

Oxford City Council

Internal Audit Progress Monitoring Report

June 2015

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June 2015

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Agenda Item 9

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| Distribution list | Audit and Governance Committee, Executive Team |
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| Background and scope | The purpose of this report is to provide a progress update on the agreed 2014/15 internal audit plan. |
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Plan outturn

2014/15 Audit Plan

We have undertaken work in accordance with the 2014/15 Internal Audit Plan that was approved by the Audit and Governance Committee at its meeting in June 2014.

Our work is substantially complete and the conclusion of our internal activity is summarised in our Annual Internal Audit Report.

Activity and Progress

Final reports issued since the previous Committee meeting

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| Ref | Name of audit | Conclusion | Date final report issued | No of recommendations made | | | |
|-----|---------------------------------------------|-------------|--------------------------|----------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------|
| | | | |  Critical |  High |  Medium |  Low |
| | Creditors | Medium Risk | 15/6/15 | 0 | 0 | 2 | 1 |
| | Sundry Debtors | Low Risk | 15/6/15 | 0 | 0 | 0 | 3 |
| | Cash Collection | Low Risk | 15/6/15 | 0 | 0 | 0 | 1 |
| | Risk Management & Budgetary Control | Low Risk | TBA | 0 | 0 | 0 | 3 |
| | Treasury Management & VAT | Low Risk | 17/6/15 | 0 | 0 | 0 | 3 |
| | Planning Applications | Medium Risk | 3/6/15 | 0 | 0 | 1 | 4 |
| | Void Properties | Low Risk | 23/04/15 | 0 | 0 | 0 | 3 |
| | Health & Safety: Housing & Corporate Assets | Medium Risk | 6/05/15 | 0 | 0 | 3 | 2 |
| | End of Year Process | n/a | 17/6/15 | - | - | - | - |

We summarise the findings from these reviews below:

Creditors

The report was assessed as medium risk as a result of the following two medium risk issues:

- The Council has no process in place for regularly reviewing system generated reports showing changes made to supplier details.
- We found that 22% of all purchases orders were raised after the invoice had been received. This suggests the use of the purchase to pay (P2P) system is not yet embedded across the Council.

We also identified one low risk issue. There were delays of over 110 days in paying creditors in 2 out of 25 samples tested and we found one case where the invoice was not stamped on receipt so we were unable to determine the payment period.

Sundry Debtors

We identified three low risk issues relating to:

- Agresso to Whitespace reconciliation - the reconciliation identified a number of mismatches between invoice details on both systems; these had not been cleared as required. There is no process in place for an independent review of this reconciliation.
- Invoice processing – delays in processing invoice requests, issues around authorisation of requests and admin errors on documentation.
- Credit note processing – delays in processing credit note requests and admin errors on documentation.

Cash Collection

We reviewed the arrangements for banking cash collected from Council offices in St Aldates, Horspath Road and Cowley Marsh. We found one low risk issue around the build-up of cash and cheques at St Aldates and Cowley Marsh.

Risk Management

The Council has made good progress against previous recommendations. We raised two new low risk issues relating to:

- The completeness and consistency of risk reporting
- Recording of progress made in implementing mitigating actions

The Council will shortly launch the Risk Management i-learn. We recommend that completion of this training is monitored to ensure that risk owners have sufficient knowledge about their responsibilities for risk monitoring and reporting.

Budgetary Control

The Council set a 2014/15 budget for spending on General Fund services of £24 million. At the end of the year, there was a £1.8 million favourable variance which has been transferred to the earmarked reserves. We examined the budget setting and monitoring processes and found the design and operation of the controls in place to be strong. We identified no new issues and prior year recommendations have been implemented.

We considered the processes in place for monitoring the Council's efficiency saving targets. With ongoing budgetary pressure and the need for further savings to be made, we advise the Council to consider whether the requirement for an action plan should be formalised for variances exceeding a defined "significant" threshold.

Our review did not consider the processes and controls around the capital budget. As part of our Managing Capital Projects review we have looked at how overall capital programme performance is monitored and actions identified to address variations in expected performance, including budget slippage.

Treasury Management and VAT

We found three low risk issues relating to treasury management:

- Banking system access - the Council changed bank accounts from the Co-operative to Barclays in March 2015. The Co-operative bank account was still in use during the transition. We reviewed the user access levels and found one member of staff was set up as both a creator and authoriser on the Co-operative banking system.
- Cashflow forecasts –there is no review process to confirm that all receipts/payments over £10k have been included in the cashflow.
- Investments and CHAPs payments - we reviewed a sample of 20 CHAPs payments and found that in 1 case the transaction number had not been recorded on the CHAPs payment form. We also reviewed 5 investments made in the year and found that authorisation for 1 was not clearly evidenced.

