

Agenda

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Audit and Governance Committee

Date: **Tuesday 26 September 2017**

Time: **6.00 pm**

Place: **Plowman Room - Town Hall**

For any further information please contact the Committee Services Officer:

Jennifer Thompson, Committee and Members Services Officer

Telephone: 01865 252275

Email: democraticservices@oxford.gov.uk

If you intend to record the meeting, it would be helpful if you speak to the Committee Services Officer before the start of the meeting.

Audit and Governance Committee

Membership

Chair* Councillor James Fry

Vice-Chair* Councillor Chewe Munkonge

**Members
(with
substitutes)** Councillor Ruthi Brandt (for
Councillor Craig Simmons)

Councillor Andrew Gant

Councillor Mark Ladbrooke

Councillor Michele Paule

Councillor Craig Simmons

Apologies, Substituted by
Councillor Ruthi Brandt

Councillor Sian Taylor

The full membership is seven councillors and the quorum for this meeting is three members. Substitute members are permitted.

These are shown above where notification of apologies and substitutes were received before the agenda was published. Apologies and substitutions sent after publication will be reported at the meeting.

*Substitutes for the Chair and Vice-chair do not take on these roles.

Copies of this agenda

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- downloaded from our website
- viewed using the computers in the Customer Services, St Aldate's, or
- subscribed to electronically by registering online at mycouncil.oxford.gov.uk

AGENDA

	Pages
1 Apologies for absence and substitutions	
2 Declarations of Interest	
3 External audit: Audit results report for the year ending 31 March 2017.	7 - 44
Report of: the external auditor Ernst & Young	
Purpose: to inform the Committee of outcome of the audit of the accounts.	
Recommendation: to discuss and note the report.	
4 Statement of Accounts for 2016/17 - post audit	45 - 52
Report of: Head of Financial Services	
Purpose of report: to submit the Council's Statement of Accounts and Letter of Representation for approval and authorisation.	
The Statement of Accounts is attached as a separate supplement.	
Recommendations: That the Committee:	
1. approve the audited 2016/17 Statement of Accounts as certified by the Head of Financial Services and authorise the Chair of the Committee to sign the Accounts; and	
2. approve the Letter of Representation to enable the opinion to be issued (paragraph 12).	
5 Internal Audit progress reports: Quarter 1 2017/18	53 - 64
Report of: the internal auditor BDO	
Purpose: to inform the Committee of progress made against the internal audit plan.	
Recommendation: to discuss and note the report.	
6 Internal Audit: Follow Up of Recommendations to September 2017	65 - 82
Report of: the internal auditor BDO	
Purpose: to inform the Committee of progress on those recommendations	

raised by Internal Audit which are due for implementation.

Recommendation: to discuss and note the report.

7	Internal Audit: Oxford City Council Internal Audit Charter	83 - 88
	Report of: the internal auditor BDO	
	Purpose: to set out the charter setting out the internal auditor's standards.	
	Recommendation: to review and approve the charter.	
8	Risk Management report: Quarter 1 2017/18	89 - 96
	Report of: Head of Financial Services	
	Purpose of report: to update the Committee on both corporate and service risks.	
	Recommendation: to consider and note the report.	
9	Officer Executive Decisions to 31 August 2017	97 - 100
	Report of: the Interim Head of Law and Governance.	
	Purpose: to inform the Committee of the Officer Executive Decisions taken to 31 August 2017.	
	Recommendation: to note the report.	
10	Minutes of the previous meeting	101 - 106
	To approve as a true and accurate record the minutes of the meeting held on 26 June 2017.	
11	Dates and times of meetings	
	The Committee is scheduled to meet at 6.00pm in the Town Hall on the following dates:	
	11 January 2018	
	12 March 2018	
	<i>25 July 2018</i>	
	17 October 2018	
	10 January 2019	
	11 March 2019	

Councillors 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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Oxford City Council
Audit Results Report

Year ended 31 March 2017

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EY

Building a better
working world

Agenda Item 3

An aerial night photograph of a city street. The road is illuminated by streetlights, creating a warm glow. A road sign with a white arrow pointing right is visible on the right side of the road. A bicycle rack with several bicycles is on the left side. The background is dark, with some blurred lights from buildings or other vehicles.

26 September 2017

Dear Audit and Governance Committee Members

We have substantially completed our audit of Oxford City Council for the year ended 31 March 2017.

Subject to concluding the outstanding matters listed in our report, we confirm that we expect to issue an unqualified audit opinion on the financial statements in the form at Section 3 of this report, before the statutory deadline of 30 September 2017. We also have no matters to report on your arrangements to secure economy, efficiency and effectiveness in your use of resources

This report is intended solely for the use of the Audit and Governance Committee, other members of the Council, and senior management. It should not be used for any other purpose or given to any other party without obtaining our written consent.

We would like to thank your staff for their help during the engagement.

We look forward to discussing with you any aspects of this report or any other issues arising from our work.

Yours faithfully

Paul King
Executive Director

For and on behalf of Ernst & Young LLP

United Kingdom

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In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued "Statement of responsibilities of auditors and audited bodies". It is available from the 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 (updated September 2015)" issued by the 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 in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Audit and Governance Committee, other members of the Council and management of Oxford City Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit and Governance Committee, other members of the Council and management of Oxford City Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit and Governance Committee, other members of the Council and management of Oxford City Council for this report or for the opinions we have formed. It should not be provided to any third-party without obtaining our written consent.



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01

Executive Summary

Executive Summary

Overview of the audit

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Scope and materiality

In our Audit Plan presented to the 1 March 2017 Audit and Governance Committee meeting, we gave you an overview of how we intended to carry out our responsibilities as your auditor. We carried out our audit in accordance with this plan.

We planned our procedures using a materiality of £3,871k. We reassessed this using the actual year-end figures, which has increased this amount to £5,151k. The threshold for reporting adjusted audit differences has increased from £2,903k to £3,864k and for unadjusted audit differences from £193,550 to £257,585. The basis of our assessment of materiality has remained consistent with prior years at 2% of gross revenue expenditure.

We also identified areas where misstatement at a lower level than materiality might influence the reader and developed a specific audit strategy for them. They include:

- Remuneration disclosures including any severance payments, exit packages and termination benefits;
- Related party transactions; and
- Members' allowances

Status of the audit

We have substantially completed our audit of Oxford City Council's financial statements for the year ended 31 March 2017 and have performed the procedures outlined in our Audit plan. Subject to satisfactory completion of the following outstanding items we expect to issue an unqualified opinion on the Council's financial statements in the form which appears at Section 3. However until work is complete, further amendments may arise:

- Receipt of Audited Accounts of Group Component (OxWed)
- Receipt of the final Letter of Representation after the Audit and Governance Committee meeting on 26 September 2017
- Receipt and review of the final version of the financial statements
- Final completion of audit procedures and review by the Executive Director
- Completion of procedures required by the National Audit Office (NAO) regarding the Whole of Government Accounts submission

Executive Summary

Executive summary (continued)

Status of the audit (continued)

We expect to issue the audit certificate at the same time as the audit opinion.

Audit differences

Our audit identified a number of audit differences which our team have highlighted to management for amendment. These were all below our reporting threshold and all have been corrected during the audit.

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Areas of audit focus

Our Audit Plan identified key areas of focus for our audit of Oxford City Council's financial statements. This report sets out our observations and conclusions, including our views on areas which might be conservative, and where there is potential risk and exposure. We summarise our consideration of these matters, and any others identified, in the "Key Audit Issues" section of this report.

We ask you to review these and any other matters in this report to ensure:

- There are no other considerations or matters that could have an impact on these issues
- You agree with the resolution of the issue
- There are no other significant issues to be considered.

There are no matters, apart from those reported by management or disclosed in this report, which we believe should be brought to the attention of the Audit and Governance Committee.

Executive Summary

Executive summary (continued)

Value for money

We have considered your arrangements to take informed decisions; deploy resources in a sustainable manner; and work with partners and other third parties. In our Audit Plan we identified no significant risks.

We have no matters to report about your arrangements to secure economy efficiency and effectiveness in your use of resources.

Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Council. We have no matters to report as a result of this work.

We have performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission. We had no issues to report.

We received one question from a member of the public concerning the Council's use of publicity in respect of the potential local government re-organisation in Oxfordshire. After some initial enquiries it was confirmed that no further audit work or reporting was required.

We have no other matters to report.

Control observations

We have adopted a fully substantive approach, so have not tested the operation of controls.

Independence

Please refer to Appendix B for our update on Independence.



02 Areas of Audit Focus



Areas of Audit Focus

Audit issues and approach

Risk of Fraud in Revenue Recognition

What are our conclusions?

Our testing has not identified any material misstatements from revenue and expenditure recognition.

Overall our audit work did not identify any material issues or unusual transactions to indicate any misreporting of the Council's financial position.

What is the risk?

Risk of fraud in revenue recognition
Under ISA240 there is a presumed risk that revenue may be misstated due to improper recognition of revenue.

In the public sector this requirement is modified by Practice Note 10, issued by the Financial Reporting council, which states that auditors should also consider the risk that material misstatements may occur by manipulating expenditure recognition.

What did we do?

- We reviewed and tested revenue and expenditure recognition policies;
- We reviewed and discussed with management any accounting estimates on revenue or expenditure recognition for evidence of bias;
- We developed a testing strategy to test material revenue and expenditure streams; and
- We tested revenue cut-off at the period end date.



Areas of Audit Focus

Audit issues and approach

Risk of management override

What are our conclusions?

We have not identified any material weaknesses in controls or evidence of material management override.

We have not identified any instances of inappropriate judgements being applied.

We did not identify any other transactions during our audit which appeared unusual or outside the Council's normal course of business

We did not identify any issues from our testing of the MIRS adjustments note.

What is the risk?

As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and to prepare fraudulent financial statements by overriding controls that otherwise seem to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

In addition to the risk details outlined from our Audit Plan above, we have identified an additional risk that management could use the Movement in Reserves (MIRS) adjustments to add or remove items from the Comprehensive Income and Expenditure Statement (CIES) to alter the reserve position of the Council. Such adjustments would not change the outturn in the CIES but could inflate reserves artificially.

What did we do?

- We tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in preparing the financial statements;
- We reviewed accounting estimates for evidence of management bias (NDR provisions, IAS 19 pension transactions, and Property Plant and equipment balances); and
- We evaluated the business rationale for any significant unusual transactions.
- We completed the Disclosure Checklist provided by CIPFA to ensure that the correct items are disclosed in the MIRS adjustments.
- We identified and substantively tested movements on the Note "Adjustment between Accounting Basis and Funding Basis under Regulations" (MIRS adjustments note).



Areas of Audit Focus

Other audit issues arising

Accounting for Property, Plant and Equipment

Property, Plant and Equipment represent a significant balance in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Material judgemental inputs and estimation techniques are required to calculate the year-end fixed assets balances held in the balance sheet.

The Council engages two external expert valuers who apply a number of complex assumptions. Annually, assets are assessed to identify whether there is any indication of impairment. As the Council's asset base is significant, and the outputs from the valuer are subject to estimation, there is a risk fixed assets may be under/overstated or the associated accounting entries incorrectly posted. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

This risk relates to assets that are revalued.

Our approach has focused on:

- Consideration of the work performed by the Council's valuers, Carter Jonas and Marshalls, including the adequacy of the scope of the work performed, professional capabilities and the results of their work. This includes the use of our EY estates specialists who undertook a review of assumptions used by the valuers;
- Review and sample testing over the key asset information used by Carter Jonas and Marshalls in performing their valuation;
- Consideration of the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code. We have also considered if there are any specific changes to assets that have occurred and that these have been communicated to the valuer;
- Review of the desktop review and valuations performed by management's internal valuer over assets not subject to external valuation in 2016/17 to confirm that the remaining asset base is not materially misstated;
- Consideration of external evidence of asset values via reference to the specific Local Government Gerald Eve report commissioned by the NAO for auditor use. Specifically we have considered if this indicates any material variances to the asset valuations performed by Carter Jonas and Marshalls and the desktop review by management;
- Considered changes to useful economic lives as a result of the most recent valuation;
- Considered whether asset categories held at cost have been assessed for impairment and are materially correct; and
- Testing that the accounting entries have been correctly processed in the financial statements, including the treatment of impairments.

As a result of the testing above we did identify two non-material issues:

- We identified a number of small differences between the Fixed Asset Register and the General Ledger; and
- We identified one property which had not been valued within the last 5 years, and has been scheduled to be valued in 2017/18.

Overall we have not identified any material issues in the valuations based on our work performed.



Areas of Audit Focus

Other audit issues arising (continued)

Pension Valuations and Disclosures

The Code and IAS19 require the Council to make extensive disclosures within its financial statements regarding the Local Government Pension Scheme (LGPS) in which it is an admitted body.

The Council's current pension fund deficit is a material and sensitive item and the Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2017 this totalled £179.466 million (£133.775 million at 31 March 2016).

The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the administering body.

Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

Our approach has focused on:

- Liaising with the audit engagement team of the Oxfordshire Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Oxford City Council;
- Assessing the conclusions drawn on the work and assumptions used by Barnett Waddingham (the Pension Fund actuary) by using and reviewing the work of the Consulting Actuary commissioned by Public Sector Auditor Appointments Ltd for all Local Government sector auditors (PwC); and
- Reviewing and testing the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.

At the time of writing this report we have concluded our work with the exception of receipt of the formal IAS 19 protocol reporting from the Oxfordshire Pension Fund. As auditors of the Pension Fund we are aware that there are no issues arising from this.

Assumptions used by the actuary and adopted by the Council are considered to be generally acceptable. However, our internal pensions specialists did identify that the methodologies used to derive the discount rate and RPI inflation assumptions are not robust as they do not take adequate account of the specific duration of the Scheme's liabilities. In future years, this could lead to unacceptable assumptions.

No other issues have been identified in completing our work.

03 Audit Report



Draft audit report

Our opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF OXFORD CITY COUNCIL

Opinion on the Council's financial statements

We have audited the financial statements of Oxford City Council for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Council and Group Movement in Reserves Statement,
- Council and Group Comprehensive Income and Expenditure Statement,
- Council and Group Expenditure and Funding Analysis,
- Council and Group Balance Sheet,
- Council and Group Cash Flow Statement,
- Related notes to support the financial statements 1 to 45 and G1 to G4,
- Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and related notes H1 to H9, and
- Collection Fund and the related notes CF1 to CF2

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

This report is made solely to the members of Oxford City Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council and the Council's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Head of Financial Services and auditor

As explained more fully in the Statement of the Head of Financial Services Responsibilities set out on page 6, the Head of Financial Services is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.



Audit Report

Draft audit report (continued)

Our opinion on the financial statements

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Council and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Head of Financial Services; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Statement of Accounts 2016/17 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

21 Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Oxford City Council and Group as at 31 March 2017 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

Opinion on other matters

In our opinion, the information given in the Statement of Accounts 2016/17 for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects



Draft audit report (continued)

Our opinion on the financial statements

Conclusion on Oxford City Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

Council's responsibilities

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

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We report if significant matters have come to our attention which prevent us from concluding that the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2016, as to whether Oxford City Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Oxford City Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, Oxford City Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.



Audit Report

Draft audit report (continued)

Our opinion on the financial statements

Conclusion

On the basis of our work, having regard to the guidance issued by the C&AG in November 2016, we are satisfied that, in all significant respects, Oxford City Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

Certificate

We certify that we have completed the audit of the accounts of Oxford City Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

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Paul King
Executive Director
for and on behalf of Ernst & Young LLP, Appointed Auditor
Reading
26 September 2017

04 Audit Differences

In any audit, we may identify misstatements between amounts we believe should be recorded in the financial statements and disclosures and amounts actually recorded. These differences are classified as 'known' or 'judgemental'. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

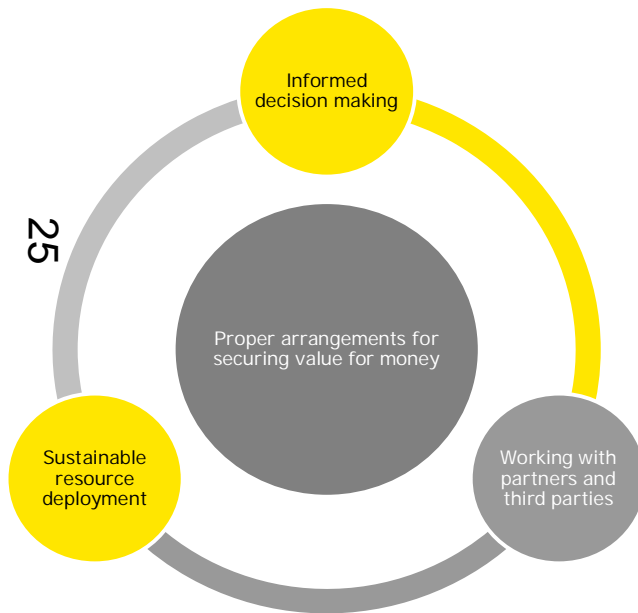
Summary of adjusted differences

Our audit identified a number of audit differences which our team have highlighted to management for amendment. These are all below our reporting threshold and all have been corrected during the audit.

