

# Agenda

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## Audit and Governance Committee

Date: **Wednesday 28 June 2017**

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Time: **6.00 pm**

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Place: **St Aldate's Room, Town Hall**

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For any further information please contact:

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Officer**

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# Audit and Governance Committee

## Membership

### Chair

### Vice-Chair

Councillor James Fry  
Councillor Andrew Gant  
Councillor Mark Ladbrooke  
Councillor Chewe Munkonge  
Councillor Michele Paule  
Councillor Craig Simmons  
Councillor Sian Taylor

The quorum for this meeting is three members. Substitutes are permitted

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# AGENDA

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6	<b>STATEMENT OF ACCOUNTS FOR 2016/17</b>	
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	<b>Purpose:</b> to present the Annual Governance Statement for approval (attached as an appendix to the report).	
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8	<b>INTERNAL AUDIT: ANNUAL REPORT 2016/17</b>	31 - 48
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**Recommendation:** to discuss and note the report.

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<b>18</b>	<b>MINUTES OF THE PREVIOUS MEETING</b>	<b>167 - 172</b>
	To approve as a true and accurate record the minutes of the meeting held on 1 March 2017.	
<b>19</b>	<b>DATES AND TIMES OF MEETINGS</b>	
	The Committee is scheduled to meet at 6.00pm in the Town Hall on the following dates:	
	<i>26 September 2017 (note change from original date)</i>	
	11 January 2018	
	12 March 2018	
	<i>25 July 2018 (note change from original date)</i>	
	17 October 2018	
	10 January 2019	
	11 March 2019	

## **MATTERS EXEMPT FROM PUBLICATION**

If the Board wishes to exclude the press and the public from the meeting during consideration of any of the items on the exempt from publication part of the agenda, it will be necessary for the Board to pass a resolution in accordance with the provisions of Paragraph 21(1)(b) of the Local Authorities (Executive Arrangements) (Access to Information) (England) Regulations 2000 on the grounds that their presence could involve the likely disclosure of exempt information as described in specific paragraphs of Schedule 12A of the Local Government Act 1972.

The Board may maintain the exemption if and so long as, in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

## **20 INVESTIGATION TEAM ACTIVITY BRIEFING - CONFIDENTIAL APPENDIX**

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## **DECLARING INTERESTS**

### **General duty**

You must declare any disclosable pecuniary interests when the meeting reaches the item on the agenda headed "Declarations of Interest" or as soon as it becomes apparent to you.

### **What is a disclosable pecuniary interest?**

Disclosable pecuniary interests relate to your\* employment; sponsorship (ie payment for expenses incurred by you in carrying out your duties as a councillor or towards your election expenses); contracts; land in the Council's area; licenses for land in the Council's area; corporate tenancies; and securities. These declarations must be recorded in each councillor's Register of Interests which is publicly available on the Council's website.

### **Declaring an interest**

Where any matter disclosed in your Register of Interests is being considered at a meeting, you must declare that you have an interest. You should also disclose the nature as well as the existence of the interest.

If you have a disclosable pecuniary interest, after having declared it at the meeting you must not participate in discussion or voting on the item and must withdraw from the meeting whilst the matter is discussed.

### **Members' Code of Conduct and public perception**

Even if you do not have a disclosable pecuniary interest in a matter, the Members' Code of Conduct says that a member "must serve only the public interest and must never improperly confer an advantage or disadvantage on any person including yourself" and that "you must not place yourself in situations where your honesty and integrity may be questioned". What this means is that the matter of interests must be viewed within the context of the Code as a whole and regard should continue to be paid to the perception of the public.

\*Disclosable pecuniary interests that must be declared are not only those of the member her or himself but also those member's spouse, civil partner or person they are living with as husband or wife or as if they were civil partners.

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# Audit Progress Report

Oxford City Council

28 June 2017

Ernst & Young LLP



Members of the Audit and Governance Committee  
Oxford City Council  
Oxford Town Hall  
St Aldate's  
Oxford  
OX1 1BX

28 June 2017

Dear Members,

## **Audit Progress Report 2016/17**

We are pleased to attach our Audit Progress Report.

The report sets out the work we have completed since our last report to the Audit and Governance Committee. Its purpose is to provide the Committee with an overview of the stage we have reached in your 2016/17 audit and to ensure our audit is aligned with Committee expectations.

Our audit is undertaken in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements.

We welcome the opportunity to discuss this report with you as well as to understand whether there are other matters which you consider may influence our audit at this point.

Yours faithfully

Paul King  
Executive Director  
For and behalf of Ernst & Young LLP  
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In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued “Statement of responsibilities of auditors and audited bodies 2015-16”. It is available from the Chief Executive of each audited body and via the PSAA website ([www.psa.co.uk](http://www.psa.co.uk))

The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The ‘Terms of Appointment from 1 April 2015’ issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This progress update is prepared in the context of the Statement of responsibilities. It is addressed to the Audit Committee, and is prepared for the sole use of the audited body. We, as appointed auditor, take no responsibility to any third party.

**Our Complaints Procedure** – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute..

## 1. Planned work

### Fee Letter and Audit Plan

We issued our 2016/17 fee letter to the Council in April 2016 and our audit plan went to the Audit and Governance Committee on 1 March 2017.

### Financial Statements

We adopt a risk-based approach to the audit and, as part of our ongoing continuous planning we continue to meet key officers regularly to ensure the 2016/17 audit runs as smoothly as possible and to identify any risks at the earliest opportunity. This includes meetings with staff from the Council to discuss issues arising from the 2015/16 audit and to examine ways to enhance the audit process for the 2016/17 financial statements, in particular to carry out early substantive testing as set out below.

#### Interim visit

##### Systems

We completed our interim work to identify the Council's material income and expenditure systems and to walk through these systems in January 2017. Our walkthroughs highlighted the following issue:

- Review of Cash and Bank reconciliations has not been appropriately evidenced during the year.

We have discussed this issue with management and updated arrangements have been put in place to resolve this issue for future reconciliations. We will test the year end reconciliations as part of our final accounts testing to confirm that this has taken place.

#### Early Substantive Testing

We scheduled an interim visit in February and March 2017 to carry out early substantive testing for the first nine months of the year

Our main areas of focus were:

- ▶ income and expenditure testing;
- ▶ Property, Plant and Equipment (PPE) additions, disposals and existence testing;
- ▶ review of significant contracts;
- ▶ accounting policies;
- ▶ exit packages; and
- ▶ testing of starters and leavers to month nine.

Where we have completed testing to month nine, we will perform top up testing of these balances at year end. Carrying out this early substantive testing will reduce the time required to complete the audit at the post statements stage of the audit.

Our early substantive testing has not identified any issues we wish to bring to your attention. Nor have we have not identified any additional significant risks which we need to bring your attention and therefore at this stage the significant risks we presented in the Audit Plan are those on which we will focus our audit procedures.

## **Value for money**

We are required to consider whether the Council has 'proper arrangements' to secure economy, efficiency and effectiveness in the use of resources.

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- take informed decisions;
- deploy resources in a sustainable manner; and
- work with partners and other third parties.

Our work on the value for money conclusion is ongoing. We have no issues to bring to your attention at this stage.

## **Other Issues of Interest**

We will continue to send our sector briefings to members and discuss key issues with the Committee.

If members of the Audit and Governance Committee have any particular issues they want to discuss with us we would be pleased to do so.

## 2. Timetable

### Audit and Governance Committee Timeline

We have set out below a timetable showing the key stages of the audit, including the value for money work, and the deliverables we have agreed to provide to you through the 2016/17 Audit and Governance Committee cycle.

We will report to the Audit and Governance Committee throughout the audit as outlined below. This report summarises the progress made at this point. From time to time matters may arise that require immediate communication with the Audit Committee and we will discuss them with the Audit and Governance Committee Chairman as appropriate.

Following the conclusion of our audit we will prepare an Annual Audit Letter in order to communicate to the Council and its external stakeholders, including members of the public, the key issues arising from our work.

Audit phase	Timetable	Deliverables
High level planning:	<b>April 2016</b>	Fee Letter provided to the Council
Start of interim work	<b>December 2016</b>	Progress Report
Risk assessment and setting of scopes	<b>February 2017</b>	Audit Plan
Early Substantive Testing	<b>March 2017</b>	Progress Report
Update on work completed to date	<b>June 2017</b>	Progress Report
Value for money conclusion	<b>December 2016 to July 2017</b>	Ongoing
Year-end audit	<b>June to July 2017</b>	Report to those charged with governance  Audit reports (including our opinion on the financial statements and a conclusion as to whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources).  Audit completion certificate  Whole of Government Accounts Certifications
Reporting	<b>September 2017</b>	Annual Audit Letter

## Appendix A Audit Progress

### Progress against key deliverables

Key deliverable	Timetable in plan	Status	Comments
Fee Letter		Completed	
Audit Plan	March 2017	Completed	
Report to Those Charged with Governance	September 2017	Not due yet	
Audit Report (including opinion and vfm conclusion)	September 2017	Not due yet	
Audit Certificate	September 2017	Not due yet	
WGA Certificate	September 2017	Not due yet	
Annual Audit Letter	September 2017	Not due yet	

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**To:** Audit & Governance Committee  
**Date:** 28 June 2017  
**Report of:** Acting Head of Law & Governance  
**Title of Report:** 2016/17 Annual Governance Statement

<b>Summary and recommendations</b>	
<b>Purpose of report:</b>	To present the 2016/17 Annual Governance Statement for approval. The Committee is asked to review the Annual Governance Statement prior to approval and consider whether it properly reflects the risk environment and supporting assurances, taking into account the internal auditor's opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.
<b>Recommendation: That the Audit &amp; Governance Committee resolves to:</b>	
1. Approve the Annual Governance Statement	

<b>Appendices</b>	
Appendix 1	Annual Governance Statement 2016/17

## Introduction and background

1. The preparation of the Annual Governance Statement ("the AGS"), to support the Annual Statement of Accounts, is a statutory requirement (Accounts and Audit Regulations 2015) for local authorities. Its purpose is to demonstrate and evidence that there is a continuous review of its controls environment - the effectiveness of the Council's internal control, performance, and risk management systems. This allows an assurance on their effectiveness to be provided so that users of the Annual Report and Statement of Accounts can be satisfied that proper arrangements are in place to govern spending and safeguard assets. The process also enables the production of a corporate action plan to address any identified weaknesses.
2. The AGS also explains what governance challenges the Council is facing and how it is addressing those challenges and seeking improvement in how its functions are exercised. As part of the process of identifying issues self-assessment information is collated for all Service Areas through checklist

proformas. The checklists are analysed to identify recurring governance challenges.

### **The Annual Governance Statement**

3. It is noted that whilst there is a legislative requirement to complete the AGS, the information provided by the exercise is of benefit to the Council as it enables an assessment of governance arrangements across the Council, and identifies where strengths and areas for development exist in those arrangements. Where significant governance issues are identified, progress can be monitored, as required, through the year (and reflected within the following year's AGS).
4. The AGS highlights a significant governance issue around Business Continuity Planning which was raised by the Council's internal auditors.
5. The Council recognises the importance of putting in place more robust arrangements for Business Continuity Planning. This will mitigate the risk to the organisation that major incidents could potentially result in an inability to provide critical services to residents, customers, partners and key stakeholders. Progress is being made across a number of areas which will strengthen the resilience of Council systems. An action plan has been prepared and the Council is working with its insurers to update its Business Continuity Plans and to test them over the coming year.
6. Overall the Annual Report from the Council's internal auditors provides that moderate assurance can be given that there is a sound system of internal control, designed to meet the Council's objectives and controls are being applied consistently.
7. The Committee is required to consider and, if satisfied, approve the AGS. The AGS forms part of the Council's Statement of Accounts and is attached to the report as Appendix 1.

### **Financial implications**

8. There are no financial implications arising directly from the report.

### **Legal issues**

9. Regulation 6(1)(a) of the Accounts and Audit Regulations 2015 requires an authority to conduct a review at least once in a year of the effectiveness of its systems of internal control and include a statement reporting on the review with any published Statement of Accounts. The Annual Governance Statement explains how Oxford City Council meets this requirement.

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<b>Background Papers:</b>
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1 Assurance Checklists completed by Service Heads
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## **Annual Governance Statement – 2016/17 Financial Year**

1. Oxford City Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded and properly accounted for. It also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
2. In discharging this overall responsibility, Oxford City Council is responsible for putting in place proper arrangements for the governance of its affairs to facilitate the effective exercise of its functions, including arrangements for the management of risk.
3. This statement explains how Oxford City Council meets the requirements of The Accounts and Audit Regulations 2015 in relation to the publication of a statement on internal control.

## **The Purpose of the Governance Framework**

4. The governance framework comprises the systems, processes, cultures and values by which the authority is directed and controlled and activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.
5. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of Oxford City Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
6. The governance framework has been in place at Oxford City Council for the year ended 31<sup>st</sup> March 2017 and up to the date of the approval of the accounts.

## **The Governance Framework**

7. The Corporate Plan 2016-2020 reaffirms the City Council's ambitions to make Oxford a world-class city for everyone. This ambition was developed with partners across the city, including business, community organisations, the health and education sectors and the County Council. It also sets out the Council's plans for transforming the way that the Council performs. The aspiration is to be a world-class council, delivering high quality services and

providing excellent value for money. This Corporate Plan was adopted by Council and sets out the changed policy and financial contexts in which the Council is working and the City Council's response to this changed environment. Previously the 2016-20 plan was in place.

8. The City Council's priorities for the next four years are:

- A vibrant and sustainable economy
- Meeting housing needs
- Strong and active communities
- A clean and green city
- An efficient and effective council

The Council has also adopted and published targets for the Corporate Plan measures.

9. The Council has embedded its use of CorVu as a tool for the recording, reporting and analysis of performance and risk. The Council continues to use CorVu for financial reporting and for integrated financial, performance and risk reporting to the City Executive Board on a quarterly basis.
10. A number of Programme Boards were in place throughout 16/17 and provided effective oversight of the large number of projects on-going. The Council continued to use the principles of Prince 2 in its approach to programme and project management.
11. During 2016/17 the Council further embedded the Capital Gateway framework that is intended to enhance both Project Sponsors' and Project Managers' compliance with excellent project management practices, together with ensuring greater successful delivery of the Council's capital projects. Project Managers and other officers involved with the delivery of the Council's Capital Programme are required to attend Capital Gateway training so that they are familiar with both the documentation required and the tasks demanded at each stage (gateway) of delivery.
12. A wholly-owned housing company, or more precisely a small group of three housing companies, the principal company being wholly owned by the Council, with two subsidiaries (an investment company and a development company) being wholly owned by the principal company were established during the year. In terms of governance, the three companies (collectively "Oxford City Housing Limited - OCHL") are subject to their Articles of Association and the Shareholder's Agreement. These set out the matters over which the company directors are given authority, and those matters over which the shareholder has control, and which cannot be implemented without the shareholder's consent. The intention is to ensure that a balanced position is reached, whereby the Council as shareholder can be confident it holds adequate control over the activities of its company, while the directors of the company are satisfied that they hold sufficient autonomy to operate on a day to day basis and meet the company's objectives.

13. Shareholding is an executive function, and so to represent the Council as shareholder of OCHL a Shareholder Group has been formed by the Leader of the Council. This group comprises all the members of the City Executive Board, and will have formal meetings with the Company's Board of Directors (at least) twice a year. At its first meeting, the Shareholder Group formally agreed the Shareholder's Agreement, noted the Business Plan, appointed (or reappointed) the directors, determined the company's auditors and received a progress and finance report. While the Shareholder's meeting with the company is a private meeting, the Council's Scrutiny Committee is able to (and does) scrutinise the activities of the Shareholder Group and in this way can have its own input into and overview of the affairs of OCHL.
14. The year 2017/18 will see the creation and implementation of two further wholly-owned companies. These will be companies created to carry out the activities currently discharged by our Direct Services' area including trading for profit with private and public sector organisations. One company will trade wholly or primarily with the Council (carrying out the various statutory functions of the Council, e.g. domestic waste collection, street cleansing, building works and car parks management), under a Teckal exemption arrangement. To be Teckal compliant there are two key tests:
  - **The control test** – the authority must control all of the shares in the company and must also exercise effective day to day control over its affairs: in other words the same as the relationship between the council and one of its internal directorates.
  - **The functional test** – at least 80% of the turnover must be for its public sector owners.
15. The other "Trading" company will provide services to external customers on a commercial basis. The governance arrangements will be very similar to those of OCHL, with the Shareholder Group exercising and monitoring the Council's rights under the Articles and the Shareholder's Agreement, twice annual formal Shareholder meetings, and an opportunity for the Scrutiny Committee to oversee the activities of the Shareholder Group.
16. In the last year the Council:
  - introduced selective licensing for the private rented sector;
  - undertook a Home Choice pilot project;
  - implemented a Local Enterprise Partnership Community Grants programme;
  - implemented the Unlocking Potential in Oxfordshire programme;
  - resurfaced many of the Council owned car parks
  - carried out the Great Estates parking scheme
  - rolled out food waste collections from flats
  - completed a new leadership and management development scheme;
  - updated its Financial Management System
  - continued to market its Investigation Services;

## Appendix 1

- introduced various E-projects – E-claim, RBV and E billing for Non Domestic Rates and Council Tax;
  - implemented its Customer Contact Strategy;
  - renovated many of its Sports pavilions
  - resurfaced and updated its tennis courts
  - resurfaced and updated its Multi-Use Games Areas
17. Clear schemes for delegation for Council, the City Executive Board and Officers are set out in the Council's constitution. The role, purpose and terms of reference for the Scrutiny Committee and Audit and Governance Committee are also set out in the constitution as are protocols for effective communication and access to and use of information. The constitution is reviewed annually.
  18. The Council has adopted a Code of Conduct for Officers and local member protocols in relation to Member/Officer relations, planning and the use of IT. The Council also adopted a Code of Conduct for Members (in cooperation with all of the Oxfordshire Authorities) and local complaint handling arrangements in response to legislative changes introduced to the ethical standards regime within local government. The Council has retained a Standards Committee and appointed Independent Persons to advise the Monitoring Officer and Standards Committee in relation to complaints of breaches of the Code of Conduct for Members.
  19. The Council has an induction and training process in place for both Members and Officers joining the Council. During 14/15 the authority undertook a detailed review in two areas of member support: training and provision of information and the results of this review were implemented in 2015/16.
  20. The framework agreed covers a rolling four year period with basic training happening every two years (in election years) and training in other years set to enhance members' skills. 2016/17 was an election year so induction and basic training was delivered for all councillors with an element of enhancement for returning or sitting councillors. Feedback from members was "good" and "very good" across all areas. Officers have also commissioned enhanced training for 17/18 which will be delivered throughout the year rather than over a limited period. This was in response to feedback from members.
  21. A significant change for 17/18 is that the Council has agreed to reduce the deduction to basic allowances (made by collective agreement) to 10% from 15% for non-attendance at this compulsory training and to make induction training only compulsory for councillors new to the Council at election.
  22. A "Member Guarantee" was also developed and delivered. This provides for a monitored process guaranteeing members a response to their enquiries within five days. The outcomes from this are being monitored at Director level.
  23. A broad internal training programme of courses is run each year for officers as well as specific professional training. Compliance with continuing professional development requirements of staff is monitored by individual officers; the Council provides sufficient resources to fund this.



24. Council and the Executive review annually their schemes of delegation and the terms of reference of their committees (if any). All reports to decision making bodies are approved in accordance with the requirements of a report clearance protocol so as to ensure that legal, financial and other risks are properly identified and articulated. There are comprehensive contract, financial and employment rules in the Constitution. Each report to the City Executive Board is accompanied by a risk register and an equality impact assessment (where appropriate).
25. The Council has established an Audit and Governance Committee with terms of reference that comply with CIPFA's guide. The Committee receives regular internal and external audit reports, is effective and is contributing to improving the internal control environment of the Council. The members of the Committee have received special training in order to promote their independent questioning skills.
26. The Council has a coherent accounting and budgeting framework which includes the monthly monitoring and publication of spend against budget. The Medium Term Financial Plan and budget setting are underpinned by the prioritisation and savings plans which are regularly reviewed and updated by the Executive.
27. The Monitoring Officer and Chief Finance Officer have had no cause to issue reports in exercise of their statutory powers in the 2016/17 financial year.
28. The Council has adopted a Whistleblowing Policy. The Policy is published within the Council's Constitution and is periodically reviewed by the Monitoring Officer. The Council also operates a corporate complaints system. The Council has sought to integrate the corporate complaints process with its Customer Relationship Management system so as to ensure the consistent capturing and reporting of customer feedback.
29. There were no formal Public Interest Reports issued by the Local Government Ombudsman against the Council in this year but in three cases complaints against the Council were upheld. Two of those related to failure to deal with repairs and one related to a failure to deal with anti-social behaviour.
30. The Audit and Governance Committee receives quarterly reports on all allegations of fraud or corruption as well as those Ombudsman complaints for which a Public Interest Report is issued.
31. The Council has set out in its Corporate Plan the importance of partnership working and identified its key strategic partnerships. Political and managerial leadership is communicated and where appropriate co-ordinated between the public bodies serving the residents of the city. The Authority has adopted and published a consultation framework.

### **Review of Effectiveness**

32. The Authority has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework, including the system of internal control. The review of effectiveness is informed by the work of senior officers within the Authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report and also by comments made by the external auditors and other review agencies and inspectorates.
33. In preparing this statement each service area has completed and each Head of Service has signed an assurance checklist. The checklist covers the following areas:
- Risk Management
  - Business Performance and Development
  - Projects and project management
  - Financial management
  - Fraud
  - Procurement and contract management
  - Human resources
  - Equality and Diversity
  - Data quality and security
  - Health and safety
  - External accreditations
  - Review and documentation of business critical processes
34. The checklist asked each Head of Service to draw attention to any matters in respect of which internal controls were not working well and required a positive assurance that apart from those areas which were identified for improvement that the controls within the service had been, and are, working well. Each service gave a positive assurance.
35. Business Continuity Planning has been highlighted as a risk at a meeting of the Audit & Governance Committee and a series of improvements are planned to address the weaknesses.

### **CIPFA Statement on the Role of the Chief Financial Officer**

36. In assessing the effectiveness of the Council's Annual Governance Statement the Chief Financial Officer is required to review how their role in the authority meets the CIPFA Statement on the Role of the Chief Financial Officer in Local Government. Key to this assessment are a number of principles:
- The Chief Financial Officer ("CFO") in a local authority is a key member of the leadership team, helping it to develop and implement strategy. In Oxford City the CFO is a key member of the Corporate Management Team with direct access to the Chief Executive, members, Audit & Governance Committee and internal and external audit

## Appendix 1

- The CFO in a local authority must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and alignment with the authority's overall financial strategy. In Oxford the CFO is responsible for Risk Management, has the ability to influence decisions through meetings and reporting to members and also has a statutory requirement to advise members of the robustness of estimates and the level of reserves and balances
- The CFO in a local authority must lead the promotion and delivery by the whole authority of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently, and effectively. The CFO has a personal responsibility for financial stewardship and their prime responsibility is to the citizens to manage resources prudently, both within the authority and extending into partnerships, joint ventures and companies in which the council has an interest e.g. Oxford Direct Services Group, Oxford City Housing Limited, OxWED and Barton LLP
- The CFO in a local authority must lead and direct a finance function that is resourced to be fit for purpose. In Oxford the CFO currently has sufficient resources to undertake the Finance function and this is subject to review
- The CFO in a local authority must be professionally qualified and suitably experienced. The CFO and a number of key staff within the Finance Team are suitably qualified

### **Awards/Recognition**

37. The following awards/external accreditations were earned by the Council in the year April 2016 – March 2017:

- Investors In People Gold (2014);
- Customer Service Excellence accreditation for the entire organisation;
- The legal team within Law & Governance retained its LEXCEL accreditation;
- Business Improvement gained Payroll Quality Partnership and the Payroll Assurance Scheme;
- Housing and Property Services gained ISO9002;
- The Environmental Sustainability team gained ISO 9001 and ISO14001;
- Green Flag status, ISO9001 and ISO 14001 for Blackbird Leys, Bury Knowle, Cutteslowe & Sunnymead, Florence and Hinksey Parks and St Sepulchre Cemetery;
- QUEST for the Council's Leisure Centres;
- Direct Services gained the following accreditations: The Gas Safe Register (formerly CORGI), NICEIC (the electrical accreditation body), BM TRADA ISO9001:2008, BM TRADA ISO14001, Constructionline and has a registered MOT and ATF Testing Station;

## Appendix 1

- The Youth Ambition Team won Best Sports Development Project at the Oxfordshire Sports Awards
- Silver prize in the Local Authorities Best Practice Category of the Green Apple Environment Awards
- Best Recycling/Waste project in the Public Sector Sustainability Awards
- The Tenant Involvement Team won Team of the Year (Southern Region) in the Tenant Advisory Service Awards;
- The Tenant Involvement Team achieved a “gold resident engagement accreditation” from the Tenant Advisory Service;
- The Tenant Involvement Team was given a Partnership Award by the (RBC) Annual Tenant Participation Awards;
- Oxford City Council became one of the first organisations in the UK to receive the Go Ultra Low Company status;
- The Sport and Physical Activity Team achieved an “excellent” rating from Quest, Sport England;
- The Council won ten platinum grade and eight gold grade awards from the Loo of The Year Awards
- The Council’s Deputy Leader was awarded the District Councillor of the Year award by the Local Government Information Unit (LGiU) Councillor Achievement Awards;
- Oxford City Council’s Low Carbon Oxford Week was highly commended in the Community category of the Green Gown Awards;
- The Rosehill Community Centre won the “New Build” Oxford Preservation Trust Award;
- Project ERIC was awarded the Residential Building Energy Project of the Year in the Energy Award;
- The Council won Excellence in Corporate Fraud in the IRRV Awards;
- The Westgate Oxford dig won the Best Archaeological Project Award from the British Archaeological Awards;
- Oxford City Council won a gold standard award for the quality of its address data (the list of addresses we hold for all land and property within Oxford City Council all linked together with a Unique Property Reference Number);

### **Significant Governance Issues**

38. The control framework described above facilitates the identification of any areas of the Council’s activities where there are significant weaknesses in the financial controls, governance arrangements or the management of risk.
39. The Council has received a report from its internal auditors BDO on its Business Continuity Planning which was critical of the Council’s arrangements. An action plan has been prepared and the Council is working with its insurers Zurich Municipal to update its Business Continuity Plans and to test them over the coming year. This plan has been shared with and will be monitored by BDO.
40. Overall the annual report from the Council’s internal auditors, which will be reported to the Audit and Governance Committee in June 2017, provides that, based on the evidence of the audits conducted, moderate assurance can be

## Appendix 1

given that there is a sound system of internal control, designed to meet the Council's objectives and that controls are being applied consistently. In forming that view the internal auditors have taken into account that:

- Whilst there has been a proportionate increase in the number of Limited Opinions for control effectiveness, the majority of reviews when taking into account Control Design is Moderate. The number of high recommendations has proportionately decreased too.
- Implementation of recommendations could be more timely, with 19 currently outstanding (out of a total of 60+ recommendations).
- The Council has achieved its budget for 2016-17 and has plans in place to ensure that the budget gap is addressed in future years. The Council has recognised the reduction of government funding in its future financial plans.

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# Oxford City Council

31 Internal Audit Annual Report and Annual  
Statement of Assurance  
2016-17



FINAL



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## Restrictions of use

The matters raised in this report are only those which came to our attention during the course of our audit and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. The report has been prepared solely for the management of the organisation and should not be quoted in whole or in part without our prior written consent. BDO LLP neither owes nor accepts any duty to any third party whether in contract or in tort and shall not be liable, in respect of any loss, damage or expense which is caused by their reliance on this report.



# EXECUTIVE SUMMARY

## Internal Audit 2016-17

This report details the work undertaken by internal audit for Oxford City Council and provides an overview of the effectiveness of the controls in place for 2016-17.

The following reports have been issued for the period 1 April 2016 to 31 March 2017:

Audit 2. Empty and Void Property Management	Audit 12. General Ledger
Audit 3. Application Specification Support	Audit 13. Building Control
Audit 4. ICT Service Desk	Audit 16. Channel Shift
Audit 6. Business Continuity and Disaster Recovery	Audit 17. Culture Review
Audit 7. Project Management	Audit 18. Treasury Management
Audit 8. Benefits Administration	Audit 20. Business Plan Review
Audit 9. Procurement	Audit 21. Commercial Property Portfolio
Audit 10. Accounts Receivable	Audit 22. Grant Claim [CFB06]
Audit 11. Payroll and Overtime	Audit 23. Grant Claim [HCA Compliance]

We have detailed the opinions of each report and key findings on pages five to seven.

Our internal audit work for the 12 month period from 1 April 2016 to 31 March 2017 was carried out in accordance with the internal audit plan approved by management and the Audit Committee. The plan was based upon discussions held with management and was constructed in such a way as to gain a level of assurance on the main financial and management systems reviewed. There were no restrictions placed upon the scope of our audit and our work complied with Public Sector Internal Audit Standards.

The whole plan has been completed with the agreement of the Audit and Governance Committee with exception to Culture Review which is being finalised.

## Head of Internal Audit Opinion

The role of internal audit is to provide an opinion to the Board, through the Audit and Governance Committee (AC), on the adequacy and effectiveness of the internal control system to ensure the achievement of the organisation's objectives in the areas reviewed.

The annual report from internal audit provides an overall opinion on the adequacy and effectiveness of the organisation's risk management, control and governance processes, within the scope of work undertaken by our firm as outsourced providers of the internal audit service. It also summarises the activities of internal audit for the period.

### Opinion

The basis for forming my opinion is as follows:

- An assessment of the design and operation of the underpinning risk management arrangements and supporting processes.
- An assessment of the range of individual opinions arising from risk based audit assignments contained within internal audit risk based plans that have been reported throughout the period. This assessment has taken account of the relative materiality of these areas and management's progress in respect of addressing control weaknesses.
- Any reliance that is being placed upon third party assurances.

Overall, we are able to provide moderate assurance that there is a sound system of internal control, designed to meet the Council's objectives and that controls are being applied consistently. In forming our view we have taken into account that:

- Whilst there has been a proportionate increase in the number of Limited Opinions for control effectiveness, the majority of reviews when taking into account Control Design is Moderate. The number of high recommendations has proportionately decreased too
- Implementation of recommendations could be more timely, with 14 currently outstanding. However note, over 40 have been completed in 2016-17
- The Council has achieved their budget for 2016-17 and has plans in place to ensure that the budget gap is addressed in future years. The Council has recognised the reduction of government funding in their future financial plans.

