

# *Internal Audit Progress Report*

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

Cherwell District  
Council

January 2016

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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 as at 7 January 2016 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).

## 2015/16 audit plan update

As previously reported we continue to have ongoing discussions with management on the audit plan for 2015/16 and the plan summary below shows latest position on each of the reviews included in the plan. Comments are provided under the table below to show the main updates since our last report. We will update the committee further verbally as required during the meeting.

As previously reported we agreed with management to complete our reviews in a smaller number of blocks and therefore remain on track with our proposed plan for delivery during quarter 3 and quarter 4.

There are no changes to the areas of review included in the plan that was presented to the committee in March 2015.

## Annual plan and indicative timeline

The following table sets out our internal audit work plan. Comments are provided under the table below to show the main updates since our last report. We will update the committee further verbally as required during the meeting.

Ref	Auditable Unit Points of Focus					Comments
		Q1	Q2	Q3	Q4	
A	<b>Corporate systems / Cross Cutting Reviews</b>					
A.1	<b>Finance Systems</b> <b>To cover the following on risk basis</b> <ul style="list-style-type: none"> <li>• General Ledger</li> <li>• Payroll</li> <li>• Collection Fund (Council Tax and NNDR)</li> <li>• Housing Benefits</li> <li>• Debtors</li> <li>• Creditors</li> </ul>			✓	✓	<b>Payroll, Debtors and Creditors</b> The scope has been agreed and work has been undertaken during November and December.  Given the change in finance system for the next financial year (FY 16/17), we have agreed that certain elements of the General Ledger review will not be required for FY15/16.  <b>Housing Benefits</b> The scope has been agreed and work was undertaken during November and December.

						<p><b>Collection Fund</b> The scope has been agreed and work will be undertaken during December and January as anticipated and previously agreed.</p>
<b>B</b>	<b>Department</b>					
B.1	<p><b>Programme Management</b> 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"> <li>• Graven Hill</li> <li>• Bicester Town Centre Redevelopment</li> <li>• Build Programme</li> <li>• New Finance System</li> </ul>			✓	✓	<p>We have had ongoing communications and we have agreed in principal a scope to look at the new finance system implementation and have agreed to look at programme management aspects alongside business continuity and system aspects (see B.3 below).</p> <p>We have a detailed scoping meeting with IT managers on 12 January 2016 to agree specific areas and scope.</p> <p>We have planned delivery of this review for mid/late February before the go live implementation of the new finance system.</p>
B.2	<p><b>Risk Management/Governance</b> 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>				✓	<p>We have had ongoing communications and discussions with the Acting Corporate Performance Manager and Performance Information Officer in relation to the planned review for 2015/16.</p> <p>We have shared an initial draft for comment and we plan to deliver the review at the same time as our additional risk management training (February 2016).</p> <p>See details in risk management training section below.</p>
B.3	<p><b>IT General Controls</b> Review controls around key IT controls on selected systems</p> <p><b>System Reviews</b> We can help support or review around key system changes from a variety of aspects including: system configuration, application and database controls and reporting configurations.</p> <p><b>Cyber Security</b></p>			✓	✓	<p>As detailed in B.1 above, we have had ongoing communications and we have agreed in principal a scope to look at the new finance system implementation and have agreed to look at programme management aspects alongside business continuity and system aspects (see B.3 below).</p> <p>We have a detailed scoping meeting with IT managers on 12 January 2016 to agree specific areas and scope.</p> <p>We have planned delivery of this review for mid/late February before</p>

