

Internal Audit Progress Report

Update to the Accounts, Audit and
Risk Committee on Internal Audit
activity

Cherwell District
Council

March 2016

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Introduction

We are committed to keeping the Accounts, Audit and Risk Committee up to date with internal audit progress and activity throughout the year. This summary has been prepared as at 3 March 2016 to update you on our activity since the last meeting of the committee and to bring to your attention matters that are relevant to your responsibilities as members of the committee.

We have also attached again for reference some of the latest publications that might be of interest to you as members of the committee (these are included in Appendix 1).

2015/16 audit plan update

As previously reported we continue to have ongoing discussions with management on the audit plan for 2015/16 and the plan summary below shows latest position on each of the reviews included in the plan. Comments are provided under the table below to show the main updates since our last report. We will update the committee further verbally as required during the meeting.

As previously reported we agreed with management to complete our reviews in a smaller number of blocks and therefore remain on track with our proposed plan for delivery during quarter 4.

There are no changes to the areas of review included in the plan that was presented to the committee in March 2015.

Annual plan and indicative timeline

The following table sets out our internal audit work plan. Comments are provided under the table below to show the main updates since our last report. We will update the committee further verbally as required during the meeting.

Ref	Auditable Unit Points of Focus					Comments
		Q1	Q2	Q3	Q4	
A	Corporate systems / Cross Cutting Reviews					
A.1	Finance Systems To cover the following on risk basis <ul style="list-style-type: none"> • General Ledger • Payroll • Collection Fund (Council Tax and NNDR) • Housing Benefits • Debtors • Creditors 			✓	✓	Payroll, Debtors and Creditors Work was undertaken during November and December. Given the change in finance system for the next financial year (FY 16/17), we agreed that certain elements of the General Ledger review would not be required for FY15/16. Housing Benefits Work was undertaken during November and December. Collection Fund Work was undertaken during December and January as anticipated and previously agreed.

						See below for complete update position.
B	Department					
B.1	<p>Programme Management Ongoing support to consider programme management and key ways of working on major programmes across the council, to be agreed during the plan year.</p> <p>Key projects include:</p> <ul style="list-style-type: none"> • Graven Hill • Bicester Town Centre Redevelopment • Build Programme • New Finance System 			✓	✓	<p>We have had ongoing communications and we agreed a scope to look at the new finance system implementation and agreed to look at programme management aspects alongside business continuity and system aspects (see B.3 below).</p> <p>Delivery of this review was during late February before the go live implementation of the new finance system.</p>
B.2	<p>Risk Management/Governance Review the adequacy of risk management arrangements within the Council and we will provide you with a view on your Joint Risk Management arrangements.</p>				✓	<p>Work started 22 February 2016 and is due to complete 4 March 2016.</p> <p>See also details in risk management training section below.</p>
B.3	<p>IT General Controls Review controls around key IT controls on selected systems</p> <p>System Reviews We can help support or review around key system changes from a variety of aspects including: system configuration, application and database controls and reporting configurations.</p> <p>Cyber Security We view cyber security through a rounded approach and is designed to provide you with confidence: in your people, technology and connections, how you manage risk, set priorities and respond to an incident or during a crisis. Our approach typically begins with an assessment of your current capability and a recommendation of areas for improvement.</p>			✓	✓	<p>As detailed in B.1 above, we have had ongoing communications and we agreed a scope to look at the new finance system implementation and agreed to look at programme management aspects alongside business continuity and system aspects (see B.3 below).</p> <p>Delivery of this review was during late February before the go live implementation of the new finance system.</p>

