

Internal Audit Progress Report

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

Cherwell District
Council

December 2014

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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 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).

2014/15 audit plan update

We continue to have discussions with management on the draft audit plan for 2014/15 and plan to have further discussions over December with a view to agree appropriate scopes for the non-financial systems reviews and delivery prior to March 2015.

Please find a summary of the latest position against the plan. We remain on course to deliver the plan by 31 March 2015, with the exception of the year end support which again is scheduled for June 2015 when the draft statement of accounts are prepared and does not form a review of the control environment.

As previously reported in our September update to the committee.

Graven Hill: Phase 2 Review – Final Report

We completed our second phase review over the Council's Graven Hill business case and have reported back our key findings to officers. There was no risk rating provided for this review and was a report summarising our findings against the governance arrangements around the Council's business case.

There were no matters that we wanted to draw out over the Councils' controls and approach to its business case over the proposed Graven Hill development.

Additional work delivered

We reported in September that we have delivered three additional pieces of work against the 2014/15 plan.

We have completed two special investigations at the request of the interim Head of Finance and Procurement and Director of Resources respectively, relating to a couple of specific matters raised to us.

Our findings have been reported back to key officers and individuals following completion of these special reviews. Should members want any additional information or a copy of the reports these can continued to be made available on request.

Following on from one of the special investigations we have also helped facilitate and deliver an anti-money laundering workshop for officers in August 2014.

Since the September report there are two further items to draw to your attention.

HCA Compliance Audit

We have also delivered an additional review in relation to HCA procedural compliance regime. This was delivered outside of the internal audit plan under a separate engagement letter given the nature

of the work. The estimated fees for this are £5,000. We signed the audit report on 24 November 2014 and submitted to the HCA in that week ahead of the required deadline.

Anti-money laundering workshop

Following on from the anti-money laundering workshop we facilitated for officers in August 2014, we have agreed to do an additional session in January 2015 for those officers who were unable to attend the workshop in August and is of relevance for their job role.

Reporting activity and progress

A summary of the 2014/15 Audit Plan and amendments made are included in the summary below.

Ref	Auditable Unit	Original Plan Days	Updated Plan Days	Update
A	Cross-cutting Processes			
A.1	Finance Systems <ul style="list-style-type: none"> • General Ledger (4) • Payroll (4) • Collection Fund (Council Tax and NNDR) (6) • Housing Benefits (4) • Treasury (4) 	22	22	<p>There are no significant matters to be raised to date on the reviews where the testing has been completed.</p> <p>We have completed the payroll, housing benefits and treasury reviews. These are in a process of review, quality assurance and reporting.</p> <p>We have the general ledger review scheduled for December.</p> <p>We are discussing with management the best timing for the collection fund review given notification of key staff contact change in this area.</p> <p>We will summarise the findings for each of these reviews to the committee once the reports are finalised.</p>
A.2	IT Systems (Finance System - Civica) Ongoing review and support in change management and finance system upgrades	7	7	<p>No change.</p> <p>We will discuss how best to utilise IA days given the decision to change finance systems to Civica across the three councils.</p>
A.3	Review of Corporate Costs <ul style="list-style-type: none"> • Corporate Telephony Costs 	3	3	No change.
	Specific Follow Up Review	0	6	We will summarise the detail findings against follow up actions and recommendations and present alongside our annual report. There are no specific areas of concern that we wish to draw out at the present time.
	TOTAL	32	38	
B	Department Level			

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 	12	12	<p>No change.</p> <p>We will continue to work with the project office to identify areas/projects for additional support and review.</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>	5	5	<p>No change.</p> <p>We will deliver this review in quarter 4.</p>
B.3	<p>IT</p>	6	6	<p>We will continue to liaise with the IT team and identify areas for review and support utilising the findings of our IT diagnostic report from the 2013.14 plan as areas for potential focus.</p>
B.4	<p>Housing – Planning Applications Review the processes you have put in place to manage the changes and alter your systems to process applications effectively.</p>	6	6	<p>No change.</p>
B.7	<p>Service Redesign – VfM assessments To review current service plans and operational design and arrangements to benchmark performance on selected service.</p> <ul style="list-style-type: none"> • Strategic Planning and the Economy • Regeneration and Housing • Environmental Services 	6	0	<p>Used for specific follow up review for all 13/14 completed reviews as annual report prior recommendations update.</p> <p>See above.</p>
B.8	<p>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>	4	4	<p>No change.</p>