We found no issues relating to the VAT controls and processes tested.

Planning Applications

We raised one medium risk issue relating to Senior Officer sign-off of applications. In our sample of 25 applications, evidence confirming sign-off had not been retained for 7 applications. We also identified four low risk issues relating to:

- System data – fields on the planning applications systems were incomplete or inaccurate in 3 of the 25 applications tested.
- Decision making target – the Council is currently not achieving the decision making target for Minor and Other applications. In 6 of the 25 samples tested the target was not being met.
- Banking cheques – in 3 out of 5 cases tested the cheques held by the planning department had not been passed on to the Finance department for banking for 2 weeks or more. This led to a large build-up of cheques, in one case more than £50k worth.
- Appeals - the decision document for 1 out of 7 appeals tested had not been uploaded on the system.

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Void Properties

The Council budgeted for approximately 400 void property repairs in 2014/15. We found three low risk issues relating to the following:

- Void target– the target void period is 35 days; this target was not achieved in 6 of the 25 samples tested leading to loss of rental income for these properties. The average re-let time across our sample was within the target at 33 days.
- Expenditure on voids – in December 2014 the Voids budget was overspent by £147k and subsequently additional funds have been allocated from underspends in the pre-paint joinery budget to cover the shortfall.
- Pre-inspections - 4 out of 25 pre-inspection reports were not dated so we could not confirm that the inspections were completed within the 48 hour target.

Health & Safety

We reviewed the design and operating effectiveness of controls and processes in place relating to Health and Safety across housing stock and corporate assets and found three medium risk issues relating to the following:

- Corporate property health and safety checks: Asbestos – a number of issues were found as part of our testing of 25 corporate assets, including failure to perform the required asbestos checks for one property and some instances of inaccurate data.

- Housing stock health and safety checks: Electrical inspections – our testing of 25 properties found 7 cases where electric checks were not carried out within the required timescales. There were 2 properties for which the Council was unable to locate electrical inspection certificates.
- Work required following checks – for 1 out of 25 corporate assets tested we found that the health and safety checks performed highlighted the need for repair work (non-urgent) to be performed in July 2013, but there was no evidence to show that this had been addressed at the time of the audit.

We found two low risk issues relating to the following:

- For leased properties the Council requests written confirmation from the leaseholders that they have fulfilled their responsibility with regards to health and safety compliance. In our sample of 25 corporate assets we identified 8 leased properties and found that requests to confirm compliance had not been sent out for 2 properties.
- Identifying required/overdue checks – procedures for identifying required or overdue checks are not robust.

End of Year Process: Council Tax, Business Rates, Rent & Benefits

The Council's "End of Year" process is a complex and time sensitive operation that must be managed efficiently and effectively to ensure council tax and business rates bills, rent letters and benefit notifications are issued to the local residents accurately and on time. We provided real-time feedback to the Council during the 2015 process and produced a report, highlighting weaknesses and setting out recommendations to improve the process going forward. Management also provided insight into areas for operational improvements. Our detailed reports sets out the recommendations together with agreed actions and timeframes; if implemented these will support a smooth and efficient process in 2016.

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Fieldwork and draft reports

As at the date of preparing this report, field work has been completed and reports are being prepared for the final two reviews in our 2014/15 annual plan:

- Managing Capital Projects
- Post implementation review: Recovery team restructure

Appendix 1 - Internal audit detailed progress tracker

| <i>Ref</i> | <i>Auditable unit</i> | <i>Indicative number of days*</i> | <i>Actual audit days to date</i> | <i>Scoping meeting date</i> | <i>Proposed fieldwork dates</i> | <i>Proposed draft report date</i> | <i>Proposed management response date</i> | <i>Proposed final report date</i> | <i>Audit Committee reporting date</i> |
|------------|----------------------------------------------------------|-----------------------------------|----------------------------------|-------------------------------------------------------------------------------------------------------------------------------|---------------------------------|-----------------------------------|------------------------------------------|-----------------------------------|---------------------------------------|
| A1 | Finance Systems – Fixed Assets, General Ledger & Payroll | 16 | 16 | | | Completed | | | February 2015 |
| A2 | Creditors, Sundry Debtors & Cash Collection | 16 | 16 | | | Completed | | | June 2015 |
| A3 | Collection Fund | 12 | 12 | | | Completed | | | December 2014 |
| A4 | Housing Benefits | 10 | 10 | | | Completed | | | February 2015 |
| A5 | Housing Rents | 10 | 10 | | | Completed | | | April 2015 |
| A6 | Risk Management & Budgetary Control | 13 | 13 | | | Completed | | | June 2015 |
| A6 | Treasury Management & VAT | 10 | 10 | | | Completed | | | June 2015 |
| B1 | Finance – Year End Support | 5 | 5 | Adhoc support provided to the Head of Finance: Corporate Purchase Card; Post room cheque recording; Utilities billing process | | | | | n/a |
| B2 | Car Parking | 7 | 7 | | | Completed | | | December 2014 |

