

Agenda

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Audit and Governance Committee

Date: **Wednesday 16 December 2015**

Time: **6.00 pm**

Place: **Town Hall**

For any further information please contact:

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Audit and Governance Committee

Membership

Chair	Councillor James Fry
Vice-Chair	Councillor Jean Fooks
	Councillor Van Coulter
	Councillor Roy Darke
	Councillor Chewe Munkonge
	Councillor Michele Paule
	Councillor David Thomas

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

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AGENDA

Pages

1 **APOLOGIES FOR ABSENCE**

2 **DECLARATIONS OF INTEREST**

3 **SETTING OF THE COUNCIL TAX BASE 2016-2017**

9 - 28

Report of the Head of Financial Services

Purpose:

To set the "Council Tax Base" for 2016/17 as required by section 33 of The Local Government Finance Act 1992 and the Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012.

Recommendations:

The Audit and Governance Committee are recommended to agree:

- a) that the 2016/17 Council Tax Base for the City Council's area as a whole is set at 43,665.1 (as shown in Appendix 1)
- b) that the projected level of collection is set at 98%
- c) that the tax bases for the Parishes, and for the Unparished Area of the City (as shown in Appendix 2) be set as follows:

Unparished Area of the City	36,468.2
Littlemore Parish	1,730.4
Old Marston Parish	1,269.1
Risinghurst & Sandhills Parish	1,418.6
Blackbird Leys Parish	2,778.8
City Council Total	43,665.1

4 **EXTERNAL AUDIT PROGRESS REPORT 2015/16 DECEMBER UPDATE**

29 - 36

Audit and Governance Committee Progress Report

Purpose:

To provide an overview of the stage reached in the 2015/16 audit and ensure the audit is aligned with the Committee's expectations.

Recommendation:

The Committee is asked to note the report.

5 **ANNUAL AUDIT LETTER FOR YEAR END 31 MARCH 2015**

37 - 48

The Annual Audit letter presented by the Council's external auditors Ernst & Young.

Purpose:

To set out the key issues arising from the work of the external auditors.

Recommendation:

The Committee is asked to note the Annual Audit letter.

6	LOCAL GOVERNMENT AUDIT COMMITTEE BRIEFING	49 - 58
	Local Government Audit Committee briefing presented by the Council's external auditors, Ernst & Young.	
7	INTERNAL AUDIT PROGRESS REPORT HALF YEAR SUMMARY	59 - 70
	The Head of Financial Services will present the Half Year Summary report of the Council's previous internal auditors PriceWaterhouseCoopers.	
	Purpose:	
	The report outlines the internal audit work PriceWaterhouseCoopers have carried out for the six months ended 30 September 2015.	
	Recommendation:	
	The Committee is asked to note the report.	
8	BDO INTERNAL AUDIT PROGRESS REPORT, QUARTER 2 2015/16	71 - 84
	The Head of Financial Services will present the Half Year Summary report of the Council's previous internal auditors BDO.	
	Purpose:	
	This report is intended to inform the Audit and Governance Committee of progress made against the 2015/16 internal audit plan which was approved by Audit and Governance Committee on 23 April 2015.	
	Recommendation:	
	The Committee is asked to note the report.	
9	BDO INTERNAL AUDIT: ACCOUNTS PAYABLE REPORT	85 - 106
	Accounts Payable report presented by the Council's internal auditors BDO.	
	Purpose:	
	To review the design and effectiveness of controls in relation to accounts receivable and accounts payable activity to provide assurance over the accuracy, completeness and timeliness of transactions undertaken.	
	Recommendation:	
	The Committee is asked to note the report.	
10	BDO INTERNAL AUDIT: ACCOUNTS RECEIVABLE REPORT	107 - 130
	Accounts Receivable report presented by the Council's internal auditors BDO.	
	Purpose:	
	To review the design and effectiveness of controls in relation to accounts receivable and accounts payable activity to provide assurance over the accuracy, completeness and timeliness of transactions undertaken.	
	Recommendation:	

The Committee is asked to note the report.

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| 11 | PROGRESS ON IMPLEMENTATION OF AUDIT RECOMMENDATIONS: QUARTER 2 2015/16
Report of the Head of Financial Services

Purpose:
To report progress on the implementation of internal and external audit recommendations.

Recommendation:
The Committee is asked to note progress with the recommendations listed in Appendix A. | 131 - 138 |
| 12 | RISK MANAGEMENT QUARTERLY REPORTING: QUARTER 2 2015/16
Report of the Head of Financial Services

Purpose:
To update the Committee on both corporate and service risks as at the end of Quarter 2, 30 September 2015.

Recommendation:
The Committee is asked to note the contents of this report, in particular the new Corporate Risk around the Medium Term Financial Plan as set out in paragraphs 8 and 9. | 139 - 146 |
| 13 | MINUTES OF THE PREVIOUS MEETING
Minutes of the meeting held on 15 September 2015. | 147 - 152 |
| 14 | DATES AND TIMES OF MEETINGS
The Committee will meet at 6.00pm in the Town Hall on the following dates:

1 March 2016 | |

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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To: Audit and Governance Committee
Date: December 16th 2015
Report of: Head of Financial Services
Title of Report: Setting of the Council Tax Base 2016-17

Summary and Recommendations

Purpose of report: To set the "Council Tax Base" for 2016/17 as required by section 33 of The Local Government Finance Act 1992 and the Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012.

Key decision: No

Executive lead member: Cllr. Ed Turner

Policy Framework: No

Recommendations: The Audit and Governance Committee are recommended to agree:

- a) that the 2016/17 Council Tax Base for the City Council's area as a whole is set at **43,665.1** (as shown in Appendix 1)
- b) that the projected level of collection is set at 98%
- c) that the tax bases for the Parishes, and for the Unparished Area of the City (as shown in Appendix 2) be set as follows:

Unparished Area of the City	36,468.2
Littlemore Parish	1,730.4
Old Marston Parish	1,269.1
Risinghurst & Sandhills Parish	1,418.6
Blackbird Leys Parish	2,778.8
City Council Total	43,665.1

- Appendix 1 Oxford City Council Tax Base 2016-17
- Appendix 2 Parish Councils' Tax Base 2016-17
- Appendix 3 Dwellings by valuation band at 30th Nov 2015
- Appendix 4 Growth in dwellings
- Appendix 5 Risk Register

Background

- 1 Responsibility for setting the Council Tax Base for the City Council's area as a whole and for the individual parishes is delegated to the Audit and Governance Committee.
- 2 The Tax Base is the estimate of the taxable capacity of the area for the period. The numbers of dwellings in each valuation band are converted to Band D equivalents. The starting point is the current number of dwellings, exemptions and discounts as at Nov 30th 2015 and projections are then made for expected movements over the period December 1st 2015 – March 31st 2017. Separate calculations are required for a) the whole of the Authority's area and b) the individual Parishes and the Unparished area of the City. The Tax Base is used by the Council to calculate the yield from Council Tax for 2016/17, and by Oxfordshire County Council and the Police and Crime Commissioner (Thames Valley) to apportion their precepts from 1 April 2016.

Council Tax Reduction Scheme

- 3 The Council Tax Reduction Scheme which replaced Council Tax Benefit from April 1st 2013 has the effect of reducing the Tax Base. To assist the Local Authority (and the Parishes) with the resulting loss of income, grant funding is paid by the Government. In 2013/14 this represented 90% of the grant the Council previously received for Council Tax Benefit. However, the grant has subsequently been absorbed into Formula Grant and is not separately identifiable.

Factors taken into account in the calculation of the Tax Base

- 4 The following factors are taken into account when calculating the tax base:
 - **Dwellings:** The number of dwellings in each valuation band as at 30th November 2015 (see Appendix 3 attached).
 - **Exemptions and Discounts:** Not all dwellings are liable for the full Council Tax charge, some are exempt. Others can attract a discount, either at 25%, 50% or 100% dependant on the number of adults who are resident. The level of exemptions and discounts reduces the Tax Base.
 - The estimate of the number of dwellings that will be eligible for a 25% discount in 2016/17 (recently built or uninhabitable dwellings) is 75. This figure is shown in line 8 of Appendix 1 and is based on data as at Nov 30th 2015.
 - The estimate of the number of dwellings that will be eligible for a 100% discount (applicable for one month only) (empty

and unfurnished dwellings) is 53. This is included within line 2 of Appendix 1 and is based on data as at Nov 30th 2015.

- **Disability Reductions:** Where there is a disabled occupant and adaptations have been undertaken for their benefit, the dwelling is treated as being in the band below the one in which it was actually valued.
- **Council Tax Reduction Scheme:** The estimate of the total number of dwellings that will be eligible for discounts under the Council Tax Reduction Scheme in 2016/17 is 6,744 compared to 7,079 in 2015/16. The breakdown per band is detailed in line 3 of Appendix 1.
- **Long Term Empty Premium:** The estimate of the number of dwellings that will be subject to 150% Council Tax after being empty for two years is 76 (Line 12 of Appendix 1).
- **Discretionary elements:** The Council has discretion in the following areas when calculating its Council Tax Base:
 - (i) **Number of new properties built:** Appendix 4 shows the net annual increase in the total numbers of dwellings banded for Council Tax going back to 1997/98. The graph shows the 'boom' years of 2004/05, 2005/06 and 2006/07, followed by a considerable drop thereafter. The net increase in 2015/16 to date is 446. There are a number of building projects nearing completion and a figure of 112 new builds has been included for the remainder of 2015/16 (line 1a of Appendix 1).

For 2016/17 an estimate of 335 new dwellings has been built into the calculation (Line 1b) based on planning applications - a 50% discount has been given to these dwellings to reflect that some will have discounts or exemptions, and most will not be in the Valuation List for the entire period.

(ii) **Allowance for non-collection** - The Council is required to make an allowance for non-collection of Council Tax. The Head of Financial Services has recommended that the allowance for 2016/17 is 2%. This compares to 2.5% for 2015/16. This reassessment is based on the fact that:

- The cumulative Collection Fund (Council Tax element) surplus as at March 31st 2015 is £1,889,527; this represents the excess of Council Tax collected for the year above the original estimate. As at March 31st 2015 the Council had collected 97.67% of the 2014/15 Council Tax debit. This represented our best ever in year result and confirms that our collection rates are rising.
- The caseload for the Council Tax Reduction Scheme has reduced from 7,468 back in 2013/14 (the year Council Tax Support replaced the former scheme of Council Tax Benefit) to the current figure of 6,744. This is due to a fall in the number of households claiming Council Tax Support as a

result of Oxford's economy recovering well over the last few years.

Calculation method

- 5 The method used to calculate the Tax Base is prescribed by the Local Authorities (Calculation of Council Tax Base) Regulations 2012 (SI 2012/2914). The basic calculation is as follows:
- Number of dwellings in each of the valuation bands
 - Less Exempt dwellings
 - Dwellings eligible for the Council Tax Reduction Scheme
 - Disabled reductions
 - Discounts (25% and 50%)
 - Convert to Band D equivalents
 - Adjust for projected collection rate.
- 6 Appendices 1 and 2 attached set out the requisite calculations for the Authority as a whole as well for the Parished and Unparished areas of the City. Table 1 below summarises the Tax Bases.

Table 1.

Council Tax Bases				
	2016/17	2015/16	Change	
	Nos	Nos	Nos	%
Unparished Area	36,468.2	35,683.1	785.1	2.2
Littlemore	1,730.4	1,663.1	67.3	4.0
Old Marston	1,269.1	1,220.9	48.2	3.9
Risinghurst and Sandhills	1,418.6	1,397.4	21.2	1.5
Blackbird Leys	2,778.8	2,694.2	84.6	3.1
City Council Total	43,665.1	42,658.7	1,006.4	2.4

Reasons for increase in Council Tax Base

- 7 The calculated figure of 43,665.1 for the overall Tax Base for 2016/17 represents an increase of 2.4% on the 2015/16 figure. The main reasons for this are:
- a) a slow, but steady, growth in the overall number of dwellings. As at November 30th 2014 dwellings totalled 59,561. Twelve months later this had grown to 60,101 (an increase of 0.91%)

- b) a reduction in the estimate of the number of dwellings entitled to discounts under the Council Tax Reduction Scheme from 7,079 in 2015/16 to 6,744 in 2016/17 (a reduction of 4.73%).
- c) the reduction of the non-collection allowance from 2.5% to 2% (see para 4 (ii) above)

Risk Implications

- 8 A risk assessment has been undertaken and the risk register is attached at Appendix 5.

Equalities Impact Assessment

- 9 There are no Equalities Impact Assessment implications relating to the setting of the Tax Base as detailed in this report.

Financial Implications

- 10 These are all included within the main body of the report.

Legal implications

- 11 The Local Government Finance Act 1992 states that Billing Authorities are to calculate their Council Tax Base figures as at 30th November preceding the financial year to which the Tax Base applies. These figures must be notified to the major precepting authorities by the following 31st January.

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APPENDIX 1

SETTING OF THE COUNCIL TAX BASE FOR 2016/2017
TOTAL FOR OXFORD CITY COUNCIL BILLING AUTHORITY

(A- are Band A dwellings with disabled reduction)	Band A-	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H	Total
1. Total number of dwellings as at Nov 30th 2015		2,451.0	9,414.0	18,926.0	15,806.0	6,892.0	2,800.0	3,231.0	581.0	60,101.0
1a. Estimated new dwellings for Dec 1st - Mar 31		1.0	50.0	25.0	21.0	10.0	2.0	3.0	0.0	112.0
1b. Estimated new dwellings 2016-17		14.0	52.0	106.0	88.0	38.0	16.0	18.0	3.0	335.0
2. Number of dwellings exempt 2016/17		484.0	784.0	1,180.0	1,730.0	1,012.0	234.0	253.0	206.0	5,883.0
3. Number of dwellings eligible for Council Tax Support		533.4	2,291.4	2,688.3	947.7	243.8	25.8	13.3	0.0	6,743.7
4. No.of chargeable dwellings for 2016/17(lines 1+1a+1b -2-3)		1,448.6	6,440.6	15,188.7	13,237.3	5,684.2	2,558.2	2,985.7	378.0	47,921.3
5. Number of chargeable dwellings (line 4) subject to disabled reduction on 30 November 2015		2.0	23.0	75.0	64.0	27.0	14.0	13.0	8.0	226.0
6. Number of dwellings effectively subject to council tax for this band by virtue of disabled relief (line 5 after reduction)	2.0	23.0	75.0	64.0	27.0	14.0	13.0	8.0		226.0
7. Number of chargeable dwellings adjusted in accordance with lines 5 and 6 (lines 4-5+6)	2.0	1,469.6	6,492.6	15,177.7	13,200.3	5,671.2	2,557.2	2,980.7	370.0	47,921.3
8. Est. of number of dwellings in line 7 entitled to a 25% discount (recently built or uninhabitable dwellings)	0.0	0.0	4.0	15.0	25.0	12.0	9.0	10.0	0.0	75.0
9. Number of dwellings in line 7 entitled to a 25% discount on 30 November 2015	0.0	1,261.0	4,620.0	5,647.0	3,963.0	1,516.0	572.0	505.0	28.0	18,112.0
10. Number of dwellings in line 7 entitled to a 50% discount on 30 November 2015	0.0	3.0	14.0	38.0	30.0	22.0	14.0	28.0	15.0	164.0
11 Additional 50% discounts for new dwellings	0.0	14.0	52.0	106.0	88.0	38.0	16.0	18.0	3.0	335.0
12. Dwellings subject to Long Term Empty Premium	0.0	5.0	16.0	18.0	18.0	6.0	3.0	6.0	4.0	76.0
13. Number of dwellings in line 7 assumed to be entitled to no discounts / premium (lines 7-8-9-10-11-12)	2.0	186.6	1,786.6	9,353.7	9,076.3	4,077.2	1,943.2	2,413.7	320.0	29,159.3
14. Total equivalent number of dwellings after discounts, exemptions and disabled relief [(line 8 x 0.75) +(line 9 x 0.75)+ (lines 10 and 11 x 0.5) + (line 12 x 1.5) + line 13	2.0	1,148.3	5,311.6	13,699.2	12,153.3	5,262.2	2,398.4	2,832.0	356.0	43,163.0
15. Ratio to band D	519	619	719	819	1.0	1119	1319	1519	1819	
16. Number of band D equivalents (line 14 x line 15)	1.1	765.6	4,131.3	12,177.1	12,153.3	6,431.6	3,464.4	4,719.9	712.0	44,556.2
17. Number of band D equivalents of contributions in lieu (in respect of exempt dwellings) in 2016/17										0.00
18. Tax Base for Oxford City Council Billing Authority (line 16 + line 17)										44,556.18
19. At projected collection rate of 98%										43,665.1

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Notes

Line 2 - Exempt Dwellings - Data comes from the Academy Council Tax system and includes empty and unfurnished dwellings with 100% discount (one month only)

Line 3 - Dwellings eligible for Council Tax Support - this data comes from the Academy Council Tax system as at November 30th 2015

Line 8 - Recently built or uninhabitable dwellings - this data comes from the Academy Council Tax system as at November 30th 2015

Line 11 - Additional 50% discounts for new dwellings - the estimated number of building completions in 2016-17 comes from Planning's Housing Trajectory plan

Line 12 - Dwellings subject to Long Term Empty Premium - this data comes from the Academy Council Tax system as at November 30th 2015

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APPENDIX 2

SETTING OF THE COUNCIL TAX BASE FOR 2016/2017
TOTAL FOR LITTLEMORE PARISH COUNCIL

(A- are Band A dwellings with disabled reduction)	Band A-	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H	Total
1. Total number of dwellings as at Nov 30th 2015		257.0	429.0	1,433.0	300.0	135.0	57.0	9.0	1.0	2,621.0
1a. Estimated new dwellings for Dec 1st - Mar 31										0.0
1b. Estimated new dwellings 2016-17										0.0
2. Number of dwellings exempt 2016/17		2.0	18.0	13.0	9.0	4.0	1.0	0.0	0.0	47.0
3. Number of dwellings eligible for Council Tax Support		87.1	125.2	165.1	23.6	6.7	0.0	0.0	0.0	407.7
4. No.of chargeable dwellings for 2016/17(lines 1+1a+1b -2-3)		167.9	285.8	1,254.9	267.4	124.3	56.0	9.0	1.0	2,166.4
5. Number of chargeable dwellings (line 4) subject to disabled reduction on 30 November 2015		1.0	0.0	10.0	1.0	0.0	1.0	0.0	1.0	14.0
6. Number of dwellings effectively subject to council tax for this band by virtue of disabled relief (line 5 after reduction)	1.0	0.0	10.0	1.0	0.0	1.0	0.0	1.0		14.0
7. Number of chargeable dwellings adjusted in accordance with lines 5 and 6 (lines 4-5+6)	1.0	166.9	295.8	1,245.9	266.4	125.3	55.0	10.0	0.0	2,166.4
8. Est. of number of dwellings in line 7 entitled to a 25% discount (recently built or uninhabitable dwellings)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
9. Number of dwellings in line 7 entitled to a 25% discount on 30 November 2015	0.0	133.0	239.0	405.0	77.0	29.0	12.0	2.0	0.0	897.0
10. Number of dwellings in line 7 entitled to a 50% discount on 30 November 2015	0.0	0.0	3.0	16.0	0.0	0.0	1.0	1.0	0.0	21.0
11 Additional 50% discounts for new dwellings	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
12. Dwellings subject to Long Term Empty Premium	0.0	2.0	1.0	3.0	0.0	0.0	0.0	0.0	0.0	6.0
13. Number of dwellings in line 7 assumed to be entitled to no discounts / premium (lines 7-8-9-10-11-12)	1.0	31.9	52.8	821.9	189.4	96.3	42.0	7.0	0.0	1,242.4
14. Total equivalent number of dwellings after discounts, exemptions and disabled relief [(line 8 x 0.75) +(line 9 x 0.75)+ (lines 10 and 11 x 0.5) + (line 12 x 1.5) + line 13	1.0	134.6	235.1	1,138.2	247.2	118.1	51.5	9.0	0.0	1,934.6
15. Ratio to band D	5\9	6\9	7\9	8\9	1.0	11\9	13\9	15\9	18\9	
16. Number of band D equivalents (line 14 x line 15)	0.6	89.8	182.8	1,011.7	247.2	144.3	74.4	15.0	0.0	1,765.7
17. Number of band D equivalents of contributions in lieu (in respect of exempt dwellings) in 2016/17										0.00
18. Tax Base for Oxford City Council Billing Authority (line 16 + line 17)										1,765.7
19. At projected collection rate of 98%										1,730.4

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Notes

Line 2 - Exempt Dwellings - Data comes from the Academy Council Tax system and includes empty and unfurnished dwellings with 100% discount (one month only)

Line 3 - Dwellings eligible for Council Tax Support - this data comes from the Academy Council Tax system as at November 30th 2015

Line 8 - Recently built or uninhabitable dwellings - this data comes from the Academy Council Tax system as at November 30th 2015

Line 11 - Additional 50% discounts for new dwellings - the estimated number of building completions in 2016-17 comes from Planning applications

Line 12 - Dwellings subject to Long Term Empty Premium - this data comes from the Academy Council Tax system as at November 30th 2015

APPENDIX 2

SETTING OF THE COUNCIL TAX BASE FOR 2016/2017
TOTAL FOR OLD MARSTON PARISH COUNCIL

(A- are Band A dwellings with disabled reduction)	Band A-	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H	Total
1. Total number of dwellings as at Nov 30th 2015		84.0	56.0	349.0	778.0	152.0	26.0	72.0	3.0	1,520.0
1a. Estimated new dwellings for Dec 1st - Mar 31										0.0
1b. Estimated new dwellings 2016-17		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2. Number of dwellings exempt 2016/17		2.0	3.0	14.0	12.0	3.0	0.0	1.0	0.0	35.0
3. Number of dwellings eligible for Council Tax Support		7.9	4.7	39.4	48.4	4.2	0.0	0.0	0.0	104.7
4. No.of chargeable dwellings for 2016/17(lines 1+1a+1b -2-3)		74.1	48.3	295.6	717.6	144.8	26.0	71.0	3.0	1,380.3
5. Number of chargeable dwellings (line 4) subject to disabled reduction on 30 November 2015		1.0	0.0	3.0	4.0	0.0	0.0	2.0	0.0	10.0
6. Number of dwellings effectively subject to council tax for this band by virtue of disabled relief (line 5 after reduction)	1.0	0.0	3.0	4.0	0.0	0.0	2.0	0.0		10.0
7. Number of chargeable dwellings adjusted in accordance with lines 5 and 6 (lines 4-5+6)	1.0	73.1	51.3	296.6	713.6	144.8	28.0	69.0	3.0	1,380.3
8. Est. of number of dwellings in line 7 entitled to a 25% discount (recently built or uninhabitable dwellings)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
9. Number of dwellings in line 7 entitled to a 25% discount on 30 November 2015	0.0	43.0	19.0	113.0	223.0	40.0	8.0	14.0	0.0	460.0
10. Number of dwellings in line 7 entitled to a 50% discount on 30 November 2015	0.0	0.0	1.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0
11 Additional 50% discounts for new dwellings	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
12. Dwellings subject to Long Term Empty Premium	0.0	0.0	6.0	2.0	0.0	0.0	0.0	0.0	0.0	8.0
13. Number of dwellings in line 7 assumed to be entitled to no discounts / premium (lines 7-8-9-10-11-12)	1.0	30.1	25.3	181.6	490.6	104.8	20.0	55.0	3.0	911.3
14. Total equivalent number of dwellings after discounts, exemptions and disabled relief [(line 8 x 0.75) +(line 9 x 0.75)+ (lines 10 and 11 x 0.5) + (line 12 x 1.5) + line 13	1.0	62.4	49.0	269.3	657.8	134.8	26.0	65.5	3.0	1,268.8
15. Ratio to band D	5\9	6\9	7\9	8\9	1.0	11\9	13\9	15\9	18\9	
16. Number of band D equivalents (line 14 x line 15)	0.6	41.6	38.1	239.4	657.8	164.8	37.6	109.2	6.0	1,295.0
17. Number of band D equivalents of contributions in lieu (in respect of exempt dwellings) in 2016/17										0.00
18. Tax Base for Oxford City Council Billing Authority (line 16 + line 17)										1,295.0
19. At projected collection rate of 98%										1,269.1

Notes

Line 2 - Exempt Dwellings - Data comes from the Academy Council Tax system and includes empty and unfurnished dwellings with 100% discount (one month only)

Line 3 - Dwellings eligible for Council Tax Support - this data comes from the Academy Council Tax system as at November 30th 2015

Line 8 - Recently built or uninhabitable dwellings - this data comes from the Academy Council Tax system as at November 30th 2015

Line 11 - Additional 50% discounts for new dwellings - the estimated number of building completions in 2016-17 comes from Planning applications

Line 12 - Dwellings subject to Long Term Empty Premium - this data comes from the Academy Council Tax system as at November 30th 2015

APPENDIX 2

SETTING OF THE COUNCIL TAX BASE FOR 2016/2017
TOTAL FOR RISINGHURST AND SANDHILLS PARISH COUNCIL

(A- are Band A dwellings with disabled reduction)	Band A-	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H	Total
1. Total number of dwellings as at Nov 30th 2015		15.0	281.0	274.0	991.0	104.0	90.0	21.0	0.0	1,776.0
1a. Estimated new dwellings for Dec 1st - Mar 31		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1b. Estimated new dwellings 2016-17		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2. Number of dwellings exempt 2016/17		3.0	8.0	8.0	24.0	2.0	3.0	0.0	0.0	48.0
3. Number of dwellings eligible for Council Tax Support		0.0	76.8	40.2	44.7	3.2	1.3	0.0	0.0	166.3
4. No.of chargeable dwellings for 2016/17(lines 1+1a+1b -2-3)		12.0	196.2	225.8	922.3	98.8	85.7	21.0	0.0	1,561.8
5. Number of chargeable dwellings (line 4) subject to disabled reduction on 30 November 2015		0.0	0.0	2.0	3.0	0.0	0.0	0.0	0.0	5.0
6. Number of dwellings effectively subject to council tax for this band by virtue of disabled relief (line 5 after reduction)	0.0	0.0	2.0	3.0	0.0	0.0	0.0	0.0		5.0
7. Number of chargeable dwellings adjusted in accordance with lines 5 and 6 (lines 4-5+6)	0.0	12.0	198.2	226.8	919.3	98.8	85.7	21.0	0.0	1,561.8
8. Est. of number of dwellings in line 7 entitled to a 25% discount (recently built or uninhabitable dwellings)	0.0	0.0	0.0	0.0	1.0	0.0	0.0	0.0	0.0	1.0
9. Number of dwellings in line 7 entitled to a 25% discount on 30 November 2015	0.0	10.0	150.0	84.0	203.0	21.0	18.0	3.0	0.0	489.0
10. Number of dwellings in line 7 entitled to a 50% discount on 30 November 2015	0.0	0.0	0.0	1.0	0.0	1.0	0.0	0.0	0.0	2.0
11 Additional 50% discounts for new dwellings	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
12. Dwellings subject to Long Term Empty Premium	0.0	0.0	0.0	0.0	0.0	0.0	1.0	0.0	0.0	1.0
13. Number of dwellings in line 7 assumed to be entitled to no discounts / premium (lines 7-8-9-10-11-12)	0.0	2.0	48.2	141.8	715.3	76.8	66.7	18.0	0.0	1,068.8
14. Total equivalent number of dwellings after discounts, exemptions and disabled relief [(line 8 x 0.75) +(line 9 x 0.75)+ (lines 10 and 11 x 0.5) + (line 12 x 1.5) + line 13	0.0	9.5	160.7	205.3	868.3	93.0	81.7	20.3	0.0	1,438.8
15. Ratio to band D	5\9	6\9	7\9	8\9	1.0	11\9	13\9	15\9	18\9	
16. Number of band D equivalents (line 14 x line 15)	0.0	6.3	125.0	182.5	868.3	113.7	118.0	33.8	0.0	1,447.5
17. Number of band D equivalents of contributions in lieu (in respect of exempt dwellings) in 2016/17										0.00
18. Tax Base for Oxford City Council Billing Authority (line 16 + line 17)										1,447.5
19. At projected collection rate of 98%										1,418.6