	Graven Hill: Phase 2 Business Case Review	0	7	Governance review completed on the business case prepared for its Graven Hill development options. Final Report Issued. There were no matters that we wanted to draw out over the Councils' controls and approach to its business case over the proposed Graven Hill development.
	TOTAL	39	40	
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"> • Future Service delivery and Governance Concept • Governance Models • New Ways of Working 	15	15	No change. We will work with the Transformation Group Lead and identify specific themes and areas for review or input and advice over.
VE.2	Service Redesign – Income Optimisation / Commercialisation To review current service plans and operational redesign and arrangements to maximise efficiencies and potential income streams and to consider the commercialisation of revenue schemes. Covering key areas including: <ul style="list-style-type: none"> • Contract assurance; and • Fees and Charges. On selected service from: <ul style="list-style-type: none"> • Strategic Planning and the Economy; • Regeneration and Housing; and • Environmental Services. 	5	5	No change. We will work with the Transformation Group Lead and identify specific themes and areas for review or input and advice over.
	TOTAL	20	20	
PM	Project Management			
PM1	Project management	25	25	No change.
PM 2	Contingency	7	0	Used for Graven Hill Business Case as reported earlier in this update report.
	TOTAL	32	25	
	UPDATED PLANNED DAYS	123	123	

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

The Public Matters – Autumn 2014

As we head towards the general election in May 2015, debate is heating up on the key issues for 2015 and beyond. But all too often the public's told what it should think, not asked.

Over five years, PwC has worked with BritainThinks to bring the public's views to the fore. Through our Citizens' Juries, we've assembled people from across the country to consider questions of national importance. And most recently, PwC and BritainThinks held Citizens' Juries at the Labour, Conservative and Liberal Democrat Party Conferences.

The Public Matters is a special edition of our bi-annual Whitehall Matters newsletter reporting on the findings of our party conference season citizens' juries.

This issue includes articles on what we found. We share the public's perspectives on reforming public services and dealing with the deficit, lifting living standards and delivering good growth and good jobs. We also explore the role of deliberative research in policy making, more widely.

Decentralisation Decade report: a plan for economic prosperity, public service transformation and democratic renewal

Decentralisation is firmly in the sights of politicians nationally and locally, but is the tide in favour of decentralisation strong enough to make change substantial and irreversible?

IPPR's report 'The Decentralisation Decade', which we have supported, sets out the prospects and priorities for decentralisation in England over the next 10 years.

Decentralisation Decade sets out five broad principles for decentralisation in England:

- **Decentralisation must be for a broad and clear purpose.** Decentralisation is not an end in itself, but a means to achieve improved outcomes in terms of good growth and public services.
- **Decentralisation must be joined-up.** A coherent and co-ordinated approach is needed across different departments, at different spatial scales and between a wide range of public, private and voluntary actors and enthusiastic citizens too.
- **Decentralisation needs to be asymmetrical.** A multi-speed approach to decentralisation is the way ahead, driven by those areas with the appetite to take on additional powers and responsibilities. Meanwhile government at the centre needs to do more to enable ground-up localisation: the focus should be on enabling a more organic approach to collaboration at local and, where appropriate, regional levels.
- **Decentralisation needs time.** A decade of decentralisation is needed to make the adaptations necessary, develop local capacity and embed a culture of decentralisation.
- **Decentralisation needs cross-party support.** To make a genuine shift in power from the central to the local level requires engagement from across the political spectrum, with national and local governments work in unison rather than in conflict over the long term.