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|------------|--------------------------------------------------------------|-----------------------------------|----------------------------------|------------------------------------------------------------------------------------------------------|---------------------------------|-----------------------------------|------------------------------------------|-----------------------------------|---------------------------------------|
| B3 | Managing Capital Projects | 10 | 10 | Held | Complete | 3/7/15 | 10/7/15 | 24/7/15 | September 2015 |
| B4 | Sports Pitch & Facility Booking | 8 | 8 | | | Completed | | | April 2015 |
| VE1 | Planning Applications | 10 | 10 | | | Completed | | | June 2015 |
| VE2 | Void Properties (Council Housing) | 10 | 10 | | | Completed | | | June 2015 |
| 57 VE3 | Discretionary Housing Payments and Social Funds | 10 | 10 | | | Completed | | | April 2015 |
| VE 4 | Post implementation review: Recovery team restructure | 10 | 10 | Held | Completed | 3/7/15 | 10/7/15 | 24/7/15 | September 2015 |
| VE5 | Contract Management with IT Suppliers and Smarter Procedures | 12* | 12 | Specialist support provided for the Council's tender process to seek new ICT infrastructure partners | | | | | n/a |
| VE 6 | End of Year Process | 16 | 16 | | | Completed | | | June 2015 |

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|-------------------------------------|-----------------------------------------------|-----------------------------------|----------------------------------|-----------------------------|---------------------------------|-----------------------------------|------------------------------------------|-----------------------------------|---------------------------------------|
| <i>Deferred from 2013/14</i> | | | | | | | | | |
| C1 | Environmental Development | 10 | 10 | | | Completed | | | December 2014 |
| C2 | Health and Safety: Housing & Corporate Assets | 5 | 9 | | | Completed | | | June 2015 |
| | Follow up & audit management | 30 | 30 | n/a | n/a | n/a | n/a | n/a | n/a |
| 58 | Total days (excl contingency) | 230 | 234 | | | | | | |
| | Contingency - Rose Hill Community Centre | 15* | 16 | | | Completed | | | April 2015 |
| | Total days | 245 | 250 | | | | | | |

* Consistent with the delivery of previous plans, where appropriate and in agreement with client management, we are able to flex our audit service to include more senior or specialist staff to respond to the risks generated by audit reviews. Where we do this we effectively agree a fixed fee for the audit work which is derived from the combined fees of the planned audit days allocated to this audit review during the annual planning process.

Appendix 2 - Thought leadership 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 PwC Public Sector Research Centre produces a range of research and is a leading centre for insights, opinion and research on best practice in government and the public sector. All publications can be read in full at www.psrc.pwc.com/

You can also read our blogs on Public Sector Matters Globally http://pwc.blogs.com/psm_globally/

Low Carbon Economy Index 2014 | 2 degrees of separation: ambition and reality – June 2015

The 6th annual Low Carbon Economy Index (LCEI) tracks the rate that G20 countries are decarbonising their economies.



Skilled for the future: simplifying the UK skills system – April 2015

59 The skills system in the UK has been the subject of significant change over the last 10 years, with new funding agencies and policies, new qualifications and a greater focus on employers' needs. This Talking Points publication considers whether the current skills system is really working for its stakeholders and what changes could be made to its administration to make the UK skilled for the future.



Fighting Fraud in the Public Sector III – March 2015

The significant financial loss caused by fraud in the public sector continues to plague internal audit and risk teams. It is not just the one-off incident that we should be concerned about, but the increasing regularity of fraud – and changes in the origins of fraud. Our latest report, provides an overview of the incidences of fraud and corruption in the public sector, globally, as well as in the wider Australian economy. The report provides dedicated chapters on the high risk areas of procurement fraud and cybercrime, including information and system security. The findings have been supplemented with a final section on the human resources problems that can create a workplace environment where fraud is more likely to occur.



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