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# Internal audit summary report for Audit and Governance Committee

*September 2012*



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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 present we have completed 47 days out of a total planned 220 days (21%). This is in line with the agreed profile of work within our plan as the majority of financial systems work is performed in Q3 of the financial year. We commit to completing our plan ahead of the year end.

We have continued to review our Audit Plan on an ongoing basis to ensure that it meets 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 5 days in the Housing and Communities department to perform computer assisted audit techniques ('CAATS') on data held within the Northgate system to identify potential duplicate properties, people and tenants. The department has commissioned Northgate to perform this work, as a result the internal audit review has been cancelled;
- We have utilised the days from the Northgate review to increase the number of days allocated to health and safety. We have completed a value protection review of health and safety policies, procedures and controls across the Council. This second review will form part of our value enhancement work programme and focus on the completeness of health and safety data for housing and non-housing stock. This will include an assessment of ongoing monitoring performed by departments to ensure that records are complete and accurate and also of validation checks performed of work performed in-house and by external contractors in this area.

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# Reporting Activity and Progress

## *Final reports issued since the previous meeting*

### **Health and Safety**

We have classified our findings in this area as **Low Risk**, which is an improvement to our review performed during 2009/10. The objective of this review was to ensure that effective policies, processes and controls are in place to facilitate the implementation of health and safety across the Council.

One medium risk issue was raised: we found that some of the old manual assessments have not been entered into RiskEx (the Council's health and safety monitoring system) so the database is incomplete. This could mean that risks are not identified and that controls are not implemented / reviewed for effectiveness at an appropriate frequency. This could lead to legal issues and employees being unprotected.

Two low risk issues were identified surrounding the monitoring and recording of employee training and the use of key performance indicators ('KPIs') to challenge performance.

We will be performing an additional value enhancement review of health and safety data relating to the Council's housing and non-housing stock.

### **Insurance**

We have classified our findings in this area as **Medium Risk**. Two medium risk issues were noted:

- There are no up-to-date centralised procedure notes in place outlining how claims should be processed. This has led to the adoption of different working practices across the Council; and
- Departments adopt different methods of monitoring claim status. Our audit work has identified that there is a risk this information is incomplete.

Four low risk issues have been identified surrounding the sharing of good practice and results from post-claim reviews performed by the Council's insurer, lack of management information and KPIs relating to insurance activity, inadequate security arrangements noted at one site and lack of formal review of insurance policies on an annual basis.

### **Fraud Risk Assessment\*\***

The Council has a duty to seek to prevent and detect fraud and to investigate any allegations of fraud committed against the Council. It is the responsibility of Chief Officers within each of the relevant divisions and their managers to detect and report any suspicions of fraud and corruption. The objective of this review was to review the Council's arrangements to combat fraud using a checklist for local authorities developed by the National Fraud Authority ('NFA') as the basis of our assessment.

There are strengths in the way the Council considers fraud, particularly in Council Tax, Benefits and Housing, and the Council has an experienced investigations team. However, the Council's approach to exposure to the financial and reputational impact of significant fraud in other areas needs further development. Fraud risk assessment and fraud awareness training other than for Benefits staff have yet to become an integral part of Council's ongoing risk management arrangements.

There are good examples of fraud detection exercises both within and beyond Benefits, Housing and Council Tax. The cost and effect of fraud is reported regularly to the Audit and Governance Committee. These reports will become even more meaningful if they encompass an accurate picture of fraud attempts in those other areas of Council activity, and if they provide an outline of all the Council is doing to manage the risk of fraud

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Going forward, there are challenges and opportunities for the Council in terms of fraud. These include many uncertainties about how the new national Single Fraud Investigation Service ('SFIS') will function. Some or all of the Council's investigative team might fall under the auspices of SFIS in the medium to long term and it is unclear what investigative resource and expertise this will leave under Council control. The Council is currently working together with the Oxfordshire Local Authorities exploring the possibilities of a County wide approach to a Corporate anti-fraud network. This might be a useful opportunity for the Council and its local partners to consider whether corporate fraud is a risk that should be managed effectively, and if it is what will be the most efficient way to utilise the resources available.

