
Internal audit summary report for Accounts, Audit and Risk Committee

September 2012



Table of Contents

Plan outturn	3
Reporting Activity and Progress	4
Appendix 1 – Plan Progress	5
Appendix 2 – Recent PwC Publications	7

DRAFT

Plan outturn

2012/13 Audit Plan

We have undertaken work in accordance with the 2012/13 Internal Audit Plan which was approved by the Accounts, Audit and Risk Committee at its meeting in March 2012.

An outturn statement detailing assignments undertaken and actual activity for the year is shown in Appendix One. At present we have completed 23 days out of a total planned 160 days (14%). 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 Cherwell District Councils ('the Council') risks. On that basis, we have made the following revisions to our audit plan as outlined below:

- Our original plan included 3 days for a secondment of a member of our Housing Benefits team to the Council to support testing on claims in advance of the subsidy claim. This resource was secured from another provider. As such, these days will not be utilised for a secondment and we have utilised the days to perform a review of monitoring and performance mechanisms relating to the Council's leisure contract. We will continue to perform a 5 day internal audit review of housing benefits key controls and processes;

Our original plan also included 5 days for a review of the Council's payroll system. The payroll system is due to be merged with South Northamptonshire Council's ('SNC') payroll system. As such we have assumed that processes will be followed consistently across both Councils after implementation and will perform a joint review in this area.

Reporting Activity and Progress

Final reports issued since the previous meeting

Contract Assurance – Capita Contract*

The objective of this review was to consider contract management activities relating to the Capita contract to ensure that appropriate performance management and performance indicators are in place to ensure contractor performance is optimised.

Overall, contract monitoring practices appear strong. Agreed key performance indicators ('KPIs') are in place and the team undertake validation checks on KPI information reported by the supplier. The KPI list encompasses indicators for all areas of service provided, including those which are consistently achieved. The Council may wish to refine this list to focus on those KPIs which target the more significant areas of service, address any current performance issues or drive positive behavioural changes in the supplier.

Our review highlighted a number of areas where actions specified in the contract have not been delivered – by both the supplier and the Council. The Council should conduct a full assessment of all contract requirements (both service delivery and pricing mechanisms) to identify any areas where contractual requirements are not being met. Where contractor services are no longer required for example the Discretionary Housing Payments service, the Council should enter into discussions with Capita to review/amend the service specification and adjust Contract documentation/fee rates accordingly.

There is an opportunity to improve the contract governance process by ensuring all processes are documented and the formal contract documentation is updated to reflect any changes since the Contract began. This level of rigour and formality will provide a better support structure for the Council should it experience any difficulties during the contract period. This was a 'value enhancement' review and as such no risk rating has been provided.

Shared Management – Governance and Efficiency*

Our plan includes a regular verification exercise of the costs and recharges associated with the Joint Management Team. As part of this review we examined the budget information and spend incurred in quarter 4 of 2011/12. We noted no issues. 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.*

Fieldwork and draft reports

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

- Project and Programme Management;
- Dry Recycling;
- Collection Fund.

Appendix 1 – Plan Progress

Ref	Auditable Unit	Indicative number of audit days	Status/Revisions to the plan
A	Cross-cutting Processes		
A.1	General Ledger**	3	To commence in Q3.
A.2	Debtors**	3	To commence in Q3.
A.3	Creditors**	3	To commence in Q3.
A.4	Payroll**	5	To commence in Q3.
A.5	Budgetary Control	10	To commence in Q4.
A.6	Collection Fund	5	Fieldwork commenced.
A.9	Housing Benefits	5	To commence in Q3.
A.13	Risk Management	5	To commence in Q4.
A.14	IT Transition Arrangements (Specialist) **	5	To commence in Q3.
A.14	IT Policies and Procedures (Specialist) **	5	To commence in Q3.
A.14	Disaster Recovery and Business Continuity (Specialist)**	5	To commence in Q3.
-	Fraud Risk Assessment (Specialist)	5	To commence in Q3.
	TOTAL	59	
B	Department Level		
B.3	Finance and Procurement – Year End Support (Specialist)**	6	To commence in Q4.
B.9	Performance – Performance Management	5	To commence in Q3.
B.2	Environmental Services – Dry Recycling	5	Fieldwork commenced.
B.6	Strategic Planning and the Environment – Planning Applications	5	To commence in Q3.
B.10	Programme Management - Project and Programme Management (Specialist) **	10	Fieldwork commenced.
B.11	Human Resources – Workforce Planning and Performance Management (Specialist)**	10	To commence in Q4.
B.7	Regeneration and Housing – Moat Lane Regeneration	5	To commence in Q4.
	TOTAL	40	
VE	Value Enhancement		
VE.1	Finance Business Case – Critical Friend	5	Completed.
VE.2	Contract Assurance – Capita Contract (Specialist)	10	Completed.
VE.3	Estates and Asset Management	10	To commence in Q3.
VE.4	Shared Management – Governance and Efficiency	5	Ongoing.
VE.5	Contract Assurance – Leisure Contract (Specialist)	3	To commence in Q3.

	TOTAL	33	
PM	Project Management		
PM1	Follow up	5	Ongoing.
PM 2	Audit Management	23	Ongoing.
	TOTAL	28	
	TOTAL PROPOSED DAYS	160	

Where reviews have been annotated ‘***’, these relate to processes we have assumed will be followed consistently across both Cherwell District Council and South Northamptonshire Councils. We have therefore reduced days in this area to reflect a joint review. These areas have been indicated to us through discussions with management at both Councils.

DRAFT

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/.

DRAFT

In the event that, pursuant to a request which Cherwell District Council has received under the Freedom of Information Act 2000, it is required to disclose any information contained in this report, it will notify PricewaterhouseCoopers (PwC) promptly and consult with PwC prior to disclosing such report. Cherwell District Council agrees to pay due regard to any representations which PwC may make in connection with such disclosure and Cherwell District Council shall apply any relevant exemptions which may exist under the Act to such report. If, following consultation with PwC, Cherwell District Council discloses this report or any part thereof, it shall ensure that any disclaimer which PwC has included or may subsequently wish to include in the information is reproduced in full in any copies disclosed.

©2012 PricewaterhouseCoopers LLP. All rights reserved. PricewaterhouseCoopers refers to the United Kingdom firm of PricewaterhouseCoopers LLP (a limited liability partnership) and other member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity