



INFRASTRUCTURE, GOVERNMENT AND HEALTHCARE

Internal Audit Service 2007/08 Progress and performance report (final)

Oxford City Council

25th June 2008

AUDIT

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Statement of progress against the internal audit plan 2007/08

	Area	Planned Days	Timing / Report rating	Scope
1	Risk Management	20	Weak / Satisfactory	We are reviewing the controls which ensure that risk management is embedded as part of the day to day operations and culture of the Authority.
2	Anti Fraud and Corruption	12	Satisfactory	We have carried out a high level review of the arrangements in place to prevent and detect fraud and corruption.
3	Equality and Diversity	20	Head of Policy, Performance and Communications requested deferral to 2008/09	We will review the Authority's arrangements for responding to the Equality and Diversity agenda.
4	Health and Safety follow-up including gas	12	Weak / Satisfactory	We have reviewed the extent to which previous internal audit recommendations have been implemented by management and review compliance with procedures for outstanding gas safety checks.
5	Recruitment and retention follow up	8	Completed – Steady progress	We have reviewed the extent to which previous internal audit recommendations have been implemented.
6	Grants to voluntary bodies	8	Weak / Satisfactory	We have reviewed the controls in operation in relation to the grant giving process and how the Authority assures itself that money is properly spent.
7	Housing and Council Tax benefits	20	Good	We have reviewed the controls which ensure that only bona fide claims for Housing and Council Tax Benefit are paid.
8	Local Taxation	10	Good	We have completed walkthrough testing in relation to the annual debits, banding changes, reliefs, change of circumstances etc.
9	Treasury management	5	Good	We have completed walkthrough testing to conform that the design of the controls has not changed in relation to cash flow, borrowings and investment.
10	Accounts Payable	10	Good	We have reviewed the controls which ensure effective management and probity within the creditors and payments process.

Statement of progress against the internal audit plan 2007/08 (Cont'd)

	Area	Planned Days	Timing	Scope
11	Accounts Receivable	5	Good	We have completed walkthrough testing to confirm that the key controls remain in place around ensuring that sundry income is identified and collected in a timely manner.
12	Main Accounting	5	Satisfactory	We have completed walkthrough testing to confirm that the key controls remain in place around ensuring that the financial ledger is accurate and up to date.
13	Payroll	10	Weak / Satisfactory	We have reviewed the controls which ensure that employees are paid correctly and in a timely manner.
14	IT General Controls	20	Satisfactory	We have assessed the adequacy of the controls over the management of IT systems including logical access, physical and environmental controls, continuity of systems including a high level review of business continuity arrangements.
15	Parks, Events and ice Rink	14	Weak / Satisfactory	We have assessed the adequacy of controls over income management.
16	City works - recycling	10	Good	We have assessed the monitoring arrangements in place over recycling in relation to the Council's strategy.
17	Housing regeneration	12	Satisfactory	We are reviewing the adequacy and effectiveness of the controls in place which ensure schemes are allocated and monitored in accordance with the Authority's Housing Development Programme.
18	Homelessness	12	Good	We are carrying out compliance type audit focusing on the controls which ensure that procedures are consistently applied and processes are transparent.
19	Housing rents	12	Good	We have assessed the adequacy of the controls over rent setting and rent accounting.

Statement of progress against the internal audit plan 2007/08 (Cont'd)

	Area	Planned Days	Timing	Scope
20	VFM - Accountancy	20 (now 30)	Interviews with officers in progress Awaiting name of contact from Cambridge City Council Target date for completion - June 2008 UoR – review of self assessment in progress	Our recent report on housing repairs indicated the apparently high cost of central support functions and the fact that Oxford City Homes has developed its own internal support services in addition to those provided from the "centre". It was agreed that accountancy may benefit to map and cost out the total volume of activity that is being undertaken and to take a view on its value for money. We understand that another local authority may be interested in being involved in this review. The Authority has requested some further support and guidance in relation to the preparation of the Use of Resources assessment and CPA improvement plan.
21	VFM – Follow up	6	Completed	We have reviewed the progress made by management in relation to Leisure Options and Council Tax following our reviews in 2005/06.
22	VFM – Choice Based Lettings	3	Completed	We have reviewed the development and implementation of choice based lettings during 2007/08.
23	Other VFM – SOHA contract	3	Completed	We have worked with the Head of Oxford City Homes to attempt to identify any learning opportunities from the SOHA contract letting process. We have commenced our work to map out the cost and performance of the Council's service.
	- VFM planning	8	In progress	
24	General follow up	15	Completed	
25	Audit management	35	Completed	
26	Contingency	25	Completed	Sport England – 6 days, HR / Leisure – 7 days, Asset Management – 4 days, Oxford Racial Equality Council – final report issued - 5 days



INFRASTRUCTURE, GOVERNMENT AND HEALTHCARE

Internal Audit 2007/08 Grants to Voluntary Bodies

Oxford City Council

28th April 2008

Commissioned and
Partnership Grants
Report Rating:

SATISFACTORY



Open-bidding Grants
Report Rating:

WEAK



AUDIT –This report is confidential and its circulation and use are restricted. See notice on page 1.

Report status	
Date of Debrief	25 th February 2008
Discussion draft issued	19 th March 2008
Management responses received	25 th April 2008
Final report issued	28 th April 2008
Presented to Audit and Governance Committee	25 th June 2008

Distribution for action	Distribution for information
Val Johnson – Neighbourhood Renewal Business Unit Manager Julia Tompkins – Grants Co-ordinator	Craig Buckby – Community Development and Regeneration Manager Penny Gardner/Sarah Fogden – Head of Finance

1. Executive summary

Conclusion

As internal auditors to Oxford City Council (“the Authority”) we are required to give an annual overview of the system of internal control. In arriving at this overview, we give a conclusion on the individual systems reviewed during the year. Our conclusion is either that the system is good, satisfactory, weak or unacceptable. However, in giving our conclusion, it should be acknowledged that our work is designed to enable us to form an opinion on the quality of the systems examined based upon the work undertaken during our current review. It should not be relied upon to disclose all weaknesses that may exist and therefore the conclusion is not a guarantee that all aspects of the systems reviewed are adequate and effective.

For the work performed on the grants to voluntary bodies system, we have split our conclusion into two elements – commissioned and partnership grants and open-bidding grants. We have concluded that open-bidding grant monitoring processes are weak in that grant monitoring is not evident on grant files. This could expose the Authority to significant risk in the event that misappropriation occurs, for example where grant funding has not been used for approved transactions in line with the grant terms and conditions.

Commissioned and Partnership Grants	Satisfactory	There is some risk that objectives may not be fully achieved. Slight improvements are required to enhance the adequacy and / or effectiveness of risk management, control and governance.
Open-bidding Grants	Weak	There is considerable risk that the system will fail to meet its objectives. Significant improvements are required to improve the adequacy and effectiveness of risk management, control and governance.

We have made six recommendations, which will address the identified weaknesses. The implementation of these recommendations should enhance the control environment in relation to the system reviewed and provide an increased level of assurance to the Authority and management from the date of implementation.

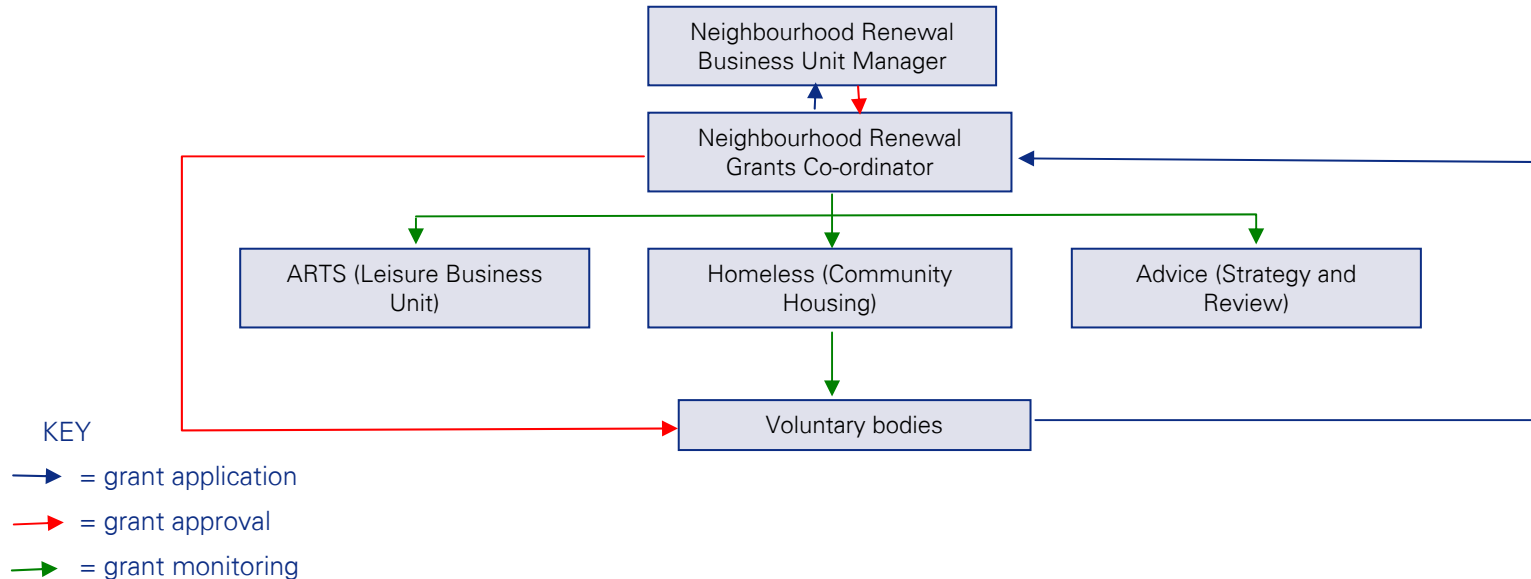
Context

As part of internal audit’s review of the general control environment within Oxford City Council (“the Authority”) a review of the administration of grants to voluntary bodies was undertaken. This was completed as part of the internal audit plan for 2007/08. The objective of the audit was to assess the adequacy and effectiveness of the controls in place over the award, payment and monitoring of grant funding to voluntary bodies.

In 2007/08 the community grant budget was approximately £1.6m, this is split between partnership grants (approximately £1.2m) and open-bidding grants (approximately £400k).

1. Executive summary

The current grants to voluntary bodies process is shown below.



Overall grant services (including administration, monitoring and evaluation of projects) are co-ordinated by the Neighbourhood Renewal Business Unit through the Grants Co-ordinator. A number of responsibilities are devolved to other Business Units based on the type of grant that is allocated – Arts grant (Leisure Business Unit); Homeless grant (Community Housing Business Unit) and Advice grant funding stream (Strategy and Review team).

Grants files are maintained either by Neighbourhood Renewal or the relevant Business Unit.

2007/08 is a transitional year for the Authority regarding the administration of grants to voluntary bodies, as the Authority is currently looking to develop its processes. As a result, all 3 year partnership agreements between the Authority and voluntary bodies that ended in 2006/07 were rolled forward with Council approval for 2007/08. The remaining 2007/08 budget was allocated following an open-bidding grant process.

Due to this change, the Authority has concentrated on developing the overall grants process. This has included the setting up of a Members and an Officers Group in 2007/08 to focus on grant allocation. The Groups' roles and responsibilities are currently being developed.

1. Executive summary

From 2008/09 onwards, the available grant funding will be split into a commissioned grants section and an open-bidding section. All grant funding (both commissioned and open-bid) will have to be applied for in 2008/09. The Authority does not anticipate allowing any grant agreements being rolled forward into 2008/09.

Our sample testing focussed on grants from the 2007/08 funding allocation year. The 2008/09 grant allocations had not been completed at the time of our visit.

Acknowledgement

We would like to take this opportunity to thank all members of staff whom we contacted over the course of this review for their time and assistance.

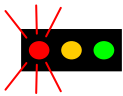
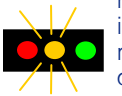
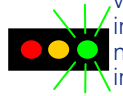
1. Executive summary

This section of the report highlights the main findings of our review. Further details, together with our recommendations, is included in the 'recommendations' appendix of the report which can be found on pages 12 to 18.

Areas of good practice	Areas for further development
<p>Our review identified the following areas of good practice in respect of the Authority's grants to voluntary bodies process:</p> <ul style="list-style-type: none"> ✓ The Authority publishes and publicises details of each grant scheme, which ensures fair access, through the internet grant.net site; ✓ The Authority has identified key priority areas for grants which are in line with the Authority's overall objectives; ✓ Review of the standard grants application forms confirm that they are in plain English and accompanied by clear guidance notes; ✓ Audit sample testing of grants confirmed application forms are issued in a timely and effective manner; ✓ The Authority notifies the outcome of funding applications in advance of the start of the funding cycle; ✓ Audit sample testing of grant claims confirmed that payments of grants are completed within agreed timetables; ✓ The Authority provides feedback, where requested, to unsuccessful applicants; and ✓ The overall community grant budget is monitored on a monthly basis through management accounts prepared by the Finance team and reviewed by the Grants Co-ordinator, the Neighbourhood Renewal Business Unit Manager and reported to the Members Grants Group. 	<p>Our work has also identified the following areas where controls could be further strengthened:</p> <ul style="list-style-type: none"> • Officers involved are uncertain of their responsibilities with regards to the grants process. The Authority needs to define the roles and responsibilities of all officers involved in the administration, monitoring and evaluation of grants to voluntary bodies. • Audit review of a sample of grants files found core documentation to be missing – in certain cases the Authority could not confirm that grant terms and conditions over expenditure had been set. The Authority should build on current procedures to ensure that the complete set of documentation required is on file for each receiving organisation, to aid in the monitoring of the performance of grant-funded activities. • Grant monitoring was not consistent and not evident on a number of reviewed open-bidding grants files. The Authority should ensure that all grant recipients make appropriate arrangements to monitor and evaluate the quality of their grant-funded work and report progress at agreed intervals. • Due to inconsistent monitoring of voluntary bodies, the Authority may not be able to identify underutilisation of funds or non-compliance with grant award terms and conditions. Monitoring of compliance with grant conditions and utilisation of the grant should be completed regularly and should be acted upon where underutilisation or non-compliance with terms is identified. • The Authority do not assess open-bidding voluntary body outputs to ensure that grant funding is being used effectively. Clear objectives, performance indicators and specific outputs should be developed for grant-funded activities. • The Authority does not obtain feedback from the end user of grant funding – i.e. the voluntary bodies' customer. A formal strategy should be developed to ensure that grant recipients have appropriate systems in place to obtain feedback from users or customers on their needs and their levels of satisfaction.

1. Executive summary

We have assessed each finding in our report and assigned to it a rating, as follows:

Priority rating for recommendations raised		
	<p>Priority One: Issues arising referring to important matters that are fundamental to the system of internal control. We believe that the matters observed might cause a business objective not to be met or leave a risk unmitigated and need to be addressed as a matter of urgency</p>	
	<p>Priority Two: Issues arising referring mainly to matters that have an important effect on controls but do not require immediate action. A business objective may still be met in full or in part or a risk adequately mitigated but the weakness represents a significant deficiency in the system.</p>	
		<p>Priority Three: Issues arising that would, if corrected, improve internal control in general but are not vital to the overall system of internal control.</p>

The table below details the number of recommendations made, the priority assigned and those accepted by management.

Recommendations	Priority One	Priority Two	Priority Three	Total
Made	1	4	1	6
Accepted	1	4	1	6

Appendix A: Recommendations

This Appendix summarises in the form of recommendations the issues arising from this review which we believe require action.

#	Priority	Issue	Risk	Recommendation	Management Response
Roles and Responsibilities					
1	Two	<p>There is no policy or procedure in place that sets out the roles and responsibilities of individuals – i.e. who is responsible for each voluntary body or which part of the grants process.</p> <p>Discussion with officers indicated that there is uncertainty about who is responsible for co-ordinating grants administration, chasing up late forms and dealing with queries.</p> <p>This has caused both duplication of work (for example a number of duplicate grants files have been prepared by both the Grant Co-ordinator and other teams) and areas of work not being performed at all, due to the belief that another officer will have completed the task (for example, holding a copy of the grant terms and conditions on file).</p>	<p>Allocated grants may not be monitored as officers do not understand their roles and responsibilities.</p> <p>Grant funds may not be utilised in line with the Authority's objectives.</p>	<p>The Authority should develop a grants policy and procedure document which defines roles and responsibilities of officers involved in grants administration.</p> <p>This should include both central and devolved co-ordination of the process.</p> <p>For example:</p> <ul style="list-style-type: none"> - The Grants Co-ordinator should co-ordinate the process and maintain a central file of basic information about each organisation for dealing with queries and correspondence. - The key Business Units of Arts, Advice and Homelessness can then carry out the actual monitoring of the schemes in the areas in which they are specialised. 	<p>Agreed.</p> <p>There are general grants procedures in place. However we acknowledge that roles and responsibilities are not defined within them.</p> <p>An Officers Panel has been established and the roles of Officers are in the process of being clearly defined to be included within the procedure documentation.</p> <p>Responsible Officer (RO): Craig Buckby</p> <p>Implementation deadline (ID): 30th June 2008</p>

Appendix A: Recommendations

#	Priority	Issue	Risk	Recommendation	Management Response
		Grant file - completeness of documentation			
2	●Two	<p>The audit review of 25 grants files covering currently funded, failed and successful applications identified several instances of paperwork missing from files maintained by the Grants Co-ordinator.</p> <p>Our results identified that:</p> <ul style="list-style-type: none"> -In 3/25 cases for currently funded schemes, terms and conditions were either not on file, or had not been updated annually as per the Authority's policy. -For 2/3 cases where terms and conditions were not on file, organisations had still been paid. -In 3/25 cases there was no application form on file. <p>Discussion with the Grants Co-ordinator confirmed that the Authority's policy is not to pay grants without a signed application form or approved terms and conditions.</p>	<p>Payment of grant to inappropriate schemes.</p> <p>Furthermore, in the event of difficulties, the Authority may not be able to recoup funds where they cannot demonstrate bodies have agreed to terms and conditions.</p>	<p>A standard grant file structure and index should be developed to detail all key documents that should be present on a grant file.</p> <p>For example:</p> <ul style="list-style-type: none"> -Grant application; -Grant approval; -Terms and conditions (signed up to by the voluntary body); and -Annual agreement review form. <p>Key dates for returns of grants documents should then be kept electronically (for example on a grants document database).</p> <p>Where documents have not been returned by a voluntary body within the deadline set, the Grants Co-ordinator should chase up the documentation.</p>	<p>Agreed.</p> <p>Grant files prior to 2008/09 allocations did have a limited file structure.</p> <p>For 2008/09 a standard grants file structure and index has now been developed and is currently in use. This document shall be developed further to meet the audit recommendations.</p> <p>RO: Julia Tompkins ID: 30th June 2008</p>

Appendix A: Recommendations

#	Priority	Issue	Risk	Recommendation	Management Response
		Design of existing monitoring arrangements – open-bidding			
		Review of the current grants to voluntary bodies monitoring process identified that:	Poor/inappropriate utilisation of grant funding may not be identified by the Authority.	The Authority should develop a suite of output measures/performance indicators applicable to grants to voluntary bodies.	Agreed.
		-There is no Authority policy that dictates how ongoing open-bidding projects should be benchmarked against each other;		The Authority should then ensure that grant terms and conditions incorporate the key performance indicators and the requirement for regular results to be reported by the voluntary body to the Authority.	For partnership and commissioning grants there are existing suites of performance indicators.
		-There are currently no key performance indicators (KPIs) in place for the open-bidding grants; and		The key performance indicators should be benchmarked overall for grants to voluntary bodies on an annual basis.	With open-bidding grants we want to ensure that there is an element of flexibility, due to the size of the grant allocations. We also already ask applicants to say how they meet at least one of the Council's aims as part of the allocation process.
		-Regular contact with voluntary body schemes is not consistently evident.		The overall report should be reviewed by the Members Grants Group.	We recognise that for open-bidding grant performance indicators need to be developed further and this will be completed for the grant round in 2009. The results will then go to the Members Grant Panel for review.
3	●Two	Therefore the Authority are unable to make valid comparisons across open-bidding schemes to ensure that outputs achieved by voluntary bodies are adequate and in line with the performance of others.			RO: Craig Buckby ID: 31 st October 2008

Appendix A: Recommendations

#	Priority	Issue	Risk	Recommendation	Management Response
		Application of existing monitoring procedures			
		Grant terms and conditions are issued by the Authority for each approved grant. The terms and conditions confirm the details of the grant monitoring arrangements.	Grant funding may be spent inappropriately by voluntary Organisations.	The Authority should develop a procedure for the monitoring arrangements of both commissioned and open-bidding grants. This task should be allocated either to a specific officer or team, to ensure the roles and responsibilities of 6 monthly monitoring is clear.	Agreed. Monitoring forms have been developed recently (to include a request for expenditure breakdown and reasons for funding withdrawal) however they are not always completed and followed up.
4	●One	<p>Partnership grants - Quarterly progress reports are submitted by all previous partnership grant organisations. These include a summary of expenditure in the period incurred but in the cases where the funds are unrestricted they are not supported by relevant information (e.g. receipts, staff time records). The report also includes a summary of outputs achieved with supporting evidence to ensure that the funds are being used as per the grant conditions. As the vast majority of the previous 3 year grants are for general use by the Partner, i.e., for use in the organisations' key activities, there is very little supporting documentation to ensure that the funds are being used as per grant conditions.</p> <p>For 9/9 such schemes reviewed during our audit, quarterly progress reports were on file.</p> <p>Open-bidding grants - Open-bidding grants and emergency/small grants require completion of a six-monthly monitoring form.</p> <p>Audit review of 25 open-bidding cases identified that 3/25 cases did not have a 6 monthly monitoring form on file (of which 1/3 had not been sent a reminder letter and 2/3 had been sent initial reminders in October 2007 but no further action has been taken).</p> <p>It is also noted that where monitoring forms were evident on file, none had any evidence of review and only 2 had supporting documentation for expenditure.</p>		<p>6 monthly monitoring forms should be completed for all open-bidding grants.</p> <p>The monitoring forms should include:</p> <ul style="list-style-type: none"> -Whether grant funds have been under utilised; and -Whether the voluntary body meets any of the four reasons for fund Withdrawal; where this is the case the reason for withdrawal should be supported by evidence. <p>The monitoring forms should be supported by evidence of grant expenditure.</p> <p>Each monitoring form should then be signed and dated by the Authority to evidence review.</p>	<p>This shall be addressed through the clarification of the roles of Officers (recommendation 1).</p> <p>It is also noted that monitoring forms are not supported by evidence of grant expenditure or signed as reviewed.</p> <p>We shall ensure that monitoring forms will be used consistently for 2008/09 onwards.</p> <p>RO: Craig Buckby ID: 30th September 2008</p>

Appendix A: Recommendations

#	Priority	Issue	Risk	Recommendation	Management Response
		Reporting of monitoring activity			
5	●Two	<p>The current grants to voluntary bodies process does not include an independent review of grants monitoring to the Members Grants Group.</p> <p>Therefore the Members Grants Group are unable to confirm whether all allocated grants have been reviewed to ensure they are being spent effectively on eligible items, or whether funds have been underutilised.</p>	<p>Grant funding may be spent inappropriately by voluntary organisations.</p>	<p>The grant monitoring process should be strengthened through reporting of monitoring activity to the Members Grants Group.</p> <p>The Members Grants Group should receive a summary of allocated grants to voluntary bodies against monitoring returns which have been received and reviewed.</p> <p>The summary should identify where grants have been underutilised or withdrawal of fund criteria identified. The Members Grants Group should then approve further action – i.e. roll forward of funding or funding withdrawal.</p>	<p>Agreed.</p> <p>Reporting to Members Grants Panel shall be completed 6 monthly.</p> <p>Where funds are underutilised or considered for withdrawal Members Grants Panel would be informed of the process. However the withdrawal of funding decision should lie with the Executive Board.</p> <p>RO: Craig Buckby ID: 30th September 2008</p>

