

Agenda

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Audit and Governance Committee

Date: **Wednesday 24 July 2019**

Time: **6.00 pm**

Place: **St Aldate's Room - Oxford Town Hall**

For any further information please contact the Committee
Services Officer:

**Jennifer Thompson, Committee and Members Services
Officer**

Telephone: 01865 252275

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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*

Vice-Chair*

Members (with substitutes)

Councillor James Fry

Councillor Chewe Munkonge
Councillor Tiago Corais
Councillor Andrew Gant
Councillor Michael Gotch
Councillor Ben Lloyd-Shogbesan
Councillor Martyn Rush

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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AGENDA

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1 Election of Chair for the Council Year 2019-20	
2 Election of Vice Chair for the Council Year 2019-20	
3 Apologies for absence and substitutions	
4 Declarations of Interest	
5 Organisational Fraud Risk Assessment 2019	9 - 12
Report of: the Head of Financial Services.	
Purpose: to inform Members of the updated Fraud Risk Assessment document and seek approval of the document and the draft Counter Fraud Work Plan (in the exempt from publication appendix)	
Recommendation: that the Committee notes the report and approves the Counter Fraud Work Plan 2019.	
6 Investigation Services - End of Year Performance 2018-19	13 - 22
Report of: the Head of Financial Services.	
Purpose: to appraise Members of the activity and performance of the Counter-Fraud Team for the period 1 April 2018 to 31 March 2019.	
Recommendation: that the Committee notes the report.	
7 Risk Management Quarterly Reporting as at 31 May 2019	23 - 34
Report of: the Head of Financial Services	
Purpose of report: to update the Committee on both corporate and service risks as at 31 May 2019.	
Recommendation: to discuss and note the report.	

8	<p>Internal Audit: Progress update Quarter 1 2019/20 - July 2019</p> <p>Report of: the internal auditor BDO.</p> <p>Purpose of report: to inform the Committee on progress against the 2019-20 audit plan.</p> <p>Recommendation: to discuss and note the report.</p>	35 - 50
9	<p>Internal Audit: Audit 13 Companies Review report</p> <p>Report of: the internal auditor BDO.</p> <p>Purpose of report: to inform the Committee of the outcome of this audit.</p> <p>Recommendation: to discuss and note the report.</p>	51 - 72
10	<p>Internal Audit: Recommendation follow up Quarter 1 July 2019</p> <p>Report of: the internal auditor BDO</p> <p>Purpose of report: to inform the Committee on progress on those recommendations raised by Internal Audit which are due for implementation.</p> <p>Recommendation: to discuss and note the report.</p>	73 - 84
11	<p>Internal Audit: Annual Report and Annual Statement of Assurance</p> <p>Report of: the internal auditor BDO</p> <p>Purpose of report: to summarise for the work undertaken by internal audit during 2018/19 and give an overview of the effectiveness of controls in place for the full year.</p> <p>Recommendation: to discuss and note the report.</p>	85 - 108
12	<p>Annual Governance Statement 2018-19</p> <p>Report of: the Head of Law and Governance.</p> <p>Purpose: to present the Annual Governance Statement for approval (attached as an appendix to the report).</p> <p>Recommendation: that the Committee approves the Annual Governance Statement.</p>	109 - 134

13	<p>External Audit: Audit results report for the year ending 31 March 2019</p> <p>Report of: the external auditor Ernst & Young (separate supplement)</p> <p>Purpose of report: to inform the Committee of outcome of the audit of the accounts.</p> <p>Recommendation: to discuss and note the report.</p>	To follow
14	<p>Statement of Accounts for financial year 2018-19</p> <p>Report of: the Head of Financial Services</p> <p>Purpose of report: to submit the Council's Statement of Accounts and Letter of Representation for approval and authorisation.</p> <p>The Statement of Accounts and supporting documentation are attached as a separate supplement.</p> <p>Recommendations: That the Committee:</p> <ol style="list-style-type: none"> 1. approve the audited 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 	
15	<p>External audit: E&Y Audit Fee Letter for 2019/20 audit services</p> <p>Letter from: the external auditor, Ernst & Young</p> <p>Purpose of letter: to set out the audit Ernst & Young intend to undertake in 2019/20 and the expected fees.</p> <p>Recommendation: to discuss and agree the letter and the fees.</p>	135 - 144
16	<p>Minutes of the previous meeting</p> <p>To approve as a true and accurate record the minutes of the meeting held on 11 March 2019.</p>	145 - 150
17	<p>Dates and times of meetings</p> <p>The Committee is scheduled to meet at 6.00pm in the Town Hall on the following dates:</p> <p>23 October 2019 9 January 2020 9 March 2020</p>	

18 Part 2 - Matters exempt from publication

If the Committee wishes to exclude the press and the public from the meeting during consideration of any aspects of the preceding or following agenda items it will be necessary for the Committee to pass a resolution in accordance with the provisions of Section 100A(4) of the Local Government Act 1972 specifying the grounds on which their presence could involve the likely disclosure of exempt information as described in specific paragraphs of Part 1 of Schedule 12A of the Act if and so long, as in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

19 Exempt appendices for Items 5 and 6

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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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To: Audit & Governance Committee
Date: 24 July 2019
Report of: Head of Financial Services
Title of Report: Organisational Fraud Risk Assessment 2019

Summary and Recommendations

Purpose of report:

To inform Members of the updated Fraud Risk Assessment document and seek approval of the document and the draft Counter Fraud Work Plan

Key decision No

Executive lead member: Councillor Ed Turner

Policy Framework: Efficient & Effective Council

Recommendation(s): That the report be approved

Appendices

Appendix 1 Draft Counter Fraud Work Plan 2019 (exempt from publication)

Background

1. It is important that Oxford City Council understands the risks that it faces in terms of fraud, financial irregularity, bribery and corruption. The first stage in this process is to identify all areas of risk both internal and external to the organisation.
2. Fraud is one of the fastest growing crimes in the UK, especially cyber enabled fraud with the estimated loss to the Public Sector being in excess of £40 billion, and the cost to Local Authorities estimated at £7.8 billion.
3. This report introduces the Organisational Fraud Risk Assessment 2019, which is an update of previous fraud risk assessment documents, but also the first time that the Council has attempted to produce an inherent fraud risk document to identify all areas of risk. The Inherent Fraud Risk Assessment document is an ongoing piece of work.

4. The document captures the risks posed in all key business areas of the Council and therefore can be used to create Fraud Risk Assessment documents at Departmental or even more granular levels. The document enables the Council to establish the highest risks posed; in this case, the top twelve risks.
5. The next stage is to establish a Fraud Risk Measurement document in conjunction with the Council's Finance Team and based on the Council's budget book to understand the levels of money, which may be lost to fraud. This work is on-going and for the purpose of operational response, estimates will be made at a rate of 5% and 10% in terms of fraud loss.
6. The final stage is to identify how to deal with the risks using established fraud control methods and to link these to operational activity of the Council's Investigation Service and to the council's audit activity.
7. There are four acknowledged fraud controls, which are;
 - a. Responsive (or immediate)
 - b. Preventative
 - c. Detective (or investigative)
 - d. Disruptive
8. We have introduced a further control known as 'Educational'. This deals with the education of staff to understand how fraud occurs, and the education of customers to understand their responsibilities when dealing with the Council.
9. A Draft Counter Fraud Work Plan for 2019 is shown at **Appendix 1**. This plan will be used as a basis for counter fraud activity by the Oxford Counter-Fraud Team.
10. For the fraud risk assessment activity to be effective, it is the responsibility of every employee, Member and contractor to be vigilant and to report any incident that may arouse suspicion to the Council's Counter-Fraud Team.

Legal Issues

11. None

Financial Issues

12. The Council's gross budget for income and expenditure for 2019-20 is £156 million and £142 million respectively. Within this budget the council's share of £110 million of collectable business rates income is £9.2 million with the estimated amount charged to council tax being £14 million of the total collected of £90 million. In addition the Council collects around £42 million of rent income and has a budgeted capital programme of £100 million.
13. Increased payments or loss of income from fraudulent activity will both result in a drain on Council financial resources and ultimately the ability of the Council to provide essential services to its residents. As a result in not tackling fraud the Council's Chief Finance Officer would fail in his duty to 'make arrangements for the proper administration of the authorities financial affairs' under Section 151 of the Local

Government Act 1972 and the Council would fail in its fiduciary duty towards the taxpayers of Oxford city.

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List of background papers:

*Annual Fraud Indicator 2017 – University of Portsmouth

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To: Audit & Governance Committee

Date: 24 July 2019

Report of: Head of Financial Services

Title of Report: Investigation Team Performance and Activity Annual Report

Summary and Recommendations

Purpose of report:

1. To appraise Members of the activity and performance of the Counter-Fraud Team for the period 1 April 2018 to 31 March 2019

Key decision No

Executive lead member: Councillor Ed Turner

Policy Framework: Corporate Plan Priority – Efficient & Effective Council

Recommendation(s): That the report be noted

Appendices

Appendix 1 – Oxford Investigation Service 3rd Annual Conference Agenda

Appendix 2 – Internal Investigations – Exempt from publication

Background

1. The remit of the Counter-Fraud Team is to tackle fraud and irregularity across the Council, aligned to our services' risks identified through a fraud risk assessment exercise, as well as from recommendations made by the Council's internal audit service.
2. The aims and objectives of the Team are to provide high quality professional corporate fraud investigation services to the Council to prevent and detect fraud and error within the Council and partner organisations, and to assist cross border agencies where possible. Through this activity, financial losses are prevented, additional revenue is

identified for recovery, and income is secured through supply of services on commercial basis.

Performance in 2018-19

3. For 2018/19, there are four Service Performance Indicators used to track performance on a monthly basis. Performance against these targets is shown in the table below.

Table 1 - Investigations Team Performance from 01 April 2018 to 31 March 2019			
Measure	Annual Target	Total Achieved	Comment
Number of social housing properties recovered and applications for housing stopped	22	22	Target achieved. Made up of 15 properties recovered and 7 fraudulent or irregular applications for social housing stopped.
Achieve cost neutrality from identification of revenue through investigation activity	£500,000	£731,890	See Table 2 for breakdown - 146% of target achieved
Prevent financial losses to the Council through investigation activity	£1,800,000	£2,524,988	See Table 2 for breakdown- 140% of target achieved
Right to Buy Applications prevented (false or irregular)	20% of applications received	27%	23 applications prevented of 85 received in the period
Trading Income from commercial activity	£70,000	£418,397	Value invoiced in the period. 598% of target achieved

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

Table 2 – Income generated and losses prevented from 01 April 2018 to 31 March 2019			
	Income	Loss	
	Generated	Avoidance	Comment
	£	£	
Council Tax Reduction Scheme	50,384	29,154	The loss avoided is based on the revised Oxford model calculation of 104 weeks future entitlement.
Housing Benefit	167,035	107,134	Although no longer tasked with investigating Housing Benefit, these values are the by-product of tenancy fraud and Council Tax Reduction Scheme investigations. 104 week future entitlement model used for loss avoidance
Right to Buy		1,860,700	23 Right To Buy applications prevented (27% of all applications received) following intervention / investigation. 23 x £80,000 (max discount)
Council Tax Discount / Exemption adjustments	496,446		Achieved through reactive investigation casework & proactive rolling risk-based reviews of Single Person Discounts
Non Domestic Rates	16,488		Accounts where investigation work resulted in the discovery of unregistered business premises and identification of exemptions or discounts where no entitlement exists
Properties Recovered		360,000	The cost of keeping a family in temporary accommodation for one year calculated using the Oxford model (£24k x 15)
Housing Applications		168,000	7 General Register Housing Applications stopped through investigation activity

			preventing temporary accommodation costs or property allocation - £24,000 per instance
Administrative Penalty income	1,537		50% of the fraudulent overpayment of Council Tax Reduction Scheme Allowance. 2 cases.
Totals	731,890	2,524,988	3,537,454

5. Notable activity from 1 April 2018 to 31 March 2019 included:

- 2 Administrative Penalties offered and accepted in respect of Council Tax Reduction Scheme offences
- A prosecution of unlawful subletting of a social housing property. Working with Greensquare Housing Association, the team evidenced that the property had been sublet from April 2014. The offender was fined £500 and was ordered to pay back unlawful profit of £9,769.
- A prosecution taken by Oxfordshire County Council, investigated by the City's Counter Fraud Team in partnership with Thames Valley Police, resulted in a £1,000 fine and a conditional caution. The offender had received Foster Care allowance in respect of a child who was not in their care.
- The Data Warehouse system was used for proactive exercises during the course of the year.
 - A rolling review of Council Tax Single Person Discounts resulted in additional collectible Council Tax revenue of over £450,000.
 - An empty homes review project was successfully delivered on behalf of Slough Borough Council. During the exercise, the team discovered a large number of occupied properties in Slough that were on record as being long term empty. These were re-categorised thereby assisting Slough in achieving subsidy through the government's New Homes Bonus scheme.

6 In mid-2018, submissions were made to the Institute of Revenues, Ratings and Valuations (IRRV) for consideration in their Performance Awards scheme. The team were shortlisted as Finalists in all three categories entered, which were:

- Excellence in Counter Fraud
- Excellence in Partnership Working
- Excellence in Staff Development

The team were selected as winners in the category of “Excellence in Counter Fraud”. This was the third consecutive year that the team have been recognised as leaders in class, having won the award for Excellence in Corporate Fraud in October 2016, and the award for Excellence in Innovation in 2017.

7 The Investigation Team hosted its third annual conference on 20 September 2018 at Oxford Town Hall. The aim of the event, which was free to attend, was to help raise awareness of fraud trends and emerging risks to attending organisations, and to raise awareness of the services the Investigations Team can offer. The team is known in a commercial capacity as The Oxford Investigation Service.

8. The day was opened by the Deputy Leader of the Council, the Chief Financial Officer and the Counter-Fraud Manager.

9. Over 160 delegates attended the event which was full to capacity. For the third year, it was possible to keep the event as free-to-attend. Some of the costs were covered from charges made to exhibitors to attend with trade stands, as well as sponsorship arrangements. In July 2018, the Audit & Governance Committee agreed to make funding available specifically to ensure any costs not covered through sponsors and exhibitors were compensated, ensuring that delegates did not have to pay for places, which helped considerably in ensuring high attendance.

10. A follow up survey was issued to all delegates after the event and a high number of responses were received. Comments were very positive around the venue, event structure, speakers and topics covered. There were a number of specific comments around how well supported the team are by Chief Officers and Members, and evident appreciation for the professionalism of the event, given that it was organised by a team that does not specialise in event management.

11. Delegates were asked to complete contact cards where an opportunity to express interest in services offered by the Oxford Investigation Service could be made. As a result of the responses, the team followed up leads in the weeks after the conference, several of which converted to additional business which ultimately enhanced the trading income delivered by the team in the year.

12. Based on the success of the events in 2016, 2017 and 2018, the positive feedback received and the reputation of the event as essential-to-attend for those in the profession, and the lucrative outcomes from business relationships with new partner organisations, a decision was taken to continue to host the conference on an annual basis, the next of which is scheduled for 26 September 2019. An agenda relating to the 2018 event is provided as **Appendix 1**.

Internal Investigations

13. **Appendix 2** provides details of the internal investigations conducted during the period.

Commercial Activity

14. Working arrangements remain in place with partner organisations, with services being contractually provided to both public and private sector clients. Business development activity is now embedded as part of the team culture and activity of this type continued throughout the year.
15. The team is known commercially as The Oxford Investigation Service and has a brochure and promotional materials to assist the objective of business development.
16. Promotional activity, in addition to the Oxford Open Day event, includes speaking slots at relevant conferences, mailshots, meetings with prospective clients and attending conferences as exhibitors with a dedicated trade stand.
18. The increasing number of successful projects and activities delivered for Oxford City Council has assisted in developing a range of services that can be offered to partner organisations and prospective clients..

Partnership Working

19. The team has provided Counter-Fraud and Investigation services to multiple client organisations in both the public and private sectors, the result of which was a trading income of over £418k. In the period, the team provided products and services to the following organisations:
- South Oxfordshire District Council (ongoing)
 - Vale of White Horse District Council (ongoing)
 - Cherwell District Council (ongoing)
 - South Northants Council (ongoing)
 - Warwick District Council (ongoing)
 - Ashford Borough Council
 - Basingstoke & Deane Borough Council
 - Slough Borough Council (ongoing)
 - West Oxfordshire District Council
 - Oxfordshire County Council Audit Team

- Oxfordshire County Council Blue Badge Team (ongoing)
- Capita
- Greensquare Housing Association
- Peter Darby Associates
- HooYu
- Trust ID
- CAF Solutions
- Engenium
- Intec for Business

20. Some examples of particular success in this area include a proactive Empty Homes review exercise delivered on behalf of Slough Borough Council (SBC) in August and September 2018. The aim of the exercise was to identify properties, categorised as long term empties for Council Tax purposes, which have been occupied but records not updated by the authority. Each property found to be occupied then attracts subsidy from the Ministry of Housing and Local Government under the New Homes Bonus scheme.
21. Since February 2017, the team have been the sole provider of Counter Fraud services to Warwick District Council (WDC). A long-term contract with WDC is in place which is subject to review at the end of March 2021.
22. From July 2018, a two-year contract commenced with Cherwell District Council and South Northants Council where the team are sole suppliers of a fully managed Counter-Fraud service for both authorities.
23. As a direct result of the team exhibiting at the Tenancy Fraud Forum Conference in October 2018, an invitation to tender was received from Wandle Housing Association, based in central London. After quoting and attending several meetings, the team were selected to be the exclusive supplier of Tenancy Fraud Investigation services for the organisation. The contract takes effect from 1st April 2019, lasts for 12 months on a call off basis, with a review to consider longer term arrangements after a period of evaluation. This contract is seen as a reflection of how the reputation of the team is viewed by organisations that are not local to Oxford.