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Notes

Line 2 - Exempt Dwellings - Data comes from the Academy Council Tax system and includes empty and unfurnished dwellings with 100% discount (one month only)

Line 3 - Dwellings eligible for Council Tax Support - this data comes from the Academy Council Tax system as at November 30th 2015

Line 8 - Recently built or uninhabitable dwellings - this data comes from the Academy Council Tax system as at November 30th 2015

Line 11 - Additional 50% discounts for new dwellings - the estimated number of building completions in 2016-17 comes from Planning applications

Line 12 - Dwellings subject to Long Term Empty Premium - this data comes from the Academy Council Tax system as at November 30th 2015

APPENDIX 2

SETTING OF THE COUNCIL TAX BASE FOR 2016/2017
TOTAL FOR BLACKBIRD LEYS PARISH COUNCIL

(A- are Band A dwellings with disabled reduction)	Band A-	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H	Total
1. Total number of dwellings as at Nov 30th 2015		279.0	1,281.0	2,957.0	447.0	46.0	1.0	0.0	2.0	5,013.0
1a. Estimated new dwellings for Dec 1st - Mar 31		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1b. Estimated new dwellings 2016-17		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2. Number of dwellings exempt 2016/17		6.0	15.0	24.0	4.0	0.0	0.0	0.0	0.0	49.0
3. Number of dwellings eligible for Council Tax Support		122.5	456.9	537.3	93.7	16.0	0.8	0.0	0.0	1,227.1
4. No. of chargeable dwellings for 2016/17 (lines 1+1a+1b -2-3)		150.5	809.1	2,395.7	349.4	30.0	0.2	0.0	2.0	3,736.9
5. Number of chargeable dwellings (line 4) subject to disabled reduction on 30 November 2015		0.0	3.0	14.0	5.0	4.0	0.0	0.0	1.0	27.0
6. Number of dwellings effectively subject to council tax for this band by virtue of disabled relief (line 5 after reduction)	0.0	3.0	14.0	5.0	4.0	0.0	0.0	1.0		27.0
7. Number of chargeable dwellings adjusted in accordance with lines 5 and 6 (lines 4-5+6)	0.0	153.5	820.1	2,386.7	348.4	26.0	0.2	1.0	1.0	3,736.9
8. Est. of number of dwellings in line 7 entitled to a 25% discount (recently built or uninhabitable dwellings)	0.0	0.0	0.0	2.0	0.0	0.0	0.0	0.0	0.0	2.0
9. Number of dwellings in line 7 entitled to a 25% discount on 30 November 2015	0.0	219.0	760.0	835.0	136.0	7.0	0.0	0.0	0.0	1,957.0
10. Number of dwellings in line 7 entitled to a 50% discount on 30 November 2015	0.0	0.0	3.0	3.0	0.0	1.0	0.0	1.0	0.0	8.0
11. Additional 50% discounts for new dwellings	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
12. Dwellings subject to Long Term Empty Premium	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
13. Number of dwellings in line 7 assumed to be entitled to no discounts / premium (lines 7-8-9-10-11-12)	0.0	-65.5	57.1	1,546.7	212.4	18.0	0.2	0.0	1.0	1,769.9
14. Total equivalent number of dwellings after discounts, exemptions and disabled relief [(line 8 x 0.75) +(line 9 x 0.75)+ (lines 10 and 11 x 0.5) + (line 12 x 1.5) + line 13	0.0	98.8	628.6	2,176.0	314.4	23.8	0.2	0.5	1.0	3,243.2
15. Ratio to band D	5\9	6\9	7\9	8\9	1.0	11\9	13\9	15\9	18\9	
16. Number of band D equivalents (line 14 x line 15)	0.0	65.8	488.9	1,934.2	314.4	29.0	0.3	0.8	2.0	2,835.5
17. Number of band D equivalents of contributions in lieu (in respect of exempt dwellings) in 2016/17										0.00
18. Tax Base for Oxford City Council Billing Authority (line 16 + line 17)										2,835.5
19. At projected collection rate of 98%										2,778.8

Notes

- Line 2 - Exempt Dwellings - Data comes from the Academy Council Tax system and includes empty and unfurnished dwellings with 100% discount (one month only)
- Line 3 - Dwellings eligible for Council Tax Support - this data comes from the Academy Council Tax system as at November 30th 2015
- Line 8 - Recently built or uninhabitable dwellings - this data comes from the Academy Council Tax system as at November 30th 2015
- Line 11 - Additional 50% discounts for new dwellings - the estimated number of building completions in 2016-17 comes from Planning applications
- Line 12 - Dwellings subject to Long Term Empty Premium - this data comes from the Academy Council Tax system as at November 30th 2015

APPENDIX 2

SETTING OF THE COUNCIL TAX BASE FOR 2016/2017
TOTAL FOR UNPARISHED AREA OF OXFORD CITY COUNCIL

(A- are Band A dwellings with disabled reduction)	Band A-	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H	Total
1. Total number of dwellings as at Nov 30th 2015		1,816.0	7,367.0	13,913.0	13,290.0	6,455.0	2,626.0	3,129.0	575.0	49,171.0
1a. Estimated new dwellings for Dec 1st - Mar 31		1.0	50.0	25.0	21.0	10.0	2.0	3.0	0.0	112.0
1b. Estimated new dwellings 2016-17		14.0	52.0	106.0	88.0	38.0	16.0	18.0	3.0	335.0
2. Number of dwellings exempt 2016/17		471.0	740.0	1,121.0	1,681.0	1,003.0	230.0	252.0	206.0	5,704.0
3. Number of dwellings eligible for Council Tax Support		315.9	1,627.8	1,906.3	737.3	213.7	23.7	13.3	0.0	4,838.1
4. No. of chargeable dwellings for 2016/17 (lines 1+1a+1b -2-3)		1,044.1	5,101.2	11,016.7	10,980.7	5,286.3	2,390.3	2,884.7	372.0	39,075.9
5. Number of chargeable dwellings (line 4) subject to disabled reduction on 30 November 2015		0.0	20.0	46.0	51.0	23.0	13.0	11.0	6.0	170.0
6. Number of dwellings effectively subject to council tax for this band by virtue of disabled relief (line 5 after reduction)	0.0	20.0	46.0	51.0	23.0	13.0	11.0	6.0		170.0
7. Number of chargeable dwellings adjusted in accordance with lines 5 and 6 (lines 4-5+6)	0.0	1,064.1	5,127.2	11,021.7	10,952.7	5,276.3	2,388.3	2,879.7	366.0	39,075.9
8. Est. of number of dwellings in line 7 entitled to a 25% discount (recently built or uninhabitable dwellings)	0.0	0.0	4.0	13.0	24.0	12.0	9.0	10.0	0.0	72.0
9. Number of dwellings in line 7 entitled to a 25% discount on 30 November 2015	0.0	856.0	3,452.0	4,210.0	3,324.0	1,419.0	534.0	486.0	28.0	14,309.0
10. Number of dwellings in line 7 entitled to a 50% discount on 30 November 2015	0.0	3.0	7.0	18.0	30.0	20.0	13.0	26.0	15.0	132.0
11. Additional 50% discounts for new dwellings	0.0	14.0	52.0	106.0	88.0	38.0	16.0	18.0	3.0	335.0
12. Dwellings subject to Long Term Empty Premium	0.0	3.0	9.0	13.0	18.0	6.0	2.0	6.0	4.0	61.0
13. Number of dwellings in line 7 assumed to be entitled to no discounts / premium (lines 7-8-9-10-11-12)	0.0	188.1	1,603.2	6,661.7	7,468.7	3,781.3	1,814.3	2,333.7	316.0	24,166.9
14. Total equivalent number of dwellings after discounts, exemptions and disabled relief [(line 8 x 0.75) +(line 9 x 0.75)+ (lines 10 and 11 x 0.5) + (line 12 x 1.5) + line 13	0.0	843.1	4,238.2	9,910.5	10,065.7	4,892.5	2,239.0	2,736.7	352.0	35,277.7
15. Ratio to band D	5\9	6\9	7\9	8\9	1.0	11\9	13\9	15\9	18\9	
16. Number of band D equivalents (line 14 x line 15)	0.0	562.1	3,296.4	8,809.3	10,065.7	5,979.8	3,234.1	4,561.2	704.0	37,212.5
17. Number of band D equivalents of contributions in lieu (in respect of exempt dwellings) in 2016/17										0.00
18. Tax Base for Oxford City Council Billing Authority (line 16 + line 17)										37,212.5
19. At projected collection rate of 98%										36,468.2

Notes

Line 2 - Exempt Dwellings - Data comes from the Academy Council Tax system and includes empty and unfurnished dwellings with 100% discount (one month only)

Line 3 - Dwellings eligible for Council Tax Support - this data comes from the Academy Council Tax system as at November 30th 2015

Line 8 - Recently built or uninhabitable dwellings - this data comes from the Academy Council Tax system as at November 30th 2015

Line 11 - Additional 50% discounts for new dwellings - the estimated number of building completions in 2016-17 comes from Planning applications

Line 12 - Dwellings subject to Long Term Empty Premium - this data comes from the Academy Council Tax system as at November 30th 2015

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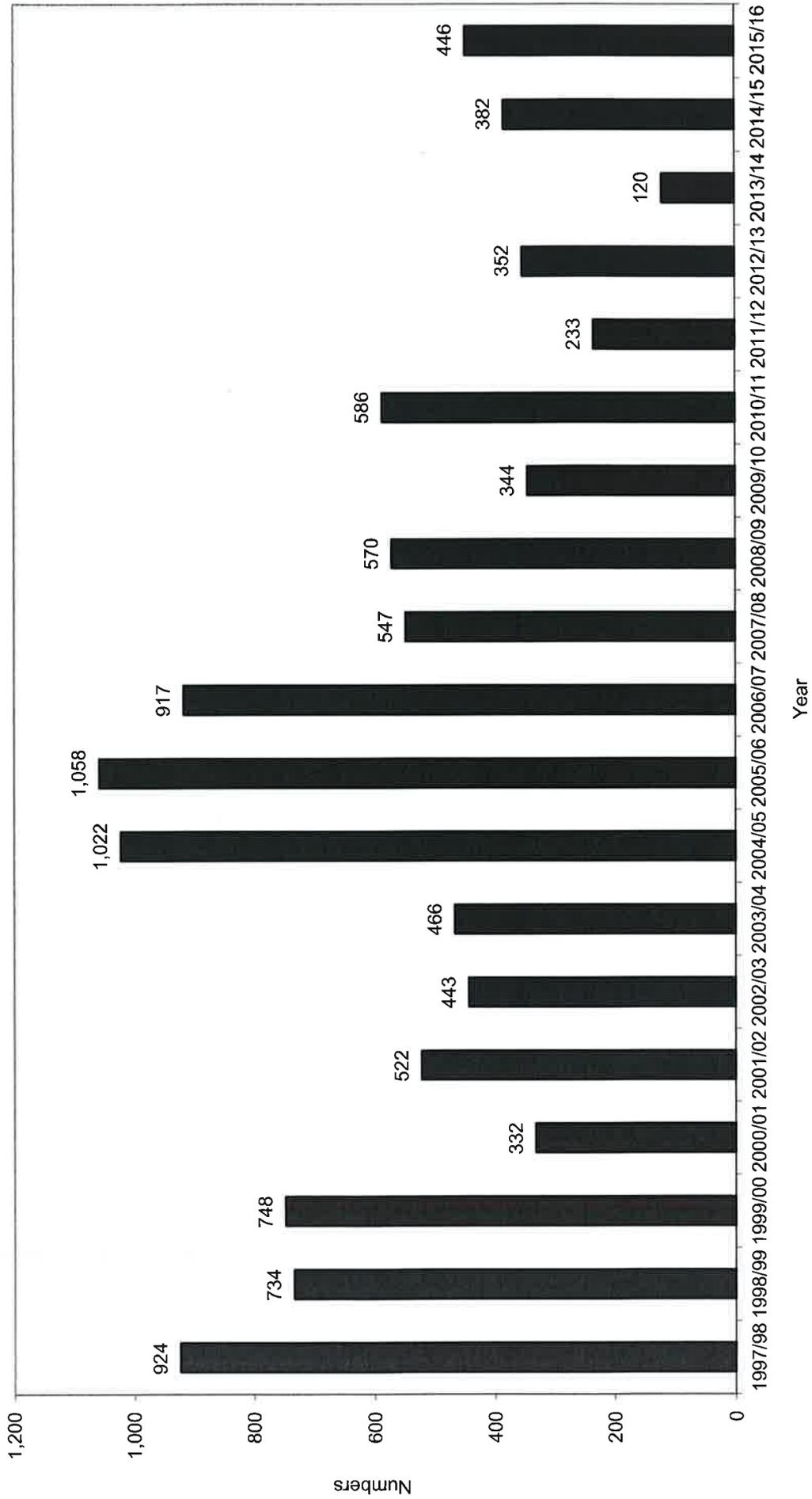
**Statement of Numbers and Bands
of all Properties shown in the
1993 Valuation List for the
Billing Authority Area
of Oxford
BA Code 3110
As at 29-NOV-2015**

Band	Numbers
A	2451
B	9414
C	18926
D	15806
E	6892
F	2800
G	3231
H	581
Grand Total of All Properties In Valuation List	60101

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Appendix 4.

Net annual growth in Council Tax dwellings totals



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Appendix 5

Risk Register

Council report – Setting of the Council Tax Base 2016-17

Date – Dec 2015

Author – Adrian Wood (Finance)

No.	Risk Description Link to Corporate Obj	Gross Risk		Cause of Risk	Mitigation	Net Risk		Further Management of Risk: Transfer/Accept/Reduce/Avoid	Monitoring Effectiveness				Current Risk		
Risk Score Impact Score: 1 =Insignificant; 2 = Minor; 3 = Moderate; 4 = Major; 5 = Catastrophic Almost Certain						Probability Score: 1 = Rare; 2 = Unlikely; 3 = Possible; 4 = Likely; 5 =									
27		I	P		Mitigating Control: Level of Effectiveness: (HML)	I	P	Action: Action Owner:	Outcome required: Milestone Date:	Q	Q	Q	Q4	I	P
									1	2	3	4			
	COUNCIL TAX DEBIT A reduced debit (and lower tax base) would mean the City Council having to borrow to meet the Precept demands of the County Council and the Police and Crime Commissioner. Also the City Council would have less Council Tax Income to fund services.	4	3	There could be less new builds than estimated in the remainder of 2015/16 and in 2016/17. In addition there could be increased numbers of exemptions/discount cases.	Assumptions used in numbers of new builds are conservative. The estimate is reduced by 50% to allow for possible delays in these new properties being built and occupied in 2016/17. The base for the number of Exemptions is the peak of 2015/16. Council Tax Officers in Financial Services are reviewing existing exemption and discount cases to ensure these	3	2	Continuing monitoring of external trends (Adrian Wood). Monthly position on actual tax base is calculated and reported to the Head of Service of Financial Services (Adrian Wood). Significant changes to be reported to CEB (Adrian Wood). Mitigating control owner: Nigel Kennedy	Assumptions remain as accurate as possible to minimise the possibility of shortfall. Monthly reviews.						

					should still be granted. Assumptions are based on prior years/historical trends and take account of external impacts.										
	COUNCIL TAX COLLECTION RATE A shortfall in income actually received would mean the City having to borrow to meet the Precept demands (see above).	4	3	Taxpayers withholding some or all of their Council Tax payments	We eventually collect over 99% of the collectable debit for each period. Council Tax officers in Financial Services carry out regular reminder runs in cases of non-payment followed by Magistrates Court proceedings (if necessary).	3	2	Monthly position on collection rate for current year (and arrears) is calculated and reported (Adrian Wood). Significant changes to be reported to CEB (Adrian Wood). Mitigating control owner: Nigel Kennedy	Collection rate remains as on course as possible to minimise the possibility of shortfall. Monthly reviews.						

Oxford City Council

Audit and Governance Committee Progress Report

16 December 2015



Audit and Governance Committee
Oxford City Council
Town Hall
St Aldates
Oxford
OX1 1BX

16 December 2015

Dear Committee Member

Audit Progress Report

We are pleased to attach our Audit Progress Report. Its purpose is to provide the Committee with an overview of the progress that we have made with the work that we need to complete during the 2015/16 audit. This report is a key mechanism in ensuring that our audit is aligned with the Committee's service expectations. We will bring a progress report to each Committee except for those where we will bring the Audit Plan or the Audit Results Report.

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 understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Mick West
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.psaa.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 and Governance 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..

2015/16 audit

Fee letter

We issued our 2015/16 fee letter to the Council on 1 April 2015.

Financial Statements

We adopt a risk based approach to the audit and, as part of our ongoing continuous planning we will continue to meet key officers regularly to ensure the 2015/16 audit runs as smoothly as possible and identify any risks at the earliest opportunity.

Planning and interim visit

We are scheduled to complete our walkthrough of the key financial systems in February 2016.

There are no significant matters arising from our initial planning meetings that we need to bring to your attention at this stage. We are continuing to liaise with officers on their plans in relation to the new requirements for transport infrastructure assets.

We will update the Committee when the testing of controls and early substantive testing has been completed.

Internal Audit

Internal Audit is a key part of the Council's internal control environment that we review during our assessment process. This process helps us to assess the level of risk of material errors occurring in the financial statements and informs the level of testing that we are required to complete in support of the audit opinion. We consider Internal Audit's progress with their annual audit plan and the results of their testing of financial systems and, where it is appropriate to do so, we will undertake procedures to enable us to place reliance upon this testing.

Post statements visit

We are in the process of finalising the exact dates for our audit visit, and we will have early discussions on the working papers required in support of the audit.

Our detailed audit plan, setting out the risks we have identified and the work we will undertake in response, will be presented to the Audit and Governance Committee in March 2016.

We will continue to use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular payroll and journal entries.

We will also review and report to the National Audit Office, to the extent and in the form required by them, on your whole of government accounts return.

Value for money

The NAO has consulted on a draft Auditor Guidance Note (AGN) in respect of auditors' work on value for money (VFM) arrangements. The guidance has now been issued and sets out the proposed overall approach to work on VFM arrangements which apply to audits from 2015/16 onwards.

A copy of the final AGN, and the supporting information for local government bodies, can be viewed on the NAO website: <http://www.nao.org.uk/code-audit-practice/guidance-and-information-for-auditors/>.

We are required to reach our statutory conclusion on arrangements to secure value for money based on the overall evaluation criterion, supported by sub-criteria as set out below.

The overall criterion for 2015/16 is:

- ▶ In all significant respects, you had proper arrangements to ensure you took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

And the sub criteria are:

- ▶ informed decision making;
- ▶ sustainable resource deployment; and
- ▶ working with partners and other third parties.

We will carry out our initial risk assessment in early 2016 and report the risks we have identified, and associated work we will carry out, to the Audit and Governance Committee in March 2016.

Local appointment of auditors

The Department of Communities and Local Government (DCLG) has announced that it has decided not to extend the existing arrangements for external audit contracts beyond the end of 2017/18. From 2018/19 onwards, local authorities will be responsible for appointing their own auditors, and directly managing the resulting contract and the relationship.

Although the new approach to local audit does not come into play until 2018/19, bodies will need to start putting in place the mechanism required to deliver this. As part of the process, bodies will need to set up auditor panels to advise on the selection, appointment and removal of external auditors, and on maintaining an independent relationship with them. These will need to be in place by early 2017, with the procurement process taking place in spring 2017 and external auditors being appointed by December 2017.

Existing external audit arrangements will remain unchanged for the 2015/16, 2016/17 and 2017/18 years.

Other issues of interest

In addition to our formal reporting and deliverables we provide practical business insights and updates on regulatory matters through our Sector Briefings.

Timetable

We set out below a timetable showing the key stages of the audit, including the value for money work, and the deliverables we will provide to you through the 2015/16 Audit and Governance Committee cycle.

Audit phase	EY Timetable	Deliverable	Reported	Status
High level planning	Ongoing	Audit Fee Letter	June 2015	Completed
Risk assessment and setting of scope of audit	Dec 2015 - January 2016	Audit Plan	March 2016	Not due
Testing of routine processes and controls	Feb-March 2016	Progress Report	June 2016	Not due
Year-end audit	August- September 2016	Audit results report to those charged with governance Audit report (including our opinion on the financial statements and a conclusion on your arrangements for securing economy, efficiency and effectiveness in your use of resources) Whole of Government Accounts Submission to NAO based on their group audit instructions Audit Completion certificate	September 2016	Work is planned to start during August 2016.
Annual reporting	October 2016	Annual Audit Letter	December 2016	Not due
Grant Claim	June, September - November	Housing Benefit and grant claim report	March 2016	Not due

EY | Assurance | Tax | Transactions | Advisory

Ernst & Young LLP

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Oxford City Council

Annual Audit Letter for the year ended 31 March 2015

October 2015

Ernst & Young LLP





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Fax: + 44 118 928 1101

The Members
Oxford City Council
Oxford Town Hall
St Aldate's
Oxford
OX1 1BX

14 October 2015

Dear Members

Annual Audit Letter 2014/15

The purpose of this annual audit letter is to communicate to the Members and external stakeholders, including members of the public, the key issues arising from our work, which we consider should be brought to the attention of Oxford City Council.

We have already reported the detailed findings from our audit work in our 2014/15 annual results report to the 15 September 2015 Audit and Governance Committee, representing those charged with governance. We do not repeat those detailed findings in this letter.

The matters reported here are the most significant for Oxford City Council.

We would like to take this opportunity to thank Oxford City Council's staff for their assistance during the course of our work.

Yours faithfully

Mick West
Director
For and on behalf of Ernst & Young LLP
Enc.

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Relevant parts of the Audit Commission Act 1998 are transitionally saved by the Local Audit and Accountability Act 2014 (Commencement No. 7, Transitional Provisions and Savings) Order 2015 for 2014/15 audits.

The Audit Commission's 'Statement of responsibilities of auditors and audited bodies' (Statement of responsibilities). It is available from the accountable officer of each audited body and via the [Audit Commission's website](#).

The Statement of responsibilities serves as the formal terms of engagement between the Audit Commission's 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 Standing Guidance serves as our terms of appointment as auditors appointed by the Audit Commission. The Standing Guidance sets out additional requirements that auditors must comply with, over and above those set out in the Code of Audit Practice 2010 (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Annual Audit Letter is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. 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. Executive summary

Our 2014/15 audit work has been undertaken in accordance with the Audit Plan that we issued in April 2015 and is conducted in accordance with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

Oxford City Council is responsible for preparing and publishing its Statement of Accounts, accompanied by an Annual Governance Statement (AGS). In the AGS the Authority reports publically on an annual basis on the extent to which it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in year, and on any planned changes in the coming period. The Authority is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

As auditors we are responsible for:

- ▶ forming an opinion on the financial statements and on the consistency of other information published with them
- ▶ reviewing and reporting by exception on the Authority's Annual Governance Statement
- ▶ forming a conclusion on the arrangements the Authority has in place to secure economy, efficiency and effectiveness in its use of resources
- ▶ undertaking any other work specified by the Audit Commission and the Code of Audit Practice.

Summarised below are the results of our work across all these areas:

Area of work	Result
Audit of the financial statements of Oxford City Council for the financial year ended 31 March 2015 in accordance with International Standards on Auditing (UK & Ireland).	On 15 September 2015 we issued an unqualified audit opinion.
Form a conclusion on the arrangements the Authority has made for securing economy, efficiency and effectiveness in its use of resources.	On 15 September 2015 we issued an unqualified value for money conclusion.
Report to the National Audit Office on the accuracy of the consolidation pack the Authority is required to prepare for the Whole of Government Accounts.	We reported our findings to the National Audit Office on 15 September 2015.
Consider the completeness of disclosures on the Authority's Annual Governance Statement, identify any inconsistencies with the other information of which we are aware from our work and consider whether it complies with CIPFA/SOLACE guidance	No issues to report.
Consider whether, in the public interest, we should make a report on any matter coming to our notice in the course of the audit	No issues to report.
Determine whether any other action should be taken in relation to our responsibilities under the Audit Commission Act	No issues to report.

As a result of the above we have also:

Issued a report to those charged with governance of the Authority communicating significant findings resulting from our audit.

Our audit results report was issued on 15 September 2015 to the Audit & Governance Committee

Issue a certificate that we have completed the audit in accordance with the requirements of the Audit Commission Act 1998 and the Code of Practice issued by the Audit Commission.

Issued on 15 September 2015.

Issue a report to those charged with governance of the Authority summarising the certification (of grant claims and returns) work we have undertaken.

This will be issued on completion of the 2014/15 certification work.

2. Key findings

2.1 Financial statement audit

The Authority's Statement of Accounts is an important tool for the Council to show how it has used public money and how it can demonstrate its financial management and financial health.

We audited the Council's Statement of Accounts in line with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission and issued an unqualified audit report on 15 September 2015.

Our detailed findings were reported to the 15 September 2015 Audit & Governance Committee

The main issues identified as part of our audit were:

Significant risk 1: Management Override

To address the risk

- ▶ We tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.

No issues identified.

- ▶ We reviewed accounting estimates for evidence of management bias.

No issues identified.

- ▶ We evaluated the business rationale for any significant unusual transactions. We specifically reviewed the classification of the lease for the Westgate redevelopment. The Council classified the lease as operational. The lease is for 250 years from 2015. We queried if this classification was appropriate given the length of time of the lease and if the risks and rewards were with the developer and not the Council. Given the importance and impact of the classification to the financial statements we sought advice from our technical support team. Our review of the Westgate lease classification challenged the Council's initial classification of the land element of the Westgate Redevelopment as an operating lease.

Following discussions with the Council it was agreed that the land element of the lease would be amended from an operating lease to a finance lease.

Other risk 1: Accounting for Westgate Re-development

To address the risk:

- ▶ We reviewed the Council's approach to accounting for the Westgate re-development;
 - ▶ We tested a sample of the assets and leases affected to ensure that these have been correctly accounted for;
 - ▶ We reviewed contracts to ensure that the accounting is supported by legally binding contracts; and
-

-
- ▶ We challenged the classification of the lease to the developer.

Following discussions with the Council it was agreed the land element of the lease would be amended from an operating lease to a finance lease.

No other issues were noted from our review of the Westgate Re-development

Other risk 2: Accounting for Internal re-charges

- ▶ We reviewed the approach to accounting for internal recharges in the Income and Expenditure Account; and
- ▶ We reconciled the Budget Book back to the gross expenditure and gross income in the Income and Expenditure Account and sought explanations for any differences.

No issues were noted from this review

Other risk 3: Accounting for Revaluations and Impairments

- ▶ We reviewed the approach to accounting for fixed asset revaluations and impairments.

No issues were noted from this review

2.2 Value for money conclusion

We carry out sufficient and relevant work to conclude whether Oxford City Council has put in place proper arrangements to secure economy, efficiency and effectiveness in the use of resources. This is known as our value for money conclusion.

In accordance with guidance issued by the Audit Commission, our 2014/15 value for money conclusion was based on two criteria. We consider whether the Oxford City Council had proper arrangements in place for:

- ▶ securing financial resilience; and,
- ▶ challenging how it secures economy, efficiency and effectiveness

We issued an unqualified value for money conclusion on 15 September 2015.

Our audit did not identify any significant matters.

2.3 Whole of Government Accounts

The NAO reporting instructions were amended this year and we were only required to report to the NAO on an exception basis if there were significant issues or outstanding matters arising from our work. There were no such issues.

2.4 Annual Governance Statement

We are required to consider the completeness of disclosures in Oxford City Council's annual governance statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it complies with relevant guidance.

