

# *Internal Audit Progress Report*

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

Cherwell District  
Council

March 2014

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## ***Introduction***

We are committed to keeping the Committee up to date with our progress throughout the year, and this summary updates you on our activity since your last meeting, along with matters that are relevant to your responsibilities.

## ***2013/14 audit plan***

You approved the plan in June 2013 and we remain on course to deliver it, with a number of reports being finalised now and a few to be completed during March. We will bring a full outturn report to the June committee meeting alongside our annual opinion.

## ***2014/15 audit plan***

We discussed future plans with key officers during February and we present our draft 2014/15 plan as a separate report to this meeting.

## ***Progress with 2013/4 reports***

### **Final / Draft Reports Issued**

We have issued the follow reviews in final or draft status.

#### **Treasury Management – Low Risk (Final)**

We have issued a **low risk** report and found no issues to report. This was our first review of treasury management and focussed on strategy, budgeting and reporting.

#### **Debtors – Low Risk (Final)**

We have issued a **low risk** report and found 3 low risk issues.

- Monthly reconciliations between the debtors and general ledger: evidence of independent review;
- New debtor set up: evidence of segregation and review; and
- No/out-of-date authorised signatory listing within finance department.

#### **General Ledger – Medium Risk (Draft)**

General Ledger controls have improved since last year, but we note the following:

- The Fixed Asset Register is only reconciled to the General Ledger on an annual basis. Good practice suggests this should be performed at least two times per year.
- The Council have designed guidance notes to outline General Ledger policies and procedures. This process has no mechanism for review or evidencing review if no change required.
- 1/25 journals did not match the value in the General Ledger (typographical error and was subsequently corrected) and 4/16 manual journals did not have any supporting documentation.
- Audit adjustments have not been authorised by all the required staff (but had been uploaded correctly on the system).
- Monthly leavers' information has not been sent from HR to finance in order for finance to review system user access.

#### **Collection Fund - Low Risk (Draft)**

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We have raised 4 medium risk issues and 1 low risk issue, covering the review of council tax and NNDR. The main issue is timeliness or evidence of review of key reconciliations and amendments processed by CAPITA and also the Council's internal team. There were also observations on void and empty properties and monitoring of credit balances.

### **Housing Benefits - Low Risk (Draft)**

We have raised 3 low risks issues, but generally housing benefits processes appear strong.

The issues noted relate to:

- Evidencing of review of daily bank reconciliations;
- Evidencing and completing daily checks on change of circumstances processed by CAPITA; and
- monthly reconciliations between the housing benefit and the council tax systems by CAPITA do not show evidence of when they were performed and reviewed by the Council.

### **Programme Management Support**

We have delivered a number of days in support to several of the Council's ongoing significant programmes. We have completed and reported back on

- Project Risk Management
- Welfare Reform

#### *Project Risk Management – Key Observations*

Project and corporate risk management processes are aligned, using a common set of criteria as defined in the Risk and Opportunity Management Strategy. Risk management processes appear effective, but:

- further clarity on roles for risk management in projects would be beneficial;
- required reporting standards should be agreed; and
- there needs to be a clearer process for escalating significant risks to Audit Committee.

#### *Welfare Reform - Introduction*

The Welfare Reform Act provides for the introduction of a 'Universal Credit' to replace a range of existing means-tested benefits and tax credits for people of working age, starting from 2013. The Bill follows the November 2010 White Paper, 'Universal Credit: welfare that works', which set out the Coalition Government's proposals for reforming welfare to improve work incentives, simplify the benefits system and tackle administrative complexity.

#### *Key observations*

This is a difficult process to manage as timescales and the scope of the Bill are not yet clear. Nevertheless, as long as government is committed to implementation, the Council needs to prepare effectively to the extent possible.

The Council has adopted a "wait and see" approach and as a result, project management controls and supporting documentation have not always been appropriately developed or maintained. We recommend that controls should be re-developed to mitigate risks and develop robust quality control measures and ensure the Councils work in a collaborative and supportive manner at the same pace.

Tightening Project controls will allow the Project Manager to monitor delivery across both Councils easier and more effective.

#### *Other Programme Management Support*

We also have reviewed the Bicester and Banbury redevelopment projects being delivered during late February and March.

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We have reallocated some of the audit plan days, in discussion with management, to undertake a Post Implementation Review on the harmonising of the payroll and HR systems between South Northamptonshire and Cherwell and the new HR system being operated at Cherwell.

### **Reviews completed in review or in progress**

We are in the process of reviewing and reporting on the following reviews where fieldwork has been completed or some follow up work is required:

- performance management;
- payroll;
- budgetary control; and
- creditors.

We have also started our risk management review during the last week in February. We are looking at a selection of risks that include joint risks with Cherwell and also specific South Northamptonshire risks.

We will report the outcome of these alongside our annual opinion to the June meeting.

### **Reviews being delivered in March**

We are scheduled to complete the following reviews during March:

- Joint Working: covering current arrangements and the Transformation Group around 3 way working;
- Programme Management: Banbury and Bicester redevelopment projects;
- Environmental Services: review of contractual arrangements in 'Pest Control Services';
- Grant Allocation;
- IT: Risk and Controls Diagnostic; and
- IT: Business Continuity and Disaster Recovery.

We will report the outcome of these alongside our annual opinion to the June meeting.

### **Year End Support**

We will also work with management to agree what form any year end support will take in relation to the statements of accounts production. This is usually timetabled for early June to feed into the annual accounts production timetable.

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