winship, Financial Accounting Manager
Sean Hoskin, Systems and Reward Manager
From: *Charlotte Bisland, Audit Manager*

This review is being undertaken as part of the 2012/13 internal audit plan approved by the Audit and Governance Committee.

Background

Creditors

Oxford City Council has a centralised creditors function which is overseen by a dedicated Revenues Manager. Creditor orders and payments are processed on the Council's general ledger system (Agresso). The total value of short term creditors in 2011/12 was £17,211k.

This review seeks to understand and evaluate key controls surrounding the creditors process with the objective of ensuring that creditors are processed on a timely and accurate basis and in accordance with government guidelines. The review will also follow up prior year findings to ensure that agreed action plans have been implemented.

Debtors

Oxford City Council's debtors function was centralised during 2011/12 and is overseen by Revenues Manager located within Finance. Invoices are processed on the Council's general ledger system (Agresso). The total value of long term and short term debtors in 2011/12 were £23,368k and £14,831k respectively. The majority of the short term debtors balance relates to income owed from other entities and individuals (53%). The remaining balance is attributable to other local authorities (23%) and central government bodies (24%).

This review seeks to understand and evaluate key controls surrounding the debtors process. The review will also follow up prior year findings to ensure that agreed action plans have been implemented.

General Ledger

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.

Payroll

Oxford City Council has an internal payroll team which administers payroll through use of the Midlands i-Trent system. Per the Council's 2012/13 Budget Book, general fund service expenditure for total staffing costs (including NI and pension) are £44,351,455.

This review seeks to understand and evaluate key controls surrounding the payroll process with the objective of ensuring that payments are made to bona fide employees of the Council in accordance with contractual arrangements and that all amounts are accurately reflected in the accounts of the Council. 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 External Audit relating to creditors 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
Creditors	
Purchase order authorisation	<ul style="list-style-type: none"> The Council does not make or commit to make payments for goods or services which have not been approved by an appropriate officer.
Invoicing process	<ul style="list-style-type: none"> Invoices are matched to purchase orders and authorised by an appropriate officer prior to payment. Evidence of receipt of goods is obtained prior to payment.
Goods receipts checks	<ul style="list-style-type: none"> Evidence of receipt of goods is obtained prior to payment.
Reconciliations (Control accounts)	<ul style="list-style-type: none"> All transactions are recorded on the financial systems completely and accurately. Reconciling items are resolved on a timely basis.
Follow up of prior year issues	<ul style="list-style-type: none"> Agreed action plans regarding prior year issues have been implemented.
Debtors	
Authorisation of sales invoices	<ul style="list-style-type: none"> Only authorised debts are raised.
Reconciliations	<ul style="list-style-type: none"> All transactions are recorded on financial systems completely and accurately. Reconciling items are resolved on a timely basis.
Separation of duties	<ul style="list-style-type: none"> Adequate separation of duties is in place for the authorisation of orders, invoices and receipts.
Follow up of prior year issues	<ul style="list-style-type: none"> Agreed action plans regarding prior year issues have been implemented.
General Ledger	
Journals	<ul style="list-style-type: none"> Journals are input to the ledger in a complete, accurate and timely fashion following appropriate authorisation.
Feeder systems and control account reconciliations	<ul style="list-style-type: none"> Information is interfaced on a timely basis from supporting systems and checks are performed to ensure the completeness of this process.
General Ledger access	<ul style="list-style-type: none"> The system is protected against unauthorised access/processing and is secure against loss or damage of data.
Suspense Accounts	<ul style="list-style-type: none"> Suspense accounts are cleared regularly.
Opening Balances	<ul style="list-style-type: none"> Opening balances are brought forward accurately and completely.
Follow up of prior year issues	<ul style="list-style-type: none"> Agreed action plans regarding prior year issues have been implemented.
Payroll	
Management Information	<ul style="list-style-type: none"> Exception reports are completed to highlight issues occurring in the payroll process. Information on the performance of the payroll function is reported to those charged with governance.
Reconciliation to the general ledger	<ul style="list-style-type: none"> Information transferred from the payroll system to the main accounting system is complete and accurate.
Expenses	<ul style="list-style-type: none"> Expenses claims are supported by relevant documentation and approved in line with Council procedures.
Follow up of prior year issues	<ul style="list-style-type: none"> Agreed action plans regarding prior year issues have been implemented.

Limitations of scope

Creditors

The scope of our work will be limited to those areas outlined above. We will not examine the infrastructure of the creditors system as part of this work. Only those key controls identified by External Audit will be tested for operating effectiveness. This review will not cover the Council's procurement processes.

Debtors

The scope of our work will be limited to those areas outlined above. We will not examine the infrastructure of the debtors system as part of this work. Only those key controls identified by External Audit will be tested for operating effectiveness.

General Ledger

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.

Payroll

The scope of our work will be limited to those areas outlined above. We will not consider the infrastructure of the payroll IT system as part of this review over and above appropriate access. This review will not consider the appropriateness of Human Resources policies and procedures.

Audit approach

Our audit approach is as follows:

- Obtain an understanding of creditors, debtors, general ledger and payroll through discussions with key personnel, review of systems documentation and walkthrough tests;
- Identify the key risks relating to creditors, debtors, general ledger and payroll;
- 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	Review
Richard Bacon	Engagement Leader	Creditors/Debtors/General Ledger/Payroll
Chris Dickens	Chief Internal Auditor	Creditors/Debtors/General Ledger/Payroll
Charlotte Bilsland	Audit Manager	Creditors/Debtors/General Ledger/Payroll
Mohammad Malik	Team Member	Creditors/Debtors
Anjim Shahbaz	Team Member	General Ledger/Payroll

Key contacts – Oxford City Council

Creditors /Debtors

Name	Title	Role	Responsibilities
Andrew Woodward	Interim Revenues 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

General Ledger

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

Payroll

Name	Title	Role	Responsibilities
Simon Howick	Head of People and Equalities	Audit Sponsor*	Review and approve terms of reference
Sean Hoskin	Systems and Reward Manager	Audit Contact	Review draft report
Anna Winship	Financial Accounting Manager	Audit Contact	Review final report Hold initial scoping meeting Review and meet to discuss issues arising and develop management responses and action plan

*The audit sponsor should respond by email to the audit manager to confirm agreement with these Terms of Reference. By agreeing to the document, the responsible manager is confirming the following:

- Appropriateness of scope and any limitation;
- 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; and
- Agreement with the timetable of reporting within the document and the audit reporting protocol within the Annual Audit plan.

Other Roles and Responsibilities – Oxford City Council

Name	Title	Responsibilities
Nigel Kennedy	Head of Finance	Receive agreed terms of reference
Pete Johnson	Revenues Manager	Receive draft and final reports
Jackie Yates	Executive Director – Organisational Development and Corporate Services	Receive final report
Peter Sloman	Chief Executive	Receive final report

Timetable

Fieldwork start	12/11/2012
Fieldwork completed	16/11/2012
Clearance Meeting	w/c 19/11/2012
Draft report to client	w/c 03/12/2012
Response from client	w/c 10/12/12012
Final report to client	w/c 17/12/2012

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 3: Limitations and responsibilities

Limitations inherent to the internal auditor's work

We have undertaken the review of Key Financial Systems, 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 Key Financial Systems review is for the 2012/13 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

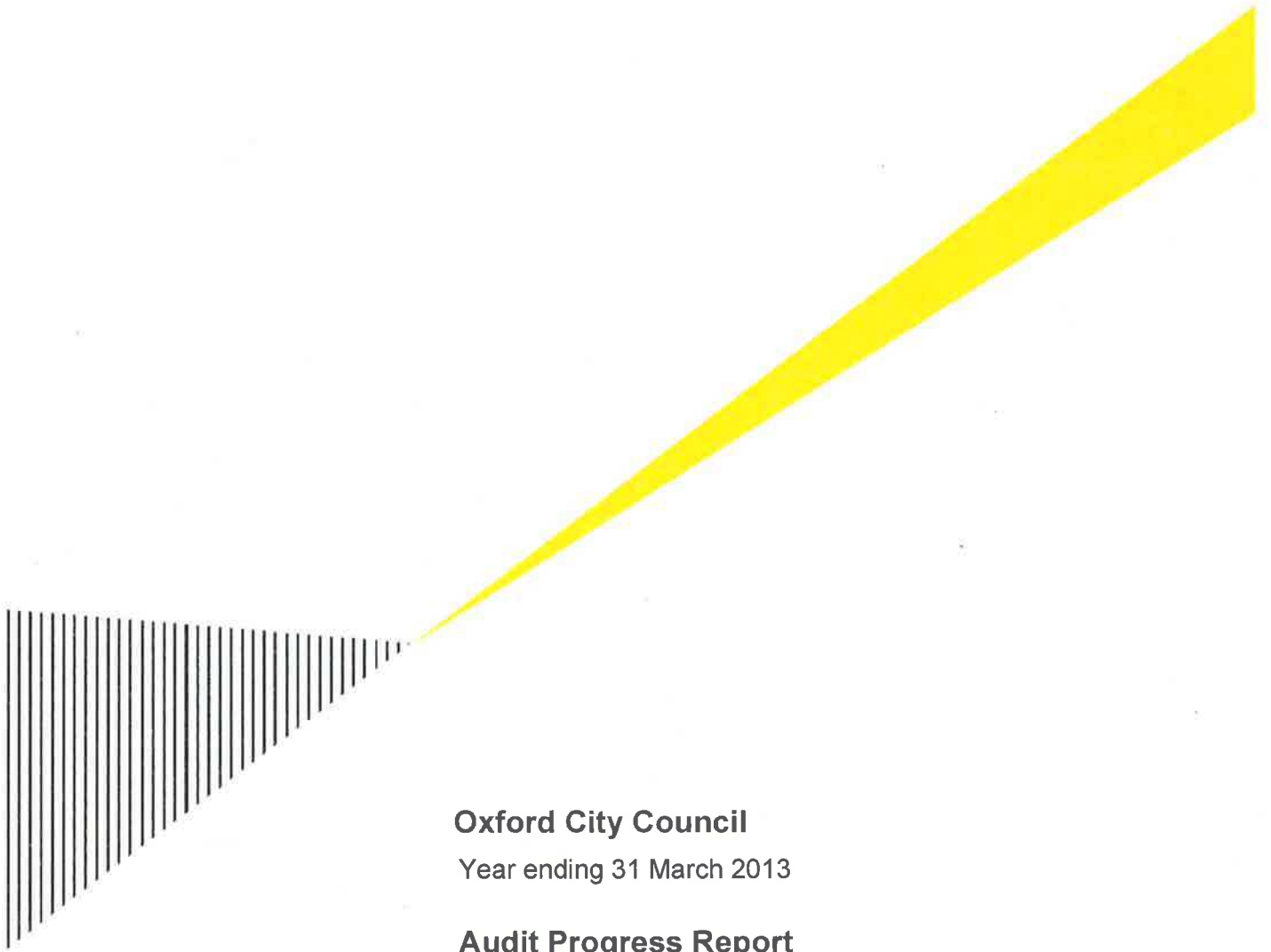
It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation 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
Year ending 31 March 2013
Audit Progress Report