Summary of unadjusted differences

We have not identified any misstatements in the financial statements which have not been corrected by management.

05 Value for Money



Economy, efficiency and effectiveness

We must consider whether you have 'proper arrangements' to secure economy, efficiency and effectiveness in your use of resources. This is known as our value for money conclusion.

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

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

In considering your proper arrangements, we use the CIPFA/SOLACE framework for local government to ensure that our assessment is made against an already existing mandatory framework which you use in documents such as your Annual Governance Statement.

Overall conclusion

We did not identify any significant risks around these criteria

We therefore expect having no matters to report about your arrangements to secure economy, efficiency and effectiveness in your use of resources.

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Other reporting issues

Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the Statement of Accounts 2016/17 with the audited financial statements.

We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

26 Financial information in the Statement of Accounts 2016/17 and published with the financial statements was consistent with the audited financial statements.

We have reviewed the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements and we have no other matters to report.

Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review, and the nature of our report, is specified by the National Audit Office.

We have no issues to raise.

Other reporting issues

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Council to consider it or to bring it to the attention of the public (i.e. “a report in the public interest”). We did not identify any issues which required us to issue a report in the public interest.

We also have a duty to make written recommendations to the Council, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. We did not identify any issues.

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Council’s financial reporting process. They include the following:

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- Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- Any significant difficulties encountered during the audit;
- Any significant matters arising from the audit that were discussed with management;
- Written representations we have requested;
- Expected modifications to the audit report;
- Any other matters significant to overseeing the financial reporting process;
- Related parties;
- External confirmations;
- Going concern;
- Consideration of laws and regulations; and
- Group audits

We have reported our findings on each of these areas within Appendix A.



07

Assessment of Control Environment

Assessment of control environment

Financial controls

Under ISA (UK&I) 265 it is mandatory to communicate significant deficiencies in internal control in writing to any audit client.

It is the responsibility of the Council to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Council has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls.

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.

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.

08

Data Analytics



Assessment of Control Environment

Journal Entry Testing

What is the risk?

In line with ISA 240 we are required to rest the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.

On what judgements are we focused?

Using our analytics tools we are able to take a risk focused approach to identify journals with a higher risk of management override.

EY Helix - GLASS: Journal Entry Data Insights - 17 Oxford City Council - 31/03/2017



What are our conclusions?

We isolated a sub set of journals for further investigation and obtained supporting evidence to verify the posting of these transactions and concluded that they were appropriately stated.

09 Appendices

Required communications with the Audit and Governance Committee

There are certain communications that we must provide to the Audit and Governance Committees of UK clients. We have done this by:

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		Our Reporting to you
Required communications	What is reported?	When and where
Terms of engagement	Confirmation by the Audit and Governance Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of the planned scope and timing of the audit, including any limitations.	March 2017 Audit Planning Report
Significant findings from the audit	<ul style="list-style-type: none"> • Our view of the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures • Any significant difficulties encountered during the audit • Any significant matters arising from the audit that were discussed with management • Written representations we have requested • Expected modifications to the audit report • Any other matters significant to overseeing the financial reporting process 	September 2017 Audit Results Report

Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	No conditions or events were identified, either individually or together to raise any doubt about Oxford City Council's ability to continue for the 12 months from the date of our report
Misstatements	<ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Significant corrected misstatements, in writing 	September 2017 Audit Results Report
Fraud 32	<ul style="list-style-type: none"> ▶ Asking the Audit and Governance Committee whether they have knowledge of any actual, suspected or alleged fraud affecting the Council. ▶ Unless all those charged with governance are involved in managing the entity, any fraud identified or information obtained indicating that a fraud may exist involving: <ul style="list-style-type: none"> (a) management; (b) employees with significant roles in internal control; or (c) others where the fraud results in a material misstatement in the financial statements. ▶ A discussion of any other matters related to fraud, relevant to Audit and Governance Committee's responsibility. 	We have asked management and those charged with governance about arrangements to prevent or detect fraud. We have not become aware of any fraud or illegal acts during our audit.
Related parties	<p>Significant matters arising during the audit in connection with the Council's related parties including, where applicable:</p> <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and/or regulations ▶ Difficulty in identifying the party that ultimately controls the entity 	We have no matters to report.
Subsequent events	<ul style="list-style-type: none"> ▶ Where appropriate, asking the Audit and Governance Committee whether any subsequent events have occurred that might affect the financial statements. 	We have asked management and those charged with governance. We have no matters to report.

Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Other information	<ul style="list-style-type: none"> ▶ Where material inconsistencies are identified in other information included in the document containing the financial statements, but management refuses to make the revision. 	We have no matters to report.
External confirmations	<ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ We were unable to obtain relevant and reliable audit evidence from other procedures. 	We have received all requested confirmations.
Consideration of laws and/or regulations	<ul style="list-style-type: none"> ▶ Audit findings of non-compliance where it is material and believed to be intentional. This communication is subject to compliance with legislation on "tipping off" ▶ Asking the Audit and Governance Committee about possible instances of non-compliance with laws and/or regulations that may have a material effect on the financial statements, and known to the Audit and Governance Committee. 	We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations.
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit. 	September 2017 Annual Audit Letter Audit Results Report
Group Audits	<ul style="list-style-type: none"> ▶ An overview of the type of work to be performed on the financial information of the components ▶ An overview of the group audit team's planned involvement in the component auditors' work on the financial information of significant components ▶ Instances where the group audit team's evaluation of a component auditor's work of gave rise to a concern about its quality Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted ▶ Fraud or suspected fraud involving group or component management, employees with significant roles in group-wide controls, or others where the fraud resulted in a material misstatement of the group financial statements. 	March 2017 Audit Planning report September 2017 Audit Results Report

Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Independence	<p>Communication of all significant facts and matters that have a bearing on EY's objectivity and independence.</p> <p>Communicating key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information on the firm's general policies and processes for maintaining objectivity and independence <p>Communications whenever significant judgments are made about threats to objectivity or independence and the appropriateness of safeguards,</p>	<p>March 2017 Audit Planning report</p> <p>September 2017 Audit Results Report</p>
Fee Reporting 34	<p>Breakdown of fee information when the audit plan is agreed</p> <p>Breakdown of fee information at the completion of the audit</p> <p>Any non-audit work</p>	<p>March 2017 Audit Planning report</p> <p>September 2017 Audit Results Report</p>
Certification work	Summary of certification work	Certification Report

Independence

We confirm that there are no changes in our assessment of independence since our confirmation in our audit planning board report dated 01 March 2017.

We complied with the APB Ethical Standards and the requirements of the PSAA's Terms of Appointment. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter which you should review, as well as us. It is important that you and your Audit and Governance Committee consider the facts known to you and come to a view. If you would like to discuss any matters concerning our independence, we will be pleased to do this at the meeting of the Audit and Governance Committee on 26 September 2017.

As part of our reporting on our independence, we set out below a summary of the fees paid for the year ended 31 March 2017.

We confirm that we have not undertaken non-audit work outside the PSAA Code requirements. We have adopted the necessary safeguards in completing this work and complied with Auditor Guidance Note 1 issued by the NAO in December 2016.

	Final fee 2016/17 £s	Planned fee 2016/17 £s	Scale fee 2016/17 £s	Final fee 2015/16 £s
Total audit fee - code work	86,175	86,175	86,175	86,175
Certification of claims and returns	TBC*	25,575	25,575	25,438
Total	TBC	111,750	111,750	111,613

* The work on certification and claims has yet to be completed

Appendix C

Accounting and regulatory update

Accounting update

Since the date of our last report to the Audit and Governance, new accounting standards and interpretations have been issued. The following table provides a high level summary of those that have the potential to have the most significant impact on you:

Name	Summary of key measures	Impact on Oxford City Council
<i>IFRS 9 Financial Instruments</i>	<p>Applicable for local authority accounts from the 2018/19 financial year and will change:</p> <ul style="list-style-type: none">• How financial assets are classified and measured• How the impairment of financial assets are calculated• Financial hedge accounting• The disclosure requirements for financial assets. <p>• Transitional arrangements are included within the accounting standard, however as the 2018/19 Accounting Code of Practice for Local Authorities has yet to be issued it is unclear what the impact on local authority accounting will be and whether any accounting statutory overrides will be introduced to mitigate any impact.</p>	<p>Although some initial thoughts on the approach to adopting IFRS 9 have been issued by CIPFA, until the Code is issued and any statutory overrides are confirmed there remains some uncertainty. However, what is clear is that the Council will have to:</p> <ul style="list-style-type: none">• Reclassify existing financial instrument assets• Remeasure and recalculate potential impairments of those assets; and• Prepare additional disclosure notes for material items <p>The Council is awaiting clarification of the exact requirements before investing time in the above work.</p>

Appendix C

<p><i>IFRS 15 Revenue from Contracts with Customers</i></p>	<p>Applicable for local authority accounts from the 2018/19 financial year. This new standard deals with accounting for all contracts with customers except:</p> <ul style="list-style-type: none"> • Leases; • Financial instruments; • Insurance contracts; and • for local authorities; Council Tax and NDR income. <p>The key requirements of the standard cover the identification of performance obligations under customer contracts and the linking of income to the meeting of those performance obligations.</p> <ul style="list-style-type: none"> • There are transitional arrangements within the standard; however as the 2018/19 Accounting Code of Practice for Local Authorities has yet to be issued it is unclear what the impact on local authority accounting will be. 	<p>As with IFRS 9, some initial thoughts on the approach to adopting IFRS 15 have been issued by CIPFA. However, until the Code is issued there remains some uncertainty. However, what is clear is that for all material income sources from customers the Council will have to:</p> <ul style="list-style-type: none"> • Disaggregate revenue into appropriate categories • Identify relevant performance obligations and allocate income to each • Summarise significant judgements <p>The Council is awaiting clarification of the exact requirements before investing time in the above work.</p>
<p><i>IFRS 16 Leases</i></p>	<p>IFRS 16 will be applicable for local authority accounts from the 2019/20 financial year.</p> <p>Whilst the definition of a lease remains similar to the current leasing standard; IAS 17, for local authorities who lease in a large number of assets the new standard will have a significant impact, with nearly all current leases being included on the balance sheet.</p> <p>There are transitional arrangements within the standard, although as the 2019/20 Accounting Code of Practice for Local Authorities has yet to be issued it is unclear what the impact on local authority accounting will be or whether any statutory overrides will be introduced.</p>	<p>Until the 2019/20 Accounting Code is issued and any statutory overrides are confirmed there remains some uncertainty in this area.</p> <p>However, what is clear is that the Council will need to undertake a detailed exercise to classify all of its leases and therefore must ensure that all lease arrangements are fully documented.</p> <p>The Council is has yet to commence work in this area due to the timing of implementation.</p>

Appendix C

Accounting and regulatory update (continued)

Progress report on implementation of new standards and regulations

In previous reports to the Audit and Governance Committee, we highlighted the issue of new accounting standards and regulatory developments. The following table summarises progress on implementation:

Name	Summary of key measures	Impact on Oxford City Council
<p data-bbox="91 549 387 676"><i>Earlier deadline for production and audit of the financial statements from 2017/18</i></p> <p data-bbox="91 810 136 863">38</p>	<ul data-bbox="427 549 1335 708" style="list-style-type: none"> The Accounts and Audit Regulations 2015 introduced a significant change in statutory deadlines from the 2017/18 financial year. From that year the timetable for the preparation and approval of accounts will be brought forward with draft accounts needing to be prepared by 31 May and the publication of the audited accounts by 31 July. 	<p data-bbox="1375 549 2114 612">These changes provide challenges for both the preparers and the auditors of the financial statements.</p> <p data-bbox="1375 644 2114 708">To prepare for this change the Council has taken a number of steps as outlined below:</p> <ul data-bbox="1420 708 2136 900" style="list-style-type: none"> Critically reviewed and amended the closedown process to achieve earlier draft accounts production for the last two years, including by the end of May for 2016/17 Brought forward the commissioning and production of key externally provided information such as IAS 19 pension information, asset valuations <p data-bbox="1375 932 1756 963">As auditors, nationally we have:</p> <ul data-bbox="1420 963 2114 1187" style="list-style-type: none"> Issued a thought piece on early closedown As part of the strategic Alliance with CIPFA jointly presented accounts closedown workshops across England, Scotland and Wales Presented at CIPFA early closedown events and on the subject at the Local Government Accounting Conferences in July 2017 <p data-bbox="1375 1219 1576 1251">Locally we have:</p> <ul data-bbox="1420 1251 2136 1442" style="list-style-type: none"> Had regular discussions through the year on the Council's proposals to bring forward the closedown timetable Together with the Council agreed areas for early work which have included testing of major income and expenditure streams at month 10.

Appendix D

Management representation letter

Management Rep Letter

[To be prepared on the entity's letterhead]

[Date]

Paul King
Director
Ernst & Young LLP
Apex Plaza,
Forbury Road
Reading RG1 1YE

This letter of representations is provided in connection with your audit of the consolidated and council financial statements of Oxford City Council (“the Group and Council”) for the year ended 31 March 2017. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the consolidated and council financial statements give a true and fair view of the Group and Council financial position of Oxford City Council as of 31 March 2017 and of its financial performance (or operations) and its cash flows for the year then ended in accordance with, for the Group and Council CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

We understand that the purpose of your audit of our consolidated and council financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing, which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Appendix D

Management representation letter (continued)

Management Rep Letter

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with, for the Group and Council the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.
2. We acknowledge, as members of management of the Group and Council, our responsibility for the fair presentation of the consolidated and council financial statements. We believe the consolidated and council financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Group and Council in accordance with [the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and are free of material misstatements, including omissions. We have approved the consolidated and council financial statements.
3. The significant accounting policies adopted in the preparation of the Group and Council financial statements are appropriately described in the Group and Council financial statements.
4. As members of management of the Group and Council, we believe that the Group and Council have a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 for the Group and Council that are free from material misstatement, whether due to fraud or error.
5. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

B. Fraud

1. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
2. We have disclosed to you the results of our assessment of the risk that the consolidated and council financial statements may be materially misstated as a result of fraud.

Appendix D

Management representation letter (continued)

Management Rep Letter

3. We have no knowledge of any fraud or suspected fraud involving management or other employees who have a significant role in the Group or Council's internal controls over financial reporting. In addition, we have no knowledge of any fraud or suspected fraud involving other employees in which the fraud could have a material effect on the consolidated or council financial statements. We have no knowledge of any allegations of financial improprieties, including fraud or suspected fraud, (regardless of the source or form and including without limitation, any allegations by "whistleblowers") which could result in a misstatement of the consolidated or council financial statements or otherwise affect the financial reporting of the Group or Council.

C. Compliance with Laws and Regulations

1. We have disclosed to you all identified or suspected non-compliance with laws and regulations whose effects should be considered when preparing the consolidated and council financial statements.

D. Information Provided and Completeness of Information and Transactions

4. We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
5. All material transactions have been recorded in the accounting records and are reflected in the consolidated and council financial statements.
6. We have made available to you all minutes of the meetings of the Council, and its relevant committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: 22 August 2017.
7. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Group and Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the year ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the consolidated and council financial statements.

Appendix D

Management representation letter (continued)

Management Rep Letter

9. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
10. We have disclosed to you, and the Group and Council has complied with, all aspects of contractual agreements that could have a material effect on the consolidated and council financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

E. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the consolidated and council financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
23. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in the consolidated and council financial statements all guarantees that we have given to third parties.

F. Subsequent Events

1. Other than the non-adjusting post balance sheet event on the Council's tower blocks described in Note 45 to the consolidated and council financial statements, there have been no events subsequent to year end which require adjustment of or disclosure in the consolidated and council financial statements or notes thereto.

G. Reserves

1. We have properly recorded or disclosed in the consolidated and council financial statements the useable and unusable reserves.

H. Contingent Liabilities

1. We are unaware of any violations or possible violations of laws or regulations the effects of which should be considered for disclosure in the consolidated and council financial statements or as the basis of recording a contingent loss (other than those disclosed or accrued in the consolidated and council financial statements).

Appendix D

Management representation letter (continued)

Management Rep Letter

I. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the valuation of Property, Plant and Equipment, the valuation, IAS 19 actuarial valuations of pension fund liabilities and the estimation of the provision for NDR appeals and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the consolidated and council financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

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J. Pensions Liability, PPE Valuations and NDR Appeals estimates

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimates have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.
2. We confirm that the significant assumptions used in making the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.
3. We confirm that the disclosures made in the consolidated and council financial statements with respect to the accounting estimate(s) are complete and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.
4. We confirm that no adjustments are required to the accounting estimates and disclosures in the consolidated and council financial statements due to subsequent events.