# REVIEW OF 2016-17 WORK

Reports Issued	Recommendations and significance			Overall Report Conclusions (see Appendix I)		Summary of Key Findings / Recommendations
	H	M	L	Design	Operational Effectiveness	
Audit 2. Empty and Void Property Management	1	5	3	Moderate	Limited	<p>The overall design of controls are reasonable however, the Council have a high turnaround time for properties due to the working practices between various teams involved in the process.</p> <ul style="list-style-type: none"> <li>Pre-termination inspection checks should be done during the notice period and forms should be completed for each property</li> <li>The Council Tax Team should notify the Tenancy Management Team of deaths more promptly</li> <li>The Tenancy Management Team should agree a protocol with the Voids Team on how keys are given to/collected by each other</li> <li>Procedures documents and protocol should be agreed between Tenancy Management, Voids and Housing Allocations Teams</li> <li>As part of the tender specification for the housing software, the Council should request a solution to the Access database</li> </ul>
Audit 4. ICT Service Desk	0	7	0	N/A	N/A	<p>The Council has mapped its services to the IT applications and infrastructure that is required to support their delivery. The Council has also deployed and configured appropriate IT service management tools to support the ICT Service Desk. However:</p> <ul style="list-style-type: none"> <li>The purpose, objectives and scope of the ICT Service Desk are not defined leading the audit outcome giving a significantly lower score than the Council self assessed against industry standards.</li> </ul>
Audit 6. Business Continuity and Disaster Recovery	4	3	0	Limited	Limited	<ul style="list-style-type: none"> <li>The Council's services have not been assessed in order to determine their criticality to the Council</li> <li>The business continuity plans for the Council's services were found to be incomplete, inaccurate or missing</li> <li>There is not an effective process to manage the Council's continuity planning to provide central oversight</li> <li>There is not a defined IT Disaster Recovery plan in place</li> </ul>
Audit 7. Project Management	1	2	0	Moderate	Moderate	<p>The Council has a suitable Project Management methodology and framework to manage capital and non capital projects. The Council has considered best practice such as Prince2 in developing their own methodology. However:</p> <ul style="list-style-type: none"> <li>The designed project methodology was not strictly implemented and deployed across all stages in the gateway process</li> <li>There was no central administration and repository of the capital project files. Formalised monitoring and tracking of these key documents is not in place.</li> <li>There was a delay in implementing the Project Management software, whereby the Council continues to incur cost of maintaining the system without using its functionalities and maximising its benefits</li> </ul>
Audit 8. Benefits Administration	1	10	1	N/A	N/A	<p>Overall administration is good in terms of efficiency as the Council is well above national averages:</p> <ul style="list-style-type: none"> <li>Only a basic Service Level Agreement was in place between the Corporate Support Team and the Benefits Team and all parties were not fully aware of it, however, to avoid ongoing issues a formal SLA is since being agreed</li> <li>Whilst the majority of applications can be completed electronically, change of circumstance forms still require finalisation</li> <li>Formal procedures in the event of IT downtime have not been established</li> </ul>

# REVIEW OF 2016-17 WORK

Reports Issued	Recommendations and significance			Overall Report Conclusions (see Appendix I)		Summary of Key Findings / Recommendations
	H	M	L	Design	Operational Effectiveness	
Audit 9. Procurement	1	2	-	Moderate	Moderate	Whilst there have been times where system access has been an issue, the system is in place alongside strategic documents to set out the key parameters, objectives and aims of Procurement at the Council. Also from our testing whilst some effectiveness issues were identified with lack of formal Action Plan monitoring, on individual procurement cases compliance with Council policy was found to be in place.
Audit 10. Accounts Receivable	4	4	1	Limited	Limited	<ul style="list-style-type: none"> <li>Segregation of duties are not in place within the self service system enabling individuals to create and authorise customer accounts</li> <li>Transactional amendments were not carried out in a timely manner and there was insufficient oversight of transactions</li> <li>Debt recovery arrangements continue to be inadequate with 69% of debt remaining overdue for more than six months as at 28 September 2016</li> <li>There continues to remain inadequate co-operation between the originator departments and the incomes team despite management meetings taking place on a weekly basis resulting in ineffective debt recovery arrangements</li> </ul>
Audit 11. Payroll and Overtime	4	0	3	Moderate	Limited	<p>Overall payroll arrangements found no issues with ensuring starts and leavers are paid in line with their contractual agreements and Council banding arrangements. However:</p> <ul style="list-style-type: none"> <li>12/30 overtime payments did not have supporting evidence for claiming the overtime</li> <li>No consistent protocol for both line management and individuals within the Council prior to the submission and completion of overtime</li> <li>No appropriate reporting mechanism to compare overtime expenditure from one month to previous months</li> <li>No centralised timesheet submission system, which limits the ability to make significant comparisons in relation to overtime payments</li> <li>The Licensing Department accounted for 23% of the self-service overtime and the General Licensing Team Leader alone accounted for 13% of total self-service overtime claimed</li> </ul>
Audit 12. General Ledger	0	2	1	Moderate	Moderate	<p>The Council's accounting system Agresso, has adequate functionality to support the processing of manual journals, accrual journals and suspense account journals whilst maintaining an audit trail for approval. Monthly reconciliations procedures for council tax refunds, suspense account reconciliations, NNDR Refunds and housing benefit overpayments were effective as reconciliations were reviewed, approved and reconciling items were adequately investigated. However:</p> <ul style="list-style-type: none"> <li>Two out of five requisitioners could not be evidenced as having passed their iLearn course; however, these requisitioners proceeded to be set up as requisitioners on the Agresso system</li> <li>Appropriate alerts are currently not embedded within the Agresso system that allows management to identify failed run of interfaces</li> </ul>

# REVIEW OF 2016-17 WORK

Reports Issued	Recommendations and significance			Overall Report Conclusions (see Appendix I)		Summary of Key Findings / Recommendations
	H	M	L	Design	Operational Effectiveness	
Audit 13. Building Control	0	4	0	Moderate	Moderate	<p>The regulations are set out on the Council's website and in the main adhered to with no significant instances on non-compliance. However:</p> <ul style="list-style-type: none"> <li>• Permanent staff and contract workers are not provided with formalised training sessions</li> <li>• Applications are only subject to limited oversight and review before they are finalised and certification is provided, with no detailed in-depth review taking place to ensure all work carried out was sufficient and compliant</li> <li>• The Service Performance Reports provided to Heads of Service lack key operational indicators which would provide insight into which areas the service is struggling, which hinders the Heads of Service in making informed decisions to improve the performance of the service</li> <li>• Although the service conducts ad hoc analysis of how and why competitors are winning work ahead of the Council, this analysis is neither comprehensive or regular enough to gain a firm understanding of the actions the Council should take</li> </ul>
36 Audit 16. Channel Shift	0	3	1	Moderate	Moderate	<p>Overall the Council is achieving channel shift. The percentage of Council transactions which occur online has increased from 8% in 2013 to 32.37% today. This a higher rate of online contact than the Council expected to achieve (roughly 30%) at this point in time. The Council has achieved this at the same time as gaining Customer Services Excellence accreditation across the whole organisation. However, there are a small number of KPIs which remained at 'requires improvement' (the lowest rating) over a number of months. For example, the 'percentage of customers using self-service' target - which relates to take-up of e-Billing for Business Rates and Council Tax - was recorded as 'requires improvement' in every month across 2014/15 and 2015/16 (it ceased to be a target for 2016/17)</p>
Audit 17. Culture Review	TBC	TBC	TBC	TBC	TBC	<p>This review has progressed with a desktop exercise undertaken to benchmark the Council against others in terms of culture. We are now developing a survey and series of staff engagement sessions ahead of speaking with Management and Members to finalise our report.</p>
Audit 18. Treasury Management	0	0	0	Substantial	Substantial	<p>There were no findings for this audit, however we identified the following areas of good practice:</p> <ul style="list-style-type: none"> <li>• A three stage authorisation process is followed by the Finance Team for loan transactions (other than for loans rolled over or trade directly with Barclays - the councils bank, for which a two stage approval process is applied)</li> <li>• A monthly reconciliation of the Loans List and Agresso (the council's General Ledger) was completed by the TM accountant, no differences were identified in the 2016/17 reconciliations to December 2016</li> <li>• Half-yearly TM report and annual reports are prepared with detailed risk register and investment portfolio updates, and submitted to the Council's Executive Board</li> </ul>

# REVIEW OF 2016-17 WORK

Reports Issued	Recommendations and significance			Overall Report Conclusions (see Appendix I)		Summary of Key Findings / Recommendations
	H	M	L	Design	Operational Effectiveness	
Audit 20. Business Plan Review  37	N/A	N/A	N/A	N/A	N/A	<ul style="list-style-type: none"> <li>Whilst the Group has, at a high level, defined the objectives of the Project, it has not defined measurable targets and the respective key performance indicators for each objective</li> <li>The Group does not have a defined governance structure in place, nor have roles and responsibilities been defined</li> <li>The Group has not provided sufficient evidence as part of its Plan with regards to how it has determined the cost and accuracy of the capital programme</li> <li>The Group has not provided sufficient evidence as part of its Plan to determine how its revenues and costs have been calculated</li> <li>Market analysis indicates that the Project has local support, but does not indicate whether the demand would be sufficient to support the Project as a financially viable organisation</li> <li>The Group has not subjected its financial calculations to either a sensitivity assessment or stress test in order to determine if it is robust</li> <li>The Plan does not provide evidence that the Group have the relevant skills and experience necessary to make the Project a success</li> <li>The Plan does not adequately assess the impact and potential consequences for the Group, the Council and the Society of the proposed transfer of ownership of the farmhouse and the barns to the CIC</li> </ul>
Audit 21. Commercial Property Portfolio	N/A	N/A	N/A	N/A	N/A	A short piece of work completed found the data, formulas and connections in the commercial property portfolio were sound with some minor exceptions raised. These were around long complex formulas which could be shortened to reduce their risk to manipulation and error.
Audit 22. Grant Claim [CFB06]	N/A	N/A	N/A	N/A	N/A	The annual capital pooling receipts claim was certified and issued on time. There were no significant issues to raise.
Audit 23. Grant Claim [HCA Compliance]	N/A	N/A	N/A	N/A	N/A	The HCA return was certified and issued on time. There were no significant issues to raise.
Audit 3. Application Specification Support	N/A	N/A	N/A	N/A	N/A	As of May 2017, we have liaised with the Housing Replacement Team to provide support where it feels appropriate for the project. In March 2017, we attended a project board meeting and provided feedback regarding our thoughts on the progress that is being made. At this point it is too early in the process to provide a definitive opinion however the project board should work to restrain the scope of the project to something that can be delivered. We will continue to work with the Council to provide support.

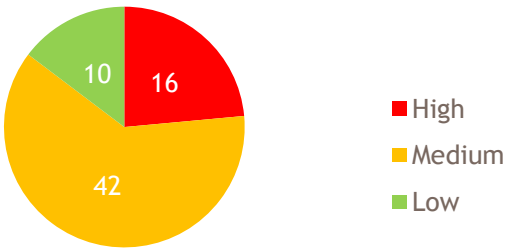
# EXECUTIVE SUMMARY

## Recommendations and assurance dashboard

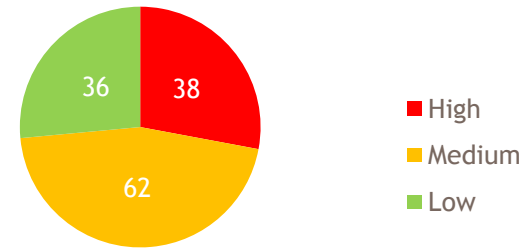
The number of recommendations raised and their significance in 2016-17 and 2015-16 for the period 1 October 2015 to 31 March 2016 are set out below.

### 2016-17

Number of recommendations:



### 2015-16 for the period 1 October 2015 to 31 March 2016

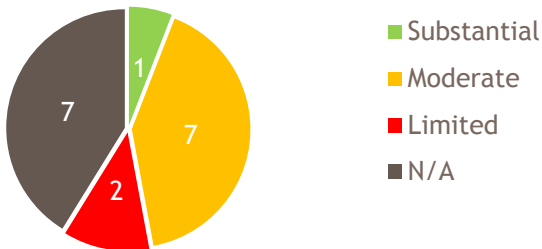


We also provide an overall opinion on both the design and operational effectiveness of the controls operating over the areas we review when we are providing assurance:

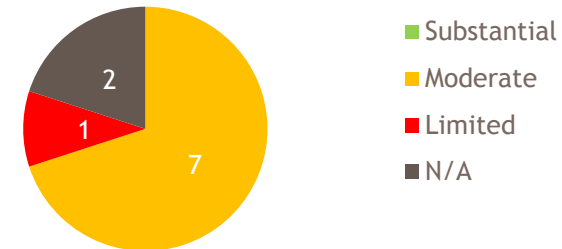
38

### 2016-17

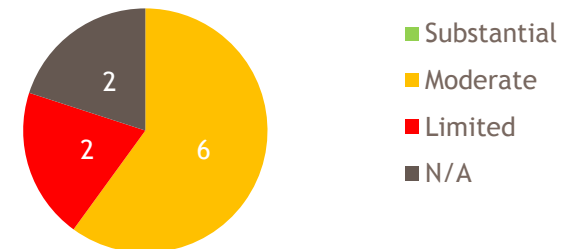
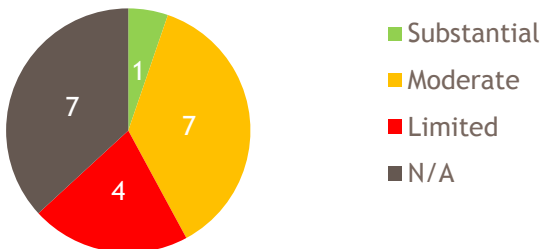
Control design:



### 2015-16 for the period 1 October 2015 to 31 March 2016



Control effectiveness:



# HOW WE HAVE ADDED VALUE DURING THE YEAR

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## Follow up process and communication

- We have taken on the responsibility of tracking and reporting the implementation of recommendations from the Finance Team
- Each follow-up is performed face-to-face and evidence is verified
- We now commence the process immediately after each Audit Committee
- We also now issue a weekly update on internal audit to the Section 151 Officer.

## Best practice and training

- Best practice information has been provided in many of our reports most notably, Benefits Administration and Business Continuity and Disaster Recovery
- As part of our weekly emails we issue best practice too including most recently around Cyber Crime, election fraud and data protection
- As part of the Procurement Review we delivered two free training sessions on Procurement Fraud led by our Counter Fraud specialist attended by over 25 people.

## On-site presence

- We have ensured there is a strong on-site with almost all terms of reference and closing meetings being held face-to-face
- The Internal Audit Manager has met all Executive Directors and Heads of Service and understood their views of risks and challenges facing the Council as part of the annual risk assessment process.

## Additional and prompt support

We have performed the following reviews in addition to the plan ensuring the Council receive a flexible and dynamic audit service:

- Business Plan Review
- Grant Claims around HCA and CFB06.

# BACKGROUND TO ANNUAL OPINION

## Introduction:

### Background

Our role as internal auditors to Oxford City Council is to provide an opinion to the Council, through the Audit and Governance Committee (AC), on the adequacy and effectiveness of the internal control system to ensure the achievement of the organisation's objectives in the areas reviewed. Our approach, as set out in the firm's Internal Audit Manual, is to help the organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Our internal audit work for the 12 month period from 1 April 2016 to 31 March 2017 was carried out in accordance with the internal audit plan approved by management and the Audit Committee, adjusted during the year for any emerging risk issues. The plan was based upon discussions held with management and was constructed in such a way as to gain a level of assurance on the main financial and management systems reviewed. There were no restrictions placed upon the scope of our audit and our work complied with Public Sector Internal Audit Standards.

The annual report from internal audit provides an overall opinion on the adequacy and effectiveness of the organisation's risk management, control and governance processes, within the scope of work undertaken by our firm as outsourced providers of the internal audit service. It also summarises the activities of internal audit for the period.

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# BACKGROUND TO ANNUAL OPINION

## Scope and approach

### Audit Approach

We have reviewed the control policies and procedures employed by Oxford City Council to manage risks in business areas identified by management set out in the 2016-17 Internal Audit Annual Plan approved by the Audit Committee. This report is made solely in relation to those business areas and risks reviewed in the year and does not relate to any of the other operations of the organisation. Our approach complies with best professional practice, in particular, Public Sector Internal Audit Standards, the Chartered Institute of Internal Auditors' Position Statement on Risk Based Internal Auditing.

We discharge our role, as detailed within the audit planning documents agreed with Oxford City Council management for each review, by:

- Considering the risks that have been identified by management as being associated with the processes under review
- Reviewing the written policies and procedures and holding discussions with management to identify process controls
- Evaluating the risk management activities and controls established by management to address the risks it is seeking to manage
- Performing walkthrough tests to determine whether the expected risk management activities and controls are in place
- Performing compliance tests (where appropriate) to determine that the risk management activities and controls have operated as expected during the period.

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The opinion provided on page 3 of this report is based on historical information and the projection of any information or conclusions contained in our opinion to any future periods is subject to the risk that changes may alter its validity.

### Coverage

During 2016-17 BDO LLP has reviewed and evaluated Oxford City Council processes in the following areas:

- Audit 2. Empty and Void Property Management
- Audit 3. Application Specification Support
- Audit 4. ICT Service Desk
- Audit 6. Business Continuity and Disaster Recovery
- Audit 7. Project Management
- Audit 8. Benefits Administration.

- Audit 9. Procurement
- Audit 10. Accounts Receivable
- Audit 11. Payroll and Overtime
- Audit 12. General Ledger
- Audit 13. Building Control
- Audit 16. Channel Shift

- Audit 17. Culture Review
- Audit 18. Treasury Management
- Audit 20. Business Plan Review
- Audit 21. Commercial Property Portfolio
- Audit 22. Grant Claim [CFB06]
- Audit 23. Grant Claim [HCA Compliance]

# BACKGROUND TO ANNUAL OPINION

## Reporting mechanisms and practices

Our initial draft reports are sent to the key officer responsible for the area under review in order to gather management responses. In every instance there is an opportunity to discuss the draft report in detail. Therefore, any issues or concerns can be discussed with management before finalisation of the reports.

Our method of operating with the Audit and Governance Committee is to agree reports with management and then present and discuss the matters arising at the Audit and Governance Committee meetings.

## Management action on our recommendations

Management have generally been conscientious in reviewing and commenting on our reports. For the reports which have been finalised, management have responded positively. The responses indicate that appropriate steps to implement our recommendations are expected.

## Recommendation follow-up

Implementation of recommendations is a key determinant of our annual opinion. If recommendations are not implemented in a timely manner then weaknesses in control and governance frameworks will remain in place. Furthermore, an unwillingness or inability to implement recommendations reflects poorly on management's commitment to the maintenance of a robust control environment.

42 During the year the implementation of recommendations has been reasonable with some weaknesses consistently reoccurring. The weaknesses are around target dates regularly being missed and rescheduled. The Council are working closely with Internal Audit to improve this position through setting more realistic dates in the first place and holding those to account where delays persist.

## Relationship with external audit

All our final reports are available to the external auditors through the Audit and Governance Committee papers and are available on request. Our files are also available to external audit should they wish to review working papers to place reliance on the work of internal audit.

# BACKGROUND TO ANNUAL OPINION

## Report by BDO LLP to Oxford City Council






As the internal auditors of Oxford City Council we are required to provide the Audit and Governance Committee, and the Section 151 Officer with an opinion on the adequacy and effectiveness of risk management, governance and internal control processes, as well as arrangements to promote value for money.

In giving our opinion it should be noted that assurance can never be absolute. The internal audit service provides Oxford City Council with moderate assurance that there are no major weaknesses in the internal control system for the areas reviewed in 2016-17. Therefore, the statement of assurance is not a guarantee that all aspects of the internal control system are adequate and effective. The statement of assurance should confirm that, based on the evidence of the audits conducted, there are no signs of significant weaknesses in the framework of control.

In assessing the level of assurance to be given, we have taken into account:

- All internal audits undertaken by BDO LLP during 2016-17
- Any follow-up action taken in respect of audits from previous periods for these audit areas
- Whether any significant recommendations have not been accepted by management and the consequent risks
- The effects of any significant changes in the organisation's objectives or systems
- Matters arising from previous internal audit reports to Oxford City Council
- Any limitations which may have been placed on the scope of internal audit - no restrictions were placed on our work.





# CONTRACTUAL KEY PERFORMANCE INDICATORS

Quality Assurance	Detail on KPI's	RAG Rating 2016-17
<ul style="list-style-type: none"> <li>High quality documents produced by the auditor that are clear and concise and contain all the information requested.</li> </ul>	<p>We have received limited negative feedback about the quality of reports.</p> <p>We received feedback on the Channel Shift and prior year Budget Monitoring reports regarding validated further evidence we received. We note this and have a plan to improve this.</p> <p>See page 15 for a visual summary of our survey results.</p>	
<ul style="list-style-type: none"> <li>Frequent communication to the customer of the latest mandatory audit standards and professional standards prescribed by the main accountancy bodies.</li> </ul>	<p>Sector updates are provided within the Audit Committee progress report.</p>	
<b>Reporting Arrangements</b>		
<ul style="list-style-type: none"> <li>The auditor attends the necessary, meetings as agreed between the parties at the start of the contract</li> </ul>	<p>All meetings attended including Audit and Governance Committee meetings, pre-meetings, individual audit meetings and contract reviews have been attended by either the partner or audit manager.</p>	
<ul style="list-style-type: none"> <li>Information is presented in the format requested by the customer.</li> </ul>	<p>We have been requested to issue reports for Executive Director approval into a Word and not PowerPoint format which has been</p>	
<b>Audit Protocol</b>		
<ul style="list-style-type: none"> <li>External audit can rely on the work undertaken by internal audit (where planned)</li> </ul>	<p>No issues have been raised concerning the work of internal audit. A pre-Audit Committee call between the respective Audit Managers takes place to discuss risks facing the Council.</p>	

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# CONTRACTUAL KEY PERFORMANCE INDICATORS

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<i>Delivery</i>	<i>Detail on KPI's</i>	<i>RAG Rating 2016-17</i>
<ul style="list-style-type: none"> <li>Draft report to be produced 3 weeks after the end of the fieldwork</li> </ul>	Complete with exception to Culture Review.	
<ul style="list-style-type: none"> <li>Management to respond to internal audit reports within 3 weeks</li> </ul>	Due to late client approve, the wide scope of the report and significant number of personnel to be interviewed, this review is delayed.	
<ul style="list-style-type: none"> <li>Final report to be produced 1 week after management responses</li> </ul>	The final reports issued to date have been issued one day after receipt of management response.	
<ul style="list-style-type: none"> <li>Positive result from any external review</li> </ul>	Following an External Quality Assessment by the Institute of Internal Auditors in April 2015, BDO were found to 'generally conform' (the highest rating) to the International Professional Practice Framework and Public Sector Internal Audit Standards.	

# APPENDIX I – AUDIT SURVEY DETAILED RESULTS

After each completed review we request that all those involved complete an online survey which captures the auditees views on the internal audit service. The views are captured in the three areas of: audit planning, fieldwork and reporting. The table below details the results of feedback for completed reviews.

	Audit 6. Business Continuity and Disaster Recovery	Audit 13. Building Control	Audit 13. Building Control	Audit 18. Treasury Management
<b>AUDIT PLANNING</b>				
Was the Terms of Reference aligned to strategic/departmental risks?	Agree	Strongly Agree	Agree	Agree
Was the timeline of events through to reporting agreed and clearly explained?	Agree	Strongly Agree	Agree	Agree
How would you rate our understanding of your business through our input in conversations and correspondence?	4	4	3	4
<b>AUDIT FIELDWORK</b>				
How would you rate communication with regards to the progress of the audit and, if applicable, any significant issues identified?	4	4	4	3
How would you rate the closedown meeting in terms of discussing and agreeing findings?	4	5	4	3
How would you rate the audits contribution to delivering added value and insightful experiences?	4	4	4	3
<b>AUDIT REPORTING</b>				
Was the final report clear and concise?	Agree	Strongly Agree	Agree	Agree
Was agreement with all key stakeholders obtained prior to final distribution?	Agree	Strongly Agree	Agree	Agree
Where recommendations were made, were they constructive and practical?	Agree	Agree	Agree	Agree
Did our work add value?	Agree	Agree	Agree	Agree
How would you rate the overall audit experience?	4	4	4	3

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## **KEY**

Strongly Disagree, Disagree, Agree, Strongly Agree  
1 (poor), 2, 3 (average), 4, 5 (exceptional)

# APPENDIX I

## OPINION AND RECOMMENDATION SIGNIFICANCE DEFINITIONS

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LEVEL OF ASSURANCE	DESIGN of internal control framework		OPERATIONAL EFFECTIVENESS of internal controls	
	Findings from review	Design Opinion	Findings from review	Effectiveness Opinion
<b>Substantial</b>	Appropriate procedures and controls in place to mitigate the key risks.	There is a sound system of internal control designed to achieve system objectives.	No, or only minor, exceptions found in testing of the procedures and controls.	The controls that are in place are being consistently applied.
<b>Moderate</b>	In the main there are appropriate procedures and controls in place to mitigate the key risks reviewed albeit with some that are not fully effective.	Generally a sound system of internal control designed to achieve system objectives with some exceptions.	A small number of exceptions found in testing of the procedures and controls.	Evidence of non compliance with some controls, that may put some of the system objectives at risk.
<b>Limited</b>	A number of significant gaps identified in the procedures and controls in key areas. Where practical, efforts should be made to address in-year.	System of internal controls is weakened with system objectives at risk of not being achieved.	A number of reoccurring exceptions found in testing of the procedures and controls. Where practical, efforts should be made to address in-year.	Non-compliance with key procedures and controls places the system objectives at risk.
<b>No</b>	For all risk areas there are significant gaps in the procedures and controls. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Poor system of internal control.	Due to absence of effective controls and procedures, no reliance can be placed on their operation. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Non compliance and/or compliance with inadequate controls.

RECOMMENDATION SIGNIFICANCE	
<b>High</b>	A weakness where there is substantial risk of loss, fraud, impropriety, poor value for money, or failure to achieve organisational objectives. Such risk could lead to an adverse impact on the business. Remedial action must be taken urgently.
<b>Medium</b>	A weakness in control which, although not fundamental, relates to shortcomings which expose individual business systems to a less immediate level of threatening risk or poor value for money. Such a risk could impact on operational objectives and should be of concern to senior management and requires prompt specific action.
<b>Low</b>	Areas that individually have no significant impact, but where management would benefit from improved controls and/or have the opportunity to achieve greater effectiveness and/or efficiency.

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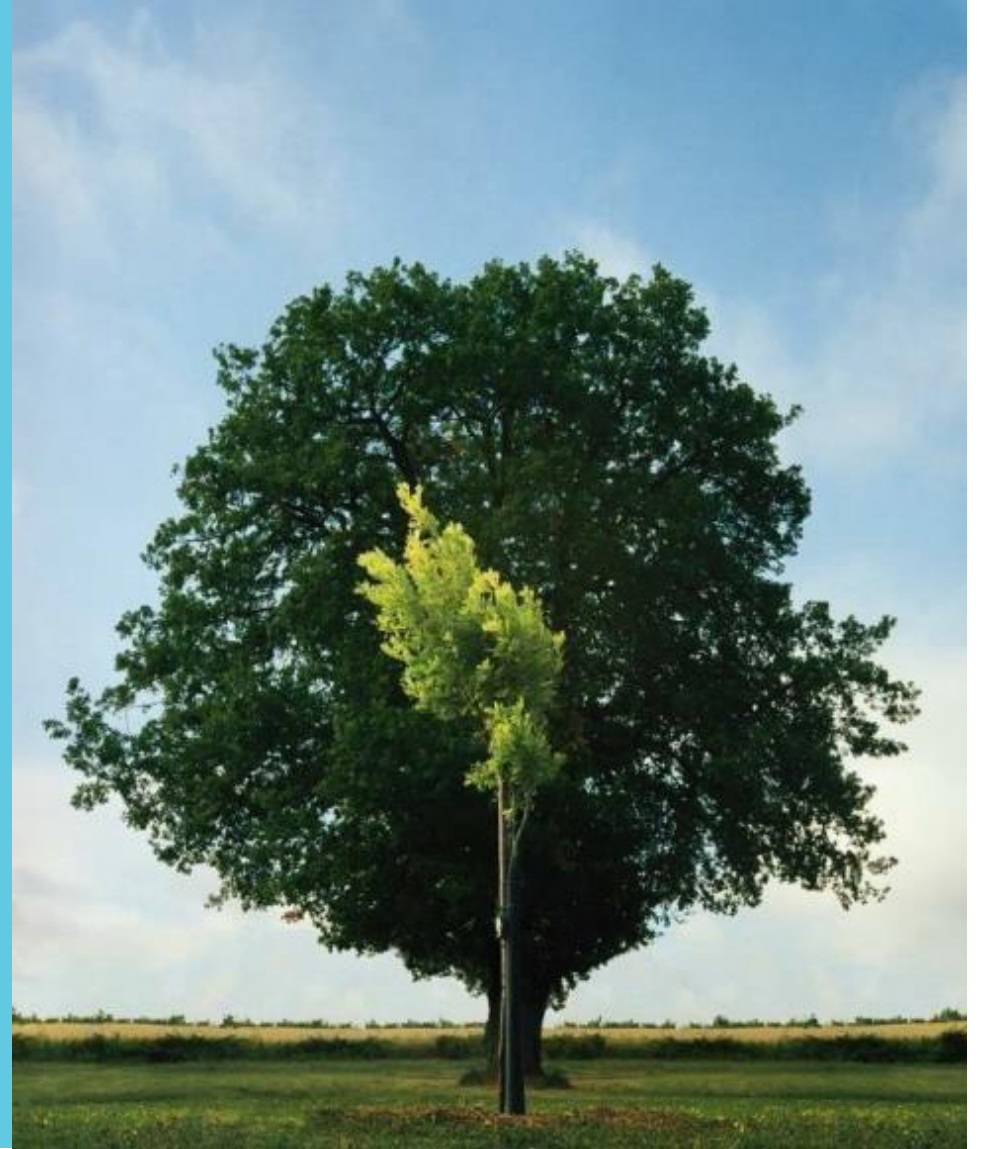
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# Oxford City Council

## INTERNAL AUDIT PROGRESS REPORT

49  
June 2017



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# PROGRESS AGAINST 2017/18 INTERNAL AUDIT PLAN

## Internal Audit

This report is intended to inform the Audit and Governance Committee of progress made against the 2016-17 and 2017-18 internal audit plans which were approved by the Audit and Governance Committee.

Please note that our work complies with Public Sector Internal Audit Standards. As part of our audit approach, we have agreed terms of reference for each piece of work with the Audit Sponsor, identifying the headline and sub-risks which have been covered as part of the assignment. This approach is designed to enable us to give assurance on the risk management and internal control processes in place to mitigate the risks identified.

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## Internal Audit Methodology

Our methodology is based on four assurance levels in respect of our overall conclusion as to the design and operational effectiveness of controls within the system reviewed. The assurance levels are set out in appendix II of this report, and are based on us giving either "substantial", "moderate", "limited" or "no" assurance. The four assurance levels are designed to ensure that the opinion given does not gravitate to a "satisfactory" or middle band grading. Under any system we are required to make a judgement when making our overall assessment.

## Work outside of the Internal Audit Plan

There are no changes in this quarter to the Internal Audit Plan; previous changes have been reported to the Committee.

## Overview of 2017/18 work to date

We have completed and finalised the reports for:

- Freedom of Information
- Car Parking
- Cyber Crime.

There are also two reports relating to 2016-17 namely Channel Shift and Procurement. There is one report remaining from 2016-17, which is the Culture Review.

For those reports issued with Moderate opinions and above, the Executive Summary is enclosed in this report. For those reports issued with Limited opinions and below, the full report has been issued separately.

## Other Reports

- Follow-Up of Recommendations - We have issued a separate report for the quarterly follow-up of recommendations
- 2016-17 Annual Report.

We will issue a full progress against the internal audit plan to the October 2017 Audit and Governance Committee.

# EXECUTIVE SUMMARY – FREEDOM OF INFORMATION

## OXFORD CITY COUNCIL STRATEGIC OBJECTIVE THIS REVIEW RELATES TO

Efficient, Effective Council: A flexible and accessible organisation, delivering high-quality, value-for-money services

## LEVEL OF ASSURANCE (SEE APPENDIX IV FOR DEFINITIONS)

Design	Moderate	Generally a sound system of internal control designed to achieve system objectives with some exceptions.
Effectiveness	Moderate	Evidence of non compliance with some controls, that may put some of the system objectives at risk.