We completed this work and did not identify any areas of concern

2.5 Objections received

We did not receive any objections to the 2014/15 financial statements from members of the Public

2.6 Other powers and duties

We identified no issues during our audit that required using powers under the Audit Commission Act 1998, including reporting in the public interest.

2.7 Independence

We communicated our assessment of independence to the Audit and Governance Committee on 15 September 2015. In our professional judgement the firm is independent and the objectivity of the audit engagement director and audit staff has not been compromised within the meaning of regulatory and professional requirements.

2.8 Certification of grant claims and returns

We will issue the Annual Certification report for 2014/15 in December 2015.

3. Control themes and observations

As part of our work, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you significant deficiencies in internal control identified during our audit.

We did not identify any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in the Council's financial statements.

4. Fees

Our fee for 2014/15 has not yet been finalised. This is due to extra fee applying in respect of the additional work on the Westgate re-development and related accounting treatment. The final fee will be discussed and agreed with the Head of Financial Services and will need to be reviewed by the Public Sector Audit Appointments (PSAA) who are responsible for setting audit fees.

Our work on certification is in progress.

	Final fee 2014-15	Planned fee 2014-15	Scale fee 2014-15	Final fee 2013-14
Total Audit Fee – Code work	TBC	£114,900	£114,900	£114,000
Total Audit Fee –Certification of claims and returns	TBC	£34,100	£34,100	£39,900
Total Audit Fee	TBC	£149,900	£149,000	£153,900

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Local government audit committee briefing

Contents at a glance

Government and economic news

Accounting, auditing and governance

Regulation news

Key questions for the audit committee

Find out more

This sector briefing is one of the ways that we hope to continue to support you and your organisation in an environment that is constantly changing and evolving.

It covers issues which may have an impact on your organisation, the Local government sector and the audits that we undertake.

The public sector audit specialists who transferred from the Audit Commission form part of EY's national Government and Public Sector (GPS) team. Their extensive public sector knowledge is now supported by the rich resource of wider expertise across EY's UK and international

business. This briefing reflects this, bringing together not only technical issues relevant to the local government sector but wider matters of potential interest to you and your organisation.

Links to where you can find out more on any of the articles featured can be found at the end of the briefing, as well as some examples of areas where EY can provide support to Local Authority bodies.

We hope that you find the briefing informative and should this raise any issues that you would like to discuss further please do contact your local audit team.



Government and economic news

EY Item Club Autumn Forecast

The latest EY Item Club forecast (Autumn 2015) predicts tougher times for the UK economy as what it describes as the 'consumer sugar rush' begins to fade.

GDP is forecast to grow by 2.5% this year (compared to 2.9% in 2014) and slow further to 2.4% in 2016 and 2.3% the year after. Consumer Price Inflation is expected to remain below target until 2018. Prospects for exports remain poor, and domestic consumption is likely to be affected by rising inflation and tighter fiscal policy from early 2016. Progress is seen to depend upon productivity gains rather than coming from the commodity price falls that are supporting demand this year. Businesses will need to work hard on overseas markets as opposed to relying on consumer-led domestic markets.

The forecast highlights that the last decade has seen a strong increase in the supply of labour which has depressed real wages and, arguably, productivity, but that we are now seeing a more normal recovery. This is characterised by an increase in the demand for labour, which boosts real wages and productivity. Wage inflation is highlighted as being strong. This is expected to be boosted further in April 2016 by the National Living Wage, the effects of which could be very significant for some sectors and regions.

Provided that increased productivity matches wage inflation, the expectation is that the Monetary Policy Committee will keep base rates on hold until next autumn.

For details of the EY Item Club's latest forecast, see <http://www.ey.com/UK/en/Issues/Business-environment/Financial-markets-and-economy/ITEM---Forecast-headlines-and-projections>

Housing Associations Right to Buy

The Chartered Institute of Public Financial Accountants (CIPFA) has produced a briefing following the Government's announcement in October that it intends to extend its Right to Buy scheme to Housing Associations. The briefing seeks to explore the potential impact of these plans on Local Authorities.

Local authority housing is intended to be self-financing, based on 30 year business plans established in 2012 with the HRA self-financing regime, with Council housing for each council financed from its own rental income. This principle was reflected in the 30 year business plans, but CIPFA suggests that these business plans do not reflect recent changes contained within the budget. These changes include amendments to the rent policies as well as the proposed sale of high value local authority housing stock in order to compensate housing associations for the shortfall in income caused by the new Right to Buy scheme.

According to CIPFA, research has shown properties sold under the existing Right to Buy scheme have in many instances returned to the rental market at a higher level of rent than council levels. They have cited the example of Barking and Dagenham where it is said that 41% of properties purchased under the Right to Buy scheme are now let privately.

CIPFA warns 'Any legislation that leads to a negative impact on the housing business plan models of local authorities could seriously undermine the very basis of self-financing which promised autonomy for local authorities in the delivery of housing in their areas.'



Government and economic news

However, Communities Secretary Greg Clark said:

“We’re determined to ensure that home ownership is seen as a reasonable aspiration for working people.

Right to Buy is a key part of this, offering a helping hand to millions of people who would have no hope of buying their own home without it.

Today’s historic agreement with housing associations and the National Housing Federation will extend that offer even more widely, whilst at the same time delivering thousands of new affordable homes across the country.”

The Government agreement with housing associations and the National Housing Federation will see housing association tenants able to buy their homes from 2016.

CIPFA’s briefing document can be downloaded from <http://www.cipfa.org/cipfa-thinks/briefings>, and further information from the government is available at <https://www.gov.uk/government/news/historic-agreement-will-extend-right-to-buy-to-13-million-more-tenants>

Consultation: improving efficiency on Council Tax Collection

Council tax collection rates have been relatively high in recent years: 97% across England in both 2014/15 and 2013/14. However, the Government is looking at ways to enable local authorities to further improve collection rates.

To this end, the Government has issued a consultation on its proposals to improve the collection and enforcement process for council tax. The government’s stated intention is to help local authorities to keep council tax rates low, and so the proposals are aimed at ensuring that everyone contributes fairly.

The consultation follows a trial by Manchester City Council, Salford City Council, HMRC and the Cabinet office under the ‘Better Business Compliance Cabinet programme’, and reflects consideration of the findings from this trial.

An example of this is the Government’s proposal to extend the data-sharing gateway which currently exists between HMRC and local authorities. This would enable HMRC to share employment information with councils where council tax debtors have not voluntarily shared the information within 14 days of receiving a liability order. Manchester estimates, based on its pilot with HMRC, that this would recover £2.5mn of debt in its area alone.

The consultation also asks for other suggestions to improve council tax collection.

Responses are requested by 18 November 2015.

For more information on the consultation and details on how to respond, please see https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/466386/150930_Improving_Efficiency_of_Council_Tax_collection_Consultation_Doc.pdf



Government and economic news

Local Plans for New Homes

In October, the Government announced that councils will be required to produce local plans for new homes by 2017. Where councils fail to do so, the Government will consult with local people to ensure that plans are produced for them.

In 2012, the National Planning Policy Framework was introduced to provide guidance for local planning authorities and decision-takers, both in drawing up plans and making decisions about planning applications. This framework reinforced the role of local plans. It required the plans to include an annual trajectory over a period of around 15 years of how many homes they plan to build in their area, and it required local authorities to review this plan approximately every 5 years. Councils were also encouraged to give local people more say on where new developments would be located and what they would look like.

The Government have said that the response to this has been mixed:

- ▶ 82% of councils have published local plans which state how many homes they intend to build over a given period
- ▶ 65% have fully adopted these plans
- ▶ Nearly 20% of councils do not have an up to date plan

If councils fail to produce and bring into force an up to date plan for new homes by 2017, the Government intends to work with local people to ensure one is created.

Read the government press release at <https://www.gov.uk/government/news/prime-minister-councils-must-deliver-local-plans-for-new-homes-by-2017>



Accounting, auditing and governance

Proposals for further emergency services collaboration announced

The Government has launched a consultation which is looking into how the three core emergency services of Police, Fire and Rescue and the Ambulance service could potentially work together in a more efficient and effective manner. Key features of the consultation include:

- ▶ Enabling Police and Crime Commissioners (PCCs) to take on the duties and responsibilities of Fire and Rescue Authorities where a local case was made for this to happen
- ▶ Where a case is made by a local PCC to take on such a role, there would also be the possibility for them to take on the role of a single employer and in doing so enable the sharing of back office support functions
- ▶ Improving joint working between PCCs and local NHS Ambulance Foundation Trusts by encouraging them to allow PCCs to sit on their Council of Governors

The Government also intends to introduce a new statutory duty for the three emergency services to collaborate with one another; and sees this as not being a burden, but is about seeking efficiencies.

However, a key legal distinction would remain under the new proposals, in that a member of a police force will not be permitted under law to become a firefighter, and firefighters will not be given the power of arrest. In order to maintain transparency for local taxpayers, funding from central government will remain separate for police and fire organisations, as will council tax precepts.

<https://www.gov.uk/government/news/proposals-for-further-emergency-services-collaboration-announced>

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/459986/Consultation_-_Enabling_closer_working_between_the_Emergency_Services__w__2_.pdf

Finance in the Cloud?

Cloud computing allows users to rent access to a variety of virtual computing options, conveniently, ranging from network-accessible data storage and software development environments to fully featured applications. As such, the data and applications are not required to be stored on local servers or 'on-premise'; rather, they are hosted and managed by third-party cloud service providers (CSPs).

Enterprises essentially outsource varying levels of IT functionality to CSPs, and users only need an internet connection to access the data and applications via virtual servers. By moving into the cloud, organisations have the potential to reduce greatly, or even eliminate, the total cost of ownership (TCO) of the IT function, thereby forever altering their business model.

The benefits of cloud adoption are highly touted. However, over a decade ago, on-premise enterprise resource planning (ERP) solutions made similar promises. Although the trigger for rushed ERP implementations in the 1990s was the much-fretted Year 2000 (or Y2K) calamity, Y2K concerns turned out to be largely unfounded, and many finance executives would now argue that they have yet to reap genuine, tangible benefits from investing in costly ERP systems.



Accounting, auditing and governance

Although a company's financial management system is critical to success, EY is finding that many organisations have systems averaging from 10 to 15 years old, with upgrade cycles ranging from 5 to 10 years. Despite aging legacy systems, many finance decision-makers are hazy on how cloud solutions are really any different from the ERP solutions hyped in the previous decade.

Organisations that truly understand cloud technology, as well as the associated challenges and risks, are better placed to manage the impact of cloud computing on the finance function. Moreover, they must engage an agile innovation strategy focused on deploying the right operating model in order to realize fully the benefits of cloud computing.

In EY's experience, organisations that fail to make a robust cloud risk assessment often need to make subsequent, costly changes to the cloud model, thereby negating any savings gained from cloud migration. EY recommends that organisations develop a clear, attainable cloud strategy, including an appropriate operating model accompanied with a cloud risk management approach to mitigate risks and avoid a premature move to the cloud.

EY has a proven framework for cloud models, along with risk assessments and broad-based diagnostics to evaluate and optimise a cloud strategy that enables minimal disruption whilst accelerating an organisation's evolution. For more information on this, please talk to a member of your engagement team or read the EY publication at http://performance.ey.com/wp-content/uploads/downloads/2015/10/EY-Performance-Finance-in-the-cloud_Final.pdf

Value for Money Conclusion guidance

The NAO have recently released a consultation document (<http://www.nao.org.uk/keep-in-touch/wp-content/uploads/sites/11/2015/08/Vfm-arrangements-auditor-guidance-consultation-document.pdf>) a consultation document for auditors on their review of arrangements to secure economy, efficiency and effectiveness in their use of resources. This is also referred to as the three E's or the Value for Money (VfM) conclusion. The guidance covers the VfM work for 2015/16.

Based on the responses received to a similar consultation in 2014 the new draft guidance seeks to:

- ▶ Take forward existing guidance and reflect changing circumstance for public sector organisations such as finding savings and maintain financial stability over the medium and long term
- ▶ Update the definition of 'proper arrangements'
- ▶ Strengthen guidance on the identification and work around significant risks whilst maintaining a risk based approach
- ▶ Update and clarify the range of reporting opinions available to auditors and expectations at key stages of the audit
- ▶ Maintain sector specific guidance that will sit outside of the statutory guidance but can provide up-to-date information on sector specific risks

The consultation closed on 30 September and the NAO will communicate a summary of the responses once they have reviewed them. Further information can be found at <https://www.nao.org.uk/keep-in-touch/our-surveys/consultation-auditors-work-on-value-for-money-arrangements/>.



Regulation news

Consultation on 2016/17 proposed fee scales

Public Sector Audit Appointments (PSAA) is currently consulting on both the work programme and scale of fees for 2016/17 audits. The consultation describes the work that auditors will undertake at principal audited bodies for 2016/17 and their associated scales of fees.

There are no planned changes to the overall work programme for 2016/17 and their proposal is to set scale audit fees at the same level as the scale fees for 2015/16 which already reflect a reduction of 25% in addition to the reduction of up to 40% made from 2012/13.

A change in accounting requirements in 2016/17 relating to highways infrastructure assets will require additional audit work at some authorities. As the amount will differ between authorities, the fee variation process will apply in 2016/17 for this additional work.

The consultation closes on Friday 15th January 2016, and the final work programme will be published following this in March 2016.

For details of the consultation, please refer to the PSAA website at <http://www.psaa.co.uk/audit-and-certification-fees/consultation-on-201617-proposed-fee-scales/>

NAO Case Study: managing reductions in local authority government funding

The National Audit Office (NAO) has made available more than 30 case studies which give examples of how organisations have used their recommendations or analysis to support the achievement of financial savings.

One of these case studies follows the production of its 2014 report 'Financial Sustainability of Local Services'

The NAO case study states that following their report, the Department for Communities and Local Government (DCLG) has acknowledged that its processes for estimating local authority spending requirements and assessment the potential impacts of spending reductions need to be improved.

They also note use of their report in the sector, citing the following examples:

- ▶ Leeds City Council and Birmingham City Council have drawn on the work in their debates with central government over devolution
- ▶ Wolverhampton City Council and Oldham Council have used the work to inform discussion and decision-making in cabinet meetings and audit and scrutiny meetings
- ▶ The Local Government Association and treasurers' societies have used the analysis from the report to inform their thinking

Find out more about the impact made by NAO reports in their interactive pdf at <https://www.nao.org.uk/wp-content/uploads/2015/10/Impacts-case-studies-2014.pdf>



Key questions for the audit committee

What questions should the Audit Committee ask itself?

Have we considered the impact of the extension of Right to Buy and reflected our consideration in our Medium Term financial plans and/or Local Plan?

How successful are we in systematically improving our collection rates for Council Tax? Is there best practice that we could share via the Government's consultation?

What is our mid to long term IT strategy? Are we considering cloud-based IT and if so how robust are our risk assessments supporting the shift?

Have we formulated a response to the PSAA consultation on the work programme and scale of fees for 2016/17?



Find out more

EY Item Club Autumn Forecast

For details of the EY Item Club's latest forecast, see <http://www.ey.com/UK/en/Issues/Business-environment/Financial-markets-and-economy/ITEM---Forecast-headlines-and-projections>

Housing Associations Right to Buy

For further information, please see the government press release at <https://www.gov.uk/government/news/historic-agreement-will-extend-right-to-buy-to-13-million-more-tenants> and access the CIPFA report at <http://www.cipfa.org/cipfa-thinks/briefings>

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For more information on the consultation and details on how to respond, please see https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/466386/150930_Improving_Efficiency_of_Council_Tax_collection_Consultation_Doc.pdf

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Proposals for further emergency services collaboration announced

For more information on the Government's proposals, please see <https://www.gov.uk/government/news/proposals-for-further-emergency-services-collaboration-announced>, and for a copy of the consultation document please see https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/459986/Consultation_-_Enabling_closer_working_between_the_Emergency_Services__w__2_.pdf

Finance in the Cloud?

To find out more about Cloud Computing and how EY can support you, please ask a member of your engagement team or read the EY publication at http://performance.ey.com/wp-content/uploads/downloads/2015/10/EY-Performance-Finance-in-the-cloud_Final.pdf

Value for Money Conclusion guidance

Further information can be found at <https://www.nao.org.uk/keep-in-touch/our-surveys/consultation-auditors-work-on-value-for-money-arrangements/>, and a copy of the NAO's consultation document is available at <http://www.nao.org.uk/keep-in-touch/wp-content/uploads/sites/11/2015/08/Vfm-arrangements-auditor-guidance-consultation-document.pdf>

Consultation on 2016/17 proposed fee scales

For further details on the consultation and how to respond to it, please visit:

<http://www.psa.co.uk/audit-and-certification-fees/consultation-on-201617-proposed-fee-scales/>

NAO Case Study: Managing reductions in local authority government funding

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*Internal Audit
Half-year summary
report*

September 2015

Oxford City Council

November 2015

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Distribution List

For action	Members of the Audit and Governance Committee
	S151 Officer
For information	Chief Executive
	Corporate Management Team

This document has been prepared only for Oxford City Council and solely for the purpose and on the terms agreed with Oxford City Council under our engagement letter dated 25 June 2015.

1. Executive summary

Introduction

This report outlines the internal audit work we have carried out for the six months ended 30 September 2015.

Internal audit work was performed in accordance with PwC's Internal Audit methodology which is in conformance with the Public Sector Internal Audit Standards.

The Public Sector Internal Audit Standards require the Head of Internal Audit to provide an annual opinion, based upon and limited to the work performed, on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control (i.e. the organisation's system of internal control). As we have only provided internal audit services for the first 6 months of 2015/16 we are unable to provide an opinion based on the completion of the full risk-based plan of work that was agreed with management and approved by the Audit and Governance Committee.

During the course of our work we did not identify any high risk issues or areas of weaknesses that we consider should be reported in your Annual Governance Statement.

We have set out below a summary of the work performed and highlight any areas of weaknesses in the framework of governance, risk management and control or areas of non-compliance with controls that may put the achievement of organisational objectives at risk.

Summary

We identified no critical and no high rated findings.

3 medium rated findings have been identified as part of the following reviews:

- Housing Benefits
- Housing Allocations
- Investment Properties

Details of the medium rated issues have been reported within the individual reports presented to the Audit and Governance Committee. The Council has agreed action plans to strengthen the areas of weakness identified. We do not feel that any of these areas require reporting in the Annual Governance Statement.

On page 3 we show the direction of travel for both individual review areas and for the number of audit recommendations in each category (critical, high, medium and low). Both show positive signs on the overall control environment at the Council.

In section 4 we provide a summary of the final reports issued since the September 2015 meeting of the Audit and Governance Committee.

Acknowledgement

We would like to take this opportunity to thank Oxford City Council staff, for their co-operation and assistance provided during the years we have delivered the internal audit service.

2. Summary of findings

Overview

We completed 5 internal audit reviews. This resulted in the identification of 3 medium and 13 low risk findings to improve weaknesses in the design of controls and / or operating effectiveness.

We did not identify any critical or high risk findings and for the areas reviewed the rating was either better or the same as last year. This is a positive reflection on the overall control environment at the Council.

We also completed 1 'value enhancement' review and provided the Council with recommendations and best practice insight.

Internal Control Issues

During the course of our work we did not identify any high risk issues or areas of weaknesses that we consider should be reported in your Annual Governance Statement.

3. Internal Audit work conducted

Introduction

The table below sets out the results of our internal audit work performed during the first six months of 2015/16.

Results of individual assignments

Review	Report classification	Trend	Number of findings			
			Critical	High	Medium	Low
Collection Fund	Low		0	0	0	1
Housing Benefits	Low		0	0	1	3
Housing Rents	Low		0	0	0	6
Housing Allocations	Low	n/a	0	0	1	3
Investment Properties	Low	n/a	0	0	1	0
Procurement	n/a	-	-	-	-	-
Total			0	0	3	13

Direction of control travel

Finding rating	Number of findings			
	Q1&Q2 2015/16	2014/15	2013/14	2012/13
Critical	0	0	0	0
High	0	0	2	0
Medium	3	17	4	17
Low	13	44	29	36
Total	16	61*	35	53

*The overall increase in the number of findings identified in 2014/15 cannot be directly compared with prior years due to a different mix and focus of reviews in the internal audit plan.

4. Final reports issued since the previous Committee meeting

Name of audit	Conclusion	No of recommendations made			
		 Critical	 High	 Medium	 Low
Collection Fund	Low Risk	0	0	0	1
Housing Benefits	Low Risk	0	0	1	3
Housing Rents	Low Risk	0	0	0	6
Procurement	n/a	-	-	-	-
Post-implementation review: Revenues team restructure	n/a	-	-	-	-

We summarise the findings from these reviews below:

Collection Fund

We identified one low risk issue relating to the debt recovery process. In 8 of the 25 cases selected we found that there had been delays in attempting to recover the debt. Some of these delays were due to several staff in the Recovery Team leaving. Since we raised these findings at the time of our review, Officers have taken action to follow up and move the debts to the next stage of recovery.

Housing Benefits

Work is ongoing in relation to recovery of housing benefit overpayments and we highlighted this as a medium risk in this report. Arrears relating to housing benefit overpayment has risen to £6m at the end of August 2015, an increase of £0.8m (15%) compared to the same time last year. £2.8m of debt has no recovery agreement in place.

We also raised three low risk issues:

- Quality checks - The Council aims to check 10% of claims processed. In the year to date this target has not been achieved with checking ranging from between 7.9% to 9.5% per month.
- New claims processing – The target for processing new claims is 14 days. The average processing time at 1 September 2015 is in excess of the target at 15.94 days.
- Weekly Academy to Agresso reconciliations – In our sample of five, one reconciliation was not performed until two weeks after the week to which it related. Three of the reconciliations were not reviewed until at least 10 days after they were performed. This is not considered timely for a weekly reconciliation.

Housing Rents

We identified 6 low risk issues relating to:

- Refunds and credits: Former Tenants (Right to Buy) - Refunds are not always processed on a timely basis, in one case a refund is still owed to a former tenant after 3 months.
- Refunds and credits: Processing - There is unclear and inconsistent understanding by staff for target dates to process refunds.
- Refund reconciliations - Monthly rent refund reconciliations between Agresso and Northgate are not reviewed.
- Arrears recovery:

- Tenants in arrears are not always contacted on a timely basis. We noted several instances where initial contact had been delayed, resulting in slower recovery/resolution than might have been expected.
 - Reduction in housing benefits is not identified. In one case the tenant who was receiving part housing benefits had his benefits reduced by £2 a week in March 2014. This was not picked up for over a year and hence arrears built up for the additional rent due.
 - In last year's audit, we noted that the system did not allow for identification of tenants who have ceased payment but were still in credit on the system. Reports are still not run to show if any tenants have stopped paying and the action has been carried over to this year's report.
- Additions to Housing Stock - For one of five new properties tested, the rent was different on Northgate to the tenancy agreement.
 - System access for leavers - Documentation to evidence the controls in place to remove access to leavers was unavailable at the time of the audit.

We used Computer Assisted Audit Techniques ("CAATs") to identify potential discrepancies in the accuracy and completeness of housing rents. The results highlighted a small number of exceptions; these have been followed up with management and are considered to be valid, thus providing a high degree of assurance over the completeness and accuracy of rental income.

Procurement

Our review gathered views from users of the procurement service, specifically focusing on compliance with the process, barriers to use of the service and training needs and awareness of the process and requirements. We have identified some areas of good practice and also noted a number of areas for focus for the Council over the coming months which would help to further strengthen the procurement processes.

Post-implementation review: Revenues team restructure

In May 2014 the Council put in place two additional posts; a Court Recovery Office and an Appeals and Complaints Officer, to strength processes for recovery of council tax, business rates and housing benefit overpayments. We considered the new processes that have been put in place for recovery and found the overall design of the recovery processes to be robust.

The team's focus has initially been on council tax and business rates recovery and significant progress has been made in embedding processes and improving collection for these two debt types; reflected by a reduction in arrears since the recovery team restructure. Challenges are still faced with recovery of housing benefit overpayments, for which there are fewer recovery mechanisms available and recovery requires high levels of resource input.

We reviewed the effectiveness of the two new posts against the defined success criteria and where appropriate highlighted areas for further improvement.

Appendices

Appendix 1: Limitations and responsibilities

Limitations inherent to the internal auditor's work

Our work has been performed subject to the limitations outlined below.

Opinion

The opinion is based solely on the work undertaken as part of the agreed internal audit plan. There might be weaknesses in the system of internal control that we are not aware of because they did not form part of our programme of work, were excluded from the scope of individual internal audit assignments or were not brought to our attention. As a consequence management and the Audit Committee should be aware that our opinion may have differed if our programme of work or scope for individual reviews was extended or other relevant matters were brought to our attention.

Internal control

Internal control systems, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgment in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

Future periods

Our assessment of controls relating to Oxford City Council is for the period 1 April 2015 to 30 September 2015. Historic evaluation of effectiveness may not be relevant to future periods due to the risk that:

- the design of controls may become inadequate because of changes in operating environment, law, regulation or other; or
- the degree of compliance with policies and procedures may deteriorate.

The specific time period for each individual internal audit is recorded within section 3 of this report.

Responsibilities of management and internal auditors

It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

We endeavour to plan our work so that we have a reasonable expectation of detecting significant control weaknesses and, if detected, we shall carry out additional work directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected, and our examinations as internal auditors should not be relied upon to disclose all fraud, defalcations or other irregularities which may exist.

Appendix 2: Basis of our classifications

Report classifications

The report classification is determined by allocating points to each of the findings included in the report

<i>Findings rating</i>	<i>Points</i>
<i>Critical</i>	40 points per finding
<i>High</i>	10 points per finding
<i>Medium</i>	3 points per finding
<i>Low</i>	1 point per finding

<i>Report classification</i>		<i>Points</i>
	Critical risk	40 points and over
	High risk	16– 39 points
	Medium risk	7– 15 points
	Low risk	6 points or less

Individual finding ratings

Engagement teams should tailor the ‘assessment rationale’ section below based previous discussions with management and the relevant committee e.g. Audit Committee.