K. Retirement benefits

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

Yours faithfully,

Head of Financial Services

Chair of the Audit and Governance Committee

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To: Audit and Governance Committee

Date: 26 September 2017

Report of: Head of Financial Services

Title of Report: Statement of Accounts for the Year Ending 31st March 2017

Summary and Recommendations

Purpose of report: To submit the Council's Statement of Accounts and Letter of Representation for approval and authorisation.

Key Decision No

Executive lead member Councillor Ed Turner

Policy Framework: Efficient and Effective Council

Recommendation(s): That the Committee:

- a) Approve the audited 2016/17 Statement of Accounts as certified by the Head of Financial Services and authorise the Chair of the Committee to sign the Accounts
- b) Approve the Letter of Representation to enable the opinion to be issued (paragraph 12)

Appendices

Appendix 1 –Statement of Accounts 2016/17

Appendix 2 – Letter of Representation

Background

1. On the 31st May 2017 the draft 2016/17 Statement of Accounts (the Statements) were certified by the 'Responsible Officer', the Head of Financial Services as a true and fair view of the financial position of the authority at the 31st March 2017. The accounts were duly authorised to be released for audit.
2. Following audit by Ernst and Young the Statements have been re-certified by the Head of Financial Services and re-presented to this Audit and Governance Committee for final approval, prior to the 30th September deadline in accordance with the regulations.

3. In preparation for the earlier closure dates due to be implemented in 2017/18, (Accounts completed by 31st May and audited by 31st July) the Council completed its 2016/17 draft accounts by 25th May 2017, and submitted them to Audit & Governance in line with the agenda deadline. The accounts and working papers were made available to the Auditors shortly after that and the Auditors started their audit on site on the 12th June with a planned finish by the end of July.
4. Officers are discussing with the auditors how we can ensure both deadlines are met in future and will amend the approach to the preparation and audit in agreement with them in order that they can meet their deadline.
5. The 2016/17 audit is complete with some specific matters outstanding as reported in the Audit Results Report elsewhere on this agenda but it is anticipated that all matters will be complete by the date of the Audit Committee so that the accounts can be signed off.
6. The auditors have made some recommended changes, in line with the Code of Practice, and have also issued a draft report on the outcome of the audit. This report appears elsewhere on the meeting agenda.
7. The auditors are expected to issue an unqualified opinion on the financial statements.

Uncorrected Misstatements

8. The Auditors have not identified any misstatements within the draft financial statements which officers have not amended in the final version.

Changes to the Statements of Accounts

9. During the audit the external auditors identified a number of changes to the accounts which the Council have made. These changes do not have any material impact on the Council's overall financial position as they relate to disclosure notes, Balance Sheet items or items which are reversed out of the Comprehensive Income and Expenditure Statement (CIES) under normal accounting practice.
10. The Statement of Accounts, attached at Appendix 1, includes the adjustments that have been agreed and made as a consequence of the audit. The changes included are:
 - Statement of Accounts title page 'Core Financial Statements' amended to 'Core Financial Statements & Expenditure and Funding Analysis Note' to reflect the fact that the Expenditure and Funding Analysis Note is not a Core Financial Statement.
 - Investment property - Manor Farm added in to the assets (value £461k) after having been incorrectly derecognised
 - Note 18 – Long Term Investments relabelled as 'Available for Sale' rather than 'Loans and Receivables'
 - Note 35 – Exit Packages has been amended to show 20 exit packages between £0 - £20,000; number of employees in category £55,000 – 59,999

amended to 11; and the Head of Law & Governance / Monitoring Officer remuneration has been adjusted to correct a small misstatement

- Note 45 – Post Balance Sheet Event note added relating to the tower blocks
- Notes H5 and H6 – amendments made to the supporting narrative
- Group Accounts changed to accommodate changes to the Barton Oxford LLP accounts following audit
- Accounting policy 7 – Employee Benefits - termination benefits reference to 'Non Distributed Costs' removed since this is now not a category in the CIES.
- Accounting Policy 18 – the text "vehicles, plant & equipment" added against measurement base 'depreciated historic cost'
- Accounting Policy 26 – Events After the Reporting Period added due to the addition of a Post Balance Sheet Event note

11. A verbal update will be given at Audit and Governance Committee if there are any subsequent changes that need to be made.

Letter of Representation

12. Attached at Appendix 2 is a draft Letter of Representation which the Committee is asked to approve. This is a letter from the Council's Section 151 Officer setting out the processes and procedures the Council adopts to ensure that it is in compliance with its statutory requirements and that it has a sufficiently robust control framework to prevent and detect fraud and irregularities. Ernst and Young require this letter before they issue their opinion.

Financial Implications

13. These are covered within the main body of the report.

Legal Implications

14. In the future, the changes in dates will mean that the accounts will not be able to be presented to Audit and Governance Committee in draft form but the Committee will still be required to approve the final statement of accounts.

Risk Implications

15. There are no risks associated with the recommendations in this report. For 2017/18 there is a risk that the audit will not be completed within the deadline. Officers are working with auditors to facilitate a faster audit of the statements for 2016/17 in preparation for the 2017/18 closedown.

Communication

16. The Audited Statement of Accounts for 2016/17 will be published on the Council's website along with a notice confirming the conclusion of the audit.

Name and contact details of author:-

Name: Bill Lewis

Job title: Financial Accounting Manager

Service Area / Department: Financial Services,

Tel: 01865 252607 e-mail: blewis@oxford.gov.uk

Background papers: None

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Paul King
Ernst & Young LLP
Apex Plaza
Forbury Road
Reading
RG1 1YE

Our ref: Final accounts 2016-17
Your ref: Letter of rep 2016-17

Date : 26th September 2017

Dear Paul

This letter of representations is provided in connection with your audit of the consolidated and council financial statements of Oxford City Council (“the Group and Council”) for the year ended 31 March 2017. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the consolidated and council financial statements give a true and fair view of the Group and Council financial position of Oxford City Council as of 31 March 2017 and of its financial performance (or operations) and its cash flows for the year then ended in accordance with, for the Group and Council CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

We understand that the purpose of your audit of our consolidated and council financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing, which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with, for the Group and Council the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.
2. We acknowledge, as members of management of the Group and Council, our responsibility for the fair presentation of the consolidated and council financial statements. We believe the consolidated and council financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Group and Council in accordance with [the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17].

Kingdom 2016/17 and are free of material misstatements, including omissions. We have approved the consolidated and council financial statements.

3. The significant accounting policies adopted in the preparation of the Group and Council financial statements are appropriately described in the Group and Council financial statements.
4. As members of management of the Group and Council, we believe that the Group and Council have a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 for the Group and Council that are free from material misstatement, whether due to fraud or error.
5. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

B. Fraud

1. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
2. We have disclosed to you the results of our assessment of the risk that the consolidated and council financial statements may be materially misstated as a result of fraud.
3. We have no knowledge of any fraud or suspected fraud involving management or other employees who have a significant role in the Group or Council's internal controls over financial reporting. In addition, we have no knowledge of any fraud or suspected fraud involving other employees in which the fraud could have a material effect on the consolidated or council financial statements. We have no knowledge of any allegations of financial improprieties, including fraud or suspected fraud, (regardless of the source or form and including without limitation, any allegations by "whistleblowers") which could result in a misstatement of the consolidated or council financial statements or otherwise affect the financial reporting of the Group or Council.

C. Compliance with Laws and Regulations

1. We have disclosed to you all identified or suspected non-compliance with laws and regulations whose effects should be considered when preparing the consolidated and council financial statements.

D. Information provided and Completeness of Information and Transactions

1. We have provided you with:
 - a. Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - b. Additional information that you have requested from us for the purpose of the audit; and
 - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and are reflected in the consolidated and council financial statements.



3. We have made available to you all minutes of the meetings of the Council, and its relevant committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: 22 August 2017.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Group and Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the year ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the consolidated and council financial statements.
5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
6. We have disclosed to you, and the Group and Council has complied with, all aspects of contractual agreements that could have a material effect on the consolidated and council financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

E. Liabilities and contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the consolidated and council financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in the consolidated and council financial statements all guarantees that we have given to third parties.

F. Subsequent Events

1. Other than the non-adjusting post balance sheet event on the Council's tower blocks described in Note 45 to the consolidated and council financial statements, there have been no events subsequent to year end which require adjustment of or disclosure in the consolidated and council financial statements or notes thereto.

G. Reserves

1. We have properly recorded or disclosed in the consolidated and council financial statements the useable and unusable reserves.

H. Contingent Liabilities

1. We are unaware of any violations or possible violations of laws or regulations the effects of which should be considered for disclosure in the consolidated and council financial statements or as the basis of recording a contingent loss (other than those disclosed or accrued in the consolidated and council financial statements).

I. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the valuation of Property, Plant and Equipment, the valuation, IAS 19 actuarial valuations of pension fund liabilities and the estimation of the provision for NDR appeals and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the consolidated and council financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

J. Pensions Liability, PPE Valuations and NDR Appeals estimates

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimates have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.
2. We confirm that the significant assumptions used in making the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.
3. We confirm that the disclosures made in the consolidated and council financial statements with respect to the accounting estimate(s) are complete and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.
4. We confirm that no adjustments are required to the accounting estimates and disclosures in the consolidated and council financial statements due to subsequent events.

K. Retirement benefits

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

Yours faithfully

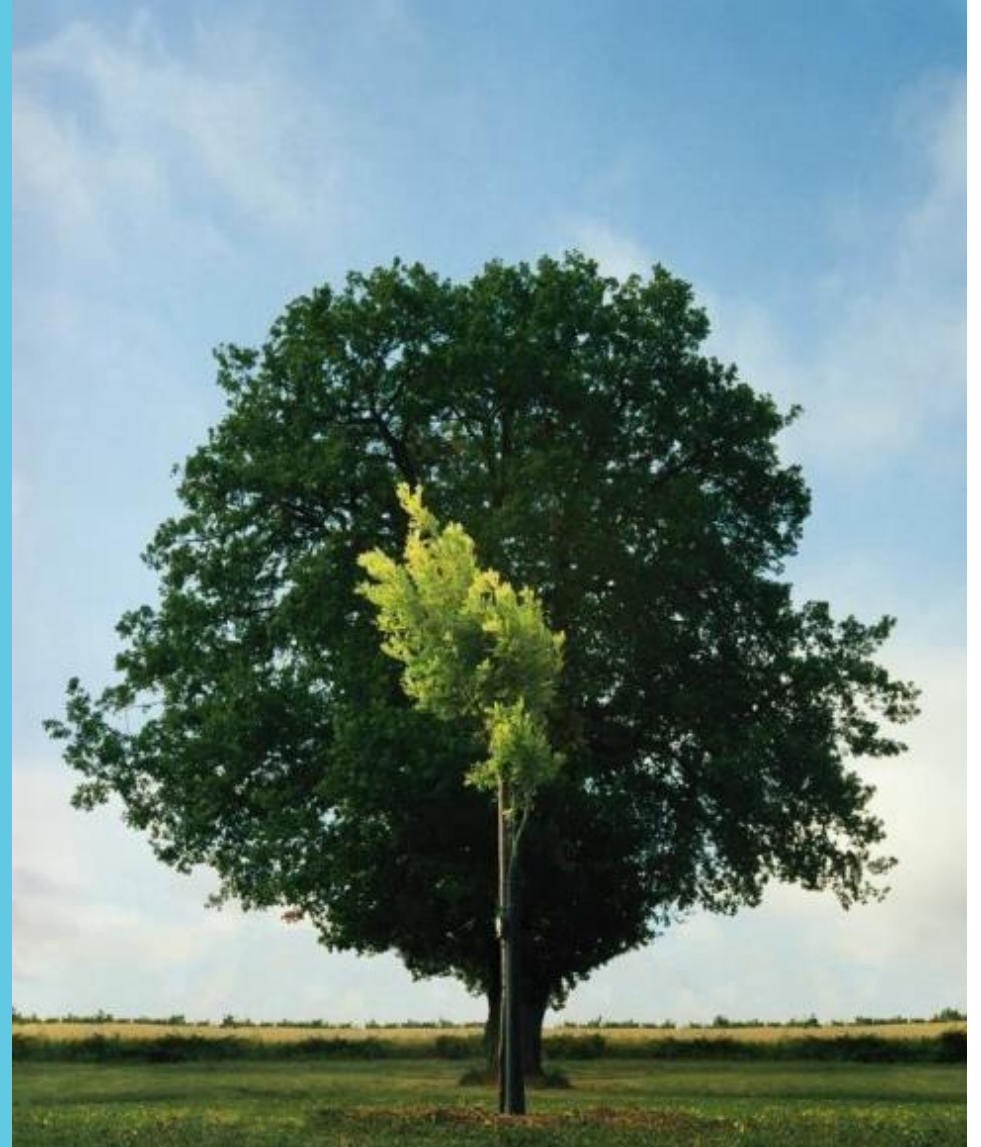
Nigel Kennedy
Head of Financial Services – Section 151 Officer

James Fry
Chair of Audit and Governance Committee

Oxford City Council

INTERNAL AUDIT PROGRESS REPORT

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September 2017



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PROGRESS AGAINST 2017/18 INTERNAL AUDIT PLAN

Internal Audit

This report is intended to inform the Audit and Governance Committee of progress made against the 2017-18 internal audit plan which was approved by the Audit and Governance Committee in March 2017.

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

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Internal Audit Methodology

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

Work outside of the Internal Audit Plan

The following changes have been made:

- Audit 4 General Ledger has been removed. This is because an urgent review of Audit 20. Cash Handling was required due to a significant control failure identified in this area.
- An review of Audit. 18 Disabled Facilities Grant was added as this was required as part of the Council's compliance procedures for the funding it issues.

Overview of 2017/18 work to date

We have completed and finalised the reports for:

- Audit 8. Counter Fraud Review
- Audit 14. Fusion Partnership Arrangements
- Audit 20. Cash Handling.

We have also completed a review of:

- Audit 18. Disabled Facilities Grant
- Audit 19. Benefits Team Plan Comparison.

For those reports issued with Moderate opinions and above, the Executive Summary is enclosed in this report.

No reports have received a Limited Opinion at this Committee.

Other Reports

- Follow-Up of Recommendations
- Updated Internal Audit Charter.

PROGRESS AGAINST 2017/18 INTERNAL AUDIT PLAN

The reviews to be completed for the period 1 April 2017 to 31 March 2018 were agreed at the March 2017 Audit Committee.

Name of review	Audit Sponsor	Agreed Days	Planning	Fieldwork	Reporting	Committee Reported to	Assurance	
							Design	Effectiveness
EFFICIENT, EFFECTIVE COUNCIL								
Audit 2, Accounts Payable	Nigel Kennedy	10	✓	October 2017				
Audit 3. Payroll and Overtime	Nigel Kennedy / Helen Bishop	10	✓	January 2018				
Audit 4. General Ledger	Nigel Kennedy	40	Removed from the Audit Plan					
Audit 5. Income Generation (non-Direct Services)	Nigel Kennedy	13	✓	January 2018				
Audit 6. Payment Card Industry Data Security Standard (PCI DSS)	Nigel Kennedy	12	✓	November 2017				
Audit 7. Freedom of Information	Lindsay Cane	12	✓	✓	✓	June 2017	Moderate	Moderate
Audit 8. Counter Fraud Review	Scott Warner	15	✓	✓	✓	September 2017	Moderate	Substantial
Audit 9. Budget Setting and Monitoring	Nigel Kennedy	15	✓	September 2017				
Audit 10. Collection Fund	Nigel Kennedy	10	✓	October 2017				
Audit 11. Cyber Crime	Helen Bishop	14	✓	✓	✓	September 2017	Moderate	Limited
Audit 12. Data Protection	Helen Bishop	12	✓	January 2018				
Audit 13. Recruitment and Retention	Nigel Kennedy	15	✓	October 2017				

PROGRESS AGAINST 2017/18 INTERNAL AUDIT PLAN

The reviews to be completed for the period 1 April 2017 to 31 March 2018 were agreed at the March 2017 Audit Committee.