14 February 2013

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

14 February 2013

Dear Councillors

Audit Progress Report - 2012/13

We are pleased to attach our Audit Progress Report.

This Progress Report summarises the work we have undertaken to date since our appointment as your auditor on 1 September 2012. The purpose of this report is to provide the Audit and Governance Committee with an overview of the stage we have reached in your 2012/13 audit and ensure our audit is aligned with the Committee's service expectations.

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

We have issued our Audit Plan to this Audit and Governance Committee. We have completed some of our walk throughs and have continued to update our risk assessment. There are no new issues that we are required to communicate to you as a result of this work.

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

Yours faithfully

Maria Grindley
Director
For and behalf of Ernst & Young LLP
Enc

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1. Work completed

Meetings

We have held a number of meetings with key officers as part of our ongoing audit process, including:

- An introductory meeting with the Director of Organisation Development and Corporate Services to outline on our audit approach.
- Regular meetings with key finance staff to discuss significant risks around the accounts, and updates on our work
- Regular meetings with the Director of Organisation Development and Corporate Services and Senior Finance Officers to discuss the significant risks faced by the Council.

Walk throughs and tests of control

We have begun our walk throughs and have reviewed the work of internal audit where completed and appropriate. To date our work has not identified any issues that we need to bring to your attention as those charged with governance.

Value for money assessment

We are completing our initial risk assessment for our value for money work in line with the Audit Commission's specified criteria and areas of focus. Once we have completed our assessment we will communicate to you any specific risks identified and any additional local risk-based work we may need to undertake as a result.

Grant claim certification

We have not yet started any work on the certification of your claims. We plan to start the audit of your housing benefit claim in June and your NNDR claim in August.

2. Timetable

Audit and Governance Committee Timeline

We have set out below a timetable showing the key stages of the audit, including the value for money work and the whole of government accounts, and the deliverables we have agreed to provide to you through the 2012/13 Audit and Governance Committee cycle.

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

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

Audit phase	Timetable	Deliverables
High level planning:	December	Fee Letter
Risk assessment and setting of scopes	December/ January	
Testing of routine processes and controls	February/April	Audit Plan Progress Report (if required)
Value for money conclusion	February/April	
Year-end audit	July – September	Report to those charged with governance Audit report (including our opinion on the financial statements and a conclusion as to whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources). Audit completion certificate Whole of Government Accounts Certification
Reporting	October	Annual Audit Letter
Grant claims	December	Report on the audit of grant claims

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

Planning discussions

We concluded our planning discussions during January 2013. We have shared our draft 2012/13 Audit Plan with the Director of Organisation Development and Corporate Services and will bring our 2012/13 Audit Plan to the Audit and Governance Committee in February 2013. We will continue to update our planning throughout the course of our audit process.

Group audit instructions to functional body auditors

Once we have concluded the initial planning discussions with the group auditors of Barton LLP, we will issue Group Audit Instructions to ensure the efficient co-ordination of the audit across the group. We plan to issue these instructions by the end of March 2013.

Appendix 1: Audit Progress

Progress against key deliverables

Key deliverable	Timetable in plan	Status	Comments
Fee Letter	January 2013	Completed	Reported to TCWG February 2013
Audit Plan	January / February 2013	Completed	Reported to TCWG February 2013
Report to Those Charged with Governance	September 2013	not due	
Audit Report (including opinion and vfm conclusion)	September 2013	not due	
Audit Certificate	September 2013	not due	
WGA Certificate	October 2013	not due	
Annual Audit Letter	October 2013	not due	
Report on the Audit of Grant Claims	December 2013	not due	

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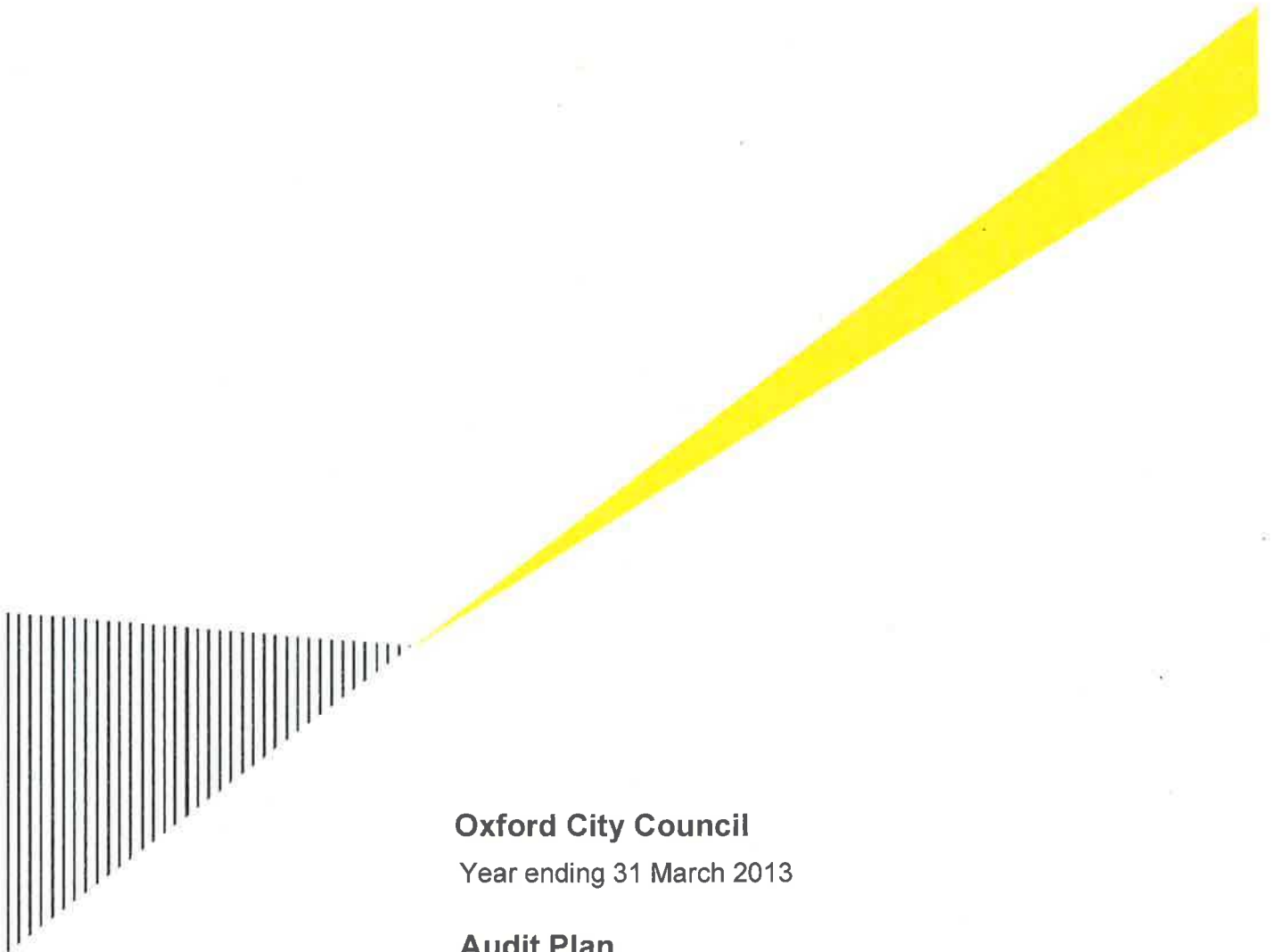
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Oxford City Council
Year ending 31 March 2013

Audit Plan

14 February 2013

Audit & Governance Committee
Oxford City Council
Town Hall Offices
Oxford
OX1 1BX

14 February 2013

Dear Councillors

Audit Plan

We are pleased to attach our Audit Plan which sets out how we intend to carry out our responsibilities as auditor. The purpose of this report is to provide the Audit & Governance Committee with a basis to review our proposed audit approach and scope for the 2013 audit, in accordance with the requirements of the Audit Commission Act 1998, the Code of Audit Practice, the Standing Guidance, auditing standards and other professional requirements, but also to ensure that our audit is aligned with the Committee's service expectations.