Appendix A: Recommendations

#	Priority	Issue	Risk	Recommendation	Management Response
		Good Practice			
6	●Three	<p>Through comparison with “best practice” guidance in Appendix B, we identified the following areas where the Authority does not operate in accordance with best practice.</p> <p>-The Authority should meet at least once a year with core-funded organisations.</p> <p>-Wherever possible, the Authority should notify the outcome of funding applications well in advance of the start of the funding year, preferably giving at least 3 months notice so voluntary bodies can plan effectively.</p> <p>-The Authority should take into consideration the implications of good employment practice within funded organisations, for example in relation to pensions, salaries, redundancy and equal opportunities policies.</p> <p>-The Authority should ensure that grant recipients have appropriate systems in place to obtain regular feedback from users or customers on their needs and their levels of satisfaction and views of the benefits/services they receive.</p>	<p>Reputation risk to the Authority of not being seen to be implementing best practice.</p>	<p>The Authority should develop the grants to voluntary bodies policy and procedure to incorporate:</p> <p>-The Authority should meet at least once a year with core-funded organisations as part of ongoing grant monitoring.</p> <p>-Wherever possible, the Authority should notify the outcome of funding applications well in advance of the start of the funding year, preferably giving at least 3 months notice.</p> <p>-The Authority should take into consideration the implications of good employment practice within funded organisations, for example in relation to pensions, salaries, redundancy and equal opportunities policy.</p> <p>-The Authority should ensure that grant recipients have appropriate systems in place to obtain regular feedback from users or customers on their needs and their levels of satisfaction and views of the benefits/services they receive. This could be an expected outcome of the development of the grant monitoring process.</p>	<p>Our response on each area is as follows:</p> <p>-Meetings: We currently meet with Partner and Commission grant recipients once a year. However we do not necessarily complete this formally for open-bidding grants. We feel that where grants are below £20,000 this should not be applicable.</p> <p>We agree that annual meetings should be completed and documented for open-bidding grants of over £20,000.</p> <p>-Notice of funding: Noted. However, the process is dependent upon the Authority budget setting process and decision making process within the democratic framework. This makes it very difficult to achieve the 3 months notice of grant.</p> <p>-Good employment: We do ask all recipients for their equal opportunities policy. We will incorporate a request for related policies for Partner and Commission grants and open-bidding grants of over £20,000.</p>

Appendix A: Recommendations

#	Priority	Issue	Risk	Recommendation	Management Response
Good Practice - continued					-Feedback: Agreed.
6	●Three				We ask on the application form about the organisations own monitoring. However, we will include a specific question on the 6 monthly monitoring form in regards to feedback. This will be implemented for 2008/09. RO: Craig Buckby ID: 31 st March 2009

Appendix B: Good practice

Based upon the Scottish Executive publication "The Scottish Compact Good Practice Guides - Advice on the Scottish Executive's relations with the voluntary sector" (December 2006) we have detailed below the various elements that we would expect to see covered in a "good" set of policies and procedures pertaining to the operation of a grants to voluntary bodies scheme. We have then documented the Authority's current level of compliance against this.

Areas included/ covered in a "good" grants to voluntary bodies system	OCC's current position as at February 2008
Administration	
Publish and publicise details of each grant scheme, with its policy objectives, information requirements, clear criteria for selection, timetable for applications and decisions, and procedures for review and feedback	✓ - OCC has a process in place that details each grant scheme, its policy objectives, information requirements, clear criteria for selection, timetable for applications and decisions. This information is available in multiple formats.
Use application forms that are in plain English, avoid jargon, are concise, simple, accompanied by clear guidance notes and not too onerous to complete	✓ - All application forms are in plain English, avoid jargon, are concise, simple, accompanied by clear guidance notes and not too onerous to complete.
Issue application forms by e-mail or on disc as well as on hard copies, if requested and where practicable	✓ - Application forms are available in hard copy and electronically via the Authority's website or e-mail.
Provide a named contact for each grant scheme	✓ - Named contacts are provided for all schemes.
Meet at least once a year with core-funded organisations	Partially – this was evident on audit reviewed grant files for partner and commission grants but not open-bidding. See recommendation 6 (Appendix A).
Wherever possible, notify the outcome of funding applications well in advance of the start of the funding year, preferably giving at least 3 months notice	Partially – review of a sample of grants files confirmed that all application outcomes were communicated in advance of the start of the funding year. However 3 months notice was not given in all cases. It is noted that the notice of grant is dependent on the Authority's budget setting process. See recommendation 6 (Appendix A).
Recognise that good financial management includes holding reserves and agreeing a policy on this with each grant recipient. (Where this is a possibility, it should cover up to 3 months expenditure).	✓ – Reserves are considered as part of the initial financial evaluation of a voluntary body and scheme, through the application form and scoring. If the organisation has more than 6 months resources they are scored lower than if they had less reserves.

Appendix B: Good practice

Areas included/ covered in a "good" grants to voluntary bodies system	OCC's current position as at February 2008
Make grant offers in writing with a clear statement of the purpose of the offer, its conditions, duration, payment arrangements, the need for the recipient to comply with equal opportunities and to accept the grant offer in writing	Partially – The grant offer letter states that an application form and signed terms and conditions are required before grant payment can be made. Audit testing of a number of grants files found that this was not evidenced on all audit files reviewed. See recommendation 2 (Appendix A).
Ensure prompt payments to an agreed timetable, noting that the viability of organisations will sometimes depend on monthly payments	✓ - Audit review of approved grant funding confirmed all tested grants payments were made promptly to an agreed timetable.
Take into consideration the implications of good employment practice, for example in relation to pensions, salaries, redundancy and equal opportunities policy	✗- It is noted that the Authority request the equal opportunities policy of each grant recipient. However further good employment practices are not considered. See recommendation 6 (Appendix A).
Provide feedback on failed applications where possible	✓ - This is completed when requested by a voluntary body.
Monitoring and Evaluation	
Agree clear objectives and performance indicators and establish specific outputs for grant-funded activities	Partially - Performance indicators are in place for Partner and Commission grants. However this has not been completed for open-bidding grants. See recommendation 3 (Appendix A).
Set out these and any other requirements in the initial grant offer letter	Partially – The grant offer letter states that an application form and signed terms and conditions are required before grant payment can be made. Audit testing of a number of grants files found that this was not evidenced on all audit files reviewed. See recommendation 2 (Appendix A).
In the interests of proper accountability, ensure that all grant recipients make appropriate arrangements to monitor and evaluate the quality of their grant-funded work and to report at agreed intervals, while taking care that these requirements do not become an undue burden to the organisation and tailoring these requirements to reflect the size of the grant and the resources of the organisation in receipt of funding	✗ - Review of current monitoring arrangements identified areas for development. See recommendations 3 to 5 (Appendix A).

Appendix B: Good practice

Areas included/ covered in a "good" grants to voluntary bodies system	OCC's current position as at February 2008
Ensure that grant recipients have appropriate systems in place to obtain regular feedback from users or customers on their needs and their levels of satisfaction and views of the benefits/services they receive	✘ - Discussion with the Grants Co-ordinator did confirm that the Authority have good relationships with grant recipients and have informal feedback from them throughout the year. However formal feedback is not requested or documented through the current process. See recommendation 6 (Appendix A).
Agree a review of performance during the second year of 3-year core funding to ascertain if grant should be renewed and to provide feedback to funded organisations	N/A – Discussion with the Grants Co-ordinator confirmed that all grant allocations within 2007/08 were on a year's term.
Carry out an independent external review of major recurring grants of £100,000 or more at 6-year intervals and with the active involvement of the organisation concerned	N/A – Discussion with the Grants Co-ordinator confirmed that all grant allocations within 2007/08 were on a year's term.
Ensure that where a grant is under-utilised, that the sum is identified as early as possible so that it can be re-allocated within the financial year	✘ - Review of monitoring procedures confirmed that they require development in order to support identification of funding under-utilisation. See recommendations 3 to 5 (Appendix A).
Monitor compliance with grant conditions in ways agreed with the recipient	✘ - See recommendations 3 to 5 (Appendix A).
Withdraw grant where the recipient fails to adhere to grant conditions and/or to deliver the agreed objectives, unless satisfactory remedial action is taken within an agreed timescale	✘ - Review of monitoring procedures confirmed that they require development in order to support identification of funding withdrawal. See recommendations 3 to 5 (Appendix A).
Respect the confidentiality of sensitive information, commercial or otherwise, provided by the grant recipient	✓ - The Authority has policies in place to ensure the confidentiality of sensitive information, commercial or otherwise, provided by the grant recipient. All grant files are held in secure locations by the Authority. Only Officers involved within the grant to voluntary bodies process have access to the grant files and documentation.

Appendix C: Summary of work completed and risks reviewed

Our work involved:

- Identifying and documenting controls in place through discussion with staff;
- Evaluating the adequacy of existing processes and controls; and
- Testing key underlying controls to confirm that they have operated;
- Highlighting areas for improvement and / or streamlining.

Grants to
Voluntary
Bodies

Work undertaken

We reviewed the controls which ensure that the Authority:

Objective 1 - Administration

- Publishes and publicises details of each grant scheme which ensures fair access;
- Identifies key priority areas which are in line with the Authority's overall objectives;
- Uses application forms that are in plain English and accompanied by clear guidance notes;
- Issues application forms in an effective manner;
- Notifies the outcome of funding applications in advance of the start of the funding cycle;
- Makes grant offers in writing with a clear statement of the purpose of the offer and its conditions; and
- Ensures prompt payments within agreed timetables.

Objective 2 - Monitoring and Evaluation

- Agrees clear objectives, performance indicators and specific outputs for grant-funded activities;
- Ensures that all grant recipients make appropriate arrangements to monitor and evaluate the quality of their grant-funded work and report progress at agreed intervals;
- Ensures that grant recipients have appropriate systems in place to obtain feedback from users or customers on their needs and their levels of satisfaction;
- Monitors compliance with grant conditions;
- Ensures that where a grant is under-utilised, the sum is identified as early as possible so that it can be re-allocated within the financial year;
- Withdraws grant where the recipient fails to adhere to grant conditions and/or to deliver the agreed objectives; and
- Monitors and manages the overall community grant budget.

Risks reviewed

- ▪ There is inadequate publicity of grant schemes, leading to exclusion;
- ▪ Key priorities do not support the Authority's overall objectives;
- ▪ Application forms are ambiguous and complex to complete;
- ▪ Application forms are issued late and inappropriately recorded;
- ▪ Funding application outcomes are notified late;
- ▪ Grant offers are inappropriately recorded;
- ▪ Grant payments are made late;
- ▪ Failure to notify failed applicants appropriately and provide appropriate feedback;
- ▪ Failure to set clear grant objectives, performance indicators and outputs;
- ▪ Ineffective monitoring and reporting by grant funded bodies;
- ▪ Grant funded bodies have ineffective systems for obtaining feedback from service users;
- ▪ Non-compliance with grant conditions;
- ▪ Untimely notification of grant under utilisation;
- ▪ Failure to withdraw funding where grant conditions are not met or outcomes not delivered;
- ▪ Ineffective monitoring of the overall community grant budget; and
- ▪ Decisions are made based on incomplete/inaccurate performance management information.



INFRASTRUCTURE, GOVERNMENT AND HEALTHCARE

Internal Audit Report 2007-08 Homelessness

Oxford City Council

3 June 2008

Overall Report
Rating:

Good

AUDIT – This report is confidential and its circulation and use are restricted. See notice on page 2.

Report status	
Date of debrief	25th April 2008
Discussion draft issued	15th May 2008
Management responses received	30th May 2008
Final report issued	3rd June 2008
Presented to Audit and Governance Committee	25th June 2008

Distribution listing	
For action: Graham Stratford: Head of Community Housing and Community Development David Scholes: Housing Needs Manager Carol Shields: Housing Options Manager	For information: Sarah Fogden / Penny Gardner: Head of Finance

1. Executive summary

Conclusion

As internal auditors of the Oxford City Council ("the Authority") we are required to give an annual overview of the system of internal control. In arriving at this overview, we give a conclusion on the individual systems reviewed during the year. Our conclusion is either that the system is good, satisfactory, weak or unacceptable. However, in giving our conclusion, it should be acknowledged that our work is designed to enable us to form an opinion on the quality of the systems examined based upon the work undertaken during our current review. It should not be relied upon to disclose all weaknesses that may exist and therefore the conclusion is not a guarantee that all aspects of the systems reviewed are adequate and effective.

From the work performed on the homelessness system, we consider that there is an adequate and effective system of risk management, control and governance to address the risk that objectives are not fully achieved. As a result, we have graded this report as Good.

We have made 2 recommendations, which will address the identified weaknesses. The implementation of our recommendations should enhance the control environment and provide an increased level of assurance to the Authority and management from the date of implementation.

Context

This audit was completed as part of the agreed internal audit plan for 2007-08. The objective was to provide management with information as to the adequacy and effectiveness of controls operating within the Authority's Homelessness processes.

