

Internal Audit Progress Report

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

Cherwell District
Council

March 2015

Contents

| | |
|---|---|
| Introduction..... | 3 |
| 2014/15 audit plan update | 3 |
| 2015/16 audit plan..... | 3 |
| Reporting activity and progress..... | 4 |
| Appendix 1 – Recent PwC Publications..... | 8 |

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

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.

This remains as previously reported in both our September and December updates to the committee.

2015/16 audit plan

We have commenced planning for the 2015/16 audit year and have either met with or plan to meet with Council officers. We would welcome the opportunity to discuss our early thoughts on the plan with members at the committee and to consider any suggestions for allocation of audit resources in 2015/16.

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 our report summarised our findings relating to the governance arrangements around the Council's business case.

Our review revealed no issues relating to the Councils' controls and approach to its business case over the proposed Graven Hill development that we wish to draw to the attention of the Committee.

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 | <p>Finance Systems</p> <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 completed.</p> <p>We have completed all the reviews at the end of February and are in the process of final review and quality assurance processes and some additional matters of clarification to complete before finalising.</p> |
| A.2 | <p>IT Systems (Finance System - Civica)</p> <p>Ongoing review and support in change management and finance system upgrades</p> | 7 | 7 | <p>Given the decision to change finance systems to Civica across the three councils with a go live date from 1 April 2015, we have combined our IT reviews and Programme management work. We plan to start this review during March. We have agreed the scope with the Head of Customer Access and Head of Joint ICT Business Services.</p> <p>The review will look at the project management of the implementation and consider pre and post implementation arrangements.</p> <p>The IT element will review the business continuity and disaster recovery elements given this significant change in financial system.</p> |
| A.3 | <p>Review of Corporate Costs</p> <ul style="list-style-type: none"> • Corporate Telephony Costs | 3 | 3 | <p>This is likely to be deferred into early quarter 1 of 2015/16 should management consider this to be a continued area of focus and will utilise some of our data analytics tools.</p> |

| | | | | |
|----------|--|-----------|-----------|--|
| | Specific Follow Up Review | 0 | 6 | <p>We will summarise the detailed findings against follow up actions and recommendations and present alongside our annual report.</p> <p>There are no specific areas of concern that we wish to draw out at the present time.</p> |
| | 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>See A.2 above.</p> <p>We will review programme management arrangements around the change in your financial management 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> | 5 | 5 | <p>We have started work on this review week commencing 2 March.</p> <p>We have a follow up risk in week commencing 23 March to accommodate officer availability and commitments that arose during the original planned week.</p> |
| B.3 | IT | 6 | 6 | See A.2 above. |
| 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>This has been replaced by a joint review with South Northamptonshire of the joint procurement arrangements following request of management given the year end pressures and lack of resources in planning and agreed with the Head of Finance and Procurement.</p> <p>We have also utilised the days within VE.2 to support our procurement review given the specialist resource input.</p> <p>This review is scheduled to start in the week commencing 23 March.</p> |

| | | | | |
|------|--|-----------|-----------|---|
| B.7 | <p>Service Redesign – VfM assessments</p> <p>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</p> <p>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 | No change. |
| | <p>Graven Hill: Phase 2 Business Case Review</p> | 0 | 7 | <p>Governance review completed on the business case prepared for Graven Hill development options.</p> <p>Final Report Issued.</p> <p>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.</p> |
| | TOTAL | 39 | 40 | |
| VE | Value Enhancement | | | |
| VE.1 | <p>Joint Working and Transformation Programme</p> <p>Review of the governance and business cases for efficiencies and savings for three way working.</p> <ul style="list-style-type: none"> • Future Service delivery and Governance Concept • Governance Models • New Ways of Working | 15 | 15 | <p>No change.</p> <p>We have discussed with the Transformation Group Lead and identified specific themes and areas for review or input and advice over.</p> <p>We have agreed the scope of the review to be completed and we have started work on this review on 5 March.</p> <p>We will consider the following main areas</p> <ul style="list-style-type: none"> • Current arrangements of joint working: Legal and ICT; • Future governance structures and ways of working; • Risk management arrangements in relation to joint working; and • Compliance with Transformation Funding received as required. |

| | | | | |
|------|--|------------|------------|--|
| VE.2 | <p>Service Redesign – Income Optimisation / Commercialisation</p> <p>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.</p> <p>Covering key areas including:</p> <ul style="list-style-type: none"> • Contract assurance; and • Fees and Charges. <p>On selected service from:</p> <ul style="list-style-type: none"> • Strategic Planning and the Economy; • Regeneration and Housing; and • Environmental Services. | 5 | 5 | These days have been utilised to support the review of the procurement functions and additional specialist resource for this review. |
| | 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

As previously reported to the committee in our update reports

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.

This document has been prepared for the intended recipients only. To the extent permitted by law, PricewaterhouseCoopers LLP does not accept or assume any liability, responsibility or duty of care for any use of or reliance on this document by anyone, other than (i) the intended recipient to the extent agreed in the relevant contract for the matter to which this document relates (if any), or (ii) as expressly agreed by PricewaterhouseCoopers LLP at its sole discretion in writing in advance.

© 2015 PricewaterhouseCoopers LLP. All rights reserved. 'PricewaterhouseCoopers' refers to PricewaterhouseCoopers LLP (a limited liability partnership in the United Kingdom) or, as the context requires, other member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.