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# Internal audit summary report for Audit and Governance Committee

*November 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 the time of this audit committee, we have completed 113 days out of a total planned 220 days (51%). 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 5 days rolled forward from the 2011/12 audit plan for a review of Project Management. These days have been utilised for a value enhancement review of the Barton Development Project. The scope of this review is to:
  - Review the 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.
  - Understand and, where appropriate and possible, validate the process followed to arrive at the assessment for the valuation of land transferred to the LLP; and
  - Understand the structure of the joint venture arrangement and identify any potential risks with the structure.

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# Reporting Activity and Progress

## Final reports issued since the previous meeting

### Car Parking

We have classified our findings in this area as **Low Risk**. The department has continued to improve control and the majority of prior year findings have been addressed. Four *low risk* issues were identified surrounding lack of supporting documentation for till reconciliations and some users on the Shopmobility database, out of date procedure notes and inconsistencies between electronic and manual application forms for Shopmobility vehicles.

### Garden Waste

We anticipate classifying findings in this area as **Low Risk**. Garden Waste controls and processes are generally strong; only two control design issues were noted:

- No reconciliation is performed between the Council's CRM system (Lagan), Garden Waste monitoring system (Whitespace) and the General Ledger system (Agresso). This means the Council's listing of subscribers may be incomplete which may mean income streams are incomplete (*Medium Risk*); and
- Garden Waste income is not coded using Lagan references on Agresso. Instead, references such as 'brown wheelie bin' are used making it difficult to trace income. We were unable to trace 5 out of 25 card payments sampled through to Agresso (*Low Risk*).

One low risk operating effectiveness issue was noted: 1 out of 25 renewals was received three months after the expiry date; and, 3 out of 25 subscribers were overdue by two weeks.

We also raised one advisory point: it is not possible to renew the service automatically through direct debit. This could improve collection rates and ensure participants do not receive a free service.

### Commercial Property

We anticipate classifying findings in this area as **Low Risk**. The Council has made a marked improvement in control in this area, which was awarded a high risk rating in 2011/12. This improvement in performance is due to the implementation of all prior year recommendations, including:

- Implementation of a reconciliation between the Commercial Property system (Uniform) and Agresso;
- Implementation of a reconciliation between Uniform and the Fixed Asset Register;
- Introduction of budget monitoring reports; and
- Improved processing times for the set up of new accounts.

All issues noted related to operating effectiveness issues:

- The quarterly reconciliation between Uniform and Agresso was not complete at the time of audit and documentation for some reconciling items had not been retained. The reconciliation had not been signed as prepared and reviewed (*Medium Risk*);
- The quarterly reconciliation between Uniform and Agresso contained a number of reconciling items which had not been resolved at the time of audit (*Low Risk*); and
- Quarterly meetings are held between the income collection team, finance, legal and commercial property to review commercial property debtors. The quarter 2 meeting was cancelled due to staff illness. As at the date of testing (August 2012), this meeting had still not occurred (*Low Risk*).

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

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

- Member development;
- Direct Payments;
- Payroll;
- General Ledger;
- Creditors;
- Debtors;
- Budgetary Control;
- Barton Project;
- Collection Fund; and
- Disaster Recovery and Business Continuity;

# 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	Fieldwork commenced.
A.2	Creditors	5	Fieldwork commenced.
A.3	Budgetary Control and Efficiency Savings	5	Fieldwork commenced.
A.4	Collection Fund	10	Fieldwork commenced.
A.5	Housing Benefits	5	To commence in Q4.
A.6	Fixed Assets	5	To commence in Q4.
A.7	Car Parking	5	Fieldwork completed. Final report issued.
A.9	Governance	2	To commence in Q4.
A.10	Risk Management and Performance	10	To commence in Q4.
A.12	Debtors	5	Fieldwork commenced.
A.14	Payroll	5	Fieldwork commenced.
	<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. Final report issued.
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 completed.
B.7	Business Improvement – Data Quality	8	To commence in Q4.
B.8	Direct Services – Garden Waste	5	Fieldwork completed. Final report issued.
B.9	Law and Governance – Business Continuity	5	Scoping commenced.
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	Scoping agreed.
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	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.
VE.8	Barton Project	5	Fieldwork commenced.
	<b>TOTAL</b>	<b>60</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	-	Review cancelled. Days to be 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
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
<b>Total</b>	<b>0</b>	<b>5</b>	<b>14</b>	<b>-</b>	<b>-</b>