This report summarises our assessment of the key risks which drive the development of an effective audit for Oxford City Council, and outlines our planned audit strategy in response to those risks.

We welcome the opportunity to discuss this report with you on 28 February 2013 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Maria Grindley
For and behalf of Ernst & Young LLP
Enc

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1. Overview

Context for the audit

This audit plan covers the work that we plan to perform in order to provide you with:

- ▶ Our audit opinion on whether the financial statements of Oxford City Council give a true and fair view of the financial position as at 31 March 2013 and of the income and expenditure for the year then ended; and
- ▶ A statutory conclusion on the Council's arrangements to secure economy, efficiency and effectiveness.

We will also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on your Whole of Government Accounts return.

When planning the audit we take into account several key inputs:

- ▶ Strategic, operational and financial risks relevant to the financial statements;
- ▶ Developments in financial reporting and auditing standards;
- ▶ The quality of systems and processes;
- ▶ Changes in the business and regulatory environment; and
- ▶ Management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter. This means our feedback is more likely to be relevant to the Council.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

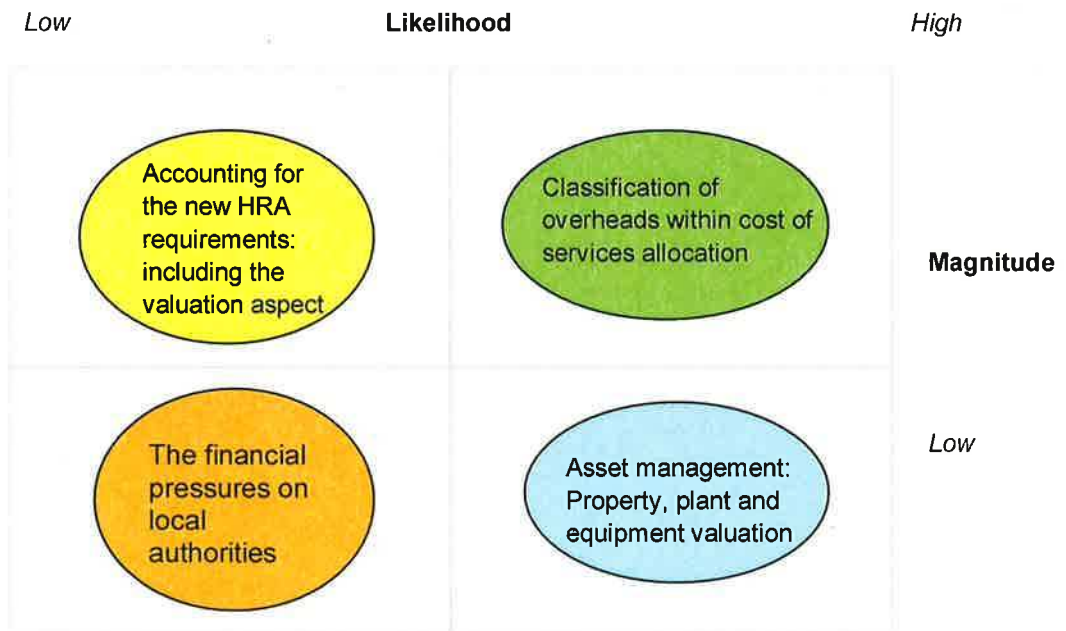
A change in the 2012/13 Code of Practice results from the Localism Act of 2011: the subsidy method of financing the Housing Revenue Account (HRA) is replaced with a system of self-financing. From 2012/13 authorities will no longer receive housing subsidy or Major Repairs Allowance (MRA) income. Instead they will be expected to fund all HRA revenue and capital expenditure from existing resources. In other words revenue expenditure will be funded principally from rental income, and capital expenditure principally from debt finance.





There will be transitional arrangements to cover the next five years. We will need to consider whether the Council has complied with the Code requirements for accounting for the HRA and that depreciation and impairment charges are not understated.

In part 2 and 3 of this report we provide more detail on the areas which we believe present significant risk to the financial statements audit, and outline our plans to address them.

As part of our planning we have identified three specific risks to the audit of financial statements and for the value for money conclusion we will consider the impact of the financial pressure on financial resilience and use of resources:

1. Asset management, valuations and leases: this is an area which caused problems during the 2011/12 Audit Commission audit and extra work was necessary. These were reported to the Audit & Governance Committee in the Annual Governance Report (AGR).
2. Apportionment of overheads to services: again there were errors in the statements and extra work was necessary. This was also reported to the Committee during the 2011/12 audit in the AGR.
3. Getting the changes in accounting for the Housing Revenue right, as this is a new requirement.
4. The current financial pressures on local authorities and the impact and necessity for continuous focus on financial resilience and use of resources.



-  Presentation and Disclosure
-  Judgements
-  Valuation
-  Value for money risk

We will provide an update to the Audit & Governance Committee on the results of our work in these areas in our report to those charged with governance scheduled for delivery in September 2013.

Our process and strategy

Financial Statement Audit

We will apply the concept of materiality in planning and performing our audit, in evaluating the effect of any identified misstatements and in forming our opinion. We set our materiality based on the Council's level of gross expenditure. We also consider the size of useable reserves, the Council's financial position, its public profile and the reporting and challenge history. Our audit is designed to identify errors above materiality.

- ▶ We aim to rely on the Council's internal controls in the key financial systems to the fullest extent allowed by auditing standards. We identify the controls we consider important and seek to place reliance on internal audit's testing of those controls. Where control failures are identified we consider the most appropriate steps to take.
- ▶ We seek to place reliance on the work of internal audit wherever possible. We have already liaised with Internal Audit and have commenced our review and re-performance of their work.
- ▶ The key members of our audit team are Maria Grindley, Director; Alan Witty, Manager; and Susan Whipp, Team Leader
- ▶ There is a change to the scope of our audit arising from changes to the Code of Practice in accounting for the Housing Revenue Account from 2012/13. We will need to consider whether the Council has complied with the Code requirements for accounting for the HRA and that depreciation and impairment charges are not understated.

Arrangements for securing Economy, Efficiency and Effectiveness

We adopt an integrated audit approach: our work on the financial statement audit feeds into our consideration of the arrangements in place for securing economy, efficiency and effectiveness.

We have not identified any specific risk areas which require us to undertake additional work to address them.

2. Financial Statement Risks

We outline below our assessment of the key strategic or operational risks and the financial statement risks facing the Council, identified through our knowledge of the entity's operations and discussion with members and officers.

At our meeting, we will seek to validate these with you.

Significant risks (including fraud risks)	Our audit approach
<p>Asset Management</p> <p>The asset register is maintained on an Excel spreadsheet rather than a tailored IT package. Problems were found last year with the valuations of certain classes of assets, e.g. surplus assets.</p>	<p>Our approach will focus on:</p> <ul style="list-style-type: none"> ▶ Reviewing the work of Internal Audit ▶ Testing the integrity of the spreadsheet ▶ Substantively agreeing values back to the valuer's reports ▶ Substantively reviewing the valuation bases used.
<p>Accounting for the new HRA requirements</p> <p>The guidance needs to be followed to ensure the Council is able to deliver the new processes and procedures.</p>	<p>Our approach will focus on:</p> <ul style="list-style-type: none"> ▶ Reviewing the Council's approach against the requirements.
<p>Apportionment of overheads</p> <p>Errors were found last year in the apportionment of overheads to service areas</p>	<p>Our approach will focus on:</p> <ul style="list-style-type: none"> ▶ Substantively testing a sample of overheads.
<p>Risk of misstatement due to fraud and error</p> <p>Management has the primary responsibility to prevent and detect fraud. It is important that management, with the oversight of those charged with governance, has a culture of ethical behaviour and a strong control environment that both deters and prevents fraud. Our responsibility is to plan and perform audits to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatements, whether caused by error or fraud. As auditors, we approach each engagement with a questioning mind that accepts the possibility that a material misstatement due to fraud could occur, and design the appropriate procedures to consider such a risk.</p>	<p>Based on the requirements of auditing standards our approach will focus on:</p> <ul style="list-style-type: none"> ▶ Identifying fraud risks during the planning stages. ▶ Inquiry of management about risks of fraud and the controls put in place to address those risks. ▶ Understanding the oversight given by those charged with governance of management's processes over fraud. ▶ Consideration of the effectiveness of management's controls designed to address the risk of fraud. ▶ Determining an appropriate strategy to address those identified risks of fraud. ▶ Performing mandatory procedures regardless of specifically identified fraud risks. <p>We will consider the results of the National Fraud Initiative and may refer to it in our reporting to you.</p> <ul style="list-style-type: none"> ▶ Our approach to address the risks of fraud we have identified at this stage of our planning will focus on: ▶ reviewing the year-end position against in-year financial forecasts; ▶ reviewing the reasonableness and completeness of prepayments, accruals and provisions; ▶ testing material adjustments made by journals; and ▶ reviewing transactions both before and after year-end to ensure they are correctly disclosed in the correct financial period

3. Economy, Efficiency & Effectiveness

Our work will focus on:

1. Whether there are proper arrangements in place for securing financial resilience at Oxford City Council; and
2. Whether there are proper arrangements in place at Oxford City Council to secure economy, efficiency and effectiveness in the use of resources.

The table below provides a high-level summary of our risk assessment and our proposed response to those risks. At this stage of our audit we have not identified any significant risks. We acknowledge the Council operates in a context of increasing financial pressure.

Other risks		Our audit approach
Changes to arrangements for council tax support and business rates		
<p>From April 2013, there will be changes to the arrangements for both Local Council Tax Support and business rates. These changes represent a significant change for the Council and bring both financial and reputational risks.</p>	<p>Economy, efficiency and effectiveness</p> <p>Financial resilience</p>	<p>Our approach will focus on:</p> <ul style="list-style-type: none"> ▶ How the Council has planned for and managed these changes. ▶ How the Council has assessed the likely impact of the changes on its financial position and built these into its future financial projections and budget.
HRA financing		
<p>HRA self determination took effect in late 2011/12, however 2012/13 is the first year where the Council will need to consider a number of new key arrangements including:</p> <ul style="list-style-type: none"> ▶ Loan Debt – How is the Council planning on repaying the loan debt? ▶ Planning assumptions – Are the original budget planning assumptions still appropriate? 	<p>Financial resilience</p>	<p>Our approach will focus on:</p> <ul style="list-style-type: none"> ▶ Reviewing the planning assumptions and repayment of debt profile as part of our value for money conclusion work.

4. Our audit process and strategy

4.1 Objective and scope of our audit

Under the Audit Commission's Code of Audit Practice ('the Code'), dated March 2010, our principal objectives are to review and report on, to the extent required by the relevant legislation and the requirements of the Code, the Council's:

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

We issue a two-part audit report covering both of these objectives.

i) Financial Statement Audit

Our objective is to form an opinion on the financial statements under International Standards on Auditing (UK and Ireland).

We will also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on your Whole of Government Accounts return

ii) Arrangements for securing economy, efficiency and effectiveness

The Code sets out our responsibility to satisfy ourselves that the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. In arriving at our conclusion, to the fullest extent possible we will place reliance on the reported results of the work of other statutory inspectorates in relation to corporate or service performance. In examining the Council's corporate performance management and financial management arrangements we have regard to the following criteria and areas of focus specified by the Audit Commission:

- ▶ Arrangements for securing financial resilience – whether the Council has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future; and
- ▶ Arrangements for securing economy, efficiency and effectiveness – whether the Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

4.2 Audit process overview

Our audit involves:

- ▶ assessing the key internal controls in place and testing the operation of these controls;
- ▶ review and re-performance of the work of your internal auditors;
- ▶ reliance on the work of other auditors where appropriate;
- ▶ reliance on the work of experts in relation to areas such as pensions and valuations; and
- ▶ substantive tests of detail of transactions and amounts.

Processes

Our initial assessment of the key processes across the entity has identified the following key processes where we will seek to test key controls, both manual and IT:

- Accounts receivable
- Procure to pay
- Council tax
- Cash processing and bank
- Housing and Council Tax Benefits
- Payroll
- Car park income

We propose to take a substantive approach to the following areas on the grounds of efficiency: housing rents, business rates, pensions, and journals.

Analytics

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular for payroll, cash payments and receipts and journal entries. These tools:

- help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and
- give greater likelihood of identifying errors than random sampling techniques.

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Audit & Governance Committee.

Internal audit

As in previous years, we will review internal audit plans and the results of their work. We will reflect the findings from these reports - together with reports from other work completed in the year - in our detailed audit plan, which raises issues that could have an impact on the year-end financial statements.

Use of experts

We will use specialist Ernst & Young resource as necessary to help us to form a view on judgments made in the financial statements.

In addition to the key areas of emphasis outlined above, we must perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline the procedures we will undertake during the course of our audit.

Mandatory procedures required by auditing standards on:

- ▶ Addressing the risk of fraud and error.
- ▶ Significant disclosures included in the financial statements.
- ▶ Entity-wide controls.

- ▶ Reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements.
- ▶ Auditor independence.

Procedures required by the Code

- ▶ Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance Statement and the Remuneration Report.
- ▶ Reviewing and reporting on the Whole of Government accounts return, in line with the instructions issued by the NAO.
- ▶ Reviewing, and where appropriate, examining evidence that is relevant to the Council's corporate performance management and financial management arrangements and reporting on these arrangements.

4.3 Materiality

For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all of the circumstances that may ultimately influence our judgement about materiality. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.

ISA (UK & Ireland) 450 (revised) requires us to record all misstatements identified except those that are "clearly trivial". We intend to treat misstatements less than £200,000 as clearly trivial. All uncorrected misstatements found above this amount will be presented to you in our year-end report.

4.4 Fees

The Audit Commission has published a scale fee for all authorities. The scale fee is defined as the fee required by auditors to meet statutory responsibilities under the Audit Commission Act in accordance with the Code of Audit Practice 2010. The indicative fee scale for the audit of the Council is £114,000.

4.5 Your audit team

The engagement team is led by Maria Grindley, who has significant experience on Oxford City Council. Maria is supported by Alan Witty who is responsible for the day-to-day direction of audit work, and who is the key point of contact for the Head of Finance.

4.6 Timetable of communication, deliverables and insights

We have set out below a timetable showing the key stages of the audit, including the value for money work and the whole of government accounts; and the deliverables we have agreed to provide to you through the Audit & Governance Committee cycle in 2013. These dates are determined to ensure our alignment with the Audit Commission's rolling calendar of deadlines.

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

Following the conclusion of our audit we will prepare a management letter in order to communicate to the Council and external stakeholders, including members of the public, the key issues arising from our work.

Audit phase	Timetable	Audit & Governance Committee timetable	Deliverables
High level planning	December		Audit Fee letter
Risk assessment and setting of scopes	December/January	Audit & Governance Committee	
Testing of routine processes and controls	February/April		Audit Plan Progress Report
Value for money conclusion	February/April		
Year-end audit including WGA	July – September	Audit & Governance Committee	Report to those charged with governance Audit report (including our opinion on the financial statements and a conclusion as to whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources). Audit completion certificate
Reporting	October		Management Letter
Grant claims	December		Report on the audit of grant claims

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

5. Independence

5.1 Introduction

The APB Ethical Standards and ISA (UK and Ireland) 260 "Communication of audit matters with those charged with governance", requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our independence and objectivity. The Ethical Standards, as revised in December 2010, require that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications	
Planning stage	Final stage
<ul style="list-style-type: none"> ▶ The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between the you, your affiliates and directors and us; ▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review; ▶ The overall assessment of threats and safeguards; ▶ Information about the general policies and process within EY to maintain objectivity and independence. 	<ul style="list-style-type: none"> ▶ A written disclosure of relationships (including the provision of non-audit services) that bear on our objectivity and independence, the threats to our independence that these create, any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed; ▶ Details of non-audit services provided and the fees charged in relation thereto; ▶ Written confirmation that we are independent; ▶ Details of any inconsistencies between APB Ethical Standards, the Audit Commission's Standing Guidance and your policy for the supply of non-audit services by EY and any apparent breach of that policy; and ▶ An opportunity to discuss auditor independence issues.

During the course of the audit, we are also required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We also provide information on any contingent fee arrangements, the amounts of any future services that have been contracted, and details of any written proposal to provide non-audit services that has been submitted;

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.

5.2 Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. However we have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective.

Self-interest threats

A self-interest threat arises when EY has financial or other interests in your entity. Examples include where we have an investment in your entity; where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long-outstanding fees.

We believe that it is appropriate for us to undertake permissible non-audit services and we will comply with the policies that you have approved and that are in compliance with the Audit Commission's Standing Guidance.

A self interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard 4.

There are no other self interest threats at the date of this report.

Self-review threats

Self-review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no self-review threats at the date of this report.

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of your entity. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work.

There are no management threats at the date of this report

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report.

Overall Assessment

Overall we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of Maria Grindley, your audit engagement partner and the audit engagement team have not been compromised.

5.3 Other required communications

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year ended 29 June 2012 and can be found here:

[UK 2012 Transparency Report](#)

Appendix A Fees

A breakdown of our agreed fee is shown below.

	Planned Fee 2012/13	Actual Fee 2011/12	Explanation of variance
	£'000	£'000	
Total Audit Fee – Code work	114,000	200,200	Fee Reduced by Audit Commission
Certification of claims and returns*	36,850	74,309	Fee Reduced by Audit Commission
Non-audit work (provide details)	0	0	

The agreed fee presented above is based on the following assumptions:

- ▶ Officers meeting the agreed timetable of deliverables;
- ▶ We are able to rely on the work of internal audit as originally planned;
- ▶ The level of risk in relation to the audit of accounts is consistent with that in the prior year;
- ▶ No significant changes are made by the Audit Commission to the use of resources criteria on which our conclusion will be based;
- ▶ Our accounts opinion and use of resources conclusion being unqualified;
- ▶ Appropriate quality of documentation is provided by the audited body; and
- ▶ There is an effective control environment.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with you in advance.

Fees for the auditor's consideration of correspondence from the public and formal objections will be charged in addition to the scale fee.

*Our fee for the certification of grant claims is based on the indicative scale fee set by the Audit Commission.

Appendix B UK required communications with those charged with governance

There are certain communications that we must provide to the Audit & Governance Committee of audited clients. These are detailed here.