## SUMMARY OF RECOMMENDATIONS (SEE APPENDIX IV FOR DEFINITIONS)

High	-
Medium	4
Low	2

Total number of recommendations: 6

## OVERVIEW

Oxford City Council's (the Council) Corporate Affairs Team manages all Freedom of Information (FOI) requests across the Council. As per the Information Commissioners Office (ICO) guidelines, the Council are required to respond to all FOI requests within 20 working days. The Council also has an independent FOI reviewing officer who is part of the Law and Governance Team. The officer will review all FOI requests that are under appeal and confirm whether further information is required or whether the case is adequate to escalate to the ICO. The Corporate Affairs Team is made up of two members of staff who handle and redirect all FOI requests

During the review we noted the following areas of good practice:

- The Internal Review Process and/or engagement with the ICO is sufficiently robust. Where an applicant is not satisfied with a request the internal review officer will independently review the FOI request and ensure all possible avenues were explored and relevant information was provided
- All requests are reviewed and approved by the Freedom of information and Complaints Officer (FICO) prior to responding to the request
- The average number of days to respond to FOI requests is less than the limit of 20 working days and the Council have had no cases overturned by the ICO.

However we also found the following areas for improvement:

- There are different approaches to managing FOI requests in service areas which results in FOI Champions not being identified and an agreed approach for which FOIs the Head of Service should approve not being set out (Detailed Finding 1)
- There are inadequate arrangements to ensure sufficient staff resiliency arrangements are in place should the FICO be unavailable (Detailed Finding 2)
- There are insufficient arrangements to ensure key personnel in service areas have FOI training (Detailed Finding 3)
- There should be greater levels of proactive initiatives implemented to prevent the number of FOI requests received by the Council (Detailed Finding 4)
- Management information produced on FOIs should be expanded and distributed to Heads of Service to improve decision making (Detailed Finding 5)
- Local guidelines issued by the Council on how to manage FOIs are not all being followed (Detailed Finding 6).

### Conclusion

We have issued 4 medium and 2 low level recommendations. The Council have a dedicated member of staff who is experienced and capable to manage FOI requests; there have also been no cases over turned by the ICO and the average days to process FOIs is less than the limit of 20 working days. Whilst these strengths are present, there is a lack of effective staff resiliency arrangements and inconsistent approaches within each service area to process FOI requests contributes to delays in dealing with FOI requests. Overall there is sufficient evidence to confirm the system objectives are being met with some exception identified, resulting in a Moderate Opinion.

# EXECUTIVE SUMMARY – CAR PARKING

## OXFORD CITY COUNCIL STRATEGIC OBJECTIVE THIS REVIEW RELATES TO

A Clean and Green Oxford: An attractive and clean city that minimises its environmental impact by cutting carbon, waste and pollution.

## LEVEL OF ASSURANCE (SEE APPENDIX IV FOR DEFINITIONS)

Design	Substantial	Appropriate procedures and controls in place to mitigate the key risks.
Effectiveness	Moderate	Minor exceptions found in testing of the procedures and controls.

## SUMMARY OF RECOMMENDATIONS (SEE APPENDIX IV FOR DEFINITIONS)

High -

Medium -

Low  1

Total number of recommendations: 1

## OVERVIEW: Car Parking Systems

Oxford City Council (the Council) are responsible for 26 car parks made up of both on street and off street car parks. The Council's car parks consist of car parks situated in the centre of Oxford, outside of Oxford, park and ride sites and also public park sites. The Council is also responsible for: the shop mobility function, the management of the cash collection service and the enforcement function. The Council have a contractual arrangement in place with Jade Security services who are required to collect cash from car parking machines and subsequently bank the cash collected.

During the review we noted the following areas of good practice (see Appendix I for more information):

- As part of this review we parked in contravention to Council parking rules for four days in a row in different car parks and can report that on each occasion we were issued with a car parking notice
- The procedures relating to car parking activity have been updated at the start of the year to reflect current practice
- There are appropriate arrangements in place with Jade Security services to collect and bank cash on a timely basis
- The shop mobility scheme is managed appropriately, where both application forms and ID were verified prior to granting access to the scheme
- For a sample of 10 parking notices issued within 2016 -17, payments were adequately traced through the ICES system; discounts were also applied appropriately
- Changes made to parking rates , parking machines and boards are approved prior to changes being made
- The Car Parking Manager meets with the council's finance officers on a monthly basis to review financial performance against budgeted figures.

However we also found the following areas for improvement:

- Parking debts that are to be passed on to the Council's bailiffs are not monitored and submitted in a timely manner (Detailed Finding 1 - Low)

### Conclusion

We have issued one low level recommendation. We identified a substantial design of controls to manage the daily operations of the Council's parking arrangements and through testing and observation we did not identify any high recommendations or significant instances of non-compliance of controls in place. We have raised a couple of minor observations around training and use of data analysis to direct staff which would always benefit from regular review; this along with the one low recommendation which has now been implemented form the basis of our opinion.

# EXECUTIVE SUMMARY – CAR PARKING (SUPPORT FOR OPINION)

As the report has been issued with a Substantial Opinion for the design of controls, the following table takes each risk assessed as part of the review and provides information on the evidence received to support the conclusion reached. Please note as part of this review we also parked in contravention to Council parking rules for 4 days in a row in different car parks and can report that on each occasion we were issued with a car parking notice.

Risk	Audit Commentary
Inadequate processes for car parking are in place which weakens the framework to support accurate, complete and timely transactions	The council have documented procedure notes in place for the overview of the car parking teams roles and responsibilities split into four functions: enforcement, appeals, customer services, shop mobility. A detailed process document issued on 01/03/17 walks the reader through the process from the moment a penalty charge is issued and the various stages leading to payment/ non-payment. We also reviewed the procedures for shop mobility arrangements were appropriate. All procedure notes were updated and approved at the start of the financial year.
There are inadequate arrangements in place between Jade security services and the council regarding the cash collection process	Jade Security Services collect cash and conduct cash counts at the agreed intervals throughout the week. The security cars drive and collect cash boxes from the ticket machines at all the council managed car parks. At the end of the collection, the usual practice is for the security driver to drive to the Oxpens car park, where the car park office is based, and deliver the audit tickets to the office staff. Once Jade count the cash at their site, they send this information to the parking team, who match the audit tickets to the specific machines where Jade have recorded an amount against. Discrepancies greater than £10 are investigated. We re-performed this exercise for a sample of 10 machines and found no issues. We were also able to visit Jade Security Services at their base in Winnersh and view a live cash count, how the amounts are recorded and reported back to the council, as well as their banking arrangements.
There are ineffective processes in place for registering individuals onto the shop mobility scheme	We reviewed shop mobility arrangements through selecting a sample of 5 members and testing application process compliance to the procedure notes. We noticed one application was not fully completed - specifically section describing applicants disability. We selected and obtained a further 5 applications and found no further instances. We confirmed with the Customer Relations Team Leader at the Car Park Offices that there are instances where applicants do not wish to provide information on their disability - anyone can apply for a mobility scheme membership regardless of whether they suffer from disability or not.
54 Parking notices are not issued to individuals in line with the councils rules and regulations	Car parking notices are issued by a parking officer, the penalty notice is posted on the car windscreen and a picture taken on the officers handset device prior to submission. The device allows for a 10 minute grace period as per legislation before an officer can submit a penalty notice. We selected a sample of 10 penalty charge notices and reviewed each case. Our review, included verifying the 50% discount was appropriately applied if the penalty was paid within 14 days. One case did not contain photographic evidence of the offense, we queried this with the car parking officers and managers who informed us that it was not mandatory to take pictures of the offense, but regarded as good practice. We have raised a finding around designing standard operating procedures and going through these with all officers on annual basis to ensure practice is consistent and any potential changes in practice are disseminated to everyone at the start of the year.
There are insufficient civil enforcement officers to monitor the councils car parks	The council have six car parking officers managed by a car parking team leader. Whilst the team have been an officer short for the last two months they have been able to cope with the rota and have distrusted shifts appropriately as can be seen in the attachment. There is a need for at least one morning shift and at least two evening shifts every day, with a middle shift not a necessity, but is usually filled most days. The morning shift starts at 07:15 - 15:15, middle shift from 10:00 to 18:00, and late shift 14:00 to 22:00. The parking team are aware they are an officer short at the moment and are looking to recruit, however, have still been able to cope since being a person down. We reviewed the rota for the shifts and can confirm that this has been managed effectively in advance in a timely manner.
The council car parking machines are not updated with the current rates and charges	Changes and updates to rates and charges are approved at the start of the financial year by the City Executive Board through approval of the budgets. The machines and notice boards are updated accordingly. We tested this element, by requesting a report of all changes made to the rates for the financial year 2017/18 and selecting a sample of 10 rates made up of 5 updated rates and 5 rates that remained the same. We drove to the relevant car parks and checked the rates against the boards and machines and found that these were consistent.
Inadequate reporting and monitoring of overall car parking information to Management and Members	The Car Parking Manager meets with the council's finance team once a month to review monthly finance reports. Financial performance is measured against pre-determined budgets based on various elements including usage analysis of their off-street car parks, analysis of income generated and expenditure per space. The council are in a good position with regards to performance; there is a positive outturn per the final figures for the year ending 31 March 2017.

# EXECUTIVE SUMMARY - PROCUREMENT

CLIENT STRATEGIC OBJECTIVE			SUMMARY OF RECOMMENDATIONS (SEE APPENDIX IV FOR DEFINITIONS)	
Risk	Efficient and effective Council		High	1
LEVEL OF ASSURANCE (SEE APPENDIX IV FOR DEFINITIONS)			Medium	2
Design	Moderate	Generally a sound system of internal control designed to achieve system objectives with some exceptions.	Low	
Effectiveness	Moderate	Evidence of non compliance with some controls, that may put some of the system objectives at risk.	<b>Total number of recommendations: 3</b>	

## OVERVIEW

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The purpose of our audit was to review the design and effectiveness of controls in relation to Procurement. See appendix IV for the agreed scope which provides greater detail on our approach to this review.

During the review we noted the following areas of good practice

- The Council have extensive Procurement guidance in place available to staff via the Council’s intranet.
- The Council have a group of Procurement Practitioners outside of the Procurement team in order to aid with the Procurement of contracts.
- The Procurement team have conducted Procurement training presentations to Council staff to ensure staff are adequately informed of Procurement Procedures.

However, we also found the following areas for improvement

- The electronic procurement system currently used by the Council has not been used outside of the Procurement Team for the last 12 months. This has led to limited oversight of procurement under the £100,000 threshold (Detailed Finding 1 - High)
- The Council are not compliant with the UK Public Contract Regulations and the Local Government Transparency Agenda due to incomplete records of contracts (Detailed Finding 2)
- The Council do not adequately monitor their risk to procurement fraud through the completion of regular checklists and assessment of briefings. The Procurement Action Plan also does not include actions focussing on counter fraud (Detailed Finding 3).

### Conclusion

We have issued 1 high level findings and 2 medium level findings. We have concluded Moderate Assurance on both Design and Operating Effectiveness. Whilst there have been times where system access has been an issue, the system is in place alongside strategic documents to set out the key parameters, objectives and aims of Procurement at the Council. Also from our testing whilst some effectiveness issues were identified with lack of formal Action Plan monitoring, on individual procurement cases compliance with Council policy was found to be in place.



# EXECUTIVE SUMMARY – CHANNEL SHIFT

## CLIENT STRATEGIC OBJECTIVES

An efficient and effective Council

## LEVEL OF ASSURANCE (SEE APPENDIX II FOR DEFINITIONS)

Design	Moderate	Generally a sound system of internal control designed to achieve system objectives with some exceptions.
Effectiveness	Moderate	Evidence of non compliance with some controls, that may put some of the system objectives at risk.

## SUMMARY OF RECOMMENDATIONS (SEE APPENDIX II FOR DEFINITIONS)

High	
Medium	3
Low	1

Total number of recommendations: 4

56

## OVERVIEW

### Background

The purpose of our review was to provide assurance that appropriate arrangements are in place and operating effectively in relation to the Council’s channel shift strategy. Channel shift is more than just a transactional matter of switching in-bound contact to the Council’s Customer Service Centre from face-to-face/phone to online. It is about changing the Council’s mind-set to ensure that every interaction between all services and all service users is done in the most efficient way whilst also being designed from the customer’s perspective.

### Scope and Approach

The review tested both the design and operational effectiveness of the Council’s controls for the risks set out in the Background section. This was done through interviews with relevant officers and a review of documentation related to the channel shift agenda, including strategies, performance frameworks, activity and financial data, reports to Councillors and funding bids for channel shift projects.

### Good Practice

Overall the Council is achieving channel shift. The percentage of Council transactions which occur online has increased from 8% in 2013 to 32.37% today. This a higher rate of online contact than the Council expected to achieve (roughly 30%) at this point in time. The Council has achieved this at the same time as gaining Customer Services Excellence accreditation across the whole organisation. In addition the Council has effectively used data and engagement with service users to improve services. The creation of the Online Tenant Portal is a good example of this. There is also evidence that the Council regularly and robustly scrutinises performance against channel shift targets and takes remedial action to address where targets are not being met. The Council’s action on e-Billing is a good example of this.



# EXECUTIVE SUMMARY – CHANNEL SHIFT

## OVERVIEW

The review identified a number of areas of good practice which have helped achieve this, for example:

- The Council has two strategies which relate to channel shift - the Customer Contact Strategy and the Digital Strategy, the latter of which was passed by the City Executive Board in November. To a large extent these documents clearly set out a goal, objectives, strategy and tactics;
- The Council has a robust set of systems and processes in place for tracking performance against operational and strategic priorities. These are reported at an appropriate level;
- The Council makes extensive use of the data it holds on customer interactions and customer engagement to improve its service offer.

However this does not mean that there is not room for improvement. Whilst it has met its corporate channel shift target, there are still areas which would benefit from further reform. For example, many of the online forms which the Council processes, still require that form to be printed out and dealt with by a member of staff, rather than being an end-to-end automated process. Our recommendations for improvement include strengthening the KPIs used to monitor progress.

### Conclusion

- This review gives the Council's channel shift strategy a rating of 'moderate' for both the design and operational effectiveness of its controls for risks in this area.

# APPENDIX I – DEFINITIONS

The below table sets out the definitions for the assurance levels and recommendation significant we issue in our audits.

LEVEL OF ASSURANCE	DESIGN of internal control framework		OPERATIONAL EFFECTIVENESS of internal controls	
	Findings from review	Design Opinion	Findings from review	Effectiveness Opinion
Substantial	Appropriate procedures and controls in place to mitigate the key risks.	There is a sound system of internal control designed to achieve system objectives.	No, or only minor, exceptions found in testing of the procedures and controls.	The controls that are in place are being consistently applied.
Moderate	In the main there are appropriate procedures and controls in place to mitigate the key risks reviewed albeit with some that are not fully effective.	Generally a sound system of internal control designed to achieve system objectives with some exceptions.	A small number of exceptions found in testing of the procedures and controls.	Evidence of non compliance with some controls, that may put some of the system objectives at risk.
Limited	A number of significant gaps identified in the procedures and controls in key areas. Where practical, efforts should be made to address in-year.	System of internal controls is weakened with system objectives at risk of not being achieved.	A number of reoccurring exceptions found in testing of the procedures and controls. Where practical, efforts should be made to address in-year.	Non-compliance with key procedures and controls places the system objectives at risk.
No	For all risk areas there are significant gaps in the procedures and controls. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Poor system of internal control.	Due to absence of effective controls and procedures, no reliance can be placed on their operation. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Non compliance and/or compliance with inadequate controls.
Recommendation Significance				
<b>High</b>	A weakness where there is substantial risk of loss, fraud, impropriety, poor value for money, or failure to achieve organisational objectives. Such risk could lead to an adverse impact on the business. Remedial action must be taken urgently.			
<b>Medium</b>	A weakness in control which, although not fundamental, relates to shortcomings which expose individual business systems to a less immediate level of threatening risk or poor value for money. Such a risk could impact on operational objectives and should be of concern to senior management and requires prompt specific action.			
<b>Low</b>	Areas that individually have no significant impact, but where management would benefit from improved controls and/or have the opportunity to achieve greater effectiveness and/or efficiency.			



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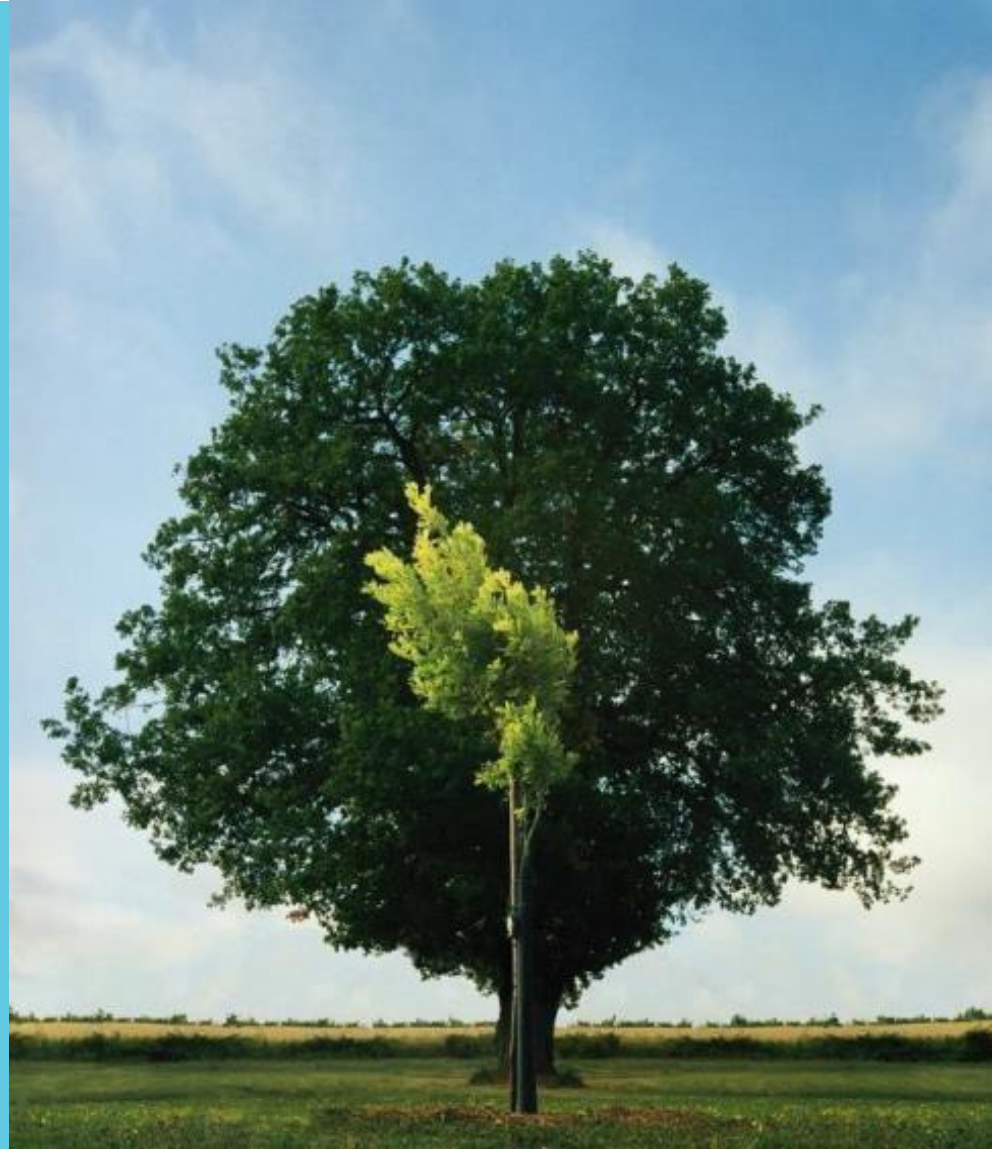


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# OXFORD CITY COUNCIL

## INTERNAL AUDIT FOLLOW UP OF RECOMMENDATIONS REPORT

May 2017



# INTRODUCTION AND EXECUTIVE SUMMARY

## Introduction

Ahead of each Audit and Governance Committee we follow-up those recommendations raised by Internal Audit which are due for implementation. We request commentary by responsible officers on the progress to our recommendations and for those High and Medium recommendations due we verify progress to source evidence and conclude either that the recommendation is complete or incomplete.

There were 40 recommendations due for May 2017 comprising of 11 High recommendations and 29 Medium recommendations.

## Executive Summary

Please find below a summary of the 40 recommendations that were due for completion prior to the July 2017 Audit and Governance Committee:

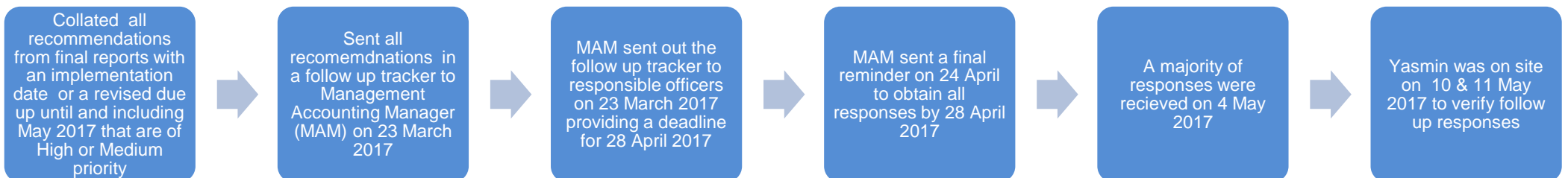
### 2015 - 2016 Recommendations

- Six Medium recommendations have been implemented and can be removed from the Recommendations Tracker
- One Medium recommendation is not complete which has been allocated with a first revised due date
- Two Medium recommendations have been removed from the recommendations tracker and downgraded to Low level recommendation

### 2016 - 2017 Recommendations

- 62 Seven High and 10 Medium recommendations have been implemented and can be removed from the Recommendations Tracker
- Four High and 9 Medium recommendations are not complete and have all been given a first, second or third revised due date. These recommendations will continue to be followed up until they are complete we will :
1. Continue to emphasise to staff to be realistic about the implementation dates when completing their management responses at the completion stage of each internal audit review
  2. Issue the recommendations tracker to all the relevant Heads of services on a monthly basis from the December audit committee onwards
  3. Issue reminder emails 6 weeks prior to the follow up review to ensure timely completion of each recommendation
- One Medium recommendation has been removed from the recommendations tracker and has been downgraded to a Low level recommendation.

**Flowchart of the follow up process** – below we have included a process flow chart to explain how follow up responses are obtained timescales are achieved

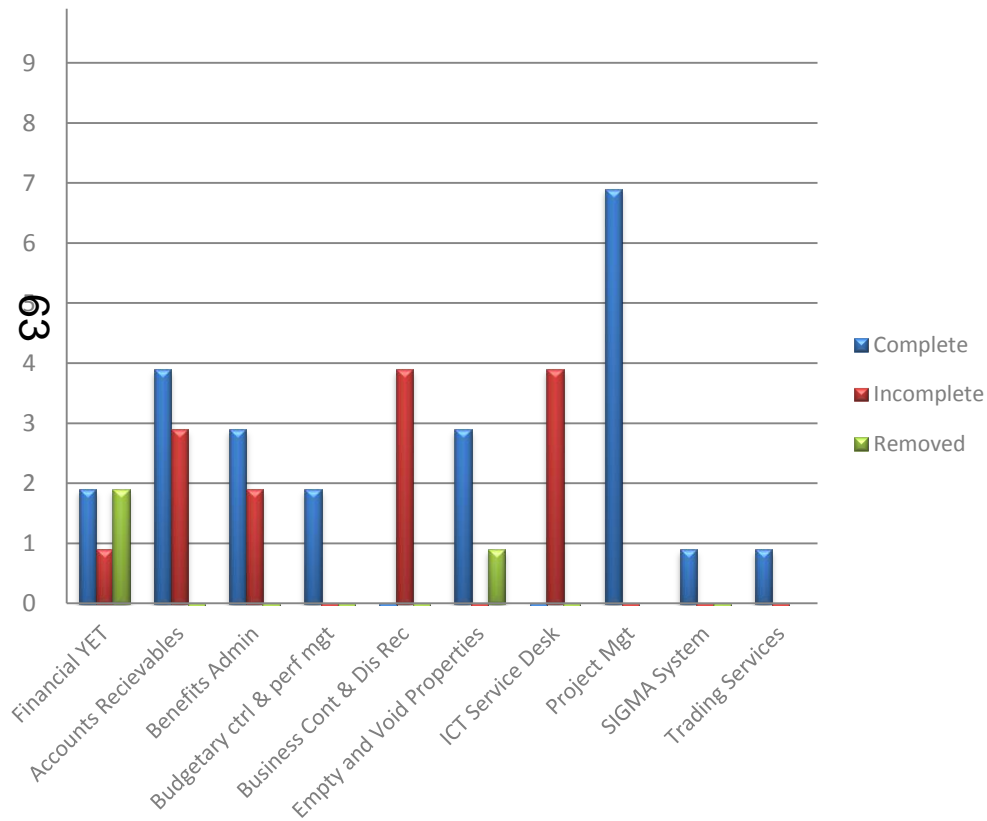


# INTRODUCTION AND EXECUTIVE SUMMARY

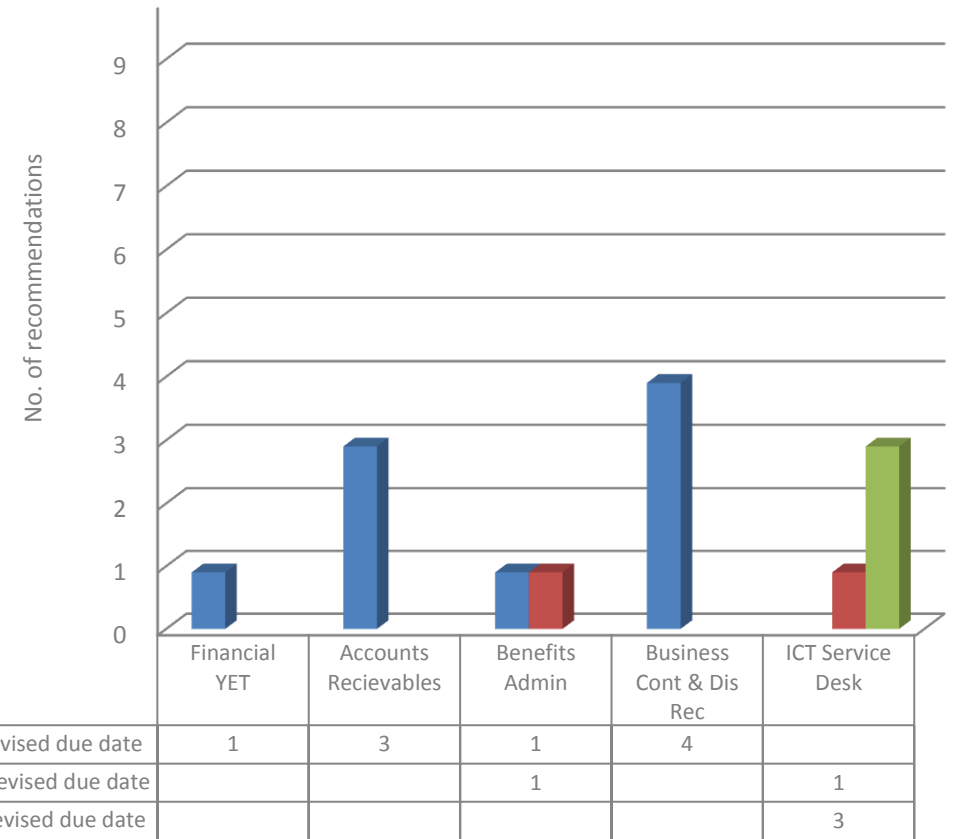
The charts below reference the number of recommendations due up until and including May 2017. In total there were **40** recommendations due for follow up chart 1 demonstrates the number of recommendations due for May 2017 whereby **23** recommendations were complete, **14** were incomplete and **3** were removed.

Chart 2 demonstrates the number of recommendations incomplete of the 40 recommendations **14** were incomplete we issued **9** recommendations with a 1<sup>st</sup> revised due date, **2** recommendations with a 2<sup>nd</sup> revised due date and **3** recommendations with a third revised due date.

1. The status of the 40 Recommendations due for May 2017



2. 14 incomplete Recommendations issued with a 1st, 2nd or 3rd revised date



# RECOMMENDATIONS COMPLETE

Audit	Recommendation made with reference to the corresponding Internal Audit report	Priority Level	Manager Responsible	Original Due Date	Notes on Completion
2016 -17 Benefits Administration	2) IT Prioritisation – There have been many ongoing concerns over recent months within the Council since the migration but there has been a lot of work completed to rectify these concerns and IT are now in a position to implement the Work plan. The Landlord Portal is currently being prioritised and should continue to be so.	M	Tanya Bandekar, Service Manager – Revenue and Benefits	Mar - 17	We verified that the landlord portal went live on 22nd March with Soha Housing. A Soft live test. Is currently taking place once the live test has been successful this will be advertised and rolled out to all landlords.
2016 -17 Benefits Administration	9) Application Communication – Due to the lack of communication between the different applications involved in Benefit Administration, manual input is required on a more frequent basis than should be necessary. The Housing Management System is due to go out for tender and the Benefit Team should be involved in the discussions in order to be able to address the issues currently facing them and improve efficiencies going forward	M	Laura Bessell, Benefits Manager,	Mar - 17	We confirmed that the most recent meetings took place on (29/3/17) with Northgate the Information & Work representative discussed what the Council could do more of and what the council could be doing to integrate things further. Housing system not likely to be in place until mid-2018 with the project group about to be formed (May 2017)
2016 – 17 Accounts Receivables	3a) All corresponding documentation must be retained by the originator departments and/or income officers depending on whom has created the customer  3b) The incomes team and/or the originator departments must complete a spot check of an average sample of five new customers on a Quarterly basis to ensure that customer creation forms are retained.	M	Service Managers of originating departments	Mar - 17	3a) All documentation is either now scanned on or original paperwork is kept. We will be reinforcing this quarterly  3b) we verified that this process has been developed and will be completed on a quarterly basis. All Trade Waste invoices were checked and correct at end of March 2017.

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# RECOMMENDATIONS COMPLETE

Audit	Recommendation made with reference to the corresponding Internal Audit report	Priority Level	Manager Responsible	Original Due Date	Notes on Completion
2016 – 17 Empty and Void Properties	1c) Performance against targets should be measured and reported to senior management	M	Ann Phillips, Tenancy Management Manager	<del>Nov - 16</del> Mar - 16	We verified that the voids team are now making the appointments wherever possible. As almost half of all voids arise through the death of the tenant, actual numbers will not be high. Reasons for not being able to complete the pre-term visit are now recorded.
65 2016 – 17 Empty and Void Properties	6a) An over-arching service agreement should be agreed between the Tenancy Management Team, Void Team and Housing Allocations Team setting out responsibilities, expectations, performance to be recorded/reported etc.  6b) The procedure documents should then be ratified by the Housing Landlord Group.	H	Bill Graves, Tenancy Officer	<del>Nov - 16</del> Mar - 16	6a/b) We verified that a service agreement is now ratified by the Housing landlord group and now in place between the tenancy management team, void tea, and housing allocations tea, all roles and responsibilities were clearly defined.
2015 - 16 Trading services	5a) Set out the current relationships held and analyse these to answer: <ul style="list-style-type: none"> <li>What does the relationship bring to the Council and what potential is there from this relationship?</li> <li>What challenges are there to build the relationship further?</li> <li>What are the practical actions required to mitigate the challenges?</li> </ul>	M	Tim Sadler, Executive Director Sustainable City	<del>Sep - 16</del> Mar - 17	These items have been addressed within the Local Authority Trading Company project and business plan and overseen by the Oxford Direct Services Board

# RECOMMENDATIONS COMPLETE

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Audit	Recommendation made with reference to the corresponding Internal Audit report	Priority Level	Manager Responsible	Original Due Date	Notes on Completion
2016 – 17 Project Management	<p>1a) The Council should strictly enforce the implementation of the project methodology. Document requirements for each stage of the process should be completed for all capital projects.</p> <p>1b) Provide a central administration and repository of all project files. There should be dedicated personnel to monitor and track these required documents.</p>	H	Tim Martin, Business continuity and Disaster Recovery Manager	Apr - 17	<p>1a) Following the departure of the Executive Director, the programme boards have been revised. The Major Projects &amp; Investments Board (MPIB) has been convened. Terms of Reference are being reviewed for the Capital Programme Operational Group (CPOG). Documents have been reviewed by both MPIB and CPOG</p> <p>1b) Documentation relating to both administration and monitoring of the capital programme is held in a local network drive. The information is accessible to all capital project managers, sponsors and MPIB or CPOG members. The programme administrator (including substitutes) oversees the documentation relating to schemes and works closely with Financial Services on the monitoring report.</p>
2016 – 17 Accounts Receivables	4c) A threshold should be set on the balance that the error account is not allowed to exceed	M	Katie Ball, Incomes Manager	<del>Dec - 16</del> Apr - 17	Discussions with services were agreed to do this by age rather than value. This is being done and monitored weekly since December 2016.
2016 – 17 Accounts Receivables	9b) Effective communication must be established between the originator department and the incomes team where both teams work collectively and swiftly to recover outstanding debt balances.	H	Katie Ball, Incomes Manager	Apr - 17	The incomes team meets with Direct Services (Income Manager and Income Team Leader) on a fortnightly basis. Meet with Trade Waste and Garden Waste team after this meeting. Team Leader meets monthly with the Commercial Rents Team. Income Officer meets with Town Hall, Rose Hill gym and the licensing team. A monthly report will be sent to key originating departments giving details of outstanding debts

# RECOMMENDATIONS COMPLETE

Audit	Recommendation made with reference to the corresponding Internal Audit report	Priority Level	Manager Responsible	Due Date	Progress to Date
<p>2015 -16 Budgetary Control and Performance Management</p>	<p>1a) at monthly budget meetings, Management Accountants should consider whether the observations this review noted are still occurring and where they are, these should be noted and an action plan put in place to improve the situation</p> <p>1b) It should be re-confirmed to service areas that they are responsible for budget and performance management.</p>	<p>M</p>	<p>Anna Winship, Management Accounting Manager</p>	<p><del>Apr 17</del></p>	<p>1a) Following the restructure which was live from 1st April, work will now take place with service areas to ensure that budget ownership sits within the service areas. The teams are working on the implementation of budget books within Agresso and the training associated with this to ensure cost centre managers are aware of their responsibilities. A culture change will need to be embedded across the organisation. A review of the meeting content will be carried out to ensure that the MAs and SMAs are providing support.</p> <p>1b) The section 151 officer the management accounting manager met with all Heads of service in December 2016 to explain the change of responsibility and the direction of travel of the team. Once the Agresso system has been fully upgraded and the new modules implemented this will be taken to all Heads of Service to ensure their full understanding.</p>

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# RECOMMENDATIONS COMPLETE

Audit	Recommendation made with reference to the corresponding Internal Audit report	Priority Level	Manager Responsible	Original Due Date	Notes on Completion
2015 -16 Financial Year End	<p>3a) Make increased use of estimates for preparation of the financial statements in order to allow them to be produced in a tighter timetable, discussing treatment in advance with external audit.</p> <p>3b) Review the current notes to the financial statements in the context of whether they are materially in line with the Code, including accounting policies, to identify if some notes can be removed and consider whether some notes could be combined.</p>	M	Bill Lewis, Interim Financial Accounting Manager	Mar – 17	3a/b) We verified that discussions are in place and ongoing with External Audit regarding the best use of estimates, the council will be looking to utilise these further in future years therefore we have provided a revised due date of next year March 2018 furthermore where notes can be removed or consolidated they have been executed
2015 – 16 SIGMA systems	1a) The control sheet must be completed and approved by two separate members of the SIGMA team upon any contractual change of rates charged on energy invoices	M	Andrew Sunderland, Energy management officer	<del>Dec – 15</del> <del>Mar – 16</del> <del>Oct – 16</del> <del>Jan – 17</del> Mar - 17	The contract rates for new energy contracts starting 1st October 2016 have now been input into Sigma. Contract rates for water supplies only changed on 1st April 2017 and so are due to be input into Sigma. Approval process to confirm energy contract rates have been correctly entered and have been completed in May 2017
2016 – 17 Benefits Administration	1a) Service Level Agreement – A formal SLA should be drawn up and agreed upon between the managers of the Benefits Team and the Corporate Support Team (CST). The implementation of a formal SLA will ensure expectations are managed more effectively. It is noted by audit that this agreement is currently underway.	M	Laura Bessell, Benefits Manager	<del>Nov – 16</del> <del>Mar – 17</del>	We verified that there have been recent changes made to the standard processes and procedures within the department as a result a Final draft has been checked and the SLA has been review and approved in May 2017

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# RECOMMENDATIONS COMPLETE

Audit	Recommendation made with reference to the corresponding Internal Audit report	Priority Level	Manager Responsible	Original Due Date	Notes on Completion
2016 – 17 Project Management	<p>1c) Review the capital programme and assess whether projects included are actually capital projects.</p> <p>1d) Formalise the policy on PID requirements for externally managed projects involving external parties, where the Council is the lead. However, the Council should consider that PIDs should be prepared for all projects in the capital programme</p>	H	Tim Martin, Business continuity and Disaster Recovery Manager	<del>Apr-17</del>	1c/d) The monitoring report is currently being revised for the forthcoming financial year. The report considers capital expenditure and investment. The report will enable the indication of scheme type e.g. project, feasibility, rolling programme or funding. The report will additionally indicate the current gateway (if applicable) and when the next gateway is due. Document requirements for these schemes are in the gateway process that is available through the intranet.
69 2016 – 17 Project Management	<p>3a) Update the Project Plan to reflect the actual status and progress of the Verto implementation.</p> <p>3b) Training list should be finalised once the new corporate programme structure has been disseminated across the Council</p> <p>3c) Agree with the relevant Board the final date of Verto implementation to prevent incurring cost of having the system online but not use its full benefits.</p>	M	Jan Heath, Business Development and Support Manager	<del>Apr-17</del>	<p>3a) Verto roll-out has been scaled down in accordance with budget. The Project is now complete and closed.</p> <p>3b) A training matrix for users covering 3 training sessions is in operation. The training sessions are: Introduction to Project Management; Gateway Training; and Procurement. This is complete for 2016/17. A new schedule is currently being drawn up for 2017/18 to include refresher training for the Capital Gateway training.</p> <p>3c) The council have concluded that in the longer term, Verto is too expensive to roll out to all users. In order to reduce costs the council have renewed the licence for 20 users (following another look at alternative cheaper options). The majority of manual inputting required to keep information updated is done within the PMO. The project management documentation has been revised to simplify where possible. The council are continuing to review other alternative products as they become available.</p>

# RECOMMENDATIONS INCOMPLETE

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Audit	Recommendation made with reference to the corresponding Internal Audit report	Priority Level	Manager Responsible	Due Date	Progress to Date	Revised Due Date
2016 – 17 Benefits Administration	8) E-forms – An awareness of the need to move to e-forms is already in place within the Council yet more could be done to achieve this. Methods of increasing the number of e-forms received should be analysed. This could be through increasing the number of specific e-forms available, better advertising or through the removal paper applications forms completely as per other Councils identified through the benchmarking exercise	M	Laura Bessel, Benefits Manager	<del>Mar – 17</del>	Work is currently underway with ICT on the uptake of an e-claim. A review of E-Changes has been explored however, the current provider does not have this facility at present. This will be available in this year and we have received costs for this additional service provision. The Benefit Service use of e-forms is part of the ICT service plan for 2017-2018.	Jan - 18
2016 – 17 Benefits Administration	10) Benchmarking Considerations – The findings from the benchmarking exercise (undertaken by audit through discussions with other Councils) in particular regarding visiting the claimant and One Touch Processing, should be reviewed and assessed if it is an area that would improve processes within the Council	M	Laura Bessel, Benefits Manager	<del>Mar – 17</del>	Fundamental Service review is underway and Universal Credit is due for October 2017. Once UC has been fully implemented this recommendation will be considered.	Jan – 18
2016 – 17 Accounts Receivables	3b) On completion of each customer creation form by the originator department the Income officers should seek to review the customer creation form on agrid (as the customer creation form is typically uploaded on agrid and income officers review the form) and confirm that they were completed when the customer was created	M	Service Managers of Originating Departments	<del>Mar – 17</del>	3b) As the Upgrade is delayed to July 17 no developments will be implemented until late 2017. This is due to the current focus on fixing the current programme version so there is a stable platform to upgrade against.	Sept – 17

# RECOMMENDATIONS INCOMPLETE

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Audit	Recommendation made with reference to the corresponding Internal Audit report	Priority Level	Manager Responsible	Due Date	Progress to Date	Revised Due Date
2016 – 17 Accounts Receivables	<p>.2a)The requirement to perform Customer Due Diligence (CCD) checks must be communicated to all relevant staff setting out the consequences to the Council of non-compliance with legislation</p> <p>2c) As part of the Agresso milestone 6 upgrade (due in March 2017) the Council should enforce a parameter whereby, staff are prompted to ensure that CDD checks have been completed and/or considered prior to submission for authorisation.</p>	M	Neil Markham, incomes team leader	Mar—17	<p>2a) When the incomes service area was audited the planned upgrade in March 2017 was earmarked as the best time to reinforce the message of due diligence. As that is delayed two actions have been planned around this recommendation.</p> <ol style="list-style-type: none"> <li>1. An email circulation will be the most efficient remedy in the short term. To be sent in April and aimed at those raising new customers.</li> <li>2. When the upgrade rolls out in July 17 there will be a need to conduct training sessions for all users of self service. Due diligence will be emphasised as part of this programme.</li> </ol> <p>2c) As the Upgrade is delayed to July 17 no developments will be implemented until late 2017. This is due to the current focus on fixing the current programme version so there is a stable platform to upgrade against.</p>	Sept - 17

# RECOMMENDATIONS INCOMPLETE

Audit	Recommendation made with reference to the corresponding Internal Audit report	Priority Level	Manager Responsible	Due Date	Progress to Date	Revised Due Date
2015 -16 Financial Year End Timetable	1c) Trial moving the responsibility for different sections or notes within the financial statements around between staff. This may help to generate fresh approaches and possible efficiencies as well as helping to stop reliance on key individuals by spreading the knowledge within the team. This also helps to provide cover if a member of the team were suddenly unavailable during the close down period.	M	Bill Lewis, Interim Financial Accounting Manager	<del>Mar</del> —17	Due to the restructure within the Management Accounting Team, we have kept activities with those who have previously been responsible, in future years we will look to build resilience and swap these around. Therefore we have provided a revised due date next year March 2018	Mar – 18
2016 – 17 Business Continuity and Disaster Recovery	1a) Senior management must require that all Council services complete a risk assessment and a business impact assessment in order to determine and define their Recovery Time Objectives (RTO) and Recovery Point Objectives (RPO) according to: <ul style="list-style-type: none"> <li>Financial impact on the Council of the loss of a service</li> <li>Reputational impact on the Council of the loss of a service</li> <li>Regulatory impact on the Council of the loss of a service</li> <li>Resources required to recover the service</li> </ul> The outcome of this review should be used to define the priority for the recovery of the Council's services according to: <ul style="list-style-type: none"> <li>Their criticality to the Council and its strategic objectives</li> <li>The maximum possible time that the Council can operate without providing the service.</li> </ul> All business continuity plans should be reviewed and, where necessary, updated so that they reflect the corporate prioritisation and that resources are adequately allocated to recover the Council's critical services. Furthermore, senior management should review the criticality of its services on an annual basis or following a significant change to its structure.	H	Nigel Kennedy, Section 151 Officer	<del>Apr</del> —17	A full review of the Councils service BCPs and corporate BCP is being undertaken with the assistance of Zurich, the Councils insurance and risk advisors. This started with a workshop with Heads of Service on 23rd May and will finish with a test of the plans in September.	Sept - 17

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# RECOMMENDATIONS INCOMPLETE

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Audit	Recommendation made with reference to the corresponding Internal Audit report	Priority Level	Manager Responsible	Due Date	Progress to Date	Revised Due Date
2016 – 17 Business Continuity and Disaster Recovery	<p>2a) Senior Management must undertake a review of the Council's business continuity plans, including its Corporate Business Continuity plan, and, where necessary:</p> <ul style="list-style-type: none"> <li>• Revise existing plans so that they are aligned to the Council's corporate structure</li> <li>• Business continuity plans are defined for the Council's services that are found not to have existing plans.</li> <li>• Senior management must require all continuity plans include a record of all information necessary to continue the Council's services in the event of an incident, including but not limited to: <ul style="list-style-type: none"> <li>• The provision or acquisition of IT hardware</li> <li>• The Recovery Time Objective for critical IT services</li> <li>• Complete and up to date contact lists.</li> </ul> </li> <li>• Senior management should consider the establishment of a Business Continuity Policy that defines the Council's requirements for continuity planning. Furthermore, senior management must make appropriate arrangements for accessing business continuity plans in the event of an incident.</li> </ul>	H	Nigel Kennedy, Section 151 Officer	<del>Apr - 17</del>	A full review of the Councils service BCPs and corporate BCP is being undertaken with the assistance of Zurich, the Councils insurance and risk advisors. This started with a workshop with all Heads of Service on 23rd May and will finish with a test of the plans in September.	Sept - 17
2016 – 17 Business Continuity and Disaster Recovery	<p>3) Management should establish a business continuity management system that provides oversight of the status of the Council's business continuity and disaster recovery arrangements, including but not limited to:</p> <ul style="list-style-type: none"> <li>• Last recorded review date for each plan</li> <li>• Last recorded test date for each plan</li> <li>• Status of each plan, including where plans are incomplete</li> <li>• Status of third party plans.</li> </ul>	H	Nigel Kennedy, Section 151 Officer	<del>Mar - 17</del>	As part of the review, update and testing of all the plans a process will be in place to ensure that copies of the BCPs are kept centrally with version control	Sept – 17

# RECOMMENDATIONS INCOMPLETE

Audit	Recommendation made with corresponding Internal Audit report	Priority Level	Manager Responsible	Due Date	Progress to Date	Revised Due Date
<p>2016 – 17 Business Continuity and Disaster Recovery</p>	<p>4a) Senior management must require that all Council services complete a risk assessment and a business impact assessment in order to determine and define their Recovery Time Objectives (RTO) and Recovery Point Objectives (RPO) according to:</p> <ul style="list-style-type: none"> <li>Financial impact on the Council of the loss of a service</li> <li>Reputational impact on the Council of the loss of a service</li> <li>Regulatory impact on the Council of the loss of a service</li> <li>Resources required to recover the service</li> </ul> <p>The outcome of this review should be used to define the priority for the recovery of the Council's services according to:</p> <ul style="list-style-type: none"> <li>Their criticality to the Council and its strategic objectives</li> <li>The maximum possible time that the Council can operate without providing the service.</li> </ul> <p>All business continuity plans should be reviewed and, where necessary, updated so that they reflect the corporate prioritisation and that resource are adequately allocated to recover the Council's critical services. Furthermore, senior management should review the criticality of its services on an annual basis or following a significant change to its structure.</p>	<p><b>H</b></p>	<p>Nigel Kennedy, Section 151 Officer</p>	<p>Mar – 17</p>	<p>A full review of the Councils service BCPs and corporate BCP is being undertaken with the assistance of Zurich, the Councils insurance and risk advisors. This started with a workshop with all Heads of Service on 23rd May and will finish with a test of the plans in September.</p>	<p>Sept – 17</p>

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# RECOMMENDATIONS INCOMPLETE

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Audit	Recommendation made with reference to the corresponding Internal Audit report	Priority Level	Manager Responsible	Due Date	Progress to Date	Revised Due Date
2016 - 17 ICT Service Desk	<p>1) In order to achieve the expected maturity level, Management should:</p> <ul style="list-style-type: none"> <li>Define the expectations, objectives and scope of the Service Desk in line with the requirements of the Council.</li> <li>Define the services provided by the Service Desk to the Council and document the processes associated with the delivery of these services</li> <li>Define the relationship between the Service Desk and the operational areas of the Council's ICT Service.</li> <li>Define the responsibilities and the relationship between the Council's Service Desk and Application Development functions.</li> </ul> <p>Management should consider the implementation of a defined service level agreement (SLA) between ICT and the Council.</p>	<b>M</b>	Vic Frewin, IT Manager	<del>Sept-16</del> <del>Jan-16</del> <del>Apr-16</del>	<p>The role of the service desk has now been structured into the Service Delivery Team (Help-desk and End User Support) and the Infrastructure and Operations Team (Data-Centre, Networks, Telephony, Endpoint Development). The existing ICT strategy is being revisited as a consequence of lessons learned post transition of services from County ICT, and into a series of Managed Service Provider relationships. ICT is implementing the entire ICT function, in line with the ITIL V3 framework, including the Applications Development and Support team.</p> <p>ICT is currently engaging with customers to agree a revised SLA The SLA is due to be launched by July 2017</p>	Sept – 17

# RECOMMENDATIONS INCOMPLETE

Audit	Recommendation made with pending Internal Audit report	Priority Level	Manager Responsible	Due Date	Progress to Date	Revised Due Date
2016 - 17 ICT Service Desk	<p>2) In order to achieve the expected maturity level, Management should:</p> <ul style="list-style-type: none"> <li>Establish and agree with the Council a set of defined metrics and key performance indicators in order to monitor and assess the performance of the Service Desk</li> <li>Define the operational requirements for achieving the defined metrics and implement a procedure to monitor and report on performance issues as they are encountered</li> </ul> <p>Furthermore, Management should establish a defined communications strategy, which includes but is not limited to:</p>	M	Vic Frewin, IT Manager	<del>Oct-16</del> <del>Jan-16</del> <del>Apr-16</del>	Internal audit verified the metrics on incidents, service requests and availability however the Council is currently implementing the Service Desk function in line with ITIL framework. ICT is currently liaising with Customers to agree a revised SLA and this has not been finalised the SLA will be published by the end of June 2017	Sept – 17

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# RECOMMENDATIONS INCOMPLETE

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Audit	Recommendation made with pending Internal Audit report	Priority Level	Manager Responsible	Due Date	Progress to Date	Revised Due Date
2016 -17 ICT Service Desk	<p>3) In order to achieve the expected maturity level, Management should define the services that are provided by the Service Desk. This should include, but not be limited to:</p> <ul style="list-style-type: none"> <li>• The purpose and objective of the service</li> <li>• The processes and sub-processes necessary to deliver the service</li> <li>• The procedure for monitoring the service provided to the Council and the efficacy of the processes that support it.</li> </ul> <p>Furthermore, Management should review and, where necessary, change the access management process so that:</p> <ul style="list-style-type: none"> <li>• Requests for access are approved by the user's line manager and that a record of this approval is maintained</li> <li>• Access rights are determined and allocated according to the user's job role</li> <li>• User access is reviewed on a routine basis.</li> </ul>	M	Vic Frewin, IT Manager	<del>Dec-16</del> <del>Apr-17</del>	<p>Performance against SLA will be monitored using the ITSM V-fire software The Council has employed a specialist to review all Active Directory accounts removing unused or disabled account and assessing the groups and permissions for all administrative users and general users. This includes review of all group policy and removal of historical issues.</p> <p>Controls to determine user access are being implemented. Any user that has not logged in within 60 days (excluding service accounts) will be automatically disabled. Additionally ICT receive a monthly leavers report from HR for staff exiting the Council and the Service Desk will apply a disable date to these accounts.</p> <p>Workflow is being rolled out to automate the approval process from appropriate managers so no account is created without prior authority.</p>	Sept – 17


# RECOMMENDATIONS INCOMPLETE


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Audit	Recommendation made with pending Internal Audit report	Priority Level	Manager Responsible	Due Date	Progress to Date	Revised Due Date
<p>2016 - 17 ICT Service Desk</p>	<p>5) In order to achieve the expected maturity level, Management should, for each IT operational area, define:</p> <ul style="list-style-type: none"> <li>• The responsibility, scope and objective for the area</li> <li>• The relationship and interaction between each area</li> <li>• The procedure for monitoring the performance of each area individually and the ICT service as a whole.</li> </ul> <p>Furthermore, Management should review and, where necessary, revise the Service Desk roles and responsibilities so that they are aligned with the services that are provided to the Council.</p>	<p><b>M</b></p>	<p>Vic Frewin, IT Manager</p>	<p><del>Oct-16</del> <del>Jan-16</del> <del>Apr-16</del></p>	<p>The Councils ICT Service is in the process of a restructure and the definition and roles and responsibilities will be clearly defined as part of this process. The existing ICT strategy is being reviewed.</p> <p>The Council is also implementing a new ICT User Group based on the previous Process Blockers groups that came out of a Management Training Programme</p> <p>ICT are using ITSM Software V-fire that will allow for time to be allocated on calls requests and tasks. Reports can be produced on the number of calls an ICT agent is working on or completing and the time allocated to completing the work. This will allow greater understanding of time spent on calls and allow for both performance monitoring and resource planning.</p> <p>The system also allows for reporting on call closure and escalation against SLA targets.</p>	<p>Sept - 17</p>

# RECOMMENDATIONS REMOVED

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Audit	Recommendation made with reference to the corresponding Internal Audit report	Priority Level	Manager Responsible	Due Date	Reason for change of priority level from High to Low or Removal
<p>2015 -16 Financial Year – end Timetable</p>	<p>1a) Put in place a formal written policy covering the year - end financial statement closedown setting out expectations of staff and the Council including additional hours expected to be worked and any rewards for this (such as time off in lieu).</p> <p>1b) As part of setting expectations a formal expected deadline for response to audit queries should be introduced. Although variances from this may be negotiated for particularly large queries this ensures that all audit requests are dealt with promptly.</p>	<p>M L</p> 	<p>Anna Winship, Management Accounting Manager</p>	<p>Mar - 17</p>	<p>1a) This has not been put as a formal process, but informally the timetable has been circulated and the importance of deadlines has been reiterated. Any leave requests have only been approved if the deadlines have been met the council will not be implementing a formal policy therefore this recommendation has been removed from the recommendations tracker</p> <p>1b) Whilst a formal communication has not been sent out, all officers are aware of the set timetable and how important achieving each of the deadlines is. Any leave requests were considered in line with deadline on the timetable. This recommendation has been addressed informally and the council will not be implementing a formal deadline therefore this recommendation has been removed from the recommendation tracker.</p>
<p>2016 -17 Empty and Void Properties</p>	<p>The Tenancy Management Team should agree a protocol with the Voids Team which sets out how keys will be given to/collected by the Voids Team no later than the following working day after receipt of the keys. The protocol should then be followed and its effectiveness monitored.</p>	<p>REMOVED</p>	<p>Ann Phillips, Tenancy Manager</p>	<p><del>Nov - 16</del> Mar - 17</p>	<p>This action is now N/A. The process for key handling was redesigned completely. The contact centre staff now e-mail both the voids team and tenancy management immediately when keys are returned. The void team then collects keys direct from customer service centres within 24 hours and fit a key safe onto the property. Records of keys returned and collected are recorded.</p>



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# Oxford City Council

## INTERNAL AUDIT REPORT

Cyber Crime

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May 2017

LEVEL OF ASSURANCE	
Design	Operational Effectiveness
Moderate	Limited



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REPORT STATUS	
Auditors:	David Harvey, IT Audit Manager
Dates work performed:	April 2017
Draft report issued:	April 2017
Final report issued:	May 2017

DISTRIBUTION LIST	
Jackie Yates	Executive Director for Organisational Development and Communication
Nigel Kennedy	Section 151 Officer
Helen Bishop	Head of Business Development
Vic Frewin	Head of ICT
Michael Ngero	Information Governance Manager

## Restrictions of use

The matters raised in this report are only those which came to our attention during the course of our audit and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. The report has been prepared solely for the management of the organisation and should not be quoted in whole or in part without our prior written consent. BDO LLP neither owes nor accepts any duty to any third party whether in contract or in tort and shall not be liable, in respect of any loss, damage or expense which is caused by their reliance on this report.

# EXECUTIVE SUMMARY

CLIENT STRATEGIC RISKS			SUMMARY OF RECOMMENDATIONS (SEE APPENDIX II FOR DEFINITIONS)	
Risk	The Council's services are disrupted as a result of a cyber security incident.		High	1
LEVEL OF ASSURANCE (SEE APPENDIX II FOR DEFINITIONS)			Medium	6
Design	Moderate	Generally a sound system of internal control designed to achieve system objectives with some exceptions.	Low	1
Effectiveness	Limited	Non-compliance with key procedures and controls places the system objectives at risk.	Total number of recommendations: 8	

## OVERVIEW

The purpose of our review was to appraise the design and effectiveness of the Council's procedures for identifying and protecting its information assets from a cyber security attack and for managing its cyber security risks on an ongoing basis. Vulnerabilities in the technology that is used to process personal information, and in the associated processes, can be exploited by an attacker, compromising the Council's information assets and causing significant financial and reputational damage. The Council's IT infrastructure is provided and managed by SCC, whilst the ICT department is responsible for the management of endpoint devices such as laptops.

The following areas of good practice were identified:

- ICT routinely provide members of staff with updates regarding data protection, information security and cyber security
- Responsibility for information and cyber security management has been assigned to a named member of staff
- The IT network diagram records the network perimeter security controls that have been deployed.

However, we identified the following areas of improvement:

- Operating system patches have not been applied to the Council's endpoint devices such as desktop and laptop computers. This has now been resolved (Finding 1 - High)
- The Information Security policy does not include all relevant information and is not reflective of existing arrangements (Finding 2 - Medium)
- The Information Asset Register was found to be incomplete (Finding 3 - Medium)
- Members of staff are not provided with adequate information and cyber security training (Finding 4 - Medium)
- SCC has not provided the Council with sufficient assurances as to the efficacy of its network perimeter security controls. The Council has now initiated conversations with SCC on this matter (Finding 5- Medium)
- The Council does not have the ability to review the configuration and operation of its firewall ruleset. As per finding five, the Council has now initiated conversations with SCC on this matter (Finding 6 - Medium)
- A disproportionately high number of members of staff have been granted domain administrator permissions. The Council has commenced a review of domain administrator rights and has asked SCC to clarify the need for these accounts going forward. (Finding 7 - Medium)

# EXECUTIVE SUMMARY

## OVERVIEW (cont.)

ICT, in conjunction with SCC, have taken appropriate action to design appropriate controls to protect the Council's information assets from a cyber-attack. However, weaknesses were identified in the operational efficacy of these controls that, if exploited, could result in a breach occurring. Consequently, we conclude moderate assurance as to the design of the controls and limited assurance as to the effectiveness.

# DETAILED RECOMMENDATIONS

RISK: Network security controls are not reviewed on a routine basis			
Ref.	Finding	Sig.	Recommendation
1	<p>The ICT department are responsible for the review, testing and deployment of operating system patches for the Council's endpoint devices, such as desktop and laptop computers.</p> <p>We found that operating system patches have not been deployed to endpoint devices following the transition of IT services from Oxfordshire County Council in April 2016. Whilst a patching schedule is being developed, this has not been implemented.</p> <p>Furthermore, there is not a standard operating procedure in place for applying operating system patches following their release by the developer.</p> <p>Not applying operating system patches as and when they are released by the developer increases the risk of vulnerabilities being exploited in order to gain unauthorised access to the IT network.</p>	High	<p>Management must establish a standard operating procedure for applying operating system patches to the Council's endpoint devices as and when they are released by the Developer.</p> <p>The patching status of the Council's IT estate should be reviewed on a routine basis.</p>
MANAGEMENT RESPONSE			RESPONSIBILITY AND IMPLEMENTATION DATE
<p>Agreed - This has now been addressed and a patch management process is now in place. The Microsoft release for April has been applied to the Council's IT estate.</p>			<p><b>Responsible Officer:</b> Vic Frewin, Interim CTO  <b>Implementation Date:</b> Closed</p>

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# DETAILED RECOMMENDATIONS

RISK: Threats to the Council are not adequately identified nor are there procedures in place to prevent vulnerabilities being exploited			
Ref.	Finding	Sig.	Recommendation
2	<p>The Council's Information Security policy has not been reviewed since it was issued in November 2014. We found that the Policy is not reflective of existing ways of working within the Council and does not include:</p> <ul style="list-style-type: none"> <li>• The responsibilities of stakeholders across the Council with regards to information security, including information asset owners</li> <li>• The relationship and arrangements that exist between the Council and its IT provider, SCC</li> <li>• The Council's procedures for classifying information in line with the Government Security Classification policy</li> <li>• The Council's acceptable use standards</li> <li>• The actions to be taken by ICT and SCC when responding to an information security incident.</li> </ul> <p>Not reviewing the Information Security policy on a routine basis increases the risk of the policy being incomplete and inaccurate.</p>	Med	<p>Management should review and, where necessary, revise the Council's Information Security policy so that it is reflective of existing ways of working. The policy should include, but not be limited to:</p> <ul style="list-style-type: none"> <li>• The responsibilities of all stakeholders with regards to information security, including information asset owners</li> <li>• The roles, responsibilities and arrangements that exist between the Council and SCC</li> <li>• The procedure for classifying information assets</li> <li>• The Council's acceptable use standards</li> <li>• The actions to be taken by all parties following the identification of an information security incident.</li> </ul>
MANAGEMENT RESPONSE			RESPONSIBILITY AND IMPLEMENTATION DATE
Agreed - The policy will be reviewed and updated.			<p><b>Responsible Officer:</b> Vic Frewin, Interim CTO  <b>Implementation Date:</b> October 2017</p>

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# DETAILED RECOMMENDATIONS

RISK: There are inadequate procedures in place to classify and secure the Council's information security assets			
Ref.	Finding	Sig.	Recommendation
3	<p>It was observed during our fieldwork that the Council's Information Asset Register was in draft pending approval from Senior Management and the identified Information Asset Owners. Our review of the draft Information Asset Register found that:</p> <ul style="list-style-type: none"> <li>• It does not record the security controls that have been applied to each information asset</li> <li>• The at-rest location for each information asset has not been recorded</li> <li>• The classifications applied to each information asset are not consistent with the Government Security Classification Standard</li> <li>• There are a number of information assets that have incomplete entries.</li> </ul> <p>The absence of a defined information asset register increases the risk of a breach as a result of insufficient or inadequate security controls.</p>	Med	<p>The Council's draft Information Asset Register should be updated to include:</p> <ul style="list-style-type: none"> <li>• The security controls that have been applied to secure each information asset</li> <li>• The at-rest location of each information asset</li> <li>• The classification applied to each information asset, in line with the Council's and the Government's Security Classification standards.</li> </ul> <p>All required information should be recorded for each information asset.</p> <p>The Information Asset Register should be reviewed and approved by Senior Management and then communicated to all relevant stakeholders.</p>
MANAGEMENT RESPONSE		RESPONSIBILITY AND IMPLEMENTATION DATE	
Agreed - The Information Asset Register will be completed and submitted for approval.		<p><b>Responsible Officer:</b> Vic Frewin, Interim CTO</p> <p><b>Implementation Date:</b> October 2017</p>	

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# DETAILED RECOMMENDATIONS

RISK: Threats to the Council are not adequately identified nor are there procedures in place to prevent vulnerabilities being exploited			
Ref.	Finding	Sig.	Recommendation
4	<p>All members of staff are required to complete a data protection e-learning course upon joining the Council. We found that whilst the course does reference information security it does not include:</p> <ul style="list-style-type: none"> <li>• Guidance on how members of staff can prevent an incident from occurring such as phishing attacks or spoof emails</li> <li>• The actions that should be taken when an information security breach occurs.</li> </ul> <p>The absence of appropriate information security training increases the risk of a breach occurring as a result of the actions of a member of staff.</p>	Med	<p>The training that is provided to all members of staff should be reviewed and updated so that it makes specific reference to information and cyber security issues. This should include, but not be limited to:</p> <ul style="list-style-type: none"> <li>• How to prevent an incident from occurring, such as not responding to emails from unknown or untrusted sources</li> <li>• The actions to be taken when a breach is detected.</li> </ul>
MANAGEMENT RESPONSE			RESPONSIBILITY AND IMPLEMENTATION DATE
Agreed - the provision for training will be reviewed.			<p><i>Responsible Officer:</i> Vic Frewin, Interim CTO  <i>Implementation Date:</i> October 2017</p>





# DETAILED RECOMMENDATIONS

RISK: Network security controls are not reviewed on a routine basis			
Ref.	Finding	Sig.	Recommendation
5	<p>It was observed during our fieldwork that the SCC has provided the Council with assurance that its operations are compliant with the requirements of the Public Services Network (PSN) and ISO27001.</p> <p>However, these are point in time assessments and the Council is not provided with evidence to demonstrate that network perimeter security controls are reviewed on a routine basis and are operating effectively.</p> <p>Not providing the Council with assurance that SCC are performing network perimeter security controls on a routine basis increases the risk of vulnerabilities being exploited in order to gain access to the Council's IT network.</p>	Med	<p>Management should request that SCC provide routine reporting regarding the efficacy of its network perimeter security controls. This should include, but not be limited to:</p> <ul style="list-style-type: none"> <li>• The number of information or cyber security incidents encountered and the actions taken by SCC to resolve them</li> <li>• The devices that have or have attempted to connect to the Council's IT network</li> <li>• Unusual or suspicious activity that has been detected and requires further investigation.</li> </ul>
MANAGEMENT RESPONSE			RESPONSIBILITY AND IMPLEMENTATION DATE
Agreed - This will be discussed within the Council and raised with SCC			<p><b>Responsible Officer:</b> Vic Frewin, Interim CTO</p> <p><b>Implementation Date:</b> August 2017</p>

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# DETAILED RECOMMENDATIONS

RISK:			
Ref.	Finding	Sig.	Recommendation
6	<p>The Council’s internal and external firewalls are managed by SCC. It was observed during our fieldwork that SCC has restricted the Council’s ability to review the configuration of its firewall ruleset.</p> <p>Whilst the Council’s ICT department has been provided a .txt file that includes the firewall ruleset, it will require significant effort to be expended to translate it into a legible format and will not allow the traffic to be monitored in real-time.</p> <p>Furthermore, the firewall ruleset was migrated to SCC as part of the transition from Oxford County Council and has not been reviewed after the initial transition to determine whether it remains appropriate.</p> <p>Not reviewing the firewall ruleset on a routine basis increases the risk of unnecessary or inappropriate rules being exploited to gain unauthorised access to the Council’s IT network.</p>	Med	<p>With the assistance of SCC, the Council’s firewalls should be reviewed and, where necessary, inappropriate or unnecessary rules should be removed.</p> <p>Furthermore, management should put in place a standard operating procedure for reviewing the Council’s firewall rules on a routine basis. Where necessary, relevant information must be provided by SCC to support these reviews.</p>
MANAGEMENT RESPONSE			RESPONSIBILITY AND IMPLEMENTATION DATE
Agreed - This will be discussed and raised with SCC.			<p><b>Responsible Officer:</b> Vic Frewin, Interim CTO</p> <p><b>Implementation Date:</b> August 2017</p>

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# DETAILED RECOMMENDATIONS

RISK:			
Ref.	Finding	Sig.	Recommendation
7	<p>It was observed during our fieldwork that there is a disproportionately high number of user accounts that have been granted domain administrator permissions. We found that, at the time of the review, there were 84 accounts that had domain administrator permissions</p> <p>Accounts that are domain administrators have the ability to control all devices within a domain, which includes servers and computers.</p> <p>Not restricting the number of users with elevated permissions increases the risk of users gaining unauthorised access.</p>	Med	<p>Management should review and, where necessary, restrict the number of users that have been granted domain administrator access to approved users only. A record of authorised accounts should be maintained and reviewed on a routine basis.</p> <p>Furthermore, there should be a standard operating procedure in place for requesting and approving the granting of domain administrator permissions.</p>
MANAGEMENT RESPONSE			RESPONSIBILITY AND IMPLEMENTATION DATE
<p>Agreed - A review has been carried out and 40 accounts have been closed. The Council have written to SCC to clarify the purpose for their domain administrator accounts.</p>			<p><b>Responsible Officer:</b> Vic Frewin, Interim CTO  <b>Implementation Date:</b> September 2017</p>

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# DETAILED RECOMMENDATIONS

RISK:			
Ref.	Finding	Sig.	Recommendation
8	<p>It was observed during our fieldwork that the Council does not have a defined Board or Group in place to allow for information and cyber security issues to be raised with Senior Management on a routine basis.</p> <p>The absence of an information governance or security group increases the risk that members of staff, including senior management, are not made aware of information and cyber security issues.</p>	Low	Management should establish an information governance group, which includes stakeholders from the Council's senior management, to review information and cyber security issues on a routine basis.
MANAGEMENT RESPONSE			RESPONSIBILITY AND IMPLEMENTATION DATE
Agreed The Council will determine an appropriate forum for this issue to be discussed.			<p><i>Responsible Officer:</i> Vic Frewin, Interim CTO</p> <p><i>Implementation Date:</i> October 2017</p>

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# APPENDIX I - STAFF INTERVIEWED

BDO LLP appreciates the time provided by all the individuals involved in this review and would like to thank them for their assistance and cooperation.

NAME	JOB TITLE
Vic Frewin	Head of ICT
Michael Ngero	Information Governance Manager
Jon Petre	ICT Operations Manager
John Galbraith	Network Lead

# APPENDIX II - DEFINITIONS

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LEVEL OF ASSURANCE	DESIGN of internal control framework		OPERATIONAL EFFECTIVENESS of internal controls	
	Findings from review	Design Opinion	Findings from review	Effectiveness Opinion
Substantial	Appropriate procedures and controls in place to mitigate the key risks.	There is a sound system of internal control designed to achieve system objectives.	No, or only minor, exceptions found in testing of the procedures and controls.	The controls that are in place are being consistently applied.
Moderate	In the main there are appropriate procedures and controls in place to mitigate the key risks reviewed albeit with some that are not fully effective.	Generally a sound system of internal control designed to achieve system objectives with some exceptions.	A small number of exceptions found in testing of the procedures and controls.	Evidence of non compliance with some controls, that may put some of the system objectives at risk.
Limited	A number of significant gaps identified in the procedures and controls in key areas. Where practical, efforts should be made to address in-year.	System of internal controls is weakened with system objectives at risk of not being achieved.	A number of reoccurring exceptions found in testing of the procedures and controls. Where practical, efforts should be made to address in-year.	Non-compliance with key procedures and controls places the system objectives at risk.
No	For all risk areas there are significant gaps in the procedures and controls. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Poor system of internal control.	Due to absence of effective controls and procedures, no reliance can be placed on their operation. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Non compliance and/or compliance with inadequate controls.

Recommendation Significance	
High	A weakness where there is substantial risk of loss, fraud, impropriety, poor value for money, or failure to achieve organisational objectives. Such risk could lead to an adverse impact on the business. Remedial action must be taken urgently.
Medium	A weakness in control which, although not fundamental, relates to shortcomings which expose individual business systems to a less immediate level of threatening risk or poor value for money. Such a risk could impact on operational objectives and should be of concern to senior management and requires prompt specific action.
Low	Areas that individually have no significant impact, but where management would benefit from improved controls and/or have the opportunity to achieve greater effectiveness and/or efficiency.

# APPENDIX III - TERMS OF REFERENCE

## BACKGROUND



The drive to improve the efficacy and efficiency of the Council's services has resulted in the increased use of IT systems to collect, process and store personal and sensitive information. The vulnerabilities that exist in these IT systems, as well as the infrastructure that supports them, combined with a perceived lack of awareness regarding security issues has led to criminals targeting local authorities. An attack can be launched from any where in the world and can be instigated at the behest of a criminal, a politician or a disgruntled employee. As recent examples across the public sector have demonstrated, the impact of a cyber attack can have a significant financial and reputational impact.

## PURPOSE OF REVIEW



This audit will appraise the design and effectiveness of the Council's procedures for identifying and protecting its information assets, and managing its cyber security risks on an ongoing basis. Our work is designed to provide an assessment of the information security and cyber crime prevention arrangements but cannot provide absolute assurance that the Council would withstand an attack on its systems

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## SCOPE OF REVIEW



This review will consider the following areas of scope:

- The Council has identified and assessed its information assets
- Security threats to the Council have been identified, assessed and action has been taken to prevent known vulnerabilities from being exploited
- Members of staff are provided with adequate training and awareness
- Appropriate network security controls have been deployed and are operational
- Access to privileged network accounts has been restricted
- There are defined incident and post-incident management arrangements in place.

## EXCLUSIONS



Our work will be restricted to the areas of consideration within our scope of the review and all testing will be on a sample basis only.

## APPROACH



Our approach will be to conduct interviews to establish the controls in operation for each of our areas of audit work. We will then seek documentary evidence that these controls are designed as described and will evaluate whether they adequately address the risks. As part of this audit we will require evidence from the Council's third party IT provider SCC.

# APPENDIX III - TERMS OF REFERENCE

## KEY RISKS

Based upon the risk assessment undertaken during the development of the internal audit operational plan, through discussions with management, and our collective audit knowledge and understanding the key risks associated with the area under review are:

- There are inadequate procedures in place to classify and secure the Council's information security assets
- Threats to the Council are not adequately identified nor are there procedures in place to prevent vulnerabilities being exploited
- Critical services provided by the Council could be disrupted in the event of a cyber attack
- Network security controls are not reviewed on a routine basis
- The Council's reputation could be negatively impacted following a successful cyber security attack.

## DOCUMENTATION REQUEST

Please could appropriate members of staff complete the self-assessment form provided and return it to us ahead of the scheduled start date of the audit.

Any documents provided will assist the timely completion of our fieldwork, however we may need to request further documentation and evidence as we progress through the review process.



# APPENDIX III - TERMS OF REFERENCE

## TIMETABLE


Audit Stage	Date
Commence fieldwork	17 April 2017
Number of audit days planned	14
Planned date for closing meeting	1 May 2017
Planned date for issue of the draft report	5 May 2017
Planned date for receipt of management responses	19 May 2017
Planned date for issue of proposed final report	22 May 2017
Planned Audit Committee date for presentation of report	TBC


## KEY CONTACTS

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David Harvey	Internal Audit Assistant Manager	t: 07583 179 755   e: david.harvey@bdo.co.uk
Oxford City Council		
Helen Bishop	Head of Business Development	
Vic Frewin	Head of ICT	
Nigel Kennedy	Section 151 Officer	
Jackie Yates	Executive Director for Organisational Development and Communication	

## SIGN OFF


On behalf of BDO LLP:		On behalf of Oxford City Council:	
Signature:		Signature:	NIGEL KENNEDY
Title:	HEAD OF INTERNAL AUDIT	Title:	SECTION 151 OFFICER
Date:	17 March 2017	Date:	



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To: Audit and Governance Committee

Date: 28 June 2017

Report of: Head of Planning, Sustainable Development and  
Regulatory Services

Title of Report: Building Control Service

## Summary and Recommendations

Purpose of report: This is a report from the Head of Service on the commercial activities of the Building Control Service and the current position with regard to the financial position and performance of the service.

Key decision: No

Executive lead member: Cllr Alex Hollingsworth

Policy Framework: Efficient and Effective Council

Recommendations: Members are recommended to note the contents of the report and to request an update in 12 months when it is anticipated that the proposed service improvements will have been implemented.

## Introduction

1. Building Control (BC) is the process by which the Building Regulations as set down by the Department for Communities and Local Government are enforced. They are a set of standards for the design and construction of buildings primarily established to ensure the safety of those people who use the buildings through regulations for fire, electrical and structural safety.
2. Historically the Local Authority performed this function exclusively, but since 1997 the private sector through registered individuals and companies has competed with the public sector for fee-earning work. These private sector companies and individuals are known as Approved Inspectors (AIs).
3. This competition has resulted in Local Authority Building Control (LABC) services being more focussed on the need for efficient service delivery and excellent customer service in order to be able to compete for fee earning work.

## The current service

4. The work of the Building Control service is split between statutory functions which are non-fee earning and the fee earning work regarding plan checking and ensuring compliance with Building Regulations. Non-fee earning work includes dealing with dangerous structures, inspecting disabled persons adaptations, demolitions, unauthorised building work, enforcement and the administration of Approved Inspector legislation. Currently the estimated split between fee and non-fee earning work used for budget purposes is 75/25 which is in line with many local authority Building Control Services.

5. The current structure of the Team is given below:

Post	Hours	Grade
Team Leader	37.00	9
Senior Building Control Officer	37.00	8
Senior Building Control Officer	37.00	8
Senior/Building Control Officer (Career Grade)	37.00	7/8
Senior/Building Control Officer (Career Grade)	37.00	7/8
Senior/Building Control Officer (Career Grade)	37.00	7/8
Senior/Building Control Officer (Career Grade)	37.00	7/8
Apprentice	37.00	AG

## Market share

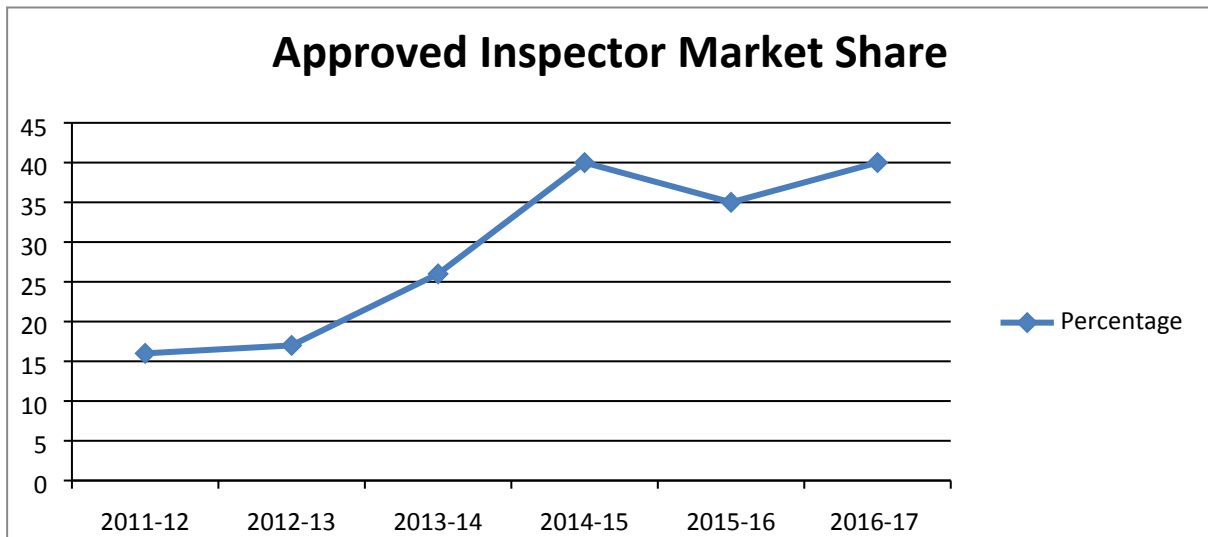
6. Over the last five years there has been a change in the work that AIs undertake away from mostly commercial/residential developments towards the domestic market, including some quite minor works. There is now considerable competition for domestic extensions, loft conversions and conversions to dwellings, work which was traditionally carried out by the Local Authority.

7. An AI submits an initial notice to the Council when they have been appointed to inspect the work so it is possible to analyse their market share. The numbers of initial notices deposited from 2011 to 2016 by AIs more than doubled.

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
Applications	1221	1183	1130	900	957	871
Initial Notices	231	248	405	603	521	576
Total	1452	1431	1535	1503	1478	1447
Council Market Share	84	83	74	60	65	60

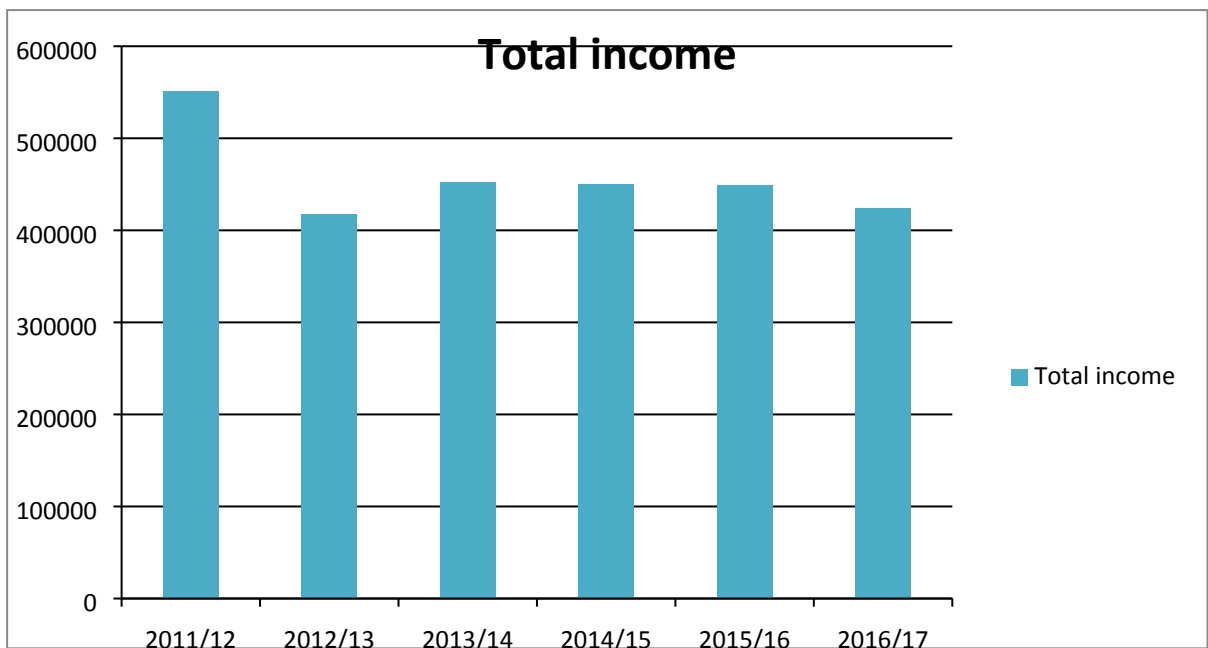
8. There was a decline in market share for the Council from 2012 with the AI market share peaking at 40% in 2014/15. The decline in the Council's market share in 2014/15 occurred at the same time as the Building Control Team Leader and a Senior Building Control Surveyor left the Council to work as AIs.

9. The AIs rise in market share has stabilised since 2014/15 with their market share at 40% and the Council's market share at 60%.

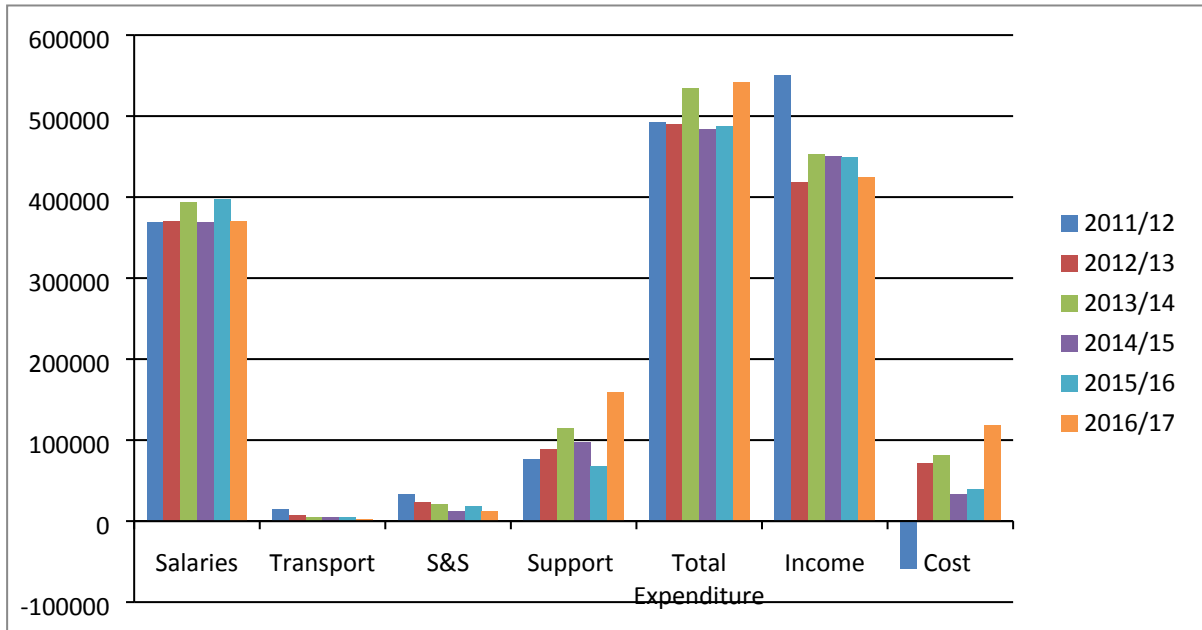


10. It is difficult to obtain accurate data on local authority building control services including figures such as market share to be able to compare Oxford with other Councils. This is because it is a commercial market and there are no statutory returns to the government for the service. However, research and feedback from LABC and other councils indicates that the exposure to competition has facilitated a growth in other service providers across the country.

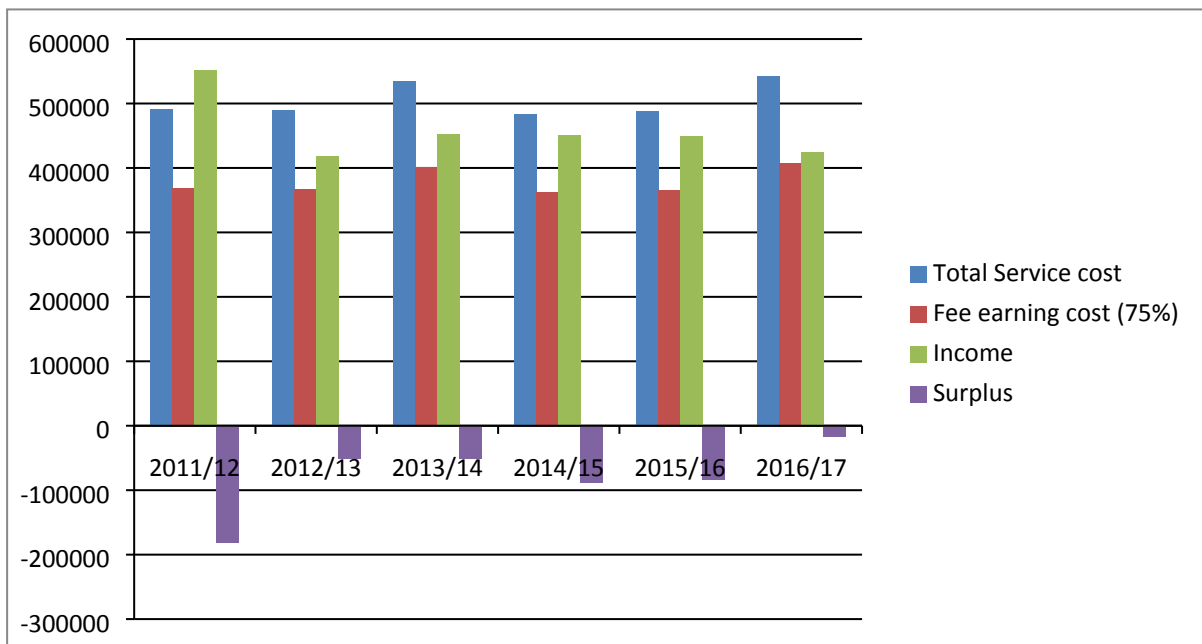
11. The total Income declined in 2012/13 but has since remained relatively constant over the last three years. However, fees from the Westgate development accounted for 17% of the total in 2014/15, 18% in 2015/16 and 19% in 2016/17. As the Westgate centre will be completed in October 2017 it will be a significant challenge to make up additional income of £80k p.a.



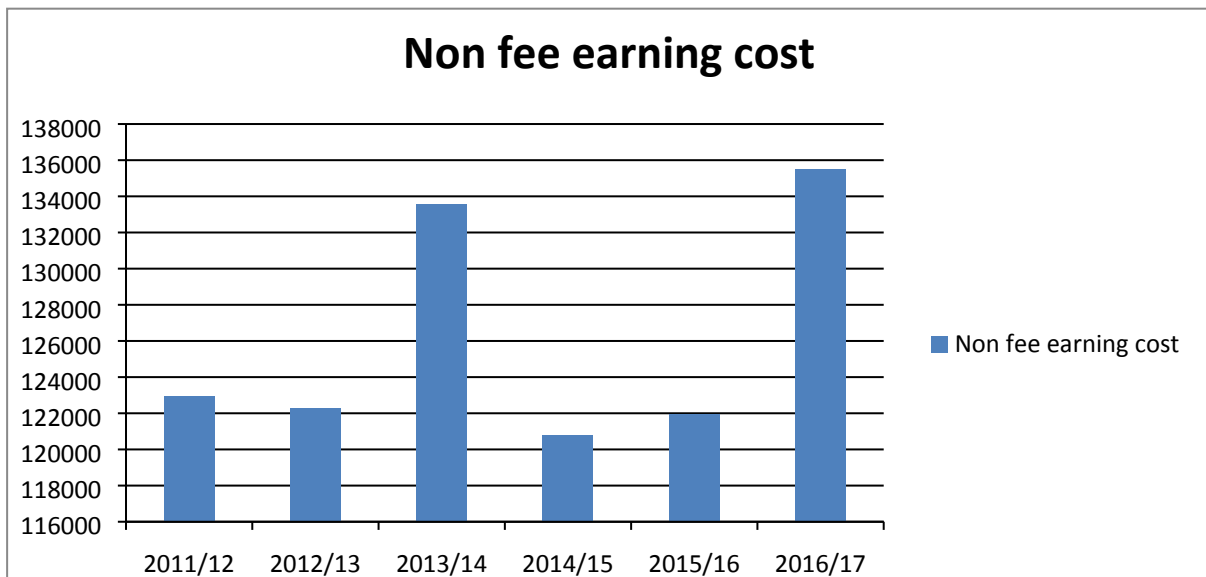
12. The total costs and income of the service have remained relatively stable since 2011/12 when income was particularly high due to a higher number of larger jobs.



13. When the costs and income are apportioned into fee earning and non-fee earning accounts on the basis of the estimated 75:25 split, it can be seen that the commercial fee earning part of the service remains viable. This part of the service is also making a significant contribution to central support costs which are 30% of the current total cost.



14. The costs of the statutory non fee earning part of the service are shown below. Where a variation has occurred, it has largely been attributable to support charges for the service.



## Competition

15. There are 183 AIs listed on the Construction Industry Council's register and they vary from large organisations that operate nationally through to individual inspectors.
16. Analysis of Initial Notices for 2016/17 indicates that a total of 43 AIs operate in Oxford, although the top 10 companies account for 81% of the work. Further analysis indicates that the 4 most successful organisations operating in Oxford have 62% of the AIs market.
17. The Building Control Service will always be at a commercial disadvantage compared with AIs. Regulation 12 of the Building (Local Authority Charges) Regulations 2010 (Charging Regulations) and associated Chartered Institute of Public Finance and Accountancy guidance require Local Authority Building Control to publish its fee charging scheme, which in reality gives the private sector a baseline against which to set their own charges and compete on a preferential basis. There is no reciprocal requirement for AIs to publish their charging schemes, but anecdotal evidence suggests some AIs use the local authority charging scheme as a base line, then deduct a percentage – typically 10% - to arrive at their own charges.
18. The Chartered Institute of Public Finance and Accountancy guidance requires local authorities to use a three year budget profile for Building Control Services and the service must be run on a cost recovery basis as it is not permissible to generate a surplus. The Government's aim is to ensure there will always be a building control service available to the public at cost.
19. The service routinely quotes for work in a competitive environment and analyses the results. In 2016/17 a total of 158 quotes for work were made and where the work has gone ahead there has been a 75% success rate. Where we have been unsuccessful the primary reason given has not unsurprisingly been the price, although some architects also have a business relationship with AIs and prefer to use them even if they are located elsewhere.

## **Marketing and Customer Service**

20. The development industry sees advantages in a one stop shop approach to construction and there is a close alignment of the Building Control Service with the Planning Service. The reputation of Local Authority Building Control is strong on quality, transparency, accountability and for providing independent, impartial and professional advice.
21. Feedback from our clients indicates the priorities in the service they receive as:
- speed of response
  - consistency of approach
  - availability of advice
  - competitive cost
22. One of the unique services we provide compared to our competitors is a same day service for an inspection and we offer to visit on the day when an appointment is made before 9.30am. This service is promoted on the website and is widely used and appreciated by local builders.

## **Future plans for the service**

23. The Council has a statutory obligation to provide a Building Control Service as there are requirements for the Council to provide a statutory service for people who wish to use the Council for Building Control Services and also to carry out those functions that can only be carried out by the Council such as regularisations, dangerous structures etc.
24. The service contributes to the key corporate objectives of a Vibrant and Sustainable Economy, playing a fundamental part in facilitating all types of developments including large scale projects such as the Westgate and ensuring that they get built safely and on time. The value of the development work the service is currently regulating is estimated to be in the region of £300m. The service contributes to Meeting Housing Need by providing services to other Council departments such as Housing and Property and joined up working with services such as Environmental Health. The service also contributes to a Clean and Green Oxford by ensuring that developments comply with the energy efficiency requirements of the building regulations.
25. Businesses prefer regulators to demonstrate a consistency of approach and this is best achieved by having permanent staff who can also develop working relationships, for example certain clients are always assigned to the same officer. However, there have been major recruitment and retention difficulties in the service which have resulted in capacity, continuity and income generation pressures. This has been countered by introducing a career grade linking the Building Control Surveyor post to the Senior Building Control Surveyor role to retain staff and make the role more attractive in the market place. The aim for the service is to build up the commercial capacity by having more Senior Building Control Surveyors to market services and price for and win work as well as being able to attract and retain sufficient permanent staff.



26. Part of developing our marketing strategy will be the development of account management so as to ensure a continued improved service to our partners which will enable their retention in the busy market place. Processes need to be refined to simplify procedures and remove bureaucracy allowing for a more straightforward consistent approach in dealing with applications. The additional availability of online and paper-based publications and advice will clarify complex building regulation matters which will reduce the need for building control surveyors to provide advice.

27. It is also important to protect the Council's commercial activity and lessons have been learned regarding members of staff who give notice that they are leaving the Council to join an AI. In future they will not be provided with an opportunity to use their remaining time to carry out activities that can result in business being lost by the Council.

28. The Service Improvement Plan for 2017/18 is set out in priority order in the table below:

	<b>Service Improvement Action</b>	<b>Action, Targets or Milestones</b>
1	Recruit staff and develop an account manager approach to business partnerships	<ul style="list-style-type: none"> <li>• Identify solutions to recruitment difficulties</li> <li>• Identify best approach to account management</li> <li>• Agree approach with staff</li> <li>• Deal with any HR issues and implement</li> <li>• Target 30/9/17</li> </ul>
2	Investigate and identify mobile working solution from idox	<ul style="list-style-type: none"> <li>• Liaise with IT to identify the best solution and costs</li> <li>• Test and implement</li> <li>• Target 31/3/18</li> </ul>
3	Implement an electronic applications system – iApply from idox	<ul style="list-style-type: none"> <li>• Liaise with IT to identify the best solution and costs</li> <li>• Test and implement</li> <li>• Target 31/3/18</li> </ul>
4	Identify process improvements that will reduce bureaucracy and ensure the Applications Team and BC Team work together and improve the customer experience	<ul style="list-style-type: none"> <li>• Continue to regularly review performance of the SLA</li> <li>• Identify service improvements outside the SLA</li> <li>• Agree improvements and implement</li> <li>• Target 31/3/18</li> </ul>
5	Identify areas that can be improved, developed and exploited to maximise the capture of business	<ul style="list-style-type: none"> <li>• Identify critical control points where marketing and promotion can take place to boost BC business gains</li> <li>• Change processes if necessary to provide a market advantage for BC</li> <li>• Target 31/3/18</li> </ul>

6	Continue to analyse Approved Inspectors data and develop a plan of action to take back market share	<ul style="list-style-type: none"> <li>• Analyse Initial notices by company, client and work type</li> <li>• Use data to develop a plan to win back market share</li> <li>• Target 30/9/17</li> </ul>
7	Review the site inspection regime and implement a risk based approach whilst retaining customer satisfaction	<ul style="list-style-type: none"> <li>• Identify where resources could be saved by carrying out less inspections, or carrying out inspections more efficiently but not lose customer confidence</li> <li>• Target 31/3/18</li> </ul>
8	Develop a suite of complementary services such as Fire Risk Assessments that are income generating	<ul style="list-style-type: none"> <li>• Establish what skill base we have across PSD&amp;R</li> <li>• Identify what other LABCs are providing</li> <li>• Decide which services we can provide</li> <li>• Cost out and plan how to market services</li> <li>• Target 30/9/17</li> </ul>
9	Review, improve and update the website	<ul style="list-style-type: none"> <li>• Establish best practice with other LA websites</li> <li>• Implement necessary changes</li> <li>• Target 31/3/18</li> </ul>
10	Move as far as is reasonably practicable to electronic plan checking	<ul style="list-style-type: none"> <li>• Identify the barriers to full electronic plan checking</li> <li>• Overcome barriers, whether technological or staffing issues</li> <li>• Target 31/3/18</li> </ul>

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**To:** Audit & Governance Committee  
**Date:** 28 June 2017  
**Report of:** Head of Financial Services  
**Title of Report:** Housing Benefit Service Action Plan

<b>Summary and recommendations</b>	
<b>Purpose of report:</b>	To present the Housing Benefit Service Action Plan to mitigate issues arising from the External Auditors report on the certification of the Councils Housing Benefit Subsidy claim for 2015-16
<b>Recommendation(s): That the Audit &amp; Governance Committee resolves to:</b>	
1. To note the Housing Benefit Service Action Plan	

<b>Appendices</b>
Appendix 1 Housing Benefit Service Action Plan

## Introduction and background

- 1 At March 2017 Audit and Governance Committee the Councils external auditors Ernst and Young presented their report on the results of the work undertaken on the certification of claims and returns for 2015-16.
- 2 Reference was made in the report to the potential reclaim of housing benefit subsidy from the authority in the sum of £265,000 arising from the auditors' qualification of the Councils claim. The reclaim largely arose from errors found from the sample testing by the auditors mainly in relation to local authority errors which when in breach of a specified threshold attract nil subsidy.
- 3 The Head of Financial Services explained that although the error rates were relatively low in the sample, the figure significantly increased once the auditor extrapolated the results based on total housing benefit expenditure.
- 4 It is important to note that local authority errors arise may arise from two areas :
  - a. Time delays in the processing of information received from claimants which changes the entitlement to housing benefit but are not processed in time to make the changes to benefit payments
  - b. Errors arising from an incorrect interpretation of the Housing Benefit legislation

- 5 At the Audit and Governance meeting the Head of Financial Services advised that an action plan has been drawn up to mitigate issues giving rise to the 'errors' and members requested sight of the plan at the June Committee

### Action Plan and Progress to Dates

- 6 The action plan for the Housing Benefit Service is attached at Appendix 1 showing progress against all the major work streams.
- 7 The outturn position for 2016-17 shows a loss of subsidy due to local authority error of £442,382.65, which has been accounted for in the 2016-17 statement of accounts together with the reclaim by DWP indicated above for 2015-16. The final Housing Benefit Subsidy claim for 2016-17 will now be subject to audit by Ernst and Young.
- 8 To date in 2017-18 the position for local authority error indicates the following:

EXPENDITURE	£5,276,693.59
Lower Threshold	£25,328.13
Upper Threshold	£28,494.15
LA error/Admin delay	£23,030.91

This means we are currently £2,297.22 below the lower threshold and will receive 100% subsidy

### Financial implications

- 9 The Council has estimated a revenue deficit of £200,000 on the cost of Housing Benefits net of income arising from overpaid housing benefit in addition to an earmarked reserve of £500k. This is a prudent financial approach to protect the Councils financial position but in no way diminishes the need to mitigate such losses.

### Legal issues

10. Covered within the report

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<b>Background Papers:</b>	
1	None



## **Benefit Administration**

### **Recovery Plan January 2017 to March 2018**

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Laura Bessell  
Benefit Manager  
Financial Service

2<sup>nd</sup> June 2017 (version 2)

Personnel

Item	Current Position	New Proposal	Desired Outcome	Delivery Date	Progress
<p>Appraisals</p> <p><b>Laura Bessell &amp; Team Leaders</b></p>	<p>Appraisals are occurring however meaningful data on performance has not been used previously</p>	<p>Creation of targets around;</p> <ul style="list-style-type: none"> <li>• Speed of Processing (to reduce Admin Delay on overpayments)</li> <li>• Accuracy of claim assessment</li> <li>• Behaviours of self-learning and not to delay processing due to 'Senior' Support</li> <li>• Team Leaders work together using management information for the wider service and not individual teams</li> <li>• Team Leaders undertake Benefit training to ensure that assistance can be provided to staff.</li> <li>• Team Leaders think about the focus of the processing and how this influences subsidy.</li> <li>• Ensure that all Academy releases are installed within 2 weeks of delivery from system. If this is not possible due to other service needs or fixes to be applied before installation, then a risk factor needs to be applied and all parties notified.</li> <li>• All staff are aware of Fraud and its role within Benefit administration.</li> </ul>	<p>To change the culture of Appraisal monitoring throughout the team.</p>	<p>Defined Targets <b>March 2017</b></p> <p>Target Setting <b>April 2017</b></p> <p>Appraisals May 2017 to <b>Feb 2018</b></p> <p>Monitoring of Appraisals <b>September 2017</b></p>	<p><b>Full training (Feb 2017) has occurred with all staff (HR present) to ensure that appraisals are meaningful.</b></p> <p><b>Target setting of all staff has occurred.</b></p>
<p>Universal Credit</p> <p><b>Laura</b></p>	<p>Universal Credit is due for full implementation in October 2017. Full Roll Out is to be</p>	<p>Reduced expenditure against a falling caseload will affect the Local Authority (LA) error threshold and will require careful</p>	<p>Better Forecasting of Benefit expenditure each month to be able to monitor the case load 'drop off' to match the overpayments created.</p>	<p>Process Mapping <b>June 2017</b></p>	<p><b>Process Mapping has occurred and a project plan is</b></p>

<p><b>Bessell &amp; Tanya Bandekar</b></p>	<p>concluded by March 2022.</p>	<p>management of errors made by Assessment Officers.</p> <p>Process Mapping is required against the 12 categories of migration to DWP payments to estimate potential drop in expenditure.</p> <p>With a reduced case load management of the staffing levels need to be considered. There will be Temp Accommodation claims, Pensioner Claims and CTR claims still within the OCC remit. Any projected staff savings will need to be reviewed as the change in administration is fully understood.</p>	<p>Staffing expenditure is monitored monthly and fixed term contracts, resilience contract, agency staffing and 'natural wastage' used to meet future staffing levels and balance the budget. Annually savings from UC are built into the medium term plan</p>	<p>Staffing Costs <b>March 2018</b></p>	<p><b>in place.</b></p>
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Assessment of Claims

Item	Current Position	New Proposal	Desired Outcome	Delivery Date	Progress
<b>Risk Based Verification</b>  <b>Laura Bessell &amp; Michele Baldrick</b>	Policy needs to be signed off for its annual review in its current form.	Look at alternative products that are cheaper in the market. This product has not helped with identifying error within the database as the risk matrix applied within the product does not suit the Oxford caseload	A product that speeds up the processing whilst maintaining reduced error within the system. This is required to be signed off for Audit and subsidy purposes.	<b>October 2017</b>	<b>Documentation needs to be reviewed to encompass UC changes coming into effect this year.</b>
<b>Fundamental Service Review</b>  <b>Laura Bessell &amp; Tanya Bandekar</b>	Corporate requirement	Review of the Benefits service, what efficiencies can be made, is there better working practices that would enhance the customer experience? Look at what the best are delivering on	Review of service whilst it is in transition	<b>October 2017</b>	<b>Project Plan developed. SWOT analysis for team and managers is due for completion by the end of June. Looking for best practice sites to visit alongside learning from sites regarding UC roll-out. Involving staff at all stages. Focus groups being arranged</b>
<b>Training</b>  <b>Laura Bessell</b>	Training on claim assessment and wider issues such as Fraud is required. Staff have raised concerns that they	Compulsory attendance at training provided both internally and externally. All staff are to attend an intensive Housing Benefit 6 day course to ensure that 'simple' errors are removed	Giving staff confidence to assess the claim. Assessors to take responsibility  New procedures will be created to ensure that all assessments are consistent with the regulations	<b>April 2017</b>	<b>All formal Benefit Training has been completed. Test results are</b>



	<p>are unable to process claims without Senior Officers assistance.</p> <p>Staff have attended detailed courses on;</p> <ul style="list-style-type: none"> <li>-Subsidy</li> <li>-Persons from Abroad</li> <li>-Students</li> <li>-Self-Employed and Directors.</li> </ul> <p>These courses were identified as areas of weakness from the types of LA error created. Following on from these courses further training needs have been identified.</p>	<p>and that all staff have access to full notes. This is arranged for April 2017.</p>	<p>Remove the view that training and procedures are not provided which is why errors are being made.</p>	<p><b>June 2017</b></p>	<p><b>now back and further training needs are being identified.</b></p>
<p><b>Quality Checking</b></p> <p><b>Laura Bessell &amp; Team Leaders</b></p>	<p>Internal review of 4% of decisions made. This is recorded and notice made for training requirements and feedback within the staff's appraisals. This equates to approximately 3,300 checks in a year which is a quarter of the caseload.</p>	<ul style="list-style-type: none"> <li>• Automation of the current system to allow the Performance and Quality team to spend more time checking.</li> <li>• Review of the error trends early in the year to target where volume of LA error is occurring to focus more on the 'type' of claim.</li> <li>• Change in process of what is being 'checked'. Currently 4%</li> </ul>	<p>Targeting the checking around the subsidy claim form and not the whole claim. This is to reduce the financial loss within the financial year.</p> <p>Consideration will need to be made at the end of 2017-2018 as to whether customer care has reduced as a consequence.</p> <p>Purchasing a PMQA tool to allow automation of selection of cases for checking</p>	<p><b>Daily Checking.</b></p> <p><b>September 2017</b></p>	<p><b>Checking is on-going with the trend being an improvement on staffing accuracy from previous year.</b></p> <p><b>Purchase of PMQA is currently at procurement</b></p>

		of each person assessments are reviewed on a random selection. From April 2017, it will be 4% of earning claims per assessor per day.			stage.
<b>Year End</b> <b>Tanya Bandekar &amp; Pauline Hull</b>	Year End Process is signed off.  Rent increases are correctly implemented at the time of automation.	Ensure that a robust process is in place and that this is signed off by all parties that all testing and completion of claim management is successfully concluded.	Reduced contact from the public for the Contact Centre.  Claims are correct at first point of assessment in April. This will reduce the number of claims that need adjustment to the mistake within the claim. This additional work is an impact to work that needs to be completed through normal change process and thus increases LA error if not actioned within the timeframe.	<b>April 2017</b>	<b>Item Complete.</b>  <b>Process was successful with rent increases being automated rather than manually adjusted, freeing up staff time and freeing up assessment staff time to focus on other work</b>
<b>Academy</b> <b>ICT &amp; Pauline Hull</b>	Academy Releases are implemented to the database before legislation changes.	Planning and robust testing to occur before installation. When releases are available, there needs to be a test phase not solely with 1 member of staff but with a delegation of duties spread over the operational management team.  Clear notes of changes are to be made available to all staff before installation to allow work procedure to be changed if	Ensure that claim processing is correct in accordance with the legalisation	<b>Annual</b>	<b>Currently there are no releases outstanding and all are up to date.</b>

		<p>required. Thorough planning is required to liaise with ICT.</p> <p>Consideration needs to be given to releases that cannot be installed at the required time and full notification to all affected parties for a risk assessment of the delay in installation to be given.</p>			
<p><b>Review of Customer Information System (CIS) (DWP Data)</b></p> <p><b>Laura Bessell</b></p>	<p>Database of details with the Department for Work and Pensions (DWP) is out of date.</p> <p>2 examples in 2 years of DWP data breaches from Assessment Staff.</p>	<p>Update and re-alignment of duties is required to ensure that all staff are fully trained and complete the training with the data sharing guidance as provided by the DWP.</p>	<p>Ensure that no further breaches occur as the DWP have the right to remove access to CIS data which would cease all claim assessment within the corporate targets.</p> <p>Ensure that the DWP are notifying the correct people should local procedures need to be changed from national policy.</p> <p>Make the staff aware that breaches of DWP access are gross misconduct and will be treated in line with OCC disciplinary policy.</p>	<p><b>March 2018</b></p>	<p><b>Transfer of details from Paul Wilding to Laura Bessell by the DWP has not occurred. This is a DWP delay in process.</b></p> <p><b>The DWP have announced that access to CIS will cease in February 2018. A new system will need to be rolled out nationally. The expected delivery date has been amended</b></p>

<p><b>Management Information</b></p> <p><b>Laura Bessell &amp; Team Leader</b></p>	<p>There is limited use of Management information within both Academy and Info@Work</p>	<p>Training on the new Capita SQL system is to be arranged. (Insight)</p> <p>Use of Management Information to determine claims which will have predicted changes so that they can be monitored.</p> <p>Use of the suspension report to ensure that Overpayments are not created unnecessarily</p>	<p>Improving good claim data.</p>	<p><b>June 2017</b></p>	<p><b>Waiting testing of Insight to establish training requirements</b></p>
<p><b>Student Discount Council Tax Review</b></p> <p><b>Laura Bessell &amp; Team Leaders</b></p>	<p>New for 2017-2018 this will be reviewing all cases where there is a single adult in the property with a discount due to a student status applied.</p> <p>This project is being conducted by Fraud with Revenues support.</p>	<p>Will affect HB and CTR as this is an area of concern raised at Audit Report. These accounts should not have CTR is correctly applied and receive HB as a qualifying student claim if there are children in the house.</p> <p>May impact upon LA error for in year if found that accounts are in correct.</p>	<p>Opportunity to review all Lone Parent student cases.</p> <p>Better subsidy/audit assurance for this income type.</p>	<p><b>September 2017</b></p>	<p><b>Investigations Team to lead and advise of start date</b></p>
<p><b>Single Person Discount Review</b></p> <p><b>Laura Bessell &amp; Team Leader</b></p>	<p>SPD project is now an annual project run through Fraud. Need to assist this project each month</p> <p>This has been</p>	<p>Review of the SPD mismatch report and ensure that adequate training of the Benefit Staff to ensure that Council Tax legislation is adhered too.</p> <p>Review of Benefit and Council</p>	<p>Saving across the Council</p> <p>Correct data held to comply with Data Protection Act.</p> <p>16/17 Project completed</p>	<p><b>May 2017 onwards</b></p>	<p><b>Awaiting timescales from the Investigations Team</b></p>

	resourced within the department for 2016-2017 for the first time.	Tax database to ensure that a consistent approach is applied throughout the Financial Service.  Greater working with Revenues and Fraud staff to implement the required changes to the Council Tax database for CTR entitlement  Implication to increased expenditure for CTR.			
<b>Oxford Assured Lettings/Direct Payments Project</b>  → Michele Baldrick	Housing project to move people in being responsible for managing their rent and possible Universal Credit payments in the future.			<b>Pilot until 2019</b>	<b>Weekly meetings being held</b>
<b>Oxford Private Housing Company</b>  Laura Bessell & Tanya Bandekar & Katie Ball	New Scheme	Creating private lets from HRA. Transferred 5 properties in 2016-2017. A further 5 are to be transferred in 2017-2018 along with properties from Barton.	Additional work load due to changes in subsidy coding, will become business course as the scheme develops further	<b>March 2018</b>	<b>Updates to the Academy system are going to be required for management of this project to identify these properties and report separately on them. Future operational issues must involve the team.</b>

Fraud

Item	Current Position	New Proposal	Desired Outcome	Delivery Date	Progress
<b>Specified Point of Contact (SPOC)</b> Laura Bessell	As the DWP gave limited funding for this position, it was decided that a SPOC should not be created as the funding was minimal.	Create a SPOC with administration skills and not assessment skills to deal with queries from the DWP and OCC fraud.	This will be managed closer to ensure that delivery of fraud files/outcomes does not impact upon criminal proceedings for both organisations.	<b>September 2017</b>	<b>Completed Senior Officer within the team has been allocated as part of development</b>
<b>National Fraud Initiative (NFI)</b> Laura Bessell & Rob Ducker	This is due for January 26 <sup>th</sup> delivery. This is a 2 year exercise, however the first year since the removal of Housing Benefit investigations since the creation of the Fraud and Error Service (FES)	Careful management of these claims need to be processed, in order to ensure that the department does not have 2 referrals (one from the DWP for HB and one from OCC for Council Tax Reduction (CTR).	Streamlined Info@Work-Process mapping needs to be in place, with both organisations (OCC and DWP)	<b>September 2017</b>	<b>Files have been sorted and we are awaiting outcomes from the Investigations Team before amending claims</b>
<b>Training</b> Laura Bessell	There is limited understanding within the Assessment team of the role of fraud and the completion of the documentation required for the DWP.	Training and a workshop with the DWP to ensure that all parties understand each method of working. The DWP staff that used to work for OCC, have now left the organisation for a min of 2 years and processes have changed following their transfer.	Better working between the 2 parties with a shared agenda of protecting the public purse.	<b>June 2017</b>	<b>Complete.</b>  <b>This occurred in May 2017 and is now part of corporate training. Created new training module which will be compulsory for all staff from April 2017.</b>

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<b>Service Level Agreement</b> <b>L Bessell &amp; S Warner</b>	This is due for review	Have a local agreement in line with National agenda on Fraud prevention.	Better working between the 2 areas with a shared agenda of protecting the public purse.	<b>April 2017</b>	<b>Complete.</b>
<b>Prosecution Policy</b>  <b>Laura Bessell &amp; Scott Warner</b>	Review of the policy	<ul style="list-style-type: none"> <li>• Consideration needs to be given to Joint Working with the DWP from 2018.</li> <li>• Consideration of the use of Administrative Penalties after Universal Credit roll-out October 2017.</li> <li>• Signing off process for all sanctions where there is DWP involvement.</li> </ul>	The Benefit Manager needs to be added to the document as an authorised signatory for Ad-Pens	<b>April 2017</b>	<b>Review is at final draft with Investigation Manager for submission to Audit Committee.</b>
<b>Procedures</b>  <b>Laura Bessell &amp; Pauline Hull</b>	<p>Review/creation of payment procedures. Currently payments made through Benefit expenditure are not checked before processing to the Bank accounts.</p> <p>Examples this year have been where claims have been incorrectly paid of a significant amount and then classified as LA error later in the year.</p> <p>There has also been a rise in complaints that payments have been made to the Claimant where there are arrears</p>	<p>Need to put in place procedures to check payments over £2500 before the payment is made.</p> <p>Check that all BACS documentation is completed prior to the payment transfer to reduce duplicate payments (£0 subsidy) and complaints are reduced.</p>	<p>To reduce cases where LA error has occurred on claims incorrectly determined.</p> <p>To ensure that payment directions are correct in line with the regulations</p>	<b>July 2017</b>	<p><b>Complete.</b></p> <p><b>Weekly checking occurs of large payments being made over £2500.</b></p> <p><b>Further review of payments is underway- e.g. payments to multiple bank accounts</b></p>

	of more than 8 weeks and should be paid to the Landlord.				
<b>Overpayment from Fraud Referrals</b>  <b>Laura Bessell &amp; Pauline Hull</b>	Overpayments are currently classified as Claimant Error where fraud has occurred receiving 40% subsidy. There is a considerable delay in the fraud referral process from the DWP and this is resulting in loss of subsidy claimed.	Discussion is currently underway with the DWP upon making overpayments where a DWP fraud referral has been made and there is official delay that this is classified as Official Error and is reimbursed at 100% subsidy level	Reduced expenditure loss.	<b>April 2017</b>	<b>Complete.</b>  <b>Changed documentation and added to Info@Work to reflect change in work procedures.</b>



System

Item	Current Position	New Proposal	Desired Outcome	Delivery Date	Progress
<p><b>Controls in Place</b></p> <p><b>Laura Bessell &amp; Team Leaders</b></p>	<p>Reliance on systems to ensure that the claim management is working. Often this 'falls over' and this stops staff processing claims and poor customer service.</p>	<p>Robust date management for certificates expiring. Access for Team Leaders/System team to install these requirements.</p> <p>Good communication with ICT to ensure that priority is given to our system requirements.</p> <p>Upgrades to be applied as a 'package' for both homeworkers and office staff so that staff can apply these changes in one go and not needs ICT to manually intervene.</p>	<p>Speed of Process and reduced down time.</p>	<p><b>July 2017</b></p>	<p><b>Working with ICT and Benefits Team Leaders to allocate responsibility for working on each element to ensure that system functionality is continuous.</b></p>
<p><b>ICT Resilience</b></p> <p><b>Tanya Bandekar</b></p>	<p>1 member of ICT staff is proficient at dealing with each system.</p>	<p>Work with ICT on ensuring that there is not a single point of failure within ICT. Try to have more than 1 person who is able to resolve problems as they arise</p>	<p>System continuity</p>	<p><b>Daily escalation of issues when required</b></p>	<p><b>2 Financial Services Senior Managers are now points of contact for the ICT system issues and for escalating issues. A new system of reporting ICT downtime has been introduced through an alert system which is helping to manage expectations.</b></p>

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					<b>Working with ICT to bring greater resilience on system issues.</b>
<b>Connect</b> <b>Pauline Hull</b>	New system facility	Wider use of Connect for the public to use E-channels.	More people to be e-channelled.	<b>September 2017</b>	<b>E-notifications at testing stage</b>
<b>IQ Manager</b> <b>Pauline Hull</b>	New system facility	To enable the staff to be able to amend notification letters on Benefit entitlement and for these to be e-mailed. This ideally will also include Info@Work Letters also	Savings for cost of Critiqom project as letters can be e-mailed and not use paper option.  Staff will have a new skill to amend letters	<b>September 2017</b>	<b>Awaiting test facility from service provider.</b>
<b>E-Landlord Notification/ Portal</b> <b>Pauline Hull</b>	Ensure that all Landlords have their notification letters and schedules electronically, as currently they are sent in paper format	Add notification letters as schedules has been successful. 6 Landlords are successfully on-line.	Reduce the paper and postage costs.	<b>September 2017</b>	<b>Communications Team are preparing a leaflet to promote the portal</b>

**To:** Audit and Governance Committee  
**Date:** 28 June 2017  
**Report of:** Head of Business Improvement  
**Title of Report:** Review of ICT Transformation Project

<b>Summary and recommendations</b>	
<b>Purpose of report:</b>	To update members on progress with the ICT Transformation Plan
<b>Corporate Priority</b>	An Efficient and Effective Council
<b>Policy Framework</b>	None
<b>Recommendation(s):</b> That the Audit and Governance Committee resolves to:	
1. Note the report.	

<b>Appendices</b>	
Appendix 1	Summary ICT Transformation Plan

## Introduction and background

1. The Audit and Governance Committee held on 14<sup>th</sup> December 2016 received a report on progress in delivering the ICT Transformation Plan, following transition to the City Council's new infrastructure provider SCC. It requested a further update be brought to this meeting. The current summarised version of the plan is included as Appendix 1.
2. In the last 6 months a comprehensive transformation plan has been agreed and is in delivery. It focuses on improving the three tenets of infrastructure, people and processes and has included: a wholesale appraisal of ICT infrastructure, both on premise, as well as provided by our Managed Services Providers (MSPs), along with the continuous development of our technical teams and processes, in pursuit of the Information Technology Infrastructure Library (ITIL) standard.
3. The plan is updated weekly using an interactive programme management tool (Trello) and monitored by the Chief Technology and Information Manager. Fortnightly progress meetings are held with the Head of Business Improvement and the Executive Director for Organisational Development and Corporate Services. Progress highlights over the last 6 months over the three workstreams are as follows:

## People

4. Since January 2017, the ICT Operations Team has been organised into smaller, more focussed sub-teams: help-desk, end-user support, networks, telephony and datacentre and core systems. This allows staff to focus and grow their knowledge and become more proficient in specific areas. This has also enabled training to be targeted more appropriately.
5. There is now a permanently staffed telephone help-desk with a new Service Desk Team Leader. The knowledge base for the service desk software is continually updated to assist staff with resolving issues. There is now a greater focus on service delivery and closer monitoring of performance, which is reported weekly.
6. All operations staff have been assessed against the “Skills Framework for the Information Age” (SFIA), individual training needs have been identified. Development plans have been agreed, and are now monitored and documented through the staff appraisal process.
7. We are presently finalising a revised ICT structure to improve operational effectiveness and further embed process improvements into the department. This will ensure consistency of approach, better delivery of service standards and more resilience within the business operation. It is hoped that the consultation will commence in July, and that the restructure will be completed by September.

## Infrastructure

8. BT One Phone is now operational across the whole organisation with the exception of the contact centre, this will be transferred in phase 2 scheduled for later this financial year. This has enabled office phones and mobiles to be replaced with a single device with all the features of a dedicated local branch telephone system. This together with voice messaging, texts and free intra-business calling functionality, as well as the ability to work outside of the office accessing 4G and over 5 million BT wi-fi hot spots has enabled more effective mobile working, which is essential for the flexible office/home working policies that we enjoy. The Multi-Functional Device printers have been replaced across the organisation resulting in a significant reduction in paper and toner cost, elimination of waste, and improved security through on-demand printing
9. In order to address the transformational activities post transition, additional technical resources have been brought in, and these are helping to complete the following by the end of June:
  - review of the specifications for the virtual servers that run our applications;
  - review of the datacentre network routing and firewall rules;
  - re-build and re-deployment of system management software (SCCM) that provides end-user device (mainly laptops) automated build capability, remote control, patch management, software distribution, , network access protection and hardware and software inventory. This was used recently to apply emergency patch updates to council devices to counter the ‘WannaCry’ cyber outbreak; and
  - re-design and data-cleanse of the active directory that authenticates and authorizes users and devices in our Windows network, as well as providing application level security and authentication.

- review of current data storage and backup volumes to manage both more effectively. An action plan is currently in progress to better manage volumes of both.
10. A replacement Local Area Network switch programme and improvements to site WiFi services is now in progress, following the successful capital bid that was approved in the 17/18 budget process.. We are currently evaluating product options and identifying best-fit vendors with a view to tender.
  11. The production of an End-User Device strategy, which sets out the design and implementation principles for replacing items including the organisation's laptops, work stations and tablets, is in progress. An options appraisal is well under way, and a number of solutions are now being considered. These are based around a review of 'worker-types' and ensuring we provide the best device for each type of user as determined by their role, location, working habits, and applications used. A number of supplier sessions have been undertaken to consider applicable technologies, affordability, deployment options and supportability. These activities are now approaching completion, and a draft strategy document should be completed by 30<sup>th</sup> June.
  12. Improvements to the Council's Citrix environment are currently being undertaken. As City Council skills in this area are limited, SCC Professional Services have been engaged and have evaluated our current Citrix environment, and identified the root causes of a number of issues we have identified. The following issues are being addressed,
    - User Environments persistence – retaining the logged on user's desktop and application settings
    - Secondary two-factor authentication password issues – second password box displayed
    - Netscaler connectivity broker issues with fail-over between devices – availability issue
  13. Active Directory (AD) is a Windows directory service that enables working with interconnected network resources in a unified manner. The re-design and configuration improvements of AD are substantially completed. Further works to reduce over 200 Group Policy Objects (GPOs) inherited from the Oxfordshire County ICT Services is now completed, and over 150 defunct policies have been removed. Focus has now switched to nearly 4,000 groups, used to divide AD objects (people and devices) into a more manageable number is now in progress, with plans to reduce this number by around 90%. A test connection to MS Azure for Office365 has completed successfully, confirming the AD clean-up work is producing the required outcome.
  14. Work has started to plan the transition from the datacentre to Microsoft Office365; primary opportunities will be with email and file shares, with email transitioning to Outlook.com, and M-drives and U-drives being migrated to OneDrive. Both these are hosted by Microsoft as part of our Office365 subscription
  15. A project brief for the approach to Member's ICT has been accepted by the Member's ICT Group and a Project Initiation Document has been signed off by the One Council Board, which approves and oversees the delivery of projects within the

Council. The first phase of this project, a new iPad build for members iPads is approaching completion, and should be going into test phase by mid-June.

## **Processes**

16. A real-time communications tool (Slack) has been introduced to the ICT Support teams, which has made collaboration much easier and faster, and is especially useful given staff work out of a number of different locations. Moving to this, and reducing reliance on email for peer communications has made the whole department more responsive and now offers a better co-ordinated service.
17. An ICT Service Catalogue and Service Level Agreement (SLA) has been produced, and will shortly go to the ICT Steering Group for comment and review. Service definitions and associated performance levels are included, and include agreements to define priority assignment and timescales for handling incidents, service requests, and projects. This work is expected to be finished by the end of June, and will be published to the Council.
18. Real time, “always-on” dashboards giving real time monitoring for network, datacentre and applications environments have been introduced, and this includes alerting through both email, and the real-time comms tool Slack.
19. The service desk case management tool (vFire) for logging, analysing and monitoring call handling and resolution has been refined and upgraded, and went live on May 10<sup>th</sup> with a number of key enhancements. The system now differentiates between an incident and a service request, and also has a category for project requests. The system has a workflow engine now, which is able to route calls automatically to the most appropriate team for triage, a good example of this is an improved “new starter” process which automatically captures all the separate workflow items and directs them to the appropriate resource for action. An automatic escalation facility which will alert staff of cases which are approaching SLA non-compliance has also been introduced. The system also has improved reporting capabilities.
20. The data shows that we have circa 400 active cases at any point in time, with an additional 300 ‘stopped-clock’ cases on average. Stopped-Clock cases are those where ICT have taken the case as far as currently possible, but are now either awaiting confirmation of closure, needing additional information, or items to be procured or built in order to complete the case.

