



Internal audit  
summary  
report for  
Accounts, Audit  
and Risk  
Committee

June 2011



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# 1. Plan outturn

## **2010/11 and 2011/12 Audit Plan**

We have undertaken work in accordance with the 2010/11 Internal Audit Plan which was approved by the Accounts, Audit and Risk Committee at its meeting in March 2010. Our performance against this plan has been reported within our Annual Report presented at this meeting.

In addition, we have commenced planning and fieldwork for our 2011/12 reviews and will report on progress against this at your next meeting.

## 2. Reporting and activity progress

### Final reports issued since the previous meeting

- **Budgetary Control** – An opinion of **HIGH ASSURANCE** has been provided for the Council's budget setting and monitoring process. Only 1 moderate risk issue was noted around authorisation limits detailed on virement forms not being consistent with the financial regulations.
- **Fixed Assets – MODERATE ASSURANCE** has been given on the Council's Fixed Asset process. Issues were noted around the implementation of the Council's new Fixed Asset system where we would have expected a formal implementation plan to be in place and comprehensive reconciliations to be performed ahead of uploading the data. Only minor issues were noted around the processing of Capital transactions.
- **IT Service Report** - We have given an opinion of **MODERATE ASSURANCE** on the controls in place around the Councils processes for achieving ISO2000 certificate. One high risk issue was noted around the need for the Council to put in place an implementation and migration plan for the upgrade of their Management System.
- **IT Asset Management Report** – An opinion of **MODERATE ASSURANCE** has been provided for the Councils IT Asset Management processes. Issues were raised around the absence of a central tracking and monitoring system for IT assets. In addition, there is no process in place for returning IT assets to a central team.
- **Firewall** – A **LIMITED ASSURANCE** opinion has been issued on the Councils firewalls. As such, this report has been brought in full to this meeting for discussion.
- **Performance Management** – We have reviewed the processes in place for collecting data for a number of the Councils performance indicators. 3 issues were noted around the measurement of the number of "Jobs created in Cherwell". The Council should ensure that documentation is retained to evidence performance in this area and that a complete listing of businesses that may create jobs is maintained.
- **Procurement** – We performed a piece of Value for Money work on the Council's Landscaping and Leisure contracts. The contract managers involved in these contracts were found to be highly competent and effective processes are in place to monitor costs and performance. More work would be beneficial around standardising contract management procedures and sharing best practice across the Council. This was a value enhancement review and therefore no opinion has been issued.
- **International Financial Reporting Standards (IFRS)** – We are continuing to support the Council in preparing their accounts under IFRS. No formal opinion is to be issued in this area

# 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. We have highlighted some recent publications that may be of interest to the Council below:

## **Making your Property Work Harder:**

The 2010 Spending Review set out far-reaching spending cuts across the public sector and has placed unprecedented financial pressure on local authorities. With local government facing funding cuts of around 26%, there is an expectation that they find savings from property while protecting the front-line.

Contrary to popular opinion, once the schools portfolio is stripped out and depressed market prices are factored in, there is not an excess of council property. Asset sales over the last 30 years have funded significant capital programmes and releasing buildings from the operational estate is no longer easy. The straightforward deals are done and the low-hanging fruit long since picked.

If public sector bodies are to avoid 'slash and burn' with the inevitable consequences for service delivery, a more challenging approach to property rationalisation that is tied to service redesign is required. This approach challenges services' dependency on assets and explores new channels of delivery.

This publication outlines how the importance of a mature property function and how property should be rationalised to drive out efficiencies in local government.

## **Capable Communities: Towards Citizen-Powered Public Services**

Everyone is talking about the 'Big Society' as part of the next stage of public service reform, but much of the discussion to date has been abstract rather than practical. Getting citizens more involved in the design and delivery of public services has real promise as a way of empowering citizens, improving outcomes and providing better value for money. But we need to understand much better how this agenda can be translated into practice. This report asks how, in practical terms, citizens can act together to improve the way public services work for them. This can involve individuals volunteering their time to help others, but it is also about empowering people to help themselves.

## **Standardising processes, improving performance**

Information Technology (IT) is vital to the workings of local government and underpins all of the services that councils deliver. However, the IT that supports day to day processes and activities is often needlessly complex and fails to deliver service improvements or meaningful productivity gains. In addition, despite the significant spend on IT infrastructure during the boom years of e-government, this investment has failed to deliver some of the predicted benefits of improved business processes and ready access to both information and services for customers and employees alike.

Despite this current state of play, we are optimistic for the future. We believe that the right IT will underpin more efficient operating models for councils in the future. In addition, we estimate that councils could decrease their total cost of IT by up to 20% (based on PwC's work with councils





undertaking this type of transformation journey). This can be achieved while maintaining or improving services, based on our experience of transformation work at over 40 organisations, where IT simplification is seen as a key enabler.

In this Talking Points publication we explore how councils can break out of the current vicious cycle, which leads to higher IT costs, and demonstrate how councils can simplify IT requirements to create simpler, more cost effective IT environments that support improved standard processes and models of working.

# Appendix One

## Our assessment criteria are shown below:

Each of the issues identified has been categorised according to risk as follows:

Risk rating	Assessment rationale
 Critical	Control weakness that could have a significant impact upon, not only the system, function or process objectives but also the achievement of the <b>authority's objectives</b> in relation to: the efficient and effective use of resources the safeguarding of assets the preparation of reliable financial and operational information compliance with laws and regulations.
 High	Control weakness that has or is likely to have a significant impact upon the achievement of key <b>system, function or process</b> objectives. This weakness, whilst high impact for the system, function or process does not have a significant impact on the achievement of the overall authority objectives.
 Medium	Control weakness that: <ul style="list-style-type: none"><li>• has a low impact on the achievement of the key system, function or process objectives;</li><li>• has exposed the system, function or process to a key risk, however the likelihood of this risk occurring is low.</li></ul>
 Low	Control weakness that does not impact upon the achievement of key <b>system, function or process</b> objectives; however implementation of the recommendation would improve overall control.

## Overall opinion rating:

Level of assurance	Description
<b>High</b>	No control weaknesses were identified; or Our work found some low impact control weaknesses which, if addressed would improve overall control. However, these weaknesses do not affect key controls and are unlikely to impair the achievement of the objectives of the system. Therefore we can conclude that the key controls have been adequately designed and are operating effectively to deliver the objectives of the system, function or process.
<b>Moderate</b>	There are some weaknesses in the design and/or operation of controls which could impair the achievement of the objectives of the system, function or process. However, either their impact would be less than significant or they are unlikely to occur.
<b>Limited</b>	There are some weaknesses in the design and / or operation of controls which could have a significant impact on the achievement of key system, function or process objectives but should not have a significant impact on the achievement of organisational objectives. However, there are discrete elements of the key system, function or process where we have not identified any significant weaknesses in the design and / or operation of controls which could impair the achievement of the objectives of the system, function or process. We are therefore able to give limited assurance over certain discrete aspects of the system, function or process.
<b>No</b>	There are weaknesses in the design and/or operation of controls which [in aggregate] could have a significant impact on the achievement of key system, function or process objectives and may put at risk the achievement of organisation objectives.



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