Who's accountable now? The public's view on decentralisation

Decentralisation is firmly in the sights of politicians nationally and locally in the UK, but is it really possible for government to 'let go' in such a centralised political culture?

As part of our work with IPPR on the ‘Decentralisation Decade’ we have refreshed our 2009 research exploring who the public hold accountable for public services and for the economy.

Our new research reinforces our 2009 findings: if real powers are transferred to highly accountable bodies then public perceptions of responsibility will change. The public tends to have a relatively good awareness of whether particular bodies have the powers to act in a particular area. But real accountability depends on fully aligning decision-making, budgets and delivery when decentralising.

Key implications

There are three important implications for those seeking to decentralise:

- Politicians need to hold their nerve: for at least a period of time ‘the centre’ will still be blamed for failures, either being seen as responsible for the act of devolution or because the public didn't notice or understand that devolution has occurred.
- The public usually needs time to get used to understanding who is responsible for exercising newly decentralised powers. As such, a route map to decentralisation spanning years, not months, is needed to rise to the challenge of letting go of power in our centralised political culture.
- Decentralisation needs to be a two-way process between central government and local bodies: in particular, local government needs to be focussed when negotiating for additional powers and ensure it has the capacity to make best use of them, as shown in the City Deals process.
- If perceptions of accountability are to shift, communications and engagement are essential. Building the case for change and engaging the public in the debate on accountability is, therefore, an essential step if we are to deliver a Decentralisation Decade.

Additional publications

We would also recommend revisiting the following publications as still relevant to the current climate within local government and public sector finances.

Productivity in the public sector - what makes a good job?

This new Talking Points publication from PwC and Demos explores what can be done to lift productivity and how the public sector can play its part.

The UK as a whole has a productivity problem. Its workers produce less per hour than their counterparts in France, Germany and the US, with the gap widening since the onset of the financial crisis. The question of how to improve productivity is where debates on growth, living standards and deficit reduction come together. And the public sector has a key role to play in finding the answer.

By creating the right environment for business through their policies, government at all levels can help places build on their strengths and attract the talent and investment that companies need to succeed. And the public sector - as a huge employer - has the potential to make a unique impact to this issue.

In this Talking Points publication from PwC and Demos, we examine the issue of low productivity and the challenges ahead for the public sector, consider the role of the workforce as a partner in solving these dilemmas and draw together discussions over a series of three roundtables on ‘good jobs’, to present some potential responses including:

- Job design for high productivity working
- Learning and development for an adaptable public sector workforce
- Pay and rewards and their links to productivity

Redefining local government

Prolonged austerity is driving an important shift in local government. The early years of austerity have been characterised by authorities taking action to reduce costs through a range of traditional ‘supply side’ cost reduction measures. However, given that austere public finances will last well into the next parliament, local government needs to raise its sights and shift beyond traditional cost reduction approaches.

Many authorities are already reaching a tipping point where it is no longer possible to undertake the same activities as before. Local authorities now have to fundamentally redefine their role and purpose. Local public services need to be viewed in a much more holistic way, with a focus on how multiple organisations, and citizens themselves, can contribute to securing desired outcomes.

This new landscape will require fundamentally different organisational cultures and behaviours to make it successful, along with an intense focus on digital innovation and intelligent and insightful data collection and management.

This will be a complex journey. In our latest Talking Points we set out the six steps that will help to create the right foundations to deliver more effectively against this agenda.

Opening out? New approaches to service delivery

The new world of Open Public Services presents valuable opportunities for improvement and innovation, replacing 'top down monopolies' with diverse and dynamic markets of suppliers, competing to deliver the most effective and cost-efficient public services. But for this model to work, multiple barriers must be overcome, requiring more effective collaboration and procurement.

We explore how to address these obstacles in this Pressure Points publication, including innovative models of partnership between the private and not-for-profit sector in order to build the capacity and capability of new, and existing, providers.

The key risk here is that government assumes too much of the market too soon. Politicians and policy makers need to hold their nerve and commissioners should engage the market in the right way, so that new and more diverse public service providers can succeed.

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