<i>Finding rating</i>	<i>Assessment rationale</i>
<i>Critical</i>	<p>A finding that could have a:</p> <ul style="list-style-type: none"> • Critical impact on operational performance; or • Critical monetary or financial statement impact; or • Critical breach in laws and regulations that could result in material fines or consequences; or • Critical impact on the reputation or brand of the organisation which could threaten its future viability.
<i>High</i>	<p>A finding that could have a:</p> <ul style="list-style-type: none"> • Significant impact on operational performance; or • Significant monetary or financial statement impact; or • Significant breach in laws and regulations resulting in significant fines and consequences; or • Significant impact on the reputation or brand of the organisation.
<i>Medium</i>	<p>A finding that could have a:</p> <ul style="list-style-type: none"> • Moderate impact on operational performance; or • Moderate monetary or financial statement impact; or • Moderate breach in laws and regulations resulting in fines and consequences; or • Moderate impact on the reputation or brand of the organisation.
<i>Low</i>	<p>A finding that could have a:</p> <ul style="list-style-type: none"> • Minor impact on the organisation’s operational performance; or • Minor monetary or financial statement impact; or • Minor breach in laws and regulations with limited consequences; or • Minor impact on the reputation of the organisation.
<i>Advisory</i>	<p>A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.</p>



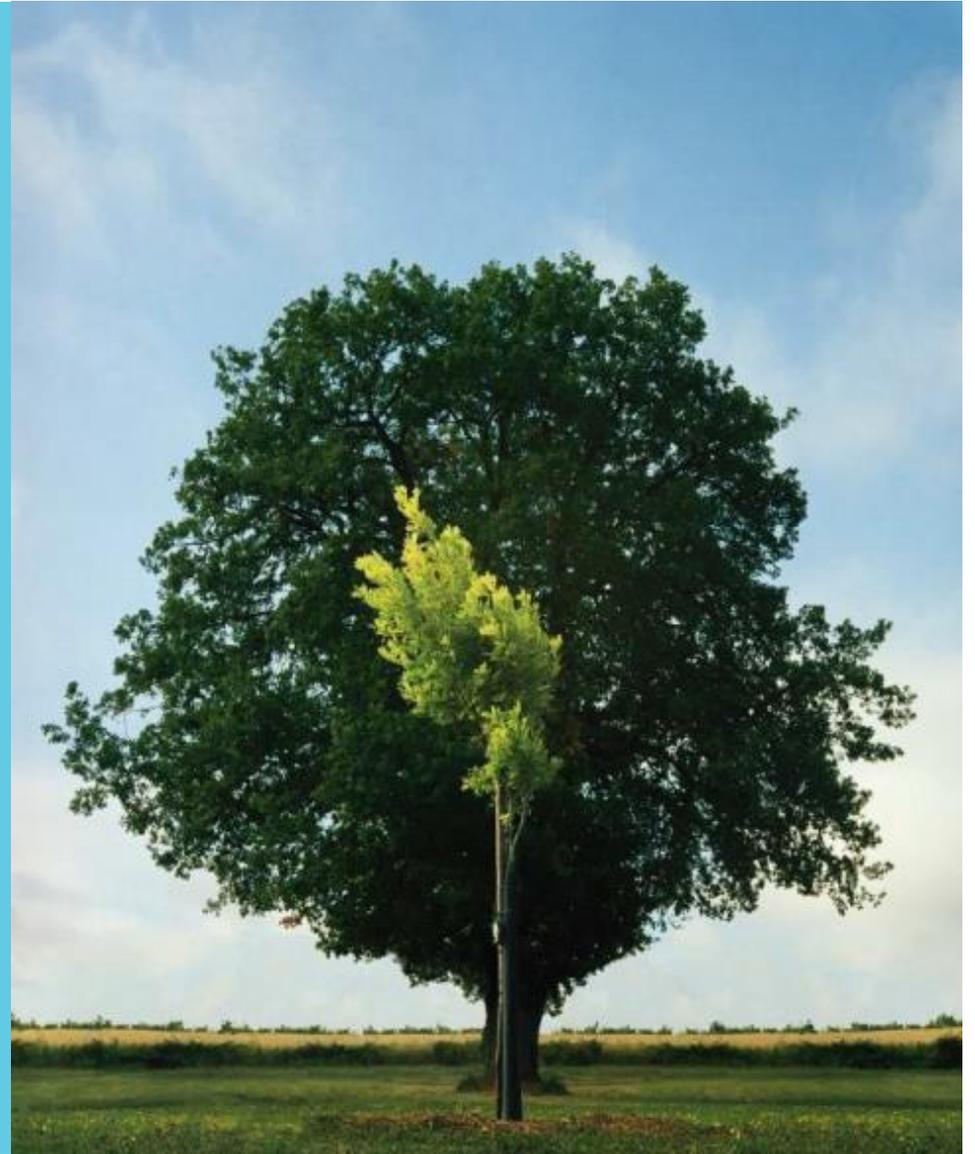
In the event that, pursuant to a request which Oxford City Council has received under the Freedom of Information Act 2000 (as the same may be amended or re-enacted from time to time) or any subordinate legislation made thereunder (collectively, the "Legislation"), it is required to disclose any information contained in this terms of reference, it will notify PwC promptly and consult with PwC prior to disclosing such information. Oxford City Council agrees to pay due regard to any representations which PwC may make in connection with such disclosure and to apply any relevant exemptions which may exist under the Act to such information. If, following consultation with PwC, Oxford City Council discloses any such information, it shall ensure that any disclaimer which PwC has included or may subsequently wish to include in the information is reproduced in full in any copies disclosed.

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Oxford City Council
INTERNAL AUDIT PROGRESS REPORT
December 2015

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FINAL



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PROGRESS AGAINST 2015/16 INTERNAL AUDIT PLAN

Internal Audit

This report is intended to inform the Audit and Governance Committee of progress made against the 2015/16 internal audit plan which was approved by Audit and Governance Committee on 23 April 2015. A summary of progress made against the 2015/16 internal audit plan, the work we have done, together with our assessment of the systems reviewed and can be seen overleaf.

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.

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

We completed the certification for the CFB06 Pooling of Housing Capital Receipts grant. This is an annual mandatory certification that must be completed by an independent auditor by 30 November each year and submitted to the Department for Communities and Local Government.

Overview of 2015/16 work to date

We have completed and finalised the reports for:

- Audit 1a. Accounts Payable
- Audit 1b. Accounts Receivable
- Audit 2. Finance System
- Audit 3. SIGMA System
- Homes and Community Agency (HCA) Compliance Audit
- Pooling of Housing Capital Receipts grant certification.

The following reports were given limited assurance on either design or effectiveness and therefore the full reports have been presented to the Audit and Governance Committee separately to this Audit Progress Report:

- Audit 1a. Accounts Payable
- Audit 1b. Accounts Receivable.

The HCA Compliance Audit and Pooling of Housing Capital Receipts were both grant compliance/certification reviews.

We concluded that there were no issues arising from the Pooling of Housing Capital Receipts grant certification however, some instances of non-compliance were reported to the HCA.

Please note that for those audits which did not receive limited assurance or lower, the Executive Summary has been provided within this Audit Progress Report.

PROGRESS AGAINST 2015/16 INTERNAL AUDIT PLAN

The reviews to be completed for the period 1 October 2015 to 31 March 2016 were agreed at a meeting of Heads of Service on 6 October 2015 which the Internal Audit Manager and Head of Internal Audit attended.

Name of review	Audit Sponsor	Agreed Days	Planning	Fieldwork	Reporting	Committee Reported to	Assurance	
							Design	Effectiveness
EFFICIENT, EFFECTIVE COUNCIL								
Audit.1a Accounts Payable	Nigel Kennedy	6	✓	✓	✓	December 2015	Moderate	Limited
Audit.1b Accounts Receivable	Nigel Kennedy	6	✓	✓	✓	December 2015	Moderate	Limited
Audit.2 Finance Systems	Nigel Kennedy	15	✓	✓	✓	December 2015	Moderate	Moderate
Audit.3 SIGMA System	Jo Colwell	7	✓	✓	✓	December 2015	N/A	N/A
Audit.4 Trading Services	Graham Bourton and Jackie Yates	18	✓	✓				
Budgetary Control, Risk Management and Performance	Nigel Kennedy	12	✓					
Business Improvement and Technology	Paul Fleming	12	✓					
Finance - Year End Financial Reporting Timetable	Nigel Kennedy	10	✓					
MEETING HOUSING NEEDS								
HCA Compliance Claim	Nigel Kennedy	7	✓	✓	✓	December 2015	N/A	N/A
Housing and Property: Homelessness Prevention	Dave Scholes	10	✓					
CLEANER, GREENER OXFORD								
Enforcement	Patsy Dell	12	✓					

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PROGRESS AGAINST 2015/16 INTERNAL AUDIT PLAN

The below table identifies those audits that were not in the agreed 2015/16 internal audit plan and therefore are those reviews performed by internal audit in addition to the plan.

Name of review	Audit Sponsor	Agreed Days	Planning	Fieldwork	Reporting	Committee Reported to	Assurance	
							Design	Effectiveness
MEETING HOUSING NEEDS								
Pooling of Housing Capital Receipts Grant Certification	Nigel Kennedy	7	✓	✓	✓	December 2015	N/A	N/A
Flood Support Scheme Grant Certification	Nigel Kennedy	5	✓	✓				

EXECUTIVE SUMMARY - AUDIT 2. FINANCE SYSTEMS

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 II FOR DEFINITIONS)

Design	Moderate	System of internal controls is weakened with system objectives at risk of not being achieved
Effectiveness	Moderate	Non-compliance with key procedures and controls places the system objectives at risk

SUMMARY OF RECOMMENDATIONS (SEE APPENDIX II FOR DEFINITIONS)

High	-
Medium	4
Low	4

Total number of recommendations: 8

OVERVIEW: FINANCE SYSTEMS

Oxford City Council's (the Council's) main financial system is Agresso, within which fixed assets, general ledger and payroll transactions are recorded. The purpose of the review was to assess the design and effectiveness of controls in relation to fixed assets, general ledger and payroll activity to provide assurance over the accuracy, completeness and timeliness of transactions undertaken.

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

- The Council's accounting system Agresso, has sufficient functionality to support the processing of different journal types whilst maintaining an audit trail for approval
- Quarterly reconciliations between Council systems to the fixed asset register operates well and captures any differences to ensure action is undertaken where necessary
- Through evaluation of a sample of capital additions, disposals and assets held for sale, we identified good evidence to verify the accuracy and classification of capital assets
- Heritage assets are valued annually by an internal valuer which is over and above the requirements of Financial Reporting Standard (FRS) 30 and the value of heritage assets were agreed to external valuer reports in line with expectations
- Through observation we found there was good challenge by the Capital Accountant on whether the capitalisation of an asset should be undertaken
- The evidence behind new starters, leavers and variations of payroll transactions are well maintained and parameters for different payroll taxes and adjustments are uploaded to the payroll system automatically.

However we also found the following areas for improvement:

- For expenses claims, the narrative provided by those claiming expenses is often limited and therefore, this limits the reviewer's ability to assess whether the expense claim is appropriate and legitimate
- The Council's Academy system should be reconciled on a weekly basis to the Agresso system rather than on a monthly basis
- For a sample of four account code and one cost centre change form we could not review whether these were completed as requested as these were not retained by the finance team after the changes were completed
- For a sample of four out of the 10 manual journal entry forms, the financial periods did not match the periods on the Agresso system
- We have raised an efficiency finding around the Council having a lower threshold for capitalisation than many other Councils and not having a separate threshold for land and buildings.

Conclusion

We have issued four medium and four low recommendations. We identified good design of controls to manage both the day-to-day operation of finance systems and management oversight. Furthermore, from our testing and observation of the control environments we did not identify any high recommendations or significant instances of non-compliance of controls in place. As a result we conclude moderate assurance on both the design and operational effectiveness of the controls.

EXECUTIVE SUMMARY - AUDIT 3. SIGMA SYSTEM

OXFORD CITY COUNCIL STRATEGIC OBJECTIVE THIS REVIEW RELATES TO

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

SUMMARY OF RECOMMENDATIONS (SEE APPENDIX II FOR DEFINITIONS)

High		6
Medium		4
Low		4

Total number of recommendations: 14

OVERVIEW: SIGMA System

The aim of this review is to assess the reliability of a data export that can be produced from the SIGMA system (which contains energy supply details) which could be directly imported to Oxford City Council's (the Council's) accounting system, Agresso. The Council intend for this review to support their decision over whether the export should go live based on the control design and effectiveness we identified.

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

- The software provider to the SIGMA system have a contractual agreement with the Council to ensure that the system will not be unusable for a period greater than three working days. Therefore there are good business continuity arrangements which are vital should the SIGMA system be fully implemented to support the payment of energy invoices to suppliers
- There are sophisticated access rights built into the SIGMA system which ensure that the data is protected and limits can be set on the information users can view and edit
- The SIGMA system team have a good working knowledge of the system and its operation to manage the additional workload should the data export go live.

However we also found the following areas for improvement to strengthen the control environment prior to going live:

- Independent verification of parameters must be documented each time contractual changes to rates charged on energy invoices takes places
- Raising queries in the SIGMA system is a fundamental control to ensure disputes on energy invoices are resolved. The process to follow-up on queries promptly could be improved with enhanced management information and more timely follow-on of actions on the queries held, as we identified numerous instances where query due dates had passed without action being taken
- Comfort over the transfer of data from the SIGMA system to Agresso can be enhanced by ensuring a reconciliation is completed and evidenced within 48 hours of an import file interfacing with Agresso
- Prior to going live, the SIGMA team need to communicate clearly to finance, the post-room, budget holders and senior stakeholders how the system will operate to ensure all parties are clear on their roles and responsibilities
- Procedures must be assigned and set-up to ensure, should the SIGMA system go live, that spot checking of energy invoices is undertaken and evidenced and that a pre-agreed date for a post implementation review is set and undertaken.

Conclusion

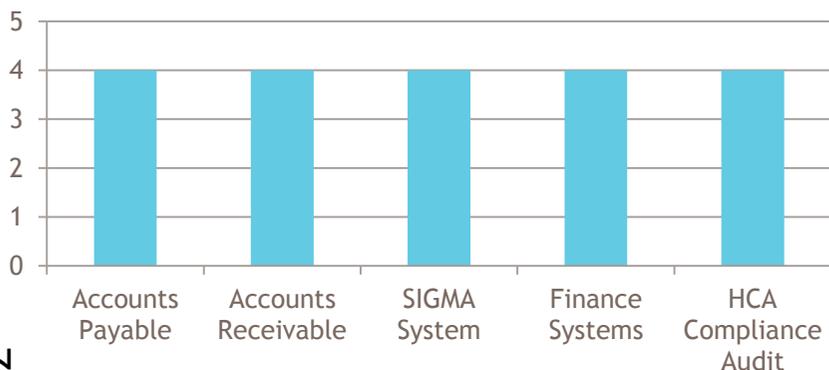
We have issued six high, four medium and four low recommendations which must be implemented and acted upon prior to the system going live. The nature of our review was advisory and many of these relate to things for the Council to consider, rather than weaknesses with current arrangements. However, based on the testing performed we conclude that moving to the new arrangements will be more efficient and effective for the Council. Subject to the recommendations in this report being implemented, the Council should be in a position to meet its internally agreed a go-live date of 4 January 2016 with a post-implementation review to take place late February or March early 2016. By undertaking the change there is no additional cost to the Council; the SIGMA team have confirmed that the additional duties they will undertake can be met within their current staff capacity. The financial benefits of this change are that the current significant level of manual approval of invoices by budget holders across the Council will end; whilst this is not quantifiable this represents a significant efficiency saving to the Council.

KEY PERFORMANCE INDICATORS - MAIN MESSAGES

We set out the main messages from our reviews completed and presented to this Audit and Governance Committee; a full listing of results from our audit satisfaction surveys can be seen in appendix I. In the detail below we set out the completion of key milestones for each review alongside the feedback of auditees.

1 Overall audit experience was rated an average 4 out of 5 for all reviews conducted; with no score lower than a 4 from any respondents

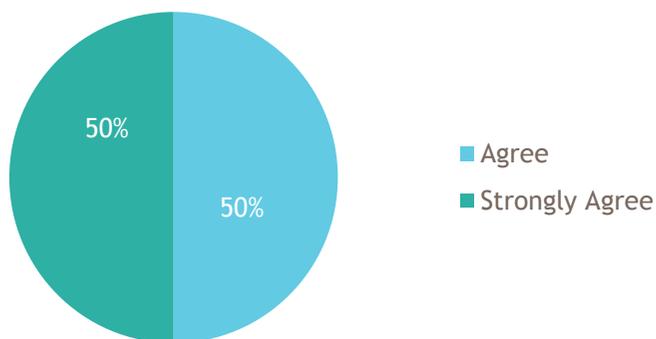
How would you rate the overall audit experience?



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3 In answer to 'Did our work add value?' 50% of respondents gave the highest response of strongly agreed with no respondent giving a response lower than agreed

Did our work add value?

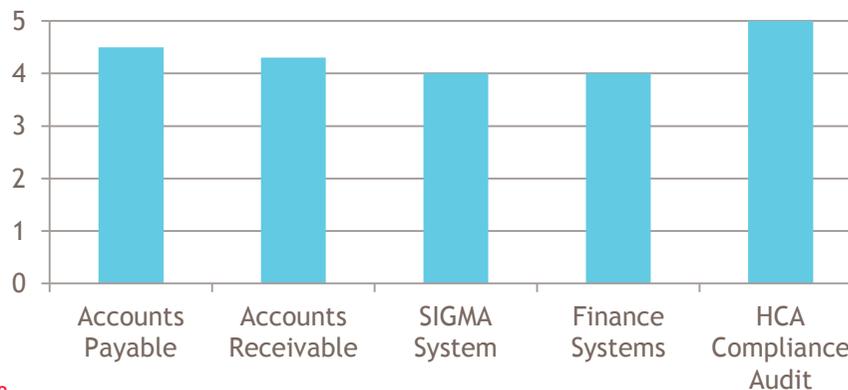


2 All reviews reported to this Audit and Governance Committee were scoped and finalised within 9 weeks

	Scoping Review	Fieldwork Start	Closing Meeting	Draft Report	Final Report
Accounts Payable	7 Oct	12 Oct	29 Oct	23 Nov	05 Dec
Accounts Receivable	7 Oct	19 Oct	29 Oct	23 Nov	05 Dec
SIGMA System	1 Oct	19 Oct	3 Nov	19 Nov	01 Dec
Finance Systems	9 Oct	2 Nov	23 Nov	26 Nov	05 Dec
HCA Compliance Audit	1 Oct	23 Oct	25 Nov	27 Nov	27 Nov

4 With regards to our communication we scored no lower than a 4 from any respondent, an average score of 4.3 out of 5

How would you rate communication with regards to the progress of the audit and, if applicable, any significant issues identified?



SECTOR UPDATE - TAILORED TO OXFORD CITY COUNCIL

There is unprecedented change in the local government sector with continued reduction in central government funding, devolution package submissions and agreements in progress, greater pressure to deliver local growth and increasing cyber security risks. These all add to the challenging landscape facing local authorities and here we provide a selection of updates tailored to those challenges and opportunities Oxford City Council are presented with.

BUSINESS RATES PLANS IN PLACE TO MANAGE APPEALS PROCESS

<p>What's the update?</p>	<p>The Department for Communities and Local Government opened a consultation in November 2015 which set out plans to shake up the current business rates appeal process and protect councils from speculative appeals, has been published. Under the current system, councils have to meet any refunds following successful appeals from the locally retained 50% of rate growth; the value of the locally retained business rates for 2015/16 was budgeted at £42.3 million.</p> <p>Currently, a majority of appeals are submitted by agents, many of whom operate on a 'no win-no fee' basis, sometimes for businesses who are unaware this is being done on their behalf. To counter this, a new fee would be charged for anyone looking to lodge an appeal. This would be refundable if appeals are successful, and will be set at between £100 to £300, similar to fees charged by other tribunals such as tax tribunals.</p>
<p>How does this impact Oxford?</p>	<p>At the September 2015 Audit and Governance Committee, Members were presented with the report 'Business Rates Collection and Retention' which noted the value of appeals submitted by businesses at 31 March 2015 that are anticipated to be upheld is approximately £12.9 million. Therefore any plans to change the process of appeals may have an impact on future provisions set aside and the level of appeals the Council is subject to.</p>
<p>Where to find out more</p>	<p>http://www.publicfinance.co.uk/news/2015/11/dclg-crack-down-%E2%80%98unscrupulous%E2%80%99-business-rate-appeals</p>

COUNCIL TAX SUPPORT LOCALISATION UNDER REVIEW

<p>What's the update?</p>	<p>The government has launched a review of the localisation of council tax support in December 2015 that will consider the impact of the reform on local government finance. Under the reform, which also saw funding for council tax support cut by 10%, councils were not able to reduce the level of support offered to pensioners when they developed schemes intended to better match local circumstances. The review would consider how the change had been implemented, what it has meant for people receiving council tax support, and whether support should be part of Universal Credit payments in the future.</p>
<p>How does this impact Oxford?</p>	<p>The Council may be asked for their views on the experience of council tax support localisation. In future years there may be a change which leads to support being provided as part of Universal Credit payments which may offer greater benefit to working age residents.</p>
<p>Where to find out more</p>	<p>http://www.publicfinance.co.uk/news/2015/12/dclg-launches-review-devolution-council-tax-support</p>

DEVOLUTION PACKAGES NEED GREATER CLARITY OVER RISK OWNERSHIP

<p>What's the update?</p>	<p>The Public Accounts Committee has called for greater clarity in the government's flagship devolution agreements after raising concerns about accountability and scrutiny arrangements in the first round of City Deals in England.</p>
<p>How does this impact Oxford?</p>	<p>The Council made a submission in September 2015 as part of a devolution package to Government. If the Council and other parties for the devolution package are successful then serious consideration must be given to the concerns raised by the Public Accounts Committee.</p>
<p>Where to find out more</p>	<p>http://www.publicfinance.co.uk/news/2015/11/pac-issues-accountability-warning-devolution-deals</p>

SECTOR UPDATE - TAILORED TO OXFORD CITY COUNCIL

There is unprecedented change in the local government sector with continued reduction in central government funding, devolution package submissions and agreements in progress, greater pressure to deliver local growth and increasing cyber security risks. These all add to the challenging landscape facing local authorities and here we provide here a selection of updates tailored to those challenges and opportunities Oxford City Council are presented with.

HOMELESSNESS RISING NATIONALLY AND IN OXFORD

What's the update?	<p>Each quarter the Department and Communities and Local Government release Statutory Homelessness statistics; in September 2015 data for the quarter April to June showed that the English local housing authorities received 27,550 applications for housing assistance under the homelessness legislation of the Housing Act 1996. In England over the same period, local authorities accepted 13,850 households, which was up 5 per cent compared to the same quarter last year.</p> <p>This shows there is a national increase in homelessness which is echoed locally in Oxford. The Oxford Mail reported in December 2015 that homelessness in Oxford has increased by 50 per cent in a year with latest figures showing 39 people are now sleeping rough; it also confirmed that the Councils annual street count in November 2015 found 13 more people are living on the streets than last year.</p>
How does this impact Oxford?	This is a recognised risk for the Council and in quarter 4 of our internal audit plan we are performing a review of homelessness prevention.
Where to find out more	<p>https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/463017/201506_Statutory_Homelessness.pdf</p> <p>http://www.oxfordmail.co.uk/news/14116406.Homeless_crisis_on_Oxford___s_streets_is_getting_worse/</p>

DOMINANT SINGLE PARTY COUNCILS PRONE TO CORRUPTION?

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What's the update?	<p>Councils dominated by one political party achieve lower procurement savings than more competitive authorities, with the difference as much as £2.6bn a year, according to an Electoral Reform Society analysis of local government accountability. The report examined over 132,000 public procurement contracts between 2009 and 2013 for councils in England outside London. The examination found that “one-party councils” typically achieve lower price savings in these deals - 2.2% compared to 6.2% where there is greater political balance. In addition, ‘red flags’ for corruption - such as where only a single bid is submitted or there is a shortened length of time between advertising the bid and the submission deadline - were around 50% higher.</p>
How does this impact Oxford?	The Councils majority party hold 33 of the 48 seats and therefore this is a clear majority party. Whilst the evidence in the report may be challenged, it is worth noting this as it is in the public domain and therefore majority Councils may face greater scrutiny on this.
Where to find out more	http://www.publicfinance.co.uk/news/2015/10/one-party-councils-less-efficient-ers-finds

DISTRICTS CALL FOR SIMPLIFICATION OF PLANNING PROCESS

What's the update?	<p>District councils have called for the process by which local plans are adopted to be overhauled through improved scrutiny and the creation of a national list of development policies. In a submission to the government review of the planning process, the District Councils Network said the adoption of local plans could be quickened if they were simplified, with more flexible use of ‘supplementary’ documents that could be more readily updated.</p>
How does this impact Oxford?	If the submission to the Government is acted upon then future planning decisions may be simplified and this could provide greater clarity over project approvals for the Council especially during a time when large capital projects are planned.
Where to find out more	http://www.publicfinance.co.uk/news/2015/10/districts-call-simplification-planning-process

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.

	Accounts Payable		Accounts Receivable		SIGMA System		Finance Systems	HCA Compliance	
AUDIT PLANNING									
Was the Terms of Reference aligned to strategic/departmental risks?	Agree	Strongly Agree	Agree	Strongly Agree	Agree	Agree	Strongly Agree	Strongly Agree	Agree
Was the timeline of events through to reporting agreed and clearly explained?	Agree	Strongly Agree	Strongly Agree	Agree	Agree	Agree	Agree	Strongly Agree	Agree
How would you rate our understanding of your business through our input in conversations and correspondence?	4	5	5	4	4	4	4	4	4
AUDIT FIELDWORK									
How would you rate communication with regards to the progress of the audit and, if applicable, any significant issues identified?	4	5	5	4	4	4	4	4	5
How would you rate the closedown meeting in terms of discussing and agreeing findings?	4	5	4	4	4	4	4	4	5
How would you rate the audits contribution to delivering added value and insightful experiences?	4	4	4	4	4	4	4	4	5
AUDIT REPORTING									
Was the final report clear and concise?	Agree	N/A	Strongly Agree	Agree	Agree	Disagree	Agree	Agree	Agree
Was agreement with all key stakeholders obtained prior to final distribution?	Agree	Strongly Agree	Strongly Agree	Agree	Strongly Agree	Agree	Agree	Strongly Agree	N/A
Where recommendations were made, were they constructive and practical?	Agree	Strongly Agree	Strongly Agree	Agree	Agree	Agree	Agree	Strongly Agree	N/A
Did our work add value?	Agree	Agree	Strongly Agree	Agree	Strongly Agree	Agree	Strongly Agree	Strongly Agree	N/A
How would you rate the overall audit experience?	4	4	4	4	4	4	4	4	4

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KEY

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

APPENDIX II - 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.

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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.



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Oxford City Council

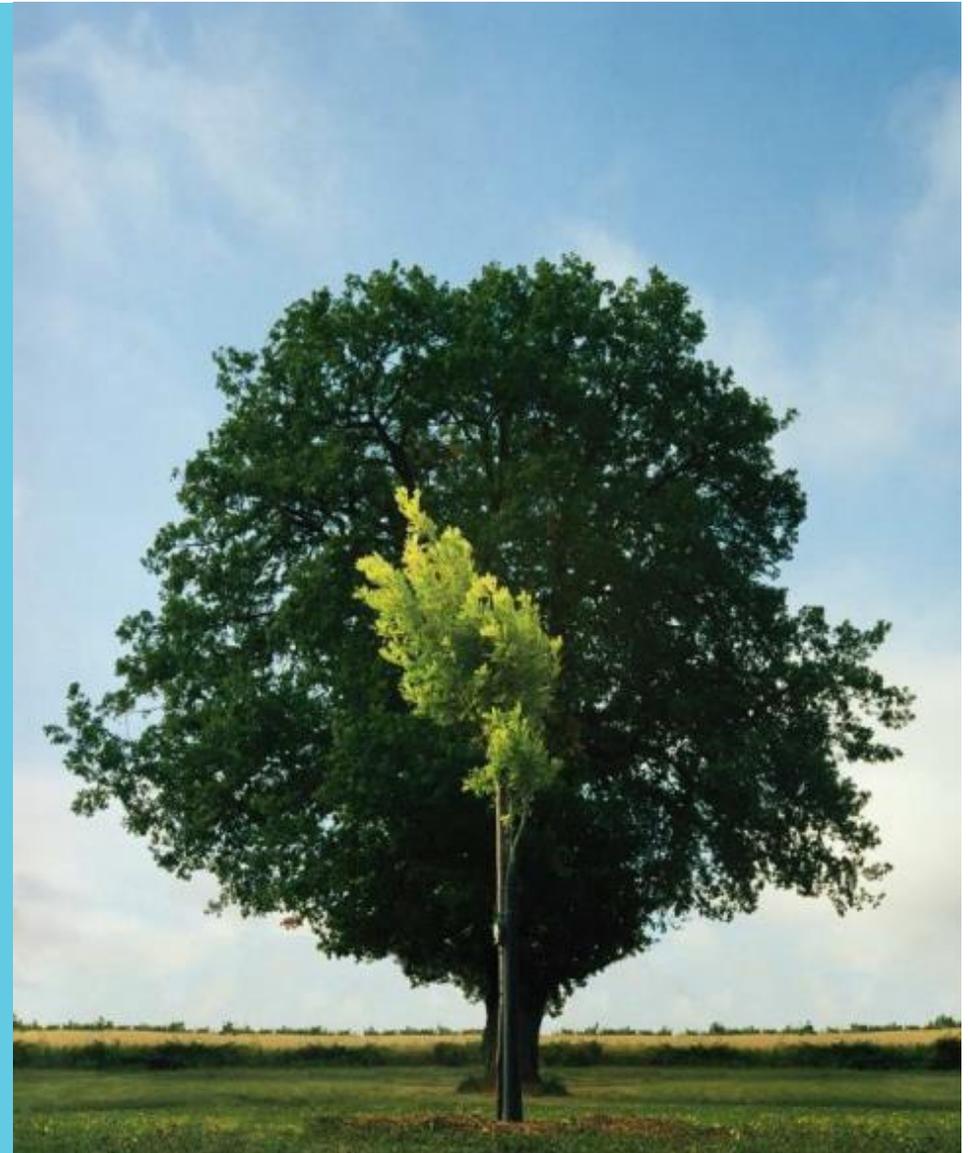
INTERNAL AUDIT REPORT

Audit. 1a Accounts Payable

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December 2015

LEVEL OF ASSURANCE	
Design	Operational Effectiveness
MODERATE	LIMITED



FINAL



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REPORT STATUS	
Auditors:	Yasmin Ahmed, Audit Senior and Gurpreet Dulay, Audit Manager
Dates work performed:	13 - 23 October 2015
Closing meeting:	29 October 2015 attended by Gurpreet Dulay, Yasmin Ahmed, Nigel Kennedy, Anna Winship, Nicki Pierce and Caroline Wood
Draft report issued:	23 November 2015
Final report issued:	5 December 2015

DISTRIBUTION LIST	
Nigel Kennedy	Section 151 Officer and Audit Sponsor
Anna Winship	Management Accounting Manager
Caroline Wood	Strategic Payments and Procurement Manager
Nicki Peirce	Payments Team Leader

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

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 sound system of internal control designed to achieve system objectives with some exceptions
Effectiveness	Limited	Non-compliance with key procedures and controls places the system objectives at risk

SUMMARY OF RECOMMENDATIONS (SEE APPENDIX IV FOR DEFINITIONS)

High  2

Medium  3

Low  1

Total number of recommendations: 6

OVERVIEW

Oxford City Council's (the Council's) account payables central team is led by the Strategic Payments and Procurement Manager who is supported by the Payments Team Leader and four Payment Officers. The Council is currently in the process of upgrading their main financial system Agresso, to reflect a more efficient process within accounts payables and wider Council activities.