The Authority has a Homelessness Strategy 2003-08 which at the time of review was being updated with supporting procedures. The strategy outlines Oxford as a regional centre which attracts homeless people seeking help, with the majority of homelessness cases involving people excluded by families and friends rather than people sleeping rough on the streets. A range of social and economic factors contribute to homelessness, including family breakdown, debt, domestic violence, drug and alcohol abuse, mental health problems and the housing market. The strategy makes homelessness prevention a key priority for the Authority which works in partnership with district councils across Oxfordshire to help identify sustainable solutions and improve service provision for homeless people and those at risk of homelessness across the county. Operational delivery is through the Housing Needs team which is split between options and allocations.

The original 2003 strategy highlighted a target for reducing the number of homelessness acceptances by 40% by 2008, and having 550 in temporary accommodation (from 1100 in 2003). As at March 2006, the Authority recorded 581 in temporary accommodation and by March 2008, 496 were in temporary accommodation.

Acknowledgement

We would like to take this opportunity to thank all members of staff whom we contacted over the course of this review for their time and assistance.

1. Executive summary

This section of the report highlights the main findings of our review. Further details, together with our recommendations, is included in the 'detailed findings and recommendations section' of the report which can be found from pages 27 to 28.

Areas of good practice	Areas for further development
<ul style="list-style-type: none"> ✓ A Homelessness Strategy is in place and was being reviewed and updated at the time of our visit; ✓ Homeless procedures have been developed and at the time of our visit, these were being reviewed and updated through a project being delivered by Destin Solutions Limited; ✓ Homeless evaluation decisions are documented on the Housing Application form; ✓ A dedicated Housing Options team exists within the Housing Needs team with specific responsibilities for managing homeless cases, including the provision of frontline homeless advice and assessing homeless applications; ✓ The Housing Options team assess supporting information to verify homeless applicants status, including birth and medical certificates, driving licences, bank statements and residency permits; ✓ Occupancy checks are undertaken at least monthly in respect of temporary accommodation; ✓ A range of contact methods is available for service users including an out of hours telephone service; ✓ An OCC surveyor is used to assess the quality of temporary accommodation leased from private landlords / other RSLs to ensure that appropriate standards of accommodation are provided; ✓ The Department for Communities and Local Government has identified OCC as a Regional Champion for Homelessness in recognition of work done in reducing homelessness in the city; and ✓ Homelessness performance information is prepared monthly for the Housing Needs team and submitted quarterly by the Community Housing Business Manager to the Housing Scrutiny Committee which shows a downward trend in line with plans. 	<ul style="list-style-type: none"> ▪ Developing a file checklist for use on all homelessness files to ensure that all key documents have been fully completed (including dates) and either placed on file or explained as to why they are not required (see recommendation 1); and ▪ Developing a target timescale for the completion of homeless decisions and incorporating this into the monthly performance report. This would allow pending decisions to be prioritised by age and help free up first stage temporary accommodation for other service users earlier in the process (see recommendation 2).

1. Executive summary - continued

We have assessed each finding in our report and assigned to it a priority, as follows

High ●	Medium ●	Low ●
Issues arising referring to important matters that are fundamental and material to the system of internal control. We believe that the matters observed might cause a system objective not to be met or leave a risk unmitigated and need to be addressed as a matter of urgency.	Issues arising that have an important effect on the controls but do not require immediate action. A system objective may still be met in full or in part or a risk adequately mitigated but the weakness represents a deficiency in the system.	Issues arising that would, if corrected, improve the internal control in general but are not vital to the overall system of internal control.

The table below details the number of recommendations made, the priority assigned and those accepted by management.

Recommendations	High	Medium	Low	Total
Made	-	1	1	2
Accepted	-	1	1	2

2. Detailed findings and recommendations

	Observation and priority	Risk	Recommendation	Management Response Officer Responsible/ Implementation Date
1	<p>Homelessness supporting information</p> <p>Homelessness files are maintained by the Housing Options team which contain standard supporting records including:</p> <ul style="list-style-type: none"> • Household Support Plans - used to identify any medical, physical and behavioural issues of the applicant; • Temporary Placement forms to record details of first stage accommodation, including the date that the applicant moved in; • Tenancy agreements (where appropriate); and • Review sheets on which the Housing Options Manager records further 'actions required'. <p>Our review of 20 homelessness files found the following instances of supporting information not being recorded:</p> <ul style="list-style-type: none"> • Household Support Plans were not held on file in 3 out of 18 cases where we would have expected to find one, although we understand that for at least 2 of these cases, support issues were identified through a Young Persons Housing Assessment; • of the 15 cases where Household Support Plans were held on file, 2 were not dated. Consequently there was no record of when these assessments took place as assessment dates are not recorded on iWorld. Whilst they are usually completed on the same date as the application, this is not always the case; • We were unable to locate Temporary Placement forms in 2 out of 17 cases where we would have expected to find one. This is either because they had not been placed on file or not created. Consequently there was an incomplete audit trail in respect of the placement decision in these cases; 	<p>There may be a lack of supporting evidence on file to show that homeless cases are managed consistently and in accordance with procedures.</p>	<p>The Housing Options Manager should develop a file checklist for use on homelessness files to ensure that all key documents have been fully completed (including dates) and filed. The checklist should include reference to the following documents:</p> <ul style="list-style-type: none"> • Household Support Plans; • Housing Application forms (including sign off of the applicant declaration and the homeless decision (see recommendation 1)); • Temporary Placement forms; • Tenancy agreements; and • Review / actions required sheet. <p>Reasons for documentation not being on file or completed should also be recorded on the checklist.</p> <p>The checklist may be developed by amending the existing file review /action required sheets.</p> <p>The Housing Options Manager should undertake sample testing on a monthly basis to ensure a high level of compliance with procedures.</p>	<p>Accepted.</p> <p>Housing Options Manager</p> <p>30 June 2008</p>

2. Detailed findings and recommendations

	Observation and priority	Risk	Recommendation	Management Response Officer Responsible/ Implementation Date
	<ul style="list-style-type: none"> • 5 tenancy agreements and 1 Housing Application form 'Declaration' section which had not been dated by the applicant; and • 2 cases where we were unable to locate 'actions required' sheets which we understand may have been due to the files not being passed to the Housing Options Manager for review. <p>Medium ●</p>			
2	<p>Homeless decisions</p> <p>Before the homeless decision can be made, the Housing Options team have to gather supporting information from applicants. They also request and obtain information from third parties, for example, medical statements in support of applicants with mental health issues. The information gathering process takes time and is therefore undertaken whilst service users are placed in first stage temporary accommodation.</p> <p>Our sample testing of 20 cases included measuring the number of days between the initial record of contact with the applicant to the date that the homeless decision was signed off by the Housing Options Manager. We found that on average, it takes 69 calendar days to complete the decision process from the point of initial contact. We understand that there is no prescribed time target for this element of the homeless process and consequently timings do not form part of the Housing Needs teams monthly monitoring (although they do track the level of pending cases which fell from 126 in January 2008 to 107 in March 2008). Low ●</p>	<p>The Authority may not know if homeless applicants are being dealt with in a timely manner and with improving performance.</p>	<p>The Housing Needs team should set a target timescale for the completion of homeless decisions and incorporate this into the monthly performance report. This would allow pending decisions to be prioritised by age and help free up first stage temporary accommodation for other service users earlier in the process.</p>	<p>The comments are noted. We do currently monitor all pending cases on a weekly basis, by officer and by days that the case has been pending. We agree that it would be useful to ensure that the management team are made aware of information in relation to how long pending cases have been outstanding, and we have now agreed to do this by exception reporting, i.e. how many cases, placed in temporary accommodation, have been outstanding longer than 56 days, and why.</p> <p>Housing Needs Manager 30 June 2008</p>

Appendix 1: Homelessness process overview

OCC operates the following key stages in the management of homeless cases to help ensure that service users are treated in a consistent and fair manner.

Duty interview

A Housing Options Duty Officer (HODO) form is completed to pre-assess housing need, including details of family / referrals / action required.

Evaluation

An interview is held with details recorded on an Options Interview form, including contact details / current address occupancy / reason for case / rent arrears / previous accommodation / medical & social issues / employment / sign off.

A Housing Application (under part VIII of the Housing Act 1996) is completed for service users believed to be homeless. This includes the Authority's homeless decision including whether the applicant is eligible / homeless or threatened with homelessness / in priority need. Decisions are reviewed and signed off by the Housing Options Manager. Service users are placed in temporary (first stage) accommodation pending the decision.

Supporting documents are sought to verify identity / eligibility, including residence permits, birth certificates, driving licences, passports, medical records.

Application details are loaded onto the housing management system (iWorld) which generates a unique iWorld number for each homeless case.

First stage accommodation

A Household Support Plan is completed for each applicant going into temporary accommodation. This assesses risk in terms of medical, physical and behavioural aspects relating to the applicant.

A Temporary Placement Information form is completed for all first stage accommodation which includes details of dependants, housing requirements, case history (including health conditions), risk assessment outcome and the size and floor level of accommodation required. The form is emailed to the Allocations Team who match the applicant with suitable accommodation from available first stage accommodation (largely leased from private landlords).

Tenancy agreements are signed and placed on file (no keys are issued without a signature with the exception of overnight emergency cases).

The Temporary Accommodation team undertake and record visits to check occupancy detailing any issues arising / action required.

Second stage accommodation

Following the homeless decision applicants are either re-housed into second stage accommodation (largely managed through OSLA - Oxford Social Lettings Agency) and then into permanent accommodation or where the homeless decision was rejected, steps are taken to ensure that the applicant vacates the temporary accommodation.

Service users are no longer deemed homeless after this stage.

Appendix 2: Testing the operation of homelessness controls

Homelessness

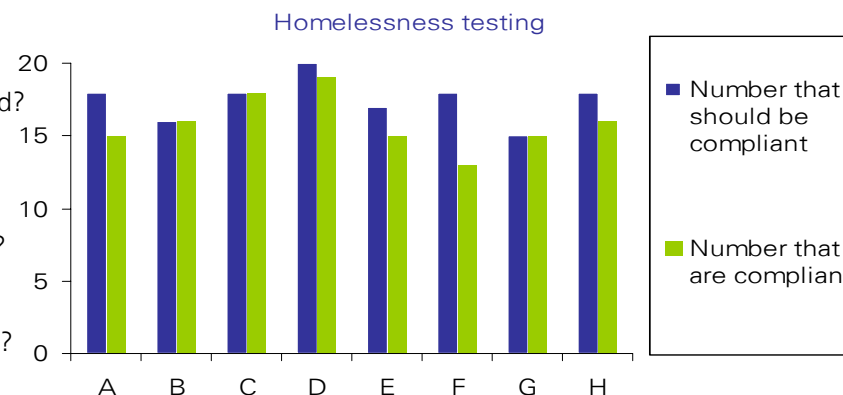
The Homelessness process requires key documents to be properly completed and placed on file. These include Household Support Plans, Options Interview forms, Housing Applications forms (which include approval of the homeless decision), temporary placement forms, signed and dated non secure tenancy agreements, temporary accommodation occupancy checks and 'actions required' sheets. In addition, the process requires application details to be input to iWorld.

We tested a sample of 20 homeless case files to check that the key documents were being properly completed and filed, with application details accurately recorded on iWorld.

Testing of homelessness controls

The following criteria were adopted.

- A Are Household Support Plans properly completed and filed?
- B Are homeless application details accurately recorded on iWorld?
- C Are Option Interview forms properly completed and filed?
- D Are Housing Applications properly completed and filed?
- E Are temporary placement forms properly completed and filed?
- F Are signed and dated tenancy agreements in place?
- G Are temporary accommodation occupancy checks undertaken?
- H Are 'actions required' sheets properly completed and filed?