Name of review	Audit Sponsor	Agreed Days	Planning	Fieldwork	Reporting	Committee Reported to	Assurance	
							Design	Effectiveness
VIBRANT, SUSTAINABLE ECONOMIES								
Audit 1. Car Parking	Nigel Kennedy	12	✓	✓	✓	June 2017	Substantial	Moderate
STRONG, ACTIVE COMMUNITIES								
Audit 14. Fusion Partnership Arrangements	Ian Brooke	12	✓	✓	✓	September 2017	Moderate	Moderate
MEETING HOUSING NEEDS								
Audit 16. Companies Review	Stephen Clarke	15	✓	November 2017				
Audit 17. Housing Rents	Nigel Kennedy	13	✓	October 2017				
ADDITIONAL REVIEWS TO THE AUDIT PLAN								
Audit 18. Disabled Facilities Grant	Nigel Kennedy	5	✓	✓	✓	September 2017	N/A	N/A
Audit 19. Benefits Team Plan Comparison	Nigel Kennedy	2 (carry forward from prior year)	✓	✓	✓	September 2017	N/A	N/A
Audit 20. Cash Handling	Nigel Kennedy	15	✓	✓	✓	September 2017	Moderate	Moderate

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EXECUTIVE SUMMARY – AUDIT 8. COUNTER FRAUD

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	Generally a sound system of internal control designed to achieve system objectives with some exceptions
Effectiveness	Substantial	The controls that are in place are being consistently applied

SUMMARY OF RECOMMENDATIONS (SEE APPENDIX II FOR DEFINITIONS)

High	-
Medium	2
Low	4

Total number of recommendations: 6

OVERVIEW

Background

Oxford City Council's (OCC) Investigation Service has developed significantly over the last two years and has seen marked success in loss prevention and asset recovery over this period. In 2016/17 efficiencies of £5.1m were reported as a result of invoicing for identified losses ('cashable savings') and the recovery of housing stock. This year, the service is aiming to make further savings. Our review provides a high-level overview of the current counter-fraud work-plan, as well as a focus on case management and Right to Buy (RTB) controls. OCC is investing in a data-matching capability in order to boost the counter-fraud service's marketability, initially by improving its preventative capability and, in the longer term, through enhanced data quality and customer insight. Mindful of the impending General Data Protection Regulations (GDPR), the Investigation Service requested that we review their proposed information sharing protocol. Lastly, we assessed the Council's compliance with financial regulations when drawing up and charging for its service contract with Warwick District Council (WDC).

Good Practice

- The Investigation Service's annual work-plan contains a wide range of appropriate proactive activity, including data matching, joint working and information sharing - both internally and with external partners - and bespoke fraud awareness training
- Investigation Service KPIs demonstrate an appropriate output focus on 'protecting the public purse' in terms of financial losses prevented and/or recovered in year
- The service is proactively seeking independently assured customer feedback on its delivery
- OCC's online fraud reporting tool is a simple and efficient means for the public to report concerns
- Interviews Under Caution (IUC) are conducted with regard to legal obligations and best practice, including the use of the 'PEACE' 5 step model during questioning and the provision of PACE (Police and Criminal Evidence Act) -compliant spaces and equipment for such interviews to take place
- RTB due diligence is particularly robust and well controlled, with no discrepancies found in a sample of 15 RTB applications received in 17/18
- Strong KYC (Know Your Customer) and Anti-Money Laundering (AML) procedures are in place, particularly around ID verification
- OCC's business agreement with WDC is in line with financial regulations and there has been effective engagement between business partners and the Investigation Service to ensure contract pricing structures are appropriate

EXECUTIVE SUMMARY – AUDIT 8. COUNTER FRAUD

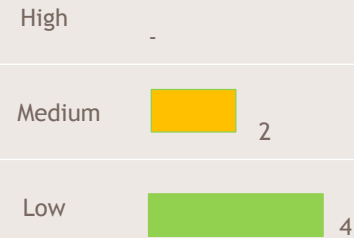
OXFORD CITY COUNCIL STRATEGIC OBJECTIVE THIS REVIEW RELATES TO

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	Generally a sound system of internal control designed to achieve system objectives with some exceptions
Effectiveness	Substantial	The controls that are in place are being consistently applied

SUMMARY OF RECOMMENDATIONS (SEE APPENDIX II FOR DEFINITIONS)



Total number of recommendations: 6

OVERVIEW CONTINUE

Key Findings

Two medium risk findings were noted:

- The last Fraud Risk Forecast was completed in 2014/15 and a full Fraud Risk Assessment has not yet been undertaken
- The viability of current staff and IT resources to support planned Investigation Service activity has not been formally assessed and this may impact on the achievement of objectives such as commercial expansion of the service

In addition, four low risk findings were identified, as follows:

- Case file notes recorded using the InCase management system are sometimes lacking in detail
- The Investigation Service should implement file reviews as a learning and quality assurance tool
- Some amendments to the Council's draft Information Sharing Protocol have been proposed, as detailed at the Enclosure.

Conclusion

The design of OCC's counter fraud arrangements are generally robust, particularly around safeguarding the key asset of housing stock. In this area, RTB due diligence stood out as proportionate, methodical and effective in its operation. A wider focus on fraud risks across the organisation, from both internal and external sources, will strengthen the internal control environment further. As it continues to grow and expand, particularly in its commercial operations, the Investigation Service should reflect on how it plans to manage staff and technology in order to keep pace with increasing demand, whilst still maintaining its objectives for customer focus and financial delivery.

EXECUTIVE SUMMARY – AUDIT 20. CASH HANDLING



OXFORD CITY COUNCIL STRATEGIC OBJECTIVE THIS REVIEW RELATES TO

A vibrant and sustainable economy. A smart and entrepreneurial city with a thriving local economy supported by improved infrastructure, training and skills

LEVEL OF ASSURANCE (SEE APPENDIX II FOR DEFINITIONS)

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

SUMMARY OF RECOMMENDATIONS (SEE APPENDIX II FOR DEFINITIONS)

High		
Medium		2
Low		1

Total number of recommendations: 2

OVERVIEW

The Council generate income through various streams including Planning, Licensing, Land Charges and Car parking. These services are paid for via cash and cheques directly to the service line, who in turn issue receipts and record the income collected. The cash and cheques are brought to the finance department at the Council who verify the amounts collected and issue a receipt. These amounts are in turn stored in a safe and for smaller amounts, a locked drawer before the cash is deposited in the Council's bank accounts. It has been brought to our attention that a box containing £146.48 in cheques relating to income collections made in 2014 was found in August 2017. This has prompted an immediate review of the cash handling processes. This audit has identified inconsistencies in practice across the service lines, specifically in regard to the timely depositing of cash and cheques with finance.

During this review the following areas of good practice were noted:

- The Council provide training to junior members of staff who are involved in cash handling
- Once deposited with the payments officer in finance, cash and cheques are held securely until they are deposited at the bank
- All deposits to finance are receipted, with a copy sent back to the key contact in the service line

However the following areas of improvement were noted:

- Cash and cheques are not held securely by all service lines (Medium - Finding 1)
- There are no procedure notes detailing the process for depositing cash with finance, leading to inconsistencies in practice across the service lines (Medium - Finding 2)
- The transportation of cash from the a specific site to the Council offices is by one member of staff only (Low - Finding 3).

Please note that many Council's are focussing on moving to cheque/cashless processes. In this review we identified in the period 1 January to 31 August 2017 the Council receipted £487,212 of cheques and £27,150 of cash. The Council should investigate or plan to use cashless payment methods to help break cycles of dependency on services. This is an area we will monitor through our follow-up process.

Conclusion

We have issued two medium and one low level recommendations that we believe will improve the control environment. Furthermore, from our testing and observation of the control environments we have not identified any high recommendations or significant instances of non-compliance with controls in place. As a result we conclude moderate assurance on both the design and operational effectiveness of the controls.

OTHER INTERNAL AUDIT WORK

1. BENEFITS ACTION PLAN COMPARISON

There was 2 internal audit days unused in the 2016-17 audit plan. It was agreed that these surplus days would be best used to provide a high level overview of the Council's Housing Benefits Recovery Plan. The Council had to repay money to the Department for Communities and Local Government post the external audit of their 2015-16 Benefits Submission. This has led to greater scrutiny in the area.

From our comparison of the Recovery Plan to other authorities we conclude that overall the Recovery Plan is a very detailed document with clear proposals, desired outcomes, nominated responsible officers and timescales. However, there are a few areas for further improvement which could be made:

- The key thing in delivering improvement is getting the culture of the team right, so that everyone is focussed on getting processing done 'right first time'. The challenge to achieving this is bringing everyone along with you and to deliver this there really needs to be a team ethos that everyone is signed up to and properly engaged with
- There could be greater focus on those with lower accuracy rates on a reoccurring basis. This could be formalised into their appraisal process to ensure that action is taken
- The Council could consider a mentoring programme where staff achieving higher accuracy rates mentor those with lower rates - receiving feedback from staff and not management may foster a better culture
- The outcome of achieving a uniform approach for staff to attend training and important staff meetings also needs to happen, so that the whole team has received the same learning and messages
- Calculation of earned income to be used in benefit assessments is a perennial problem encountered by most processing authorities. To address this assessors need to clearly document the calculation they have made and the rationale for why they have done what they have done, referencing this back to the evidence provided by the claimant
- There could be greater use of tools to help risk assess cases to ensure appropriate priority of cases is made.

2. DISABLED FACILITIES GRANT

For the 2016-17 financial year, Oxford City Council received £964,129 funding from Oxfordshire County Council to administer Disabled Facilities Grant (DFG) applications. DFG is available from Local Authorities to pay for essential housing adaptations to help disabled people stay in their own homes.

A condition on receiving this grant is that it is independently audited to assess whether the funds received have been spent reasonably and in line with specific grant conditions. BDO LLP were instructed to provide this independent assessment and conclude that in all significant aspects the from the sample tested that conditions of the grant have been met for the period 1 April 2016 to 31 March 2017 with no exceptions to formally report.

APPENDIX I – DEFINITIONS

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

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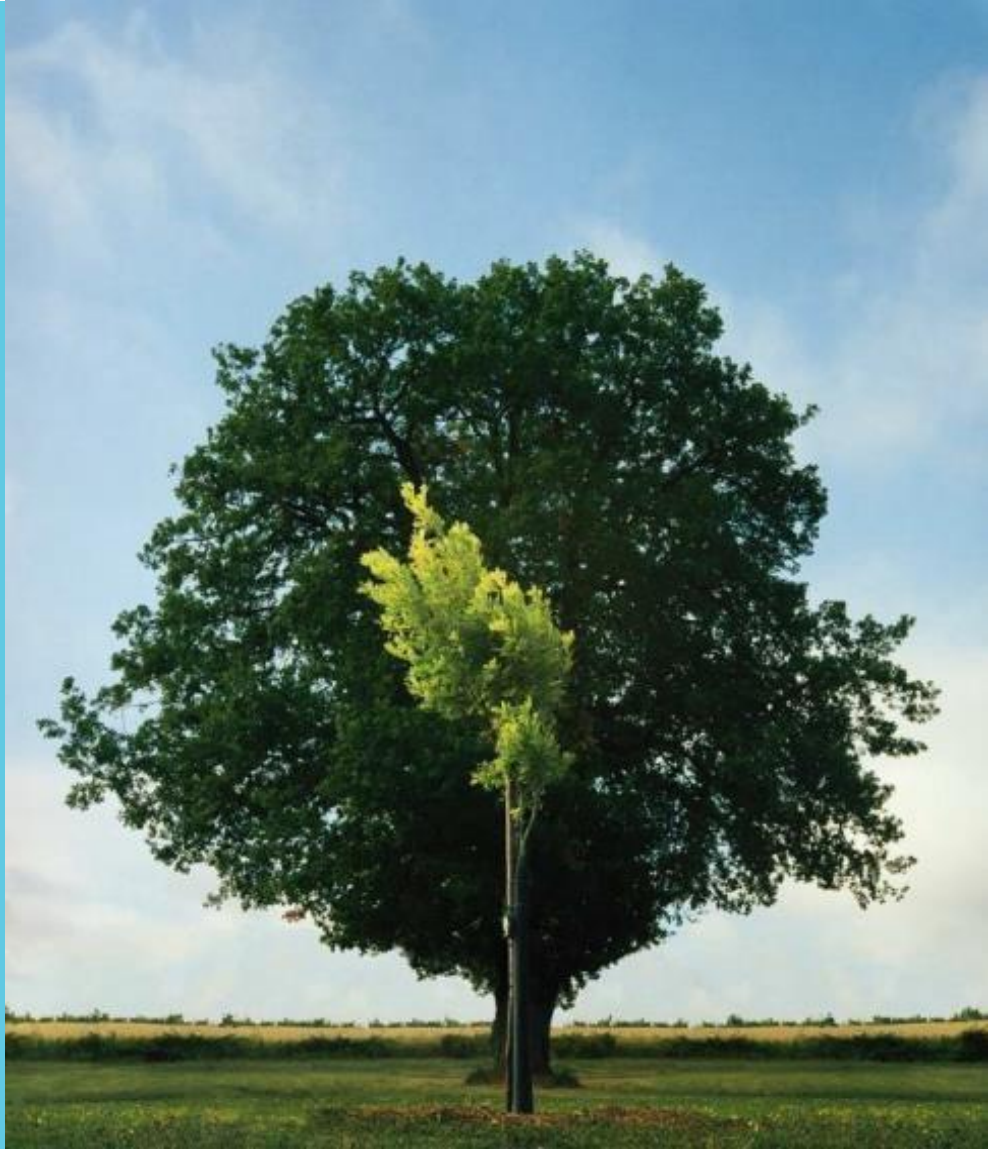


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OXFORD CITY COUNCIL

INTERNAL AUDIT FOLLOW UP OF RECOMMENDATIONS REPORT

September 2017



INTRODUCTION AND EXECUTIVE SUMMARY

Introduction

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

There were **35** recommendations due for September 2017 comprising of Nine High recommendations and 26 Medium recommendations.

Executive Summary

Please find below a summary of the 35 recommendations that were due for completion prior to the September 2017 Audit and Governance Committee:

2015 - 2016 Recommendations

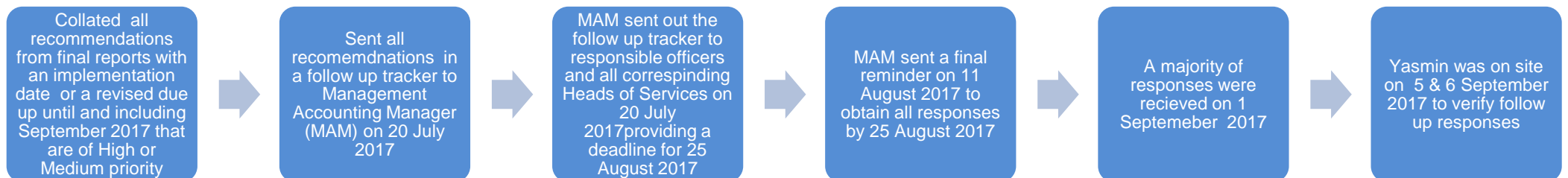
- One High and Three Medium recommendations have been implemented and can be removed from the Recommendations Tracker

2016 - 2017 Recommendations

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

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



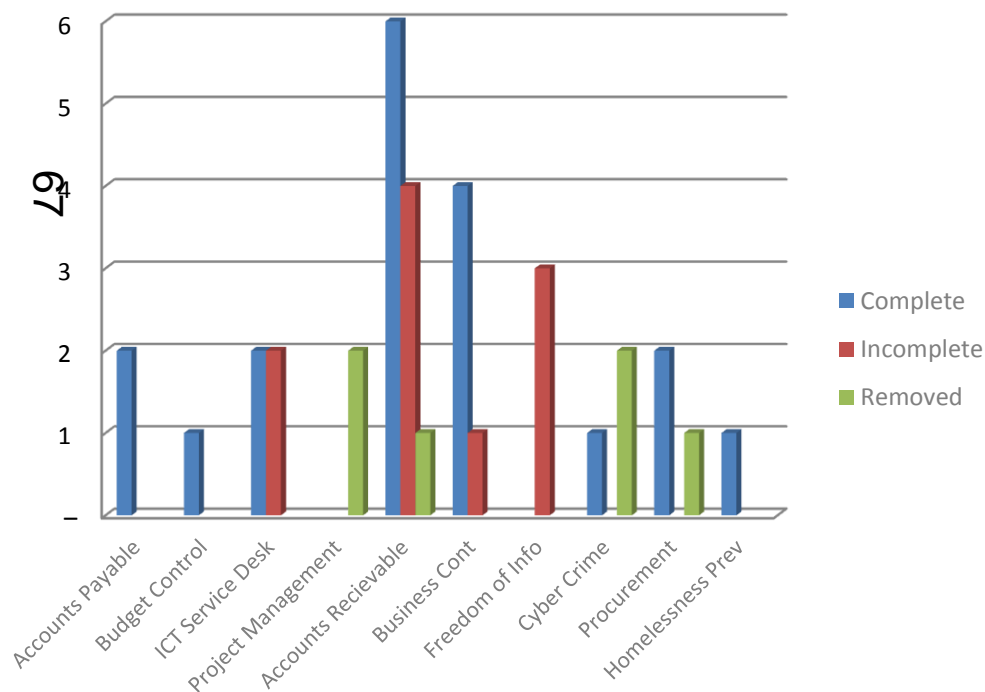
INTRODUCTION AND EXECUTIVE SUMMARY

The charts below reference the number of recommendations due up until and including September 2017. In total there were **35** recommendations due for follow up chart 1 demonstrates the number of recommendations due for September 2017 whereby **14** recommendations were complete, **15** were incomplete and **6** were removed.

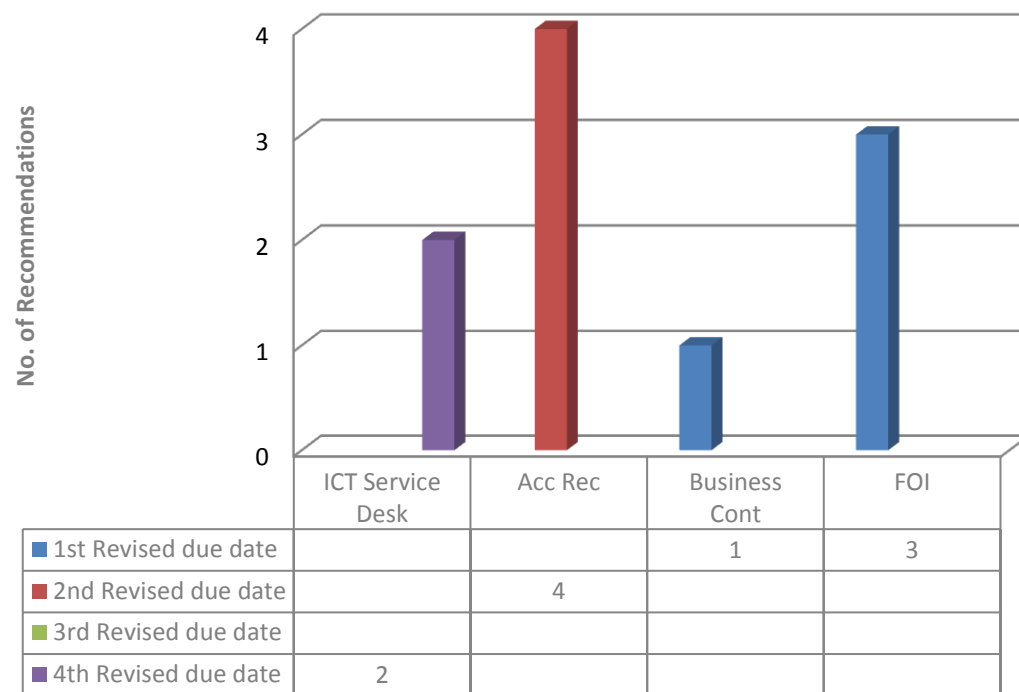
Chart 2 demonstrates the number of recommendations incomplete of the 35 recommendations **15** were incomplete. We issued **5** recommendations with a 1st revised due date, **9** recommendations with a 2nd revised due date and **1** recommendation with a fourth revised due date

Recommendation reference 2 and 5 from the ICT service desk review have been allocated a fourth revised due date. The ICT service desk manager is relatively new in post and as a result, was familiarising himself with current processes. It was vital for the manager to clearly understand the roles and responsibilities of the ICT service desk and clearly establish a regular process for monitoring performance and identifying relationships amongst service areas for the team to follow. These recommendations are underway as a draft service catalogue has been created and is in the process of being finalised. We are hoping to close these recommendations in the next follow up review in January 2018.

1. The status of 35 Recommendations due for September 2017



2. 10 Recommendations issued with 1st, 2nd, 3rd or 4th revised due date



Please note the number of incomplete recommendations have decreased in comparison to the previous Follow up report issued in June 2017:

- June 2017 Follow up: 35% of recommendations were incomplete (14/40)
- September 2017 Follow up: 29% of recommendations were incomplete (10/35)

RECOMMENDATIONS COMPLETE

Audit	Recommendation made with reference to the corresponding Internal Audit report	Priority Level	Manager Responsible	Head of Service	Original Due Date	Notes on Completion
2015 – 16 Accounts Payables	1d) Long term solution: Ensure one ASL central electronic source is available to all staff which is a live update against which delegated limits can be verified	M	Amanda Durnan, Strategic Procurement and Payments Manager	Nigel Kennedy, s151 officer	Mar – 16 Aug – 16 Dec – 16 Sept - 17	Internal Audit verified that there is a designated responsible officer to manage the uploading of the ASL. This is published on the Councils intranet and updated on a regular basis. Where changes have been made to the ASL, this is updated and published on the council intranet imminently.
2015 – 16 Accounts Payables	3f) Sufficient training should be provided to all users of the Key2 system	H	Amanda Durnan, Strategic Procurement and Payments Manager	Nigel Kennedy, s151 officer	Mar – 16 Aug – 16 Dec – 16 Sept - 17	Internal Audit can confirm that all individuals who use Key 2 within the accounts payables team are sufficiently trained to use the software. Training manuals and registers were reviewed to ensure all individuals concerned underwent key 2 training. Where updates are made to the Key 2 system individuals are notified accordingly.
2015 – 16 Budgetary Control and Performance Management	5) Consideration of the risk management survey findings should be presented and discussed within the Risk Management group.	M	Bill Lewis, Interim Financial Accounting Manager	Nigel Kennedy, s151 officer	Jan – 17 Sept - 17	The survey is due to go to the next Risk Management Group which the Finance Officer is setting up. A copy of the survey with questions and responses have been provided to both the financial accounting manager and the finance officer to ensure there is adequate detail available for discussion.

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RECOMMENDATIONS COMPLETE

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Audit	Recommendation made with reference to the corresponding Internal Audit report	Priority Level	Manager Responsible	Head of Service	Original Due Date	Notes on Completion
2015 – 16 Homelessness Prevention	1) A revised action plan should be created for the Homelessness Strategy which should be presented to the Council's Housing Panel	M	Dave Scholes, Strategy and Service Development Manager	Stephen Clarke, Housing	Sep - 16 Jun - 17	Internal Audit verified that the Homelessness Strategy 2013-18, along with the Housing Strategy 2015-18, Empty Property Strategy 2013-18 and associated action plans, have been reviewed. In light of significant legislative and Government policy changes relating to housing and Welfare Reform, a new and combined Draft Housing and Homelessness Strategy 2018-21 has been written. The draft strategy will be presented, and the new combined action plan, to the CEB at its meeting on 19/9/17. It will then be subject to a period of public consultation prior to amendment, and adopted in early 2018 prior to the expiry of the current strategies.
2016 -17 ICT Service Desk	<p>1) In order to achieve the expected maturity level, Management should:</p> <ul style="list-style-type: none"> • Define the expectations, objectives and scope of the Service Desk in line with the requirements of the Council. • Define the services provided by the Service Desk to the Council and document the processes associated with the delivery of these services • Define the relationship between the Service Desk and the operational areas of the Council's ICT Service. • Define the responsibilities and the relationship between the Council's Service Desk and Application Development functions. <p>Management should consider the implementation of a defined service level agreement (SLA) between ICT and the Council.</p>	M	Vic Frewin, IT Manager	Helen Bishop, Head of ICT	Oct - 16 Jan - 17 Apr - 17 Sept - 17	Internal Audit verified that the service level agreement and service catalogue have both been drafted and provided to the 'Once Council Board' and some ICT users. All expectations and objectives are specified within the documents and roles and responsibilities are clearly defined. The draft SLA and service catalogue are subject to any feedback, subsequently, these documents will be finalised by 30th September. The Standard Operating Procedures for the service are written and are constantly being reviewed. The Service Desk is operational in accordance with ITIL guidelines.

RECOMMENDATIONS COMPLETE

Audit	Recommendation made with reference to the corresponding Internal Audit report	Priority Level	Manager Responsible	Head of Service	Original Due Date	Notes on Completion
2016 -17 ICT Service Desk	In order to achieve the expected maturity level, Management should define the services that are provided by the Service Desk. This should include, but not be limited to: <ul style="list-style-type: none"> • The purpose and objective of the service • The processes and sub-processes necessary to deliver the service • The procedure for monitoring the service provided to the Council and the efficacy of the processes that support it. Furthermore, Management should review and, where necessary, change the access management process so that: <ul style="list-style-type: none"> • Requests for access are approved by the user's line manager and that a record of this approval is maintained • Access rights are determined and allocated according to the user's job role • User access is reviewed on a routine basis. 	M	Vic Frewin, IT Manager	Helen Bishop, Head of ICT	Oct -16 Jan -17 Apr -17 Sept - 17	Internal Audit verified that a manual process now exists for granting access to restricted files and data, that covers all of the points made. The council have documented responsibility, scope and objectives of each are in the Service Catalogue, and also translating this into an e-form on the service management's tool, vFire, with automated workflows which should improve processing time considerably, and generate a more robust audit trail.
2016 – 17 Accounts Receivable	4d) Where there are transactional balances over one year of age comprising of both debit and credit transactions these must be cleared/removed from the error account	M	Katie Ball, Income Manager	Nigel Kennedy, s151 Officer	Sept - 17	Internal Audit verified that the Incomes Team Leader works through the error account on a regular basis. Transactions are recorded to be checked by the Incomes Team Manager. Please note there are still historic transactions that cannot be removed from the error account.
2016 – 17 Accounts Receivable	8b) Where interfaces fail, alerts should be set up to notify responsible officers and the ICT department as soon as possible	M	Neil Markham, Incomes Team Leader	Nigel Kennedy, s151 Officer	Dec -16 Sept - 17	Internal Audit verified that alerts are now in place. In some cases there were some old historic alerts that were going to incorrect staff members. All essential alerts now go to incomes@oxford.gov.uk and ICT.

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RECOMMENDATIONS COMPLETE

Audit	Recommendation made with reference to the corresponding Internal Audit report	Priority Level	Manager Responsible	Head of Service	Due Date	Notes on Completion
2016 – 17 Accounts Receivable	<p>6a) The roles and responsibilities of the originator departments and the incomes team should be clearly defined</p> <p>6b) The ultimate responsibility of debt collection should be clearly communicated to the incomes team</p> <p>6c) The originator department should communicate effectively with the incomes team on any customer issues that concern effective debt recovery</p> <p>6d) Income officers should be proactive in monitoring overdue debt and ensuring contact is maintained at agreed follow-on dates until the debt is fully recovered.</p>	H	Katie Ball, Income Manager	Nigel Kennedy, s151 Officer	Sept – 17	<p>6a/b) Internal Audit verified that new debt processes have been drafted for direct services which clearly defines the roles and responsibility of the incomes team. Debt processes have been drafted - One for Direct Services sundries and commercial waste. Once agreed it is the intention to use these as a basis for all debt collection across the council.</p> <p>6c) Regular debt meetings are held with key areas. Staff has also started working within business areas where appropriate. For example, an income officer now spends one day a week with corporate property. The income officer responsible for direct services sundry debt works in the two depots once a fortnight to improve communication.</p> <p>6d) The makeup of the team has been altered to achieve better debt monitoring. The incomes team are cross skilling new staff consistently to enable them to cover a wide range of debt schemes. This provides a more solid and resilient approach to debt collection, ensuring correct contact is made within the correct timescales. The Incomes team will continue to roll this way of working out to the whole team and will upskill all Income Officers in various debt streams. This will provide versatile and undeviating service.</p>

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RECOMMENDATIONS COMPLETE

Audit	Recommendation made with reference to the corresponding Internal Audit report	Priority Level	Manager Responsible	Head of Service	Original Due Date	Notes on Completion
2016 – 17 Business Continuity and Disaster Recovery	<p>1) Senior management must require that all Council services complete a risk assessment and a business impact assessment in order to determine and define their Recovery Time Objectives (RTO) and Recovery Point Objectives (RPO) according to:</p> <ul style="list-style-type: none"> • Financial impact on the Council of the loss of service • Reputational impact on the Council of the loss of a service • Regulatory impact on the Council of the loss of a service • Resources required to recover the service. • The outcome of this review should be used to define the priority for the recovery of the Council's services according to • Their criticality to the Council and its strategic objectives • The maximum possible time that the Council can operate without providing the service. <p>All business continuity plans should be reviewed and, where necessary, updated so that they reflect the corporate prioritisation and those resources are adequately allocated to recover the Council's critical services. Furthermore, senior management should review the criticality of its services on an annual basis or following a significant change to its structure.</p>	H	,Nigel Kennedy,s151 Officer	Nigel Kennedy, s151 Officer	Apr – 16 Sept – 16	<p>A full review of the Councils service BCPs and corporate BCP has been undertaken with the assistance of Zurich, the Councils insurance and risk advisors. This started with a workshop with all Heads of Service on 23rd May, followed by a review of all plans which were then further reviewed by Zurich to ensure that these were robust. A date for the test of plans has been scheduled for 18th October 2017.</p>

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RECOMMENDATIONS COMPLETE

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Audit	Recommendation made with reference to the corresponding Internal Audit report	Priority Level	Manager Responsible	Head of Service	Due Date	Notes on Completion
2016 – 17 Business Continuity and Disaster Recovery	<p>2a) Senior Management must undertake a review of the Council's business continuity plans, including its Corporate Business Continuity plan, and, where necessary:</p> <ul style="list-style-type: none"> Revise existing plans so that they are aligned to the Council's corporate structure Business continuity plans are defined for the Council's services that are found not to have existing plans. Senior management must require all continuity plans include a record of all information necessary to continue the Council's services in the event of an incident, including but not limited to: <ul style="list-style-type: none"> The provision or acquisition of IT hardware The Recovery Time Objective for critical IT services Complete and up to date contact lists. <p>Senior management should consider the establishment of a Business Continuity Policy that defines the Council's requirements for continuity planning. Furthermore, senior management must make appropriate arrangements for accessing business continuity plans in the event of an incident.</p>	H	,Nigel Kennedy,s151 Officer	Nigel Kennedy, s151 Officer	Mar-16 Sept-16	A full review of the Councils service BCPs and corporate BCP has been undertaken with the assistance of Zurich, the Councils insurance and risk advisors. This started with a workshop with all Heads of Service on 23rd May followed by a review of all plans which were then further reviewed by Zurich to ensure that these were robust. A date for the test of plans has been scheduled for 18 th October 2017.
2016 – 17 Business Continuity and Disaster Recovery	<p>3) Management should establish a business continuity management system that provides oversight of the status of the Council's business continuity and disaster recovery arrangements, including but not limited to:</p> <ul style="list-style-type: none"> Last recorded review date for each plan Last recorded test date for each plan <p>Status of each plan, including where plans are incomplete</p> <ul style="list-style-type: none"> Status of third party plans. 	H	,Nigel Kennedy,s151 Officer	Nigel Kennedy, s151 Officer	Mar-16 Sept-16	Following the update of all the Service plans and Corporate Plan the status of these will now be monitored, to ensure that these are all reviewed regularly

RECOMMENDATIONS COMPLETE

Audit	Recommendation made with reference to the corresponding Internal Audit report	Priority Level	Manager Responsible	Head of Service	Due Date	Notes on Completion
2016 – 17 Business Continuity and Disaster Recovery	<p>4a) Senior management must require that all Council services complete a risk assessment and a business impact assessment in order to determine and define their Recovery Time Objectives (RTO) and Recovery Point Objectives (RPO) according to:</p> <ul style="list-style-type: none"> • Financial impact on the Council of the loss of a service • Reputational impact on the Council of the loss of a service • Regulatory impact on the Council of the loss of a service • Resources required to recover the service <p>The outcome of this review should be used to define the priority for the recovery of the Council's services according to:</p> <ul style="list-style-type: none"> • Their criticality to the Council and its strategic objectives • The maximum possible time that the Council can operate without providing the service. <p>All business continuity plans should be reviewed and, where necessary, updated so that they reflect the corporate prioritisation and that resource are adequately allocated to recover the Council's critical services. Furthermore, senior management should review the criticality of its services on an annual basis or following a significant change to its structure.</p>	H	,Nigel Kennedy,s151 Officer	Nigel Kennedy, s151 Officer	Mar-16 Sept-16	A full review of the Councils service BCPs and corporate BCP has been undertaken with the assistance of Zurich, the Councils insurance and risk advisors. This started with a workshop with all Heads of Service on 23rd May followed by a review of all plans which were then further reviewed by Zurich to ensure that these were robust. A date for the test of plans has been scheduled for 18 th October 2017.

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RECOMMENDATIONS COMPLETE

Audit	Recommendation made with reference to the corresponding Internal Audit report	Priority Level	Manager Responsible	Head of Service	Original Due Date	Notes on Completion
2016 -17 Cyber Crime	7) Management should review and, where necessary, restrict the number of users that have been granted domain administrator access to approved users only. A record of authorised accounts should be maintained and reviewed on a routine basis. Furthermore, there should be a standard operating procedure in place for requesting and approving the granting of domain administrator permissions.	M	Vic Frewin, IT Manager	Helen Bishop, Head of ICT	Sept - 17	A full review of this has now taken place. The number of AD Domain Admin accounts has been reduced to a "need to have" basis resulting in about a 70% reduction in the number of DA accounts. A process had been established and a Standard Operating Procedure agreed with SCC for instances where they require domain level access out of hours for emergencies. AD Domain Administrator account access now requires approval of CTIO.
75 2016 – 17 Procurement	3a) The Procurement Team and Counter Fraud Team should jointly go through the Procurement Fraud Checklist and agree where the Council currently are against each criteria 3b) The Procurement Team and Counter Fraud Team should jointly then agree the actions required to achieve the required standards against each criteria	M	Amanda Durnan, Strategic Procurement and Payments Manager	Nigel Kennedy, s151 Officer	Sept - 17	There were regular meetings held with the procurement team and the Counter Fraud team where the Procurement Fraud Checklist was discussed and action plans were formed as a result of this.

RECOMMENDATIONS INCOMPLETE

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Audit	Recommendation made with reference to the corresponding Internal Audit report	Priority Level	Manager Responsible	Head of Service	Due Date	Progress to Date	Revised Due Date
2016 – 17 ICT Service Desk	<p>2) In order to achieve the expected maturity level, Management should:</p> <ul style="list-style-type: none"> Establish and agree with the Council a set of defined metrics and key performance indicators in order to monitor and assess the performance of the Service Desk Define the operational requirements for achieving the defined metrics and implement a procedure to monitor and report on performance issues as they are encountered <p>Furthermore, Management should establish a defined communications strategy, which includes but is not limited to:</p> <ul style="list-style-type: none"> The requirement for department and team meetings The frequency with which these meetings are held The requirement for meetings to be held with key stakeholders from across the Council 	M	Vic Frewin, IT Manager	Helen Bishop, Head of ICT	Oct -16 Jan -17 Apr -17 Sept -17	<p>Metrics – Complete</p> <p>Appropriate metrics and KPIs to monitor the performance of the service desk are already produced in a weekly report for the Head of Business Improvement and the Executive Director for Organisational Development and Corporate Services. Procedures are in place to monitor performance. Meetings with key stakeholders, the One Council Board, Service Heads and various management teams. Although this approach is not formalised in a document.</p> <p>Comms Strat - Incomplete</p> <p>There is a proposal for a new structure that is being considered, and following this the framework for communication will be formalised.</p>	Mar - 18
2016 – 17 ICT Service Desk	<p>5) In order to achieve the expected maturity level, Management should, for each IT operational area, define:</p> <ul style="list-style-type: none"> The responsibility, scope and objective for the area The relationship and interaction between each area The procedure for monitoring the performance of each area individually and the ICT service as a whole. <p>Furthermore, Management should review and, where necessary, revise the Service Desk roles and responsibilities so that they are aligned with the services that are provided to the Council.</p>	M	Vic Frewin, IT Manager	Helen Bishop, Head of ICT	Oct -16 Jan -17 Apr -17 Sept -17	<p>The council are currently documenting the processes define for inclusion in the Service Catalogue, and also translating this into an e-form on the service management's tool, v-Fire, with automated workflows which should improve processing time considerably, and generate a more robust audit trail.</p>	Mar - 18

RECOMMENDATIONS INCOMPLETE

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Audit	Recommendation made with reference to the corresponding Internal Audit report	Priority Level	Manager Responsible	Head of Service	Due Date	Progress to Date	Revised Due Date
2016 – 17 Accounts Receivable	<p>2a) The requirement to perform Customer Due Diligence (CCD) checks must be communicated to all relevant staff setting out the consequences to the Council of non-compliance with legislation</p> <p>2c) As part of the Agresso milestone 6 upgrade (due in March 2017) the Council should enforce a parameter whereby, staff are prompted to ensure that CDD checks have been completed and/or considered prior to submission for authorisation.</p>	M	Neil Markham, Income Team Leader	Nigel Kennedy, s151 Officer	Mar—17 Sept—17	<p>2a) The Incomes team have communicated with the communications team around using council matters as a way of promoting the need to perform due diligence checks to the whole authority. This will be promoted in the next council matters to ensure compliance with legislation.</p> <p>2c) There was no capacity for amendments during the Agresso milestone 6 upgrade. The upgrade has now been completed (Aug 17). A request has now been raised with IT and will be further escalated as an urgent request.</p>	Oct – 17
2016 – 17 Accounts Receivable	3b) Income officers should seek to review the customer creation forms or confirm that they were completed on the creation of a customer (segregation of duties where income officers were creating and reviewing their own forms through the system)	M	Neil Markham, Income Team Leader	Nigel Kennedy, s151 Officer	Mar—17 Sept—17	A request for this has been raised with ICT. This is to implement a system change stopping an Incomes Officer from being able to create and review. Whilst this is being processed there have been amendments to internal procedures which correct the review process.	Nov - 17

RECOMMENDATIONS INCOMPLETE

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Audit	Recommendation made with reference to the corresponding Internal Audit report	Priority Level	Manager Responsible	Head of Service	Due Date	Progress to Date	Revised Due Date
2016 – 17 Accounts Receivable	8c) Regular reports should be run to ensure interfaces have run correctly.	M	Neil Markham Income Team Leader	Nigel Kennedy, s151 Officer	Dec – 16 Jun – 17	Reports are being used to identify failures in garden waste interfaces - one example is the DD proposal that identifies credits that require raising. A File load log is kept for the commercial waste file loading - from this the council can ensure that what is sent has been loaded. The incomes team has identified a historic subscriptions report. This can be run to perform a virtual health check of all of our subscriptions - allowing the incomes team to rectify them before they fail to run. Unfortunately these reports no longer work but they have been sent it to ICT re - write. The incomes management team has recently undergone Agresso foundation training - due to there being many new users. The next stage to that will be the report writing course - Once attended it will give the Council all the ability to build bespoke reports more efficiently. There are no bespoke reports that the Incomes team leader is aware of which runs interface failure reports.	Jan - 18

RECOMMENDATIONS INCOMPLETE

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Audit	Recommendation made with reference to the corresponding Internal Audit report	Priority Level	Manager Responsible	Head of Service	Due Date	Progress to Date	Revised Due Date
2016 – 17 Business Continuity and Disaster Recovery	7) Management should develop and deliver a training programme for business continuity management based upon the needs of members of staff that are involved in continuity and recovery planning. Furthermore, management should establish a process to raise awareness of its continuity arrangements.	M	,Nigel Kennedy,s151 Officer	Nigel Kennedy, s151 Officer	Sept-16	Following a review of all BCPs a test of these plans is scheduled for 18 th October 2017 which will be the final step in the review process. Training needs will be identified as part of this exercise.	Mar- 18
2016 – 17 Freedom of Information	2a) The Council should designate at least one further individual to be trained and supported to manage the FOI process. Should the FICO be absent the following teams should be considered: <ul style="list-style-type: none"> Support from the Corporate Affairs Lead (current arrangement) Law and Governance Support Staff. 	M	Mike Newman, Corporate Affairs Lead	Lindsay Cane, Head of Law and Governance	Jul-17	The Head of Law and Governance and the Corporate Affairs Lead will be discussing the need for law and governance to support with FOI requests should the FICO or the Corporate Affairs Lead be absent from their duties. Discussions and access to the FOI log for the Law and Governance support staff will take place by the end of	Nov - 2017
2016 – 17 Freedom of Information	3a) The Council should deliver in-house training to FOI Champions led by the FICO and Corporate Affairs Lead 3b) The training should: Identify service areas that may cause compliance issues What the basic expectations are from service areas when processing an FOI request Promote a better understanding on the updated regulations and how this will impact on freedom of information requests A best practice approach on processing FOI requests should be communicated	M	Mike Newman, Corporate affairs Lead	Lindsay Cane, Head of Law and Governance	Sept-17	The Corporate affairs Lead, FICO and a member from Law and Governance will provide training to all FOI champions within each service area by December 2017.	Jan - 2018

RECOMMENDATIONS REMOVED


08

Audit	Recommendation made with reference to the corresponding Internal Audit report	Priority Level	Manager Responsible	Head of Service	Due Date	Reason for change of priority level from High to Low or Removal
2016 -17 Project Management	2a) Adopt the EVM methodology in monitoring project performance, which involves determining whether you're on, ahead of, or behind schedule and on, under, or over budget. See Appendix 2 for the case study. 2b) Assess whether this can be configured in Verto so the system will automatically calculate the EVM to include in the 'Financial Reporting' section in the system.	REMOVED	Anna Winship, Management Accounting Manager	Nigel Kennedy, s151 Officer	Mar - 17	2a) On review of EVM it was felt that this would be an extensive piece of work to set up and maintain and the benefit received from it would not outweigh this. However, more focus has been placed on the budgets being more accurate and also ensuring that these are profiled as accurately as possible to ensure that that the council can monitor these accurately 2b) The council are not progressing the use of Verto for capital projects as the Capital Programme Board are satisfied with the current reporting and monitoring of the capital programme.
2016 -17 Accounts Receivable	8a) The Council should engage with Integra at their earliest convenience to rewrite the scripts for interfaces	M → L	Neil Markham, Income Team Leader	Nigel Kennedy, s151 Officer	Dec - 16 Sept - 17	Integra was commissioned to investigate/review all interfaces. Recommendations came out of that. A consultant also spent two days investigating garden waste (the biggest current interface). Integra have now been commissioned to spend 4 days working on the interface - date TBC.
2016 - 17 Procurement	2) The Trust should incorporate the Contract register into Pro Contract so that the documenting of contracts becomes automated.	REMOVED	Amanda Durnan, Strategic Procurement and Payments Manager	Nigel Kennedy, s151 Officer	Sept - 17	The contract register was incompatible with Pro Contract as the level of information required to be reviewed by a procurement officer is greater to what Pro contract offers. As a result the council will no long pursue the need to upload all information in pro contract and will review the contract register through a read only spreadsheet kept in a centralised location.

RECOMMENDATIONS REMOVED

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Audit	Recommendation made with reference to the corresponding Internal Audit report	Priority Level	Manager Responsible	Head of Service	Due Date	Reason for change of priority level from High to Low or Removal
2016 -17 Cyber Crime	5) Management should request that SCC provide routine reporting regarding the efficacy of its network perimeter security controls. This should include, but not be limited to: The number of information or cyber security incidents encountered and the actions taken by SCC to resolve them The devices that have or have attempted to connect to the Council's IT network Unusual or suspicious activity that has been detected and requires further investigation.	M → L	Vic Frewin, ICT Manager	Helen Bishop, Head of ICT	Aug - 17	This has been requested of SCC and they have agreed to provide notifications as suggested for attempted intruder attacks and Denial of Service (DoS) attempts. They have declined to notify us of issues reported by other customers on their Sentinel secure tenanted platform. Therefore, this recommendation will not be pursued further.
2016 -17 Cyber Crime	6) With the assistance of SCC, the Council's firewalls should be reviewed and, where necessary, inappropriate or unnecessary rules should be removed. Furthermore, management should put in place a standard operating procedure for reviewing the Council's firewall rules on a routine basis. Where necessary, relevant information must be provided by SCC to support these reviews.	M → L	Vic Frewin, ICT Manager	Helen Bishop, Head of ICT	Sept - 17	Engagement with SCC regarding visibility of, and access, to firewall configuration and rulesets continues to be challenging. SCC have offered to send regular dumps of the rulesets, but their current protocols do not allow access to their firewall console, even in read-only mode. Therefore, this recommendation will not be pursued further.



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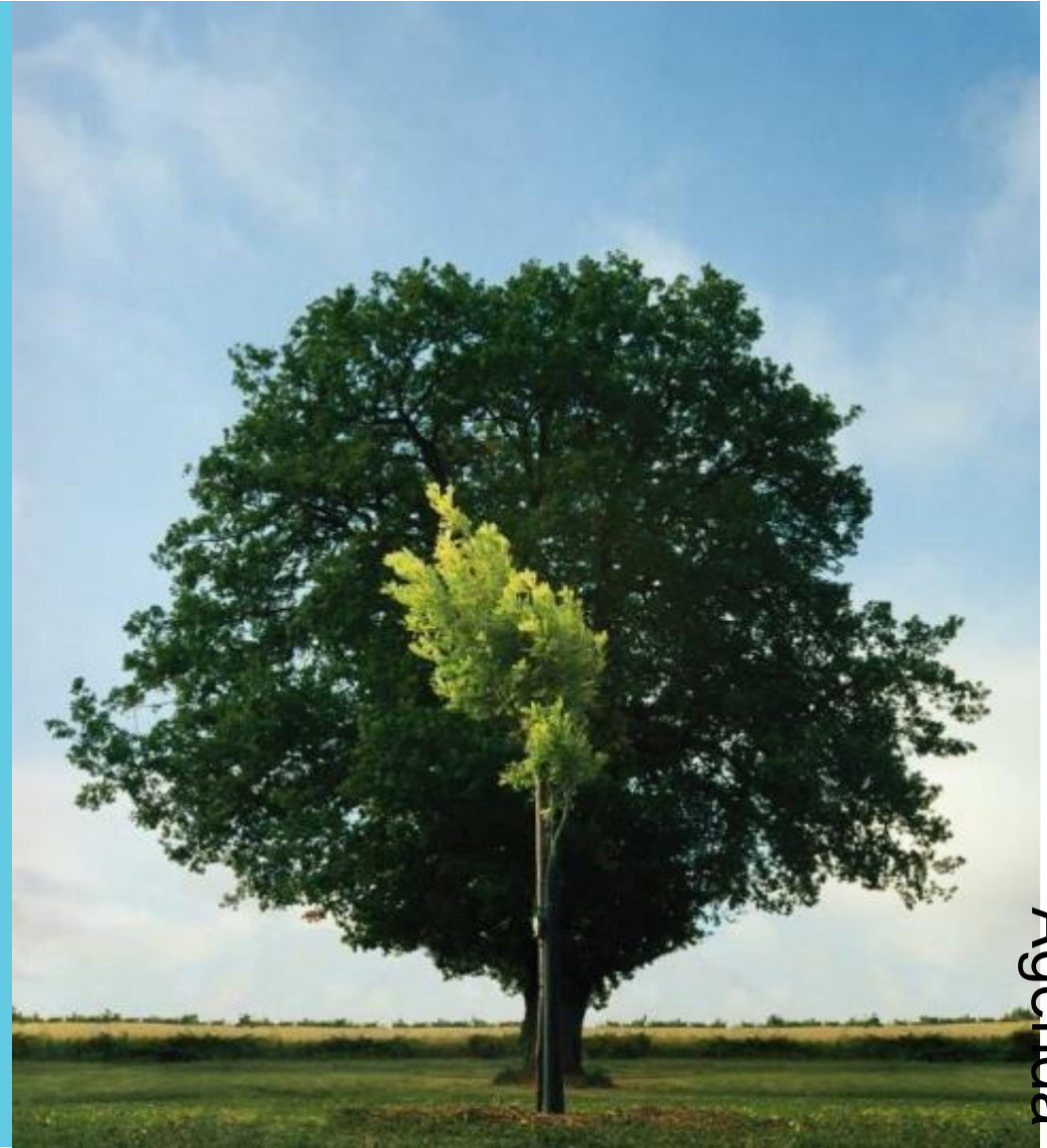
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OXFORD CITY COUNCIL

UPDATED INTERNAL AUDIT CHARTER

September 2017



APPENDIX I

Internal Audit Charter - Role and Scope of Internal Audit

Purpose of this charter

This charter is a requirement of Public Sector Internal Audit Standards (PSIAS).

The charter formally defines internal audit's mission, purpose, authority and responsibility. It establishes internal audit's position within Oxford City Council, and defines the scope of internal audit activities.

Final approval resides with the Board (through discussion with the Section 151 Officer), in practice the charter shall be reviewed and approved annually by management and by the Audit and Governance Committee on behalf of City Executive Board.

Internal audit's mission

Internal audit's mission is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.

84 Standards of internal audit practice

To fulfil its mission, internal audit will perform its work in accordance with PSIAS, which encompass the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF): Definition of Internal Auditing, Code of Ethics, and International Standards for the Professional Practice of Internal Auditing.

Internal audit definition and role

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Internal audit acts primarily to provide the Audit and Governance Committee and Section 151 Officer with information necessary for it to fulfil its own responsibilities and duties. The Section 151 Officers role is to ensure Council is compliant with the statutory requirements for internal audit as set out in the 1972 Local Government Act. Implicit in internal audit's role is that it supports management to fulfil its own risk, control and compliance

responsibilities. The range of work performed by internal audit is set out in PSIAS and not repeated here.

Internal audit's scope

The scope of internal audit activities includes all activities conducted by Oxford City Council. The Internal Audit Plan sets out those activities that have been identified as the subject of specific internal audit engagements.

The provision of assurance services is the primary role for internal audit in the UK public sector. This role requires the chief audit executive (Head of Internal Audit) to provide an annual internal audit opinion based on an objective assessment of the framework of governance, risk management and control.

Assurance engagements involve the objective assessment of evidence to provide an independent opinion or conclusions regarding an entity, operation, function, process, system or other subject matter. The nature and scope of the assurance engagement are determined by internal audit.

Consulting engagements are advisory in nature and are generally performed at the specific request of management, with the aim of improving governance, risk management and control and contributing to the overall opinion. The nature and scope of consulting engagement are subject to agreement with management. When performing consulting services, internal audit should maintain objectivity and not assume management responsibility.

Effective internal audit

Our internal audit function is effective when:

- It achieves the purpose and responsibility included in the internal audit charter
- It conforms with the Standards
- Its individual members conform with the Code of Ethics and the Standards
- It considers trends and emerging issues that could impact the organisation.

The internal audit activity adds value to Oxford City Council (and its stakeholders) when it considers strategies, objectives and risks, strives to offer ways to enhance governance, risk management and control processes and objectively provides relevant assurance.

APPENDIX I

Internal Audit Charter - Independence and objectivity

Independence and internal audit's position within Oxford City Council

To provide for internal audit's independence, its personnel and external partners report to the Head of Internal Audit, who reports functionally to the Audit and Governance Committee. The Head of Internal Audit has free and full access to the Chair of the Audit and Governance Committee. The Head of Internal Audit reports administratively to the Head of Financial Services (Section 151 Officer) who provides day-to-day oversight and is charged with ensuring the Council is compliant with statutory requirements for the internal audit function.

The appointment or removal of the Head of Internal Audit will be performed in accordance with established procedures and subject to the approval of the Chair of the Audit and Governance Committee.

85 The internal audit service will have an impartial, unbiased attitude and will avoid conflicts of interest. The internal audit service is not ordinarily authorised to perform any operational duties for Oxford City Council.

In the event that internal audit undertakes non-audit activities, safeguards will be agreed to ensure that independence or objectivity of the internal audit activity are not impaired. This might include a separate partner review of the work or a different team undertaking the work. Approval of the arrangements for such engagements will be sought from the Section 151 Officer and Audit and Governance Committee prior to commencement.

In the event that internal audit provides assurance services where it had previously performed consulting services, an assessment will be undertaken to confirm that the nature of the consulting activity did not impair objectivity and safeguards will be put in place to manage individual objectivity when assigning resources to the engagement. Such safeguards will be communicated to the Section 151 Officer and Audit and Governance Committee.

Internal audit must be free from interference in determining the scope of internal auditing, performing work and communicating results. Should any interference take place, internal audit will disclose this to the Audit and Governance Committee to discuss the implications.

Internal audit's role in fraud, bribery and corruption

Management, not internal auditors are responsible for the prevention and detection of fraud, bribery and corruption. Auditors will, however, be alert in all their work to risks and exposures that could allow fraud or corruption as well as seeking to identify indications that fraud and corruption may have been occurring. Audit procedures alone, even when performed with due professional care, cannot guarantee that fraud and corruption will be detected. In the event that internal audit suspect a fraud, this will be referred to appropriate management in the first instance and then the audit committee.

Access to records and confidentiality

There are no limitations to internal audit's right of access to Oxford City Council officers, records, information, premises, or meetings which it considers necessary to fulfil its responsibilities.

When the auditors receive confidential information about your affairs it shall at all times be kept confidential, except as required by law or as provided for in regulatory, ethical or other professional pronouncements applicable. All information will be maintained in line with appropriate regulations, for example the Data Protection Act 1998.

Coordination and reliance with other assurance providers

In co-ordinating activities internal audit may rely on the work of other assurance and consulting service providers.

A consistent approach is adopted for the basis of reliance and internal audit will consider the competency, objectivity, and due professional care of the assurance and consulting service providers. Due regard will be given to understanding of the scope, objectives and results of the work performed by other providers of assurance and consulting services.

Where reliance is placed upon the work of others, internal audit is still accountable and responsible for ensuring adequate support for conclusions and opinions reached by the internal audit activity.

APPENDIX I

Internal Audit Charter - Internal Audit Commitments

Internal audit's commitments to Oxford City Council

Internal audit commits to the following:

- working with management to improve risk management, controls and governance within the organisation
- performing work in accordance with PSIAS
- complying with the ethical requirements of PSIAS
- dealing in a professional manner with Oxford City Council staff, recognising their other commitments and pressures
- raising issues as they are identified, so there are no surprises and providing practical recommendations
- liaising with external audit and other regulators to maximise the assurance provided to Oxford City Council reporting honestly on performance against targets to the Section 151 Officer and Audit and Governance Committee.

98 Internal audit performance measures and indicators

The tables on the right contain some of the performance measures and indicators that are considered to have the most value in assessing the efficiency and effectiveness of internal audit.

The Audit and Governance Committee should approve the measures which will be reported to each meeting and / or annually as appropriate. In addition to those listed here we also report on additional measures as agreed with management and included in our Progress Report.

Quality assurance and improvement programme

As required by PSIAS an external assessment of the service will be performed at least every five years. BDO also has an internal quality assurance review process in place, which takes place annually. This is performed by a separate team independent to the internal audit team.

The results of internal and external assessments will be communicated to the Section 151 Officer and Audit and Governance Committee as part of the internal audit annual report, along with corrective action plans.

Table One: Performance measures for internal audit

Measure / Indicator
Audit Coverage Annual Audit Plan delivered in line with timetable Actual days are in accordance with Annual Audit Plan
Relationships and customer satisfaction Customer satisfaction reports - overall score at least 70% for surveys issued at the end of each audit Annual survey to Audit Committee to achieve score of at least 70%
Staffing and Training At least 60% input from qualified staff
Audit Reporting Issuance of draft report within 3 weeks of fieldwork `closing` meeting Finalise internal audit report 1 week after management responses to report are received.
Audit Quality Positive result from any external review

APPENDIX I

Internal Audit Charter - Management & Staff Commitments

Management and staff commitments to Internal Audit

The management and staff of Oxford City Council commit to the following:

- providing unrestricted access to all of Oxford City Council's records, property, and personnel relevant to the performance of engagements
- responding to internal audit requests and reports within the agreed timeframe and in a professional manner
- implementing agreed recommendations within the agreed timeframe
- being open to internal audit about risks and issues within the organisation
- not requesting any service from internal audit that would impair its independence or objectivity
- providing honest and constructive feedback on the performance of internal audit

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Management and staff performance measures and indicators

The following three indicators are considered good practice performance measures but we go beyond this and report on a suite of measures as included in each Audit Committee progress report.

Table Two: Performance measures for management and staff

Measure / Indicator
Response to Reports Audit sponsor to respond to terms of reference within one week of receipt and to draft reports within two weeks of receipt
Implementation of recommendations Audit sponsor to implement all audit recommendations within the agreed timeframe
Co-operation with internal audit Internal audit to confirm to each meeting of the Audit Committee whether appropriate co-operation has been provided by management and staff

BDO contacts

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Gurpreet Dulay CPFA	Manager	07870 555 214	Gurpreet.Dulay@bdo.co.uk
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To: Audit and Governance Committee
Date: 26 September 2017
Report of: Head of Financial Services
Title of Report: Risk Management Quarterly Reporting: Quarter 1 2017/18

Summary and Recommendations

Purpose of report: To update the Committee on both corporate and service risks as at the end of Quarter 1, 30 June 2017.

Key decision: No

Executive lead member: Councillor Ed Turner

Policy Framework: Efficient and Effective Council

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

Appendices:

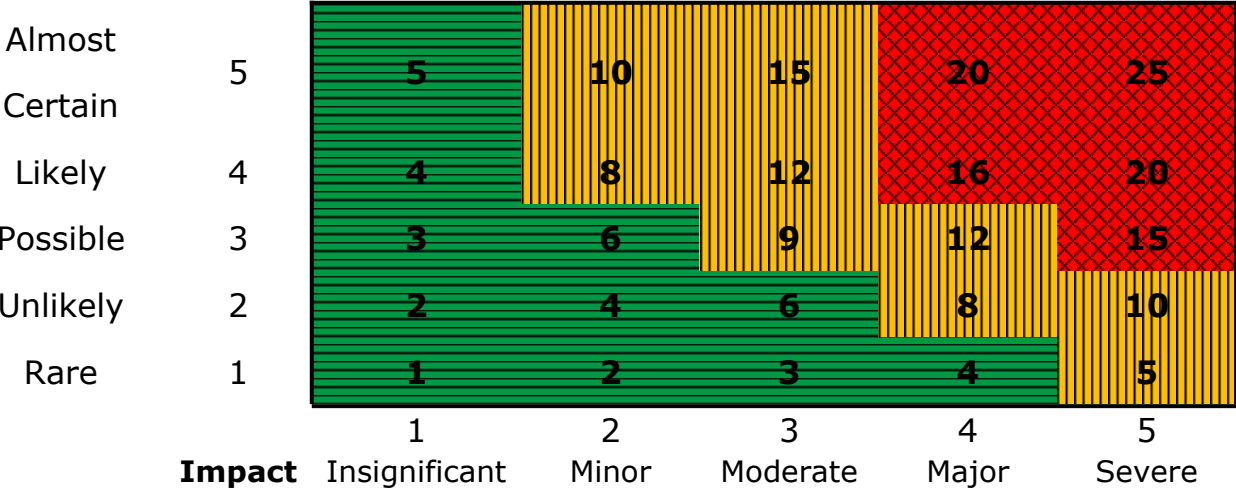
Appendix A Corporate Risk Register

Risk Scoring Matrix

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

3. The risk prioritisation matrix is shown below.

Probability



Key:



Risk Identification

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

Quarter 1 Corporate Risk Register

- 7. The new Corporate Risk Register is attached at Appendix A.
- 8. The number of red risks for Q1 has remained at one. This is as follows:-
 - Innovative Arrangements & Models - The Council is exploring and implementing new models of service delivery such as joint ventures and

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

9. The number of amber risks for Q1 has increased due to two risks being upgraded from green. These are:-

- Workforce and skills – The Council is finding it difficult to fill certain job roles in the organisation, whether sourcing ourselves or via an agency. A recruitment roadshow is being organised which may help mitigate the Council’s ability to recruit locally.
- Community Cohesion – There has been an increase in racial tensions with pressure on estates and migrant communities. A Cross Council Working Group has been set up to monitor the situation.

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

Current Risk	Q2 2016/17	Q3 2016/17	Q4 2016/17	Q1 2017/18
Red	2	2	1	1
Amber	6	7	5	7
Green	2	1	4	2
Total risks	10	10	10	10

Quarter 1 Service Risk Registers

11. 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.

12. Following a review of the 11 Service Risk Registers currently in operation, it has been decided to reduce these to 9. Organisational Development is now included within Business Improvement. Planning & Regulatory has joined with Sustainable Development to become Planning, Sustainable Development and Regulatory Services.

13. The table below shows the number of service risks in Q1 2017/18 compared with the last 12 months. One risk has been closed since the last quarter and no new risks have been added.

Current Risk	Q2 2016/17	Q3 2016/17	Q4 2016/17	Q1 2017/18
Red	2	2	2	1
Amber	38	41	32	38
Green	32	28	34	27
Total risks	72	71	68	67
New risks in quarter	1	1	1	0
Closed	1	2	4	1

14. There were two red risks at the end of Q1. These are as follows:-

- Financial Services – relates to Treasury Management and the safety of investments. The current economic climate and fines imposed on the banking sector for mis-selling etc. have not helped the stability of the banks. There are also risks due to the forthcoming British exit from the EU and the consequent volatility in the markets. This risk is red because of the potentially high impact, although the probability of a loss occurring is rated as possible due to the controls the Council has in place around counterparty selection and duration of investment.
- Direct Services – relates to Aged Debt Recovery. The loss of income to the business as a result of lack of robust debt collection procedures. There are a number of debts proving hard to collect and enforcements officers have been employed to assist with the task. Of £1.4 million of Direct Services debt currently outstanding approximately £333k is over 90 days old with £107k relating to 12 customers. At 1ST April Direct Services debt outstanding was £1.2 million with £400k being over 90 days old.

Climate Change / Environmental Impact

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

Equalities impact

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

Financial Implications

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

Legal Implications

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

Name and contact details of author:-

Name: Alison Nash

Job title: Finance Officer (Insurance)

Service Area / Department: Financial Services

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List of background papers: None.

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Formal Risk Summary

(Oxford)