	We view cyber security through a rounded approach and is designed to provide you with confidence: in your people, technology and connections, how you manage risk, set priorities and respond to an incident or during a crisis. Our approach typically begins with an assessment of your current capability and a recommendation of areas for improvement.					the go live implementation of the new finance system.
B.5	<p><b>Service Redesign / Compliance Reviews</b></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"> <li>• Planning and the Economy</li> <li>• Regeneration and Housing</li> <li>• Environmental Services</li> </ul>			✓	✓	<p>We have had ongoing communications and discussions with relevant officers in relation to our planning review for 2015/16.</p> <p>We have shared an initial draft for comment and plan to deliver the review during February 2016 as previously agreed and discussed with management.</p>
B.6	<p><b>Finance Year End Support</b></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>					<p>This is directed by areas of support required for your annual statement of accounts.</p> <p>We will await any communication around areas of support or review that may be required.</p>
<b>VE</b>	<b>Value Enhancement</b>					
VE.1	<p><b>Joint Working and Transformation Programme</b></p> <p>Review of the governance and business cases for efficiencies and savings for three way working.</p> <ul style="list-style-type: none"> <li>• Governance Models</li> <li>• New Ways of Working</li> </ul>				✓	<p>We have had ongoing communications and discussions with the Business Transformation Manager in relation to our review for 2015/16.</p> <p>As agreed we usually plan to deliver this review over 2 weeks from mid-March in each plan year, to allow for any developments or areas of focus that may be of most benefit to the Transformation Programme.</p> <p>We initially intend to review latest governance and risk management aspects of the programme and then any other areas that are of most importance to be agreed.</p>
<b>PM</b>	<b>Project management</b>					
PM.1	Project management	✓	✓	✓	✓	

PM.2	Contingency					We aim to have an element of contingency in each plan to respond to any emerging risks in each plan year.
	<b>Total Cost</b>					<b>£47,355</b>

## Financial system reviews update at 7<sup>th</sup> January 2016

### Payroll, Debtors and Creditors

Work has been reviewed and substantially completed and is in the process of follow up and draft reporting. There is some follow up in relation to payroll testing that is being completed during the w/c 4 January. At this point, we do not anticipate any high risk issues and we are not expecting to issue a high risk rated report.

We amended the scope of our debtors review to incorporate aged debt for this year following discussions with management.

### Housing Benefits

Work has been completed and is in the process of review and draft reporting. There are no individual high risk issues and we anticipate that the overall report will be rated as low risk.

### Collection Fund

Work has commenced, however, we have been delayed due to staff sickness. We have notified relevant audit sponsors and contacts and are looking to agree a mutually convenient time to complete. We have held initial meetings, updated our understanding of controls and selected main samples, so we expect to complete during January.

## Other reviews update at 7<sup>th</sup> January 2016

### IT and Programme Management

We have a detailed scoping meeting with IT managers on 12 January 2016 to agree specific areas and final scope. We have planned delivery of this review for mid/late February before the go live implementation of the new finance system.

We will update the committee further verbally, where there are significant departures from the areas detailed, as required during the meeting.

### Service Redesign / Compliance Reviews

We have shared an initial draft scope for comment and plan to deliver the review during February 2016 as previously agreed and discussed with management.

### Risk Management/Governance

We have shared an initial draft scope for comment and we plan to deliver the review as planned and at the same time as our additional risk management training (February 2016).

### Joint Working and Transformation Programme

We plan to deliver this review over 2 weeks from mid-March to allow for any developments or areas of focus that may be of most benefit to the Transformation Programme.

We initially intend to review latest governance and risk management aspects of the programme and then any other areas that are of most importance to be agreed with the Business Transformation Manager.

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## ***Additional work***

### ***Risk management***

As previously reported, we have been asked about the provision of risk management training for the senior management team and staff under service heads that have responsibility for risk.

We held a detailed discussion on 5 November 2015, around the nature and format of anticipated training and any input for ongoing updates and needs, with the Acting Corporate Performance Manager and Performance Information Officer. We have also discussed initial budget. We have now been provided with a selection of indicative dates during February.

The training will take the form of workshops and most productively be in four sessions over a couple of days during February to coincide with the council's service planning timetable and to be of maximum benefit.

We will also look to support the Council in establishing the format and content of ongoing risk management training, updates and induction that will be required. We have included provision alongside our risk training to provide support in developing a computer based training package, utilising your existing IT and infrastructure, so that the Council owns the intellectual property going forward.

We will base our input on a detailed discussion following our risk training around the level of hours and technical input required and available resources the Council wants to assign to the project.

As this is outside of our audit plan, we have drafted an additional engagement letter which will be sent for formal agreement and signing to the Head of Transformation during week commencing 11 January 2016.

We will keep the committee informed of any further additional work and costs that is agreed in relation to risk management.