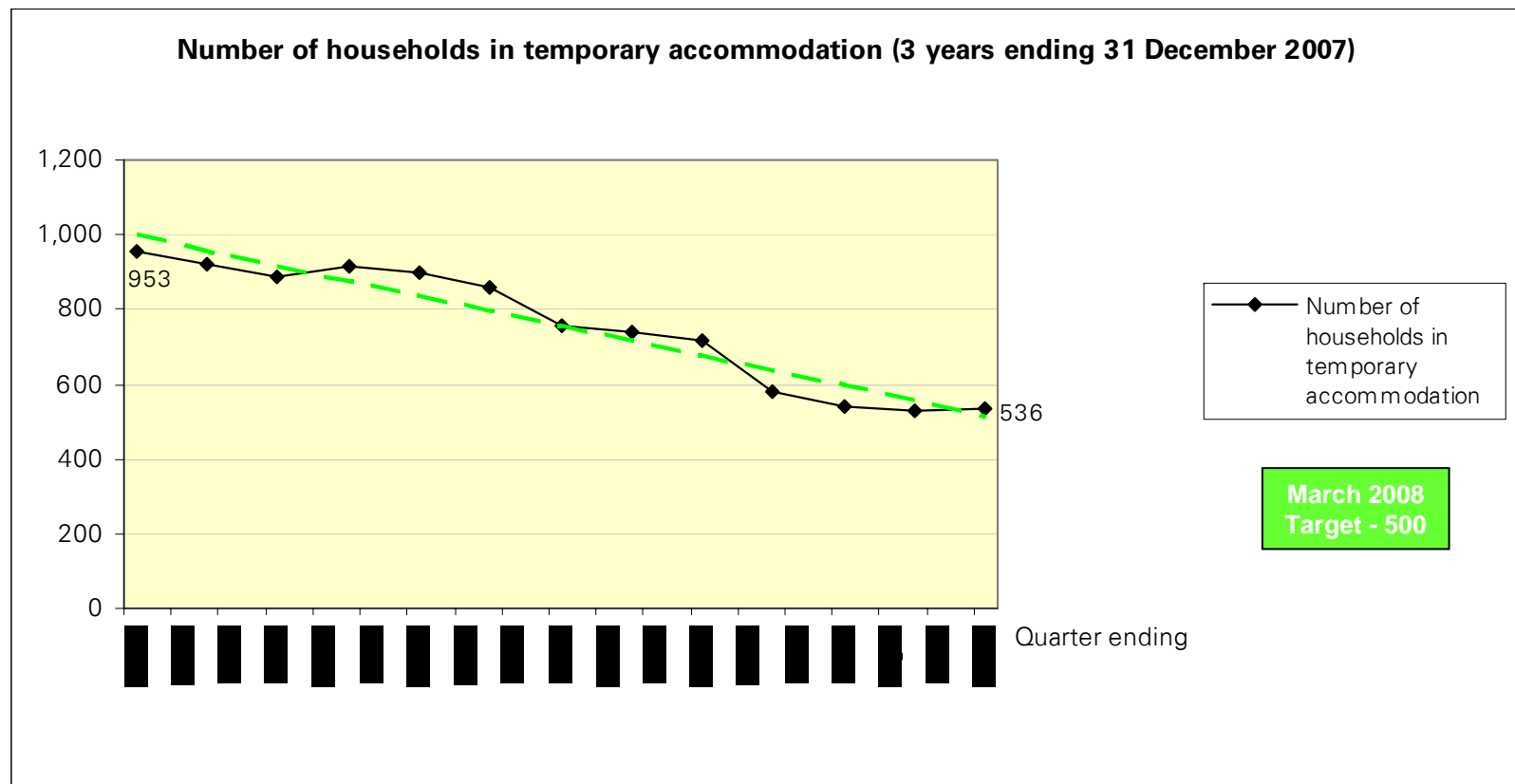
Key findings

- ✓ Details of homeless application are accurately input to iWorld.
- ✓ Temporary accommodation occupancy checks are undertaken.
- ✗ Temporary placement forms and 'Actions required' sheets are not always held on file (see recommendation 1).
- ✗ Housing Applications are not always properly completed in terms of the sign off of declarations (see recommendations 1).
- ✓ Option Interview forms are properly completed and filed.
- ✗ Tenancy agreements are not always dated (see recommendation 1).
- ✗ Household Support Plans are not always dated or filed (see recommendation 1).

Appendix 3: Performance information

We reviewed the homelessness performance information reported quarterly to the Housing Scrutiny Committee. This information includes the performance trend for the number of households in temporary accommodation. The latest figures available at the time of our review were those reported to the Housing Scrutiny Committee on 14 February 2008. Quarterly figures for 3 years ending 31 December 2007 are shown in the chart below and the dotted line highlights the performance trend as an overall reduction of 417 (44%) in the number of households in temporary accommodation.

The unreported figure as at 31 March 2008 is 496, a further reduction from December 2007 of 40 (7.5%).



Appendix 4: Summary of work done and risks reviewed

Objective	Summary of work done	Risks considered
Homelessness	<ul style="list-style-type: none"> • Discussions were held with the following officers: Graham Stratford (Housing Business Manager); David Scholes (Housing Needs Manager); and Carol Shields (Housing Options Manager). • We checked that a Homelessness Strategy is in place and confirmed with managers arrangements for ensuring that the strategy is subject to periodic review and revision. • We checked that homeless procedures have been developed and confirmed arrangements with the Housing Needs Manager for keeping these updated. • We tested a sample of 20 homeless applications to check if key documents had been appropriately completed and filed including: <ul style="list-style-type: none"> - Housing Options Duty Officer Information sheets; - Household Support Plans; - Options Interview forms; - Housing Application forms (including sign off of the homeless decision and declaration by the Housing Options Manager and applicant respectively); - Temporary Placement forms; - Tenancy agreements; - Temporary Accommodation team visit sheets (to verify that regular occupancy checks are undertaken and contact with homeless households is maintained); and - Manager review / action required sheets (to confirm that monitoring of compliance with procedures is undertaken). • We tested a sample of 20 homeless applications to test if application details had been accurately recorded on iWorld. • We assessed the time taken between initial contact with homeless applicants and their assessment for temporary accommodation to assess if procedures are applied in a timely manner. 	<ul style="list-style-type: none"> • an up to date homelessness strategy is not in place; • homelessness procedures have not been developed or kept up to date; • non-compliance with homelessness procedures; • failure to evaluate and prioritise temporary accommodation applications appropriately; • failure to record the allocation of temporary accommodation accurately; • methods by which service users may contact the Authority with homelessness issues are limited; • service users are placed in poor quality temporary accommodation; • failure to maintain contact with homeless households placed in temporary accommodation; and • failure to monitor appropriate performance management information.

Appendix 4: Summary of work done and risks reviewed

Objective	Summary of work done	Detailed risks considered
	<ul style="list-style-type: none"><li data-bbox="622 411 1364 488">• We reviewed the Authority's website to check if there is a range of method for contacting the Authority are available to service users, including an out of hours service.<li data-bbox="622 501 1364 552">• We reviewed management information and reports to ensure that the performance of the homelessness service is monitored.	



INFRASTRUCTURE, GOVERNMENT AND HEALTHCARE

Internal Audit 2007/08 Housing Regeneration

Oxford City Council

10 June 2008

Report Rating:

SATISFACTORY

AUDIT –This report is confidential and its circulation and use are restricted. See notice on page 1.

Report status	
Date of debrief	17 April 2008
Drafts issued	22 April/21 May 2008
Management responses received	9 June 2008
Final report issued	10 June 2008
Presented to Audit and Governance Committee	25 June 2008

Distribution for action	Distribution for information
Steve Northey (Housing Development Manager)	Penny Gardner (Head of Finance) Sarah Fogden (Head of Finance) Graham Stratford (Head of Community Housing and Community Development)

1. Executive summary

Conclusion

As internal auditors of the Authority we are required to give an annual overview of the system of internal control. In arriving at this overview, we give a conclusion on the individual systems reviewed during the year. Our conclusion is either that the system is good, satisfactory, weak or unacceptable. However, in giving our conclusion, it should be acknowledged that our work is designed to enable us to form an opinion on the quality of the systems examined based upon the work undertaken during our current review. It should not be relied upon to disclose all weaknesses that may exist and therefore the conclusion is not a guarantee that all aspects of the systems reviewed are adequate and effective.

For the work performed on the Rosehill Housing Regeneration Scheme, we have assessed the system as satisfactory. There is some risk that objectives may not be fully achieved. Slight improvements are required to enhance the adequacy and / or effectiveness of risk management, control and governance.

We have made five recommendations, which will address the identified weaknesses. The implementation of these recommendations should enhance the control environment in relation to the system reviewed and provide an increased level of assurance to the Authority and management from the date of implementation.

Context

As part of internal audit's review of the general control environment within Oxford City Council ("The Authority") a review of the Rosehill Housing Regeneration Scheme was undertaken. This was completed as part of the internal audit plan for 2007/08. The objective of our audit was to document and assess the adequacy of the controls put in place by management over the project up to start on site.

The aim of the Scheme is to redevelop part of the Authority owned Rosehill site. The Authority's objectives include replacing 97 defective 3 bedroom houses, substandard sheltered housing and derelict garage sites.

From this redevelopment process, the Authority intends to build 254 new dwellings which will consist of:

- 141 affordable units (101 for rent and 40 for shared ownership); and
- 113 units for private sale.

The Scheme is being undertaken on a cross subsidy basis, where the sale of the private dwellings is being used to fund the affordable housing element. The total cost of the scheme is approximately £19.2m. The Authority is working in partnership with Oxford Citizens Housing Association (OCHA) to redevelop the site. OCHA tendered the scheme in October 2006 and Taylor Wimpey (TW) were selected as the preferred partner in February 2007. TW are bound by the costs of construction and the level of sales receipts set out in the contract. Relations between the Authority, OCHA and TW are managed through a Development Agreement, and with tenants through a Tenant Development Group which is run by OCHA. Start on site was March 2008 and completion is planned for the affordable housing units in August 2010.

1. Executive summary (cont'd)

The diagram below details the overall governance and monitoring arrangements over the Scheme prior to commencement on site.

Type of monitoring	Group	Members	Role
Strategic	Oxford City Council – Executive Board	Committee Members OCC Officers	<ul style="list-style-type: none"> ✓ High level overview of how the project is progressing. ✓ Authorisation of project and specification.
	Rose Hill Core Group	Officers of both OCC and OCHA Committee Members	<ul style="list-style-type: none"> ✓ Group tasked with overall management of the project. ✓ Risks considered and analysed. ✓ Financial and quality control issues discussed.
Operational	Rosehill Tenant Development Group	Residents Contractor Consultant OCC and OCHA Officers	<ul style="list-style-type: none"> ✓ Opportunities for tenants to feedback on quality and design issues.
	Project Team / Client Project Team	Contractor Consultant OCHA and OCC Officers	<ul style="list-style-type: none"> ✓ Progress of project, quality and cost issues discussed, site and design issues reviewed.

1. Executive summary (cont'd)

This section of the report highlights the main findings of our review. Further details, together with our recommendations, is included in the detailed findings and recommendations section' of the report which can be found from pages 38 to 43.

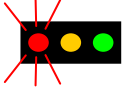
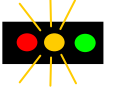
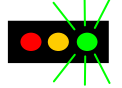
Areas of good practice	Areas for further development
<p>Our review identified the following areas of good practice in respect of OCC Rosehill regeneration project:</p> <ul style="list-style-type: none"> ✓The project was monitored at a strategic level by the Executive Board and Rose Hill Core Group; ✓Tenants views on the project were sought and taken into account through the Tenants Development Group; ✓Signed approval was obtained from the Department of Communities and Local Government for the disposal of OCC land; ✓Risks facing the project were assessed and mitigating action developed. These risks were monitored monthly through the Rose Hill Core Group; ✓A signed Project Development Agreement is in place which sets out the rights and obligations of the three parties involved in the project; ✓A Tender Panel consisting of OCC and OCHA officers interviewed and assessed each of the contractors who submitted a tender bid. Tenants were also part of the assessment panel. The panel's findings were documented and held on file; ✓Reports submitted to OCC's Executive Board detailed the progress of the project. This process resulted in approvals being given by the Executive Board at key stages of the scheme; and ✓An independent consultant assessed the winning contractors bid and concluded that TW should be selected as the preferred bidder. 	<p>Our work has also identified the following areas where controls could be further strengthened:</p> <ul style="list-style-type: none"> • a set of guidance notes should be developed covering the implementation of a Housing Regeneration Scheme; • OCC should continue to report to Members on the progress of the scheme throughout its lifetime; • OCC and OCHA's management team should continue to monitor the delivery of the project; • OCC should ensure that documentation to support financial assessments are filed in a concise and orderly manner which enables a clear audit trail to be maintained; and • OCC should ensure that where discussions with various parties are held on the selection of contractors, these are fully documented on file.

The table below details the number of recommendations made, the priority assigned and those accepted by management.