As at: Jun-2017

Ref	Title	Risk description	Risk		Consequence	Date Raised	Owner	Gross		Current		Residual		Comments	Controls				
			Opp/ threat	Cause				I	P	I	P	I	P		Control description	Due date	Status	Progress	Action Owner
CRR-036	Innovative arrangements and models	The Council is unable to optimise the potential of innovative arrangements and models	T	The Council is exploring and implementing new models of service delivery. e.g joint ventures companies. There is a risk that the implications of these are not understood and communicated, politically and operationally including the impact it will have on roles and governance arrangements.	- Missed opportunities - Council doesn't transform - Potential inertia - Unable to deliver - Uncertainty	1-Apr-2016	Jaqui Yates	5	4	4	4	4	4		Agreements between the Companies and the Council regarding services to be provided and fees for these services are to be agreed. Stakeholder agreements agreed and governance arrangements in place	1-Nov-2017	In Progress	50%	Jaqui Yates
CRR-031	Supporting Economic Growth	Uncertainty around the exit from the EU may disadvantage Oxford. Non-delivery or underperformance of key growth-related projects such as Oxford to Cambridge Corridor or the local plan could have a detrimental effect on the local economy	T	The UK decision to exit the EU (Brexit) is already having a negative impact on City and national economy, which could be exacerbated further by continued uncertainty and an exit which is unfavourable to the UK. Locally, this could manifest through loss of funding, impact on business rates, difficulty with encouraging businesses and workers into City leading to loss of skills impacting critical services. In addition there is a concern this could have an impact on universities (and funding). Uncertainty and Exit have a significant detrimental impact on City and Council, socially and economically There are a number of key growth supporting external investment related projects - e.g. NIC Oxford - Cambridge corridor that have the potential to bring infrastructure funding to support growth. There are also specific growth and development related projects like the emerging local plan or other key projects such as the station area regeneration that are linked to growth and regeneration and future economic success. Failure to maintain opportunities through bidding for or securing delivery of these projects could impact adversely on maintaining economic success or	- Adverse impact on Oxford economy and its key institutions - Less visitors - Reduced (and/or pause in) investment - Impact on regeneration and investment in infrastructure to support growth - Accumulation of changing legislation - Lack capacity to deal with multiple issues - Community cohesion affected - Impact on Corporate Plan	1-Apr-2016	Patsy Dell	4	3	4	3	4	3	Close working with partners & government departments where funding is being bid for, monitoring of local economic indices, monitoring of development industry activities.	External advice being utilised to optimise Company set-up Governance processes are being put in place for each new vehicle	1-Nov-2017 1-Nov-2017	In Progress In Progress	50% 50%	Nigel Kennedy Nigel Kennedy
CRR-032	Delivery of financial plan	Unable to balance the Medium Term Financial Plan and hence deliver the Council's Corporate Plan priorities	T	The current budget enables us to fund the Corporate Plan, through the MTFP. There are sensitivities however, as outlined below. The outcome of the Government Business Rate Reform is less favourable than currently predicted within the MTFP. Challenges come from an income perspective, where there is a need to find EFTs from trading activities. This is in the context that businesses are less successful than in previous	- Council fund priorities - Unable to deliver to plan - Need to make choices / cuts - Unable to transform Council or achieve income levels	1-Apr-2016	Nigel Kennedy	4	3	4	3	4	3		Impact on business rates is being monitored Impact on partners being monitored and close liaison with them is being monitored There is a project plan and timescales for the delivery of the local Trading activities and risks around these are closely monitored and potential for reductions in income will be highlighted at an early stage in monitoring meetings	31-Mar-2017	Completed	100%	Nigel Kennedy
CRR-033	Housing	The Council has key priorities around Housing, including ensuring housing delivery and supply for the City and enabling sufficient house building and investment.	T	Unable to deliver affordable and acceptable housing to a 'required' standard	- Insufficient housing in City - Increase in homelessness - Impact on residents - Health and quality of life issues - Adverse publicity - Reputation risk - Perception of unfairness reinforces tensions around immigration	1-Apr-2016	Stephen Clarke	5	4	3	3	3	2		External advice being commissioned re Trading Model Respond to Consultation / Lobby through Local Government Trading Accounts set up and new Board	31-Mar-2017 31-Dec-2017 31-Mar-2017	In Progress In Progress Ongoing	40% 5% 100%	Graham Bourton Caroline Green Graham Bourton
CRR-034	Workforce and skills	Most services in house, challenges around recruitment and retention of high calibre staff, geographical proximity to London, high cost of housing, congested transport infrastructure.	T	Not having right skills and capacity to deliver quality and speed in dynamic environment	- Staff not accepting change - Lose people - Lack of resilience - Increased absence - Unable to deliver plans and priorities	1-Apr-2016	Helen Bishop	4	3	3	3	3	3	We are finding it hard to fill certain job roles in the organisation, whether sourcing ourselves in an agency. We are organising a recruitment roadshow which may help mitigate our ability to recruit locally.	The Council is implementing other delivery methods for temporary accommodation and accommodation for homelessness prevention. Both Real Lettings and OCOs own property fund purchases are on programme. Rent Guarantee scheme launched. The Council has set up a wholly owned housing Company to enable it to deliver its housing strategy The Council is reviewing its local plan, a key element being how to use creative methods of advertising job roles to attract a wider pool of candidates. Trying to grow our own talent to fill roles.	30-Apr-2018 30-Apr-2018 31-Dec-2019 30-Sep-2016 31-Dec-2019 31-Mar-2017	Ongoing Ongoing In Progress Completed In Progress In Progress	30% 100% 50% 100% 0% 95%	Mish Tular Fiona Phelan Patsy Dell Stephen Clarke Patsy Dell Paul Adams
CRR-035	Community Cohesion	The Council needs to be fair and equitable to all, and be recognised as such.	T	There have been increases in racial tensions with pressure on estates and migrant communities. Immigration has led to new communities entering and displacement with a perception of drain on resources e.g. benefits and the local economy. The Brexit vote and outcome has highlighted differences between estates and affluent areas and has exacerbated this. The Council is not or is not seen to be being fair and equitable to all.	- Unable to communicate with community - Community fails to integrate - Demonstrations - Increase in abuse and bullying - Divided City - Unrest - People feel excluded	1-Apr-2016	Ian Brooke	2	2	4	2	4	2		Staff non-pay benefits in place and reviewed. Use benefits and	30-Jun-2016	Completed	100%	Paul Adams
CRR-037	Devolution	Risk that the City Council doesn't get a significant devolution deal	T	County, South and Vale are pursuing bid for county unitary, opposed by city and other districts. If successful this could lead to the abolition of the city council. The Unitary proposal also poses a significant threat to collaborative working and governance arrangements needed to secure investment in infrastructure from government, particularly in light of opportunity presented by NIC Oxf-Cams work.	- Loss of opportunities for significant infrastructure investment - Potential negative impact on community through loss of local accountability for investment services - Lack of focus on Oxford City Region economy	1-Apr-2016	Caroline Green	5	4	3	3	3	3		Focus groups to be used to forward the fairness and equity agenda How issues of concern monitored and action undertaken by officers Understand Government policy on devolution. Make case to support economic growth, infrastructure & housing through collaborative governance. Make joint representation on County proposal. Work with Councils in Oxfordshire & LEP to build a way forward.	30-Apr-2018 30-Sep-2017	Ongoing Ongoing	20% 50%	Mish Tular Caroline Green
CRR-038	ICT Resilience	Non delivery of digital strategy or failure of the ICT service delivery	T	There is an increasing demand from public and stakeholders to access the Council through digital channels. This will impact on both front facing and back office areas and will require new and differing capability and skills, both people and infrastructure. There will be potential changes to manage here, as outlined in the digital strategy and proposition, which will require buy-in to be successful. The risk arises through the Council being unable to deliver digital strategy and proposition The delivery of Council Services are increasingly reliant upon the resilience of ICT hardware, software and support to allow them to function properly and to provide services both internally and externally to the Council's Customers. Failure of ICT can seriously impact on the delivery of Council Services. The risk arises through the loss of ICT Services due to internal issues or loss of service provision from ICT suppliers	- Inefficiency - Damage to reputation - Inefficiency - Damage to reputation - Loss of service provision - Staff unable to perform their normal duties	1-Apr-2016	Helen Bishop	5	3	4	3	4	3		Robust governance arrangements in place for the Digital Strategy, the Action Plan and ongoing stakeholder engagement including CEB approval and ongoing monitoring through ODOCS Board	31-Mar-2017	In Progress	80%	Jan Heath
														Site visits arranged for H&S to consider Digital Leadership initiatives The contract with the Council's major ICT supplier, SCC, includes The ICT workplan is being developed and will be updated on an	31-Dec-2016 31-Mar-2017 31-Mar-2017	In Progress Completed Ongoing	40% 100% 100%	Jan Heath Vic Frewan Vic Frewan	

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Formal Risk Summary

(Oxford)

As at: Jun-2017

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	Action Owner
CRR-039	Partnerships / supply chain	Risk that the Council does not work collectively and coherently with partners	T		It is important to work collectively and coherently with key partners to find solutions. Strong relationships are key, especially at a time when there is a strain on partners and relationships. Effective relationship management across partners will help to manage risks around service delivery and reputational risk. Lack of coordinated response or weak relationships with partners leads to withdrawal of services, increasing the burden on City Council services and poorer outcomes for communities.	- Ad-hoc arrangements and relationships - Disparate approach across service areas - Mixed messages - Partners withdraw - Services and initiatives affected	1-Apr-2016	Caroline Green	3	3	3	3	3	2		The potential for a single account for each customer through There is an improvement plan for the ICT Operations team to	31-Mar-2017	Not Started	20%	Vic Frewin
																Relationship arrangements for joint working with key partners (councils, health, police, voluntary sector, business) to identify the pressures and challenges and broker discussions to design joint solutions or mitigations	31-Mar-2017	In Progress	65%	Vic Frewin
CRR-040	Climate change	Risk that a flood event happens that mitigations and plans are not sufficient to deal with	T		Oxford has commonly been subject to a number of significant flooding and extreme weather events. Mitigation arrangements and plans have been put in place but there is a risk they could be insufficient to deal with major future flooding/ extreme weather events. The risk arises through a flood event happening that mitigations and plans are not sufficient to deal with	- Impact on infrastructure and housing - Widespread disruption to City and business - Cost - Return to Business As Usual challenging - Impact on public and staff	1-Apr-2016	Jo Colwell	5	4	3	3	2	3		Flood alleviation schemes are underway and being investigated	31-Mar-2018	In Progress	20%	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.

To: Audit and Governance Committee
Date: 26 September 2017
Report of: Acting Head of Law and Governance
Title of Report: Officer Executive Decisions published between 31 May 2017 – 31 August

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

Appendices	
Appendix 1	Officer Executive Decisions published between 31 May 2017 – 31 August

Introduction and background

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

Decisions taken

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

Implications

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

Report author	Jennifer Thompson
Job title	Committee and Members Services Officer
Service area or department	Law and Governance
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Background Papers: None

Appendix 1

Officer Executive Decisions published between 31 May 2017 – 31 August

New Hackney Carriage stand in Old Greyfriars Street.	
Date	Publication date: 26/07/2017 Date of decision: 25/07/2017
Decision maker	Head of Community Services
Purpose	To meet the extra demand created by the new Westgate shopping centre.
Decision	Granted approval to create a new Hackney Carriage stand in Old Greyfriars Street following a 28 day consultation period. No objections or representations were received from statutory consultees: Thames Valley Police, Planning Authority, Oxfordshire County Council Highways Authority or the general public.
Alternative options considered	Option 1 - Create hackney carriage stand Option 2 - Do not create new stand

Grant Allocations to Community and Voluntary Organisations 2017/18	
Date	Publication date: 03/08/2017 Date of decision: 01/08/2017
Decision maker	Executive Director for Organisational Development and Corporate Services
Purpose	To monitor the reported achievements resulting from Community and Voluntary Grant allocations for 2017/18
Decision	Go ahead with Option 1 and Option 3 (as shown below)
Alternative options considered	Option 1 - Allocate £8,300 to the cost of reviewing services commissioned under the Advice and Money Management commissioning theme Option 2 - Allocate £11,700 to the development of the specification of the Advice Option 3 - Allocate £11,700 to the 2018/19 open grants programme

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Minutes of a meeting of the AUDIT AND GOVERNANCE COMMITTEE on Wednesday 28 June 2017

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Committee members:

Councillor Fry (Chair)	Councillor Munkonge (Vice-Chair)
Councillor Brandt (for Councillor Simmons)	Councillor Ladbrooke
Councillor Paule	

Officers:

Laura Bessell, Benefits Manager
Helen Bishop, Head of Business Improvement
Lindsay Cane, Acting Head of Law and Governance
Vic Frewin, Chief Technology & Information Officer
Nigel Kennedy, Head of Financial Services
Scott Warner, Investigation Manager
Anna Winship, Management Accountancy Manager
Jennifer Thompson, Committee and Members Services Officer
Paul Smith, Building Control Team Leader
Ian Wright, Building Control Service Manager

Also present:

Gurpreet Dulay, Manager, BDO Internal audit
Greg Rubins, Partner, BDO internal audit
David Guest, Ernst & Young external auditor
Paul King, Ernst & Young external auditor

Apologies:

Councillor Simmons sent apologies.

1. Election of Chair for the year 2017-18

Councillor Fry was elected as Chair for the 2017/18 municipal year.

2. Election of Vice-Chair for the year 2017-18

Councillor Munkonge was elected as Vice-Chair for the 2017/18 municipal year.

3. Declarations of Interest

None.

4. External audit: Audit progress report for audit of year 2016-17

The Committee considered the report of the external auditor Ernst & Young informing it of the work completed since the last report.

David Guest and Paul King (Ernst & Young) introduced the report. They said that at this stage in the audit there was nothing of significance to report. They outlined the work undertaken to bring the audit dates forward to comply with the timetable for the 2018 Audit.

There was a major tendering exercise for the provision of Audit services for local authorities in which this authority was taking part. The major firms had bid for and been allocated blocks of work but the final allocation to local authorities was not completed. These would be finalised in time for Council to decide on the appointment of auditors (to start in March 2018) by 31 December 2017. At present there was likely to be a reduction in the standard audit fees.

The Committee resolved to note the report and the points above.

5. Statement of Accounts for 2016/17

The Committee considered the report of the Head of Financial Services presenting the Council's Statement of Accounts for the year ending 31 March 2017 (attached as a supplement to the agenda).

The Head of Finance presented the report and the Statement of Accounts including an account of the reasons for slippages and variances on the capital programme.

The Committee noted answers to questions including:

- The valuation office was still processing business rates appeals;
- Any extra funding (likely to be in excess of £1m) required for remedial works to the cladding on tower blocks as a result of fire safety tests would need to be funded from reserves: this would be picked up as a note on the 2016/17 accounts. The request would be put to the City Executive Board and Council for approval.

The Committee resolved to note the Statement of Accounts certified by the Head of Financial Services (Section 151 Officer) prior to their submission to the external auditors.

6. Annual Governance Statement 2016/17

The Committee considered the report of the interim Head of Law and Governance presenting the Annual Governance Statement for approval (attached as an appendix to the report).

The Committee noted actions taken to improve the Council's business continuity plans and discussed the risks and benefits around the new housing, trading and west end development companies.

The Committee resolved to approve the Annual Governance Statement.

7. Internal Audit: Annual Report 2016/17

The Committee considered the report of the internal auditor BDO detailing the work undertaken by internal audit for Oxford City Council and an overview of the effectiveness of the controls in place for 2016-17.

Gurpreet Dulay, BDO, introduced the report and answered questions from the Committee.

The Committee resolved to note the report.

8. Internal Audit progress reports: to June 2017

The Committee considered the report of the internal auditor BDO on progress made against the internal audit plan.

Gurpreet Dulay, BDO, introduced the report.

The Committee noted that making as much as possible available over the website reduced the work involved in Freedom of Information requests and asked if meaningful measures for performance in achieving channel shift to online transactions could be produced.

The Committee resolved to note the report.

9. Internal Audit: follow up of recommendations to June 2017

The Committee considered the report of the internal auditor BDO on progress on those recommendations raised by Internal Audit which are due for implementation.

Gurpreet Dulay, BDO, introduced the report. The Committee noted progress and expected completion dates for outstanding and high-priority actions.

The Committee resolved to note the report.

10. Internal Audit: final audit reports to committee June 2017

The Committee considered the report of the internal auditor: BDO setting out the reports and recommendations from audits identifying medium-level risks.

Gurpreet Dulay, BDO, introduced the report and along with the Chief Technology & Information Officer answered questions.

The Committee noted:

- security measures in place were reasonable, practical and effective and all reasonable practical steps were taken to secure personal data;
- the new General Data Protection Regulations would impose a new set of requirements with considerable financial penalties and the impact and requirements (including resources) for the council were being evaluated;
- automated processes for applying patches and updates to critical software were in place and monitored to ensure these worked as expected: patches were applied in accordance with good practice;
- standards for security and updates on portable devices were in development and would be rolled out.

The Committee resolved to note the report on Cyber Crime/ Cyber Security.

11. Audit report on Building Control

The Committee considered the report of Head of Planning, Sustainable Development and Regulatory Services on the commercial activities of the Building Control Service and the current position with regard to the financial position and performance of the service.

The Building Control Team Leader and Manager introduced the report and answered questions.

The Committee noted:

- difficulties and possible mitigation around recruitment and retention of suitably experienced staff on permanent contracts;
- constraints on flexibility in quotes including cost recovery and consistency;
- the relative size of the contract to provide building control services to the Westgate development and how this income could be replaced;
- the need to provide competitive services and perhaps developing specialisms;
- the aim to provide high quality customer service and objective high standard inspections with the other benefits associated with an accountable and transparent public body;
- an 'invest to save' bid for business development and marketing of the service may generate income;

The Committee resolved to note the report and requested an update in 12 months.

12. Benefits Action Plan

The Committee considered the report of the Head of Financial Services presenting the Housing Benefit Service Action Plan to mitigate issues arising from the External

Auditors report on the certification of the Councils Housing Benefit Subsidy claim for 2015-16.

The Head of Finance, the Head of Business Improvement and the Benefits Manager introduced the report and answered questions from the Committee.

The Committee noted the progress against the action plan, challenges, the improvements in accuracy and performance as a result of further intensive training, and the need for continual training to implement frequent regulatory changes;

The Committee resolved to note the Housing Benefit Service Action Plan and asked for a further report at the December meeting.

13. Review of the ICT service transformation project at June 2017

The Committee considered the report of the Head of Business Improvement on progress with the ICT Transformation Plan.

The Head of Business Improvement and the Chief Technology & Information Officer introduced the report and answered questions from the Committee.

The Committee noted:

- the current staffing structure, including interim appointments and changes in personnel and roles, and the need to invest in specialist skills required by moving ICT in-house;
- the transformation plan was progressing although the implementation of inter-related actions was more complex and prone to overrunning;
- a permanent structure and staff should be in place around September;
- the transfer of skills would include a catalogue of documents covering the work, service level agreements, and processes to reduce dependency on individual knowledge

The Committee resolved to note the report.

14. Risk Management report: Quarter 4 2016/17

The Committee considered the report of the Head of Financial Services on both corporate and service risks as at the end of Quarter 4, 31 March 2017.

The Committee asked in information about staff turnover, permanent and temporary staff numbers and vacancies on the next risk report.

The Committee resolved to note the report.

15. Investigation Team Performance and Activity Briefing

The Committee considered the report of the Head of Financial Services on the activity and performance of the Corporate Investigation Team for the period 1 April 2016 to 31 March 2017 and noted the confidential appendix.

The Investigations Team Manager, introduced the report.

The Committee noted and commented:

- the fraud conference would run again in 2017;
- an 'invest to save' bid could be made for funding to allow this to be offered free of charge given the opportunity for commissioning work for the team;
- targets should be set to be achievable: this may mean lower rather than higher;
- partnership working was continuing (where the relevant work continued) and there was flexibility in the contracts to allow a variety of solutions.

The Committee resolved to note the report and congratulated the team on their work and excellent performance.

16. Officer Executive Decisions Quarterly to June 2017

The Committee considered the report of the Interim Head of Law and Governance setting out the Officer Executive Decisions taken to June 2017.

The Committee noted the report.

17. Minutes of the previous meeting

The Committee resolved to approve the minutes of the meeting held on 1 March 2017 as a true and accurate record.

18. 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 8.45 pm

Chair

Date: Tuesday 26 September 2017