B.5	Service Redesign / Compliance Reviews To review current service plans and operational design and arrangements to benchmark performance on selected service. <ul style="list-style-type: none"> • Planning and the Economy • Regeneration and Housing • Environmental Services 			✓	✓	<p>We have had ongoing communications and discussions with relevant officers in relation to our planning review for 2015/16.</p> <p>We shared an initial draft for comment and planned to deliver the review during February 2016 as previously agreed and discussed with management.</p> <p>See further below.</p>	
B.6	Finance Year End Support To support you at year end. This support will include a critical review of your draft accounts, accountancy support and attendance at your close down group.					<p>This is directed by areas of support required for your annual statement of accounts.</p> <p>We will await any communication around areas of support or review that may be required.</p>	
VE	Value Enhancement						
VE.1	Joint Working and Transformation Programme Review of the governance and business cases for efficiencies and savings for three way working. <ul style="list-style-type: none"> • Governance Models • New Ways of Working 				✓	<p>We have had ongoing communications and discussions with the Business Transformation Manager in relation to our review for 2015/16.</p> <p>As agreed we usually plan to deliver this review over 2 weeks from mid-March in each plan year, to allow for any developments or areas of focus that may be of most benefit to the Transformation Programme.</p> <p>See further below.</p>	
PM	Project management						
PM.1	Project management	✓	✓	✓	✓		
PM.2	Contingency					<p>We aim to have an element of contingency in each plan to respond to any emerging risks in each plan year.</p>	
	Total Cost	£47,355					

Financial system reviews update as at 3 March 2016

Payroll, Debtors and Creditors

Work has been completed and the draft report anticipated for issue w/c 7 March. There are no individual high risk issues and we anticipate that the overall report for Creditors and Payroll will be rated low risk and Debtors will be rated as medium risk.

We amended the scope of our debtors review to incorporate aged debt for this year following discussions with management.

Housing Benefits

Work has been completed and the final report issued. There are no individual high risk issues, the overall report is rated as low risk.

Collection Fund

Work has commenced and is expected to complete on 14th March. We have held initial meetings, updated our understanding of controls and selected main samples.

Other reviews update as at 3rd March 2016

IT and Programme Management

Work commenced on 22 February and we have had discussions with audit sponsors in relation to our initial findings. The review is due to complete by the end of March as previously anticipated and is currently subject to our review and reporting process.

Service Redesign / Compliance Reviews

We have shared an initial draft scope for comment and plan to complete the review in March 2016 as previously agreed and discussed with management. This has been delayed as we have had no response from the audit sponsor and have been continuing to chase. We will discuss further with the Head of Finance and Procurement.

Risk Management/Governance

Work commenced on 22 February and we expect to complete fieldwork 4 March.

Joint Working and Transformation Programme

We plan to deliver this review over 2 weeks from mid-March to allow for any developments or areas of focus that may be of most benefit to the Transformation Programme.

We intend to review the transition plans for ICT and Legal. Final scope to be agreed upon with the Business Transformation Manager but will focus on critical friend role to ensure transition plans are robust.

Additional work

Risk management

As previously reported, we have been asked about the provision of risk management training for the senior management team and staff under service heads that have responsibility for risk.

We held a detailed discussion on 5 November 2015, around the nature and format of anticipated training and any input for ongoing updates and needs, with the Acting Corporate Performance Manager and Performance Information Officer. We also discussed initial budget.

The training will take the form of workshops and most productively will be in four sessions over a couple of days. We have now agreed that the delivery of these workshops will take place on 14 and 15 April.

We will keep the committee informed of any further additional work and costs that are agreed in relation to risk management.

Additional Reviews

Following review of recommendations made by KPMG in relation to NNDR, we have agreed a couple of additional pieces of work to cover the following areas. It is anticipated that these will be completed

and concluded during March and early April and will input into the Council's improvement plan currently being drawn up. The terms of reference for these have been agreed with the Head of Finance and Procurement.

NNDR Follow Up

We will review the controls and processes around the accounts production and interaction with NNDR returns and systems and look to make recommendations around controls that should be considered to address the weaknesses and risks identified and inform the improvement plan.

Reconciliations Follow Up

We will review the controls and processes around the accounts production and the Council's current suite of reconciliations to make recommendations around whether reconciliations are sufficient and appropriately controlled and reviewed.

Appendix 1 – 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.