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

- Adequate financial regulations and policies and procedures are in place promoting a strong strategic framework for accurate, complete and timely transactions
- The accounts payables team carried out sufficient due diligence procedures for new suppliers
- Amendments to transactions were carried out appropriately by management within the accounts payables team.

However we also found the following areas for improvement:

- The Authorised Signatory Listing (ASL) did not specify budgetary limits for each individual included within the ASL (Detailed Finding 1)
- A segregation of duties was not identified between entering and uploading new supplier information onto the Council's accounting system, Agresso (Detailed Finding 2)
- A breach to the Council's delegated authority limit occurred whereby, one in 10 of purchase orders was authorised by individuals who did not have sufficient budgetary limits within the ASL to authorise the purchase order, although they were of reasonable seniority (Detailed Finding 3)
- The control arrangements with regards to the DCAL system (procurement credit card system) are deemed to be inadequate as credit card transactions can be authorised without management approval and without sufficient review of receipts to verify the accuracy and regularity of transactions (Detailed Finding 4)
- Monthly management meetings are currently not formally held within the accounts payables team and as a result management are limited in implementing action plans for issues identified directly from the monthly management information reports (Detailed Finding 6).

Conclusion

We have issued two high, three medium and one low level recommendation. The Council has a sound system of internal controls, derived primarily from the electronic P2P system embedded within Agresso which automates many controls to achieve system objectives. However, there were two significant weaknesses identified in the operation of controls, relating to weak controls over procurement cards and a breach of delegated limits over purchase order authorisation. This has led us to conclude on a moderate assurance on the design of the controls and a limited assurance on the operational effectiveness of the controls.

DETAILED FINDINGS AND RECOMMENDATIONS

Risk: Inadequate financial regulations, policies and procedures are in place which weakens the framework to support accurate, complete and timely transactions

Ref.	Finding	Sig.	Recommendation
1	<p>The accounts payables department hold two sets of Authorised signatory listings (ASL), a hard copy ASL that is accessible to all members within the accounts payable department and an electronic ASL embedded into the workflow of the P2P (accounts payable) system.</p> <p>All requisitions of purchase orders and authorisations of payments to suppliers are verified through the ASL. This is to ensure an appropriate individual listed on the ASL has raised and approved the transaction prior to payment.</p> <p>Where requisitions of purchase orders are raised through the P2P system, authorisation for the payment of the supplier invoice is automatic; providing the initial purchase order was approved by an individual within the correct cost centre, with an appropriate budget limit and the goods have been appropriately receipted.</p> <p>We would expect the accounts payable ASL to consist of a list of budget holders, the corresponding cost centres for each line of service and a budget limit that each individual on the ASL is permitted to approve for payments. In addition we would also expect the ASL to consist of the individuals who are authorised to raise purchase orders for each line of service. As part of this review we obtained the hard copy ASL held within the accounts payable department updated at various dates within the financial year. From our review we found:</p> <ul style="list-style-type: none"> • The hard copy ASL does not specify budgetary limits for every individual within each service area • The hard copy ASL is not updated on a timely basis; a number of service areas had not been updated since 2013. Therefore, the hard copy ASL did not reflect all staff changes made to date • We could not identify the cost centres that each individual was authorised to approve for a number of service areas. <p>We did note that the ASL is effectively in three places: it is on the P2P system, it is in hard copy format and it is also available on the intranet. The P2P system is the most up-to-date listing as it is the source and acts as a constant live update, with the hard copy and intranet not being updated as frequently. The Council should consider this disparity amongst ASL logs and find a way to have one central source. It should be noted that not all staff have access to P2P which has led to other formats being used alongside this.</p>	M	<p>Short term solution:</p> <ol style="list-style-type: none"> For each approver included within the hard copy ASL the appropriate budget limits and corresponding cost centres should be clearly outlined for each service area The Council should distribute the hard copy ASL on a quarterly basis to reflect any changes and updates to all relevant departments and individuals If there are staff changes prior to the quarterly update, the hard copy ASL should be amended to reflect these changes immediately and distributed to all relevant departments <p>Long term solution:</p> <ol style="list-style-type: none"> Ensure one ASL central electronic source is available to all staff which is a live update against which delegated limits can be verified

DETAILED FINDINGS AND RECOMMENDATIONS

Risk: Inadequate financial regulations, policies and procedures are in place which weakens the framework to support accurate, complete and timely transactions

Ref.	Finding	Sig.	Recommendation
1 cont.	If the hard copy ASL does not contain budget limits for each budget holder authorised to approve payments to suppliers there is a risk that non-P2P invoices will be inappropriately approved for payment which may exceed the budget limits of a given cost centre.	M	
MANAGEMENT RESPONSE			RESPONSIBILITY AND IMPLEMENTATION DATE
Agreed. We will update an annual ASL listing and distribute this to all relevant staff. We will also issue quarterly ASL listings with amendments only so that these can be appended to the annual full distribution list.			Responsible Officer: Caroline Wood Implementation Date: March 2016

DETAILED FINDINGS AND RECOMMENDATIONS

Risk: New or existing customer/ supplier change controls are inadequate to safeguard the integrity of changes made to data held

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Ref.	Finding	Sig.	Recommendation
2	<p>When setting up new suppliers it is a requirement to complete a new supplier form prior to the new supplier being created on the Council's accounting software, Agresso. All suppliers must undergo due diligence procedures prior to being set up as a registered supplier.</p> <p>Furthermore, in order to set up a supplier on the Agresso system a two step process is in place. The first stage of the process requires one individual to enter all supplier details onto a Boot Information File (BIF). A second individual is required to counter check the information entered and subsequently upload the supplier details onto the Agresso system.</p> <p>Due to the high risks associated with creating new suppliers we would expect the accounts payables team to carry out all due diligence procedures necessary to ensure that the supplier is fit to be a Council creditor and maintain association with the Council. Furthermore, we would also expect the accounts payables team to ensure that the supplier details entered are checked for inconsistencies and are correctly uploaded onto the system.</p> <p>Therefore, it is essential that the entering, checking and uploading of supplier information is processed by separate individuals. As part of this review, we tested a sample of three new suppliers created from 1 April 2015 to 14 October 2015 and upon review we found:</p> <ul style="list-style-type: none"> For one out of three new suppliers created by the accounts payables team there were no segregation of duties maintained; the individual who checked and entered supplier details onto the BIF file also reviewed the details entered by themselves and subsequently uploaded these onto the Agresso system. <p>Whilst the above sample is not extensive, it is sufficient to demonstrate that it is possible for one individual to process a new supplier and upload the details onto the Agresso system without the expected scrutiny.</p> <p>If there are no segregation of duties maintained between confirmation and subsequent uploading of supplier details there is a risk that the supplier details are improper which may increase the Council's exposure to fraudulent activity.</p>	M	<p>a) Parameters should be created within the Agresso system where the individual who enters supplier details onto the BIF cannot upload these details onto the Agresso system</p> <p>b) The Payments Team Leader should verify that the individual who entered supplier details did not simultaneously upload the file to the Agresso system without following due procedure</p>
MANAGEMENT RESPONSE		RESPONSIBILITY AND IMPLEMENTATION DATE	
<p>Agreed. The Council are upgrading their Agresso system and by March 2016 all new supplier forms will go through a work-flow via the Agresso system; therefore this will override the need to use the BIF process currently in place. This will automatically ensure segregation of duties. In the intervening time we will reinforce expectations over setting up new suppliers.</p>		<p>Responsible Officer: Caroline Wood</p> <p>Implementation Date: March 2016</p>	

DETAILED FINDINGS AND RECOMMENDATIONS

Risk: Ineffective and inadequate controls are in place to ensure that transactions are raised, approved and paid in an accurate, complete and timely manner

Ref.	Finding	Sig.	Recommendation
3	<p>The Council use three individual systems to raise, approve, and receipt purchase orders and invoices. The system used is determined by the type of purchase order raised. These are:</p> <ul style="list-style-type: none"> • P2P system (Main accounts payables system) • Key2 system (system used by the Council Depots for Motor Transport) • Servitor system (system used by the Depots for Housing Management). <p>The three payables systems serve the same purpose where initially a requisitioner must raise a purchase order for a prescribed cost centre. Subsequently, the purchase order is authorised by an individual listed on the Authorised Signatory Listing (ASL) for a particular cost centre. Once goods are received these are receipted by the requisitioner who originally raised the purchase order. If the quantity and value on the goods received note and the purchase order match the supplier invoice, it is paid.</p> <p>We would expect a segregation of duties for each stage of the payables process. In addition, we would expect all purchase orders to be raised by a requisitioner within a given department and approved by an individual listed on the ASL. We would further expect the approver to authorise purchase orders that are within their cost centre domain and to have the relevant budget limit to cover the purchase order value. We would also expect all goods to be receipted promptly to ensure suppliers are paid within appropriate timescales. As part of this review we selected a sample of 10 payable transactions from 1 April 2015 to 14 October 2015 and upon review we found:</p> <ul style="list-style-type: none"> • One in 10 of our payables sample was authorised by individuals who did not have sufficient budgetary limits in accordance with the Councils officer delegated authority list within the ASL to authorise the purchase order. The transaction was for over £485,000 and it would have been expected to be approved by an Executive Director however, this was approved by two individuals both of whom have a delegated limit capped at no greater than £150,000; one of which was the Section 151 Officer. When this was raised it was explained that although the Council's delegated authority limit requires Executive Director approval for transactions over £150,000 this can be challenging to obtain due to the availability and turnaround time of the request for Executive Director approval. Therefore a culture has developed where those without sufficient authority are approving transactions. It should be noted that in this particular case that although Executive Director approval was not obtained that those who approved the transaction were of noteworthy seniority within the Council including the Section 151 Officer • One in 10 of our sample could not identify the individual who raised a purchase order in relation to the Key2 system. Therefore, it was not possible to ascertain whether segregation of duties were maintained between the raiser and the approver of a purchase order • One in 10 purchase orders were raised by an individual who was not identified within the ASL in relation to the Servitor system. We would expect all requisitioners to be included within the ASL for each line of service 	H	<ul style="list-style-type: none"> a) Individuals listed within the ASL should not authorise purchase orders/Invoices that are beyond their authorisation limits. Communication should take place between the Section 151 Officer and the Corporate Management Team to review delegates limits and training needs b) In relation to the Key2 and Servitor system, it must be ensured that all individuals listed within the ASL have the appropriate limit to authorise the payment. Should this not be the case the purchase order should be returned and an appropriate authorisation should be sought c) The software providers to the Key2 and Servitor system should be contacted to request that electronic work flows functionality are upgraded into the systems d) In relation to the Key2 and Servitor system, communication should be given about following procedures where the individual who authorised the purchase order should not be the individual who initially raised the purchase order e) The functionality to goods receipt on an individual transaction line basis is available in the Agresso system; reinforcement of this functionality to Agresso users and training should be given f) Sufficient training should be provided to all users of the Key2 system

DETAILED FINDINGS AND RECOMMENDATIONS

Risk: Ineffective and inadequate controls are in place to ensure that transactions are raised, approved and paid in an accurate, complete and timely manner

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Ref.	Finding	Sig.	Recommendation
3 cont.	<ul style="list-style-type: none"> Users of the Key2 system have not been provided with sufficient training. Therefore, at the time of our review it was difficult for these individuals to navigate around the Key2 system and source the information required. As a result, for one in 10 of our sample we could not identify the individual who raised the purchase order and the individual who approved the purchase order. It should be noted that this system came into operation in 2015 and therefore as it is not fully established, it is reasonable to expect that the control environment would not be at full strength at the time of this review One in 10 purchase orders raised through the Servitor system identified that the purchase order was raised and approved by the same individual. Therefore, a segregation of duties was not maintained To receipt goods an Agresso user must confirm the goods have been receipted against the invoice directly onto the system. It can often be the case that the goods receipted do not reflect all the items on the purchase order i.e. there may be more items on the purchase order than receipted. When goods are receipted the Agresso system disallows goods to be receipted on an individual basis. Therefore, all goods must be receipted in full as Agresso is currently incapable of recognising that goods could potentially be delivered in stages. The implication of this is that when the remainder of the goods are receipted which arrive subsequently to the initial delivery, another purchase order must be raised for these to be paid. This creates an inefficiency in the system which could be eliminated with a more sophisticated functionality in the Agresso system. 		

MANAGEMENT RESPONSE	RESPONSIBILITY AND IMPLEMENTATION DATE
<p>Agreed. In relation to training on Key2 this took place on 24 November 2015 and we will continue with further training/guidance to reinforce the operation of the system. We will reinforce communication around raising purchase orders and the requirement to agree the authoriser to the ASL and for there to be a segregation of duties to those staff who perform these functions on Key2 and Servitor.</p> <p>In relation to the exceeding of authority of delegated authority, we anticipate the extension of delegated limits to be agreed and implemented as outlined.</p>	<p>Responsible Officer: Nigel Kennedy (recommendation a) and Caroline Wood (all other recommendations)</p> <p>Implementation Date: a) January 2015 b) to g) March 2016</p>

DETAILED FINDINGS AND RECOMMENDATIONS

Risk: Procurement card payments are not monitored, verified and approved appropriately to ensure accuracy and validity of transactions undertaken

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Ref.	Finding	Sig.	Recommendation
4	<p>Selected individuals within the Council are authorised to expense Council related expenditure to an allocated procurement credit card. All individuals have a prescribed credit limit and a transaction limit that they can spend against at any one time. Furthermore, all expenditure incurred on the procurement card is recorded within the Council's expense system DCAL.</p> <p>Individuals who have used their procurement cards within a given month are required to access the DCAL system within eight days from the first day of the statement date and allocate each transaction to a relevant account code and cost centre. After this, the individual's line manager reviews the transactions expensed against the cost centre and authorises the transactions for payment. This is required to be authorised within 14 days from the first day of the statement date.</p> <p>We would expect all individuals to comply with the Council policy and only undertake expenditure on the procurement card for the purpose of the Council objectives only. In addition, we would expect all individuals to maintain receipts for each transaction incurred and complete a short narrative to describe the purpose of the expenditure. Furthermore, we would expect management to complete a thorough check of receipts, the nature of the transaction and to ensure that the transaction has been expensed to the appropriate account code and cost centre prior to approval. As part of this review we selected a sample of 10 procurement card transactions between 1 April 2015 to 14 October 2015 and upon review we found:</p> <ul style="list-style-type: none"> • One out of 10 procurement card transactions were not allocated to any given cost centre or account code. However, the transaction was approved for payment, despite not having an authorised approver set up on the DCAL system • Eight out of 10 procurement card transactions did not have an appropriate narrative attached to the expenditure of the transaction, however the transactions were still approved for payment. Without sufficient narrative it is difficult for management to identify the nature of the transaction and whether the correct cost centre and account code was allocated • For one of our sample the procurement card transaction was not reviewed by the card holder within the expected timescale of eight days from the first day of the statement date • Three out of 10 procurement card transactions were approved after the 14 day timescale from the first day of the statement date • Procurement card transaction receipts are not formally reviewed by management prior to approval. Furthermore, it was found that there is not a central location where individuals store all expense receipts. Therefore individuals may or may not retain receipts and therefore for the purposes of this audit we could not verify all transactions back to receipts 	H	<ul style="list-style-type: none"> a) DCAL system users should be reminded of the minimum expectations around the narrative to be placed into the system b) Receipts must be kept in an agreed format and location with communication made to set out clearly the procedures required to be followed to retain hard copy receipts to all users c) If approvals are not completed within a timely manner these should be escalated to the Management Accounting Manager d) Individuals that are set up as card holders within the DCAL system should not be able to approve their own transactions <p>As a measure of good practise we have included procurement card controls adopted within other Councils - see appendix I.</p>

DETAILED FINDINGS AND RECOMMENDATIONS

Risk: Procurement card payments are not monitored, verified and approved appropriately to ensure accuracy and validity of transactions undertaken

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Ref.	Finding	Sig.	Recommendation
4 cont.	<ul style="list-style-type: none"> There are currently no parameters within the DCAL system which prevents individual card holders from raising and approving their own expense; individuals who are registered as card holders within the DCAL system can approve their own expenditure. <p>The DCAL system should have the potential of including all necessary parameters to ensure expenditure incurred on procurement cards are charged to the correct cost centre and account code. Furthermore, parameters can be embedded within DCAL to ensure expenditure is authorised by an individual listed within the ASL.</p> <p>We do understand the benefits procurement cards can bring to the Council in terms of efficient procurement. We also note that significant efficiency gains have been made from the use of the procurement cards; therefore we are not recommending the removal of procurement cards. However, the Council must make significant improvement in the control arrangements around procurement cards to give confidence over the accuracy and regularity of the expenditure incurred. It should also be noted that we did not identify any instances where the purchase card had been used to circumvent procurement processes.</p> <p>If the necessary action is not taken to implement essential parameters within the DCAL system and sufficient scrutiny of the expenditure incurred, there is a risk that transactions are made by individuals with insufficient approval. This may lead to the Council exposing itself to increased risk to inaccurate and/or irregular transactions being undertaken.</p>		
MANAGEMENT RESPONSE			RESPONSIBILITY AND IMPLEMENTATION DATE
<p>Agreed. We will reconsider the functionality requirements for a procurement card system and take appropriate action to put this in place. Furthermore, we will re-issue the guidance on the procurement card programme and expectations for recording transaction information and retaining receipts; this will include the ability to remove procurement card access if guidance is not followed.</p>			<p>Responsible Officer: Caroline Wood</p> <p>Implementation Date: January 2016</p>

DETAILED FINDINGS AND RECOMMENDATIONS

Risk: Interface data posted from Key2 and Servitor to the Agresso system is not accurate and/or complete

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Ref.	Finding	Sig.	Recommendation
5	<p>All transactions from the Key2 and the Servitor systems (Payables finance systems) are required to be uploaded to the Council’s accounting system, Agresso.</p> <p>An AP025 report is run from both the Servitor and the Key2 system. The report essentially details all purchase orders raised for a given period and where goods have been receipted. The accounts payables team manually check each invoice entry and reconcile this to a hard copy invoice. Once these checks have been completed the AP025 reports for the Key2 and Servitor system are uploaded onto Agresso.</p> <p>We would expect all invoice entries to be reconciled to an invoice and where differences occur we would expect these to be investigated and corrected prior to the Agresso upload. In addition, there should be a segregation of duties between the individual who reconciles the invoice entries to the invoices and the Agresso upload. Furthermore, we would expect all reconciliations to be reviewed and approved by an appropriate person prior to upload. As part of this review, we sample tested two uploads each from the Key2 and Servitor system respectively and upon review we found:</p> <ul style="list-style-type: none"> For one out of two Key2 uploads we could not determine the individual who reconciled the invoice entries from the AP025 report to the invoices. As a result we cannot determine whether segregation of duties between the reconciliation and the Agresso upload were maintained For one out of two Key2 uploads we could not identify the individual who authorised the reconciliation for the Agresso upload. Furthermore, we could not identify the individual who uploaded the entries to Agresso. As a result we cannot conclude that segregation of duties were maintained between the reconciliation, approval and upload to Agresso. <p>It should be noted that although segregation of duties were not demonstrated, we did not identify any concerns with the substance of the reconciliations themselves hence why the Detailed Finding is considered of low significance.</p> <p>If segregation of duties are not maintained between the reconciliation, approval and upload between the AP025 report and Agresso there is an increased risk that potential errors may not be identified in this process.</p>	L	<p>a) There should be a segregation of duties between the reconciliation of each invoice entry in the AP025 report to manual invoices, approvals and the manual upload to Agresso</p> <p>b) All individuals involved within each stage of the interface process must print and sign their names on the reconciliation document</p> <p>c) The Payments Team Officer/Leader should ensure that all reconciliations and uploads to Agresso are signed and completed appropriately</p>

MANAGEMENT RESPONSE	RESPONSIBILITY AND IMPLEMENTATION DATE
<p>Agreed. This will be immediately acted upon to ensure all reconciliations are evidenced as prepared and approved to ensure that it is clear when this occurred and who completed the task of preparation and review.</p>	<p>Responsible Officer: Caroline Wood</p> <p>Implementation Date: December 2015</p>

DETAILED FINDINGS AND RECOMMENDATIONS

Risk: Ineffective management information is reported and inadequate key performance indicator information is assessed to monitor the activities undertaken

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Ref.	Finding	Sig.	Recommendation
6	<p>The accounts payables team maintain a number of management information reports; these are as follows:</p> <ul style="list-style-type: none"> • Accounts payable key performance indicator information • Invoice maintenance report • Supplier master file report • Retrospective purchase orders raised report • Payment method report • Aged creditor listing. <p>We would expect management within the accounts payable team to maintain and review management information reports on a monthly basis. In addition, we would expect management to discuss the results from the management information reports within management meetings. Monthly meetings allow management to maintain an insight of all potential issues identified within the management information reports and where required these issues can be escalated further.</p> <p>As part of this review an interview was held with the management within the accounts payable team who explained that there are no formal management meetings held to discuss the issues arising from the management information reports. Furthermore, all reports are produced on an ad-hoc basis as a result management are not as up to date as they could be with underlying issues that may affect the accounts payables team.</p> <p>If management information reports are not produced and discussed on a monthly basis there is a risk that management are not aware of the underlying issues that may be affecting the accounts payables department. If this is not addressed this can be detrimental to the performance of the Council. Furthermore, if underlying issues are not addressed in a timely manner and action plans are not implemented there is a risk that these issues could cause reputational damage to the Council.</p>	M	<p>a) The Management within the accounts payables team should hold a meeting and understand the key management information reports that provide relevant information to ensure effective day to day running of the accounts payables department</p> <p>b) Management should produce these relevant reports on a monthly basis to be formally discussed within a monthly management meeting</p> <p>c) The Council should set out an agenda and timetable of events for each month which sets out the date the meeting must take place post the previous months activity.</p> <p>d) The Head of Service should also attend (or have sight of minutes of) the meeting to understand the underlying issues within the accounts payables department</p> <p>e) A monthly action log should be retained detailing the following key areas:</p> <ul style="list-style-type: none"> • Issue identified • Risk relating to the issue • Action plan to mitigate the risk identified • Severity rating for the level of risk as high, medium or low • Responsible officer to implement the action plan • Due date of the action to be implemented • Due date to follow up the action implemented • The responsible person to oversee the action log. <p>As a measure of good practise we have included a number of KPI to be included within monthly management information reports - see appendix II.</p>
MANAGEMENT RESPONSE		RESPONSIBILITY AND IMPLEMENTATION DATE	
<p>Agreed. KPI information has become more visible in 2015 with as information has been extracted from the system and emailed to the Section 151 Officer and Heads of Service along with a narrative to explain trends/themes requesting any thoughts on action to be taken - this is leading to a workshop to be undertaken in January 2016. This was conducted in November 2015 for the first seven months of 2015/16. Looking ahead this will be sent out on a monthly basis. Furthermore we currently do hold monthly meetings however, will formalise this process as outlined.</p>		<p>Responsible Officer: Caroline Wood</p> <p>Implementation Date: December 2015</p>	

APPENDIX I - PROCUREMENT CARD TRANSACTIONS

Effective controls of procurement card transactions gives tax payers reassurance of Council’s essential spending strategy, prevents inappropriate expenditure and saves council’s costs. This appendix details areas of good practice adopted by a Council from our portfolio that could be followed by Oxford City Council. Furthermore, we have included areas of the transparency code adopted by other Councils which may prove to be beneficial to Oxford City Council.

Councils	Control practice on procurement cards	Monthly Reports	Application	Procurement card best practice
Plymouth City Council	<ul style="list-style-type: none"> ✓ Detailed monthly limit outlined by an individuals grade levels ✓ A VAT invoice/receipt must be presented, checked, coded and certified for payment ✓ In every case, a different officer from the person checking and certifying the VAT invoice/receipt authorises the payment 	<ul style="list-style-type: none"> ✓ Monthly reports are produced and presented for payments incurred over £500 	<ul style="list-style-type: none"> ✓ DCAL System 	<ul style="list-style-type: none"> ✓ Local transparency guidance - publishing spending and procurement information 2015 requires local authority to report all credit card payments, at least quarterly
97 Oxford City Council	<ul style="list-style-type: none"> ✓ Approval is required for credit card transactions prior to payment 	<ul style="list-style-type: none"> X No monthly reporting is produced and presented 	<ul style="list-style-type: none"> ✓ DCAL System 	<p>Ministry of Justice Government Procurement Card policy sets:</p> <ul style="list-style-type: none"> ✓ All new cards at a standard £1,000 (inclusive of VAT) single transaction limit and a £5,000 (inclusive of VAT) monthly limit ✓ Each purchase must be recorded on a purchase transaction log, and signed by both card holder (or delegated individual) and card administrator
				<ul style="list-style-type: none"> ✓ Implement advanced software for recording payment transactions and relevant cost centres including the approval of transactions ✓ Issue periodic transparency report on all card transactions

APPENDIX II - MANAGEMENT INFORMATION

Action planning is a process which will help the Council to focus on ideas and to decide on what steps to take to achieve particular goals that the Council may have. As a measure of good practise we have included areas that the Accounts payables team may wish to consider further to implement within their management information reports and the areas to include when setting up an action plan.