## **ICT Work Plan**

21. The 2017/18 ICT Work Plan is being finalised, and for the first time now is being projected over a two year period into 2018/19, rather than just the current year. The remaining 2016/17 items that began in 2016/17 and are set for delivery in 2017/18 have been consolidated into this list and are all on track for delivery as scheduled. Critical ICT development issues for 2017/18 include an Agresso upgrade, the replacement of the Northgate Housing system, Servitor updates, an ICT work stream for the LATCO implementation; and the ICT Transformation Plan itself.

## Cyber Security

22. The City Council's systems were not affected after the recent cyber-attack. All our systems are regularly patched, and we maintain both an inbound email secure gateway, and regularly updated anti-virus software. Our datacentre is protected by our infrastructure provider SCC, and they regularly patch our systems when updates are released. Antivirus signatures are updated constantly, and our MS product is known to protect against the execution of this vulnerability. We have been monitoring the growth in malicious and spam email activity over the past few months, and are imminently procuring additional software to improve both inbound threat defence, as well as outbreak containment should our defences be breached.

## Financial implications

23. There are sufficient financial resources within the 2017-18 budgets and within the Medium Term Financial Plan to accommodate the costs of resourcing, training and transitioning the team and for the purchase of software and hardware necessary to complete the 2017/18 work plan.

## Legal issues

24. There are no legal implications arising from this report

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## Summary ICT Transformation Plan

INFRASTRUCTURE										
I1.0	SCC Datacentre Virtual Server resource specification check	Vic Frewin	Jon Petre	Michael Pearce	T.B.C	SCOPING	WK3	WK26	GREEN	Access & Co-operation from SCC required, and has improved
I2.0	SCC Datacentre LAN routing and Firewall rules	Vic Frewin	Jon Petre	John Galbraith	T.B.C	IN PROGRESS	WK5	WK26	GREEN	F/W ruleset analysis is under way
I3.0	OCC Laptop & Desktop Gold-build and version control	Vic Frewin	Jon Petre	Steve Hobday	T.B.C	COMPLETE	WK52	WK12	BLUE	"gold" Images for 4 laptops & 3 desktops complete
I4.0	OCC Laptop & Desktop role-based application bundles	Vic Frewin	Jon Petre	Steve Hobday	T.B.C	IN PROGRESS	WK52	WK52	GREEN	Continuous ongoing progress
I5.0	End-User Device strategy	Vic Frewin	Vic Frewin	Jon Petre	T.B.C	IN PROGRESS	WK2	W26	GREEN	Meetings held with suppliers, Dell, HP, SCC options discussed
I6.0	Citrix environment re-design, persistence desktops, true VDI, application streamin	Vic Frewin	Jon Petre	SCC Prof. Svcs.	T.B.C	IN PROGRESS	WK4	W24	GREEN	SCC Engaged and work is under way
I7.0	Citrix 6.5 to 7.x upgrade	Vic Frewin	Jon Petre	SCC Prof. Svcs.	T.B.C	HOLD			GREEN	Workstream is on HOLD pending completion of End-User device strategy-Transformation 2
I8.0	SCCM re-configuration	Vic Frewin	Jon Petre	Steve Hobday	T.B.C	COMPLETE	WK1	WK12	BLUE	Server rebuilt & relocated to TH
I9.0	AD re-design and configuration to include:	Vic Frewin	Jon Petre	Michael Pearce	T.B.C	IN PROGRESS	WK1	WK52	GREEN	Continuous evolutionary process
I9.1	Sites & Services configuration	Vic Frewin	Jon Petre	Michael Pearce	T.B.C	IN PROGRESS	WK18	WK26	GREEN	Under way, will transfer to Transformation 2
I9.2	Distributed Local Logon servers	Vic Frewin	Jon Petre	Michael Pearce	T.B.C	STARTING	WK18	WK26	GREEN	Under way, will transfer to Transformation 2
I9.3	Distributed Local File & Print servers	Vic Frewin	Jon Petre	Michael Pearce	T.B.C	STARTING	WK18	WK26	GREEN	Under way, will transfer to Transformation 2
I9.4	AD Federation to MS Azure	Vic Frewin	Jon Petre	Michael Pearce	T.B.C	HOLD	WK29	WK48	AMBER	Awaiting completion of AD clean-up
I10.0	Replacement LAN Network switch programme, and improvements to site WiFi ser	Vic Frewin	Jon Petre	John Galbraith	T.B.C	HOLD	WK9	WK26	GREEN	Awaiting budget 2017/18
I11.0	Completion of BT OnePhone programme	Vic Frewin	Jon Petre	John Galbraith	Tim Martin	COMPLETE	2015	WK7	BLUE	Phase 1 complete. Scoping Phase 2
I11.1	OnePhone Phase 2 - Contact Centre	Vic Frewin	Vic Frewin	John Galbraith	Tim Martin	HOLD	WK27	Wk39		To start - will transfer to Trnsformation 2
I12.0	MFD/Papercut Implementation & Printer replacement	Vic Frewin	Jon Petre	Yi Jing	Christian Lucy	COMPLETE	W44	WK10	BLUE	Sharp MFD Deployment in progress
i13.0	Members ICT Upgrade programme	Vic Frewin	Jon Petre	Jon Petre	Christian Lucy	IN PROGRESS	WK1	W24	GREEN	Scoped, user assessments in progress
PEOPLE										
128	SFIA based skills, competencies and training-needs assessment - ICT Ops	Vic Frewin	Jon Petre	Marus Jung	T.B.C	COMPLETE	WK49	WK11	BLUE	Skills profile & training needs complete
P2.0	SFIA based skills, competencies and training-needs assessment - ICT Apps	Vic Frewin	Simon Park	Simon Park	T.B.C	IN PROGRESS	WK5	WK24	GREEN	Application needs profiling under way
P3.0	Re-structure ICT Operations Team into technology sub-teams	Vic Frewin	Jon Petre	Jon Petre	T.B.C	COMPLETE	WK49	WK11	BLUE	
P4.0	Establish permanently staffed help-desk	Vic Frewin	Marus Jung	Marus Jung	T.B.C	COMPLETE	WK49	WK52	BLUE	
P5.0	Produce and execute training plans to address skills and competencies gap	Vic Frewin	Marus Jung	Marus Jung	T.B.C	IN PROGRESS	WK2	WK20	GREEN	Continous process
P6.0	Develop ITIL compliant ICT Servicedesk	Vic Frewin	Marus Jung	Marus Jung	T.B.C	IN PROGRESS	WK1	WK16	GREEN	Blending Service Catalog & vFire
P7.0	Introduce additional back-fill highly-skilled technical resource	Vic Frewin	Jon Petre	Jon Petre	T.B.C	COMPLETE	WK50	WK24	BLUE	
P9.0	Identify and baseline key performance metrics for service and individuals	Vic Frewin	Marus Jung	Marus Jung	T.B.C	IN PROGRESS	WK1	WK20	GREEN	Individual performance metrics measured
P9.0	Remediation plan to address shortfalls in performance levels	Vic Frewin	Marus Jung	Marus Jung	T.B.C	IN PROGRESS	WK1	WK26	GREEN	Some performance management in progress
P10.0	Transformational ICT Restructure - with Jan Heath	Vic Frewin	Vic Frewin		T.B.C	IN PROGRESS	WK1	WK26	GREEN	Restructure planning under way
PROCESSES										
R1.0	Develop ICT Service Catalogue	Vic Frewin	Marus Jung	Marus Jung	T.B.C	IN PROGRESS	WK2	WK26	GREEN	Service Catalogfirst draft complete. Presenting to IT Steering Group
R2.0	Additional skills-based ticket queues to improve performance and manage backlog	Vic Frewin	Marus Jung	Vicky Fensome	T.B.C	COMPLETE	WK50	WK4	BLUE	Now established and in use
R3.0	vFIRE UI re-design and enhancements to user portal	Vic Frewin	Simon Park	Vicky Fensome	T.B.C	COMPLETE	WK52	WK21	BLUE	Currently in test & refine phase
R4.0	Improve and strengthen relationships with Managed Services Providers	Vic Frewin	Joe Unia		T.B.C	IN PROGRESS	WK52	WK52	GREEN	Ongoing process
R5.0	Introduce real-time communications tool to ICT Support teams	Vic Frewin	Vic Frewin		T.B.C	COMPLETE	WK49	WK2	BLUE	Slack in Daily use - Introducing Trello
R6.0	Push to identify benefit realisation of Managed Service Contracts	Vic Frewin	Joe Unia		T.B.C	COMPLETE	WK51	WK12	BLUE	Contract settlements negotiated
R7.0	Establishment vFire knowledgebase for both Helpdesk use, and customer self-se	Vic Frewin	Marus Jung	Vicky Fensome	T.B.C	IN PROGRESS	WK49	WK52	GREEN	Continuously operating embeded process
R8.0	Implementation of automatic ticket escalation on SLA breach	Vic Frewin	Simon Park	Vicky Fensome	T.B.C	COMPLETE	WK2	WK22	BLUE	Awaiting vFire-2 go-live
R9.0	Improvement in Business Partner relationships with customers	Vic Frewin	Vic Frewin		T.B.C	IN PROGRESS	Ongoing process		GREEN	Ongoing process
R10.0	Develop and implement more effective communications plan - internal & external t	Vic Frewin	Jon Petre		T.B.C	IN PROGRESS	Ongoing process		GREEN	Ongoing process

NB Key Dates: week 14 = end March, week 18 = end April, week 22 = end May, week 26= end June, week 52 = end December



**To:** Audit and Governance Committee  
**Date:** 28 June 2017  
**Report of:** Head of Financial Services  
**Title of Report:** Risk Management Quarterly Reporting: Quarter 4 2016/17

## Summary and Recommendations

**Purpose of report:** To update the Committee on both corporate and service risks as at the end of Quarter 4, 31 March 2017.

**Key decision:** No

**Executive lead member:** Councillor Ed Turner

**Policy Framework:** Efficient and Effective Council

**Recommendation(s):** That the Committee notes the content of the report

### Appendices:

**Appendix A Corporate Risk Register**

### Risk Scoring Matrix

1. The Council operates a 'five by five' scoring matrix. The methodology for scoring risks is set out below along with a copy of the scoring matrix or 'heat map'.
2. It is possible to get the same score but end up with a different result in the heat map. For example if the probability of an event occurring is high but the impact is low it is likely to have a lower rating on the heat map. However, the higher the potential impact score the more likely the event will be classed as a red risk on the matrix.

3. The risk prioritisation matrix is shown below.

**Probability**



Key:



**Risk Identification**

4. **Corporate Risks** – The Corporate Risk Register (CRR) is reviewed by the Corporate Management Team (CMT) on a quarterly basis, any new risks are incorporated into a revised version of the CRR. Risk owners of corporate risks are generally Directors.
5. **Service Risks** – Service area risks are reviewed periodically by Heads of Service and Service Managers. The Financial Accounting Manager has oversight of all risks and on a quarterly basis will review service risks to determine whether they should be considered for inclusion in the Corporate Risk Register.
6. **Project and Programme Risk** – The Council adopts the principles of Prince2 methodology for managing projects. Incorporated within this methodology is a robust process for the management of risk within a project environment. Each project is managed by the Project Manager who controls and co-ordinates all aspects of the project through to conclusion.

**Quarter 4 Corporate Risk Register**

7. The new Corporate Risk Register is attached at Appendix A.
8. The number of red risks for Q4 has reduced to one. This is as follows:-
  - Innovative Arrangements & Models - The Council is exploring and implementing new models of service delivery such as joint ventures and

wholly owned companies. The implications of these will need to be understood and communicated, politically and operationally including the impact it will have on roles and governance arrangements. External advice is being utilised to optimise Company set-up and Governance processes are being put in place.

9. The table below shows the levels of red, amber and green residual risks over the last 12 months.

<b>Current Risk</b>	<b>Q1 2016/17</b>	<b>Q2 2016/17</b>	<b>Q3 2016/17</b>	<b>Q4 2016/17</b>
Red	5	2	2	1
Amber	4	6	7	5
Green	1	2	1	4
<b>Total risks</b>	<b>10</b>	<b>10</b>	<b>10</b>	<b>10</b>

#### **Quarter 4 Service Risk Registers**

10. Each year as part of the service planning process, all service risks are reviewed, those no longer relevant are deleted, and any new ones are added.
11. The table below shows the number of service risks in Q4 2016/17 compared with the last 12 months. Four risks have been closed since the last quarter and one new risk has been added.

<b>Current Risk</b>	<b>Q1 2016/17</b>	<b>Q2 2016/17</b>	<b>Q3 2016/17</b>	<b>Q4 2016/17</b>
Red	7	2	2	2
Amber	37	38	41	32
Green	28	32	28	34
<b>Total risks</b>	<b>72</b>	<b>72</b>	<b>71</b>	<b>68</b>
New risks in quarter	15	1	1	1
Closed	5	1	2	4

12. There were two red risks at the end of Q4. These remain unchanged from Q3 and are as follows:-
- Community Services – relates to Out of Town Taxis and the legal loophole which allows hackney carriages to undertake pre-booked work outside the area in which they are licensed. This poses a safeguarding risk to passengers and the public as it hampers our public protection role on taxis. There is also a financial risk due to a reduction in licences issued putting the sustainability of the Licensing Team at risk. Work is underway with neighbouring Authorities, the County Council and Oxfordshire Safeguarding

Childrens Board under the Joint Operating Framework to identify the most prevalent neighbouring Authorities and Operators using Out of Towners. We need to work with them to encourage drivers and vehicles back to Oxford. There is also a reputational issue for Local Authorities and Operators.

- Partnership Working – Future Government policy direction is uncertain and it is likely that the unitary bid will remain unresolved for some time. Collaborative work with Council partners on joint planning, infrastructure and housing delivery to influence the National Infrastructure Commissions Oxford-Cambridge study is progressing. Need to ensure this is not derailed by on-going unitary campaign.

### **Climate Change / Environmental Impact**

13. Very dry Spring weather means river levels are a safe level and not currently in danger of overflowing and causing flood damage. There is no change to current response arrangements. Flood risk is being mitigated in Oxford in two projects – Marston & Northway (delivered by Oxford City Council providing surface water flood protection to 110 homes) and Oxford Flood Alleviation Scheme (led by the Environment Agency seeking to protect 1000 homes). The Lead Local Flood Authority and emergency response organisation is Oxfordshire County Council.

### **Equalities impact**

14. There are no equalities impacts arising directly from this report

### **Financial Implications**

15. There are no financial implications arising directly from this report.

### **Legal Implications**

16. There are no legal implications directly relevant to this report but having proper arrangements to manage risk throughout the organisation is an important component of corporate governance.

#### **Name and contact details of author:-**

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Service Area / Department: Financial Services

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**List of background papers: None.**

# Formal Risk Summary

(Oxford)

As at: Mar-2017

Ref	Title	Risk description	Risk			Date Raised	Owner	Gross		Current		Residual		Comments	Controls				
			Opp/ threat	Cause	Consequence			I	P	I	P	I	P		Control description	Due date	Status	Progress	Action Owner
CRR-036	Innovative arrangements and models	The Council is unable to optimise the potential of innovative arrangements and models	T	The Council is exploring and implementing new models of service delivery. e.g joint venture companies. There is a risk that the implications of these are not understood and communicated, politically and operationally, including the impact it will have on roles and governance arrangements.	- Missed opportunities - Council doesn't transform - Potential inertia - Unable to deliver - Uncertainty	1-Apr-2016	Jacqui Yates	5	4	4	4	2	3		Agreements between the Companies and the Council regarding services to be provided and fees for these services are to be agreed. Stakeholder agreements agreed and governance arrangements in place	1-Nov-2017	In Progress	50%	Jacqui Yates
										External advice being utilised to optimise Company set-up	1-Nov-2017	In Progress	50%		Nigel Kennedy				
										Governance processes are being put in place for each new vehicle	1-Nov-2017	In Progress	50%		Nigel Kennedy				
CRR-031	Supporting Economic Growth	The uncertainty around the exit from the EU, including scale, timeframes and position, and an Exit agreement which disadvantages Oxford plus the non-delivery of key projects such as the local plan which have a detrimental effect on the local economy	T	The UK decision to exit the EU (Brexit) is already having a negative impact on City and national economy, which could be exacerbated further by continued uncertainty and an exit which is unfavourable to the UK. Locally, this could manifest through loss of funding, impact on business rates, difficulty with encouraging businesses and workers into City leading to loss of skills impacting critical services. In addition there is a concern this could have an impact on universities (and funding). Uncertainty and Exit have a significant	- Pressure on City and other services - Less visitors - Reduced (and or pause in) investment - Impact on regeneration - Accumulation of changing legislation - lack capacity to deal with multiple issues - Community cohesion affected - Impact on Corporate Plan	1-Apr-2016	Patsy Dell	4	3	4	3	4	3	Monitoring is in place and regular meetings are held with the Valuation Office	Impact on business rates is being monitored	31-Mar-2017	Completed	100%	Nigel Kennedy
										Impact on partners being monitored and close liaison with them is being maintained	30-Apr-2018	Ongoing	30%		Val Johnson				
										Impact on the local economy is being monitored	30-Apr-2018	Ongoing	100%		Fiona Piercy				

### Current Risk Score

This is the risk score at the time that the risk is reviewed. When the risk is first identified it will be the same as the gross risk score. The current risk score is tracked to ensure that progress is being made to manage the risk and reduce the Council's exposure.

### Residual Risk Score

This is the risk score after mitigating actions have taken place. The residual risk score shows how effective your action plans are at managing the risk.

# Formal Risk Summary

(Oxford)

As at: Mar-2017

Ref	Title	Risk description	Risk			Date Raised	Owner	Gross		Current		Residual		Comments	Controls				
			Opp/ threat	Cause	Consequence			I	P	I	P	I	P		Control description	Due date	Status	Progress	Action Owner
				<p>detrimental impact on City and Council, socially and economically</p> <p>Non delivery of the local plan or other key projects linked to growth and regeneration</p>										<p>There is a project plan and timescales for the delivery of the local plan and these are being closely monitored and managed.</p>	31-Dec-2019	In Progress	0%	Patsy Dell	
CRR-032	Delivery of financial plan	Unable to balance the Medium Term Financial Plan and hence deliver the Council's Corporate Plan priorities	T	<p>The current budget enables us to fund the Corporate Plan, through the MTFs. There are sensitivities however, as outlined below.</p> <p>The outcome of the Government Business Rate Reform is less favourable than currently predicted with the MTFP.</p> <p>Challenges come from an income perspective, where there is a need to find £6-7m from trading activities. This is in the context that increasing income generally leads to risks around embracing new delivery models and managing demand. In addition there is major uncertainty over EU Grants in future, with them likely to cease and not necessarily be adequately funded from a UK perspective.</p>	<p>- Cannot fund priorities</p> <p>- Unable to deliver to plan</p> <p>- Need to make choices / cuts</p> <p>- Unable to transform Council or achieve Income levels</p>	1-Apr-2016	Nigel Kennedy	4	3	4	3	4	3		<p>Trading activities and risks around these are closely monitored and potential for reductions in income will be highlighted at an early stage in monitoring meetings</p> <p>External advice being commissioned re: Trading Model</p> <p>Respond to Consultation / Lobby through Local Government Association</p> <p>Trading Accounts set up and new Board</p>	31-Mar-2017	Ongoing	40%	Graham Bourton
															31-Mar-2017	In Progress	40%	Graham Bourton	
															31-Dec-2017	In Progress	5%	Caroline Green	
															31-Mar-2017	Ongoing	100%	Graham Bourton	

### Current Risk Score

This is the risk score at the time that the risk is reviewed. When the risk is first identified it will be the same as the gross risk score. The current risk score is tracked to ensure that progress is being made to manage the risk and reduce the Council's exposure.

### Residual Risk Score

This is the risk score after mitigating actions have taken place. The residual risk score shows how effective your action plans are at managing the risk.

# Formal Risk Summary

(Oxford)

As at: Mar-2017

Ref	Title	Risk description	Risk			Date Raised	Owner	Gross		Current		Residual		Comments	Controls				
			Opp/ threat	Cause	Consequence			I	P	I	P	I	P		Control description	Due date	Status	Progress	Action Owner
CRR-033	Housing	The Council has key priorities around Housing, including ensuring housing delivery and supply for the City and enabling sufficient house building and investment.	T	Unable to deliver affordable and acceptable housing to a 'required' standard	<ul style="list-style-type: none"> <li>- Insufficient housing in City</li> <li>- Increase in homelessness</li> <li>- Impact on residents</li> <li>- Health and quality of life issues</li> <li>- Adverse publicity</li> <li>- Reputation risk</li> <li>- Perception of unfairness reinforces tensions around immigration</li> </ul>	1-Apr-2016	Stephen Clarke	5	4	3	3	3	2		The Council is implementing other delivery methods for temporary accommodation and accommodation for homelessness prevention. Both Real Lettings and OCCs own property fund purchases are on programme. Rent Guarantee scheme launched.	30-Apr-2017	In Progress	60%	Dave Scholes
															The Council has set up a wholly owned housing Company to enable it to better deliver affordable housing. Business plan agreed, loans to company agreed as part of Council budget process, development programme moving to delivery stage.	30-Sep-2016	Completed	100%	Stephen Clarke
															The Council is reviewing its local plan, a key element being how to develop a range of housing tenures to meet the growth in demand. This includes working with surrounding districts on their plans and a review of the green belt.	31-Dec-2019	In Progress	0%	Patsy Dell
CRR-037	Devolution	Risk that the City Council doesn't get a significant enough devolution deal	T	County, South and Vale are pursuing bid for county unitary, opposed by city and other districts. If successful this could lead to the abolition of the city council. The Unitary proposals also pose a significant threat to collaborative working and governance arrangements needed to secure investment in infrastructure from government, particularly in light of opportunity presented by NIC Oxf-Cams work.	<ul style="list-style-type: none"> <li>- Loss of opportunities for significant infrastructure investment</li> <li>- Potential negative impact on community though loss of local accountability for investment and services</li> <li>- Lack of focus on Oxford City Region economy</li> </ul>	1-Apr-2016	Caroline Green	5	4	3	5	3	5	Future government policy direction uncertain, likely unitary bid will remain unresolved for some time. Collaborative work with council partners on joint planning, infrastructure and housing delivery to influence NIC Oxf-Cams study is progressing. Need to ensure this is not derailed by ongoing unitary campaign.	Understand Government policy on devolution. Make case to support economic growth, infrastructure & housing thro' collaborative governance. Make joint representation on County proposal. Work with Councils in Oxfordshire & LEP to build a way forward.	30-Sep-2017	Ongoing	50%	Caroline Green

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(Oxford)

As at: Mar-2017

Ref	Title	Risk description	Risk			Date Raised	Owner	Gross		Current		Residual		Comments	Controls				
			Opp/ threat	Cause	Consequence			I	P	I	P	I	P		Control description	Due date	Status	Progress	Action Owner
CRR-038	ICT Resilience	Non delivery of digital strategy or failure of the ICT service delivery	T	<p>There is an increasing demand from public and stakeholders to access the Council through digital channels. This will impact on both front facing and back office area and will require new and differing capability and skills, both people and infrastructure. There will be potential changes to manage here, as outlined in the digital strategy and proposition, which will require buy-in to be successful. The risk arises through the Council being unable to deliver digital strategy and proposition</p> <p>The delivery of Council Services are increasingly reliant upon the resilience of ICT hardware, software and support to allow them to function properly and to provide services both internally and externally to the Council's Customers. Failure of ICT can seriously impact on the delivery of Council services. The risk arises through the loss of ICT Services due to internal issues or loss of service provision from ICT suppliers</p>	<p>- Inefficiency - Damage to reputation</p> <p>- Inefficiency - Damage to reputation - Loss of service provision - Staff unable to perform their normal duties</p>	1-Apr-2016	Helen Bishop	5	3	3	3	3	2	<p>The Digital Strategy was approved by CEB in Nov 2016. The delivery of the actions is monitored by the One Council Board. The ICT Work Plan for 2016/17 is on track with only one amber item at the end of the Financial year. The plan has largely been agreed for 17/18 by Service Heads. This is monitored closely by Service Heads, the One Council Board and the Exec. Director. The improvement plan for ICT is well underway with some parts already completed. It is monitored by Service Heads, the One Council Board and the Exec. Director. It should all be completed by July 2017.</p>	Robust governance arrangements in place for the Digital Strategy, the Action Plan and ongoing stakeholder engagement including CEB approval and ongoing monitoring through OD&CS Board.	31-Mar-2017	In Progress	90%	Jan Heath
															Site visits arranged for HoS to consider Digital Leadership initiatives at other local authorities	31-Dec-2016	In Progress	40%	Jan Heath
															The contract with the Council's major ICT supplier, SCC, includes non-performance penalties which incentivise the continual operation of the Council's systems hosted by SCC	31-Mar-2017	Completed	100%	Vic Frewin
															The ICT workplan is being developed and will be updated on an ongoing basis	31-Mar-2017	Ongoing	100%	Vic Frewin
															The potential for a single account for each customer through improved integration of Council systems through enterprise application integration and real time business process automation is being investigated	31-Mar-2017	Not Started	20%	Vic Frewin
															There is an improvement plan for the ICT Operations team to develop a staff training programme, and to ensure that the use of resources and ICT systems is maximised.	31-Mar-2017	In Progress	65%	Vic Frewin

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(Oxford)

As at: Mar-2017

Ref	Title	Risk description	Risk			Date Raised	Owner	Gross		Current		Residual		Comments	Controls				
			Opp/ threat	Cause	Consequence			I	P	I	P	I	P		Control description	Due date	Status	Progress	Action Owner
CRR-034	Workforce and skills	Most services in house, challenges around recruitment and retention of high calibre staff, geographical proximity to London, high cost of housing, congested transport infrastructure.	T	Not having right skills and capacity to deliver quality and speed in dynamic environment	<ul style="list-style-type: none"> <li>- Staff not accepting change</li> <li>- Lose people</li> <li>- Lack of resilience</li> <li>- Increased absence</li> <li>- Unable to deliver plans and priorities</li> </ul>	1-Apr -2016	Helen Bishop	4	3	2	2	2	2	<p>Turnover for the whole organisation for the past 12 months is 10.61% - which is average for large organisations. The following has all happened to improve our recruitment: open evenings as part of business as usual in community centres to reach a different demographic; attendance at job fairs; assessment centre style recruitment, again part of business as usual for all jobs using a mixture of testing, stakeholder panels, presentations, scenario testing and group exercises; web recruitment rather than via journals; employer brand reviewed to include updated intranet to explain benefits of working for the Council, improved and modernised job descriptions and adverts more modern and creative. A Resourcing Business Partner role was created as part of the new HR Structure which will focus on recruitment and retention for the organisation in future.</p>	More creative methods of advertising job roles to attract a wider pool of candidates. Trying to grow our own talent to fill roles.	31-Mar -2017	In Progress	95%	Justin Thorne
										Staff non-pay benefits in place and reviewed. Use benefits and market these to attract talent to the organisation.	30-Jun -2016	Completed	100%		Justin Thorne				

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(Oxford)

As at: Mar-2017

Ref	Title	Risk description	Risk			Date Raised	Owner	Gross		Current		Residual		Comments	Controls				
			Opp/ threat	Cause	Consequence			I	P	I	P	I	P		Control description	Due date	Status	Progress	Action Owner
CRR-035	Community Cohesion	The Council needs to be fair and equitable to all, and be recognised as such.	T	There have been increases in racial tensions with pressure on estates and migrant communities. Immigration has led to new communities entering and displacement with a perception of drain on resources e.g. benefits and the local economy. The Brexit vote and outcome has highlighted differences between estates and affluent areas and has exacerbated this. The Council is not or is not seen to be being fair and equitable to all	<ul style="list-style-type: none"> <li>- Unable to communicate with community</li> <li>- Community fails to integrate</li> <li>- Demonstrations</li> <li>- Increase in abuse and bullying</li> <li>- Divided City</li> <li>- Unrest</li> <li>- People feel excluded</li> </ul>	1-Apr -2016	Ian Brooke	2	2	2	2	2	2		Cross Council Working Group to monitor the situation	31-Aug -2017	Not Started	0%	Catherine Hine
															Focus groups to be used to forward the fairness and equity agenda	30-Apr -2018	Ongoing	20%	Val Johnson
															Key areas of concern monitored and action undertaken by officers on estates to alleviate tensions	30-Apr -2018	Ongoing	20%	Val Johnson
CRR-039	Partnerships / supply chain	Risk that the Council does not work collectively and coherently with partners	T	It is important to work collectively and coherently with key partners to find solutions. Strong relationships are key, especially at a time when there is a strain on partners and relationships. Effective relationship management across partners will help to manage risks around service delivery and reputational risk. Lack of coordinated response or weak relationships with partners leads to withdrawal of services, increasing the burden on City Council services and poorer outcomes for communities.	<ul style="list-style-type: none"> <li>- Ad-hoc arrangements and relationships</li> <li>- Disparate approach across service areas</li> <li>- Mixed messages</li> <li>- Partners withdraw</li> <li>- Services and initiatives affected</li> </ul>	1-Apr -2016	Caroline Green	3	3	3	2	3	2		Reinforce arrangements for joint working with key partners (councils, health, police, voluntary sector, business) to identify the pressures and challenges and broker discussions to design joint solutions or mitigations	31-Mar -2017	Ongoing	75%	Caroline Green

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(Oxford)

As at: Mar-2017

Ref	Title	Risk description	Risk		Date Raised	Owner	Gross		Current		Residual		Comments	Controls					
			Opp/ threat	Cause			Consequence	I	P	I	P	I		P	Control description	Due date	Status	Progress	Action Owner
CRR-040	Climate change	Risk that a flood event happens that mitigations and plans are not sufficient to deal with	T	Oxford has commonly been subject to a number of significant flooding and extreme weather events. Mitigation arrangements and plans have been put in place but there is a risk they could be insufficient to deal with major future flooding / extreme weather events. The risk arises through a flood event happening that mitigations and plans are not sufficient to deal with	- Impact on infrastructure and housing - Widespread disruption to City and business - Cost - Return to Business As Usual challenging - Impact on public and staff	1-Apr -2016	Jo Colwell	5	4	2	3	1	3	Very dry spring weather means river levels are good. There is no change to current response arrangements. Flood risk is being mitigated in Oxford in two projects - Marston & Northway (delivered by Oxford City Council providing surface water flood protection to 110 homes) and Oxford Flood Alleviation Scheme (led by the EA seeking to protect approx. 1000 homes). The LLFA and emergency response is Oxfordshire County Council.	Flood alleviation schemes are underway and being investigated	31-Mar -2018	In Progress	20%	Tim Sadler

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**To:** Audit & Governance Committee

**Date:** 28 June 2017

**Report of:** Head of Financial Services

**Title of Report:** Investigation Team Performance and Activity Annual Report

## Summary and Recommendations

### **Purpose of report:**

1. To appraise Members of the activity and performance of the Corporate Investigation Team for the period 1 April 2016 to 31 March 2017

### **Key decision No**

**Executive lead member:** Councillor Ed Turner

**Policy Framework:** Corporate Plan Priority – Efficient & Effective Council

**Recommendation(s):** That the report be noted

### **Appendices**

Appendix 1 – Internal Investigations – Exempt from publication

Appendix 2 – Oxford Investigation Service Brochure and Meet the Team  
Insert – June 2017 version

### **Background**

1. The remit of the Corporate Investigation Team is to tackle fraud and irregularity across the Council, aligned to our services' fraud risks and the priorities identified by the previous Audit Commission and The European Institute For Combatting Corruption And Fraud (TEICCAF).
2. The aims and objectives of the Team are to provide high quality professional corporate fraud investigation services to the Council to prevent and detect fraud and error within the Council and partner organisations, and to assist cross border agencies where possible. Through this activity, financial losses are prevented, additional revenue is identified for recovery, and income is secured through supply of services.