Recommendations	High	Medium	Low	Total
Made	-	5	-	5
Accepted	-	5	-	5

2. Recommendations

This Appendix summarises in the form of recommendations the issues arising from this review which we believe require action. Recommendations are rated using the scale in the legend below:

Priority rating for recommendations raised		
	<p>Priority One: Issues arising referring to important matters that are fundamental to the system of internal control. We believe that the matters observed might cause a business objective not to be met or leave a risk unmitigated and need to be addressed as a matter of urgency</p>	
	<p>Priority Two: Issues arising referring mainly to matters that have an important effect on controls but do not require immediate action. A business objective may still be met in full or in part or a risk adequately mitigated but the weakness represents a significant deficiency in the system.</p>	
		<p>Priority Three: Issues arising that would, if corrected, improve internal control in general but are not vital to the overall system of internal control.</p>

Priority	Issue and Risk	Recommendations	Management Response
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Procedures and filing of documentation

1  Medium

In discussions with the Housing Development Manager we were informed that a set of procedures covering a Housing Regeneration scheme such as Rosehill is not in place. As the project progressed we understand that the Housing Development Manager relied on both his and other officer's experience and knowledge and on OCC's Constitution as guides in managing the project. Officers may not have the required guidance to keep a project on schedule and within cost.

As part of our audit we also found that in some instances documentation was held either electronically and/or in paper form, which led to difficulty in fully establishing and reviewing a clear project audit trail.

OCC should develop a set of guidance notes covering the implementation of a Housing Regeneration Scheme. These procedures notes should cover the following areas:

- initial feasibility review;
- how partners should be selected and reviewed;
- the process by which tenants views should be considered as part of the project;
- the authorisation and monitoring process;
- the filing and storing of documentation; and
- post project review.

Agreed.


Head of Community Housing and Community Development.

31 December 2008

2. Recommendations (cont'd)

#	Priority	Issue and Risk	Recommendation	Management Response
		<p>Member Monitoring and reporting</p> <p>As part of our review we noted that reports regarding the project were presented to the Executive Board. These reports updated Members on the progress of the project and requested authorisation to proceed to the next stage of project. The last report submitted to the Executive Board was in February 2007. No further reports have been submitted.</p>	<p>The Authority should continue to report to Members on the progress of the scheme throughout its lifetime. Areas reported should include:</p> <ul style="list-style-type: none"> • milestones achieved; • properties completed; • financial issues, such as the cost of the project, forecasts of sales income and how this impacts the cross subsidy, and cost overspends, • forecasts of the surpluses which could be made and how this is to be distributed; • tenant involvement; • risks facing the project and how they are being mitigated; • performance of the contractor; and • relationship with the key partners. 	<p>Agreed. Development Manager. Immediate and ongoing through to 2012.</p>
2	<p>● Medium</p>	<p>Given the scheme has been closely monitored by Members previously and is a high cost/high profile scheme it may be beneficial for Members to be kept informed of its progression. Otherwise, Members may not be aware of either the progression or any issues regarding the scheme.</p>		

2. Recommendations (cont'd)

#	Priority	Issue and Risk	Recommendation	Management Response
3	 Medium	<p>Management Monitoring of risks and the progress of the project</p> <p>OCC and OCHA developed and set out a number of risks facing the project. These risks included:</p> <ul style="list-style-type: none"> • Unforeseen contraction costs; • Housing Corporation Grant may not be allocated; and • Vacant possession of homes may not be achieved. <p>Each of the risks were graded as High or Medium and monitored through the Rose Hill Core Group. This Group consisted of management team level officers of both OCC and OCHA. On a monthly basis, the Group assessed each risk and how it was being mitigated.</p> <p>The last meeting of the Group occurred in November 2007 and no further meetings are planned. Therefore, the any new risks relevant to the project may not have been identified, monitored or properly managed.</p> <p>Additionally, as the project progresses. a high level management review of the project is not being undertaken. The project may not achieve its stated aims and objectives.</p>	<p>OCC and OCHA's management team should continue to monitor the delivery of the project. This process should include assessing the risks associated with the project and their continued mitigation.</p>	<p>Agreed. Development Manager. Immediate and ongoing through to 2012.</p>


2. Recommendations (cont'd)

#	Priority	Issue and Risk	Recommendation	Management Response
		Financial Assessment		
		As part of our work we noted that a financial review of the project was undertaken by the Head of Finance. This was reported to the Executive Board in November 2005. Within the report a separate section considered alternatives, and if the scheme represented Value For Money (VFM).	OCC should ensure that documentation to support financial assessments are filed in a concise and ordered manner which enables a clear audit trail to be maintained.	Agreed Head of Finance July 2008
4	Medium	<p>The report concluded that at that pre-tender stage the degree to which the proposed scheme represented VFM remained uncertain, with the tender process providing the opportunity for officers to further assess the proposals for VFM when the costs of the scheme are more certain.</p> <p>A further report was presented to the Executive Board in February 2007 which included details of the tender amounts. The report stated that:</p> <ul style="list-style-type: none"> • Negotiations with the developer over the Development Agreement and further site investigations will see changes in costs as risk areas are reduced or further highlighted; • If the financial appraisal of the scheme against the parameters agreed show that the Council is in a worse position financially if it entered into the contract, revised approval will be sought from the Executive Board; and • If the appraisal shows that that the Council's commitment to the scheme is less or the same, then the Development Agreement will be entered into under delegated authority. 		

2. Recommendations (cont'd)

#	Priority	Issue and Risk	Recommendation	Management Response
4		<p>In discussions with the Head of Finance we were informed that a second financial assessment was undertaken and concluded that the scheme was financially viable and that its financial parameters had not changed. This led to the Strategic Director (Housing, Health and Community) signing off the scheme and the Authority entering into the Development Agreement.</p> <p>As part of our audit we reviewed the process by which the second financial assessment was undertaken. We found that whilst the Head of Finance could guide us through the approach adopted, a clear/concise audit trail was not held on file. The Head of Finance informed us that an email had been sent to the Strategic Director, Housing, Health and Community. It was agreed that documentation which supported the second study could be improved through fully documenting the process which led to the decision.</p>		

2. Recommendations (cont'd)

#	Priority	Issue and Risk	Recommendation	Management Response
5	 Medium	<p>Selection of Contractors</p> <p>The tender process was led by OCHA with the Authority being involved in specific stages. An assessment was undertaken in 2005 to identify contractors who would be invited to bid for the scheme. This process evaluated the responses to a Pre-qualification Questionnaire which had been sent to a total of 12 contractors. A panel made up of representatives from OCHA, the Employers Agent and the Authority assessed the responses to the questionnaires. From this, contractors were ranked and the following achieved the highest scores based on pre-determined criteria:</p> <ul style="list-style-type: none"> • TW – 105.5; • Wilmot Dixon – 100; • Lovells - 106; • Bovis – 78; • United House – 86; and • Verry Construction - 94 <p>Following this exercise, an e-mail was sent from OCHA's solicitors to OCC's solicitors (15/12/05). This states that based on advice from the Employers Agent it would be better to tender the contract to four rather than the minimum five selected (in accordance with OCC's Standing Order's) and sets out the reasons for this. In the e-mail OCHA's solicitor requests the agreement of the Authority's solicitor to this approach. We noted that a response to this e-mail is not on file. In discussions with the Authority's solicitor we were informed that this was discussed verbally, however, a record of this conversation was not kept.</p> <p>There is insufficient documentation held on file which supports officers' discussions with third parties.</p>	<p>OCC should ensure that where discussions with various parties are held on the selection of contractors, these are fully documented on file.</p>	<p>Agreed in principle. However, the instance cited of the Council not replying in writing to OCHA's solicitor, was not in fact a request for the Council to 'sign off' or formally agree a particular point, but was simply a legal debate which was fully and properly resolved by a discussion between the parties.</p> <p>Development Manager.</p> <p>Immediate.</p>

Appendix A: Summary of work completed and risks reviewed

Our work involved:

- Identifying and documenting controls in place through discussion with staff;
- Testing key underlying controls to confirm that they have operated;
- Evaluating the adequacy of existing processes and controls; and
- Highlighting areas for improvement and / or streamlining.

Work undertaken

Housing
Regeneration

We have reviewed the controls in place which ensure:

- adequate written procedures exist for funding allocations;
- local communities have been engaged in the process;
- project proposals are received, documented and assessed;
- projects are evaluated;
- projects have been approved in accordance with procedures;
- selection and appointment of contractors / consultants is open and transparent; and
- relevant documents are maintained on a project file to demonstrate a clear audit trail.

Risks reviewed

- projects being approved where they do not meet the Council's agreed feasibility criteria;
- financial arrangements may not be adequate;
- timetables may not be set out or made clear;
- project management arrangements not properly considered;
- competent and experienced contractors / consultants not being appointed; and
- inadequate monitoring of development projects by senior management and / or Committee.



INFRASTRUCTURE, GOVERNMENT AND HEALTHCARE

Internal Audit 2007/08 Risk Management

Oxford City Council

9th June 2008

Corporate processes
Report Rating:

SATISFACTORY



Service Level processes
Report Rating:

WEAK



AUDIT –This report is confidential and its circulation and use are restricted. See notice on page 1.

Report status	
Date of Debrief	11 th April 2008
Discussion draft issued	22 nd April 2008
Management responses received	9 th June 2008
Final report issued	9 th June 2008
Presented to Audit and Governance Committee	25 th June 2008

Distribution for action	Distribution for information
Penny Gardner - (Head of Finance) Sarah Fogden- (Head of Finance)	Peter Sloman – Chief Executive

1. Executive summary

Conclusion

As internal auditors of the Authority we are required to give an annual overview of the systems of internal control. In arriving at this overview, we give a conclusion on the individual systems reviewed during the year. Our conclusion is either that the system is good, satisfactory, weak or unacceptable. However, in giving our conclusion, it should be acknowledged that our work is designed to enable us to form an opinion on the quality of the systems examined based upon the work undertaken during our current review. It should not be relied upon to disclose all weaknesses that may exist and therefore the conclusion is not a guarantee that all aspects of the systems reviewed are adequate and effective.

For the work performed on risk management, we have split our conclusion into two elements. The corporate processes have been concluded as satisfactory given that a risk management strategy is in place, although it should be ensured that the required actions are completed on a timely basis for it to be more effective. The service level processes have been concluded as weak as the framework for risk management at this level requires further development. In most of the service areas that we reviewed, it was not apparent that risks were managed on a formal basis. For example, the statement of significant control issues are not updated during the year as required by the strategy, and risk identification is not routinely carried out other than during the business planning process.

Corporate Processes	Satisfactory	There is some risk that objectives may not be fully achieved. Slight improvements are required to enhance the adequacy and / or effectiveness of risk management, control and governance.
Service Area Processes	Weak	There is considerable risk that the system will fail to meet its objectives. Significant improvements are required to improve the adequacy and effectiveness of risk management, control and governance.

We have made 6 recommendations to further improve the control environment within these areas, which are documented in Appendix 1 of this report.

Context

As part of internal audit's review of the general control environment within Oxford City Council ("the Authority") a review of risk management arrangements was undertaken. This was completed as part of the internal audit plan for 2007/2008. The objective of the audit was to provide management with actions and behaviours required by the Authority to further develop its risk management arrangements in relation to its:

- Strategy and Policy;
- Standard Corporate Templates and guidance;
- Risk Registers;
- Training for Members and staff;
- Documentation (for example, committee reports); and
- Role of relevant Committee.

1. Executive summary continued

We have sought to provide the Authority with examples of good practice, and have included examples within the appendices to this report, for example, a statement of internal governance which has been shared with the Head of Finance.

The profile of risk management has increased significantly in recent years as a response to the developing corporate governance agenda and some high profile corporate failures. Across the public sector, this has been accompanied by a recognition that effective risk management must be driven by the senior management of organisations and become embedded as part of day to day processes.

Management has an explicit responsibility to take steps to identify, prioritise, manage and control the significant risks facing Oxford City Council. A Risk Management Strategy was developed in 2006 and risk management training workshops were carried out in October 2006 for Members and during May 2007 for senior managers to raise the awareness of risk management within the Authority.

A Corporate Risk Register is in place and has recently been updated and refreshed by the Corporate Performance and Strategy Board to reflect the risks facing the Authority internally as well as those external risks. This register was reviewed by the Audit and Governance Committee.