Required communication	Reference
Planning and audit approach Communication of the planned scope and timing of the audit, including any limitations.	Audit Plan
Significant findings from the audit	Report to those charged with governance
▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures	
▶ Any significant difficulties encountered during the audit	
▶ Any significant matters arising from the audit that were discussed with management	
▶ Written representations that we are seeking	
▶ Expected modifications to the audit report	
▶ Any other matters if significant to the oversight of the financial reporting process	
▶ Findings and issues regarding the opening balance on initial audits	
Misstatements	Report to those charged with governance
▶ Uncorrected misstatements and their effect on our audit opinion	
▶ The effect of uncorrected misstatements related to prior periods	
▶ A request that any uncorrected misstatement be corrected	
▶ In writing, corrected misstatements where they are significant	
Fraud	Report to those charged with governance
▶ Enquiries of the Audit & Governance Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Council	
▶ Any fraud that we have identified or information we have obtained that indicates a fraud may exist	
▶ A discussion of any other matters related to fraud	
Related parties	Report to those charged with governance
Significant matters arising during the audit in connection with the Council's related parties, including where applicable:	
▶ Non-disclosure by management	
▶ Inappropriate authorisation and approval of transactions	
▶ Disagreement over disclosures	
▶ Non-compliance with laws and regulations	
▶ Difficulty in identifying the party that ultimately controls the entity	
External confirmations	Report to those charged with governance
▶ Management's refusal to allow us to request confirmations	
▶ Inability to obtain relevant and reliable audit evidence from other procedures	
Consideration of laws and regulations	Report to those charged with governance
▶ Audit findings on non-compliance where material and believed to be intentional. This communication is subject to compliance with legislation on tipping off	
▶ Enquiry of the Audit & Governance Committee into any possible instances of non-compliance with laws and regulations they know about, where they may have a material effect on the financial statements	
Independence	Audit Plan
Communication of all significant facts and matters bearing on Ernst & Young's objectivity and independence	Report to those charged with governance
Communication of key elements of the audit engagement partner's consideration of	governance

Required communication	Reference
independence and objectivity such as:	
<ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence 	
For listed companies, communication of minimum requirements as detailed in the ethical standards:	
<ul style="list-style-type: none"> ▶ Relationships between Ernst & Young, the audited body and senior management ▶ Services provided by Ernst & Young that may reasonably bear on the auditors' objectivity and independence ▶ Related safeguards ▶ Fees charged by Ernst & Young analysed into appropriate categories such as statutory audit fees, certification work fees, other non-audit service fees ▶ A statement of compliance with the ethical standards ▶ The Audit & Governance Committee should also be given an opportunity to discuss matters affecting auditor independence 	
Going concern	
Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:	Report to those charged with governance
<ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	
Significant deficiencies in internal controls identified during the audit	
Group audits	Audit Plan
<ul style="list-style-type: none"> ▶ An overview of the type of work to be performed on the financial information of the components ▶ An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components ▶ Any instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work ▶ Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted ▶ Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements 	
Opening Balances (initial audits)	Report to those charged with governance
▶ Findings and issues regarding the opening balance of initial audits	
Certification work on grants	Annual Certification Report to those charged with governance, and Management Letter if considered necessary
▶ Summary of certification work and findings	
Fee Information	
▶ Breakdown of fee information at the agreement of the initial audit plan	Audit Plan
▶ Breakdown of fee information at the completion of the audit	Report to those charged with governance and Management Letter if considered necessary

Appendix C Detailed scopes

Our objective is to form an opinion on the group's consolidated financial statements under International Standards on Auditing (UK and Ireland).

We set audit scopes for each reporting unit which, when taken together, enable us to form an opinion on the group accounts. We take into account the size, risk profile, changes in the business environment and other factors when assessing the level of work to be performed at each reporting unit.

- ▶ Full scope: locations deemed significant based on size and those with significant risk factors are subject to a full scope audit, covering all significant accounts and processes using materiality levels assigned by the Ernst & Young audit team for purposes of the consolidated audit. Procedures are full-scope in nature, but may not be sufficient to issue a stand-alone audit opinion on the local statutory financial statements (as materiality thresholds support to the consolidated audit).
- ▶ Specific scope: locations where only specific procedures are performed by the local audit team, based upon procedures, accounts or assertions identified by the Ernst & Young, Reading audit team.
- ▶ Limited scope: limited scope procedures primarily consist of enquiries of management and analytical review. On-site or desk top reviews may be performed, according to our assessment of risk.

Once we have concluded the initial planning discussions with the group auditors of Barton LLP, we will issue Group Audit Instructions to ensure the efficient co-ordination of the audit across the group and to confirm which of these approaches we will take. We plan to issue these instructions by the end of March 2013.

UK required communications with those charged with governance

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To: Audit & Governance Committee
Date: 28th February 2013 **Item No:**
Report of: Head of Finance
Title of Report: Risk Management Quarterly Reporting: Quarter 3
2012/2013

Summary and Recommendations

Purpose of report: To update members on both corporate and service risks as at the end of quarter 3, 31st December 2012.

Key decision: No

Executive lead member: Councillor Ed Turner

Policy Framework: Improving value for money and service performance

Recommendation(s):

The Committee are asked to note the contents of this report

Appendix A Corporate Risk Register
Appendix B Service Risk Register – Red Risks
Appendix C Risk Evaluation Matrix

Risk Management Strategy

- 1) The Risk Management Strategy was approved at the City Executive Board on 23rd April 2012 with the stated aims of:
 - fully embedding Risk Management into the culture, processes and procedures of the Council, so that threats and opportunities are proactively managed thereby strengthening the Council's ability to deliver its objectives and strategic priorities.
 - providing a clear and consistent approach to the management of risk across the organisation and through organisational boundaries.

- 2) A copy of the Strategy can be found on the intranet:

<http://occweb/intranet/riskmanagementstrategy.cfm>

Risk Identification

- 3) **Corporate Risks** – The Corporate Risk Register (CRR) is reviewed by the Corporate Management Team (CMT) on a quarterly basis, any new risks are incorporated into a revised version of the CRR. Risk owners for corporate risks are generally held at Director level.
- 4) **Service Risks** – Service area risks are reviewed periodically by Heads of Service and Service Managers. The Risk Manager and Financial Accounting Manager will have oversight of all risks and on a quarterly basis will review service risks to determine the need for inclusion in the Corporate Risk Register.
- 5) **Project and Programme Risk** – The Council adopts the principles of Prince2 methodology for managing projects. Incorporated within this methodology is a robust process for the management of risk within a project environment. Programme/project risk registers, including risk registers for Procurement Projects, are created for each new project and are reviewed as part of the project life cycle. These are documented on the Project/Programme Risk Register (PRR).

Corporate Risk Register

- 6) A review of the Corporate Risks at the end of Quarter 3 2012/13 compared to Quarter 2, has shown that there has been a reduction in the Council's current risk position since one of the risks has moved from amber to green, this is shown in the table below:

Current Risk	Q1 2012	Q2 2012	Q3 2012
Red	1	1	1
Amber	4	4	3
Green	0	0	1
Closed	0	0	0
Total risks	5	5	5

- 7) The current Corporate Risk Register (Appendix A) shows one red risk, this is :
 - Impact on Homelessness of changes in Housing Benefit - Changes in housing benefit in terms of the benefit cap and the introduction of a 'Bedroom Tax' for under occupancy have the potential to increase pressure on the homelessness service. The Council has made provision in the Medium Term Financial Plan by way of inclusion of a £1 million contingency to assist in the mitigation of increased costs that may arise. The Council is also running two pilot schemes on Direct Payments and Universal Credit, to better understand the implications of the proposed changes on customers and help shape Government thinking.

Quarter 3 Service Risk Register

- 8) A review of Service risks at the end of Quarter 3 compared to Quarter 2 has shown a decrease in the overall net risk position in the service areas. This is due to risks being successfully mitigated throughout the first three quarters of the year.
- 9) The tables below show the direction of travel of all current open risks from Q2 to Q3, and the number of risks as at the end of Quarter 3.

Trend	Q2 2012	Q3 2012
Declining	11	5
No change	62	62
Improving	11	16
New risks this quarter	2	3
Grand Total	86	86
Closed	0	3

Current Risk	Q1 2012	Q2 2012	Q3 2012
Red	6	12	6
Amber	52	36	38
Green	30	38	42
Total risks	88	86	86
Closed	0	3	3

- 10) There are 6 red risks in Q3 and these are shown in Appendix B. This has decreased from 12 red risks in the last quarter.
- 11) Six risks reported as red in the last quarter have improved their position and are now showing as either Amber or Green, they are:
- Corporate Property – Budget overrun and service cuts, this is being managed by monthly reviews of KPIs and meeting with the Finance Business Partner – Probability 3: Impact 3
 - Corporate Property – Inaccurate data and inability to align with Agresso income could lead to incorrect billing of tenants and calculation of income: reconciliations have now been completed between Agresso and Uniform to identify a small number of differences all of which have now been rectified – Probability 3: Impact 3
 - Direct Services - Failure to maintain or improve customer satisfaction levels –Probability 3: Impact 2 - there have been improvements to the quality of service provided.