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Accounts payables Function/ KPIs
✓ Invoices processed per FTE
✓ Processing cost per supplier invoice
✓ % of invoices with Purchase Order
✓ % of invoices paid within agreed payment terms
✓ Total cost of the Accounts Payable process per £1,000 revenue
✓ Total cost of the Accounts Payable process per £1,000 purchases
✓ Total number of active vendors in the Masterfile per £1,000 purchases
✓ % of invoices under query
✓ % of low value invoices (less than £x)
✓ % of invoices received electronically
✓ % of invoices paid electronically
✓ % of prompt settlement discounts that are taken
✓ % of time spent resolving queries
✓ Number of duplicate supplier accounts as a % of total

We have included the recommended areas that can be used to set up action plans within monthly management meetings

Ref.	Issue identified	Risk to Mitigate	Action Plan	Status rate of risk (Red / Amber / Green)	Responsible officer	Due date of action	Status of action plan at the next management meeting/ specify a date to follow up

APPENDIX III - 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
Nigel Kennedy	Section 151 Officer
Anna Winship	Management Accounting Manager
Caroline Wood	Strategic Payments and Procurement Manager
Nicki Pierce	Payments Team Leader
Sue Allen	Payments Officer
Harald Schulz	Agresso Consultant
Stacie Tomkins	IT Administrator

APPENDIX IV - 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 V - TERMS OF REFERENCE

BACKGROUND

The Council's main financial system is Agresso within which accounts receivable and payable transactions are recorded. Agresso is a long-standing system at the Council and in 2013 the Council rolled out the Agresso Purchase to Pay (P2P) module which included invoice entry using scanning technology, electronic purchase ordering with workflow and a contracts module. The main aim of the P2P was to aid the Council in its end to end process of purchasing its goods and services and paying for them in a timely manner. In December 2015 the Council will be upgrading the P2P module which will impact the functionality of the system including areas such as invoice registration.

The central team is led by the Procurement and Payments Manager who is supported by the Payments Team Leader and four Payment Officers. The past six months has seen changes to the members of staff in the team. A significant number of accounts payable transactions are recorded on the Council's main financial system, Agresso. The Agresso system records all aspects of the payment process from the order being raised, goods receipted, invoice received and payments being made. Those transactions which relate to core Council services and central costs in regards to the operation of the Council are on Agresso.

To support remote operations at two depots at Horspath Road and Cowley Marsh the Council also have the systems Key2 and Servator; these are accessed by Council staff who provide services such as Motor Transport and Housing Management. These systems record the process from the order being raised, good receipted and the invoice being received however, payments are not made from these systems. Once a week an interface is created and uploaded into Agresso to transfer data to ensure payments are made.

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PURPOSE OF REVIEW

To review the design and effectiveness of controls in relation to accounts payable activity to provide assurance over the accuracy, completeness and timeliness of transactions undertaken.

SCOPE OF REVIEW

This review will consider the design and operational effectiveness of the key controls relied on by External Audit relating to accounts payable in addition to the Key Risks identified in this Terms of Reference.

EXCLUSIONS

Processes for payable transactions in relation to council tax, business rates, housing benefit overpayments and rents, and cash collection are outside the scope of this review.

APPENDIX V - TERMS OF REFERENCE

APPROACH

Obtain an understanding of the risk and controls with regards to accounts receivable and payable through discussions with key personnel, review of systems documentation and substantive tests. Our approach includes:

- Identifying the key risks relating to accounts payable
- Evaluating the design of the controls in place to address the key risks
- Testing the operating effectiveness of the key controls.

KEY RISKS

Based on the risk assessment carried out during the creation of the internal audit operational plan, our discussions with management, and our collective audit knowledge and understanding, the key risks associated with the area under review are:

- Inadequate financial regulations, policies and procedures are in place which weakens the framework to support accurate, complete and timely transactions
- Access to systems and data is not effectively managed extending the risk that data may be amended or deleted without appropriate approval
- New or existing customer/supplier change controls are inadequate to safeguard the integrity of changes made to data held
- New customers/suppliers are not subject to sufficient due diligence to provide reasonable comfort over the nature and background of the customers/suppliers
- Ineffective and inadequate controls are in place to ensure that transactions are raised, approved and paid in an accurate, complete and timely manner
- Amendments to transactions are not subject to sufficient oversight and approval procedures to validate their accuracy
- Ineffective management information is reported and inadequate key performance indicator information is assessed to monitor the activities undertaken.
- Insufficient procedures are in place to confirm the validity of data and approval of payment runs
- Procurement card payments are not monitored, verified and approved appropriately to ensure accuracy and validity of transactions undertaken
- Interface data posted from Key2 and Servitor to the Agresso system is not accurate and/or complete
- Insufficient arrangements are in place to ensure the successful transition to the Purchase to Pay (P2P) upgrade.

APPENDIX V - TERMS OF REFERENCE

DOCUMENT REQUEST



Where available, please ensure that electronic copies of the following documents have been forwarded to us in advance of the review:

- The latest Financial Regulations pertaining to the Council
- The latest Delegated Authority list
- Procedures notes for any aspects of the accounts receivable or accounts payable process including Agresso, Key2 and Servitor.
- A listing of all new suppliers set-up for the period 1 April 2015 to date
- The predecessors Internal Audit report with regards to the Procurement Card arrangements
- Document showing the overview of interfaces with upload to Agresso
- A transaction listing of all accounts payable transactions for the period 1 April 2015 to date
- Once a sample has been selected we will require:
 - The invoice received by the Council
 - Evidence of approval of the order raised
 - Evidence of the goods receipt note
 - Evidence the payment was made and appeared in the Council bank account i.e. copy of the payment run and bank account transaction.

These documents will assist the timely completion of our fieldwork, however this list does not necessarily constitute a complete list of all documentation and evidence that we may need as part of our review.

APPENDIX V - TERMS OF REFERENCE

TIMETABLE

Audit Stage	Date
Commence fieldwork	13 October 2015
Number of audit days planned	12
Planned date for closing meeting	23 October 2015
Planned date for issue of the draft report	6 November 2015
Planned date for receipt of management responses	13 November 2015
Planned date for issue of proposed final report	20 November 2015
Planned Audit Committee date for presentation of report	16 December 2015

KEY CONTACTS

BDO LLP	Role	Telephone and/or email
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Oxford City Council		
Nigel Kennedy	Section 151 Officer and Audit Sponsor	t: 01865 252708 e: nkennedy@oxford.gov.uk
Anna Winship	Management Accounting Manager	t: 01865 252517 e: awinship@oxford.gov.uk
Caroline Wood	Strategic Procurement and Payments Manager	e: cawood@oxford.gov.uk
Nicki Peirce	Payments Team Leader	e: npeirce@oxford.gov.uk

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:	7 October 2015	Date:	8 October 2015



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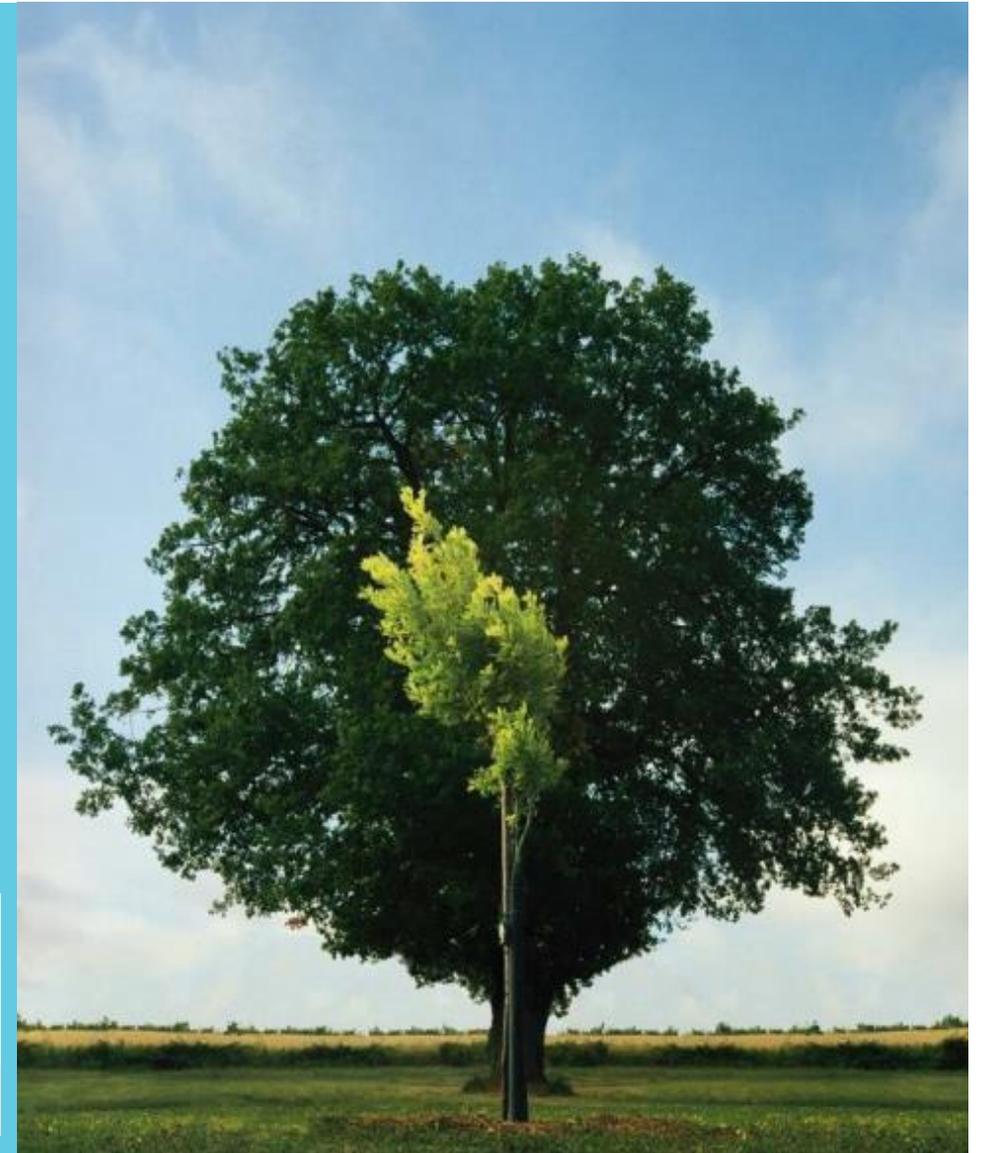
Oxford City Council

INTERNAL AUDIT REPORT

Audit.1b Accounts Receivable

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December 2015

LEVEL OF ASSURANCE	
Design	Operational Effectiveness
MODERATE	LIMITED



FINAL



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REPORT STATUS	
Auditors:	Yasmin Ahmed, Audit Senior and Gurpreet Dulay, Audit Manager
Dates work performed:	19 - 23 October 2015
Closing meeting:	29 October 2015 attended by Gurpreet Dulay, Yasmin Ahmed, Nigel Kennedy, Anna Winship, Damon Venning, Kevin Lacey and Neil Markham
Draft report issued:	23 November 2015
Final report issued:	5 December 2015

DISTRIBUTION LIST	
Nigel Kennedy	Section 151 Officer and Audit Sponsor
Anna Winship	Management Accounting Manager
Damon Venning	Accounts Receivable: Rents Team Manager
Kevin Lacey	Accounts Receivable: Recovery Team leader
Neil Markham	Accounts Receivable: Support and Prevention Team Lead

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

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 V FOR DEFINITIONS)

Design	Moderate	Generally a sound system of internal control designed to achieve system objectives with some exceptions
Effectiveness	Limited	Non-compliance with key procedures and controls places the system objectives at risk

SUMMARY OF RECOMMENDATIONS (SEE APPENDIX V FOR DEFINITIONS)

High  3

Medium  4

Low  2

Total number of recommendations: 9

OVERVIEW: ACCOUNTS RECEIVABLE

Oxford City Council's (the Council's) accounts receivables central team is led by a dedicated Rents Team Manager for those transactions which come through the Council's main financial system, Agresso. The accounts receivable function has within the past six months transferred to the responsibility of the Rents Team Manager who is supported by the three staff management team covering the areas of support and prevention, arrears and processing receivables - see appendix VI for the agreed scope which provides greater detail on our approach to this review. The Council has relatively high levels of aged debt, 25% over 90 days old as at September.

The Council is undergoing a major restructuring process which has led the department to fundamentally reconsider the team structure and the roles and responsibilities within the accounts receivables department. Furthermore, the Council is currently in the process of upgrading their main financial system, Agresso to reflect a more efficient process within accounts receivables and wider areas within the Council.

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

- Adequate financial regulations and policies and procedures are in place promoting a strong strategic framework for accurate, complete and timely transactions
- Amendments to transactions were subject to sufficient oversight and approval procedures to validate their accuracy prior to issuing credit notes or reissuing invoices
- Sufficient arrangements are in place to review and approve debt write-offs.

However we also found the following areas for improvement:

- The Authorised Signatory Listing (ASL) did not specify budgetary limits for each individual included within the ASL (Detailed Finding 1)
- Individuals regarded as authorisers of the 'request to raise an invoice' form were not included within the ASL and instances were identified where appropriate segregation of duties between preparer and approver of the 'request to raise an invoice' form was not demonstrated (Detailed Finding 2 and 3)
- Monthly management meetings do not implement action plans or the follow up of action plans for issues identified within the monthly management information reports (Detailed Finding 4)
- The debt recovery procedures were considered inadequate as automatic letters were sent out inconsistently, cases were not formally considered for legal or civil recovery procedures in line with Council policy and evidence to support regular communication with customers to recover debt was not demonstrated (Detailed Finding 5).

Conclusion

We have issued three high, four medium and two low recommendations. We see there is a moderate design of controls because there are strategic controls in place with Financial Regulations and the Money Laundering Policy in addition to software designed to capture and record accounts receivable transactions. Although we have not identified any major errors, the lack of effectiveness of the controls over debt recovery and invoice requests creates risks around income collection and segregation of duties. As a result we have given moderate assurance on the design of the controls and limited assurance over the operational effectiveness of the controls.

DETAILED FINDINGS AND RECOMMENDATIONS

Risk: Access to systems and data is not effectively managed extending the risk that data may be amended or deleted without appropriate approval

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Ref.	Finding	Sig.	Recommendation
1	<p>The accounts receivables department hold a hard copy Authorised Signatory Listing (ASL), accessible to all members within the accounts receivables department. We would expect that certain defined activity within the department is only conducted by those on the ASL.</p> <p>All invoices are raised via a 'request to raise an invoice' form. This is completed by the originator department in the Council or the accounts receivables department. All 'request to raise an invoice' forms must be authorised by an appropriate individual listed within the ASL prior to raising an invoice to a customer.</p> <p>We would expect the accounts receivables ASL to consist of a list of budget holders, the corresponding cost centres for each line of service and a budgetary limit that each individual is permitted to approve to authorise a 'request to raise an invoice'.</p> <p>As part of this review, we obtained the hard copy ASL held and from our review we found:</p> <ul style="list-style-type: none"> • The ASL does not specify budgetary limits for every individual within each service area • The ASL is not updated on a timely basis and a number of service areas had not been updated since 2013. Therefore, the ASL did not reflect all staff changes made to date • We could not identify the cost centres that each individual was authorised to approve for a number of service areas. <p>Please note that for accounts payable transactions there is a work flow built into the accounting software which ensures approvals are made in line with delegated limits however, for accounts receivable a manual control environment as detailed above, governs the authorisation activities undertaken.</p> <p>If the hard copy ASL does not set budget limits and is not distributed on a timely basis to capture the latest changes to those on the list, there is a risk that invoices will be raised to customers without appropriate approval and for incorrect amounts.</p>	M	<ul style="list-style-type: none"> a) For each approver included within the ASL the appropriate budget limits and corresponding cost centres should be clearly outlined for each service area b) The ASL should be distributed in full on an annual basis to reflect any changes and updates to all relevant departments and individuals c) If there are staff changes prior to the quarterly update, the ASL should be amended to reflect these changes immediately and the changes should be distributed to all relevant departments
MANAGEMENT RESPONSE		RESPONSIBILITY AND IMPLEMENTATION DATE	
<p>Agreed. We will update an annual ASL listing and distribute this to all relevant staff. We will also issue quarterly ASL listings with amendments only so that these can be appended to the annual full distribution list.</p>		<p>Responsible Officer: Caroline Wood</p> <p>Implementation Date: March 2016</p>	

DETAILED FINDINGS AND RECOMMENDATIONS

Risk: Inadequate financial regulations, polices and procedures are in place which weakens the framework to support accurate, complete and timely transactions

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Ref.	Finding	Sig.	Recommendation
2	<p>In order to raise a receivables invoice the accounts receivables department and all originator departments complete a 'request to raise an invoice' form. The form includes the following key information:</p> <ul style="list-style-type: none"> Name of the requisitioner of the invoice Department invoice request was raised by Allocated cost centre and account code Customer reference number Amount to be invoiced Authoriser of the invoice request Officer who input all invoice details and raised the invoice on the Council's accounting software. <p>We would expect a 'request to raise an invoice' to be fully complete with all the above information prior to raising an invoice to a customer. In addition, we would expect all individuals who are permitted to authorise a 'request to raise an invoice' form to be included within the Authorised Signatory Listing (ASL) with an appropriate budgetary limit and the corresponding cost centres. As part of this review we selected a sample of 10 'request to raise an invoice' forms from 1 April 2015 to 14 October 2015 and upon review we found:</p> <ul style="list-style-type: none"> For three out of 10 of our sample, the individual who authorised the 'request to raise an invoice' form was not listed on the ASL Where a 'request to raise an invoice' form is completed by the originator department it was not possible to ascertain whether the officer who raised the invoice checked to ensure the authoriser is included within the ASL. <p>If 'request to raise an invoice' forms are authorised by individuals who are not included on the ASL there is a risk that individuals with insufficient approvals levels may be issuing invoices on behalf of the Council.</p>	M	<p>a) The ASL should be distributed in full on an annual basis to reflect any changes and updates to all relevant departments and individuals - see Detailed Finding 1</p> <p>b) All 'request to raise an invoice' forms that come through to the receivables department or are raised through the originator department, must ensure that the individual approving the form is included within the ASL prior to raising an invoice. If an appropriate authoriser has not approved the form, the officer should return the form and seek appropriate approval in line with the ASL</p>
MANAGEMENT RESPONSE		RESPONSIBILITY AND IMPLEMENTATION DATE	
<p>Agreed. We will reinforce procedure to ensure all 'request to raise invoice' forms are checked against the ASL. Communication to all relevant staff will be made and expectations clarified.</p>		<p>Responsible Officer: Damon Venning</p> <p>Implementation Date: December 2015</p>	

DETAILED FINDINGS AND RECOMMENDATIONS

Risk: Ineffective and inadequate controls are in place to ensure that transactions are raised, approved and paid in an accurate, complete and timely manner

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Ref.	Finding	Sig.	Recommendation
3	<p>Receivable invoices are raised via a 'request to raise an invoice' form within the originator department or the receivables department.</p> <p>We would expect a 'request to raise an invoice' form to be raised by the originator department or the receivables department and for all forms to be completed and authorised by an appropriate person listed within the ASL.</p> <p>We would also expect segregation of duties between the individual who prepares the form and the individual who authorises the request. In addition, we would expect the invoice to be raised against the correct customer reference number and within the appropriate cost centres and account codes.</p> <p>Furthermore, we would expect the originator department to raise an invoice request promptly once all goods or services have been delivered. As part of this review we selected a sample of 10 receivable invoices from 1 April 2015 to 14 October 2015 and upon review we found:</p> <ul style="list-style-type: none"> • Four out of 10 'request to raise an invoice' forms were raised and approved by the same individual, therefore we could not identify a segregation of duties • In one case we could not identify the individual who raised the invoice once the 'request to raise an invoice' form was received, therefore we could not identify a segregation of duties • One out of 10 'request to raise an invoice' forms were raised by the originator department three months after the service was provided to the customer. The service was provided in December 2014 however, the request to raise an invoice was not issued until March 2015. <p>If protocol around timely raising of invoices after service delivery and segregation of duties to raise invoices are not upheld there is a risk that Council may not be able to recover the monies that are owed due and the control environment to raise invoices is undermined resulting in inaccurate, incomplete, fraudulent and/or negligent invoices being raised.</p>	H	<ul style="list-style-type: none"> a) A 'request to raise an invoice' form must be raised and approved by separate individuals. This should be the case for both originator departments and the receivables department b) The individual who raises the invoice must ensure to print, sign and date the request to raise an invoice form c) Upon successful completion of goods and services both the originator departments and the receivables department must ensure to request to raise an invoice immediately. This process should be clearly emphasised within the financial regulations
MANAGEMENT RESPONSE		RESPONSIBILITY AND IMPLEMENTATION DATE	
<p>Agreed. We will reinforce communication to both Heads of Service, Operational Managers particularly Operational Managers in charge of larger portfolios i.e. Commercial Waste. We will also reinforce procedures to reject 'request to raise invoice' forms where minimum standards are not met.</p>		<p>Responsible Officer: Damon Venning</p> <p>Implementation Date: January 2016</p>	

DETAILED FINDINGS AND RECOMMENDATIONS

Risk: Ineffective management information is reported and inadequate key performance indicator information is assessed to monitor the activities undertaken

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Ref.	Finding	Sig.	Recommendation
4	<p>The accounts receivables department began undertaking monthly management meetings from August 2015. The main agenda of the monthly management meetings includes discussions around the underlying issues identified within the monthly management information reports. The main management information reports reviewed by the accounts receivables department are:</p> <ul style="list-style-type: none"> • Accounts receivables key performance indicators • Aged debtor analysis by department and Council • Monthly reports on invoices raised for various service areas • Monthly income collection performance. <p>We would expect management within the accounts receivables department to maintain and review management information reports on a monthly basis. In addition we would expect management to discuss the results of these reports in detail and where actions to resolve issues identified are set out, these are expected to be formally recorded in an action plan. Where issues identified affect the originator departments we would expect the originator departments to be involved in the monthly management meetings.</p> <p>As part of this review an interview was held with the management within the accounts receivable department who discussed the recent development of the monthly management meetings incorporated since August 2015. Management further explained that although monthly management reports are produced, formal actions plans are not discussed or implemented to address the underlying issues affecting accounts receivables. Furthermore, there is minimal contribution by the originator departments within the monthly management meetings.</p> <p>It should be noted that currently actions are undertaken post monthly meetings however, the procedures are informal i.e. via email or verbally. Whilst this may be considered acceptable in some environments, it would not be for the Council as their monthly management procedure is not fully developed. When reviewing the management information for September 2015 we identified that 50% of the outstanding income was greater than 31 days and 25% was over 91 days; these percentages are high and actions need to be monitored formally to reflect the severity of these outstanding balances.</p> <p>If underlying issues affecting accounts receivables are not identified and addressed in a timely manner there is a risk that these issues can further escalate which may have a detrimental impact on the Council's financial budget and the Council reputation.</p>	H	<p>a) The accounts receivables department should hold monthly management meetings to discuss all issues affecting the accounts receivables department</p> <p>b) Key performance indicators should be considered and formally reported to each monthly meeting</p> <p>c) Given the newness of the monthly meetings, the Council should set out an agenda and timetable of events for each month including:</p> <ul style="list-style-type: none"> • The date the meeting must take place post the previous month's activity • When any responses to actions plans must be responded to by, before a monthly meeting takes place. <p>d) All issues should be discussed and a monthly action log should be maintained detailing the following key areas:</p> <ul style="list-style-type: none"> • Issue identified • Risk relating to the issue • Action plan to mitigate the risk identified • Severity rating for the level of risk as high, medium or low • Responsible officer to implement the action plan • Due date of the action to be implemented • Due date to follow up the action implemented • The responsible person to oversee the action log. <p>See appendix III for best practice key performance indicators which should be considered for reporting at the monthly meetings along with an example action log.</p>

MANAGEMENT RESPONSE	RESPONSIBILITY AND IMPLEMENTATION DATE
Agreed. Part of the recommendations have already been implemented i.e. discussions with service areas and setting subsequent actions has commenced. We expect to full implementation of the recommendations to ensure effectiveness by the implementation date.	Responsible Officer: Damon Venning Implementation Date: December 2015

DETAILED FINDINGS AND RECOMMENDATIONS

Risk: Debt recovery arrangements are inadequate and ineffective to achieve the maximum return of funds in line with the Council's values

Ref.	Finding	Sig.	Recommendation
5	<p>The accounts receivables department payment terms are that payments are to be made immediately on the issue of an invoice. There are instances where payment arrangements have been agreed with the customer through the originator department however, this only occurs in rare circumstances.</p> <p>The accounts receivable department will manage the recovery of all invoices issued on the Council's accounting system, Agresso. The Council's approach is that if an invoice is not paid 14 days from the invoice due date, an automatic letter is produced by the Agresso system and issued to the customer. There are no diarised debt recovery procedures in place other than the initial automatic letter. The debt recovery policy states that after 28 days from the invoice date, each invoice outstanding should be considered over how to proceed i.e. whether to re-issue a chaser letter or involve legal/civil recovery proceedings.</p> <p>As part of this review we selected a sample of five overdue debts ranging from 20 to 200 days from 1 April 2015 to 14 October 2015 and upon review we found:</p> <ul style="list-style-type: none"> For a sample of one out of five debts with a value of £103.71, an invoice was raised on the 01/04/2015 however, this remained outstanding at the point of our review - therefore this was over 200 days overdue. We queried what action has been taken to recover these funds during this time period and the only evidence we were provided with was the initial automatic letter issue via the Agresso system. For a balance overdue for 200 days we would have expected significantly more debt recovery activity. Three further transactions from our sample were overdue with insufficient action taken with the largest balance being 155 days overdue for a value of £48,000. It should be noted that the Council have now established a 'note' functionality which records steps taken to recover funds. Previously steps may have been taken however, they were not noted. An automatic letter is expected to be issued via the Agresso system after 14 working days from the invoice due date. However, the days in which the automated letter was issued varied between 7 to 18 days for all overdue debts (with no payment arrangements). We questioned with the Recovery Team Leader and Rents Team Manager why the automatic letter was sent out over a variety of dates and not always 14 days after the invoice date if it is an automatic process. Initially, it was not known why this was the case however during the review it was suspected (although not confirmed) that when individuals set up parameters to chase debts for their service area they had set the number of working days after the invoice date that a letter should be issued. As a variety of individuals have set up these parameters it has led to inconsistencies in when the initial automatic letter is sent out 	H	<p>a) The accounts receivable management should reconsider the point at which the accounts receivables team must contact legal enforcement or a civil enforcement company to recover overdue debt. This must in line with the Council's appetite to recover funds using these means and we would expect this consideration to be in line with a set operational plan for debt recovery</p> <p>b) The accounts receivable team should ensure reminder letters are sent at consistent points within the process, including a first reminder one week after the invoice due date</p> <p>c) Receivables officers must be proactive in monitoring overdue debt and ensuring contact is maintained at agreed follow-on dates until the debt is fully recovered</p> <p>d) The Council should consider introducing behaviour economics into the recovery of their debt particularly via the presentation of the letters sent to customers when recovering debt</p> <p>As a measure of good practice we have attached various 'nudge and shove' behavioural economic techniques which can be used to modify reminder letters which are proven to have a significantly positive impact on the recovery of debt - see appendix II.</p>

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DETAILED FINDINGS AND RECOMMENDATIONS

Risk: Debt recovery arrangements are inadequate and ineffective to achieve the maximum return of funds in line with the Council's values