The Head of Finance is the Authority's nominated risk champion, and is responsible for developing the Authority's risk management arrangements, and providing the Audit and Governance Committee with updates of the corporate risk register. Business Units and service areas have the responsibility for managing risk in their own areas. The annual business planning processes carried out this year has been developed to incorporate an element of risk management. In addition, annual assurance statements provided to the s151 officer also identify elements of risk management, with a statement of 'significant control issues' being documented. It is recognised that due to the recent restructure of the Authority and changes in roles, the arrangements for embedding risk management have stalled in 2007/08. However, the Corporate risk register has been further developed and reviewed, and risk management has been incorporated into the management of significant projects.

The Authority's risk management arrangements received a Use of Resources score of 1 in 2006/07 and the Authority is aware of the significant efforts required to move this key area to the next level. At the time of the audit, the Head of Finance was reviewing the effectiveness of the risk framework in preparation for the annual review and approval by the Audit and Governance Committee. We have provided an assessment of progress made by the Authority in implementing the actions contained within the risk management strategy on page 5. Further, our findings from reviewing service level arrangements and the action necessary to further embed risk management can be found at pages 6 and 7 respectively.

The main findings of our review are summarised on page 4. Further details, together with our recommendations, are included in the 'detailed findings and recommendations' section of the report which can be found at Appendix 1 on pages 8 to 11.

1. Executive summary continued

Risk Management		
Objective	Areas of good practice	Areas for further development
To provide management with actions and behaviours required in order to further develop risk management arrangements	<ul style="list-style-type: none"> ✓ A risk strategy has been developed and includes the reasons why risk management is important to the Authority. ✓ The risk register format includes: <ul style="list-style-type: none"> ➢ inherent and residual risk scores based upon the impact and likelihood of the individual risk ➢ Mitigating actions in place to reduce the risk ➢ Actions required to manage the risk ➢ Sources of assurance and early warning signals ✓ roles and responsibilities are clear within the strategy for all levels of management including members, the Risk Champion and Heads of Service; ✓ An annual statement of governance is received from Heads of Service documenting significant control issues; and ✓ Risk is considered on reports presented to Members, with a requirement for medium/high risk areas to be further explained. 	<ul style="list-style-type: none"> ▪ Further development of the strategy to potentially include a more sophisticated methodology for calculation of risk scores; ▪ Further development of the risk register to provide explicit linkages with the objectives of the corporate plan; ▪ Developing a process which ensures that the Corporate risk register is updated by action owners in a timely manner; ▪ Ensuring operational risks are formally reviewed at a service level with reporting through to portfolio holders and the City Services / Regeneration Directors; ▪ Developing formal processes to embed risk management including re-launching the risk management strategy and training for officers and members; and ▪ Reviewing the reporting requirements to ensure that reports produced highlight the effectiveness of risk management which takes place.

Acknowledgement

We would like to take this opportunity to thank all members of staff and Members whom we contacted over the course of this review for their time and assistance.

Number of recommendations made

We have identified 6 areas for further development. More details are provided in Appendix 1 from page 52 to 55.

	High	Medium	Low	Total
Made	1	5	0	6
Accepted	1	5	0	6

2. Achievement of actions

We have documented below an assessment of the progress made by the Authority in implementing the actions contained within the risk management strategy.

Strategic objectives - actions	Compliance?	KPMG Commentary
Review strategy and policy annually	✓	Annual review currently taking place for the 2007/08 year end in preparation for 2008/09 year.
Establish clear accountabilities, roles and reporting lines across all directorates	✓	<p>The risk strategy details the roles and responsibilities of the differencing levels of management within the Authority including the Executive Board, Audit and Governance Committee, Members, Risk Champion, Chief Executive, Directors, Service Managers.</p> <p>In practice due to changes in organisational structure and new appointments, not all officers interviewed were aware of their roles, in particular no service updated their service risks registers (control issues schedule) during the year and in some areas corporate risks were not updated (Leisure and Oxford City Homes).</p>
Provide staff across the Authority with necessary awareness, skills and expertise	✗	Initial training was provided to Members in October 2006 and senior officers in May 2007. No further training has been carried out. Some Heads of Service have not attended training, as they either missed the original training or they are new to the role.
Provide for risks assessments in all decision making processes	✓	<p>Reports to Executive Board have a standard layout which incorporates risk.</p> <p>Revised project management methodology has ensured there is a focus on risk management as part of major projects, this was evident with discussions with procurement, leisure, and Oxford City Homes.</p>
Develop formal arrangements for reporting and recording risks	✗	<p>A framework has been developed for reporting risk though to the Audit and Governance Committee. There is a requirement to provide updates quarterly.</p> <p>Review of the corporate risk register identified that not all areas had been completed, for example in relation to some action owners and milestone dates etc.</p> <p>A framework has not been put into place for review of operational risks, however, service areas interviewed highlighted that there is not formal updating of the service risks (control issues schedule) during the year. In addition, in most areas risk is not regularly reviewed or reported at a business unit/service level area.</p>
Develop control framework which provides assurance that risks identified are being managed	✗	<p>A framework has been developed for management of corporate risks with action owners identified along with action dates. Assurance mechanisms are also included. A review of the corporate risk register identified that the register is not fully populated in terms of actions, action owners and review dates for review.</p> <p>The change in risk arising from actions taken are also not clear as direction of travel of the risk score is not documented in the reporting of risks.</p> <p>Service level risks are not currently reported in a format which enables assurances to be sought that they are being managed, as the 'control issues schedules' are not updated during the year to reflect actions taken to mitigate against old risks and additions in relation to new risks arising.</p>
Ensure consideration of risks within the strategic planning process	✓	The corporate planning process has been set up to ensure that service areas document their plans along with key objectives and actions, and associated risks. In addition, revised project planning has been developed to include risk management.

3. Risk management at a Service / Business Unit Level

We have documented below our findings of risk management arrangements identified within a sample of service areas.

	Leisure Steve Holt	Planning Michael Croften Briggs	City Works Colin Bailey	City Homes Jeff Ridgeley	Finance Penny Gardner	Facilities Management Jane Lubbock
Knowledge of corporate risk register and role in updating.	x	✓	✓	x	✓	✓
Management of actions' as identified within the corporate register.	✓	✓	✓	✓	✓	✓
Documented annual assurance statement with risks detailed within the 'significant control issues' schedule.	✓	✓	✓	✓	✓	✓
Regular review and updating of significant control issues schedule throughout the year at business unit manager/head of service level.	x	x	x	x	x	x
Discussion on risk management issued within team meetings.	x H&S discussed	x	✓	✓	x	x
Attendance at corporate training at head of service level/operational manager level.	x	✓	x	✓	✓	x

4. Embedding Risk Management

We have documented below our findings of how risk management has been embedded within the Authority.

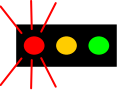


In order to add value and be more than an administrative exercise, the risk management strategy must drive the behaviour of those with risk management responsibilities. The table below sets out mechanisms for promoting the embedding of the strategy in culture and practice:

Subsequent action for effective implementation	Compliance?	KPMG commentary
Minuted approval of the strategy	✗	The original strategy was not approved by full Council.
Annual review of the strategy	✓	The risk framework is currently being reviewed. Review of the framework highlighted that it reflects good practice.
Risk workshops	✗	A workshop was carried out in October 2006 for Members and in May 2007 for Heads of Service/ Business Unit Managers. No further workshops have taken place.
Training for all relevant staff	✗	Update training is not within the corporate training programme. Risk management is not considered as part of corporate induction processes. Due to the organisation's restructure and the need to embed risk management further, more training is required at all levels. Discussion with key officers highlighted that some have not been on training for risk management.
Internal publication and promotion of strategy	✗	The strategy is not held on the intranet and there has been very little publication below head of service level.
Implementation of personal development plans with objectives linked to corporate objectives	✗	New competencies for Heads of Service include risk management as a core competency. Where applicable, efforts are made to link corporate and individual goals, however, these have not been specifically linked to risk management.

Appendix 1. Findings and Recommendations

This section summarises the findings of our review focusing on areas where we have identified areas for improvement.

Each of our observations has been allocated a risk rating (as explained below) and subsequent action to be taken has been agreed with relevant officers.

Priority rating for performance improvement observations raised		
	<p>High: Issues arising referring to important matters that are fundamental and material to the Authority's system of internal control. We believe that the matters observed might cause a system objective not to be met or leave a risk unmitigated and need to be addressed as a matter of urgency.</p>	
	<p>Medium: Issues arising referring mainly to issues that have an important effect on the Authority's controls but do not require immediate action. A system objective may still be met in full or in part or a risk adequately mitigated, but the weakness represents a deficiency in the system.</p>	
		<p>Low: Issues arising that would, if corrected, improve the Authority's internal control in general but are not vital to the overall system of internal control.</p>

#	Priority	Issue and Risk	Recommendation	Management Response
		Risk Strategy		
1	Medium	<p>The risk strategy was developed in 2006. Formal endorsement was not sought from Full Council at that time. We are aware that a review of the strategy is currently taking place with a view to it being formally ratified during 2008.</p> <p>Although the strategy was found to be based upon good practice, we identified a couple of areas which could further enhance the Authorities overall arrangements. These include:</p> <ul style="list-style-type: none"> developing the scoring matrix further to allow for a consistent application of judgement of risk (see Appendix 3); and clarifying the format and regularity of reporting processes for the Audit and Governance Committee and at a service level. <p>At Appendix 2, we have documented the characteristics of an effective risk management strategy and compared these the Authority.</p>	<p>The Risk Management strategy should be updated to include:</p> <ul style="list-style-type: none"> a scoring matrix to allow for a consistent application of judgement of risk; and the format and regularity of reporting processes for the Audit and Governance Committee and at a service level. 	<p>The strategy was approved at Council in April 2008.</p> <p>We will adopt the scoring matrix as shown in Appendix 3 for the 2008-09 risk register.</p> <p>Head of Finance July 2008</p>


Appendix 1. Findings and Recommendations

#	Priority	Issue and Risk	Recommendation	Management Response
Risk Register Format				
2	Medium	<p>The Risk Register captures risks, actions to be taken to mitigate against the risk arising, as well as early warning indicators and sources of assurance which is reflective of good practice.</p> <p>However, the register does not have explicit links to the corporate objectives and as a result it is not clear which corporate objective may not be achieved or adversely impacted upon if the risk crystallises.</p> <p>In addition, the level of tolerable risk, or level at which no further action is required to mitigate against a risk is not documented and therefore the risk appetite of the Authority in relation to individual risks are not known.</p> <p>In Appendix 4, we have documented what a good practice model might look like and how the Authority compares.</p>	<p>The risk register format should be reviewed and updated to be in line with the good practice.</p>	<p>The 2008-09 register will make links to the corporate plan more explicit.</p> <p>The format is now under review and improvements will be incorporated into the 2008-09 register.</p> <p>Head of Finance July 2008</p>
Updating of corporate register				
3	Medium	<p>A review of the corporate risk register identified that it was not kept fully up to date with all relevant elements of the register complete.</p> <p>For example milestone dates, control owners, action owners, frequency of monitoring, and achievement of actions were not completed in all cases.</p> <p>Discussions with the Head of Finance identified that the current corporate register is maintained within Finance, and is not held on a shared drive where all control owners/action owners could have access. As a result, the process of updating the register is an administration exercise within the finance team, which is reliant upon receiving timely information from officers within the Authority.</p> <p>This has caused delays with the updating of the register; and has led to information not being presented to the Audit and Governance Committee in a timely manner.</p>	<p>The corporate risk register should be held on a secure shared folder with the 'control and action owners' made responsible for the updating their individual areas of responsibility.</p> <p>A formal timetable should be developed which highlights the updating deadlines for presentation of the register to the Audit and Governance Committee.</p>	<p>The Corporate Risk Register is now on a secure shared folder for updating.</p> <p>An outturn report on the 2007-08 register is being brought to the June 2008 meeting of Audit & Governance Committee.</p> <p>In future updates will be brought to this committee quarterly</p> <p>Head of Finance July 2008</p>