Legal Implications

24. The continuing work of the Investigation Team, coupled with the Council's Avoiding Bribery, Fraud and Corruption, Whistle Blowing and Money Laundering policies and procedures give assurance that the Authority is compliant with the Bribery Act 2010, the Money Laundering Regulations 2007 and the Proceeds of Crime Act 2002. Failure to adhere to the Policies would impact on the legal and reputational risk to the Council.
25. All data sharing both internally and externally is covered by Data Sharing Protocols and agreements, and is conducted in the interests of prevention and detection of fraud, crime and other financial irregularity, as per the

provisions and exemptions of the European General Data Protection Regulation and the Data Protection Act 2018.

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

Financial Implications

27. The net cost of the team for 2018-19 is as follows

	Budget	Actual	Variance
	2018-19	2018-19	2018-19
	£	£	£
Expenditure	452,078	450,139	-1,939
Income			
HRA Recharge	(103,739)	(103,739)	0
External Income	(195,701)	(246,415)	(50,714)
Net Expenditure	152,638	99,985	(52,653)
FTE Staff	11.0	11.0	0

28. The net cost of the team to the council in 2018-19 was £99,985 net of £246,415 trading income from other organisations. In return the Council benefited from £732k of cashable savings and £2.5 million of non-cashable savings. Staffing was 11 FTE which provided sufficient resources to cover all externally contracted work in the year.

Environmental Implications

29. The majority of visits undertaken by staff in the team within the City are conducted using the Council pool vehicles. All staff are conscious of the environmental implications of service delivery and will always seek the lowest impact route where possible. Marketing and promotional materials are responsibly sourced with a focus on minimal environmental impact.

Risk Implications

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

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3rd Annual Fraud Conference Oxford Town Hall - 20th September 2018

08:45 – 9:15 Registration, tea & coffee, networking opportunities

09:30 Welcome & House Keeping – *Scott Warner Investigation Manager*

09:40 Keynote speaker from OCC - *Ed Turner – Portfolio Holder Finance*

09:50 Keynote speaker - *Katy Harris – Lead Analyst – SEROCU*
'Unlocking intelligence through collaborative working to enhance the single view of Fraud'

10:20 **Break-out sessions** (to run simultaneously)

Break out session One - (Main Hall)

Mike Neumann - ITS - 'Intelligence Processes'

Breakout Session Two - (Assembly Room)

Chris Haycock - Coventry University –
'Surveillance: Good Practice & the pitfalls'

11:00 Refreshments/comfort break

11:20 Presentation - *Dr Mike Gilbert - Portsmouth University*
'Are public sector counter fraud teams fully equipped to handle their role?'

12:00 Presentation – Sponsor session – *Mark Grimley - Intec*
'Making big data achieve cashable savings in Investigation'

12:20 LUNCH

13:20 **Panel of Experts-** Mike Neumann, Ian Wightwick, Mike Gilbert, Katy Harris, Allan Traynor

14:20 **Break-out sessions** (to run simultaneously)

Breakout Session Three - (Main Hall)

Trust ID – 'Identification and Verification'

Breakout Session Four - (Assembly Room)

Iain Wightwick – Barrister, Unity Street Chambers
'Achieving best evidence when pursuing possession'

15:20 Keynote speaker from OCC - *Nigel Kennedy Head of Finance*

15:40 Wrap up - *Scott Warner; Investigation Manager*

16:00 - 18:00 Drinks Reception

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To: Audit and Governance Committee

Date: 25 July 2019

Report of: Head of Financial Services

Title of Report: Risk Management Quarterly Reporting as at 31st May 2019.

Summary and Recommendations

Purpose of report: To update the Committee on both corporate and service risks as at 31 May 2019.

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 has been reviewed following concerns raised by the Risk Group that a scoring of 15 could be Amber or Red depending on the Probability and Impact rating. The amendment only affects the rating of 5 (Probability) and 3 (Impact) which now scores Red rather than Amber. The revised risk prioritisation matrix is shown below.

Probability

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

Key:

Green	Amber	Red

Risk Identification

4. **Corporate Risks** – The Corporate Risk Register (CRR) is reviewed by the Corporate Management Team (CMT) on a periodic 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. Audit and Governance Committee receive information on risk on a quarterly basis. Given the timing of the Committee the Corporate Risk Register attached at Appendix A is as at 31st May 2019.
8. The number of Red risks remains at one.
9. The one Red risk is:--
 - **Housing** – the Council has key priorities around housing which include ensuring housing delivery and supply for the City and enabling sufficient house building and investment. Insufficient housing in the City leads to an increase in homelessness which has an impact on residents. There are also health and quality of life issues. The Council is implementing delivery methods for temporary accommodation and accommodation for homelessness prevention which include a rent guarantee scheme, a growth deal to facilitate additional affordable housing and a tranche of property purchases to be delivered via real lettings. In addition the Council’s Housing Companies are in the process of constructing new affordable homes and the Cabinet has recently approved plans which if confirmed by Council on 22nd July will result in the Council’s HRA purchasing the social housing using its new borrowing headroom following the removal of the HRA borrowing cap by the Government
10. No risks have been closed in the period.
11. The table below shows the levels of Red, Amber and Green current risks over the last 12 months.

Current Risk	Q2 2018/19	Q3 2018/19	Q4 2018/19	Q1 2019/20
Red	4	1	1	1
Amber	8	9	9	10
Green	0	2	2	1
Total risks	12	12	12	12

Service Risk Registers

12. 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.
13. Following a service area review, Planning, Sustainable Development & Regulatory Services has been divided into two new service areas. These are Planning & Development, and Regulatory Services & Community Safety. This increases the number of service area Risk Registers from 9 to 10.
14. The table below shows the number of service risks as at the 31st May 2019 compared with the last 12 months.

Current Risk	Q2 2018/19	Q3 2018/19	Q4 2018/19	Q1/31-5- 2019/20
Red	2	2	1	2
Amber	31	31	34	37
Green	19	19	17	12
Total risks	52	52	52	51
New risks in quarter	3	0	0	4
Closed	2	0	0	5

15. The number of Red risks has increased from one to two.
16. One of the Red risks was previously Amber. Details of the Red risks are as follows:-
 - **Planning & Development** - this relates to new partnership challenges to ensure the Oxford Growth strategy is supported. Brexit and local political changes could result in a review of the housing numbers which may result in plans being withdrawn or partnerships dissolved. This is being closely monitored across relevant departments within OCC.
 - **Financial Services** – this relates to Treasury Management and the safety of investments. This risk is constantly 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.

Climate Change / Environmental Impact

17. There are no specific impacts arising directly from this report.

Equalities impact

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

Financial Implications

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

Legal Implications

20. 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

Tel: 01865 252048 e-mail: anash@oxford.gov.uk

List of background papers: None.

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Formal Risk Summary

(Oxford)

As at: May-2019

Ref	Title	Risk description	Risk			Date Raised	Owner	Gross		Current		Residual		Comments	Controls				
			Opp/ threat	Cause	Consequence			I	P	I	P	I	P		Control description	Due date	Status	Progress	Action Owner
CRR-033-18-19	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-Jun-2018	Stephen Clarke	5	4	5	4	3	2	The Councils Housing Company are in the process of constructing new & affordable homes. The Cabinet have recently approved plans which will result in the Council's HRA purchasing the social housing using its new borrowing headroom following the removal of the HRA borrowing cap by the Government.	Both Real Lettings and OCCs own property fund purchases are on programme. A further tranche of property purchase to be delivered via real lettings in 19/20.	31-Mar-2020	In Progress	90%	Dave Scholes
															Rent Guarantee scheme launched and extended for a further 6 months with the long term funding for the scheme to be secured as part of the 19/20	13-Feb-2019	Completed	100%	Dave Scholes
															The Council together with other Oxfordshire Councils have secured a Growth Deal including £60m to facilitate additional affordable housing. 19/20 is year 2 of the delivery programme.	31-Mar-2020	In Progress	80%	Stephen Clarke
CRR-031-18-19	Economic Growth	Local, national or international factors adversely affect the economic growth of the City	T	Terms of and impact of exit from the EU and Single Market resulting in the termination or suspension of investment decisions	Uncertainty and loss of market access may result in increased cost of trade with EU leading to adverse local macro-economic & operating conditions resulting in reduced economic growth for the city, a weaker local economy, hampering our ability to raise revenue through business rates as well as significant job losses. Loss of funding for key economic & research programmes and well as reduced FDI flows. Uncertainty about future visa requirements for EU workers and visitors may reduce labour supply as well as tourist flows limiting growth prospects of key economic sectors in the city.	1-Jun-2018	Tom Bridgman	4	3	4	3	4	2	City now part of a sub-regional Brexit Group. Additionally, now receiving and sharing regular Brexit update reports from Central Government.	An informal Brexit impact group of key employers has been set up. We have also been feeding into various national papers and briefings which are designed to inform the government's negotiating position. Also undertaking business surveys	31-Oct-2019	In Progress	15%	Tom Bridgman

Current Risk Score

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Residual Risk Score

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

Formal Risk Summary

(Oxford)

As at: May-2019

Ref	Title	Risk description	Risk			Date Raised	Owner	Gross		Current		Residual		Comments	Controls				
			Opp/ threat	Cause	Consequence			I	P	I	P	I	P		Control description	Due date	Status	Progress	Action Owner
CRR-032-18-19	Balancing and Delivery of the Financial Plan	Unable to balance the Medium Term Financial Plan and hence deliver the Council's Corporate Plan priorities	T	"Reduced contribution from Council companies; Business Rates reform Local Government finance reform Unachievable savings and income"	Increased use of balances to ensure that Council sets a balanced budget for next 4 years.Re-active action taken to bring budget back into line	1-Jun-2018	Nigel Kennedy	4	3	4	3	4	3		Ensure companies are on schedule to deliver returns to Council	31-Mar-2020	In Progress	50%	Nigel Kennedy
										Keep abreast of changes to Business rates reforms and Fair funding	31-Mar-2020	In Progress	20%		Nigel Kennedy				
										Regular monitoring of revenue and capital budgets and ensuring savings and increased income are on target	31-Mar-2020	In Progress	10%		Nigel Kennedy				
										Start budget setting early and drive savings in conjunction with members	31-Mar-2020	In Progress	10%		Nigel Kennedy				
CRR-034-18-19	Recruitment and retention of the workforce	The challenge of recruitment and retention in some service areas, and ensuring succession planning exists for critical hard to fill roles.	T	<ul style="list-style-type: none"> Proximity to London High cost of housing Congested infrastructure and transport links 	Reduced capacity to deliver, especially in high profile projects	1-Jun-2018	Helen Bishop	3	4	3	3	2	3		Develop and implement improved recruitment processes [incl. use of social media, 'staff stories' and other promotional material]	31-Oct-2019	In Progress	25%	Paul Adams
										Develop employer brand	31-Oct-2019	In Progress	25%		Paul Adams				
										Develop greater understanding of reasons for staff leaving and obtain insight into their 'work experience' whilst at council	31-Oct-2019	In Progress	40%		Paul Adams				
										Development of 'talent pipeline' including work experience, apprenticeships, graduate placement, sponsoring students through qualification, etc.	31-Oct-2019	In Progress	40%		Paul Adams				
										Review of employment offer for hard to fill and specialist roles [pay, flexible working practices, employee benefits]	31-Oct-2019	In Progress	40%		Paul Adams				
										Establish robust system of shareholder and scrutiny meetings for wholly owned companies	30-Sep-2019	In Progress	75%		Anita J. Bradley				
CRR-036-18-19	Resilience of Trading Models	The Council Companies are not successful and fail to deliver outputs and financial returns	T	Lack of skilled direction from Directors; Lack of capacity Lack of commercial focus Shortfalls in income forecasts Deficiencies in governance"	Reputational damage of failing companies Reduced financial returns to the Council impacting on MTFP	1-Jun-2018	Nigel Kennedy	4	3	3	3	3	2		Governance over all joint ventures and companies	30-Jun-2019	In Progress	50%	Nigel Kennedy
										Internal audit of companies review by BDO	31-Jul-2019	In Progress	90%		Nigel Kennedy				
										Presentation of updated business plan on a quarterly basis to shareholder - OCHL	30-Jun-2019	In Progress	80%		Nigel Kennedy				
										Presentation of updated business plan on a quarterly basis to shareholder - ODS	30-Jun-2019	In Progress	80%		Nigel Kennedy				
										Reporting to shareholder for Barton	31-Jul-2019	Not Started	0%		Nigel Kennedy				
										Reporting to shareholder for Oxwed	31-Jul-2019	Not Started	0%		Nigel Kennedy				
										Review dividend policy - OCHL	30-Jun-2019	In Progress	10%		Nigel Kennedy				

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Residual Risk Score

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

Formal Risk Summary

(Oxford)

As at: May-2019

Ref	Title	Risk description	Risk			Date Raised	Owner	Gross		Current		Residual		Comments	Controls				
			Opp/ threat	Cause	Consequence			I	P	I	P	I	P		Control description	Due date	Status	Progress	Action Owner
CRR-037-18-19	Local Government Reorganisation	Risk that the reorganisation or devolution is imposed to the detriment of the Council and the City	T	A bid for an Oxfordshire-wide unitary authority has been submitted to the Secretary of State. A counter-proposal has also been submitted. The government has confirmed it will not be making a decision on the proposals "until some future point", citing progress made through the Housing & Growth Deal partnership, which it wants to see embedded first. If the debate is re-ignited, it will pose a significant threat to collaborative working in Oxfordshire, and particularly to our ability to successfully deliver the Oxfordshire Housing and Growth Deal and to securing future investment in infrastructure.	If debate is reopened: - Significant distraction of resources and focus into making City's case in argument - Significant disruption to partnership working and loss of opportunities for significant infrastructure investment - Risk of weakened focus on Oxford's priorities in a single Unitary - Potential negative impact on community though loss of local accountability for investment and services	1-Jun-2018	Caroline Green	5	3	4	3	3	2	Increasing prospect of SODC rejecting Local Plan and possibly Growth Deal which would increase risk of renewed push for unitary solution	Work with all Oxfordshire Authorities to develop a delivery plan for the deal & make the case to all councils for agreeing the Housing & Growth Deal. National & local government focus needs to be on supporting economic growth, infrastructure & housing.	31-Oct-2019	In Progress	75%	Caroline Green
CRR-038-18-19	Business Continuity Planning and Disaster Recovery including ICT Recovery Plan	There is an adverse impact on continuous business operation due to unplanned events.	T	<ul style="list-style-type: none"> Disruptive event hindering access to building. Disruptive event affecting full functionality of building. Major technology incident (physical or cyber). 	Non-delivery of business operation	1-Jun-2018	Helen Bishop	3	3	3	3	2	3	<ul style="list-style-type: none"> All Services to review and sign-off their BC plans to ensure up-to-date. Assure ICT backup and restore capabilities CMT to approve software priority restoration list from all Services BC plans. Implement alternative software to CITRIX to allow homeworking for own user devices Include ICT systems outages in business continuity plan tests. Re-establish Risk Management Group Review existing ICT recovery plan to ensure up-to-date. Test BCP 	<ul style="list-style-type: none"> 30-Sep-2019 30-Sep-2018 30-Jun-2019 28-Jun-2019 1-Oct-2018 20-Feb-2019 30-Sep-2018 31-Oct-2019 	<ul style="list-style-type: none"> In Progress Completed Completed In Progress Completed Completed Completed In Progress 	<ul style="list-style-type: none"> 75% 100% 100% 95% 100% 100% 100% 50% 	<ul style="list-style-type: none"> Bill Lewis Rocco Labellarte Mike Newman Rocco Labellarte Mike Newman Bill Lewis Rocco Labellarte Bill Lewis 	

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Residual Risk Score

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

Formal Risk Summary

(Oxford)

As at: May-2019

Ref	Title	Risk				Date Raised	Owner	Gross		Current		Residual		Comments	Controls				
		Risk description	Opp/ threat	Cause	Consequence			I	P	I	P	I	P		Control description	Due date	Status	Progress	Action Owner
CRR-040 -18-19	Climate Change - Flooding	Whilst the City Council is not the Lead Local Flood Authority (County Council) and flood response is primarily led by the EA, the city has a key reputational risk based on prevention, preparation, response, communication and clean up.	T	Oxford is prone to flood risk from fluvial or river sources (Cherwell and Thames/Isis) and in specific areas to pluvial or surface flooding from heavy rainfall. For fluvial flooding heavy rainfall upstream normally gives Oxford between 24-48 hours to prepare and respond with flood protection. There is no warning for pluvial flooding.	Dependent on the type and extent of flooding, highly weather dependent.	1-Jun -2018	Jo Colwell	4	3	3	3	3	3		Control measures relating to advocacy, clear communication, negotiation over our land assets, in particular at Seacourt and Redbridge Park and Ride sites (Seacourt extension/Redbridge as location for recycling transfer station)	30-Jun -2019	In Progress	50%	Jo Colwell
															Partnership with the EA led programme to deliver the Oxford Flood Alleviation Scheme	30-Jun -2019	In Progress	50%	Jo Colwell
															Reputational risk is shared across partners.	30-Jun -2019	In Progress	50%	Jo Colwell
CRR-042 -18-19	Terrorism	Terrorist incident in the city (most likely in the city centre) that adversely affects normal life in the city, including a negative impact on the Council's business, or targets an individual event (e.g. May Morning, St Giles' Fair, events in South Park)	T	Oxford is an internationally known city and is a more likely target than cities and towns of a similar size. There are several areas where large numbers of people congregate - primary shopping areas and tourist attractions, transport hubs - that may be conducive and prone to attack	Dependent on nature of attack and where it occurs. Could result in lock down of buildings, including Council offices, severe travel disruption, need to disperse large numbers of people (to places of safety). Non-delivery of Council services	1-Jun -2018	Tim Sadler	5	2	5	2	5	2		Council's emergency plan includes link to Crowded Spaces Evacuation Plan	30-Apr -2020	Ongoing	100%	Mike Newman
															Emergency plans for Council-operated buildings include dealing with a terrorist attack.(including building lock-down procedure)	30-Apr -2020	Ongoing	100%	Mike Newman
															Event plans include dealing with a terrorist attack.(including evacuation procedure)	30-Apr -2020	Ongoing	100%	Mike Newman
															Physical barriers in place - temporary and permanent	30-Apr -2020	Ongoing	100%	Mike Newman
															Respond to intelligence received	30-Apr -2020	Ongoing	100%	Mike Newman
															Work with partners, particularly the Police and County Council, on mitigation measures	30-Apr -2020	In Progress	50%	Tim Sadler
CRR-043 -18-19	Cyber Attack	Cyber security incident which impedes the operation of the business	T	Global attack from outside the business Internal hacker	Non-delivery of business operation	1-Jun -2018	Helen Bishop	3	4	3	3	3	2		Carry out PSN remedial work.	30-Sep -2019	Ongoing	100%	Rocco Labellarte
															Ensure any security breaches are dealt with appropriately, in line with policies.	30-Jun -2018	Ongoing	100%	Helen Bishop
															Ensure cyber defences (firewalls, anti-virus, anti-malware, password protection, two-factor authentication) is in place	30-Jun -2018	Ongoing	100%	Rocco Labellarte
															Ensure cyber security policies are in place.	30-Jun -2018	Ongoing	100%	Rocco Labellarte