- Environmental Development –Opportunity to embed HMO licensing across the City - Probability 3: impact 4 - the HMO business plan is now robust and up to date
- Environmental Development – Threats to public health - Probability 3: Impact 4 – We now have competent and experienced specialist staff with effective links with the Consultant for Communicable Disease Control and protocols in place for outbreak and control
- HR & Facilities – Non achievement of Town Hall income targets – Probability 4: Impact 4 – action has been taken to address the likely income shortfall, this included additional resources to quickly follow up enquiries and quotes, and setting out a business case for development of town hall income

Risk Management Group

12 The Risk Management Group has met over the last period and discussed the following business:

- The terms of reference for the group
- Operational risks – identification of any operational risks within service areas and what help Zurich can provide
- The corporate risk register
- Training needs for officers
- Actions for the coming year: reviewing claims processes; reviewing strategy

Financial Implications

13 The robust management of risk should assist in mitigating the financial impact to the Council should the event occur.

Legal Implications

14 There are no legal implications directly relevant to this report.

Name and contact details of author:-

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Service Area / Department: Finance

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List of background papers:

Version number:

Formal Risk Summary

As at: Sept-2012

Ref	Title	Risk description	Risk		Consequence	Date Raised	Owner	Gross		Current		Residual		Controls			
			Opp/ threat	Cause				I	P	I	P	I	P	Control description	Due date	Progress	Owner
CRR-007	Health & Safety	Existence of operational risks (relating to internal as well as public concerns - property not vehicle)	T	Health and Safety practices are not robust enough. Under investment in property, potential lack of clarity of accountability and of ownership of health and safety	Increased insurance claims and ultimately premium costs. Reputational implications.	2-Jan-2010	David Edwards	4	3	4	3	3	2	Create 'one view' of all corporate assets (issues, status of building, budget, work required, timescales). 'One view' being everything documented in consistent and understandable format which can be shared across organisational boundaries.	1-Mar-2012	50%	Steve Sprason
														Complete annual H&S report to CEB including claims record and statement on housing landlord responsibilities	30/9/12	75%	Steve Sprason
														Develop a corporate approach towards health and safety	1-Mar-2012	100%	Steve Sprason
														Complete H&S records on all estate management electronic records	30/9/12	75%	Steve Sprason
														Establish Corporate Asset Management Group to create a joined up approach towards management of Corporate Assets	1-Mar-2012	50%	Steve Sprason
CRR-013	Impact on homelessness of changes in Housing Benefit	Changes in housing benefit and universal housing benefit increase homelessness	T	Changes in housing benefit and universal housing benefit increase homelessness	Cost the council more money in administration and payments to landlords	1-Dec-2009	David Edwards	5	3	3	5	3	3	Monitoring and intervention, ensure take up of benefits	1-Mar-2012	50%	Helen Bishop
CRR-004	Delivery of key projects = ability to deliver cross cutting projects	People and the council are not developed sufficiently to make risk based decisions, carry out options appraisals. Decision making can be poor. Innovation is not encouraged, low risk appetite.	T	Recent adoption of Project Management methodology (experience in the council is minimal). Conflict between BAU and Project work. Process focused and not fully embedded.	Project methodology is not applied consistently across the council. Budget variations, volatility in results and benefits not realised. Board intervention. Council does not innovate or change. Ability of the council to deliver objectives.	2-Jan-2010	Jacqui Yates	4	3	3	3	3	2	CMT act as mentors within boards to encourage innovation and a culture where decisions are taken based on a robust options appraisal	1-Mar-2012	65%	CMT
														Develop clear roles, responsibilities and job descriptions/expectations for managers, heads of, directors	1-Mar-2012	50%	Simon Howick
														Development of a business partner model to project management using centre of knowledge within the Project Management office	1-Mar-2012	100%	Jane Lubbock
														Development of corporate approach to project management via a corporate project management office.	1-Mar-2012	100%	Jane Lubbock
														Development of options appraisal methodology for capital projects	1-Mar-2012	100%	Steve Sprason
CRR-006	Supplier Management	Ability of the council to manage large contracts and to obtain best value from those contracts	T	Correctly identifying appropriate staff with corporate and commercial awareness to manage contracts (where balancing reduction in staff with keeping best staff to manage contracts)	Council does not realise benefits from large contracts	2-Jan-2010	Jacqui Yates	2	4	3	2	3	2	Corporate contract management framework written and will be rolled out during 2012	3-Dec-2012	70%	Jane Lubbock
														Develop the procurement team as a centre of excellence for relationship management.	1-Mar-2012	100%	Jane Lubbock
														Development and approval of procurement strategy. Ensure consistent approach towards supplier management across the organisation.	1-Mar-2012	100%	Jane Lubbock
														Implement a mentoring/work shadowing programme where expertise can be shared with new contract managers.	1-Mar-2012	70%	Jane Lubbock
														Implement standard contract documentation and approach (based on 4Ps approach to contract management)	1-Mar-2012	100%	Jane Lubbock
CRR-012	Failure to achieve budget reductions over four year period	Inability to achieve savings in budget	T	Significant efficiency savings and service reductions as a result of Comprehensive Spending Review	Increased use of balances or further reductions to be identified	1-Oct-2010	Jacqui Yates	4	3	3	3	3	3	Effective budget monitoring framework in place	1-Mar-2012	100%	Nigel Kennedy
														Proactive management and tracking of major forecast uncertainties	1-Mar-2012	100%	Nigel Kennedy
														Robust MTF planning framework in place	1-Mar-2012	100%	Nigel Kennedy

Current Risk Score

This is the risk score at the time that the risk is reviewed. When the risk is first identified it will be the same as the gross risk score. The current risk score is tracked to ensure that progress is being made to manage the risk and reduce the Council's exposure.

Residual Risk Score

This is the risk score after mitigating actions have taken place. The residual risk score shows how effective your action plans are at managing the risk.

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All Risks

As at: Dec-2012

Ref	Title	Risk description	Risk		Consequence	Date Raised	Owner	Gross Current Residual						Control description	Controls Due date	Owner
			Opportunity/ threat	Cause				I	P	I	P	I	P			
City Development																
SRR-001-CD	Service Failure	Major service failure due to significant loss of ICT, staff etc	T	Major systems failure - major health pandemic etc	Reduction in staff or premises availability means a reduced service to customers and or a backlog of work to be cleared.	28-Feb-2011	Niko Grigoropoulos	4	3	4	3	3	3	Ensure that the Business Continuity Plan is robust and up to date. Test the Plan and have contingency plans in place.	31/3/2012	Michael Crofton-Briggs
SRR-009-CD	Opposition	Opposition especially to emerging statutory plans.	T	Local public, groups, organisations or political parties object to policies in emerging documents and choose to use many and all avenues to express objection, including some outside normal procedures and all drawing a lot of media attention	Delay, extra costs, reputational risk, possibly amendments to policies.	28-Feb-2012	Niko Grigoropoulos	4	4	4	3	4	2	Communication strategy on front footgetting out messages, careful following of procedures	31/3/2013	Mark Jaggard
Corporate Property																
SRR-009-CA	Blackbird Leys Swimming Pool	Costs of development exceed budget availability either through extended brief requirements or expense of tender. Delay to project due to external influences. Lack of staff resourced to adequately manage the project	T	Lack of effective Project controls/Change control. Disposals risk Planning permission	Budget and time overrun. Shortfall in capital receipts. Refusal of planning permission.	30-Jun-2011	Ian Gordon	4	4	4	4	3	3	Close control of brief and budget. Agreement with successful contractor regarding tender price. Continual review of risk matrix. Dedicated staff to supervising officer working closely with project manager and cost consultant. Back fill to cover CA role	31/3/2013	John Bellenger
SRR-001-CA	Staff recruitment and retention	Inability to recruit and/or retain staff on proposed terms and condition.	T	Terms and conditions of employment are not sufficiently attractive to attract permanent staff.	Required skills and capacity are not available to deliver required work programmes.	28-Feb-2011	Lorraine Newman-Robson	3	1	4	3	4	3	Backfill with temporary staff and contractors where necessary	31/3/2013	Lorraine Newman-Robson
SRR-007-CA	Westgate re-development	Scheme is unviable	T	Project proves not viable and/or there are delays in delivery due to current economic downturn, inability to fund etc.	Scheme does not proceed.	28-Feb-2011	Lorraine Newman-Robson	4	3	4	4	3	3	Ongoing dialogue with Land Securities and County Council on highway matters. Commercial terms agreed and legals instructed	31/3/2013	Steve Sprason
Housing																
SRR-009-HC	HRA Business Plan Delivery failure	Complex strategic/financial/operational project dependant upon significant reductions in cost-base for successful delivery	T	Combination of reform of HRA financial structure, Council aspirations for the Landlord Service and development of new social housing, higher than average repair and maintenance costs in some areas and changes to rent collection arrangements.	Failure to realise savings would lead to reduction in service levels, as debt servicing will need to take priority for first call on funds.	6-Mar-2012	Lena Haapalahti	4	3	4	4	4	2	Fundamental Service Review of Repairs and Maintenance and Revenue collection		Stephen Clarke

Current Risk Score

risk is first identified it will be the same as the gross risk score. The current risk score is tracked to made to manage the risk and reduce the Council's exposure.

Residual Risk Score

ce. The residual risk score shows how effective your action plans are at managing the risk.