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# *Appendix 2 – IA Charter*

## *Oxford City Council Internal audit charter 2012/13*





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# 1. *Mission and scope of work*

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

The scope of work of internal audit is to determine whether the Council's network of risk management, control, and governance processes, as designed and represented by management, is adequate and functioning in a manner to ensure:

- Risks are appropriately identified and managed.
- Interaction with the various governance groups occurs as needed.
- Significant financial, managerial, and operating information is accurate, reliable, and timely.
- Employees' actions are in compliance with policies, standards, procedures, and applicable laws and regulations.
- Resources are acquired economically, used efficiently, and adequately protected.
- Programs, plans, and objectives are achieved.
- Quality and continuous improvement are fostered in the Council's control process.
- Significant legislative or regulatory issues impacting the Council are recognised and addressed appropriately.
- Opportunities for improving management control, profitability and the Council's image may be identified during audits. They will be communicated to the appropriate level of management.

## 2. *Accountability*

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

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

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

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

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

Whilst the annual internal audit report is a key element of the assurance framework required to inform the Annual Governance Statement (AGS), there are also a number of other sources from which those charged with governance should gain assurance. The level of assurance required from internal audit will be agreed with the Audit and Governance Committee at the beginning of the year and presented in the annual internal audit plan (and subsequent agreed amendments). As such, the annual internal audit assessment does not supplant responsibility of those charged with governance from forming their own overall opinion on internal controls, governance arrangements, and risk management activities

## *3. Independence*

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

# 4. Responsibility

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

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

# 5. Authority

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

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

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

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

# 6. Relationships

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

- **Relationships With Management**

The Chief Internal Auditor and internal audit staff will maintain effective relationships with managers of the Authority. Regular meetings will be held with key stakeholders and management will be consulted with in the audit planning process. Timing of audit work will be in conjunction with management.

- **Relationships With Other Internal Auditors**

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

- **Relationships With External Auditors**

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

- **Relationships With Other Regulators And Inspectors**

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

- **Relationships With Elected Members**

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

## 7. Standards of audit practice

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



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Chris Dickens - Chief Internal Auditor

Presented to Audit and Governance Committee November 2012



# Appendix 3 – 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.

## *The agile council*

Becoming an *agile* council is about being change-ready – being able to respond to complex and ever-changing environments.

Agile councils think and act differently – they break down existing models in favour of new approaches that centre on the customer, they base decisions on strong business intelligence and operate through simpler, standardised organisational structures and processes.

We believe that to succeed in the current and future economic climate the creation of the agile council is critical. By embracing a change-ready culture they remain one step ahead of whatever social, economic or political environment is thrown at them, continuing to deliver exceptional outcomes for their citizens.

In our latest Talking Points publication, ‘The Agile Council: creating the change-ready organisation’, we discuss why we believe creating an ‘agile’ council model is critical to the current and future success of the organisation. We look at the environment councils are operating in and five steps to becoming an agile organisation.

## **Under Pressure: Securing success, managing risk in public services**

‘Under Pressure: Securing success, managing risk in public services’ explores how government and public sector organisations can cope with the pressures of austerity, rising demand and public sector reform while continuing to deliver and improve public services. It is intended as a practical guide for government on how to deliver fundamental system change, and identify, manage and avoid potential failure as we move to a new more open model of public service delivery. Public sector budgets are shrinking and demand for public services continues to grow. Public service providers are under pressure – in terms of their strategy, finances and operations. Radical change is needed, requiring bold decisions.

### **Key Messages:**

- The public, as represented by our Citizens’ Jury and a supplementary poll, is emotionally attached to the public delivery of publicly funded services, but open to other providers and funding models if 5 tests are met (see p33 of the book for more on this).
- As government opens up public services to different providers, new business models are needed to build the capacity and capability of SMEs - particularly of not-for-profits. Our favoured approach is incubation, as undertaken with Achievement for All.
- As pressures mount, the risks of failure also increase. Government, commissioners and regulators will need more sophisticated early warning systems to recognise potential failure sooner and ensure that services continue for those who need them. Where failure becomes inevitable, quick and decisive turnaround is essential.

As well as cutting costs, public service commissioners and providers need to get better at managing demand, e.g. through early intervention and ‘nudging’ user behaviours. They also need to become more agile and better able to adapt and cope with constant change.

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

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