All publications can be downloaded in full at www.psrc.pwc.com and we have included the most relevant and recent listed below alongside this report for your further reference.

We also have a dedicated public sector twitter account with the latest information, comments or links to recent publications or blogs.

Twitter

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Good growth for cities 2015: Our report on economic wellbeing in UK urban areas

The economic outlook in 2015 has improved, with rising employment and a welcome return to growth of real earnings, which means that the public is finally starting to feel the benefits of recovery.

This is our 4th Good Growth for Cities report where we measure the performance of the UK's largest cities against a basket of ten categories defined by the public, and business, as key to economic success and wellbeing.

This year, we've also looked at the 'Northern Powerhouse' for the first time, which can be used in the future to assess the success of the move to devolve powers from a good growth perspective. To deliver on the potential of decentralisation however, local institutions need to have the local leadership, capacity and capability as well as the accountability arrangements in place to support their case to government for further powers - and ensure good growth outcomes are achieved.

As detailed in our previous update report to the December committee and still of relevance and interest.

Full speed ahead: connecting our cities and regions

Against the backdrop of a cross-party commitment to further devolution and the prospect of new investment in major national infrastructure projects - such as HS2 and new airport and road capacity – we held a series of roundtables with transport stakeholders in both the public and private sectors across the UK, facilitating discussions with those on the frontline of policy and delivery on what is needed over the next five years to ensure a lasting step change in transportation within and between our major towns and cities.

In association with Smith Institute, this Talking Points discusses how failure to invest in a more integrated and better connected transport network could leave UK plc at a competitive disadvantage. In particular, we wanted to discover more about the scale of the issue and explore what can be done to improve connectivity between cities and regions. We've found:

- There is no 'one size fits all' solution and the future is about localised decision-making.
- Transport devolution is about more than just improving local transport systems. It is also about connecting local and city-region transport networks.

- Progressive transport planning and funding must seek to integrate transport with local and city-region plans for jobs, housing and growth. The aim is not only to improve connectivity, but to also maximise the socio-economic benefits of all types of transport investment.
- The biggest challenge now is securing the capital investment that is needed to meet future demand and/or looking for alternative sources of funding.
- When balancing the development of new projects and maintaining and improving existing transport, transport appraisal and analysis will be required in helping making key decisions.
- Connectivity between all places will continue to be critical to our future prosperity

To own or not to own: realising the value of public sector assets

The drivers of fiscal austerity will continue to frame decisions, and the ongoing reform of public services, for the rest of this Parliament.

Setting out the Spending Review, the Chancellor emphasised the importance of casting the net of efficiency widely, challenging government departments to “examine their assets and consider how they can be managed more effectively, including considering the role of privatisation and contracting out where assets do not need to be held in the public sector.”

Government has an asset base of £1,300 billion to support £700 billion of public spending. While recognising some obvious differences in objectives and function, most private sector organisations, even the most capital intensive such as oil companies, have ratios of assets to revenues of less than 1:1. Our Talking Points considers how the government and public sector can best realise the value of its assets looking towards the 2015 Spending Review – and beyond.

Beyond letting go

Embedded in the UK Spending Review is a commitment to further decentralise functions and budgets in order to maximise efficiency, drive local economic growth and productivity, and support the integration of public services. Decentralisation has implications not only for the local and combined authorities seeking deals but also for how central government operates.

Central government has a significant role to play as an enabler for decentralisation, playing its part in moving to more collaborative relationships between central and local and ensuring that the momentum behind devolution continues, while maintaining sufficient oversight to manage risk and network issues. This will be a challenging balance to strike, particularly given the asymmetrical nature of decentralisation, with different places bestowed additional powers and responsibilities in relation to their appetite, capacity and capability.

Our ‘Beyond letting go’ Talking Points explores a number of areas where central government has a critical role to play in creating and operating in a successful devolved environment. Together these add up to a fundamentally new role for Whitehall. In each case, central government needs to strike a balance between genuinely empowering local areas where the costs, benefits and solutions are localised, and maintaining appropriate national oversight.

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