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Ref.	Finding	Sig.	Recommendation
5 cont.	<ul style="list-style-type: none"> The Councils Debt Policy specifies that where invoices are 28 days overdue from the invoice due date, the involvement of legal or civil enforcement companies must be considered on a case-by-case basis. However, the Council could not evidence consideration of either legal or civil enforcement companies for four out of five cases that were more than 28 days overdue from the date of the invoice. From our discussions with accounts receivable staff it was apparent that 28 days may not be considered the appropriate point at which to consider debts for legal or civil recovery proceedings. These values ranged from £100 to £48,000 The automated debt letters issued to the customers were generic and consideration has not been given to behavioural economic techniques to support the recovery of funds. It should be noted that the Council are aware they need to make the letters they issue more sophisticated and have begun discussions on how this could be implemented in 2016. See appendix II where we have set out both 'nudge and shove' behavioural economic techniques which the Council should consider. <p>Debt recovery is a fundamental operation of any accounts receivable department. If robust debt recovery procedures are not embedded and are not followed up in a timely and considered manner there is an increased risk of not recovering the overdue debt. This directly impacts the Council achieving its aims to be efficient and effective in their operations.</p>		
MANAGEMENT RESPONSE		RESPONSIBILITY AND IMPLEMENTATION DATE	
<p>Agreed. With reference to the four recommendations:</p> <ol style="list-style-type: none"> We will be taking our Debt Policy and turning this into an Operational Plan/Schedule to diarise when we would expect the various dates for debt recovery to occur The Agresso system is due to be upgraded at which point we will ensure consistency in the debt reminder letters after 14 days The team has undergone a restructure which is due to be in operation from December 2015. We will be immediately ensuring the new structure utilise the 'note' facility and Operational Plan/Schedule to chase debt in a timely manner We will be engaging with customers as part of our Customer Insights Strategy in April 2016. 		<p>Responsible Officer: Damon Venning</p> <p>Implementation Date:</p> <ol style="list-style-type: none"> January 2016 December 2015 January 2016 April 2016 	

DETAILED FINDINGS AND RECOMMENDATIONS

Risk: Timeliness of communication between the central function and the originator departments in regards to communication with customers over debt collection is unclear

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Ref.	Finding	Sig.	Recommendation
6	<p>A successful method to improve the effectiveness of the accounts receivable function would be to engage directly with customers. This engagement would aim to understand from customers what the Council could do to improve the recovery of funds i.e. how invoices are raised, presented, can be paid and customer support regarding the invoices. The theory here is that, you cannot manage what you do not understand.</p> <p>The Rents Team Manager informed the review that a process, as detailed above, was held with social housing tenants within the last 12 months. The accounts receivable team face a number of challenges with improving customer relationships namely:</p> <ul style="list-style-type: none"> • Some customers are billed for multiple services from different originator departments and the central accounts receivable team; in some cases this can be in excess of 50 invoices per month. Where this is the case the Council should engage with the customer about how this could be streamlined which could benefit the customer and save the Council money by sending and processing fewer invoices • The Council are expanding the customer base and a new customer is Oxford Brookes University. Engagement with new and significant customers, should occur proactively i.e. before invoicing commences and as part of contract discussions • There is particular challenge with a specific debtor with whom the Council are seeking to recover large values of debt. The specific debtor have outsourced part of their accounts payable provision which has led to difficulties with recovering payments. This has been escalated to the Council's Section 151 Officer. <p>The accounts receivable team are considering undertaking such customer engagement and initial internal discussions have been held about how and when to do this.</p> <p>The risk here is that the less you understand a customer the more likely your application of debt recovery procedures will not be well received. This may increase the likelihood of not recovering funds resulting in the council becoming less effective.</p>	L	The accounts receivable team should arrange a customer engagement event to improve the understanding of customers needs
MANAGEMENT RESPONSE		RESPONSIBILITY AND IMPLEMENTATION DATE	
Agreed. We will be identifying customer that could benefit from different billing processes and working with service areas to ensure changes occur. We have already identified and changed some practices since the completion of on-site fieldwork of this review.		Responsible Officer: Damon Venning Implementation Date: April 2016	

DETAILED FINDINGS AND RECOMMENDATIONS

Risk: New customers/suppliers are not subject to sufficient due diligence to provide reasonable comfort over the nature and background of the customers / suppliers

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Ref.	Finding	Sig.	Recommendation
7	<p>Customer Due Diligence (CDD) is required by the Money Laundering Regulations 2007. The aim of the regulation is to combat fraud and malpractice behaviour by the notion that you can better identify suspicious transactions if you know your customer and understand the reasoning behind the instructions they give you. CDD does not need to be conducted on all customers and the Council's Money Laundering Policy sets out where it would apply.</p> <p>From our review it became apparent from interviews held that there was no knowledge from the accounts receivable team over whether originator departments conducted these checks and how and where they kept evidence if they did undertaken CDD. When we spoke with originator departments they confirmed that they were not confident these processes are taking place. Therefore this review confirms there is a lack of confidence amongst management staff over whether CDD is applied and, if it is applied, there is a lack of knowledge over whether this is being recorded/retained consistently in line with Council policy.</p> <p>Best practice CDD goes further than copying the identification of the customer and requires the Council to consider the purpose and vision of the organisation transacted with and to seek confidence of who the beneficiary owner is.</p> <p>The risk here is that CDD may not be applied which would be in breach of legislation and Council policy. This may lead to a less effective Council as instances of non-compliance could impact the Council's reputation and led to financial penalties.</p>	M	<p>a) 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>b) The communication regarding CCD to relevant staff must set out how to conduct these checks and where evidence must be retained</p>
MANAGEMENT RESPONSE		RESPONSIBILITY AND IMPLEMENTATION DATE	
Agreed. In discussion with the Investigations Team (Scott Warner) we will communicate the requirements of CDD to staff and ensure there are agreed procedures for how this must be recorded.		<p>Responsible Officer: Damon Venning</p> <p>Implementation Date: January 2016</p>	

DETAILED FINDINGS AND RECOMMENDATIONS

Risk: The team structure does not set out the roles and responsibilities

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Ref.	Finding	Sig.	Recommendation
8	<p>The accounts receivable team are going through a restructure and centralisation to move into two teams, specifically:</p> <ul style="list-style-type: none"> Recovery team. This team will manage high level debts Advising team. This team will manage low level debts. <p>Both teams will be overseen by the Rents Team Manager who reports to the Service Manager for Revenues and Benefits. At the time of the review the team were going through consultation with regards to the restructure and it was expected that no difficulties were to arise from this. The new team will officially commence operation in November 2015.</p> <p>A significant challenge for the team is that they will require training to ensure they can share staff, skills and knowledge to enhance the collective knowledge and resilience in terms of staff capacity. Through discussion with the Rents Team Manager it was confirmed that the training of the team to reach the knowledge levels required will take 12 months to complete. This training is to be delivered in-house and on the job and at the time of the review a formal plan setting out the training to be delivered was not in place.</p> <p>Without sufficient training in the team the staff undertaking the day-to-day activities of the accounts receivable function may be under equipped to perform their role and therefore this may result in a less efficient and effective function.</p>	L	<p>a) A planned training programme with all team members trained in the income streams ensuring improved resilience should be implemented in a staged process with full completion of all staff members within 12 months</p> <p>b) The plan should maximise the resilience of the team to unexpected leave and loss of tacit knowledge</p>
MANAGEMENT RESPONSE		RESPONSIBILITY AND IMPLEMENTATION DATE	
<p>Agreed. The training plan has already been developed and commence when the new team structure is in operation in December 2015. This will lead to 12 team members fully trained in all processes and procedures of each income stream with the team's remit. The training plan has commenced we expect the first three team members fully trained by February 2016 with full completion by December 2016.</p>		<p>Responsible Officer: Damon Venning</p> <p>Implementation Date: December 2016</p>	

DETAILED FINDINGS AND RECOMMENDATIONS

Risk: Timeliness of communication between the central function and the originator departments in regards to communication with customers over debt collection is unclear

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Ref.	Finding	Sig.	Recommendation
9	<p>The interdependence across the Council to effectively perform the raising and recovering of funds from customers became quickly apparent. Both the originator departments and the central accounts receivable team raise invoices however, only the central accounts receivable team recover funds.</p> <p>Consequently, there are a number of cases whereby the originator department will understand the relationship with the customer however, the central accounts receivable team who do not know the customer are charged with recovering funds. This can lead to significant inefficiencies due to the following chain of events:</p> <ul style="list-style-type: none"> • The accounts receivable team will field customer invoice queries • As the accounts receivable team cannot answer the question and only the originator department can answer the query, they will then need to communicate with the originator department to raise the question • The originator department then need to answer the question with often the central accounts receivable team going back to the customer and acting as a go-between • This process could repeat several times via phone, email or other communication until it is resolved. <p>It is clear that the above process is inefficient and that it causes misunderstandings between both teams. This inefficiency is exacerbated as the relationship between the accounts receivable team and originator departments is not well established. It is expected that relationships will improve based on the monthly management meetings established since August 2015 (see Detailed Finding 5).</p> <p>It should be noted that the accounts receivable team recognise this inefficiency and are taking steps to rectify this with the introduction of instant messenger capabilities on computers which can allow communication to originator departments instantly should they be online. However, this process was being introduced at the time of this review and is not embedded and furthermore it is not seen as the complete solution to this issue. It was raised by the Rents Team Manager and via conversations with originator departments that an end-to-end process map needs to be drawn to allow future efficiencies to be maximised.</p> <p>The risk here is that if the accounts receivable team do not act upon the challenges due to the interdependence within the raising and recovery of invoices process, then inefficiencies in the process will persist.</p>	M	<p>a) An end-to-end map needs to be drawn of the relationship between the central accounts receivable team and the originator departments with regards to the raising and recovery of Council monies</p> <p>b) This map then needs to be critiqued by all stakeholders with clear direction set out for how efficiencies in the process can be made</p>

MANAGEMENT RESPONSE	RESPONSIBILITY AND IMPLEMENTATION DATE
Agreed. This engagement between the central accounts receivable team and service areas has already begun and further development is required. We would aim to complete a end-to-end mapping process to develop any efficiencies in the process engaging with internal staff and the internal audit function.	<p>Responsible Officer: Damon Venning</p> <p>Implementation Date: April 2016</p>

APPENDIX I - FIVE POINT STRATEGY TO MANAGE DEBT

The Local Government Chronicle released a publication on 'Managing Demand Building Future Public Services' in 2014 - this publication can be seen in full via the following link <http://www.lgcplus.com/Journals/2014/02/24/y/i/c/Managing-Demand-Building-Future-Public-Services.pdf>.

This publication sets out a five stage approach which has been modified and adapted below in relation to the accounts receivable activities of the Council. This strategy should be considered when assessing the overall accounts receivable function to identify gaps for improvement.



APPENDIX II - BEHAVIOURAL ECONOMIC TECHNIQUES

In 2010 the Cabinet Office set up the 'Behavioural Insights Team' with the purpose of improving outcomes by introducing models of human behaviour to policy. As part of their outcomes was the concept of applying 'nudge techniques' to modify user behaviour. Nudge techniques are a flexible and modern concept for understanding of how people think, make decisions, and behave, helping people improve their thinking and decisions. Nudge techniques are widely used for the recovery of debt.

Therefore, as a measure of good practise we have included methods for implementing nudge techniques which can be embedded into the accounts receivable process to increase the percentage of debt recovery.

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Nudge techniques		Report reference
1	Make it easy: Make it as straightforward as possible for people to pay debts, for example by pre-populating a form with information already held and ensure the language in the letter is simple and to the point.	Detailed Finding 7
2	Personal signature: Adding a personal signature (not electronic) to debt recovery letters. This could not be applied to every letter however, could be added to particular accounts which are difficult to recover funds from or who owe significant sums to the Council	Detailed Finding 6
3	Direct contact: Personal messages to the customer can increase debt recovery i.e. text message or call. This could not be applied to every contact however, could be added to particular accounts which are difficult to recover funds from or who owe significant sums to the Council	Detailed Finding 6
4	Use emotive language: Language should be considered to make it more emotive and personal. The inclusion of the reasons why debt recovery is important to meet the social aims of the Council could be added alongside addressing customers by their first name.	Detailed Finding 6
5	Use imagery: Using images on debt recovery letters. There is evidence to suggest that greater use of imagery can support increase recovery of funds i.e. with commercial waste debt, a picture of refuse collection personnel collecting refuse could be added	Detailed Finding 6
6	Highlight positive behaviour of others: Where possible, setting out the statistics of repayment of others has shown to increase levels of debt recovery i.e. x% of people pay on time who are in your post-code or x% pay on time who use this service	Detailed Finding 6
7	Highlight the risk and impact of dishonesty: Emphasise the impact of fraud or late payment on public services, as well as the the consequences for those caught. This is a tougher nudge technique and should be considered where particular difficulties persist	Detailed Finding 6

It should be noted that the introduction of nudge techniques do not replace previous tried and tested methods to recover accounts receivable. Traditional methods for debt recovery can be termed as 'shove techniques' and these are still useful however, should be complemented by nudge techniques where possible.

It is believed that where nudge techniques are implemented well, that shove techniques then achieve better outcomes when applied. Striking the right balance between nudge and shove is difficult and ideally different balances would be set for different customers however, where done effectively it can transform the ability to recover funds. In the table below we have noted three shove techniques which should all be embedded in any accounts receivable activity.

Shove techniques		Report reference
1	Consistent letter timings: Sending out letters requesting payment at set intervals is an effective method to recovering funds because there is a correlation between more frequent and timely contact and collection of debt	Detailed Finding 6
2	Strong language around consequences: It is accepted that after the first request for payment that stronger language and setting out the consequences for non-payment prompts action from customers by setting out either legal or civil recovery proceedings	Detailed Finding 6
3	Use of legal and civil recovery services: There will come a time in the process whereby either legal or civil recovery proceeds must be undertaken because without following up on consequences the Council undermines its authority with customers.	Detailed Finding 6

APPENDIX III - MANAGEMENT INFORMATION

Management information and subsequent action planning are critical to a continuously developing the accounts receivable function. Councils need to strike the right balance right in terms of the quantity and quality of management information that they assess. We have set out below a number of key performance indicators which could be considered for monitoring and reporting as part of the monthly meetings established since August 2015. In monthly meetings documented action plans would be a useful way for the Council to focus on ideas and to ensure steps to a achieve particular goal are met.

Accounts receivable function key performance indicators

- ✓ Invoices processed per full time equivalent
- ✓ Processing cost per customer invoice
- ✓ % of invoices received within 0-30, 31-60, 61-90 and 90+ days
- ✓ Total cost of the accounts receivable process per £1,000 revenue
- ✓ Total number of customers
- ✓ % of customers engaged at Council engagement events
- ✓ % of invoices under query
- ✓ % of low value invoices (less than £x)
- ✓ % of invoices paid electronically
- ✓ % of prompt settlement discounts that are taken (if offered)
- ✓ % of time spent resolving customer queries
- ✓ % of cases involving legal or civil recovery procedures

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We have included the recommended areas that can be used to set up action plans within monthly management meetings.

Reference	Issue identified	Risk to mitigate	Action plan	Status rate of risk (Red / Amber / Green)	Responsible officer	Due date of action	Status of action plan at the next management meeting/ specify a date to follow up

APPENDIX IV - 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
Nigel Kennedy	Section 151 Officer
Anna Winship	Management Accounting Manager
Damon Venning	Accounts Receivable: Rents Team Manager
Kevin Lacey	Accounts Receivable: Receivables Team Leader
Kelly Charles	Accounts Receivable: Incomes officer
Donna Dixon	Accounts Receivable: Incomes officer
Harald Schulz	Agresso Consultant

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APPENDIX V - 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 VI - TERMS OF REFERENCE

BACKGROUND

The central team is led by a dedicated Rents Team Manager for those transactions which come through the Council's main financial system, Agresso. The accounts receivable function has within the past six months transferred to the responsibility of the Rents Team Manager who is supported by the three team leaders covering the areas of support and prevention, arrears and processing receivables. This review will not be considering those accounts receivable from council tax, business rates and benefits. This review will consider those accounts receivable raised in Agresso which will cover other Council activities such as licensing, subscriptions, trade and garden waste and parks and leisure.

PURPOSE OF REVIEW

To review the design and effectiveness of controls in relation to accounts receivable and accounts payable activity to provide assurance over the accuracy, completeness and timeliness of transactions undertaken.

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SCOPE OF REVIEW

This review will consider the design and operational effectiveness of the key controls relied on by External Audit relating to accounts payable and receivable in addition to the Key Risks identified in this Terms of Reference.

EXCLUSIONS

Processes for receivables and payable transactions in relation to council tax, business rates, housing benefit overpayments and rents, and cash collection are outside the scope of this review.

APPROACH

Obtain an understanding of the risk and controls with regards to accounts receivable and payable through discussions with key personnel, review of systems documentation and substantive tests. Our approach includes:

- Identifying the key risks relating to accounts receivable and payable
- Evaluating the design of the controls in place to address the key risks
- Testing the operating effectiveness of the key controls.

APPENDIX VI - TERMS OF REFERENCE

KEY RISKS

Based on the risk assessment carried out during the creation of the internal audit operational plan, our discussions with management, and our collective audit knowledge and understanding, the key risks associated with the area under review are:

- Inadequate financial regulations, policies and procedures are in place which weakens the framework to support accurate, complete and timely transactions
- Access to systems and data is not effectively managed extending the risk that data may be amended or deleted without appropriate approval
- New or existing customer/supplier change controls are inadequate to safeguard the integrity of changes made to data held
- New customers/suppliers are not subject to sufficient due diligence to provide reasonable comfort over the nature and background of the customers/suppliers
- Ineffective and inadequate controls are in place to ensure that transactions are raised, approved and paid in an accurate, complete and timely manner
- Amendments to transactions are not subject to sufficient oversight and approval procedures to validate their accuracy
- Ineffective management information is reported and inadequate key performance indicator information is assessed to monitor the activities undertaken.
- The team structure does not set out the roles and responsibilities
- Insufficient procedures are in place to confirm the validity of data and approval of income collection
- Debt recovery arrangements are inadequate and ineffective to achieve the maximum return of funds in line with the Council's values
- Timeliness of communication between service areas and the central accounts receivable team is considered inadequate to allow effective debt collection to take place
- Insufficient arrangements are in place to review and approve debt write-off and/or approval is not undertaken in-line with financial regulation procedures set-out.

APPENDIX VI - TERMS OF REFERENCE

DOCUMENT REQUEST

Where available, please ensure that electronic copies of the following documents have been forwarded to us in advance of the review:

- The latest Financial Regulations pertaining to the Council
- The latest Delegated Authority list
- Procedures notes for any aspects of the accounts receivable or accounts payable process including Agresso, Key2 and Servitor.
- Document showing the current and future proposed team structure
- Final internal report regarding the team structure, role and responsibilities that was undertaken in 2015
- A transaction listing of all accounts receivable transactions for the period 1 April 2015 to date
- Once a sample has been selected we will require:
 - The invoice raised by the Council
 - Evidence of the approval for raising the invoice in Agresso
 - Evidence to support what the invoice relates to (if this not obvious from the invoice)
 - Evidence of the income collection and debt recovery procedures undertaken i.e. audit trail of actions undertaken to receipt the income
 - Evidence the income was receipted and recorded in the Council bank account i.e. copy of the income collection batch document and bank account transaction.

These documents will assist the timely completion of our fieldwork, however this list does not necessarily constitute a complete list of all documentation and evidence that we may need as part of our review.

APPENDIX VI - TERMS OF REFERENCE

TIMETABLE

Audit Stage	Date
Commence fieldwork	19 October 2015
Number of audit days planned	12
Planned date for closing meeting	23 October 2015
Planned date for issue of the draft report	6 November 2015
Planned date for receipt of management responses	13 November 2015
Planned date for issue of proposed final report	20 November 2015
Planned Audit Committee date for presentation of report	16 December 2015

KEY CONTACTS

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Oxford City Council		
Nigel Kennedy	Section 151 Officer and Audit Sponsor	t: 01865 252 708 e: nkennedy@oxford.gov.uk
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Kevin Lacey	Accounts Receivable: Recovery Team Leader	e: klacey@oxford.gov.uk
Neil Markham	Accounts Receivable: Support and Prevention Team Leader	e: nmarkham@oxford.gov.uk

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:	7 October 2015	Date:	8 October 2015



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To: Audit & Governance Committee

Date: 16 December 2015

Item No:

Report of: Head of Financial Services

Title of Report: Progress on Implementation of Audit Recommendations

Summary and Recommendations

Purpose of report: To report progress on the implementation of internal and external audit recommendations.

Key decision: No

Executive Lead Member: Councillor Ed Turner

Policy Framework: Corporate Plan – Efficient, Effective Council

Recommendation(s): The Audit and Governance Committee is asked to note progress with the recommendations listed in Appendix A.

Appendix A – Internal and External Audit Recommendation Tracker

Background

1. The outcomes of all internal and external audit reports are reported to this Committee. Each report includes recommendations or agreed actions, a summary of those recommendations which remain outstanding together with updated management responses is provided in Appendix A.
2. Each recommendation is marked with a % complete which correlates to a red/amber/green rating depending on the percentage of completeness. Up to 25% complete is marked red, between 25% and 75% complete is amber and over 75% complete is green. However, any recommendations that are less than 50% complete but have exceeded their original expected completion date are also marked red. Those recommendations that will be completed up to one month later than their original expected completion date are also marked as amber.

3. Any recommendations that were noted as 100% complete at the last meeting of the Audit and Governance Committee have been removed from the tracker.

External Audit Recommendations

4. There are no external audit recommendations to report to Committee.

Internal Audit recommendations

5. There have been five new Internal Audit reports finalised by PWC since the last meeting of the Audit and Governance Committee, these are the final reports due from PWC following the handover of the Council's internal audit contract to BDO:

- a. **Procurement Report – Advisory Report** –a review of the procurement service specifically focusing on compliance with the process, barriers to the use of the service and training needs and awareness of the process and requirements. The review identified a number of areas of good practice and areas for additional focus over the coming months, all of which are being reviewed, including the completion of the revised Procurement Strategy.
- b. **Revenues team restructure – Advisory report** – a review of the effectiveness of the two new posts in the team, Court Recovery Officer and Appeals and Complaints Officer, to ensure they are providing value for money. The report highlights that there is a significant improvement in recovery of court income since the Recovery Officer has been in post. During a recent restructure of Financial Services the Court Recovery Officer post has been confirmed as a permanent post in the establishment. The Appeals and Complaints Officer provides good support for dealing with correspondence on behalf of the team. The position is still under review.
- c. **Collection Fund– Low risk rating** – One low risk recommendation was made which looked at the operating effectiveness of the debt recovery process and highlighted that there were delays in progressing the recovery to the next stage in some cases of outstanding debt. This has been added to the recommendation tracker at Appendix 1
- d. **Housing Rents – Low risk rating** – Six low risk recommendations were made during this review, one relating to control design and five relating to operating effectiveness. Findings included issues on refunds; review of accounts in arrears, review of reconciliations and system access controls. There is an implementation plan for the recommendations on this report that have not yet been completed and these are all listed on the recommendation tracker at Appendix 1
- e. **Housing Benefits – Low risk rating** – One medium and three low risk recommendations were made during this review all relating to operating effectiveness. The medium risk finding in this review relates to the level of arrears of Housing Benefit

overpayments and the recovery arrangements and write off procedures in place for these. The low risk findings relate to the level of quality checks undertaken; time taken to process new claims and review of reconciliations. Two of these recommendations have already been completed and the remaining two are expected to complete by their forecast completion dates. These are all listed on the recommendation tracker.

6. There is also one recommendation on Appendix 1 which has yet to be completed, but has passed its original forecast completion date. This is one of four recommendations made within the Housing Allocations review and is the only one outstanding. This recommendation relates to the number of incomplete housing applications is not easily available from the system and therefore applicants may miss out on opportunities. Information is now available from the system to aid with this and this is being used to improve the position. A wider review of the system is being considered to ensure that this is no longer an issue and a revised completion date of 31/3/2016 has been entered to capture this timeline.
7. There are 13 Internal Audit recommendations that are being reported as 100% complete and will be removed from the next report. There are 11 new recommendations that have been added to the tracker and will be reviewed for completeness ahead of the next meeting.
8. In 2015/16 there have been no high risk reports in the first 6 months of the year, and a larger proportion of reports are being reported as an overall low risk.

Risk Rating	15/16		14/15		13/14	
	No of reports	% of reports	No of reports	% of reports	No of reports	% of reports
High	0	0%	0	0%	1	8%
Medium	2	40%	6	46%	0	0%
Low	3	60%	7	54%	12	92%
	5		13		13	

Internal Audit contract going forward

9. The Council's internal audit contract passed from PWC to BDO on the 1st October 2015. BDO use a level of assurance for Design and Operational Effectiveness which spans from 'No' through to 'Substantial', this is explained in more detail in the BDO update report elsewhere on the agenda. Since October BDO have completed the following audits:
 - Accounts Receivable – Limited assurance on Design and Operational Effectiveness, with a total of 10 recommendations ;
 - Accounts Payable – Moderate assurance on Design and Limited assurance on Operational Effectiveness, with a total of 8 recommendations;

- Finance Systems (payroll, general ledger and fixed assets) – Moderate assurance on both Design and Operational Effectiveness, with a total of 8 recommendations;
- SIGMA System review – this was a review of the system design and did not receive an overall assurance level, however 14 recommendations were made;
- HCA Compliance claim

10. All of these reviews are summarised in the BDO update report and the full reports for Accounts Receivable and Accounts Payable can also be found elsewhere on the Agenda

11. As part of their continued work BDO will undertake a review of all outstanding recommendations each quarter and include these within their update reports to each Audit & Governance meeting.

Financial Implications

12. Whilst this report is primarily for noting there is the potential that financial implications could arise for the Council if recommendations are not implemented and audit have highlighted areas of risk or areas for improvement.