Appendix 1. Findings and Recommendations

#	Priority	Issue and Risk	Recommendation	Management Response
4	High	<p>Updating of service level risk registers and escalation of risks</p> <p>The risk strategy details the requirement for the 'statement of significant control issues' as documented as part of the annual assurance process to be 'discussed and updated regularly throughout the year'.</p> <p>Discussions with service leads identified that the 'statement of significant control issues' has not been updated during the year (see page 5).</p> <p>In addition, inconsistencies in reviewing risks at a service level were evident as some service areas were not discussing risks (other than health and safety) in operational management meetings.</p> <p>As a consequence, risks are not considered to be formally reviewed at an operational level, and a process of escalation of risks through to Director level and onto the Corporate risk register has therefore not taken place.</p>	<p>Formal updating of the 'statement of significant control issues' should take place in accordance with the strategy.</p> <p>The requirements for updating of the 'statement' should be made more specific within the risk strategy, for example, it 'should be reviewed and updated at least quarterly, or bi-annually'.</p> <p>A formal process should be adopted across all service areas, up to Portfolio Holder and Executive Director level, to ensure that risks at an operation level are being considered and escalated where required. This could be achieved through the formal monthly management/ performance meetings, with consideration of significant issues arising discussed at Performance Board.</p>	<p>Agreed. Risks will be escalated through discussion at Wider Leadership Team meetings and the monthly Performance Board.</p> <p>Updating of service risk registers is now incorporated into each Service Transformation Plans. These will be reviewed at least quarterly.</p> <p>Embedding a risk management ethos and common processes will be facilitated through support from KPMG working with Service Heads.</p> <p>Head of Finance Oct 2008</p>
5	Medium	<p>Embedding Risk Management</p> <p>The current risk strategy was developed in 2006. Following this, training was provided to some Members in October 2006 and some Business Unit Managers and other senior staff in May 2007. For the May 2007 training there were 28 attendees, with 9 managers on a waiting list for future workshops. Since then, no further training has taken place.</p> <p>Discussions with service leads at the time of the audit identified that some of them had not been on the training and were not aware of the corporate risk management process as they either missed the initial training or were not in post at the time it was delivered (see page 5).</p> <p>Further discussion with the Head of Service for Finance identified that no further arrangements had been made across the Authority to embed risk management to an operational/staff level.</p>	<p>A formal structure for reviewing risks and embedding risk management should be adopted. This could include:</p> <ul style="list-style-type: none"> ▪ development of risk leads in each service and operational area; ▪ development of formal training to include operational managers; ▪ re-launching the risk strategy with it being available on the intranet; ▪ development of corporate induction and performance processes to consider risk management; and ▪ regular review and reporting of risks at a service level within team and management meetings. 	<p>See 4. above.</p> <p>Risk strategy will be re-launched and available on the intranet (June 2008)</p> <p>Member training is included in the summer 2008 programme</p> <p>Officer training will be built into the corporate training programme</p> <p>Head of Finance Oct 2008</p>

Appendix 1. Findings and Recommendations

#	Priority	Issue and Risk	Recommendation	Management Response
6	 Medium	<p>Audit and Governance Committee Reporting</p> <p>Although risks are reported to the Audit and Governance Committee, a review of the reports produced identified that they do not provide information that enables Members to review the overall effectiveness of risk management activities, or challenge progress in relation to individual risks. For example, the reports do not detail:</p> <ul style="list-style-type: none"> ▪ Progress on actions; ▪ Changes in risk scores for individual risks or trends in total risk scores; and ▪ Risks moved on and off the strategic register. <p>We also identified that the frequency of reporting to the Audit and Governance Committee is currently not in line with the strategy document. Risk Management has been on the agenda for the Committee at each meeting rather than quarterly as per the strategy. We understand that this is due to the fact that the arrangements are fairly new and assurance over the arrangements is required.</p>	<p>The reporting requirements for the Audit and Governance Committee should be clearly defined with reports produced on a timely basis to enable the Committee to review the effectiveness of risk management arrangements.</p> <p>The report should include:</p> <ul style="list-style-type: none"> ▪ progress on actions; ▪ changes in risk scores for individual risks or trends in total risk scores; and ▪ risks moved on and off the strategic register. 	<p>We have adopted this approach to produce an outturn report for 2007-08.</p> <p>For 2008-09 we will report quarterly to A&GC.</p> <p>Head of Finance July 2008</p>

Appendix 2. Review of strategy against good practice

We have documented below an assessment of how the Authority's risk management strategy compares to good practice.

Good practice characteristic of an effective risk strategy	Compliance?	KPMG Commentary
Endorsed by Members	✗	The risk strategy of 2006 was not formally approved by members. We understand that the 2008 revision is to be approved by the Audit and Governance Committee and then Full Council.
Sets out organisational attitude to risk	✓	The strategy sets out why risk management is important to the Authority, detailing that risk management is about improving the Authority's ability to deliver strategic objectives. The Authority's 'philosophy of risk management', emphasises the need for all to manage risks.
Defines structures for management and ownership of risk and for the management of situations in which control failure leads to material realisation of risks	✓	Role and responsibilities for risk management are clear within strategy. This includes the role of the Executive Board, Audit and Governance Committee, Members, Chief Executive and Directors, Heads of Service and the Risk Champions Service Managers and staff.
Specifies the way in which risk issues are to be considered at each level of business planning ranging from the corporate process to individual objectives	✓	Diagrammatic illustration of the risk management process is provided, with 8 key stages of risk management documented. The starting point is with the establishment of obligations and organisational objectives, with linkages through to the assurance framework, statement of internal governance and reporting to the Executive Board and Members.
Specifies how new and existing activities are assessed for risk and incorporated into risk management structures	✓	The identification and assessment of risks is detailed within the strategy, and includes both the strategic and operational view. Types of risk are documented to aid staff in understanding the scope of risk management, this includes risks arising from project appraisals, performance management, and financial management for example. The methodologies for assessing risks are documented in terms of impact and likelihood.
Ensures common understanding of terminology used in relation to risk issues	✓	The use of complex jargon is avoided in the strategy, with definitions included throughout the document where appropriate. However, the strategy could benefit from a glossary or similar section defining key terms such as 'inherent' and 'probability' which could then serve as a point of reference for new / inexperienced staff.
Defines the structures for gaining assurance about the management of risk	✓	The identification of controls and assurance along with examples of assurance activity is documented.
Defines the criteria which will inform assessment of risk and the definition of specific risks as 'key'	✗	The strategy does detail assessment of risks in terms of impact and likelihood on a 4x4 matrix, with categories of Low, Medium, High, and Very High in place. It could however benefit from more detailed guidance on how both likelihood and impact are assessed, and how this impacts on the management of individual risks. Appendix 3 illustrates what such a more detailed framework might look like.
Defines the way in which the risk register and risk evaluation criteria will be regularly reviewed	✗	The strategy does set out how risks will be monitored and differentiate between the review of corporate risks and service level risks. The strategy could benefit from being more explicit for the requirements of service monitoring as currently the strategy says for updating and discussion at appropriate intervals, rather than providing a specific frequency, such as quarterly.

Appendix 3. Quantifying risks.. a more detailed methodology

We have documented below how the Authority could further enhance the quantification of risks.

Likelihood	Event is expected to occur in most circumstances	>90%	Almost Certain	5					
	Event will probably occur in most circumstances	50-90%	Likely	4					
	Event should occur at some time	30-50%	Possible	3					
	Event could occur at some time	10-30%	Unlikely	2					
	Event may occur only in exceptional circumstances	<10%	Rare	1					

	1	2	3	4	5
	Insignificant	Minor	Moderate	Major	Catastrophic

Risk assessment

The table opposite outlines a possible mechanism for scoring risk that could be adapted. As per the current approach, it works by mapping likelihood and impact into a matrix of graded risk to take forward to the register and reporting. However, greater clarity is given to these rankings through the use of supporting guidelines:

Likelihood is quantified through a judgement to be made by those officers responsible for managing the risk, using the guidance on event likelihood in the table;

Impact is quantified through consideration of several factors which can be included in the model opposite.

Such a quantification matrix allows for a consistent application of judgement to risk and provides a supporting record for that judgement.

Time	Resolution would be achieved during normal day to day activity	Resolution would require input from regional management team	Resolution would require input from Executive team	Resolution would require the mobilisation of a dedicated project team	Resolution would require input from the Board
Finance	Less than 1% or no impact	1% to 3% impact	3% to 10% impact	10% to 25% impact	Greater than 25%
Environment	On-site environment exposure immediately contained	On-site environmental exposure contained after prolonged effort	On-site environmental exposure contained with outside assistance	Off-site environmental exposure contained with outside assistance	Environmental exposure offsite with detrimental effects
Reputation	Letters to local/industry press	Series of articles in local/industry press	Extended negative local/industry media coverage	Short term negative national media coverage	Extensive negative national media coverage
Regulatory	Minor breaches by individual staff members	No fine and no disruption to scheduled services	Fine but no disruption to scheduled services	Fine and disruption to scheduled services	Significant disruption to services over an extended period of time
Management effort	An event, the impact of which can be absorbed through normal activity	An event, the consequences of which can be absorbed but management effort is required to minimise the impact	A significant event which can be managed under normal circumstances	A critical event which with proper management can be endured	A disaster with potential to lead to collapse of the business

Appendix 4. What good practice might look like....

We have documented below an assessment of how the Authority's risk management register compares to an example of good practice.

Risk	Gross / Inherent Risk		Control description and Source of Assurance	Net/ Residual risk		Action Arising Date of implementation Responsible Officer	Change in risk rating achieved	Target Risk		Review Date Responsible Officer
	Imp	Lik		Imp	Lik			Imp	Lik	
Corporate Objective	5	5		4	3		↓ ↑	2	2	

<ul style="list-style-type: none"> ▪ The risks are currently not linked to the Corporate Plan, as a result it is not clear which corporate objective may not be achieved if the risk crystallises. 	<ul style="list-style-type: none"> ✓The risk map does quantify risk using an impact vs likelihood methodology, and includes inherent and residual risks. ✓The residual risk score is updated based upon completion of actions taken to further mitigate the risk arising. 	<ul style="list-style-type: none"> ✓Where the effectiveness of controls is such that further actions are necessary, these are captured. ✓Responsible owners and action dates are included for the implementation of the majority of actions. ▪ The risk map does not link to the risk appetite, for example, lowest level of risk the organisation is willing to accept rather than manage it ie. tolerable / target risk score. ▪ Dates for completing actions are documented, however changes to dates are not monitored. ▪ The latest position is not always updated by management, and therefore progress with the actions are not always clear.
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<ul style="list-style-type: none"> ✓The risk map does specify controls which are required to take place to mitigate the risk. ✓In addition, the register details early warning indicators and sources of assurance, with details of responsible officers and frequency of monitoring . 	<ul style="list-style-type: none"> ▪ The direction of travel of risk level is not recorded. 	<ul style="list-style-type: none"> ✓The register is updated for frequency of monitoring of early warning signals.
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Appendix 5. Example Control Assurance Statement

The System of Internal Control

I acknowledge responsibility for ensuring that an effective system of internal control is maintained and operated in the Department/Unit. The system of internal control is based on a framework of regular management information, risk management processes, financial regulations, administration procedures, management supervision, and a system of delegation and accountability.

In particular the system includes the following controls:

- The existence of a risk register, which identifies key risks that threaten the achievement of objectives and analyses controls in place to manage them;
- Regular reviews of performance against targets set out in the Corporate Plan;
- Compliance with Financial Procedures;
- Comprehensive budgeting systems;
- Procurement of expenditure in accordance with regulations;
- Adherence to codes of conduct;
- Detailed project appraisal procedures against which all projects are assessed;
- Monitoring of the performance of projects and outcomes generated;
- xxxx

The controls identified above are supported by the following Sources of Assurance:

- My monitoring of risk management activities;
- Risk assessments;
- Regular reports showing actual performance against targets set out in the Corporate Plan;
- Monthly management accounts showing comparisons to budget;
- The work carried out by internal/external audit;
- xxx

Opinion

On the basis of the above I am satisfied that there is an effective system of internal control in place, except for the matters listed below, to manage the principal risks identified:

- Completing outstanding actions identified by internal audit;
- Implemented effective procedures for project monitoring;
- xxx

Signed.....

(In the Role of xxxx)

Date.....



Performance Information

Performance indicators

We have documented below the performance against the indicators included in the Protocol for the routine internal audit reviews

Performance Area	Performance Target	2007/08 Performance to date	2006/07 Performance	2005/06 Performance
Issue Terms of Reference	15 days before start on site (target 100%)	100% (18 out of 18) ☺	88.9%	66.6%
Issue Draft Report	Within 15 days of final debrief (target 100%)	81% (13 out of 16) ☹	83.3%	83.8%
Management response to routine audit reports	Within 10 days of draft report (target 100%)	31% (5 out of 16) ☹	55.5%	50%
Issue Final Report	Within 10 days of management responses (target 100%)	100% (16 out of 16) ☺	100%	100%