This was a 'value enhancement' review and as such no risk rating has been provided.

### **Repairs and Maintenance\*\***

The Council provides most repairs and maintenance services for its owned stock in-house. This service is provided through elements of a tripartite commissioning agreement between the following three parties: Housing and Communities (the client); Direct Services (major delivery partner including significant commissioning); and Corporate Assets (commissioning arm for major works). This review sought to review the structure of this service and controls over repairs and maintenance. We also obtained information from other local authorities and housing providers on the systems used for housing assets and repairs services to assist the Council in rationalising systems as part of the fundamental service review.

A summary of our key observations is below:

- While most spend is in-house, some external contractors are used; improved contract management, pricing structures and a review of key contract terms against current practice may identify areas of value leakage and opportunities for savings.
- There are considerable anticipated cost savings based on fairly crude benchmarking but there is no clear indication of how these will be achieved. The Council has also highlighted that it is difficult to quantify what this review will cost however the Council knows who will undertake each part of the project so should be able to assess a large proportion of the backfill costs and where external support will be required.
- The key financial deliverables are profiles of current revenue/capital expenditure. The Council should also consider opportunities for future savings, how these will be achieved and the challenges, constraints and sensitivities to their achievement.
- The Council has identified that the useful life and condition of properties recorded in Codeman is inconsistent as this is left to the professional judgement of surveyors performing the work. We identified that a detailed analysis of this data would be useful to identify specific variances and trends. The Council is currently undertaking this analysis.
- Although the cost of in-house work is compared to the cost of external providers, this information is not shared between departments. Housing Services should liaise with Direct Services to gain access to the results of these assessments to help assist in their review of the structure of provision of services and give more insight into the costs of performing repairs and maintenance works.
- Departments may also wish to consider performing an analysis of actual time against time allocated for the performance of work to ensure it is being forecast accurately.
- Direct Services have dedicated KPIs to monitor repairs and maintenance, however, these are not holistic and there is no formal service level agreement ('SLA') between all parties agreeing the standard working practices expected by each department or departmental KPIs to drive repairs and maintenance performance. This would be a useful mechanism to help monitor, appraise and challenge performance and would enable each party to have visibility of the effectiveness of the repairs and maintenance process as a whole. The Council is currently in the process of implementing these indicators.

This was a 'value enhancement' review and as such no risk rating has been provided.

*\*\* We anticipate that these reports will be issued in the period between papers for this meeting being submitted and the actual meeting date.*

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

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

- Car Parking;
- Commercial Property;
- Garden Waste;
- Direct Payments.

# Appendix 1 – Plan Progress

Ref	Auditable Unit	Indicative number of AuditDays	Status/Revisions to plan
<b>A</b>	<b>Cross-cutting Processes</b>		
A.1	General Ledger	5	To commence in Q3.
A.2	Creditors	5	To commence in Q3.
A.3	Budgetary Control and Efficiency Savings	5	To commence in Q3.
A.4	Collection Fund	10	To commence in Q3.
A.5	Housing Benefits	5	To commence in Q3.
A.6	Fixed Assets	5	To commence in Q4.
A.7	Car Parking	5	Fieldwork completed. Draft report issued.
A.9	Governance	2	To commence in Q4.
A.10	Risk Management and Performance	10	To commence in Q3.
A.12	Debtors	5	To commence in Q3.
A.14	Payroll	5	To commence in Q3.
	<b>TOTAL</b>	<b>62</b>	
<b>B</b>	<b>Department Level</b>		
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	Fieldwork completed. Final report issued.
B.4	Corporate Assets – Commercial Property Follow Up	5	Fieldwork completed.
B.5	Housing and communities – Northgate testing	-	Review cancelled. Days to be utilised for Health and Safety review. See VE.7.
B.6	Housing and Communities – Direct Payments	7	Fieldwork commenced.
B.7	Business Improvement – Data Quality	8	To commence in Q3.
B.8	Direct Services – Garden Waste	5	Fieldwork commenced.
B.9	Law and Governance – Business Continuity	5	To commence in Q3.
B.10	ICT Strategy – Windows Licensing	13	To commence in Q3.
B.11	ICT – Lagan Post Implementation and Benefits Realization	10	To commence in Q3.
B.12	People and Equalities – Health and Safety	5	Fieldwork completed. Final report issued.
	<b>TOTAL</b>	<b>73</b>	
<b>VE</b>	<b>Value Enhancement</b>		
VE.1	Law and Governance – Member Development	10	To commence in Q3.
VE.2	Direct Services – Transport Services VfM and Trading Services	10	To commence in Q3.