Legal Implications

13. There are no legal implications arising from the recommendations in this report.

Equalities Impact

14. There are no Equalities implications arising from the recommendations in this report.

Climate change/environmental impact

15. There are no Climate Change implications arising from the recommendations in this report.

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Background papers: None

Audit Tracker

Ref	Review	Review Date	Issue Noted	Risk Rating	Recommendation	Updater	Owner	Due Date	Forecast Completion Date	% Complete	Comments
IA547	Community Dev, Centres & Associations Audit	1-Mar-2014	Some of the community centres contact the repairs and maintenance team directly and have jobs raised on the Uniform system.	Low	Work in which the Council is not responsible is performed. Repairs and maintenance may not be monitored.	Mark Spriggs	Mark Spriggs	1-May-2014		100	CAN meet with Property regularly to review the division of responsibility and ensure that additional works are paid for from correct budgets/ recharged
IA605	Fraud Risk Assessment	1-Jun-2014	Internal fraud cases are not currently recorded on a system unless they relate to housing benefits or council tax. The investigations team are deemed to have sufficient knowledge to perform risk assessments to enable cases to be prioritised. The detail of the cases is maintained locally by the team.	Low	Internal reported cases will be documented on a centralised system. The existing Northgate system has the functionality to perform this. Timeline for delivery will be agreed with the Head of ICT and prioritised within the Council's corporate ICT work plan.	Scott Warner	Scott Warner	31-Dec-2014		100	The Northgate system is being phased out in place of a new case management system which has the ability to record internal investigations with restricted viewing permissions.
	Investment Properties	July 2015	Issues had arisen due to a lack of clarity of responsibilities and poor communication between the teams involved in the rent arrears process.	Medium	Relationships with tenants may be damaged, collection of arrears may be further delayed and increase the risk of write offs. Strategic plans for properties may be overlooked	Diane Phillips	Diane Phillips	30/9/15		100	Ownership, roles and responsibilities for rent arrears management will be defined and agreed between Property, Finance and Legal teams. Monthly meetings are now taking place to review rental arrears and agree actions.
	Housing Allocations	July 2015	the number of incomplete applications is not able to be ascertained due to system limitations, however the team are aware that there is a backlog in the assessment of applications.	Medium	Applicants that are in need of housing may miss out on a possible offer of housing because their application is held up. The assessments team are not able to monitor performance, and there is potential they are operating well outside of published targets, resulting in poor customer service.	Mary Cox	Mary Cox	30/11/15	31/3/16	10	An action plan has been put in place to include; performance reporting - better management information on the nature of incomplete/incorrect forms will help inform training; online forms - the project to implement this will be re-considered and given appropriate priority with the overall ICT work programme; Customer Services Officers - will need full training to ensure completeness of applications. The team is currently still going through changes following the re-structure and the creation of the new Application Hub and the focus is currently on minimising the impact our customers have during this transition, and work will be undertaken with the new team to take this recommendation forward in the New Year.
	Housing Allocations	July 2015	There is no automated monitoring report flagging the number of applicants that have re-registration dates that have passed	Low	People may bid on houses for which they are no longer eligible/ar not able to bid for the properties for which they are eligible as a result of the application details being out of date. All details are checked prior to making an offer but lack of annual review could result in wasted time for the allocations team and a delay in offers being made	Mary Cox	Mary Cox	30/11/15		100	An exercise has been performed to review all those that have not been updated in the past year and bring them up to date, Re-registration dates will be monitored thereafter.
	Housing Allocations	July 2015	Although the number of appeals outstanding are monitored and are prioritised based on when they are received, the nature of appeals and the time taken to resolve appeals are not monitored because the Information@Work system does not currently have a report set up to do this	Low	Customer concerns may not be adequately addressed and improvements not implemented	Tom Porter	Tom Porter	30/11/15		100	The review of Information@Work will include consideration of the adequacy of management information and reporting relating to appeals
	Housing Allocations	July 2015	For 1 of 11 applications tested, the letter confirming movement of Bands was missing.	Low	Applicants may not be informed of decisions and changes in their assessment on the housing register	Tom Porter	Tom Porter	30/11/15		100	Officers have been reminded of the need to follow procedure and maintain evidence of all correspondence, both sent and received. All are being scanned onto the system

Ref	Review	Review Date	Issue Noted	Risk Rating	Recommendation	Updater	Owner	Due Date	Forecast Completion Date	% Complete	Comments
	Collection Fund	Sept 15	We reviewed the recovery procedures for a sample of 25 cases and considered the latest status of each case. In 8 of the 25 cases we found that there had been delays/no recent action in attempting to recover these debts. After raising this with Officers we note that: 3 Business rates debts totalling £14,770 had seen no action for 6 months & 3 Business rates debts totalling £20,000 and Council Tax debts totalling £1,890 had seen no recover action for 6-8 weeks	Low	Loss of income and increased write-offs if debts are not actively chased through a robust recovery process	Nick Gibb	Nick Gibb	31/12/15		50	A number of vacancies within the team have now been filled and proactive work will resume in the next few weeks once training is underway. Recruitment continues to fill the remaining vacancies. We continue to review outstanding debts and prioritise recovery action for the target debts
	Housing Rents	Sept 15	We selected a sample of 2 completed RTB disposals and reviewed the tenancy end date and the balance on the account to check whether any refunds or arrears had been processed in a timely manner. We note the following: in one case a refund is still owed to a former tenant after 3 months; in one case a refund had been identified by the Council but the refund was not processed until over a month after the date of sale	Low	Payments are not refunded to former tenants or arrears collected in a timely manner	Damon Venning	Damon Venning	31/10/15		100	It is agreed that the process of monitoring payments to closed accounts and processing refunds needs to be lighter. We do track any variances to former tenant accounts on a monthly basis and we also check accounts that receive payments in this period. Reports are run weekly showing all accounts with credits and this is being used to contact tenants about the refunds due.
	Housing Rents	Sept 15	As part of the Rent Team Customer Service Standards published on the Council's website there is a target of 30 working days for a refund to reach the tenant's account. We found Officers were not clear on the targets and we were provided with three different timeframes described as follows: 28 days between identification of refund to date received by tenant, target is 6 weeks; a 10 day target from request to receipt of funds into tenants bank account; the creditor payment form states 30 days but is not clear which days this target relates	Low	Refunds may not be accurate or processed in a timely manner	Damon Venning	Damon Venning	31/10/15		100	The target times vary from team to team, the Rents Team have a target of 10 days from contact to process, and the 28 day target comes from processing the refund with the payments team. We have reviewed and updated the end to end process and clarified the targets.
	Housing Rents	Sept 15	A monthly reconciliation of rent refunds on Northgate and Agresso is performed by the senior management accountant and any queries are emailed to the relevant managers for clarification and/or further investigation. A sample of 2 months was reviewed and confirmed the reconciliations were carried out and actions had been followed up, however these were not being reviewed	Low	Rental income may be misstated and action to address reconciling items may not be taken in a timely manner	Cat Arnold	Cat Arnold	31/10/15		100	A system of reviewing the reconciliations on a monthly basis has been introduced.
	Housing Rents	Sept 15	Tenants in arrears are not contacted on a timely basis and reduction in Housing Benefit is not identified	Low	Loss of rental income, or failure to collect on a timely basis. The arrears listing may contain accounts for which the balance may never be recovered, result in the arrears balance being overstated. Tenancy arrears may accumulate to a substantial amount at which point the tenant may struggle to pay off the arrears	Damon Venning	Damon Venning	31/1/16		50	Plans are in place to improve this area including updating the escalation process on Northgate to produce automated letters and the introduction of Mobysoft to help predict payment patterns and highlight where arrears action needs to be in place
	Housing Rents	Sept 15	The rent amount should be the same on the housing rents system (Northgate) and on the tenancy agreement. We tested a sample of 5 new properties for accuracy. For one of the new properties tested the rent in the agreement is £240.55 per week, the rent on Northgate is £207. This is likely to be an error on the Tenancy Agreement and not on Northgate as all the other properties on this road are set at £207	Low	Incorrect rent may be charged	Damon Venning	Damon Venning	30/11/15		100	This is a tenancy management function and the error was a one off occurrence when the incorrect spread sheets were used by the Voids Team. An officer has been allocated responsibility for introducing checks.
	Housing Rents	Sept 15	Managers complete a leaver's form on the intranet to inform ICT to remove user access. HR also inform ICT of leavers on a monthly basis. Leavers are not separately removed from all systems (Northgate, Agresso etc.). Instead, ICT remove access for former employees from the main system.	Low	Systems holding personal data and rent information may be accessed by unauthorised users	Anna W inship	Anna W inship	30/3/16		100	The established process is that a leavers list is received from payroll monthly and these users are removed from each system where applicable. Also users are removed from the network to ensure that access is not possible. This process will be reiterated with ICT and ensure that the documentation is filed accordingly

Ref	Review	Review Date	Issue Noted	Risk Rating	Recommendation	Updater	Owner	Due Date	Forecast Completion Date	% Complete	Comments
	Housing Benefits	Sept 15	Arrears relating to housing benefit overpayment has risen to £6m at the end of August 2015, an increase of 15% compared to the same time last year. Monthly performance reports are produced which track the arrears position at a high level, these identify which there is no recovery arrangement in place. At 1 Sept 2015 £2.8m of debt had no recovery arrangement in place	Medium	Significant write off of unrecoverable debt. Potential money which is recoverable is not chased resulting in the council not receiving all money that could have been recovered. But there is additional resource incurred in attempting to recover outstanding debts	Debbie White/ Nick Gibb/ Damon Venning	Debbie White/ Nick Gibb/ Damon Venning	30/12/15		50	Some initial evaluation work on the quality of overpayments sent to the recovery team has been undertaken, and revised processes put in place, however further coordination is required between the benefits, rents and recovery teams to develop a plan to address the issues and effectively resource the work to allow sufficient time to focus on recovery of overpayments. The Housing Benefits overpayment static debt requires further analysis. We are trying to source temporary resource to put actions in place for each case
	Housing Benefits	Sept 15	Random quality checks are performed on a monthly target of 10% of claims processed; checks include if there have been any procedural errors or financial errors. In addition, in accordance with the Performance Management Framework, new starters and those who are on Performance Improvement Plans see up to 100% of their assessments checked after consultation with their Team leader and in accordance with any Performance Improvement plans agreed with the employee. For the four months to date in 15/16 the 10% checking target has not been achieved. Testing ranges from 7.9% to 9.5% of claims per month	Low	Assessors' work may be inaccurate leading to inaccurate benefit claims and hence overpayment or underpayment of benefits	Debbie White	Debbie White	30/12/15		50	We have discussed with both internal and external audit our intention to reduce quality checks to 4%. The Head of Service and Service Manager Revenues and Benefits are to discuss and agree this course of action, subject to a proviso that should trends appear, additional checking will be implemented at that point in time. For staff on Improvement plans, or new starters, the checking will remain at 100%. The team is also producing a PMQA module which will help automate some of the time taken to analyse cases for checking which will help to target areas for improvement
	Housing Benefits	Sept 15	In 2014/15 the Council were within their internal target to process new claims. This year the average time taken to process new claims is not in line with the internal target of 14 days. The time taken to process new claims as at July 2015 is 15.94 days. In 2014/15 the average time taken to process changes of circumstances was not in line with the internal target of 10 days. This year the year to date average time taken is 8.09 days	Low	Customer dissatisfaction if new claims for housing benefit are not processed in line with targets	Debbie White	Debbie White	30/11/15		100	The Performance Management Framework had not been reviewed since 2013. A review has taken place and the Council will consider targets. We have begun work with DWP performance delivery team to see if we can improve processes to achieve the targets
	Housing Benefits	Sept 15	From our sample of five daily reconciliations between Academy and Agresso, there was one reconciliation which was not performed until two weeks after the week to which it related and was not reviewed until three weeks after. This is not considered to be timely for a weekly reconciliation.	Low	Issues may not be identified and reported to management promptly. It can become harder to trace the issue after longer periods of time	Bill Lewis	Bill Lewis	31/10/15		100	Reconciliations are now performed weekly and reviewed on a timely basis. If an issue had been identified by the officer completing them this would have been raised and resolved immediately

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To: Audit and Governance Committee

Date: 16 December 2015

Report of: Head of Financial Services

Title of Report: Risk Management Quarterly Reporting: Quarter 2
2015/16

Summary and Recommendations

Purpose of report: To update the Committee on both corporate and service risks as at the end of Quarter 2, 30th September 2015.

Key decision: No

Executive lead member: Councillor Ed Turner

Policy Framework: Efficient and effective Council

Recommendation(s): That the Committee notes the contents of this report, in particular the new Corporate Risk around the Medium Term Financial Plan as set out in paragraphs 8 and 9.

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.

Probability

Almost Certain	5	5	10	15	20	25
Likely	4	4	8	12	16	20
Possible	3	3	6	9	12	15
Unlikely	2	2	4	6	8	10
Rare	1	1	2	3	4	5
		1	2	3	4	5
		Insignificant	Minor	Moderate	Major	Catastrophic
		Impact				

Key:

Green	Amber	Red

Risk Identification

3. **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 for corporate risks are generally at Director level.
4. **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.
5. **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 2 Corporate Risk Register

6. The Corporate Risk Register (Appendix A) shows that the Medium Term Financial Plan risk has changed to a red risk. This is due to the announcements in the Chancellor's Budget Statement in July 2015. The table below shows the movement of risks over the last 15 months.

Current Risk	Q2 2014/15	Q3 2014/15	Q4 2014/15	Q1 2015/16	Q2 2015/16
Red	0	0	0	0	1
Amber	5	6	5	4	3
Green	6	5	6	2	2
Total risks	11	11	11	6	6

7. There was a full desktop review of all of the corporate risks undertaken by Directors and Heads of Service undertaken at the beginning of the year which resulted in the number of risks reducing from 11 to 6.
8. The Chancellor's July Budget Statement included a number of proposals which have significant ramifications for the Council's Medium Term Financial Plan, and in particular the Housing Revenue Account, which under current proposals is projected to have to find savings of around £34 million over the next 4 years. Changes to the HRA Business Plan to mitigate the pressures are being reviewed as part of the annual budget setting process.
9. In the short term, to help mitigate the pressure and enable all options to be considered a temporary moratorium has been imposed on all non-essential projects that are not already contractually committed. This will inevitably lead to slippage on some schemes and the reappraisal of others

Quarter 2 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. In quarter 1 of 2015/16, the management of Council services was restructured and risks have been moved between services areas and reassessed. These refreshed Service Risk Registers will be used for monitoring purposes for the remainder of the year.
11. The table below shows the number of service risks in Q2 2015/16 compared with the last 15 months. Nine risks have been closed since the last quarter and there are two new risks.

Current Risk	Q2 2014/15	Q3 2014/15	Q4 2014/15	Q1 2015/16	Q2 2015/16
Red	0	0	0	1	4
Amber	41	38	39	32	31
Green	36	39	35	38	29
Total risks	77	77	74	71	64
New risks in quarter	0	0		1	2
Closed	4	0	3	4	9

12. There were four red risks at the end of September 2015 as follows: -
- Housing and Property – relating to increased costs of homelessness arising from less effective homelessness prevention work and higher homelessness acceptance
 - Housing and Property – relating to HRA Business Plan failure and the implications for social housing arising from the announcements contained in the Chancellor’s Summer Budget in July. Changes that are required to be made to the HRA Business Plan to mitigate the pressures will be determined through the budget setting cycle which is underway.
 - Planning and Regulatory – relating to a major service failure due to a reduction in staff or premises availability or significant loss of ICT resulting in a reduced service to customers and a backlog of work to be cleared
Direct Services - relating to the ICT issues affecting the delivery of the service, causing additional manual processing and impacting on customer relations with the consequent risks to income generation going forward. Since Q2 there have been a number of mitigating actions put in place by ICT which should result in a downgrading of the risk for Q3

Service Area Risk Summary

13. The table below shows the how the service area risks have been scored in accordance to the risk matrix. The risk with the potential for a catastrophic impact is related to the loss of an investment due to issues with a counterparty; the likelihood of the risk occurring has been managed down to unlikely.

Current Impact	Insignificant (1)	Minor (2)	Moderate (3)	Major (4)	Catastrophic (5)
Current Probability					
Almost Certain (5)				1	
Likely (4)		6	2		
Possible (3)		6	19	3	
Unlikely (2)		10	11	3	1
Rare (1)	2				

Climate Change / Environmental Impact

14. There are no issues arising directly from this report

Equalities impact

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

Financial Implications

16. The Robust management of risk should assist in mitigating the financial impact to the Council should the event occur.

Legal Implications

17. 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.

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List of background papers: None.

Version number:

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Formal Risk Summary

(Oxford)

As at: Sep-2015

Ref	Title	Risk description	Risk		Cause	Consequence	Date Raised	Owner	Gross		Current		Residual		Comments	Controls			
			Opp/ threat						I	P	I	P	I	P		Control description	Due date	Status	Progress
CRR-002-15/16	Budget and Income	Medium Term Financial Plan savings not delivered and pressures not anticipated or accurately recorded. Inability to collect income accurately and timely	T	Ongoing Central Government cuts and current savings targets not being consistently met; the announcements contained in the Chancellor's Summer Budget in July have significant ramifications for the Council's Medium Term Financial Plan, and in particular the Housing Revenue Account	Inability to produce a balanced budget, or further savings needing to be made in the future	1-Apr-2015	Nigel Kennedy	4	4	4	4	3	4		Annual review of the Medium Term Financial plan to confirm savings are deliverable and pressures recorded	1-Sep-2015	In Progress	20%	Nigel Kennedy
															Ensure action plans in place for delivery of savings	1-Sep-2015	In Progress	20%	Nigel Kennedy
															Ensure key stakeholders are kept upto date on progress of plan and	1-Sep-2015	In Progress	20%	Nigel Kennedy
															Produce accurate, timely monitoring reports	1-Sep-2015	In Progress	20%	Nigel Kennedy
															Changes to be made to the HRA Business Plan to mitigate the pressures	1-Mar-2016	In Progress	80%	Nigel Kennedy
A temporary moratorium has been placed on non-essential capital works	1-Oct-2015	Complete	100%	Nigel Kennedy															
CRR-004-15/16	Partnership Risk	Financial reduction in funding and impact on our partners	T	Reduction of the availability of funding for our partners to maintain their level of activity	reduced work with key partners to provide the Council's services	1-Apr-2015	David Edwards	3	5	3	5	2	4		Working with partners to mitigate impacts, seeking alternative capital funding through Government LGF support	31-Mar-2016	In Progress	30%	David Edwards
CRR-001-15/16	ICT	Resilience of ICT function - managing projects and improvements alongside business as usual	T	Numerous projects running concurrently across the Council all needing ICT support; limited resources with the correct level of skill, and some vacant posts within ICT	Inability to provide good quality and consistent service	1-Apr-2015	Helen Bishop	4	4	3	3	2	3		Agree new ICT strategy including principles for ICT projects and investment	1-Jun-2015	In Progress	100%	Paul Fleming
															Managing business as usual and developments as a single	31-Mar-2016	In Progress	70%	Helen Bishop
															Objective to embed ITIL processes	31-Mar-2016	In Progress	40%	Paul Fleming
															Objective to multi-skill applications development team	1-Dec-2015	In Progress	60%	Paul Fleming
															Procurement of ICT strategic partner will improve stability of service	31-Mar-2016	In Progress	95%	Helen Bishop
CRR-005-15/16	Recruitment and Retention	The risk of losing good quality staff and the inability to recruit into key posts with good quality staff	T	The inability to attract high calibre staff into key vacancies across the Council.	Key posts are left vacant or filled with temporary resources	1-Apr-2015	Simon Howick	3	4	3	3	2	2	Pay & bens discussion paper written and actions agreed at CMT 14/09 including revamping relocation scheme, improved marketing of benefits. Recruitment action plan being delivered	Agree retention measures & implement them	30-Sep-2015	In Progress	20%	Simon Howick
															Deliver recruitment action plan which aims to widen and diversify	3-Jul-2018	In Progress	25%	Simon Howick
															Identify key posts and agree action to recruit / retain appropriate to	30-Jun-2016	In Progress	20%	Simon Howick
															Restructure will ensure resources aligned to requirements and that	1-Sep-2015	In Progress	90%	Helen Bishop
															Procurement of new ICT helpdesk, with potential for customers to	31-Mar-2016	In Progress	70%	Paul Fleming
CRR-003-15/16	Partnership Risk	Ability to engage with Partners	T	Difficulty in managing the relationships with key partners across the organisation to ensure smooth delivery of all Council services	Council services suffer due to a breakdown in the partnership	1-Apr-2015	Tim Sadler	2	3	2	2	2	1		Careful selection and management of key service delivery partners	31-Mar-2016	In Progress	80%	Tim Sadler
															Clarify position re: leases and funding for community	30-Jun-2015	In Progress	70%	Ian Brooke
															On going dialogue with key statutory partners	31-Mar-2016	In Progress	80%	Tim Sadler
CRR-006-15/16	Environmental	The impact of adverse environmental episodes on service delivery and the subsequent adverse financial impact on Council	T	Increase risk of flooding and other adverse weather conditions	Affecting service delivery, increased cost, resource shortfall	1-Apr-2015	Tim Sadler	1	1	3	2	1	2		Maintain early warning, training and cover arrangements	30-Mar-2016	In Progress	95%	Graham Bourton
															Support progress of Oxford Flood Alleviation Channel	31-Mar-2020	Not Started	40%	Tim Sadler

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.

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MINUTES OF THE AUDIT AND GOVERNANCE COMMITTEE

Tuesday 15 September 2015

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COUNCILLORS PRESENT: Councillors Fry (Chair), Fooks (Vice-Chair), Darke, Munkonge, Paule and Thomas.

OFFICERS PRESENT: David Edwards (Executive Director City Regeneration and Housing), Nigel Kennedy (Head of Financial Services), Martin Shaw, Jeremy Thomas (Head of Law and Governance), Jennifer Thompson (Law and Governance), Scott Warner (Investigations Manager), Anna Winship (Financial Accounting Manager), Jackie Yates (Executive Director Organisational Development and Corporate Services), and

Kate Mulhearn (Pricewaterhousecoopers (PWC)), Mick West (Ernst & Young) and Alan Witty (Ernst & Young)

14. APOLOGIES FOR ABSENCE

There were no apologies.

15. DECLARATIONS OF INTEREST

None.

16. INVESTIGATION TEAM PERFORMANCE AND ACTIVITY BRIEFING

The Chair re-ordered the agenda to take this item first.

The Committee considered the report of the Head of Financial Services reporting the activity and performance of the Corporate Investigation Team for the period 1 April 2015 to 31 July 2015.

Scott Warner, the Investigations Manager, introduced the report. He outlined the results of the satisfaction survey; explained the method used in the report to calculate recovery and loss avoidance; and highlighted other key points in the report.

Among other points, the Committee noted:

- the challenges involved in setting up the fraud hub;
- the case management system was now running;
- the target for the number of properties returned to housing stock in 2015/16 was considered in line with previous performance and realistic

The Committee noted the report and recorded their praise for the work of the team.

17. AUDIT RESULTS REPORT 2014/15

The Committee considered the annual audit results report of the external auditors, Ernst and Young (circulated separately).

Mick West and Alan Witty, the external auditors, introduced the report and confirmed that there were no further matters to report and this was an unqualified audit and value for money assessment. There were no independence issues. Fees may be adjusted to take account of additional work on the accounts. The audit of housing benefits would be completed and reported later in the financial year.

In 2015/16, the value for money conclusion would be escalated to show 'significant risk' because of looming risks to financial resilience. The audit would be conducted under a new code from the National Audit Office.

Nigel Kennedy and Jackie Yates said that the outstanding unqualified audit result with no issues raised was down to the hard work of the financial accounting team. Adjustments to the draft accounts were technical changes and had no impact on the overall financial position of the authority. The 2015/16 risks would be addressed in the preparations for that audit.

The Committee agreed to note the report of the external auditor and the audit opinion.

18. STATEMENT OF ACCOUNTS FOR THE YEAR ENDING 31 MARCH 2015

The Committee considered the report of the Head of Financial Services setting out the Council's final audited Statement of Accounts for the year ending 31 March 2015 and the Council's letter of representation to the external auditors.

Nigel Kennedy circulated an amended table altering page 55 of the statement of accounts (capital adjustment account). This made no change to the councils overall financial position but made a change to reflect the investment property income revaluation correctly, moving it from 'charges for depreciation and impairment of non-current assets' to 'movements in the market value for investment properties debited or credited to the comprehensive income and expenditure statement'.

The Committee resolved to

1. approve the audited Statement of Accounts and authorise the Head of Financial Services and Chair of the Committee to sign the Statement of Accounts; and
2. approve the Letter of Representation to enable the opinion to be issued.

The Chair signed the Statement of Accounts and Letter of Representation

19. INTERNAL AUDIT PROGRESS REPORT: QUARTER 1 2015/16

The Committee considered the report of the internal auditor, PwC, providing a progress update on the agreed 2015/16 internal audit plan in Quarter 1 and Quarter 2.

Kate Mulhearn introduced the report and answered questions. PwC had completed several reports, summarised in the progress report. Full reports were presented to the committee on health and safety and planning applications for completeness as the recommendations and actions were discussed at the June meeting.

Officers advised that implementing the recommendations for housing allocations was in progress. There were no instances of adverse consequences for applicants identified as people were contacted to discuss their registration but there was previously no verification of this. The challenge was to align the available information to the required level of monitoring without manual intervention.

Jackie Yates undertook to confirm the status of the housing allocations system upgrade in the IT work programme.

Anna Winship introduced Greg Rubins and Gurpreet Dulay, the new internal audit team from BDO who would take over from the PwC team on 1 October.

The Committee welcomed the new audit team and noted this would be the last meeting Kate and PwC would attend.

The Committee noted the report.

20. INTERNAL AUDIT REPORT - HEALTH AND SAFETY: HOUSING STOCK AND CORPORATE ASSETS

The Committee considered the report of the internal auditor, PwC, providing details of the audit of Health and Safety: Housing Stock and Corporate Assets.

Kate Mulhearn introduced the report. Anna Winship confirmed that one action was nearly complete and all others were complete.

The Committee agreed to note the report.

21. INTERNAL AUDIT REPORT - MANAGING CAPITAL PROJECTS

The Committee considered the report of the internal auditor, PwC, providing details of the audit of the Council's management of capital projects.

Kate Mulhearn introduced the report. She highlighted areas of good practice and the recommendations considered and agreed by senior officers. She recommended that the controls and processes for managing high risk and/or

high value projects were monitored to ensure these worked satisfactorily and quickly identify any problems.

Nigel Kennedy and Martin Shaw answered questions from councillors. They confirmed that training for officers was ongoing, focussing on realistic timescales and proposals, and delivery on time and budget. Training was offered to members. The overall programme was managed through monthly progress meetings and projects had measurable outputs, but these were subject to change as funding and government policy evolved. This improved monitoring and early identification of the reasons and nature of any slippage. Every project had a sponsor and a manager and reported to the monthly meetings on a risk-based basis. Additional projects and changes to the capital programme could be authorised by Council during the year if essential.

Councillors commented:

- Publically sensitive projects should be subject to the same processes as high value projects because of the reputational risk to the council.
- Was it possible to reduce the time between making a bid for funding in the budget and commissioning (nearly a year) to reduce the risks associated with the delay, or could these be factored into the bids?

The Committee agreed to note the report.

22. INTERNAL AUDIT REPORT - PLANNING APPLICATIONS

The Committee considered the report of the internal auditor, PwC, providing details of the audit of planning applications.

David Edwards confirmed that the service now had sufficient staff to manage the development control workload. The number and complexity of applications was increasing: Network Rail would provide funding for a planning officer and an environmental specialist. Oxford University would need to fund a planning officer and a conservation specialist to manage applications relating to their development programme.

The Committee agreed to note the report and the update on development control.

23. PROGRESS ON IMPLEMENTATION OF AUDIT RECOMMENDATIONS: QUARTER 1 2015/16

The Committee considered the report of the Head of Financial Services setting out progress on the implementation of internal and external audit recommendations.

Anna Winship confirmed that 11 recommendations were now complete and would be removed from the tracker.

The Committee agreed to note the report.

24. BUSINESS RATES COLLECTION AND RETENTION REPORT

The Committee considered the report of the Head of Financial Services setting out how business rates were collected and distributed and the associated risks to the council.

Nigel Kennedy introduced the report and answered questions from the committee. He explained that the business rate income was distributed between the Government, the billing authority and the County Council in the ratio 50/40/10. Additionally, the new system of Business Rates Retention introduced with effect from 1 April 2013 transferred the risk of variations in business rates income away from Government to the Local Authority. Variations in business rates such as appeals against the valuation could reduce income to the authority significantly. Although there was a safety net below which income would not drop this was based on 92.5% of the authority's baseline income. For Oxford City income could reduce by (and the authority could lose) around £400k before the safety net became operational. He outlined the major risks to the council from the results of and accounting for appeals against the Valuation Office's assessments. This and other changes and uncertainties resulted in a £800,000 revenue shortfall in 2016/17 based on the latest calculations, with the potential for this to be larger in that or future years. This would be taken into account in the refresh of the Councils Medium Term Financial Plan which was currently underway.

Councillors noted the calculation method and the risks, including the reputational risk to the council as the billing and collection authority without control over the valuations or charges.

The Committee noted the report and the explanation, and thanked the Head of Financial Services for this.

25. RISK MANAGEMENT QUARTERLY REPORTING: QUARTER 1 2015/16

The Committee considered the report of the Head of Financial Services reporting corporate and service risks as at the end of Quarter 1, 30 June 2015.

Anna Winship introduced the report and answered questions. She said that the red risk relating to a project in direct services would reduce once the project was completed. Jackie Yates confirmed there was a detailed and carefully managed IT plan and programme of work. Councillors raised concerns over the risks from having vacancies in key senior and lower-grade posts and considered how to review this.

The Committee agreed to:

1. note the report; and
2. ask the Scrutiny Committee if they wished to review recruitment and retention of staff within the council.

26. MINUTES OF THE PREVIOUS MEETING

The Committee agreed to approve the minutes of the meeting held on 29 June 2015 as a true and accurate record.

27. DATES AND TIMES OF MEETINGS

The Committee noted the dates and times of future meetings.

The meeting started at 6.00 pm and ended at 7.45 pm