117

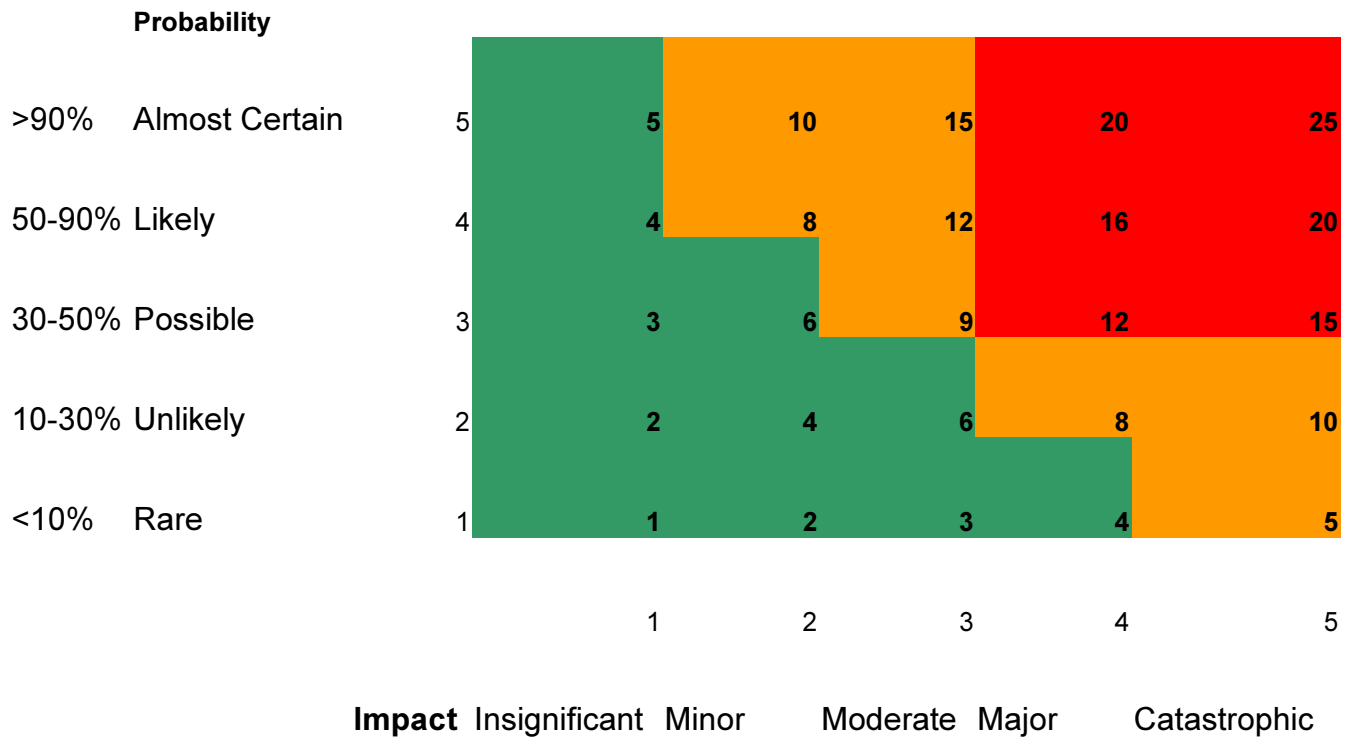
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APPENDIX C

Risks are evaluated to consider the **probability** of the risk transpiring and the **impact** if the risk were to transpire.

Impact – What will happen if the risk occurs?

Probability – How likely is it that this risk will occur



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To: Audit & Governance Committee

Date: 28th Feb 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.

Policy Framework:

Recommendation(s):

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

Appendix A – Internal and External Audit recommendation tracker

Background

1. The outcomes of all internal and external audit reports are reported to this Committee. Each report includes recommendations or agreed actions, a summary of those which remain outstanding together with updated management responses are provided in Appendix A.
2. Each recommendation is marked with a % complete which correlates to a red/amber/green rating depending on their percentage complete. Up to 25% complete are marked red, between 25% and 75% complete are amber and over 75% complete are green. However, if there are any recommendations that are less than 50% complete but have not yet exceeded their expected completion date these are also marked as green.
3. Any recommendations that were noted as 100% complete at the last meeting have been removed from the tracker.

External Audit Recommendations There are no red recommendations on the external audit recommendation tracker and therefore no outstanding recommendations which would give cause for concern.

- 4 There are six external audit recommendations, four of which are being reported as 100% complete and will be removed from the next report. There is one recommendation relating to PC and Laptop assets being recorded with their location which will be completed as part of the Windows 7 installation which is now in progress, and due to be completed by end of May 2013, the revised completion date has been amended to reflect this change.

Those recommendations now marked as 100% complete were implemented following the 2011/12 final accounts work audited by the Audit Commission. Finance staff are making good progress towards the preparation for this year's closedown process and have now implemented all previous years recommendations.

- 5 There are no external audit recommendations that have exceeded their completion date.

Internal Audit recommendations

- 6 There has been one new internal audit report finalised since the last meeting, covering the key financial systems. This report covers the four main financial systems: General Ledger; Debtors; Creditors and Payroll and is reported elsewhere on the agenda. Recommendations were made for each system and these have been added to the tracker :

- Creditors – Medium risk rating – Performance in this area has improved since the last review. Three low risk, and two medium risk rated recommendations have been raised in this audit. All of these recommendations related to the operating effectiveness of the system, and all have been resolved by reiterating processes and procedures to staff involved. The implementation of Purchase to Pay will also bring in further operating controls.
- Debtors – Medium risk rating - Performance in this area has reduced since the last review performed. There were two medium and one low risk recommendation raised in this audit. Weaknesses were identified around the timeliness and appropriate approval of raising invoices, and all departments have been reminded of the importance of both of these issues.
- General Ledger – Low risk rating - Performance in this area has improved since the last review performed. One medium and one low risk recommendation were raised in this audit, both of which relate to operating effectiveness: the approval of journals, and timely completion of reconciliations. Both have now been resolved.
- Payroll – Low risk rating - Performance in this area is comparable to the last review performed. There was only one medium risk recommendation raised in this audit relating to operating effectiveness

and the effectiveness of the leavers' procedures, which has now been resolved.

- 7 There are 8 recommendations on the internal audit recommendation tracker that are not 100% complete. None of these have breached their implementation date and progress is being made on each to ensure completion.
- 8 There are 11 internal audit recommendations that are being reported as 100% complete and these will be removed from the next report.
- 9 There are four recommendations that have had a revised implementation date, these are IA358; IA359 & IA355 relating to Insurance, this is due to ongoing discussions with our insurers to ensure the procedures and process are set out in the most effective way. IA382 relating to Garden waste, which is due to the requirement for an additional months data to analyse and resolve. Progress is being made on each of these recommendations and the new revised dates are expected to be met.
- 10 There has been an overall improvement in the outcome of our internal audit reviews over the last two years. The number of low risk audits has increased, whilst the number of high risk audits has reduced, this is an encouraging direction of travel. The table below details the percentage of reports and their risk ratings.

Risk Rating	12/13		11/12		10/11	
	No of reports	% of reports	No of reports	% of reports	No of reports	% of reports
High	1	11%	1	7%	2	15%
Medium	3	33%	9	60%	8	62%
Low	5	56%	5	33%	3	23%
	9		15		13	

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

Financial Implications

- 12 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

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

Equalities Impact

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

Climate change/environmental Impact

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

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Financial Accounting Manager

Telephone: (01865) 252517

awinship@oxford.gov.uk

Background papers: None

Audit Tracker

Ref	Review	Review Date	Issue Noted	Risk Rating	Recommendation	Updater	Owner	Due Date	Forecast Completion Date	Comments	% Complete
EA002	Certification of Claims and Returns	23-Mar-2010	All PC and Laptop Assets recorded with user and location details. All infrastructure Assets to be documented (with photographic evidence where possible) with location details	Medium	The Council should obtain a record of the laptop allocations and confirm their location	Jane Lubbock	Jane Lubbock	31-Jan-2011	30/05/13	Windows 7 Project in progress and all PCs and laptops are being checked and updated. Some duplicates are being removed. An updated full list, including location will be available at the end of the project. Expected date May 2013	85
EA361	Annual Governance report	1-Sep-2012	#####	Medium	#####	Anna Winship	Anna Winship	31-Jan-2013		As part of the closedown process all coding will be checked by a senior member of staff.	100
EA369	Annual Governance report	1-Sep-2012	#####	Medium	#####	Anna Winship	Anna Winship	31-Jan-2013		Training material has been produced and sessions arranged to carry out the training to all relevant finance staff	100
EA370	Annual Governance report	1-Sep-2012	The HRA account and supporting working papers should be subject to review before the 2012/13 financial statements are finalised and passed over for audit. This should help to pick up any errors made	Medium	The HRA account and supporting working papers should be subject to review before the 2012/13 financial statements are finalised and passed over for audit. This should help to pick up any errors made	Anna Winship	Anna Winship	31-Jan-2013		The HRA statements and working papers will be thoroughly reviewed before the financial statements are finalised, and those responsible have been reminded of their responsibilities	100
EA371	Annual Governance report	1-Sep-2012	#####	Medium	#####	Anna Winship	Anna Winship	31-Dec-2012		#####	100
EA372	Annual Governance report	1-Sep-2012	Remind Members and Group Leaders of the importance that all need to make the appropriate governance disclosures	Medium	Remind Members and Group Leaders of the importance that all need to make the appropriate governance disclosures	Anna Winship	Anna Winship	31-Mar-2013		All members will be sent through the request to complete the disclosure with full details of the importance of this	0
IA360	Insurance	1-Aug-2012	amounts insured and indemnity limits are not appropriate leaving the council liable to financial exposure	Low	Complete full annual review of insurance policies as part of the retender exercise	Anna Winship	Anna Winship	31-Jul-2012		The tender exercise has now been completed and all policies have been reviewed as part of this process. Some changes were made to cover during this exercise.	100
IA383	Creditors Internal Audit	01/01/13	#####	Low	Goods received are inappropriate or incomplete	Andrew Woodward	Andrew Woodward	18/01/13		The Agresso invoice is an isolated issue. Staff will be reminded of the need to complete creditor payment forms fully to evidence this check, and training sessions are being held in February.	100
IA384	Creditors Internal Audit	01/01/13	#####	Low	Lack of invoice stamps may make it difficult to monitor timeliness of invoice processing	Andrew Woodward	Andrew Woodward	18/01/13		#####	100
IA387	Creditors Internal Audit	01/01/13	The details on 2/25 invoices sample did not match the details on the purchase order. There was no supporting documentation to explain differences prior to authorisation.	Low	Inadequate documentation means it is not possible to validate management decisions made and ensure that decisions were appropriate	Andrew Woodward	Andrew Woodward	18/01/13		This has been documented. Staff will be reminded to document rationale for approval of differences so that an audit trail is maintained.	100
IA392	General Ledger internal audit	01/01/13	#####	Low	If reconciliations are not performed on a timely basis there is a risk that issues go unnoticed. These may become more difficult to reconcile.	Anna Winship	Anna Winship	18/01/13		A reconciliation between the Fixed Asset Register, Uniform and Agresso was completed in Q2 and will continue to be performed on a quarterly basis	100
IA354	Health and Safety	1-Aug-2012	Training & Awareness: Council to ensure all H&S training is recorded and entered onto i-trent.	Low	Training & Awareness: Council to ensure all H&S training is recorded and entered onto i-trent.	Mark Preston	Mark Preston	21-Aug-2012	31/3/2013	Good progress has been made on updating current and historic training into i-trent, and now almost complete	90