### Performance in 2016-17

3. For 2016/17, there are four Service Performance Indicators used to track performance on a monthly basis. Performance against these targets is shown in the table below.

<b>Table 1 - Investigations Team Performance from 01 April 2016 to 31 March 2017</b>			
<b>Measure</b>	<b>Annual Target</b>	<b>Total Achieved</b>	<b>Comment</b>
Number of social housing properties recovered and applications for housing stopped	22	22	Target achieved- 100%
Achieve cost neutrality from identification of revenue through investigation activity	£234,000	£2,059,185	See Table 2 for breakdown – 878% of target achieved
Prevent financial losses to the Council through investigation activity	£1,750,000	£3,080,941	See Table 2 for breakdown- 176% of target achieved
Investigation Team Satisfaction Surveys	80% either satisfied or extremely satisfied with service	100%	14 responses received of the 21 issued in the period, 100% were either satisfied or extremely satisfied with the service

4. Table 2 below provides a breakdown of the income recovered or generated, and losses prevented by the Team.

<b>Table 2 – Income generated and losses prevented from 01 April 2016 to 31 March 2017</b>			
	<b>Income Generated</b>	<b>Loss Avoidance</b>	<b>Comment</b>
	<b>£</b>	<b>£</b>	
Council Tax Reduction Scheme	54,519	22,502	The loss avoided is based on the revised Oxford model* calculation of 104 weeks future entitlement.
Housing Benefit	225,427	151,530	Although no longer tasked with investigating Housing

			Benefit, these values are the by-product of tenancy fraud and Council Tax Reduction Scheme investigations. 104 week future entitlement model used for loss avoidance
Right to Buy		2,337,000	30 Right To Buy applications prevented (24% of all applications received) following intervention / investigation. 30 x £77,900 (max discount)
Council Tax Discount / Exemption adjustments	21,115		Reactive investigations where discount removed as an outcome
Non Domestic Rates	451,039		5 accounts where investigation work resulted in the discovery of unregistered business premises and identification of exemptions or discounts where no entitlement exists
Properties Recovered		384,000	The cost of keeping a family in temporary accommodation for one year calculated using the Oxford model (£24k x 22)
Housing Applications		144,000	6 General Register Housing Applications stopped through investigation activity preventing temporary accommodation costs or property allocation - £24,000 per instance
Administrative Penalty income	747		50% of the fraudulent overpayment of Council Tax Reduction Scheme Allowance. 2 cases.
<b>Data Matching Results</b>			
Private Rented Sector Deposits and Bonds Exercise	124,461	41,909	Proactive initiative to identify non-repaid rent deposits and damage bonds that were no longer applicable. Loss prevention element relates to cancellation of bonds and lowering of reserve
New Homes Bonus Initiative	403,817		Proactive initiative to identify long term empty properties

			that have since been occupied. Income relates to government subsidy paid to the Council
Council Tax Single Person Discount Review	778,060		Full review of SPD accounts to identify presence of undeclared resident adults
Totals	2,059,185	3,080,941	5,140,126

\*The Oxford Model refers to the team moving away from outdated savings calculations and conducting analysis to determine current and regionalised values.

5. Notable activity from 1 April 2016 to 31 March 2017 included:

- 1 caution administered in respect of Council Tax Reduction Scheme offences
- 2 Administrative Penalties offered and accepted in respect of Council Tax Reduction Scheme offences
- 1 prosecution of Council Tax Reduction Scheme offences; 200 hours of unpaid work, £25 victim surcharge
- The Data Warehouse system was used for three innovative proactive exercises during the course of the year, as detailed within Table 2. The combined value derived from use of the in-house data matching system was £1.35m, of which £42k is prevention of fraud losses.

6 In October 2016, the Investigation Team were selected by the Institute of Revenues, Ratings and Valuations (IRRV) as winners of the “Excellence in Corporate Fraud” Performance Award. There were 44 applications in the category and three Finalists, of which the Oxford City Council Investigation Team were one.

7 The Investigation Team hosted a “Preventing Fraud Open Day” on the 28 September 2016 at Oxford Town Hall. The aim of the event, which was free to attend, was to help raise awareness of fraud trends and emerging risks to attending organisations, and raise awareness of the services the Investigations Team can offer.

8. The day was opened by the Chief Executive of Oxford City Council, followed by the Deputy Leader, the Chief Financial Officer and the Investigations Manager.

9. Over 100 delegates attended the event which was full to capacity. The event was free to attend on the basis that there was some earmarked funding from the Department for Communities and Local Government grant, received in 2015.



10. A total of 35% of attendees completed a survey after the event and rated it positively. Comments included:
- “A well-chosen and eloquent selection of speakers, who were able to cover the wide range of attendees' areas of interest, and showed that this is not a 'silo' problem”
  - “It was a great initiative to get various local public sector/charity organisations together to discuss issues relating to fraud. My favourite bit was the legal panel that was very informative.”
  - “I liked the fact the fact so many people and organisations attended. This highlighted that there are still many willing to put resources into counter fraud activity, when public authorities are generally cutting resources in this area. Also, the format was well thought out by the City - well done!”
  - “I was impressed with the high level of buy-in which the team are getting from members and senior management. I was also impressed with the apparent team ethic and togetherness that was shown, which is clearly reaping the benefits for the Council.”
11. After the Open Day, a number of attending organisations made contact with the team to enquire about joint working, evidencing that the day was successful.
12. Several enquiries converted to contractual business relationships, others are still undergoing development and nearing completion.
13. Based on the success of the event, a 2017 day is scheduled for 14 September. It is unlikely that it will be possible to cover the costs of the event from the team budget and a charge to attend will have to be made to delegates.

### **Internal Investigations**

14. **Appendix 1** provides details of the internal investigations during the period.

### **Commercial Activity**

15. Fraud Hub working arrangements remain in place with services being contractually provided to multiple partner organisations in both the public and private sector. Business development activity is now embedded as part of the team culture as plans to bring more partners on board take shape.
16. The team is known commercially as The Oxford Investigation Service and has a brochure and promotional materials to assist the objective of business development. A copy of the June 17 version of the brochure and the “Meet The Team” insert is attached as **Appendix 2**.

17. Promotional activity, in addition to the Oxford Open Day event, includes speaking slots at relevant conferences, mailshots, meetings and for the first time since the commencement of trading activity, attending conferences as exhibitors with a dedicated trade stand.
18. The increasing number of successful projects and activities delivered for Oxford City Council has assisted in developing a range of services that can be offered to partner organisations and prospective clients. For each marketable service, pricing options are developed with the assistance of Financial Services Accountants to ensure compliance with financial regulations, ethical trading, and financial feasibility.

### **Partnership Working**

19. South Oxfordshire and Vale of White Horse District Councils / Capita

The Investigation Service has enjoyed a long term contractual relationship with South Oxfordshire District Council and Vale of White Horse District Council (South & Vale), dating back to 2014. From August 2016, the Revenues and Benefits service within South & Vale was outsourced to Capita, along with the investigation resource.

20. Capita then elected to engage the services of the Investigation Service to provide uninterrupted service provision at South & Vale and the contractual arrangement continued for the remainder of the financial year, and the arrangement remains in place to date.
21. The Oxford Investigation Service are the first and only supplier of investigation services to Capita in the UK. Provision of services to private sector organisations is another significant achievement for the team.
22. The service provided exceptional value for money and return on investment for South and Vale through identification of additional revenue and prevented fraud losses. Additional to the financial benefits were a high number of sanction outcomes including formal cautions, Administrative Penalties and prosecutions.
23. Additional to Investigation Service supply to South and Vale was the supply of visiting services in accordance with the Fraud and Error Reduction Incentive Scheme (FERIS). The service significantly increased revenue for the respective authorities in the period through the identification of Housing Benefit overpayments, Council Tax Reduction Scheme overpayments and prevented losses from erroneous and fraudulent benefit awards. The supply of this service terminated at the end of March 2017 as the FERIS scheme was concluded with no further grant funding being made available by the Department for Work and Pensions.

### **Oxfordshire County Council**

24. The team have been providing investigation services to the Audit and Risk service of Oxfordshire County Council during the financial year on a reactive, call-off

basis. The service commenced in early 2015 and has continued to deliver great outcomes for the County Council, including recommendations of civil recovery of overpayments, process improvements to prevent further abuse occurring in specific service areas, and disciplinary sanctions against staff found to be committing fraud.

25. Over the course of the 2016-2017 financial year, the Oxford Investigation Service worked in partnership with Oxfordshire County Council to conduct a full review of Council Tax Single Person Discounts (SPD).
26. Single Person Discount (SPD) makes up one of the largest categories for Council Tax Discount at Oxford City Council. There are around 60,000 properties billed for Council Tax in the City and between 16,000 and 17,000 awards of Single Person Discount.
27. SPD Fraud is therefore a significant cost to the City Council and the County Council as the major precept. The exercise was the first large scale project undertaken using the data warehouse software.

Headline statistics for the project:

<b>Total number of Properties billed for Council Tax:</b>	<b>60,449</b>
<b>Total number of Properties with SPD:</b>	16,116
<b>Number of Properties with SPD less than 6 months:</b>	2,017
<b>Total in Sample</b>	14,099
<b>Total number of matches with Risk score over 200:</b>	<b>3,551</b>
<b>RESULTS</b>	
<b>Total number of Accounts amended</b>	<b>642</b>
<b>Total Amount Invoiced</b>	<b>£314,321</b>
<b>Projected future income</b>	<b>£463,739</b>
<b>COSTS</b>	<b>£39,996</b>
<b>Return on Investment</b>	<b>£738,064</b>
<b>% ROI</b>	<b>1945%</b>

28. Oxfordshire County Council funded 90% of the exercise which was deemed to be very successful having delivered a significant return on investment.
29. In December 2016, a second proactive Blue Badge enforcement exercise was undertaken on behalf of Oxfordshire County Council. The previous exercise, conducted in December 2015 under the terms of the Business Agreement saw 11 badges seized over the course of a 3 day exercise.
30. With an increased resource commitment and lessons learned from the previous exercise, the December 2016 exercise resulted in 22 Blue Badges being seized that were being misused to park in bays reserved for Blue Badge Holders.

31. The exercise generated significant positive publicity in the press and radio news articles. Oxfordshire County Council's legal team are considering action on a case by case basis.

### **Warwick District Council**

32. As a result of attending the Oxford Investigation Service Open Day in September 2016, Warwick District Council commissioned the services of the Investigation Team. A contract was signed in early 2017 and a 12 month agreement entered into for the supply of one full-time equivalent Investigation Officer to supply the counter fraud function on behalf of Warwick District Council. The service went live in February 2017 and returned the value of the contract to Warwick in the first two weeks of operation.

### **East Devon District Council**

33. As a result of attending the Oxford Investigation Service Open Day in September 2016, East Devon District Council (EDDC) commissioned the services of the Investigation Team. In early 2017, senior officers in the team provided quality assurance services to EDDC in connection with fraud policy and strategy documents. Further service provision is currently being explored around data matching

### **Stratford on Avon District Council**

34. The Investigation Service was commissioned by Stratford on Avon District Council to provide urgent audio interview transcription services. This was a single exercise that was referred through word-of-mouth, which further evidences that promotional activities of the Investigation Service have been successful.

35. The Oxford Investigation Service has delivered a combined total of £1.65m in additional revenue for these partner organisations, and has prevented fraud losses of a further £1.5m. Success of this calibre will help in supporting ongoing business development with both new and existing clients.

### **Legal Implications**

36. The continuing work of the Investigation Team, coupled with the Council's Avoiding Bribery, Fraud and Corruption, Whistle Blowing and Money Laundering policies and procedures give assurance that the Authority is compliant with the Bribery Act 2010, the Money Laundering Regulations 2007 and the Proceeds of Crime Act 2002. Failure to adhere to the Policies would impact on the legal and reputational risk to the Council.

37. All data sharing both internally and externally is covered by Data Sharing Protocols and is conducted in the interests of prevention and detection of fraud, crime and other financial irregularity, as per the provisions of section 29 of the Data Protection Act 1998.

38. All contractual agreements devised for joint working with other organisations have been approved by Legal Services.

### **Financial Implications**

39. The net cost of the team excluding income from the Housing Revenue Account and grant funding for the financial year 2016-2017 was £234,000. The team are charged with identifying fraud, error and loss and are targeted to recover these costs as an indication of value for money. The team achieved over £5.1m through identification of additional revenue and prevention of losses to fraud and irregularity.

40. From commercial activity, the team secured income of in excess of £67,000 in the year which is directed into the team.

41. In addition to cashable revenue and non-cashable savings generated internally, the Investigation Team undertook work on behalf of other organisations generating income for them of £1.65m, and preventing fraud losses of over £1.5m.

### **Environmental Implications**

42. The majority of visits undertaken by staff in the Team are done using the Council pool vehicles. All staff are conscious of the environmental implications of service delivery and will always seek the lowest impact route where possible.

### **Risk Implications**

43. The risk of fraud both from within the Council's business and impacting on the Council's business may be significant. The maintaining of a fraud investigation resource is essential in acting as a deterrent to fraudulent activity and safeguarding the organisation. The income generated and losses prevented from team activity more than offset the cost of running the Investigating Team.

<b>Name and contact details of author:-</b>
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Scott Warner
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Investigations Manager
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Financial Services / Corporate Investigation Team
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**To:** Audit and Governance Committee  
**Date:** 28 June 2017  
**Report of:** Interim Head of Law and Governance  
**Title of Report:** Officer Executive Decisions published between 30 November 2016 – 31 May 2017

<b>Summary and recommendations</b>	
<b>Purpose of report:</b>	To inform the Committee of the Officer Executive Decisions taken since the last meeting of the Committee.
<b>Corporate Priority:</b>	None
<b>Policy Framework:</b>	None
<b>Recommendation:</b>	That the Audit and Governance Committee note the report.

<b>Appendices</b>	
Appendix 1	Officer Executive Decisions published between 30 November 2016 – 31 May 2017

## **Introduction and background**

1. In December 2015, the Committee asked for a list of officer executive decisions taken to be included in the agenda of future meetings.
2. If an officer executive decision is a key decision then notice that it will be taken is published in the Council's Forward Plan.
3. When Committee Services are notified that an officer executive decision has been taken, this is published on the Council's website and notification is sent by email to all councillors.
4. The Constitution sets out the scheme of delegation to the City Executive Board and to officers.

## **Decisions taken**

5. Appendix 1 lists the decisions taken since the last meeting of the Audit & Governance Committee and details the date from which the decision was effective.

## **Implications**

6. There are no financial, legal or other implications arising from this report.

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<b>Background Papers:</b> None
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## Appendix 1

### Officer Executive Decisions published between 30 November 2016 - 31 May 2017

<b>Award a Contract to Midland HR for the provision of Corporate Management Systems, Lot 2 Payroll Administration, Lot 3 Human Resources &amp; Lot 4 Managed Services</b>	
<b>Date:</b>	Publication date: 7/03/2017 Date of decision: 12/09/2016
<b>Decision maker</b>	Executive Director for Organisational Development and Corporate Services
<b>Purpose</b>	The Council requires a Payroll Administration, Human Resources and a Managed Services to accomplish the objectives of the organisation.  Midland HR demonstrated above the other potential providers their ability to manage the services operation and ensure that the Council receives best value for money, future proofing the Council by continuing to be of added value into the distant future. The value of the contract fell within the approval limits assigned to the Director within the Constitution.
<b>Decision</b>	Decision was given to award a contract for the provision of Lots 2, 3 and 4 Corporate Management Systems following a procurement process for a 5 year contract with an option to extend for a further period of 5 years (2y+2y+1y). Estimated contract value approx. £255,915 Lot 2 £ 50,772 Lot 3 £ 50,772 Lot 4 £ 154,371
<b>Alternative options considered:</b>	Option 1 - Award Contract to Midland HR Option 2 - Do not award the contract Option 3 - Award the contract to another supplier

<b>Award a Contract to Unit 4 for the provision of a Corporate Management System, Lot 1 Financial Management System (FMS)</b>	
<b>Date:</b>	Publication date: 7/03/2017 Date of decision: 12/09/2016
<b>Decision maker</b>	Executive Director for Organisational Development and Corporate Services
<b>Purpose</b>	The Council requires a Financial Management Systems to accomplish the objectives of the organisation.  Unit 4 demonstrated above the other potential providers their ability to manage the services operation and ensure that the Council receives best value for money, future proofing the Council by continuing to be of added value into the distant future. The value of the contract fell within the approval limits assigned to the Director within the Constitution.
<b>Decision</b>	The decision was made to award a contract for the provision of Lot 1 Financial Management System (FMS) following a procurement process for a 5 year contract with an option to extend for a further period of 5 years (2y+2y+1y). The total contract value for the first 5 years for Lot 1 is £313,153.
<b>Alternative options considered:</b>	Option 1 - Award Unit 4 the contract Option 2 - Do not award the contract Option 3 - Award the contract to another supplier.

<b>Award a contract to Allpay for the provision of an Electronic Payment Service</b>	
<b>Date:</b>	Publication date: 7/03/2017 Date of decision: 21/02/2017
<b>Decision maker</b>	Executive Director for Organisational Development and Corporate Services
<b>Purpose</b>	The Council requires an Electronic Bill payment service to allow residents to pay certain Council bills via the Post Office and Paypoint networks. The current contract for Electronic bill payment(through the Co-operative Bank) will expire March 2017. The Co-operative Bank is leaving the market for this service so an alternative supplier was required. The value of the contract fell within the approval limits assigned to the Director within the Constitution.
<b>Decision</b>	Decision was given to award a contract to Allpay for the provision of an Electronic Payment Service for a 2 year contract with an option to extend for a further period of 2 years (1y+1y). The total contract value for the first 2 years is £107,957 with an estimated further £51,691 per year for each extension.
<b>Alternative options considered:</b>	Option 1 - Award contract to Allpay to supply the electronic bill payment service - as they fitted the requirements of the Councils' procurement process.  Option 2 – Don't award the contract.  Option 3 - Appoint another supplier that doesn't fit the requirements of the Council's procurement process.

<b>Contract for the provision of the Supply and Maintenance of a Commercial and Domestic Recycling and Waste Management System</b>	
<b>Date:</b>	Publication date: 27/03/2017 Date of decision: 8/03/2017
<b>Decision maker</b>	Executive Director for Community Services
<b>Purpose</b>	The current contract for a Recycling and Waste Management System will expire October 2017. The value of the contract fell within the approval limits assigned to the Director within the Constitution.
<b>Decision</b>	To award a contract for the provision of a Commercial and Domestic Recycling and Waste Management System for a 3 year contract with an option to extend for a further period of 4 years (2y+2y). The total contract value for the first 3 years is £184,600.
<b>Alternative options considered:</b>	Option 1 - Award contract to Bartec Audio ID Ltd to supply a Commercial and Domestic Recycling and Waste Management System - as they fitted the requirements of the Councils' procurement process.  Option 2 - Appoint another supplier that doesn't fit the requirements of the Council's procurement process.  Option 3 - Don't award the contract.

<b>Decision to award contract for Delivery of Horspath Sports Park to Fusion Lifestyle.</b>	
<b>Date</b>	Publication date: 28/03/2017 Date of decision: 23/03/2017
<b>Decision maker</b>	Executive Director for Community Services
<b>Purpose</b>	The decision was taken to progress the project to the point of delivery of the construction programme and on-going operation of the site
<b>Decision</b>	The decision is enter a contract for the delivery of Horspath Sports Park with Fusion Lifestyle on the basis that their tender meets the Council's requirements for the delivery, maintenance and operation of the proposed new sports park and the commercial agreement and lease terms meet the Council's requirements.  This recommendation is unanimously supported by the project team.  The contract will be based on a commercial agreement and a 25 year lease to Fusion
<b>Alternative options considered</b>	An internal comparator was compiled and reviewed against external offers from the market. This was fed into the overall evaluation process. It was deemed by the evaluation panel that there were greater potential benefits to the external offer from Fusion and the proposal was made from the evaluation panel to award the contract to Fusion.

<b>Oxford City Council Equity Loans Scheme</b>	
<b>Date</b>	Publication date: 06/04/2017 Date of decision: 28/03/2017
<b>Decision maker</b>	Assistant Chief Executive
<b>Purpose</b>	In July 2013, the City Executive Board delegated how the loans scheme would operate to officers. The decision was needed to improve the choice of open market properties available for loan applicants to buy. Previously, areas eligible for purchase were limited to Oxford and its immediate environs and this excluded a number of areas offering better value, particularly for first time buyers.
<b>Decision</b>	The decision was made to change the definition in the Equity Loans Scheme so that loan applicants can purchase property being located within a reasonable travelling distance of work. This is interpreted as being within a maximum travel time of an hour and a half from Oxford.
<b>Alternative options considered</b>	The other option was not to change the scheme's definition for where applicants could purchase a home. This would not improve the situation as many applicants cannot afford to purchase property in Oxford.

<b>Disposal of Former WCs on St Giles</b>	
<b>Date</b>	Publication date: 07/04/2017 Date of decision: 24/02/2017
<b>Decision maker</b>	Executive Director for Regeneration and Housing
<b>Purpose</b>	This was earmarked as a redundant property. It is part of the City Council's Asset management plan to dispose of assets not in use.
<b>Decision</b>	This property has been let on a 125 year lease for £125,000. The property will be refurbished and turned into office accommodation.  The property was fully marketed by an external agent, received good interest, and the purchase price exceeded initial expectations and offered best consideration for the property.
<b>Alternative options considered</b>	Option 1 - Refurbish and re-let the WCs Option 2 - Dispose of the property to the purchaser to be transformed into officer accommodation Option 3 - Dispose of the property to another party to be transformed into houses

<b>Purchase of Property for Temporary Accommodation</b>	
<b>Date</b>	Publication date: 07/04/2017 Date of decision: 27/03/2017
<b>Decision maker</b>	Head of Housing Services
<b>Purpose</b>	This acquisition forms part of the project approved by CEB in December 2016 entitled Homeless Accommodation Property Investment and Retained Right to Buy Capital Receipts Qualifying Expenditure
<b>Decision</b>	A property was purchased in Bicester, OX26 4XN for a price of £233,000 to provide temporary housing for families in need.
<b>Alternative options considered</b>	Option 1 - Purchase the property Option 2 - Do not purchase the property

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## **Minutes of a meeting of the AUDIT AND GOVERNANCE COMMITTEE on Wednesday 1 March 2017**



### **Committee members:**

Councillor Fry (Chair)

Councillor Coulter

Councillor Paule

Councillor Pressel (for Councillor Munkonge)

Councillor Tidball

Councillor Wolff (for Councillor Thomas)

### **Officers:**

Laura Bessell, Benefits Manager

Lindsay Cane, Acting Head of Law and Governance

Nigel Kennedy, Head of Financial Services

Jennifer Thompson, Committee and Members Services Officer

Anna Winship, Management Accountancy Manager

### **Also present:**

Gurpreet Dulay, Manager, BDO Internal audit, BDO Internal Audit provider

David Guest, Ernst & Young external auditor, Ernst & Young

Paul King, Ernst & Young external auditor, Ernst & Young

### **Apologies:**

Councillor(s) Munkonge and Thomas sent apologies.

## **45. Declarations of Interest**

There were no declarations.

## **46. Internal Audit: progress report to March 2017**

The Committee discussed the report from the Council's internal auditor, BDO, setting out the progress made against the 2016/17 internal audit plan.

Gurpreet Dulay, BDO, presented the report. He said that the majority of the 2016/17 scheduled audits were complete and the outstanding three should be completed by the year end.

The Committee noted the findings and recommendations for the three reports issued with moderate or better opinions and the one advisory report.

On the planned procurement audit, they asked the auditors to look at how the council measures the social value impact of its spending.

On the arrangements for the audit of the new housing company the committee noted that the governance arrangements and the business plan were being finalised, and the scrutiny committee's involvement. The directors were evaluating business planning tools and had commissioned external advice on the business plan. The committee were of the view that the audit should cover governance, risk and auditing functions, taking into account external evidence including reports from APSE and similar companies where applicable.

The Committee noted the report and congratulated the Treasury Management team on the excellent results from their audit.

#### **47. Internal Audit: follow up of recommendations to March 2017**

The Committee considered the report of the Council's internal auditors, BDO, setting out progress on implementing the recommendations arising from the completed internal audit reviews.

Gurpreet Dulay, BDO, presented the report.

The Committee noted that the new controls for the SIGMA systems could not be completed until the new contract rates were available for the team. They noted that a number of related recommendations were delayed because of delays in necessary software upgrades.

The Committee noted the report.

#### **48. Internal Audit: audit reports to committee March 2017**

The Committee considered the report and recommendations from the audit by the internal auditor, BDO of the council's Business Continuity and Disaster Recovery planning.

Gurpreet Dulay, BDO, introduced the report. In answer to questions he and the Head of Finance said:

- good business continuity plans helped an organisation recover much faster and at less cost in the event of a major incident;
- at the end of March the business continuity plan for ICT would be tested;
- Zurich Municipal were contracted in an advisory role and would be providing some training over the next year.
- once service area and corporate plans were complete, Zurich would review these to identify gaps and training needs, including desk top and full testing.
- The timetable was realistic.

The Committee noted the report.

## **49. Oxford City Council Internal Audit Plan 2017-18**

The Committee considered the report of the internal auditor, BDO, setting out the internal audit plan for 2017-18.

Gurpreet Dulay, BDO, introduced the report and said the remaining four audit days for 2016/17 could be used to assess the Housing Benefit service's action plan.

The Committee recommended the following changes to the plan:

- Use the remaining four audit days for 2016/17 to assess the Housing Benefit service's action plan.
- Ensure there was sufficient time allocated to the Companies Review and that this should take place earlier than Q4.
- Time should be given to working with the council on minimising the financial risk from the new finance act and the tax recording and payment changes for contracted workers including sub-contractors.
- In the 2016/17 audit of the council's culture, assess the risks to the culture of the organisation arising from the uncertainty surrounding the County Council's unitary council bid.

The Committee noted the report.

## **50. Oxford City Council Annual Certification Report**

The Committee considered the report of the Council's external auditors, Ernst & Young informing them of the certification work on its claims and returns in relation to Housing Benefit.

David Guest, Ernst & Young, introduced the report and outlined how the error rate and subsidy claim were calculated and the types of errors found. He explained that the total value of extrapolated errors would likely lead to a reduction in payment of subsidy from the Department of Works and Pensions as it exceeded the threshold permitted before subsidy was withdrawn. The recommendations included improving accuracy and checks to reduce the errors below the threshold.

He said it was not usual for a council to exceed the threshold but as the complexity of cases increased it was now usual to be issued a qualification letter. The results from the testing should reflect training and changes to processes, but because of the delay between close of year and the end of the audit there was a period when the same errors continued and affected the following year's audit.

The Benefits Manager and the Head of Financial Services outlined the actions the service was taking to reduce the error rate and answered questions from the committee:

- The errors were small – less than 1% of the total housing benefit expenditure of £64m – but had a significant cost to the council if they exceeded the threshold for loss of subsidy.
- The reasons for the most common types of errors would be identified and detailed procedures and training put in place. There would be a standardised pattern of work

and assessment to increase confidence in the accuracy of processing; and updated procedures to reflect best practice, current law and case law

- Checking, feedback and performance reviews were carried out regularly and a quality control system (PMQA) was in place. Checking would now mirror the audit process and pro-actively seek to reduce the error rate.
- There would be more thorough checking of data from the DWP to reduce errors creeping in from incorrect initial data.
- Training would be comprehensive and focus on problem solving and accuracy.
- Dealing with claims with a high risk of error (workers on zero hours or with irregular hours, and complex claims) presented challenges. The relative risks changed with the volume of different types of claims.
- Where the likely dates of changes affecting many claimants were known (for instance pay reviews for major employers; rent changes; pension increases) these were put in the diary and reminder letters sent or known changes applied automatically.
- The manager held IIRV qualifications and was keen for senior staff to achieve these.
- The universal credit rollout brought further challenges to the benefits team.
- There were monthly meetings and weekly checks on performance and a focus on the impact of errors and effectively managing claims types.

The Committee noted that financial reporting would show the subsidy penalty as a pressure on reserves.

The Committee noted the report, their concerns, and the action plan, and asked that the benefits manager come back in June to report on progress on the action plan.

## **51. Oxford City Council Audit Planning**

The Committee considered the report of the Council's external auditors, Ernst & Young setting out the Audit Plan 2017-18.

David Guest, Ernst & Young, introduced the report. He said that the risks derived from required audit standards and were common to all audit plans rather than implying an actual risk.

The Committee noted:

- The audit would be carried out on a compressed timetable to finish mid-July and so they may wish to schedule a meeting in late July to approve the audited accounts.
- Bringing the audit of the accounts forward allowed the housing benefit audit to start earlier which reduced the delay between year-end and reporting where repeated errors could continue.
- The audit could not be completed until the statutory inspection period ended and this may impact timescales for completing the 2016/17 audit.
- More work was planned before the year end to streamline and shorten the post-year-end auditing.

The Committee noted the report, the new timetable, and the comments above.

## **52. Risk Management report: Quarter 3 2016/17**

The Committee considered the report submitted by the Head of Financial Services setting out both the corporate and the service risks as at the end of Quarter 3, 31 December 2016. The Management Accountancy Manager introduced the report.

The Committee discussed the risks and mitigation measures in place for:

- the two corporate red risks and the new red service risk relating to out of town taxis;
- the two risks CRR32 (delivery of financial plan) and CRR33 (Housing) which were of concern;
- CRR31 (Supporting economic growth) was tracked and may become a higher risk with time;

The Committee asked for more details on the risks and how these were calculated and mitigated. They noted the difficulty of using procurement and the social value act to effectively influence key risk areas such as homelessness. They asked whether the council's companies should be added to the risk register given the sums of money involved in these.

The Committee discussed the risks to the city's housing stock and environment from the 'sharing economy' such as Uber and AirBnB.

They suggested the Head of Finance contact the team at De Montfort University studying of the effects of Brexit with a view to offering Oxford as a case study.

The Committee noted the report and the comments and asked for a report on the risks to the city's housing stock and environment from the 'sharing economy' such as Uber and AirBnB.

## **53. Minutes of the previous meeting**

The Committee resolved to **approve** the minutes of the meeting held on 14 December 2016 as a true and accurate record.

## **54. Dates and times of meetings**

The Committee noted the dates and times of future meetings; noted that a meeting may be scheduled in late July if the audit of the accounts was completed by mid-July as currently proposed by Ernst & Young; and agreed changes to the programme agreed at Council:

*18 October 2017 –change date to **26 September 2017***

*18 June 2018 –change date to **25 July 2018***

**The meeting started at 6.00 pm and ended at 8.10 pm**

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By virtue of paragraph(s) 1, 2, 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

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