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## ***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](http://www.psrc.pwc.com) and we have included the most relevant and recent listed below alongside this report for your further reference.

We also have a dedicated public sector twitter account with the latest information, comments or links to recent publications or blogs.

### ***Twitter***

PwC UK Public Sector  
@pwc\_ukgov

### ***Good growth for cities 2015: Our report on economic wellbeing in UK urban areas***

The economic outlook in 2015 has improved, with rising employment and a welcome return to growth of real earnings, which means that the public is finally starting to feel the benefits of recovery.

This is our 4th Good Growth for Cities report where we measure the performance of the UK's largest cities against a basket of ten categories defined by the public, and business, as key to economic success and wellbeing.

This year, we've also looked at the 'Northern Powerhouse' for the first time, which can be used in the future to assess the success of the move to devolve powers from a good growth perspective. To deliver on the potential of decentralisation however, local institutions need to have the local leadership, capacity and capability as well as the accountability arrangements in place to support their case to government for further powers - and ensure good growth outcomes are achieved.

As detailed in our previous update report to the December committee and still of relevance and interest.

### ***Full speed ahead: connecting our cities and regions***

Against the backdrop of a cross-party commitment to further devolution and the prospect of new investment in major national infrastructure projects - such as HS2 and new airport and road capacity – we held a series of roundtables with transport stakeholders in both the public and private sectors across the UK, facilitating discussions with those on the frontline of policy and delivery on what is needed over the next five years to ensure a lasting step change in transportation within and between our major towns and cities.

In association with Smith Institute, this Talking Points discusses how failure to invest in a more integrated and better connected transport network could leave UK plc at a competitive disadvantage. In particular, we wanted to discover more about the scale of the issue and explore what can be done to improve connectivity between cities and regions. We've found:

- There is no 'one size fits all' solution and the future is about localised decision-making.
- Transport devolution is about more than just improving local transport systems. It is also about connecting local and city-region transport networks.



- Progressive transport planning and funding must seek to integrate transport with local and city-region plans for jobs, housing and growth. The aim is not only to improve connectivity, but to also maximise the socio-economic benefits of all types of transport investment.
- The biggest challenge now is securing the capital investment that is needed to meet future demand and/or looking for alternative sources of funding.
- When balancing the development of new projects and maintaining and improving existing transport, transport appraisal and analysis will be required in helping making key decisions.
- Connectivity between all places will continue to be critical to our future prosperity

### ***To own or not to own: realising the value of public sector assets***

The drivers of fiscal austerity will continue to frame decisions, and the ongoing reform of public services, for the rest of this Parliament.

Setting out the Spending Review, the Chancellor emphasised the importance of casting the net of efficiency widely, challenging government departments to “examine their assets and consider how they can be managed more effectively, including considering the role of privatisation and contracting out where assets do not need to be held in the public sector.”

Government has an asset base of £1,300 billion to support £700 billion of public spending. While recognising some obvious differences in objectives and function, most private sector organisations, even the most capital intensive such as oil companies, have ratios of assets to revenues of less than 1:1. Our Talking Points considers how the government and public sector can best realise the value of its assets looking towards the 2015 Spending Review – and beyond.

### ***Beyond letting go***

Embedded in the UK Spending Review is a commitment to further decentralise functions and budgets in order to maximise efficiency, drive local economic growth and productivity, and support the integration of public services. Decentralisation has implications not only for the local and combined authorities seeking deals but also for how central government operates.

Central government has a significant role to play as an enabler for decentralisation, playing its part in moving to more collaborative relationships between central and local and ensuring that the momentum behind devolution continues, while maintaining sufficient oversight to manage risk and network issues. This will be a challenging balance to strike, particularly given the asymmetrical nature of decentralisation, with different places bestowed additional powers and responsibilities in relation to their appetite, capacity and capability.

Our ‘Beyond letting go’ Talking Points explores a number of areas where central government has a critical role to play in creating and operating in a successful devolved environment. Together these add up to a fundamentally new role for Whitehall. In each case, central government needs to strike a balance between genuinely empowering local areas where the costs, benefits and solutions are localised, and maintaining appropriate national oversight.

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