IA340	Housing Benefit	19-Mar-2012	The Council currently performs 30 spot checks a months on claims processed. All results are recorded on standardised checking forms and any errors logged centrally and amended within 5 days	Low	Issues with processing accuracy may not be identified on a timely basis, increasing the risk that subsidy may be reclaimed from the Council	Paul Wilding	Helen Bishop	31/5/12	31/8/12	New Quality processes are now in place and our 10% target is now being met from January 2013.	100
IA358	Insurance	1-Aug-2012	Insurance activity is not monitored and reported on for follow up or risk management processes	Low	Consider implementation of some relevant KPIs to monitor insurance performance, incorporated as part of revision to procedures notes	Anna Winship	Anna Winship	30-Dec-2012	31/3/2013	This will be considered as part of completing the revised procedure notes	0
IA359	Insurance	1-Aug-2012	Access to claims data is not restricted to appropriate personnel meaning potentially confidential information is released leading to reputational damage for the council	Low	Update procedure notes to ensure that departments are aware of the requirement to store data securely	Anna Winship	Anna Winship	30-Dec-2012	31/3/2013	This will be included in the revised procedure notes	0
IA389	Debtors internal audit	01/01/13	Exception reports are not produced for amendments to standing data on a frequent basis	Low	Unauthorised or unusual amendments may not be identified and rectified as appropriate	Andrew Woodward	Andrew Woodward	31/03/13		Use of amendment reports will continue to be investigated with ICT	0
IA385	Creditors Internal Audit	01/01/13	#####	Medium	Orders may be made incorrectly or inappropriately. This could mean the Council incurs unnecessary expenditure on goods / services which are not needed	Andrew Woodward	Andrew Woodward	31/01/13		#####	100
IA386	Creditors Internal Audit	01/01/13	The following exceptions were noted during testing of purchase orders: 2/25 invoices did not have a purchase order; 1 purchase order had been raised retrospectively after invoice receipt.	Medium	Orders may be made incorrectly or inappropriately. This could mean the Council incurs unnecessary expenditure on goods / services which are not needed.	Andrew Woodward	Andrew Woodward	18/01/13		Procedures have been reiterated to the processing team to reduce exception levels. The implementation of P2P will require purchase orders to be raised unless it is on the specified purchase order exemption list.	100
IA388	Debtors Internal Audit	01/01/13	#####	Medium	Debtors not finalised/chased in a timely fashion, and may lead to increasing number of write-offs	Andrew Woodward	Andrew Woodward	18/01/13		#####	100
IA391	General Ledger Internal Audit	01/01/13	#####	Medium	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	Anna Winship	Anna Winship	31/12/12		The procedure for journals have been reiterated to all finance staff. Quality review processes have been put in place by Finance to ensure that sufficient documentation is provided for journals	100
IA393	Payroll internal audit	01/01/13	#####	Medium	Leavers are overpaid.	Sean Hoskin	Sean Hoskin	31/12/12		Staff have been reminded of the need to double check the salary and holiday owed, to or by individuals, and ensure that the correct units are	100
IA172	ICT	27-Apr-2010	#####	Medium	#####	Jane Lubbock	Jane Lubbock	30-Apr-2010	30/9/2013	The M drive project has been delayed to be completed after the Windows 7 rollout and this issue will be resolved once SharePoint is implemented. This project will commence in May and will take about 4/5 months	80
IA382	Garden Waste	1-Nov-2012	No reconciliations are performed between Lagan, Whitespace and Agresso to confirm completeness of subscribers and accuracy of income received	Medium	Put in place a regular reconciliation between the three systems.	Lyn Barker	Nigel Kennedy	31-Dec-2012	28/2/2013	This is still a work in progress, information is coming through more accurately, but another months worth of data is needed to ensure this is able to be done efficiently.	50
IA390	Debtors internal audit	01/01/13	#####	Medium	Lack of appropriate authorisation and/or segregation of duties may mean transactions are initiated or processed incorrectly or by unauthorised personnel	Andrew Woodward	Andrew Woodward	31/03/13		#####	50
IA355	Insurance	1-Aug-2012	Procedure notes: staff are unaware of procedures to be followed when dealing with claims, and a lack of admin and maintenance can lead to claims being processed incorrectly	Medium	Procedure notes to be formally reviewed, updated and publicised internally so that all council depts are aware of the procedures.	Anna Winship	Anna Winship	30-Dec-2012	31/3/2013	These procedures will be completed in line with the renewal of the insurance contract - 31st December 2012	0

AUDIT AND GOVERNANCE COMMITTEE

Thursday 29 November 2012

COUNCILLORS PRESENT: Councillors Rowley (Chair), Simmons (Vice-Chair), Brett, Clarkson, Darke and Fooks.

OFFICERS PRESENT: Mathew Metcalfe (Democratic and Electoral Services), Jeremy Thomas (Head of Law and Governance), Nigel Kennedy (Head of Finance), Maria Grindley (Ernst & Young) and Christopher Dickens (Pricewaterhousecoopers (PWC))

30. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor David Rundle (Councillor Jean Fooks attended as his substitute)

Apologies were also received from Jacqueline Yates, Executive Director Organisational Development and Corporate Services.

31. DECLARATIONS OF INTEREST

None declared.

32. ERNST AND YOUNG EXTERNAL AUDITORS - UPDATE

Maria Grindley and Susan Whipp from the Council's new external auditors, Ernst and Young attended the meeting.

Maria Grindley informed the Committee that the Audit Teams had now transferred to Ernst and Young and that this transition had gone smoothly. An Audit Plan would be presented to the next meeting of the Audit and Governance Committee on 28th February 2013.

The Committee agreed to note the position.

33. INTERNAL AUDIT SUMMARY REPORT - 2012/13 PLAN - PRICEWATERHOUSECOOPERS (PWC)

The Head of Finance 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 2012/13 Internal Audit Plan.

Christopher Dickens from Pricewaterhousecoopers (PWC) introduced the report and highlighted that a new review on the Barton Development would be presented to the next meeting of the Audit and Governance Committee. This was due to there being time available in the Audit programme.

In response to comments from the Committee on the three low risk reports, Nigel Kennedy, Head of Finance said with regard to the Garden Waste Scheme, that work was being undertaken to allow payments to be made via direct debit. Regarding Insurance he confirmed that all of the recommendations from the Audit had been resolved prior to the insurance tendering process commenced.

The Committee agreed to note the report.

34. PROGRESS ON THE IMPLEMENTATION OF AUDIT RECOMMENDATIONS

The Head of Finance submitted a report (previously circulated, now appended) which updated the Committee on the progress made on the implementation of recommendations following audits.

Nigel Kennedy, Head of Finance introduced the report. He informed the Committee that there were no external or internal audit high risk recommendations still outstanding. However there were 10 internal audit recommendations that had not reached 100%, but these had not yet overrun their implementation target date.

In response to questions concerning the 10 recommendations not at 100%, Nigel Kennedy said that some of these were part of the accounts close down process and so would be dealt with as part of that and others were currently being addressed by the undertaking of additional training with Finance staff involved in closedown on new aspects of the International Financial Reporting Standards.

Nigel Kennedy also made reference to the direction of travel of internal audit reports which had over the last few years showed a reduced risk rating overall.

The Committee agreed to note the report.

35. RISK MANAGEMENT QUARTERLY REPORTING: QUARTER 2 - 2012/2013

The Head of Finance submitted a report (previously circulated, now appended) which updated Members on both corporate and service risks as at the end of quarter 2 on 30th September 2012.

Nigel Kennedy, Head of Finance, introduced the report.

In response to question concerning the doubling of some Service Area Risks, Nigel Kennedy said that risks were reviewed by Service Heads who decided the risks in their areas. He further added that the increase in the Direct Services risks was more a comment that a risk as it related to the service from the Contact Centre, which handled the calls for Direct Services.

The Committee agreed to note the report.

36. MINUTES

The Committee agreed to approve the minutes (previously circulated) of its meeting held on 27th September 2012.

37. DATES OF FUTURE MEETINGS

The Committee noted that its next meeting would be on Thursday 28th February 2013 at 6.00pm in the Town Hall.

38. MATTERS EXEMPT FROM PUBLICATION

The Committee noted that no matters exempt from publication had been submitted for consideration.

The meeting started at 6.00 pm and ended at 6.40 pm

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