VE.3	Business Improvement – P2P Implementation	5	To commence in Q3.
VE.4	Fraud Risk Assessment	5	Fieldwork completed. Final report issued.
VE.5	People and Equalities – Policy Review	10	To commence in Q4.
VE.6	Corporate Asset – Asset Management Strategy	5	To commence in Q3.
VE.7	Health and Safety – Housing and Communities and Corporate Assets	5	To commence in Q3.
	<b>TOTAL</b>	<b>55</b>	
	Follow up	5	Ongoing.
	Audit Management	25	Ongoing.
	<b>TOTAL</b>	<b>220</b>	
	<b>2011/12 Roll Forward</b>		
RF.1	Repairs and Maintenance	4	Fieldwork completed. Final report issued.
RF.2	Project Management	5	To commence in Q3.

### Summary of recommendations (cross cutting and departmental only)

Assignment	High (10 points)	Medium (3 points)	Low (1 point)	TOTAL POINTS	Overall Risk Rating
Health and Safety	0	1	2	5	LOW
Insurance	0	2	4	10	MEDIUM
<b>Total</b>	<b>0</b>	<b>3</b>	<b>6</b>	<b>-</b>	<b>-</b>



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# 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.

## *Above the parapet*

Where Finance needs to position itself in the public sector continues PwC's research into the role of Finance in the public sector, examining the trends, issues and the changing environment faced by finance directors.

This report, the 4th in an annual series, identifies how the finance function manages itself in the public sector, how this differs from private sector comparisons and how, over the last four years, finance directors have demonstrated a real desire to improve the performance and capability of their functions. Now, in 2012, the time has come for Finance to firmly put its head above the parapet and make sure that it really does operate as an equal business partner.

## *Now what next for the Eurozone? Potential outcomes for 2012*

While we, nor anyone else, are in a position to know what will happen, businesses should monitor developments carefully. There is a wide range of potential outcomes and ensuring contingency plans are in place is a prudent course of action.

## *Hidden potential: fulfilling the economic potential of mid-sized cities*

Before the recession many of England's mid-sized cities were performing well, but economic pressures have hit these cities harder than larger urban areas such as London and Manchester. Ensuring these cities remain resilient and sustainable will be important for the wider UK economy.

*Hidden Potential: Fulfilling the economic potential of mid-sized cities*, a report from Centre for Cities, PwC and Sunderland City Council, reveals that mid-sized cities have the potential to create more jobs if they can invest in reconfiguring their centres. The report calls on cities and the Government to work together to create a new investment fund focused on tackling the main barriers mid-sized cities face in their quest to grow.

Cities like Sunderland, Preston, Derby and Wakefield are examples of mid-sized cities that could use the fund to improve their city centre offer for businesses, which would help them to create jobs. The other main recommendations in the report are:

- for Government to follow their City Deal negotiations with England's Core Cities, with 'City Deals' for mid-sized cities to support their contribution to UK economic growth
- for mid-sized cities to address gaps in the provision of city centre office space - by managing empty public sector office space, for example
- for mid-sized cities to put to Government bespoke proposals around their transport and skills to support the renewal of their city centres.

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

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