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Formal Risk Summary

(Oxford)

As at: May-2019

Ref	Title	Risk				Date Raised	Owner	Gross		Current		Residual		Comments	Controls				
		Risk description	Opp/ threat	Cause	Consequence			I	P	I	P	I	P		Control description	Due date	Status	Progress	Action Owner
														Ensure PSN accreditation is achievable. Allocate funding as necessary to ensure remedial work can be delivered.	30-Jun-2019	In Progress	20%	Nigel Kennedy	
CRR-044-18-19	Health and Safety - Buildings	Failure to comply with the various H&S legislative requirements which ensure the safety of buildings	T	Inadequate training, poor systems and procedures, failure to robustly monitor performance and address this. Inadequate resourcing and skills. Inadequate maintenance of buildings	Corporate manslaughter. HSE investigation and substantial fines. Loss of reputation	1-Jun-2018	Stephen Clarke	4	4	4	3	3	2		Create a dedicated H&S team	30-Jun-2018	Completed	100%	Martin Shaw
														Introduce a bespoke IT system for monitoring compliance	31-Oct-2019	In Progress	50%	Martin Shaw	
														Recruit experienced H&S Manager and other team vacancies	30-Sep-2018	Completed	100%	Martin Shaw	
														Regular programme of audits of performance to identify gaps in Process	30-Jun-2018	Ongoing	100%	Martin Shaw	
														Regular reporting of performance at corporate level	30-Jun-2018	Ongoing	100%	Martin Shaw	
														Review existing processes and systems	31-Mar-2019	Ongoing	100%	Martin Shaw	
CRR-039-18-19	Delivery of Services by External Suppliers/Partnerships / Supply Chain	The negative performance of suppliers has a direct impact on the Councils ability to achieve its goals	T	Failure of key supplier (i.e. Fusion) or reductions in funding and/or financial pressures on the councils critical service partners may place additional burdens /demands on the council and poorer services outcomes for citizens and potential risks to our supply chain.	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.	1-Jun-2018	Ian Brooke	3	3	3	2	3	2	We continue to closely monitor the contract with our leisure provider. Fusions independently audited accounts for the year ended 31 December 2018, show good improvement and growth since the previous accounting year. Their recovery and restructure plan put in place at the end of 2017 has delivered a financial turnaround. Fusion anticipates that this positive trends will continue in 2019. This is also reflected with Fusions Delphi Credit Report showing very low risk. We will continue to monitor Fusions overarching performance through the existing governance framework.	Work collectively and coherently with key partners to find solutions. Effective relationship management across partners will help to manage risks around service delivery and reputational risk.	30-Jun-2019	In Progress	60%	Ian Brooke

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OXFORD CITY COUNCIL

INTERNAL AUDIT PROGRESS REPORT

JULY 2019 - 20

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Executive Summary - Accounts Payable 19/20	8
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PROGRESS AGAINST PLAN

Internal Audit

This report is intended to inform the Audit and Governance Committee of progress made against the 2019/20 internal audit plan. It summarises the work we have done, together with our assessment of the systems reviewed and the recommendations we have raised. Our work complies with Public Sector Standards. As part of our audit approach, we have agreed terms of reference for each piece of work with the risk owner, identifying the headline and sub-risks, which have been covered as part of the assignment. This approach is designed to enable us to give assurance on the risk management and internal control processes in place to mitigate the risks identified.

Internal Audit Methodology

Our methodology is based on four assurance levels in respect of our overall conclusion as to the design and operational effectiveness of controls within the system reviewed. The assurance levels are set out in section 2 of this report, and are based on us giving either "substantial", "moderate", "limited" or "no". 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.

Outstanding from 2018/19 audit plan

The following 2018/19 audit reports have now been issued in Final and the executive summaries included in this report:

- Companies Review Oversight

Overview of 2019/20 work to date

All Terms of Reference have been completed for the year except for Graffiti and Street Appearance, and Enforcement Restructure which are currently a work in progress.

The following 2019/20 audit reports have now been issued in Final and the executive summaries included in this report:

- Accounts Payable
- Contract Management

We are also presenting separately to this Committee:

- Follow up of recommendations report
- 2018/19 Annual Opinion.

INTERNAL AUDIT OPERATIONAL PLAN 19/20

Audit Area	Audit Days	Executive Lead	Planning	Fieldwork	Reporting	Opinion	
						Design	Effectiveness
Audit 1: Accounts Payable and Procurement	18	Nigel Kennedy	✓	✓	✓	Moderate	Moderate
Audit 2: ICT General Control	12	Nigel Kennedy	✓				
Audit 3: Collection Fund	12	Nigel Kennedy	✓				
Audit 4: Treasury Management High Level	8	Nigel Kennedy	✓				
Audit 4: Health and Safety and Fire Safety	13	Helen Bishop	✓	✓			
Audit 5: Contract Management	15	Nigel Kennedy	✓	✓	✓	Moderate	Moderate
Audit 6: High Level Business Continuity, Disaster Recovery and Emergency Planning Review	12	Helen Bishop	✓				
Audit 7: Corporate Performance	13	Helen Bishop	✓				
Audit 8: Enforcement Restructure	12	Nigel Kennedy	✓				
Audit 9: Events Management	12	Ian Brooke	✓				
Audit 10: Graffiti and Street Appearance	10	Ian Brooke	✓				
Audit 11: Housing Rents System	12	Stephen Clarke	✓				
Audit 12: Environment	15	Nigel Kennedy	✓				
Audit 13: Fusion follow-up	4	Ian Brooke	✓				
Audit 14: Election Accounts	12	Anita Bradley	✓	✓			
Audit 15: Mapping Review	15	Nigel Kennedy	✓	✓			

EXECUTIVE SUMMARY - COMPANIES REVIEW OVERSIGHT

EXECUTIVE SUMMARY

LEVEL OF ASSURANCE: (SEE APPENDIX I 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 I FOR DEFINITIONS)

High	1
Medium	3
Low	1

TOTAL NUMBER OF RECOMMENDATIONS: 5

CRR REFERENCE:

Efficient Council

BACKGROUND:

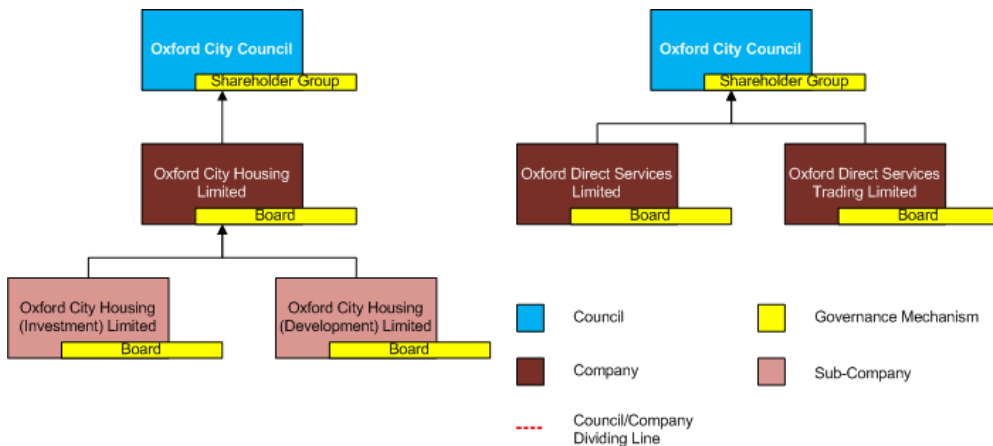
Oxford City Council has established two trading ventures - Oxford City Housing Ltd and Oxford Direct Services Ltd.

Oxford City Housing Ltd is 100% owned by the Council and was established for the acquisition of new affordable homes, development, the purchase of Council void properties and proposed estate regeneration projects

Oxford Direct Services is 100% owned by the Council and provides services such as: waste and recycling; streetscene; parks and open spaces; building works, car parks management, highways and engineering; motor transport; pest control.

Five separate companies are grouped under these ventures. The Council's governance arrangements for both ventures are summarised in Figure 1.

Figure 1 - Oxford City Council governance arrangements for Oxford Direct Services and Oxford City Housing



Between December 2017 and January 2018, BDO undertook a review of the Council's governance of Oxford Direct Services and Oxford City Housing. The Council was seeking assurance regarding the process it had followed to set up and oversee both ventures. The report made 12 recommendations (8 medium and 4 low) - all of which the Council accepted.

A year on from BDO's initial review, both Oxford Direct Services and Oxford City Housing are more mature ventures. The purpose of this report is to follow-up, where appropriate, on the recommendations made in BDO's previous report. This report also reviews, at a high level, the Council's oversight arrangements of two additional joint ventures:

- Barton Oxford LLP - A partnership between the Council and Grosvenor Ltd to develop land in the Barton area of Oxford;
- OXWED - A joint venture between the Council and Nuffield College Oxford to develop land in the Oxpens area of Oxford.

GOOD PRACTICE:

We have identified the following areas of good practice from this review:

- Oxford Direct Services Limited and Oxford Direct Services Trading Limited are on course to deliver the financial return anticipated from the Council in 2018/19. Oxford City Housing Limited have continued to progress sites agreed in its business plan and have recently acquired additional properties as part of the development on the Council's former land at Barton.

- The Council's Shareholder Board receives a regular and standardised set of information on the financial and non-financial performance of both Oxford Direct Services Limited and Oxford Direct Services Trading Limited. This information is sufficient for the Shareholder Board to scrutinise the performance of both companies. The Council has also established a Companies Scrutiny Panel to provide a forum for backbench Members to scrutinise the performance of both companies.
- The way in which the Council's Shareholder Board receives financial information regarding Oxford Direct Services Limited will enable it to scrutinise whether or not the company is breaching the turnover requirements associated with its Teckal status. This is because the financial reporting differentiates the turnover the company derives from external sources and internal sources.
- The Council and Oxford City Housing Limited have agreed Service Level Agreements for the provision of major projects, landlord services, democratic services and financial services from the Council to the company. There is evidence that the Council has been charging the company for these services during 2018, and that the company has been paying invoices associated with the Council's provision of these services
- Costs incurred by the Council in setting up Oxford Direct Services Limited and Oxford Direct Services Trading Limited have been transferred to respective companies with a requirement to pay back these set up costs in addition to any return required by the Council's Medium Term Financial Strategy.
- The return the Council requires from Oxford Direct Services and Oxford Services Trading Limited in order to meet the expectations set out in the Medium Term Financial Strategy is also reflected in the business planning documentation of those companies.
- There is evidence that the Council has regularly reviewed the skills required for the Boards of its companies to be effective. For example, it is currently considering the appointment of Non-Executive Directors and appointed a Finance Director to cover Oxford Direct Services Limited and Oxford Direct Services Trading Limited.

KEY FINDINGS:

We identified the following areas for improvement:

- Whilst the Council's two joint ventures - Barton Oxford LLP and OXWED - have a range of governance documentation and processes in place, and informal channels to report progress to the Council, the Council should formalise how both joint ventures report into Shareholder Board. Shareholders for both organisations within the Council have yet to receive any reports and Barton and Oxwed have been in operation since 2011 and 2013 respectively
- Whilst the Council's Shareholder Board has received regular financial and non-financial reporting on Oxford City Housing Limited and associated group companies, the unclear strategic direction of those companies - stemming from central government policy changes - have hindered the development of a business plan which accounts for the tax liabilities and running costs of that company. As and when the Council decides on the clear strategic direction of Oxford City Housing Limited, a revised business plan should be produced which does take account of, and clearly identify, these costs.
- The four Service Level Agreements between Oxford City Housing Limited and Oxford City Council have been agreed by both parties, but not yet signed by both parties. These Service Level Agreements cover major projects, landlord services, democratic services and financial services.
- The Council has not implemented the recommendation made in BDO's 2018 companies review that it should - "formally agree a position on whether an order book loan is required between the Council and Oxford Direct Services Limited".

ADDED VALUE

In addition to following up on areas of interest identified by BDO's previous review into the Council's wholly-owned companies, BDO also considered the governance arrangements for the Council's two joint ventures (OXWED and Barton Oxford LLP). Findings regarding the governance of these joint ventures are included in the section above.

CONCLUSION:

The Council has implemented the significant majority of recommendations made by BDO's last report on company governance. The Council's companies have clear reporting routes into the Council, which allow the Council to discharge its role as shareholder and have good oversight over its investments. However, there do remain some issues regarding agreement of Service Level Agreements between the Council and its companies and the ongoing design of how Oxford City Housing Limited reports to the Council's Shareholder Board which should be clarified once the future strategic direction of the company is resolved. Furthermore, the Council does not currently have comparable arrangements in place for its two joint ventures (OXWED and Barton Oxford LLP) to match the good practice oversight of its wholly-owned companies. Oxford Direct Services Limited is on course to deliver its financial target for 2018/19. Oxford City Housing Limited has had to revise its projected financial performance but this is due to the shareholder needing to resolve strategic questions about the strategic direction of the company rather than the governance of the company itself. We have therefore provided moderate assurance on both control design and operational effectiveness.

EXECUTIVE SUMMARY - ACCOUNTS PAYABLE

EXECUTIVE SUMMARY

LEVEL OF ASSURANCE

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

High	0
Medium	4
Low	2

TOTAL NUMBER OF RECOMMENDATIONS: 6

CRR REFERENCE

CRR - 032 - 1819

BACKGROUND

Accounts Payable

Oxford City Council (the Council's) main financial system is Agresso within which Accounts Payable (AP) transactions are recorded. In 2013 the Council rolled out the Agresso Purchase to Pay (P2P) module that included: invoice entry using scanning technology, electronic purchase ordering with built in workflow and a contracts module. The main aim of P2P was to aid the Council in its end-to-end process of purchasing its goods and services and paying for them in a timely manner. There have not been any upgrades to the Agresso system since 2016.

The Central Team is led by the Strategic Procurement and Payments Manager who is supported by the Payments Team. The Agresso system records payments via the three way match process, i.e. from the order being raised, goods received and payments being processed.

To support remote operations at two depots at Horspath Road and Cowley Marsh, the Council also have the systems Key2 and Servitor. Servitor is due to be replaced by Areon QL in October 2019. These systems record the process from the order being raised, goods received and the invoice being received. However, payments are not made from these systems. The AP025 report is run from Agresso regularly to interface the purchase orders raised from the Key2 and Servitor systems and ensure prompt payments can be made. BDO previously conducted an AP internal audit in 2017/18 and found the processes and controls within the service to have moderate control design and effectiveness.

As part of the Council's Strategic Internal Audit Plan for 2019 -20, this review focussed on adequacy of the controls for Accounts Payables and Procurement and whether the Council are paying suppliers accurately, in a timely manner, compliant with statutory regulations, and achieving value for money.

A sample of 18 payments made by the Council in 2018/19 were reviewed to assess the effectiveness of the three-way matching process built into the Agresso system.

Furthermore, suppliers can be created on Agresso and have details amended exposing the Council to the risk of fraudulent supplier changes, therefore a sample of five supplier amendments and due diligence procedures for the creation of new suppliers, including the requirements of the Modern Slavery Act and the Council's Transparency Statement 2018, were assessed.

Procurement

The Central Procurement Team manage Official Journal of the European Union (OJEU) tenders led by the Strategic Procurement & Payments Manager who works closely with the Legal Team, to ensure compliance with the Contract Procedure Rules and the Public Contract Regulations (2015). They also support departments with procurement advice on drafting specific instructions, specifications and legal requirements.

The Council's Contract Procedure Rules identify that electronic tenders must be used for contracts valued over £10,000, for which the Council use the South East Business Portal as a repository to communicate with tenderers and store documentation. This shows a clear audit trail for the procurement process.

The Council are committed to achieving value for every £1 spent, working with ethical suppliers, upholding social values and supporting growth in the local economy.

GOOD PRACTICE

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

- The Contract Procedure Rules were adequate to support the effective governance and management of procurement processes with clear guidance on procurement requirements. Furthermore, the financial regulations contained adequate information on the responsibilities of the Head of Financial Services, Head of Services, line managers and officers with regards to payments
- Documentation supporting procurements and contracts was adequate, complete and accessible
- Of the sample of five tender processes selected we noted that although all cases demonstrated compliance as per the regulations, evaluation letters for one case in particular, were detailed and gave comparative written analysis for the break-down of the tenderers performance against each of the criteria in the qualitative assessment with the successful tender. This went beyond the requirements and was an example of best practice by the Council
- Of the sample of two Interfaces selected it was noted that the interface data from Key2 and Servitor to Agresso was completed accurately and on a regular basis
- There is adequate oversight of performance monitoring by the senior management team.

KEY FINDINGS

We made the following findings:

- (Finding 1 - Medium) -There was no separation of duties in the process to amend customer details. Payments Officers had access to amend customer details and make payments without the requirement for approval.
- (Finding 2 - Medium) -The Constitution did not refer to a due diligence requirement for new suppliers despite the Modern Slavery Act and Transparency Statement 2018 committing the Council to working with ethical contractors. In one case we reviewed there was no evidence of any background checks prior to paying a supplier
- (Finding 3 - Medium) - One contract notice and award was not on the Contracts Finder system despite a contract value of more than £25,000.
- (Finding 4 - Medium) - Data for six monthly KPIs was not available in the management reports. Furthermore, one KPI (% goods receipted prior to invoice date) had no data available for 2018/19. The percentage of non-compliant contracts was excessively high. However, action plans were developed effectively to improve performance
- (Finding 5 - Low) - One payment was not approved by the appropriate individual as per the delegated authorities listing. Additionally, previous approvers were not recorded providing an unclear audit trail for whether adequate approval of payments by officers that have left the organisation was made. It was noted that one payment was made 55 days after the invoice was received
- (Finding 6 - Low) - The Council's Corporate Procurement Strategy requires the use of e-procurements for contracts valued at more than £10,000. This makes it non-compliant with the Public Contract Regulations (2015) which requires electronic tendering for all procurements.

CONCLUSION

Overall the Council has a moderate design of controls in place for managing Accounts Payable and Procurement. There were adequate team structures to ensure accurate and complete payments based on effective management of procurement procedures. However, we noted a number of areas where the controls could be strengthened, particularly the separation of duties between amending supplier details and making payments.

This leads us to conclude that both the control design and control effectiveness are moderate.

EXECUTIVE SUMMARY - CONTRACT MANAGEMENT

EXECUTIVE SUMMARY

LEVEL OF ASSURANCE: (SEE APPENDIX I FOR DEFINITIONS)

Design Moderate

Effectiveness Moderate

SUMMARY OF RECOMMENDATIONS: (SEE APPENDIX I)

High

1

Medium

3

Low

1

TOTAL NUMBER OF RECOMMENDATIONS: 5

CRR/BAF REFERENCE:

Efficient, Effective Council

BACKGROUND:

Effective contract management practices enable local authorities to continue to meet their aims and objectives. Sound contract management involves, clear policies and procedures for contract managers to follow; initial planning; initial and ongoing due diligence and an ongoing assessment of risk; the development of sound relationships with suppliers and tangible and measurable key performance indicators (KPIs). To ensure the contract meets its objective and mitigates any potential issues that arise throughout the contract, suppliers should typically report on how they are meeting the KPIs, for review by the contract managers.

Oxford City Council (the Council) enters contracts with suppliers following the procurement process, to formalise a legally binding agreement on the service provided. This includes payment mechanisms, responsibilities of both parties and warranties. During the lifetime of these contracts, the Council will monitor this and take action if the supplier is not adhering to the conditions agreed in the contract.

Performance monitoring criteria is set out in the Council's Procurement Strategy and Contract Management Framework. Supplier contracts are allocated to either Platinum, Gold, Silver or Bronze depending on their value and importance to the Council. Criteria for performance monitoring differs due to the various implications they have on the Council. The Council's website provides a link to their contracts register. As of December 2018, the Council had 354 contracts in place with suppliers.

We reviewed a sample of fifteen contracts of estimated values between £90,000 - £17,500,000, across different service areas. We tested the contracts for evidence of a signed and up to date contract which sets out clear terms and KPIs. Through discussion with contract managers we sought to understand the operational effectiveness of contractor relationships and reviewed contractor meetings minutes and performance reports, to ensure the suppliers were meeting the terms and conditions of their contract. We also reviewed the payment information for each corresponding contract to ensure they were in line with the contract and reviewed by the contract managers prior to payment.

GOOD PRACTICE:

- All fifteen contracts had a designated contract manager, who liaised with a dedicated person at the contractor organisations
- No exceptions were found during payments testing. A sample of 15 payments tested were checked by the contract managers and authorised by a designated officer within the Agresso system
- For the larger value contracts, rigorous KPI monitoring and contract management meetings were held on a monthly or quarterly basis as appropriate
- The Contract & Procurements Team were praised by the contract managers interviewed for their support and guidance. Some effective controls were in place within this team, for example, ensuring that total contract spend does not breach the OJEU threshold
- The corresponding contract managers identified contract underperformance and the evidence reviewed demonstrated how issues were raised and resolved with the contractors.

KEY FINDINGS:





- Of the sample of 15 contracts tested
 - One signed contract could not be found onsite (contract value £150,000, historically managed by Oxfordshire County Council); some contract managers did not have a copy of their contract and two contracts were not signed by the supplier. See appendix for full listing of the contracts testing (see appendix I for Audit findings on contracts tested).
 - Not all contracts contained clear KPIs and there were inconsistent approaches to performance monitoring and contract management meetings. In two instances there was no evidence of monitoring the contract (see appendix I for Audit findings on contracts tested).
 - None of the contracts over £100,000 had contract specific risk registers, which is a measure stipulated in the Contract Management Framework
- The process of designating contracts ‘gold’ ‘platinum’ ‘silver’ or ‘bronze’ per the Contract Management Framework does not appear to be used and there is no central register to identify the designation of the contracts and the responsibility of monitoring this. As a result the relevant monthly due diligence (credit risk) checks were not routinely carried out
- Evidence of timely credit risk checks prior to the contract starting was not available in all cases. Contract managers rely on the Procurement Team to carry out all due diligence checks (for example, asking for proof of updated insurance), however, it is regarded as the contract manager’s responsibility rather than the Procurement teams
- The level to which contract managers monitor overall spend on the contract across cost centres is unclear.

CONCLUSION:

There is a good framework in place for contract management at the Council, however, there is also some inadequate contract management practice and key elements of the Contract Management Framework have not been upheld, for example, the maintenance of a risk register for contracts over £100,000. Based on this we have provided moderate assurance for design of controls and their effectiveness. Many of the administrative exceptions (easy access to copies of fully signed contracts) relate to older contracts where the current contract manager may not have been responsible for the set-up of the contract. It is clear that over the past two years the Contracts & Procurement Team has begun to implement controls that should improve the audit opinion in future years.

APPENDIX I

OPINION AND RECOMMENDATION SIGNIFICANCE DEFINITION

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



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OXFORD CITY COUNCIL

INTERNAL AUDIT REPORT

AUDIT 13. COMPANIES REVIEW OVERSIGHT FINAL
FEBURARY 2019

LEVEL OF ASSURANCE	
Design	Operational Effectiveness
Moderate	Moderate

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DISTRIBUTION

Nigel Kennedy	Section 151 Officer
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REPORT STATUS LIST

Auditors:	Adam Leeder
Dates work performed:	07 January - 15 February 2019 Close down meeting - February 2019
Draft report issued:	20 February 2019
Final report issued:	March 2019

EXECUTIVE SUMMARY

LEVEL OF ASSURANCE: (SEE APPENDIX I 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 I FOR DEFINITIONS)

High	1
Medium	4
Low	1

TOTAL NUMBER OF RECOMMENDATIONS: 6

CRR/BAF REFERENCE:

Efficient Council

GOOD PRACTICE:

We have identified the following areas of good practice from this review:

- Oxford Direct Services Limited and Oxford Direct Services Trading Limited are on course to deliver the financial return anticipated from the Council in 2018/19. The Council is currently forecasting that Oxford Direct Services and Oxford Direct Services Trading Limited will return a dividend £300k greater than the budgeted amount. Oxford City Housing Limited have continued to progress sites agreed in its business plan and have recently acquired additional properties as part of the development on the Council's former land at Barton.
- The Council's Shareholder Board receives a regular and standardised set of information on the financial and non-financial performance of both Oxford Direct Services Limited and Oxford Direct Services Trading Limited. This information is sufficient for the Shareholder Board to scrutinise the performance of both companies. The Council has also established a Companies Scrutiny Panel to provide a forum for backbench Members to scrutinise the performance of both companies.
- The way in which the Council's Shareholder Board receives financial information regarding Oxford Direct Services Limited will enable it to scrutinise whether or not the company is breaching the turnover requirements associated with its Teckal status. This is because the financial reporting differentiates the turnover the company derives from external sources and internal sources.
- The Council and Oxford City Housing Limited have agreed Service Level Agreements for the provision of major projects, landlord services, democratic services and financial services from the Council to the company.
- Costs incurred by the Council in setting up Oxford Direct Services Limited and Oxford Direct Services Trading Limited have been transferred to respective companies with a requirement to pay back these set up costs in addition to any return required by the Council's Medium Term Financial Strategy.
- The return the Council requires from Oxford Direct Services and Oxford Services Trading Limited in order to meet the expectations set out in the Medium Term Financial Strategy is also reflected in the business planning documentation of those companies.
- There is evidence that the Council has regularly reviewed the skills required for the Boards of its companies to be effective. For example, it is currently considering the appointment of Non-Executive Directors and appointed a Finance Director to cover Oxford Direct Services Limited and Oxford Direct Services Trading Limited.

KEY FINDINGS:

We identified the following areas for improvement:

- Whilst the Council's two joint ventures - Barton Oxford LLP and OXWED - have a range of governance documentation and processes in place, and informal channels to report progress to the Council, the Council should formalise how both joint ventures report into Shareholder Board. The Council has yet to receive any formal reports to Shareholder Board on the financial and non-financial performance of either organisation.
- Whilst the Council's Shareholder Board has received regular financial and non-financial reporting on Oxford City Housing Limited and associated group companies, the unclear strategic direction of those companies - stemming from central government policy changes - have hindered the development of a business plan which accounts for the tax liabilities and running costs of that company. As and when the Council decides on the clear strategic direction of Oxford City Housing Limited, a revised business plan should be produced which does take account of, and clearly identify, these costs.
- The four Service Level Agreements between Oxford City Housing Limited and Oxford City Council have been agreed by both parties, but not yet signed by both parties. These Service Level Agreements cover major projects, landlord services, democratic services and financial services.
- The Council has not implemented the recommendation made in BDO's 2018 companies review that it should - "formally agree a position on whether an order book loan is required between the Council and Oxford Direct Services Limited".

ADDED VALUE

In addition to following up on areas of interest identified by BDO's previous review into the Council's wholly-owned companies, BDO also considered the governance arrangements for the Council's two joint ventures (OXWED and Barton Oxford LLP). Findings regarding the governance of these joint ventures are included in the section above.

CONCLUSION:

The Council has implemented the significant majority of recommendations made by BDO's last report on company governance. The Council's companies have clear reporting routes into the Council, which allow the Council to discharge its role as shareholder and have good oversight over its investments. However, there do remain some issues regarding agreement of Service Level Agreements between the Council and its companies and the ongoing design of how Oxford City Housing Limited reports to the Council's Shareholder Board which should be clarified once the future strategic direction of the company is resolved. Furthermore, the Council does not currently have comparable arrangements in place for its two joint ventures (OXWED and Barton Oxford LLP) to match the good practice oversight of its wholly-owned companies. Oxford Direct Services Limited is on course to deliver its financial target for 2018/19. Oxford City Housing Limited has had to revise its projected financial performance but this is due to the shareholder needing to resolve strategic questions about the strategic direction of the company rather than the governance of the company itself. We have therefore provided moderate assurance on both control design and operational effectiveness.

RISK: THE COUNCIL HAS NO FORMAL REPORTING STRUCTURE IN PLACE TO COVER ITS TWO JOINT VENTURES - OXWED AND BARTON OXFORD LLP

Ref	Significance	Finding
1.	High	<p>The Council is part of two joint ventures - Barton Oxford LLP and OXWED.</p> <ul style="list-style-type: none"> • Barton Oxford LLP - A partnership between the Council and Grosvenor to develop land in the Barton area of Oxford; • OXWED - A joint venture between the Council and Nuffield College Oxford to develop land in the Oxpens area of Oxford. <p>Both companies have a range of good governance documentation and processes in place. For example:</p> <ul style="list-style-type: none"> • Both companies have Articles of Association setting out to core governance principles of the company, including reserved matters where agreement of Oxford City Council, as one of the shareholders, is required. • Both companies have Boards which include representatives of the Council and meet on a regular basis. • Other than officer time as Board Directors, the Council’s day-to-day input into both joint ventures does not require Service Level Agreements to cover provision of services or payment for provision of those service. • Both companies produce annual accounts. <p>However interviews with representatives from both companies suggested that historically, reporting on the activity and finances of both joint ventures to the Council has been ad-hoc and through informal channels such as Cabinet-Member briefings. This has resulted in a lack of oversight of Council members on both the land transferred to the company, the value of returns to the Council and the value of dwellings built in the company. During the consolidation of accounts for 2018-19 it is understood that the land value within Barton Oxford LLP will be impaired to zero.</p> <p>Now that the Council has a Shareholder Board in place to oversee financial and non-financial performance of the Council’s other investments in commercial ventures the Council should use this forum to receive appropriate updates on the financial and non-financial performance of OXWED and Barton Oxford LLP.</p> <p>This reporting should be sensitive to the fact that both OXWED and Barton Oxford LLP are joint ventures with third parties (Nuffield College and Grosvenor respectively) and therefore the frequency and content of reporting for both organisations should be agreed at respective Boards.</p>

RECOMMENDATION:

A - The Boards of OXWED and Barton Oxford LLP should agree a schedule and templates for reporting appropriate financial and non-financial information to the Council’s Shareholder Board.

MANAGEMENT RESPONSE:

Information to date has been reported infrequently to lead members with key decisions around loan advances, as in the case of OXWED, approved by CEB and Council. The Council is establishing appropriate reporting structures for both Barton LLP and OXWED aligned to its reporting to Shareholders for OCHL and ODS to ensure that Oxford City Council members have more formal oversight of key developments within each of the organisations in which the Council is a key stakeholder.

Responsible Officer: Anita Bradley/Nigel Kennedy

Implementation Date: 31-07-2019
31-07-2019

DETAILED FINDINGS

RISK: ONGOING MONITORING INFORMATION RECEIVED BY THE COUNCIL FOR OXFORD CITY HOUSING LIMITED DOES NOT INCLUDE INFORMATION ON THE TAX LIABILITY OF THE COMPANY OR THE COST OF SUPPORT SERVICES REQUIRED TO SUPPORT SERVICE DELIVERY.

Ref	Significance	Finding
2.	Medium	<p>Oxford City Housing Limited commenced 2018/19 with a clear strategy and a business plan which had been agreed at Shareholder Board. However, during 2018 that business plan needed to be reconsidered. This is a result of government policy changes related to what is permissible within the Council's Housing Revenue Account, which has knock-on effects for what Oxford City Housing Limited does. Consequently, the volume, tenure, timing and ongoing stock-holder status of Oxford City Housing Limited has been uncertain over the course of 2018/19. This uncertainty has made it difficult to produce clear and consistent financial plans setting out turnover, costs, and profit in a way which accounts for both tax liabilities and the cost of service level agreements as these fluctuate in line with activity.</p> <p>Oxford City Housing Limited has undertaken work to inform likely costs of purchasing services from Oxford City Council. These costs are set out in four Service Level Agreements between the Council and the company:</p> <ul style="list-style-type: none"> • Law and governance services (agreed by OCHL Board on 22nd May 2018) - £66,000 per annum • Regeneration and major projects services (agreed by OCHL Board on 10th July 2018) - £179,500 per annum • Housing and property services (agreed by OCHL Board on 10th July 2018) - £78,900 per annum • Financial services (agreed by OCHOL Board on 22nd May 2018) - £152,000 per annum. <p>Oxford City Housing Limited has also undertaken work, in partnership with Deloitte, to clarify its potential tax liability in future years:</p> <ul style="list-style-type: none"> • At the OCHL Board Meeting on 24th January 2018 some revisions to the OCHL business plan were made (addition of Lucy Faithful House, removal of Right to Buy, updates to wider housebuilding programme following input from development consultants). The Board resolved to “update the business plan, run the associated management accounts and send them to Deloitte in order that they can advise the company on its tax planning”. • At the OCHL Board Meeting on 21st February it was confirmed that a refreshed business plan had been produced and an informal Board convened for 27th February 2018 to review this.

Notwithstanding the challenges posed by a lack of clear strategic direction, the Council has attempted to incorporate forecasts around tax liabilities and support services purchased in its financial updates to Shareholder Board during 2018/19. For example, the company shared financial statements with Shareholder Board on 20th March 2018, covering the years 2017/18 to 2021/22. This set of financial statements included:

- Statement of profit and loss;
- Statement of financial position (balance sheet);
- Statement of cashflows.

These financial statements do reference OCHL's forecast tax liability - estimated to be £0 in 2017/18, £0 in 2018/19, £894k in 2019/20, £316k in 2020/21, and £49k in 2021/22.

The financial statements presented to the Shareholder Board on the 20th March 2018 also cover the following costs of certain services received:

- Social housing management costs - £249k in 17/18, £504k in 2018/19, £620k in 2019/20, £724k in 2020/21, and £779k in 2021/22.
- Routine maintenance costs - £2k in 2017/18, £14k in 2018/19, £57k in 2019/20, £103k in 2020/21, and £138k in 2021/22.
- Cost of sales for shared ownership first tranche sales - £0k in 2017/18, £149k in 2018/19, £1,498k in 2019/20, £0k in 2020/21, and £0k in 2021/22.
- Cost of sales for properties developed for sale - £0k in 2017/18, £0k in 2018/19, £16,087k in 2019/20, £3,061k in 2020/21 and £0k in 2021/22.

The Council is currently reviewing the strategic direction of Oxford City Housing Limited - including the location, volume and tender type of properties the company develops and manages. Once these large strategic questions are resolved, Oxford City Housing Limited is preparing to submit a revised business plan to Shareholder Board in May 2019. At this point the Oxford City Housing Limited should be able to accurately forecast both its tax liability and cost of support services in future years and should ensure that this is incorporated into the financials which are included in the updated business plan.

RECOMMENDATION:

- A. The Shareholder meeting of May 2019 considered an updated Business Plan for the Company taking into account recommendations of the Cabinet to Council for its HRA to purchase all social housing currently being built within Oxford City Housing (Development) Ltd. Council will consider this recommendation at its meeting on 22nd July. Subject to the approval of this decision the Housing Company were presented with a revised business plan showing the effects of the sales on the Company

finances. The Revised Business Plan includes estimates for support services and tax where applicable

MANAGEMENT RESPONSE:

Agreed the Company Business Plan will be updated together with the Councils MTFP and Housing Revenue Account Business Plan

Responsible Officer: Nigel Kennedy/ David Watt

Implementation Date: 31-05-2019

RISK: THE COUNCIL DOES NOT HAVE SERVICE LEVEL AGREEMENTS (SLAS) IN PLACE FOR SUPPORT SERVICES DELIVERED BY THE COUNCIL/OXFORD DIRECT SERVICES TO OXFORD CITY HOUSING

Ref	Significance	Finding
3.	Medium	<p>The Council has signed Service Level Agreements in place between Oxford Direct Services and Oxford Direct Services Trading Limited and the Council.</p> <p>There are four Service Level Agreements in place between the Council and Oxford City Housing Limited. These cover the Council’s provision of:</p> <ul style="list-style-type: none"> • Law and governance services (agreed by OCHL Board on 22nd May 2018) - estimated cost of £66,000 per annum • Regeneration and major projects services (agreed by OCHL Board on 10th July 2018) - estimated cost of £179,500 per annum • Housing and property services (agreed by OCHL Board on 10th July 2018) - estimated cost of £78,900 per annum • Financial services (agreed by OCHL Board on 22nd May 2018) - estimated cost of £152,000 per annum. <p>However, there are three potential issues with the Service Level Agreements between the Council and Oxford City Housing Limited.</p> <p>Firstly, it is unclear whether Service Level Agreements for the provision by the Council to Oxford City Housing Limited of housing/property services and regeneration and major projects include a small margin to ensure compliance with transfer pricing regulations</p> <ul style="list-style-type: none"> • The Service Level Agreement for the Council to provide housing and property services to Oxford City Housing Limited estimates the cost of those services to be £78,900 per annum; • The Service Level Agreement for the Council to provide regeneration and major projects support to Oxford City Housing Limited estimates the cost of those services to be £179,500 per annum. <p>Neither Service Level Agreement provides a breakdown of how this figure was reached or an explicit acknowledgement that it includes a 5% margin to comply with transfer pricing regulations (as is the case with both the law and governance and financial services Service Level Agreements). The Chair of the Board suggested that a 5% margin was not included in either the property services or regeneration and major projects SLAs.</p> <p>Secondly, all four SLAs between Oxford City Housing Limited and Oxford City Council have not been signed, despite having been agreed at Board. Both parties need to sign these Service Level Agreements to bring them into force.</p>

Thirdly, the Council has not yet invoiced Oxford City Housing Limited for services rendered in 2018/19 under the SLAs. This is a consequence of the uncertain future strategic direction of the company, which has delayed some of its activity. For example, the landlord services SLA charge for 2018/19 was based on managing a larger number of properties for Oxford City Housing Limited than the Council has ended up managing. Therefore, as part of the accounts closedown process for 2018/19 the Council and Oxford City Housing Limited need to agree an appropriate charge against the agreed SLAs which reflects the actual work delivered by the Council to the company.

RECOMMENDATION:

A - Update the Service Level Agreements for housing and property (landlord) services and major projects to include a 5% margin to ensure the Council is compliant with transfer pricing regulations.

B - Oxford City Housing Limited and the Council must sign all Service Level Agreements between the Council and the company to ensure they are legally enforceable.

C - Oxford City Housing Limited and Oxford City Council should agree what figure should be charged against each of the SLAs between both parties to cover work delivered during 2018/19. It is acknowledged that this will likely be lower than the charge initially agreed in the SLA.

MANAGEMENT RESPONSE:

A - Agreed

B - Agreed

C - Agreed

Responsible Officer: Nigel Kennedy/ David Watt

Implementation Date: 31-05-2019

RISK: THE COUNCIL HAS NOT FORMALLY RECORDED ITS AGREED POSITION THAT AN ORDER BOOK LOAN WAS NOT REQUIRED BETWEEN OXFORD CITY COUNCIL AND OXFORD DIRECT SERVICES LIMITED FOR EXISTING BUSINESS TRANSFERRED INTO THE COMPANY. THIS RELATES TO RECOMMENDATION 10 FROM BDO'S PREVIOUS REVIEW

Ref	Significance	Finding
4.	Low	<p>BDO's previous report on governance of the Council's companies (2018) noted that the Council had received advice from an independent organisation (Grant Thornton) that it a value should be attached to pre-existing contracts novated from the Council to Oxford Direct Services Limited. The Council's advisers had recommended this was done through providing an order book loan to Oxford Direct Services Limited to buy out the contracts.</p> <p>When BDO produced its last review the Council had decided informally not to follow this advice and novate the contracts across at no value. This was on the basis that the contracts in question could be ended at any time by the relevant customer and therefore had no real value. BDO's previous review noted the discrepancy between the Council's chosen treatment of these contracts and the advice it had received and advised that the Council should formally record its decision not to follow the recommendations of external advice.</p> <p>To date the Council has not formally resolved at Shareholder Board that no value should have been assigned to the contracts novated from the Council to Oxford Direct Services Limited.</p>

RECOMMENDATION:

- A. Pass a resolution at Shareholder Board that the Council formally decides not to attach any value to the contracts novated from the Council to Oxford Direct Services Limited, which also sets out the reasons for doing so.

MANAGEMENT RESPONSE:

The Council will deal with this when the Company's Statement of Accounts is produced for the year end 2018-19.

Responsible Officer: Nigel Kennedy/ Aled Bath

Implementation Date: 31-07-2019

STAFF INTERVIEWED

BDO LLP APPRECIATES THE TIME PROVIDED BY ALL THE INDIVIDUALS INVOLVED IN THIS REVIEW AND WOULD LIKE TO THANK THEM FOR THEIR ASSISTANCE AND COOPERATION.

Nigel Kennedy	Section 151 Officer (Oxford City Council)
Aled Bath	Finance Director (Oxford Direct Services Limited)
Simon Howick	Managing Director (Oxford Direct Services Limited)
Stephen Clarke	Board Member (Oxford City Housing Limited)
Tim Sadler	Board Member (Oxford Direct Services Limited)
Jane Winfield	Head of Regeneration and Major Projects (Oxford City Council)
Anita Bradley	Monitoring Officer (Oxford City Council)
Ian Gray	Board Member (OXWED)

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

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

APPENDIX II - TERMS OF REFERENCE

PURPOSE OF REVIEW:

Oxford City Council has established two trading ventures - Oxford City Housing Ltd and Oxford Direct Services Ltd. Oxford City Housing Ltd is 100% owned by the Council and was established to the acquisition of new affordable homes, development, the purchase of Council void properties and proposed estate regeneration projects. Oxford Direct Services is 100% owned by the Council and provides services such as: waste and recycling; streetscene; parks and open spaces; building works, car parks management, highways and engineering; motor transport; pest control. Between December 2017 and January 2018, BDO undertook a review of the Council's governance of Oxford Direct Services and Oxford City Housing. The Council was seeking assurance regarding the process it had followed to set up and oversee both ventures. The report made 12 recommendations (8 medium and 4 low) - all of which the Council accepted.

A year on from BDO's initial review, both Oxford Direct Services and Oxford City Housing are more mature ventures. The purpose of this report is to follow-up, where appropriate, on the recommendations made in BDO's previous report, and identify any other emerging issues which present an opportunity for the Council to improve its governance of both ventures. It will not be appropriate to follow-up on all recommendations as the Council's relationship with both companies is now different. This is because the companies are out of their setup phase and more established. Therefore the Council will, rightly, be less involved in the day-to-day operations of those companies and the management information associated with those activities. Furthermore, this follow-up review is more focussed on the ongoing performance monitoring of both companies by the Council, rather than redressing specific issues highlighted in the historic business plans of the companies concerned. The focus on ongoing monitoring information, rather than business plans (which represent a point in time) is also because this review is being undertaken prior to the latest refresh of the business plans of Oxford Direct Services and Oxford City Housing, which are not due to be considered by the Council until Spring 2019.

KEY RISKS:

The key risks for this review are drawn from BDO's previous report on how the Council governs Oxford Direct Services and Oxford City Housing - adjusted to reflect the current, more mature, relationship between the Council and the companies, and where both companies are in their business planning cycles. Therefore the risks covered by this review are:

- Ongoing monitoring information received by the Council on Oxford Direct Services Limited and Oxford Direct Services Trading Limited does not provide sufficiently granular detail on income and costs associated to facilitate ongoing shareholder challenge of how the companies are performing against plan. This relates to Recommendation 2 from BDO's previous review
- Ongoing monitoring information received by the Council for Oxford City Housing Limited does not include information on the tax liability of the company or the cost of support services required to support service delivery. This relates to Recommendation 3 from BDO's previous review
- The Council has not analysed the turnover received by Oxford Direct Services Limited to ensure that it does not breach the Teckal threshold (i.e. no more than 20% of turnover comes from external sources). This relates to Recommendation 4 from BDO's previous review
- The Council does not have Service Level Agreements (SLAs) in place for support services delivered by the Council/Oxford Direct Services to Oxford City Housing. This relates to Recommendation 5 from BDO's previous review
- SLAs between Oxford City Council, Oxford City Housing and Oxford Direct Services are not charged at cost plus a small margin in order to be compliant with transfer pricing regulations. This relates to Recommendation 6 from BDO's previous review
- The Council does not have set templates in place for performance reporting from both Oxford Direct Services and Oxford City Housing and this means the Council does not have clear oversight of how both ventures are performing. This relates to Recommendation 7 from BDO's previous review
- The Council has not quantified the set-up costs for Oxford Direct Services and/or reached agreement on how these will be financed (i.e. charged to Oxford Direct Services or met by the Council). This relates to Recommendation 8 from BDO's previous review
- Ongoing monitoring information for Oxford Direct Services and Oxford Direct Services Limited does not explicitly state the quantum and phasing of returns required to meet the Council's MTFP commitments. This relates to Recommendation 9 from BDO's previous review
- The Council has not formally recorded its agreed position that an order book loan was not required between Oxford City Council and Oxford Direct Services Limited for existing business transferred into the company. This relates to Recommendation 10 from BDO's previous review
- The Council is not undertaking regular reviews of the skills required on the boards of its commercial ventures. This relates to Recommendations 11 and 12 from BDO's previous review.

In addition, BDO will undertake a high-level assessment of the Council's arrangements for monitoring the performance of two of its joint ventures - Barton Oxford LLP and OXWED.

SCOPE OF REVIEW:

This review is focussed on revisiting the recommendations made in BDO's previous Companies Review report. However in order to add maximum value BDO will take a broader interpretation of Risk 7 (following up on Recommendation 7 from BDO's previous report), in order to support the Council to understand where it has an opportunity to improve governance of both commercial ventures covered by this review.

APPROACH:

Our approach will be to conduct interviews to establish the controls in operation for each of our areas of audit work. We will then seek documentary evidence that these controls are designed as described. We will evaluate these controls to identify whether they adequately address the risks.

FOR MORE INFORMATION:

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

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Oxford City Council
INTERNAL AUDIT
FOLLOW UP OF RECOMMENDATIONS
July 2019

Summary

FOLLOW UP GOING FORWARD - BDO RECOMMENDATIONS

Following the issue of reports, all due high and medium recommendations will be followed up within this report.

RECOMMENDATIONS

- 28 recommendations are due for follow-up with recommendations due prior to the end of **June 2019**
- Previous recommendations may simply have a revised date that is post this Committee and therefore will be picked up at the next Committee
- Of the 28 recommendations:
 - 2017/18 - One Medium recommendation has been fully implemented
 - 2017/18 - One Medium recommendation has been moved to a low priority and therefore removed from the follow up process
 - 2018/19 - One High (Retention) and 11 Medium recommendations are fully implemented
 - 2018/19 - Three High (Accounts Receivables and Retention) and 11 Medium recommendations have not been implemented or have been partially implemented and have been provided either a first or second revised due date.

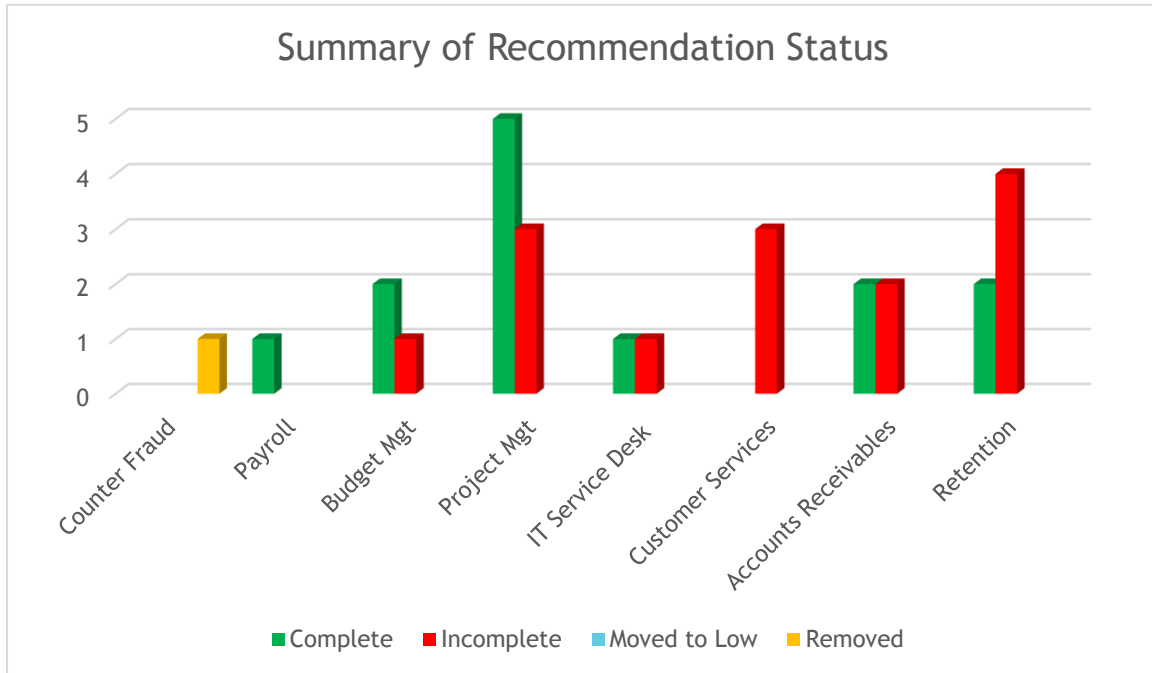
Follow up Process:

As part of the follow-up process we issued all recommendations due for implementation on or before June 2019 on 22nd April 2019. Recommendations due were sent to all responsible officers and the corresponding heads of service. We gave responsible officers 6 weeks to respond. We subsequently chased officers throughout May 2019 and presented the follow-up tracker to the Operational Delivery Group (ODG) on 11th June 2019. We escalated non responses and/or recommendations with several revised due dates to the ODG. We finalised the follow up report on 5th July 2019.

For all incomplete recommendations, 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 reminder emails 6 weeks prior to the follow up review to ensure timely completion of each recommendation.

Summary



Recommendations: Complete

Recommendation made	Priority Level	Manager Responsible and Date	Current Progress
2017/18. Payroll			
Review and update the Payroll Processing Guide with annual reviews put in place to ensure ongoing completeness and accuracy	Medium	Paul Adams Org:31/10/2018 30/04/2019	The Payroll Processing Guide was reviewed and updated to version 1.38 to ensure information is relevant to the current systems.
2018/19. Retention			
The progress of implementing the internal communication framework will be shared with the Business Improvement Team and reported in the monthly Corporate Dashboard Report.	High	Mish Tullar Org:30/04/2019	Internal Communications Framework has been implemented over the past 9 months. From April 2019, an update will be included in the Corporate Dashboard Report. These will be produced monthly in arrears.
The detailed breakdown of staff who failed to complete the appraisals in time should be circulated to the Service Leads who would take full responsibilities in ensuring appraisals are completed in timely manner in all departments. This will be reported in the monthly Dashboard Report to the Executive Board. This should include the appraisal of senior management.	Medium	Chris Harvey Org:31/03/2019 30/06/2019	Following the completion of the end year appraisal process in May 2019, all heads of service were sent an email reminding them appraisals were due for completion and a list of individuals that had not had their appraisal.
2018/19. Budget Management			
<u>Timeliness</u> >The Council should consider sending out the budget proposal in early June to allow management to reflect and develop ideas >Management should take this opportunity to plan ahead and prepare the budget proposal accordingly >Business partners should invest time with management at the start of the budget process to aid discussion.	Medium	Anna Winship Org:31/01/2019 30/06/2019	Budget proposals were sent out in mid-May with details on the proposed budget spending by service area to be discussed at CMT by Heads of Service. These included the mid-term financial plan.
<u>Capital Vs Revenue</u> > The Management Accounting Manager should consider the feasibility of presenting the capital schemes before the revenue expenditure to give service areas time to reflect on capital schemes they will invest in > Alternatively, the onus should be placed on service area managers to ensure adequate time is allocated to reflect on the capital investments and cost savings to be made within the year.	Medium	Anna Winship Org:31/01/2019 30/06/2019	Capital investment schemes are communicated and accessible to all staff on the intranet.
2018/19. Project Management			
a) It should be ensured that lessons are learnt or retrospectives highlighted through the whole of the delivery	Medium	Tim Martin/Tom Bridgeman	A Closure report has been received (within the new process), and reviewed by the Development Board's Review Panel. Lessons,

Recommendations: Complete

<p>phase of a project. These should be documented and actioned as appropriate. At the conclusion of the project a closure report should be completed and presented to the PMO and signed off by the Development Board.</p>		<p>Org:31/01/2019 30/06/2019</p>	<p>identified in the closure report have been transferred to the Lessons Learned register (maintained by the PMO but visible to and searchable by all via the corporate intranet). We reviewed an example of a Closure Report and was satisfied that there was adequate space to record 'Lessons Learnt'. Furthermore, the Development Board is comprised of officers from across the organisation, including Legal, Finance, Property, Environmental Sustainability, Planning, Communities, ICT and the PMO.</p>
<p>It is recommended that the project management approach is documented and disseminated to appropriate staff. This includes the quality of completed documentation the PMO expects to receive, and the gateways that the project must take in order to proceed to the next stage. The templates to be used should be formalised and communicated in their final form. They include version control to ensure staff are utilising the latest version of the forms. Feedback on ease of use of these templates could be requested at the team meetings that the PMO Manager is attending, to ensure that they are adequate and fit for purpose.</p>	<p>Medium</p>	<p>Tim Martin/Tom Bridgeman Org:31/03/2019 30/06/2019</p>	<p>The Project Management process is documented on the Projects Toolkit and a template form has been produced for project Proposals. This is also on the Projects Toolkit.</p> <p>Proposals template is on the Project Toolkit and information has been relayed to staff via Council Matters and all staff emails in April 2019.</p>
<p>The approach and schemes in operation should be communicated to all staff, regardless of their involvement in project management. This will give staff an overview of the work that is taking place across the city that may impact their work and surrounding area. The Showcase Event which took place in September was particularly well received and it should be assessed whether it would be beneficial to hold another of these in the future.</p>	<p>Medium</p>	<p>Tim Martin/Tom Bridgman Org:31/03/2019 30/06/2019</p>	<p>The project development process is documented, with agreed templates. The information is available within a 'Projects Toolkit' and located on the corporate intranet.</p> <p>New digital tools have been used to ensure the register of projects (Smartsheet) is maintained and is current. Reporting (Microsoft Power BI) has been developed. As this produces a public URL, the report has been made available to all staff, via the corporate intranet. As some of the schemes are of a sensitive nature, a duplicate report has been developed with the commentary removed.</p> <p>Further showcases will be considered. This may include a 'progress update' i.e. what has happened since the last showcase.</p>
<p>Work should be front loaded as detailed by the PMO Manager to ensure the project is feasible before moving on to design and specification which generates the best estimate cost for inclusion in the capital programme schemes bid. This process should commence from July each year in order to meet the constitutionally agreed dates required when submitting capital scheme proposals.</p>	<p>Medium</p>	<p>Tim Martin/Tom Bridgman Org:30/04/2019</p>	<p>The project development process has been widely communicated. This includes how it ties in with the Council's capital budget process.</p> <p>The Development Board's Review Panel reviews all documentation and makes recommendations on the project to Development Board. All recommendations are recorded in a register. Each individual scheme is reviewed against a set of criteria. This review may occur at any time throughout the year. The information is included in the relevant proposal or business case template.</p>

Recommendations: Complete

<p>Work should continue on reviewing the scoring guidance for capital bids to ensure that budget prioritisation is undertaken efficiently and effectively, only taking forward those schemes that pass the set criteria.</p>	<p>Medium</p>	<p>Tim Martin/Tom Bridgman Org:30/04/2019</p>	<p>A set of numerical scoring/prioritisation criteria will be used to prioritise any approved schemes as part of the Council's budget setting process.</p>
<p>2018/19. Accounts Receivables</p>			
<p>A monthly report should be run to provide a list of all debts overdue by more than 270 days. The Incomes Team will then have the means to assess each overdue debt and the likelihood of the Council recovering the funds - dependent on whether the debt has a payment plan in place. Debts should then be written off as per the Council's current procedure by monthly approval by the Head of Financial Services.</p>	<p>Medium</p>	<p>Neil Markham Org:30/04/2019</p>	<p>Debt reports are run on a monthly basis for Oxford City Council and the companies. These reports show debts across various debt ranges. Although there is not a specific debt range of more than 270 days, there are ranges for 90+ days, 120+ days and >1 year. Key performance indicators are updated monthly to track the levels of aged debt.</p> <p>All debts are not written off as standard when they hit a certain age. Each is assessed upon its own merits and likelihood of collection. The target is to have all debts on an action by the 90th day. Officers are expected to highlight debts suitable for write off in line with the escalation/debt procedure for its area.</p> <p>We reviewed a sample of monthly debt reports for the Council and the companies and were satisfied that the information was included. These were the reports for March, April and May 2019.</p>
<p>i) There should be a minuted agreement between the Council's Section 151 Officer and the Managing Director of ODS to reaffirm the procedures around overdue debts.</p> <p>ii) Transaction listing of overdue debts should be reported at monthly meeting.</p>	<p>Medium</p>	<p>Neil Markham Org:30/04/2019</p>	<p>i) Monthly meeting between S151 and the ODS MD have been requested to supply evidence that overdue debts are discussed.</p> <p>ii) We received a copy of an email reporting all overdue debts sent to staff and managers at ODS.</p>
<p>2018/19. ICT Service Desk</p>			
<p>Management should implement a defined procedure to review and report on the performance tools it maintains, in particular vFire. The procedure should include how to identify, review and communicate problem areas that are reported by multiple users, in order that an action plan can be discussed and established for presentation to CAB.</p>	<p>Medium</p>	<p>Henry Routledge Org: 31/05/2019</p>	<p>Problem Management Guidance document created and approved for distribution outlining process for identifying, reviewing and communicating problems and resolving them. We have reviewed the procedure guidelines and are satisfied that it is adequate to ensure problems experienced by multiple users are raised to the Problem Management Team.</p>

Recommendations: Incomplete

Recommendation made	Priority Level	Manager Responsible and Date	Current Progress
2018/19. Accounts Receivables			
<p>i) Income officers should be more proactive in following up the aged debt, contacting customers in between the issuing reminder letters until the debt is recovered in full. Particularly after the L7 letters are sent, payment plans should be pursued by Incomes Officers.</p> <p>ii) The issuing of the 14 day, 45 day and L7 reminder letters should be automated to ensure that they are sent to the customer in a timely manner.</p>	High	<p>Neil Markham Org: 30/04/2019 31/12/2019</p>	<p>i) Staff turnover and the introduction of the trading companies had a significant impact in the period the audit sample was taken. The team is now at full strength and all escalation procedures have been reviewed. Newer staff are being mentored to ensure that these procedures are being followed for all invoices.</p> <p>ii) 14 and 45 day reminders are semi-automated. There are no plans to introduce full automation. The Council have stated that they feel the gain would be negligible and is outweighed by the benefit of having some sight/control over what is being produced.</p> <p>However, they are hoping to develop semi-automation for the L7 letters but this will require the support of the external systems support team (Integra) to develop this. Other system developments are currently taking priority.</p>
<p>i) The Council should provide adequate levels of training/guidance on levels of due diligence required based on the value of services provided for the customer or the type of organisation they are.</p> <p>ii). All departments across the Council should be given adequate levels of training on the importance of due diligence, how to successfully carry out due diligence, and the consequences for the Council of the failure to complete due diligence.</p> <p>iii). The due diligence box should be a mandatory field to complete when creating a customer to prevent officers side-stepping it.</p>	Medium	<p>Neil Markham Org: 30/04/2019 30/09/2019</p>	<p>i) The incomes team offer guidance on due diligence to service areas. The final decision on what levels are completed lies with the service areas themselves.</p> <p>ii) Although the message of the importance of due diligence has been communicated, formal training sessions have not been held yet. The Council are currently in the planning phase - aim being to establish the most efficient and time effective way to deliver such training.</p> <p>iii) The due diligence box is now a mandatory field and guidance has been issued to all Agresso users.</p> <p>It should be noted that i and iii is complete however, as ii) training is a significant recommendation and remains incomplete we have deemed the whole recommendation as incomplete and will review this again in September 2019.</p>
2018/19. Retention			
<p>The Communication Team should conduct the staff survey again in 2019 to review the effectiveness of the communication framework (planned in April 2019).</p>	High	<p>Mish Tullar Org: 30/04/2019 30/09/2019</p>	<p>An Internal Communications Champions group has been created involving frontline staff from all departments. Internal Communications Framework implementation will be reviewed by this group before an all-staff survey is issued in July 19.</p>
<p>The Council should agree to review and rebrand, if necessary, the values in order to achieve greater staff commitment.</p>	High	<p>Chris Harvey Org: 30/06/2019 TBD</p>	<p>This action has not been progressed. To date there has only been conversations about the re-design of our values with no clear direction that a formal review is yet required. No date has been set for the completion of this as CMT need to decide whether they want to pursue with the re-design.</p>

Recommendations: Incomplete

<p>The exit interview results, together with trend analysis and lessons learnt should be reported periodically in the Corporate Dashboard Report which is presented to the Executive Board</p>	<p>Medium</p>	<p>Paul Adams Org:30/06/2019 31/07/2019</p>	<p>Information produced by exit interviews will be reported on in the Corporate Dashboard reports on Q1 leaver's data (i.e. April to June 2019) will commence in July 2019 and on an ongoing basis thereafter.</p>
<p>The services should be required to report details of how L&D funding is used in the team and whether alternative opportunities have been sought to fund staff L&D needs.</p>	<p>Medium</p>	<p>Chris Harvey Org:30/06/2019 30/09/2019</p>	<p>No reports have been made on service area L&D budget usage. As a result, this will be reviewed again in September 2019.</p>
<p>2018/19. ICT Service Desk</p>			
<p>Management should review the Access Control Guide and update as necessary, regarding the approval of system access requests and the requirement and responsibility for periodically reviewing access controls. All users and managers should be aware and accountable for their responsibilities in user's access control.</p>	<p>Medium</p>	<p>Henry Routledge Org:31/05/2019 31/08/2019</p>	<p>User Guide is in the process of being updated to include the recommended information and is awaiting approval by the Board before implementation. Therefore, we will revisit this recommendation in August 2019.</p>
<p>2018/19. Budget Management</p>			
<p>Service area objective and Corporate Objectives > Business partners should organise a training programme to educate management on how an operational decision within the budget proposal will impact the corporate objectives.</p>	<p>Medium</p>	<p>Anna Winship Org:31/01/2019 30/06/2019 30/09/2019</p>	<p>No training has been undertaken yet but is due to be scheduled once the accounts have been completed and audited. These will tie in with Corporate Communications team. The aim is for the training to be undertaken more widely across the organisation.</p>
<p>2018/19. Project Management</p>			
<p>The quality required of the closure reports should be confirmed within the agreed project management approach, and documented within the new Project Management Intranet page (see finding 2) and rejected by the PMO where quality is insufficient. It should be ensured that all project managers are aware that their closure report should be reviewed by the PMO, in particular, as 60% of those surveyed have stated that they always complete one, but only one report has been received by the PMO to date.</p>	<p>Medium</p>	<p>Tim Martin/Tom Bridgman Org:31/01/2019 30/06/2019 30/09/2019</p>	<p>There is no evidence of quality expectations on the Project Toolkit which disseminates this information - we were informed by Tim Martin that documentation will improve over time We will revisit this recommendation in Sept 2019 and ensure quality expectations are now embedded into the project toolkit.</p>
<p>A skills gap analysis should be undertaken in order to understand what skills and knowledge are currently in operation across those involved in the entire project management lifecycle. The results of this analysis will help inform the training programme required in order to ensure all appropriate staff have the skills and knowledge to undertake their project in line with the Council's project management framework. The capacity of staff</p>	<p>Medium</p>	<p>Tim Martin/Tom Bridgman Org:31/03/2019 30/09/2019</p>	<p>A capacity and training analysis is about to begin. This will be complimented with recruitment of appropriate resource, where appropriate.</p>

Recommendations: Incomplete

involved in projects should also be assessed.			
It is also recommended that the PMO Manager liaises with the task and finish groups set up as a result of the workshops to ensure all issues raised have been addressed.	Medium	Tim Martin/Tom Bridgman Org: 31/03/2019 30/06/2019 30/09/2019	Process matters raised through the task and finish groups are being completed. The last matter outstanding relates to Procurement. This document is currently in draft phase.
2018/19. Customer Services			
The CS team managers should be reminded via email to flag up workforce pressures in early stages whenever they feel the quality monitoring process could not be completed in the month.	Medium	Mark Chandler Org: 30/06/2019 30/09/2019	The Council are still in the process of reviewing the way they manage and record quality within the Contact Centre. They are looking to move to a process where calls will only be monitored for CSOs every two months rather than monthly. In the months where calls are not recorded the TM's/ATMs will be expected to use the time for call coaching either spending time with the CSOs listening to some historical calls and identifying good areas and areas for improvement or undertaking side by side coaching in the live environment.
The Quality Control Process should be updated to define the sample calls selection timeframe and methodologies to ensure the effectiveness of quality control.	Medium	Mark Chandler Org: 30/06/2019 30/09/2019	The Council are also in the process of developing dashboards for CSOs and Managers. Managers can then review the numbers of calls monitored and drill down into the results. CSOs would also have access to their results whenever they needed them. CSO and Manager objectives have already been built into the system and the requirement for CSOs to evidence how they provide a high standard of service to customers and for Managers to work with them to drive improvements. The Council plan to have revised the process and have completed the dashboards within the next couple of months.
The monthly quality control report should include data analysis to confirm the sample selection is reasonable.	Medium	Mark Chandler Org: 30/06/2019 30/09/2019	

Recommendations: Moved to Low

Recommendation made	Priority Level	Manager Responsible and Date	Current Progress
2017/18. Counter Fraud			
<p>The Investigation Service should undertake a full Fraud Risk Assessment across OCC and use the results to inform the direction and resourcing of its annual work-plan.</p>	<p>Medium</p>	<p>Scott Warner Org: 31/03/2018 30/06/2018 31/12/2018 30/04/2019</p>	<p>A full risk assessment of all service areas in the Council assessed. The document is currently being reviewed by the service heads to ensure there are no control gaps. This is due to be presented to Audit Committee in July 2019. The document has a lead page which identifies the 12 highest inherent risks across all service areas.</p>



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Oxford City Council

INTERNAL AUDIT ANNUAL REPORT AND ANNUAL STATEMENT OF ASSURANCE

July 2019

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SUMMARY OF 2018/19 WORK

Internal Audit 2018/19

This report details the work undertaken by internal audit for Oxford City Council and provides an overview of the effectiveness of the controls in place for the full year. The following reports have been or will be issued for this financial year:

- Audit 1. Car Parking
- Audit 2. Data Analytics
- Audit 3. ICT Service Desk
- Audit 4. Risk Management
- Audit 5. General Ledger
- Audit 6. Accounts Receivable
- Audit 7. Project Management (inc Capital Projects)
- Audit 8. Members Allowance and Budgets
- Audit 9. Investment Property
- Audit 10. Retention
- Audit 11. Customer Services
- Audit 12: Fusion Partnership Arrangements
- Audit 13: Companies Review Oversight
- Audit 14: PCI - DSS - Compliance stage 1
- Audit 15: Disabled Facilities Grant

We have detailed the opinions of each report and key findings on pages five to 16. Our internal audit work for the 12 month period from 1 April 2018 to 31 March 2019 was carried out in accordance with the internal audit plan approved by management and the Audit Committee. The plan was based upon discussions held with management and was constructed in such a way as to gain a level of assurance on the main financial and management systems reviewed. There were no restrictions placed upon the scope of our audit and our work complied with Public Sector Internal Audit Standards.

Head of Internal Audit Opinion

The role of internal audit is to provide an opinion to the Full Council, through the Audit Committee (AC), on the adequacy and effectiveness of the internal control system to ensure the achievement of the organisation's objectives in the areas reviewed. The annual report from internal audit provides an overall opinion on the adequacy and effectiveness of the organisation's risk management, control and governance processes, within the scope of work undertaken by our firm as outsourced providers of the internal audit service. It also summarises the activities of internal audit for the period. The basis for forming my opinion is as follows:

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

- We issued two part limited opinions out of 15 audits conducted however it should be noted that five audits were advisory audits and did not lead to an audit opinion. Key financial systems audits were given moderate assurance or better. The part limited opinions were on Fusion partnerships arrangements and Retention. The number of high and medium findings have decreased in 2018-19 compared to previous years (2016 -17 and 2017 -18) in addition to the overall number of findings. This is in part due to the Council's approach in implementing our recommended controls strengthening their control environment.

-
- We are not aware of any material concerns with the financial accounts for the Council or other material issues which may impact our opinion
 - We conducted a follow-up of recommendations process for actions due June 2019 or earlier. This found that out of 28 recommendations due, 50% were deemed incomplete including three high recommendations due. This is lower than expected however, mainly due to system upgrade issues rather than resistance to implementation. The Council are keen to ensure recommendations are implemented when due and as a result, BDO report the follow up tracker quarterly to the Operations Delivery Group, a new process introduced as part of the June 2019 follow up process.

REVIEW OF 2018/19 WORK

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Report Issued	Recommendations and significance			Overall Report Conclusions (see Appendix 1)		Summary of Key Findings / Recommendations
	H	M	L	Design	Operational Effectiveness	
Audit 1. Car Parking	0	0	3	Substantial	Substantial	<p>Throughout the review, a number of good practice points were identified. Specifically:</p> <ul style="list-style-type: none"> • Documented procedure notes are in place for the overview of the car parking team's roles and responsibilities. • There are appropriate arrangements in place between Jade Security Services and Oxford Direct Services Limited regarding the collection and banking of cash in a timely manner. • For a sample of 15 parking notices issued from 1 April 2018 to the date of the audit, payments could be clearly traced through the parking management system (Imperial) and it was confirmed that discounts were appropriately applied when required. • 98% of total machine faults reported during the months of April, May, June and July 2018 were responded to/repaired within two hours. • The service level agreement between the Council and Oxford Direct Services Limited was confirmed to adequately document the partnership between the contractor and the Council in regard to the operation of the Council's car parks. • Monthly meetings are held between the car parking manager and the Council's finance officers to discuss financial performance. <p>However, we identified that:</p> <ul style="list-style-type: none"> • Parking debts are not always submitted for debt recovery in a timely manner (Low Finding) • Reconciliations of audit tickets to information produced by Jade Security Services are not always signed as approved by management (Low Finding) • Faults with ticket machines are not always addressed within two hours (Low Finding).
Audit 2. Data Analytics	0	1	2	Advisory - no opinion given		<p>We identified good practice in the following areas:</p> <p>Payroll</p> <ul style="list-style-type: none"> • Unusual activity in expense claims • Duplicate payments to employees • Removal of leavers • Employee transactions with no record in the standing data • Excessive overtime payment

					<ul style="list-style-type: none"> • Completeness and accuracy of payroll data: employee reference, name, address, bank detail, date of birth and income tax code. <p>Accounts Receivable</p> <ul style="list-style-type: none"> • Customer payment time • Council reporting capability on bad debt. <p>Accounts Payable</p> <ul style="list-style-type: none"> • Round sum payments • Duplicated payments • Transactions with no supplier code in the standing data • Weekend transactions • Duplication/Fictitious supplier, focusing on the name, bank detail and address. <p>The data analytics undertaken only identified a small number of issues. There is one instance of an invalid national insurance number and potential duplicates of customer accounts. There were four tests, which we were not able to carry out due to systems the Council hold not being able to extract reports in the detail required. The Council should review these areas and consider whether new reporting facilities could be implemented.</p>
Audit 3. ICT Service Desk	-	7	-	Advisory - no opinion given.	<p>From our assessment we identified the following areas of good practice:</p> <ul style="list-style-type: none"> • The Council has mapped its services to the IT applications and infrastructure that is required to support their delivery • The Council has deployed and configured appropriate IT service management tools to support the ICT Service Desk. <p>However, we noted the following areas for improvement:</p> <ul style="list-style-type: none"> • The purpose, objectives and scope of the ICT Service Desk have not been defined • The ICT Service Desk processes and their relationships with the wider ICT
Audit 4. Risk Management	-	-	-	Advisory - no opinion given.	<p>The review found some excellent areas of practice with regard to risk management:</p> <ul style="list-style-type: none"> • The survey revealed extremely positive attitudes amongst staff with regard to the risk management processes in place at the Council. Respondents were asked whether they strongly agreed, agreed, disagreed or strongly disagreed with a number of statements. All statements were answered with a positive majority. The full survey results can be found in Appendix I • Clear processes and mechanisms are in place for the management of risk across the Council • All staff interviewed were confident in discussing risk and felt that generally there was a good tone from the top with regard to risk • Risks and mitigating controls are assigned to owners

Audit 4. Risk Management					<p>However, some areas for improvement were identified some areas for improvement were also identified:</p> <ul style="list-style-type: none"> • The risk rating method used does not follow best practice and there is some inconsistency between staff in their approach to risk ratings and understanding of the Council's risk appetite (Observation 1) • The wording of risks and controls within both the CRR and SRRs could be refined. SRR risk owners are not prompt in updating the risk register and the Insurance Officer frequently has to chase up, indicating engagement is sometimes lacking (Observations 2 & 3) • There is a potential gap where key project or partnership risks are not included in the CRR (Observation 4) • The minutes of meetings reviewed did not contain in depth discussions on the risk register and updates on the mitigating controls (Observation 5) • There has not been any mandatory and specific risk management training over the past two years (Observation 6) • There is room for extra detail in the Strategy and Operating Framework (Observation 7) • The Council does not have a process in place to assess its risk management effectiveness (Observation 8)
Audit 5. General Ledger	0	0	4	<p>Substantial</p> <p>Moderate</p>	<p>We noted the following areas of good practice:</p> <ul style="list-style-type: none"> • The Council was making sound preparations to incorporate the latest upgrade of Agresso software ('milestone 7') into their live systems. This was subject to discussions between appropriate officers from Finance and IT on the best method of implementing the upgrade but strong provisions (including up to six months to test it) are in place for the Council to ensure it maximises their software capabilities • Procedure notes for adding/amending the chart of accounts were robust. The inclusion of written and visual guidance allows officers to carry out the functions accurately • Monthly reconciliation procedures are completed accurately and on a timely basis, with reviews undertaken by an appropriate officer. Each procedure had supporting documentation/ worked calculations included • Automatic interfaces to/from Agresso are completed successfully but in cases where there is a failure, the appropriate team are notified as such so that transactions can be added manually • The SLA between the Council, ODSL and ODSTL clearly outlines the key services and responsibilities of each party, forming the foundation of an effective relationship. <p>During our review, the following areas of improvement were identified:</p> <ul style="list-style-type: none"> • Of the 20 journals tested, four had differing dates between the master list of journals processed from April 2018 to October 2018 and the original journal form raised

						(Finding 1 - Medium)
Audit 6. Accounts Receivable	0	3	4	Moderate	Moderate	<p>The following areas of good practice were identified:</p> <ul style="list-style-type: none"> The Council has a robust set of financial rules within their Constitution, highlighting objectives for collecting debt, preferred methods of payment, and was published recently in April 2018 In accordance with the aforementioned Constitution, every Council debt write-off since April 2018 was authorised by the Head of Financial Services The Council and Company's Service Level Agreement (SLA) on Income Collection was clear about the liabilities of both parties. Agreements on who has liabilities of debt write-off and length of the agreement was sufficiently presented As articulated in the SLA on Income Collection, officers from both the Council and ODS have met regularly. Furthermore, minutes and agendas of meetings between the Council's Section 151 Officer and the ODS's Managing Director show that issues surrounding debt recovery are being discussed. <p>During our review the following areas of improvement were identified:</p> <ul style="list-style-type: none"> Exceptions were found in all cases sampled across the Council, ODSL and ODSTL in relation to debt recovery 14 day and 45 day letter reminders being sent in time. Furthermore, there was one exception of the L7 letter being sent on time (Finding 1 - Medium) Due diligence of new customers was insufficient due to the tick box being ignored by departments. Furthermore, greater clarification over the levels of due diligence is required for different customers (Finding 2 - Medium) High levels (992 cases at time of testing) of overdue debt exceeding 270 days were not written off as the Council's policy states it should be (Finding 3 - Medium)
Audit 7. Project Management (inc Capital Projects)	0	4	0	Moderate	Moderate	<p>We noted good practice in the following areas:</p> <ul style="list-style-type: none"> A PMO has been set up to co-ordinate project management across the Council, to ensure there is a consistent approach and to ensure there is a central resource for each project manager to access Areas for improvement have been captured within the staff workshops held over the Summer and there is evidence that work has commenced to address these issues There has been an introduction of an online tool for reporting progress on all major projects in the pipeline, at feasibility stage, design and technical specification and delivery. This gives appropriate staff and stakeholders access to the ongoing projects and associated budget and actual spend, and is easier to navigate than the previous excel spreadsheet with the same information

Audit 7. Project Management (inc Capital Projects)						<ul style="list-style-type: none"> The PMO Manager has started to attend team meetings to discuss the new project management approach, tailoring each meeting to the specific team. It is expected this will be rolled out further in 2019 The Council is aiming to roll out a Review Group that would review ideas and proposals and business cases before presentation to the Development Board A Development Board has been established <p>The following key findings have been identified:</p> <ul style="list-style-type: none"> Lessons learnt and closure reports are not consistently completed across each of the teams nor presented to the PMO for quality review or the Development Board for final sign off (medium - finding 1) The project management approach is not consistent across the Council with the workshops highlighting a lack of clarity of approach, quality of documentation not adequate and gateways not consistently used (medium finding 2) Training and skill gaps for those undertaking project management was raised as an issue within the workshops. Staff also felt that they did not always have the appropriate capacity to adequately complete a project on top of their substantive post commitments (medium - finding 3) Consistent underspend against budget of an average 74% over the last 6 years (medium - finding 4).
Audit 8. Members Allowance and Budgets	0	3	0	Moderate	Moderate	<p>The following areas of good practice were identified:</p> <ul style="list-style-type: none"> The Council has up-to-date policy information regarding Members' allowances and expenses within its Constitution The Council has a Ward Member Budget and CIL guidance note which outlines the process and approvals process for application of these funds The rates used for Members' allowances is in line with the 2014 and updated 2017 Independent Remuneration Panel reports All expenses tested were supported by sufficient evidence and were reasonable and appropriate All CIL applications were in wards not covered by a Parish Council, and all WMB applications were circulated to all Members via the call-in email <p>During our review the following areas of improvement were identified:</p> <ul style="list-style-type: none"> Two exceptions were found during the testing of allowance values (one over-payment of special allowances, and one non-deduction for less than two-thirds attendance of a Committee meeting that attracted a special allowance) (Finding 1 - Medium) Two CIL applications did not have explicit approvals from the Legal team and two did not have explicit approval from the Finance team. (Finding 2 - Medium)

						<ul style="list-style-type: none"> The application forms for CIL and WMB are completed to varying standards of quality (Finding 2- Medium) There is no follow-up process to ensure that WMB and CIL monies are being used per the request. There is also no limit on the number of times Members can roll-over unspent WMB/CIL monies (Finding 3 - Medium)
Audit 9. Investment Property	0	1	1	Substantial	Moderate	<p>Please note: This is a provisional opinion and is subject to client approval</p> <p>The following areas of good practice were identified:</p> <ul style="list-style-type: none"> Extensive consultation is made during the development and delivering of the objectives in the Asset Management Plan including Senior Council Members, Heads of Services and executives. Such consultation has been documented through meeting minutes and email correspondence and retained for easy access. The discussions across teams also cover a review of market, economic and budgetary impacts to ensure the Asset Management Plan gives a comprehensive understanding of circumstances faced by the council Rent charged to commercial properties are subject to appropriate valuation. Valuation is done either internally by the team or externally by professional agents. The valuation is subsequently approved appropriately to keep the rent under control The RMP team meet regularly on a monthly basis to discuss potential new opportunities within council's existing portfolio of investment properties. Although the council is not currently looking for external opportunities due to limitations on funding and etc., the RMP is striving to make the best values out of the existing portfolio by pro-actively consider new development The team have a well-established procedure for the procurement of external rent valuation agents. The agents are required to submit tenders and the decision is made based on their expertise while also taking into account prices in order to secure the best service with the best price The council take on prospective tenants provided that the financial and covenant stability checks return reasonable results. This is especially critical to mitigate the risk of bad debt damaging the council's benefit. A deposit is also payable at discretion to help mitigate the risks A property voids listing is kept by the RMP team and is closely monitored by team members. This helps ensure that the council is fully aware of foreseeable lease voids so that the loss due to voids can be minimised. However we identified that reconciliations of cash collected through car parking were reviewed against a spreadsheet populated by Jade Security Services Ltd. Cash Box Report is not reviewed to compare the cash collected generated by the cash machine against the cash that was banked. We reconciled the bank statements against the Cash Box report which showed a £32,933.50 deficit (Finding 1 - High). <p>We also identified that:</p>

						<ul style="list-style-type: none"> • Overdue debtor is not escalated to the properties team in a timely fashion due to the staffing issue faced by the debtor team recently. Following the change in team members in the debtor team, the post responsible for debtor collection was vacant for a significant period of time leading to inefficient escalation of overdue debtor. The properties team were therefore not made aware of the arrears outstanding and could not take prompt actions in reaction • While the voids listing is closely monitored by the team and the results of the review of the voids listing is also discussed during the RMP team meetings, the review itself is not documented. • There was a lack of compliance by credit card holders with regards to the Card Acceptance Agreement signed upon receipt of the credit card (Finding 3 - Medium).
Audit 10. Retention	1	3	0	Moderate	Limited	<p>We have identified the following areas of good practice from the review:</p> <ul style="list-style-type: none"> • The Council has had a fairly consistent level of turnover over the past 3 years, averaging between 10-12% each year. This level is usually considered 'healthy' for an organisation, providing a balance between retaining knowledge and bringing in fresh talent and new ideas • In April 2018, the HR Team produced a 'Recruitment and Retention Strategy' based on data collected in 2017/18. This Strategy provided information on current Council practice and a detailed analysis of key aspects of staff recruitment, retention and development, together with proposed recommendations for improvement in key areas with the aim of enhancing the Council's 'employee offer' and its position in the local, regional and national labour market. This document is dynamic and continues to be developed • Issues and weaknesses were identified by the Council in relation to staff development and retention. Currently the Council does not have a robust talent management framework, although a new Talent Management Framework is in the final stages of agreement as part of the OD Strategy delivery. The Council needs to encourage and support succession planning for staff and the work is already underway as part of the Recruitment and Retention strategy • The HR Team produces a monthly Portfolio Report to monitor the staff turnover rate, sickness absence rate and on-going disciplinary/grievance actions in each service area. The result and key issues from the Portfolio Report form part of the Corporate Dashboard Report which is presented to the Executive Board • A Mental Health Programme has been presented and agreed at the People Health and Safety Committee on 24 July 2018, and subsequently at CMT. This programme will enable the Council to produce, implement and communicate a 'mental health at work' plan; develop mental health awareness among employees; and promote effective people management through line managers and team leads • All staff interviewed were happy with the culture of openness in the team, flexible working arrangements, benefit packages and pension scheme in the Council. Most

						<p>staff interviewed welcomed the training and development opportunities offered by the Council, which play a key role in retaining staff</p> <ul style="list-style-type: none"> The Council has a successful apprenticeship scheme, which has been running for a number of years, which has allowed the Council to 'grow our own' and retain some good talent. <p>However we also identified the following areas where controls could be strengthened:</p> <ul style="list-style-type: none"> There is a communication gap between the Corporate Management Team (CMT) and the staff. Staff feel disconnected with the Council's future financial and non-financial strategies. The Council's values need to be reviewed and possibly refreshed in line with new challenges and structures. We noted that the Communication Team is in the process of building an Internal Communications & Engagement Strategic Framework to bridge the gap (finding 01 - High) The exit survey completion rate remains low at the Council - 37% in the past 12 months (Oct 18 - Sep 19). The HR team has started a new exit interview process including face to face discussions with leavers and is now in the process of analysing the survey results and will continue to gather further intelligence about reasons for leaving. The exit interviews between employees and line managers will be made compulsory from December 2018. (Finding 02 - Medium) Regular appraisals held between line managers and staff are helpful with identifying potential issues and concerns and initiating actions for staff retention. However, the bi-monthly on-line appraisals completion rate was only 60% from April to October 2018 and the two most senior staff had not been appraised. This was partly attributed to staff being unfamiliar with the new appraisal system Actus (Finding 03 - Medium) We interviewed a sample of 15 employees across different services to understand their perception in respect of the Council's retention plans and the communication routes with their managers. The themes of the interview results include that staff feel that training opportunities are not provided to all staff, and regular appraisal meetings were not utilised to review personal development appropriately (finding 04 - Medium).
Audit 11. Customer Services	0	2	1	Substantial	Moderate	<p>We have identified the following areas of good practice:</p> <ul style="list-style-type: none"> A clear vision 'Making every customer contact count' has been established in the Council's Customer Service (CS) Centre. The CS staff are endeavouring to contribute to the joint customer experience statement combining 'Trust', 'Care' and 'Please'. The CS Training Team spent time at each service of the Council and developed service specific training materials. Services continue to communicate updates and changes to the CSOs to ensure accurate information is provided to customers. Most scripts and guidance are built into the relevant system for CSOs to follow during the phone call/appointment. A SharePoint webpage is also available to seek new

Audit 11. Customer Services						<p>updates and relevant information. Refresher training is provided to all CSOs on an annual basis - 4 weeks in November 2018.</p> <ul style="list-style-type: none"> • A Skills Matrix is maintained by the Training Team to record the training completion status for each CSO under each individual service. The skills of each CSO are entered onto the telephony system, where each phone call is routed directly to the trained CSO based on the enquiry option made by the customer. • The CS Centre receives over 17,000 phone calls and over 2,000 face to face appointments per month, and only 19 valid/justified complaints have been raised against the CSOs from April to November 2018. All complaints are investigated by the team managers as well as the Quality Team and resolved normally within a week. Feedback is given to the CSO involved directly for future improvement. • A comprehensive performance framework has been defined at the CS Centre, by the team and by individuals. It is monitored on a weekly basis and non-compliance is discussed at each individual's monthly 1-2-1 meetings and the bi-monthly appraisal meetings. We noted that there are a number of CSOs who continued to under achieve the minimum requirement on adherence to shift (<90%) and wrap up time limit (>4.21 minutes) from April to September 2018. They have all been put on Performance Improvement Programmes and improvement has been evidenced from the October - December 2018 results. • The Quality Team have presented the quality control results to the management team meeting on a monthly basis since September 2018. Development areas are identified against each quality control criteria including Data Protection, Building Rapport, Showing Professionalism, etc. The results are broken down to each CSO so under performance can be identified clearly. <p>We identified the following areas for improvement:</p> <ul style="list-style-type: none"> • CS Team Managers are not meeting the target of listening to three phone calls answered by the CSOs on a monthly basis, which is a key part of the quality monitoring process (medium - finding 1)
Audit 12: Fusion Partnership Arrangements	0	4	4	Moderate	Limited	<p>We have identified the following areas of good practice from the review:</p> <ul style="list-style-type: none"> • Reporting from Fusion to the Council is sound in that it happens regularly and in agreed formats in a timely manner. This includes information on customer complaints and compliments and the outcomes of surveys with high level actions on how further improvement can be made • Customer representatives are invited and some do attend the Partnership Board meetings • The central customer complaint process via Market Force operates well with responses identified and acted upon largely in a timely and sympathetic manner. <p>However we also identified the following areas where controls could be strengthened:</p>

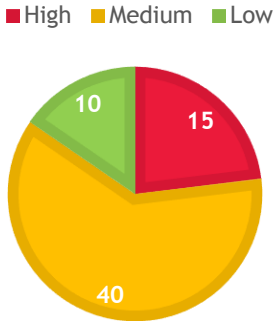
						<ul style="list-style-type: none"> • Customer forums at sites do not operate as effectively as they should. This has been caused in-part by changes in Fusion staff resulting in meetings being cancelled, low attendance and minutes/agendas not being issued on a timely basis (Medium) • Not all channels for where complaints can be made - i.e. on social media, via telephone or face-to-face - are recorded on Market Force and are not formally reported to the Council (Medium) • Text message alert services and commitments to call back customers within 24 hours who have signed up to find out more about a service were demonstrated not to be working effectively as contact was not made following requests made (Medium) • When reviewing each social media page and website for each location we found inconsistencies in customer information which were displayed on some sites and not others eg signposting to the App (Medium)
Audit 13: Companies Review Oversight	1	3	1	Moderate	Moderate	<ul style="list-style-type: none"> • Oxford Direct Services Limited and Oxford Direct Services Trading Limited are on course to deliver the financial return anticipated from the Council in 2018/19 currently forecasting more than the budgeted amount. Oxford City Housing Limited have continued to progress sites agreed in its business plan and have recently acquired additional properties as part of the development on the Council's former land at Barton. • The Council's Shareholder Board receives a regular and standardised set of information on the financial and non-financial performance of both Oxford Direct Services Limited and Oxford Direct Services Trading Limited. This information is sufficient for the Shareholder Board to scrutinise the performance of both companies. The Council has also established a Companies Scrutiny Panel to provide a forum for backbench Members to scrutinise the performance of both companies. • The way in which the Council's Shareholder Board receives financial information regarding Oxford Direct Services Limited will enable it to scrutinise whether or not the company is breaching the turnover requirements associated with its Teckal status. This is because the financial reporting differentiates the turnover the company derives from external sources and internal sources. • The Council and Oxford City Housing Limited have agreed Service Level Agreements for the provision of major projects, landlord services, democratic services and financial services from the Council to the company. There is evidence that the Council has been charging the company for these services during 2018, and that the company has been paying invoices associated with the Council's provision of these services <p>However, we found the following areas of improvement:</p> <ul style="list-style-type: none"> • There is evidence that the Council has regularly reviewed the skills required for the Boards of its companies to be effective. For example, it is currently considering the appointment of Non-Executive Directors and appointed a Finance Director to cover Oxford Direct Services Limited and Oxford Direct Services Trading Limited. • Whilst the Council's two joint ventures - Barton Oxford LLP and OXWED - have a range

						<p>of governance documentation and processes in place, and informal channels to report progress to the Council, the Council should formalise how both joint ventures report into Shareholder Board. Shareholders for both organisations within the Council have yet to receive any reports and Barton and Oxwed have been in operation since 2011 and 2013 respectively</p> <ul style="list-style-type: none"> • Whilst the Council's Shareholder Board has received regular financial and non-financial reporting on Oxford City Housing Limited and associated group companies, the unclear strategic direction of those companies - stemming from central government policy changes - have hindered the development of a business plan which accounts for the tax liabilities and running costs of that company. As and when the Council decides on the clear strategic direction of Oxford City Housing Limited, a revised business plan should be produced which does take account of, and clearly identify, these costs. • The Council has not implemented the recommendation made in BDO's 2018 companies review that it should - "formally agree a position on whether an order book loan is required between the Council and Oxford Direct Services Limited".
Audit 14: PCI - DSS - Compliance stage 1	-	-	-			<p>Advisory - no opinion. The Council is in the process of identifying the payment channels that are in use so that it can determine the actions that need to be taken to comply with the PCI-DSS. Due to this being at an early stage we are unable to provide a checklist of further actions at this time. Positive steps are being taken, but they require significant and continued support from across the Council to ensure that they are delivered. We will perform stage two of our audit once this work has been done and the Council remains at risk of a fine until this has been completed.</p>
Audit 15: Disabled Facilities Grant	This is a mandatory annual return the Council complete to declare the expenditure allocated to disabled facilities grant applications. This was certified and submitted without any errors to report.					
Total	2	31	20			

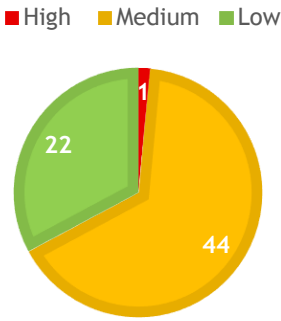
SUMMARY OF FINDINGS

We also provide an overall opinion on both the design and operational effectiveness of the controls operating over the areas we review when we are providing assurance. The assurance levels given during 2016 - 17, 2017 -18 and 2018 -19 are set out below. It should be noted since 2016 -17 the number of high priority recommendations have decreased substantially, we gave 15 high priority recommendations in 2016 -17 in comparison to two in 2018 - 19. The number of medium level recommendations remains static however, overall we have provided fewer medium priority recommendations in 2018 -19 (31 medium recommendations) in comparison to 2017 -18 (44 medium recommendations).

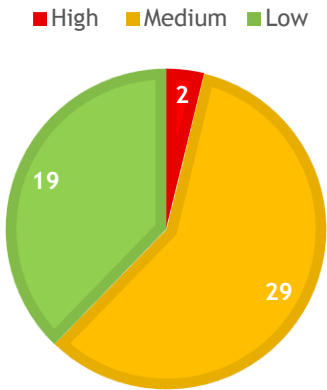
BDO RAISED 65 HIGH, MEDIUM AND LOW RECOMMENDATIONS IN 2016 -17



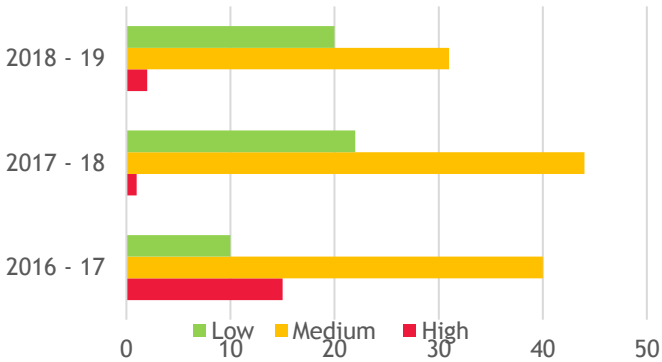
BDO RAISED 67 HIGH, MEDIUM AND LOW RECOMMENDATIONS IN 2017 - 18



BDO RAISED 53 HIGH, MEDIUM AND LOW RECOMMENDATIONS IN 2018 - 19



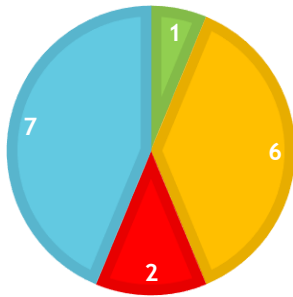
A comparison of recommendations High, Medium and Low raised since 2016 -17, 2017 -18 and 2018 - 19



Below we have outlined the number of control design and control effectiveness opinions provided in 2016-17, 2017 -18 and 2018-19 respectively.

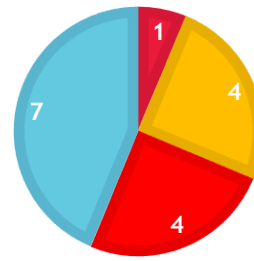
2016 - 17 CONTROL DESIGN

■ Substantial ■ Moderate ■ Limited ■ N/A



2016 - 17 CONTROL EFFECTIVENESS

■ Substantial ■ Moderate ■ Limited ■ N/A



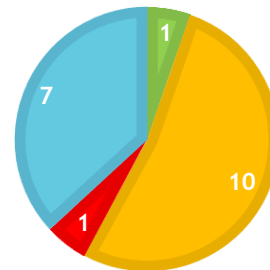
2017 - 18 CONTROL DESIGN

■ Substantial ■ Moderate ■ Limited ■ N/A



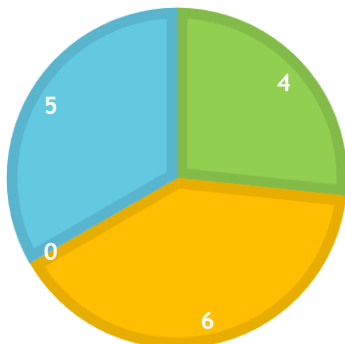
2017 - 18 CONTROL EFFECTIVENESS

■ Substantial ■ Moderate ■ Limited ■ N/A



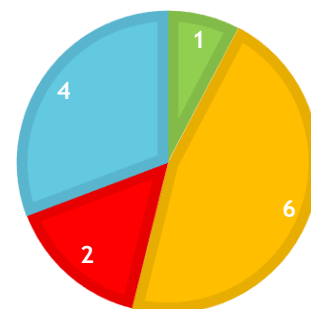
2018 - 19 CONTROL DESIGN

■ Substantial ■ Moderate ■ Limited ■ N/A



2018 - 19 CONTROL EFFECTIVENESS

■ Substantial ■ Moderate ■ Limited ■ N/A



ADDED VALUE



USE OF SPECIALISTS

Utilised specialists in our advisory team to conduct a companies oversight review the review followed-up, where appropriate, on the recommendations made in BDO's previous report, and identified any other emerging issues which present an opportunity for the Council to improve its governance of both ventures.



ON-SITE PRESENCE

We have ensured there is a strong on-site presence with terms of reference and closing meetings normally being held face-to-face. The Internal Audit Manager has attended all Audit Committees.



BENCHMARKING AND BEST PRACTICE

We have provided benchmarking in reports where applicable. As part of the retention audit we provided statistics from other Councils on the top reasons for why people leave employment and a retention best practice checklist for the council to utilise.

BACKGROUND TO ANNUAL OPINION

Introduction

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

Our internal audit work for the 12 month period from 1 April 2018 to 31 March 2019 was carried out in accordance with the internal audit plan approved by management and the Audit Committee, adjusted during the year for any emerging risk issues. The plan was based upon discussions held with management and was constructed in such a way as to gain a level of assurance on the main financial and management systems reviewed. There were no restrictions placed upon the scope of our audit and our work complied with Public Sector Internal Audit Standards.

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

Scope and Approach

Audit Approach

We have reviewed the control policies and procedures employed by Oxford City Council to manage risks in business areas identified by management set out in the 2018-19 Internal Audit Annual Plan approved by the Audit Committee. This report is made solely in relation to those business areas and risks reviewed in the year and does not relate to any of the other operations of the organisation. Our approach complies with best professional practice, in particular, Public Sector Internal Audit Standards, the Chartered Institute of Internal Auditors' Position Statement on Risk Based Internal Auditing.

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

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

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

Reporting Mechanisms and Practices

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

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

Management actions on our recommendations

Management were responsive to Internal Audit during fieldwork and were largely responsive in the closing meetings of reviews where agreements were reached on findings and recommendations. Corresponding management were engaged and provided management responses in a timely manner enabling BDO to finalise reports in a timely manner. Overall, management are engaged and with internal audit

Recommendations follow-up

We conducted a follow-up of recommendations process for actions due June 2019 or earlier. This found that out of 28 recommendations due, 50% were deemed incomplete including all high recommendations due. This is lower than expected however, mainly due to system upgrade issues rather than resistance to implementation. The Council are keen to ensure recommendations are implemented when due, as a result, BDO report the follow up tracker quarterly to the ODG a new process introduced as part of the June 2019 follow up process. This requires BDO to update all management on recommendations due with no response and or continuous revision of due dates.

Relationship with external audit

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

However it should be noted the Council's external audit team for 2018-19 have completed the external audit work due to resourcing difficulties the external audit team have not yet engaged with the Council in terms of fieldwork and therefore we have not communicated with them thus far.

Report by BDO LLP to Oxford City Council [the Council]

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






In giving our opinion it should be noted that assurance can never be absolute. The internal audit service provides the Council with Moderate assurance that there are no major weaknesses in the internal control system for the areas reviewed in 2018-19. Therefore, the statement of assurance is not a guarantee that all aspects of the internal control system are adequate and effective. The statement of assurance should confirm that, based on the evidence of the audits conducted, there are no signs of material weaknesses in the framework of control.

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

- All internal audits undertaken by BDO LLP during 2018-19
- Any follow-up action taken in respect of audits from previous periods for these audit areas
- Whether any significant recommendations have not been accepted by management and the consequent risks
- The effects of any significant changes in the organisation's objectives or systems
- Matters arising from previous internal audit reports to the Council
- Any limitations which may have been placed on the scope of internal audit - no restrictions were placed on our work







KEY PERFORMANCE INDICATORS

Quality Assurance	Detail on KPI	RAG Rating 2018 - 19
Draft report to be produced 3 weeks after the end of the fieldwork	Based on one report issued to management to date, this was issued in less than three weeks after the end of the fieldwork. This was the case with exception to 1 review	
Management to respond to internal audit reports within 3 weeks	Management responses have been received within the agreed timescales with exception to 1 review	
Final report to be produced 1 week after management responses	Due to short term challenges we encountered difficulties to ensure final reports are issued to the Council within 1 week from management responses. This issue has now been resolved for 2019-20 and we have already finalised two reports and are in the process of undertaking further audit work in July 2019 to report to the October 2019 committee.	
90 % recommendations to be accepted by management	Management has accepted all recommendations raised in 2018 - 19	
Positive result from any external review	Following an External Quality Assessment by the Institute of Internal Auditors in April 2015, BDO were found to 'generally conform' (the highest rating) to the International Professional Practice Framework and Public Sector Internal Audit Standards.	
Follow-up of recommendations	We completed the follow-up of recommendations commencing in June 2019 and reported this to the ODG. The follow up was completed in a timely manner	



APPENDIX 1

OPINION SIGNIFICANCE DEFINITION

Level of Assurance	Design Opinion	Findings from review	Effectiveness Opinion	Findings from review
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.



FOR MORE INFORMATION:

Greg Rubins, Partner

Gurpreet Dulay, Senior Manager

To: Audit & Governance Committee
Date: 24 July 2019
Report of: Head of Law & Governance
Title of Report: 2018/19 Annual Governance Statement

Summary and recommendations	
Purpose of report:	To present the 2018/19 Annual Governance Statement for approval. The Committee is asked to review the Annual Governance Statement prior to approval and consider whether it properly reflects the risk environment and supporting assurances, taking into account the internal auditor's opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.
Recommendation(s): That the Audit & Governance Committee resolves to:	
1. Approve the Annual Governance Statement for the 2018/19 financial year	

Appendices	
Appendix 1	Annual Governance Statement 2018/19

Introduction and background

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

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

The Annual Governance Statement

3. It is noted that whilst there is a legislative requirement to complete the AGS, the information provided by the exercise is of benefit to the Council as it enables an assessment of governance arrangements across the Council, and identifies where strengths and areas for development exist in those arrangements. Where significant governance issues are identified, progress can be monitored, as required, through the year (and reflected within the following year's AGS).
4. Overall the Annual Report from the Council's internal auditors provides that moderate assurance can be given that there is a sound system of internal control, designed to meet the Council's objectives and controls are being applied consistently.
5. The Committee is required to consider and, if satisfied, approve the AGS. The AGS forms part of the Council's Statement of Accounts and is attached to the report as Appendix 1.

Financial implications

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

Legal issues

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

Report author	Emma Griffiths
Job title	Lawyer
Service area or department	Law & Governance
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Background Papers:	
1	Assurance Checklists completed by Service Heads and Assistant Chief Executive

Annual Governance Statement – 2018/19



Annual Governance Statement – 2018/19 Financial Year

1. Executive Summary and Approval

- 1.1 Each year the Council produces an Annual Governance Statement (“AGS”) that explains how it manages its corporate governance arrangements, makes decisions, manages its resources and promotes values and high standards of conduct and behaviour.
- 1.2 The Annual Governance Statement reports on:
- How the Council complies with its own governance arrangements;
 - How the Council monitors the effectiveness of the governance arrangements; and
 - Improvements or changes in governance arrangements proposed for the forthcoming year.
- 1.3 The Internal Auditor’s opinion on the Council’s internal control environment:

The Council’s framework of risk management, control and governance is assessed as moderate and there are no major weaknesses in the internal control system for the areas reviewed in 2018-19

- 1.4 As the Leader of the Council and the Chief Executive we have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit and Governance Committee and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework.
- 1.5 It is our opinion, based upon the content of this AGS that the Council’s governance framework is robust and that the governance arrangements have proved to be highly effective during 2018/19.

1.6 The Council has previously recognised a number of governance issues in previous Statements, all of which have now been resolved.

Leader of the Council

Date

Chief Executive

Date

2. Introduction

- 2.1 Oxford City Council (“the Council”) is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded and properly accounted for. It also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 2.2 In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs to facilitate the effective exercise of its functions, including arrangements for the management of risk.
- 2.3 The Accounts and Audit (England) Regulations 2015 (“the Regulations”) require that:-
- The Council must conduct a review, at least once a year, of the effectiveness of its system of internal control;
 - Findings of this review should be considered by the Council;
 - The Council must approve an Annual Governance Statement; and
 - The Annual Governance Statement must accompany the Statement of Accounts.

- 2.4 The Audit and Governance Committee has delegated authority to undertake these duties on behalf of the Council. This statement explains how the Council meets the requirements of the Regulations.
- 2.5 Once approved by the Audit and Governance Committee the AGS will be signed by the Leader and the Chief Executive. It will then be published alongside the Statement of Accounts.

3. The Purpose of the Governance Framework

- 3.1 The governance framework comprises the systems, processes, cultures and values by which the authority is directed and controlled and activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.
- 3.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the Council’s policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be

realised, and to manage them efficiently, effectively and economically.

- 3.3 The governance framework has been in place at the Council for the year ended 31st March 2019 and up to the date of the approval of the accounts.

4. Policies, Procedures, Laws and Regulations

- 4.1 The Head of Law and Governance is designated as the Council's Monitoring Officer. It is the function of the Monitoring Officer to ensure compliance with established policies, procedures, laws and regulations.
- 4.2 The financial management of the authority is conducted in accordance with the relevant provisions of the Constitution and the Council's Finance Rules. The Council has designated the Head of Financial Services as the Chief Finance Officer in accordance with section 151 of the Local Government Act 1972.
- 4.3 The Council has robust policies and procedures relating to the use of resources and the corporate governance framework, including Finance Rules, Contract Rules, scheme of delegation, IT strategy, Avoiding Bribery Fraud and Corruption Policy and Whistleblowing Policy.
- 4.4 The Audit and Governance Committee approved an updated Anti-Money Laundering Policy on 10 January 2019 and a new Avoiding Bribery, Fraud and Corruption Policy on 11 March 2019.

5. The Governance Framework

Corporate Plan

- 5.1 The Corporate Plan 2016-2020 reaffirms the Council's ambitions to make Oxford a world-class city for everyone. This ambition was developed with partners across the city, including business, community organisations, the health and education sectors and the Oxfordshire County Council. It also sets out the Council's plans for transforming the way that the Council performs. The aspiration is to be a world-class council, delivering high quality services and providing excellent value for money. This Corporate Plan was re-adopted by Council on 29 April 2019 and sets out the changed policy and financial contexts in which the Council is working and the Council's response to this changed environment.
- 5.2 The Council has set out in its Corporate Plan the importance of partnership working and identified its key strategic partnerships. Political and managerial leadership is communicated and where appropriate co-ordinated between the public bodies serving the residents of the city. The Council has adopted and published a consultation framework.
- 5.3 The Council's priorities are:
- A vibrant and sustainable economy
 - Meeting housing needs
 - Strong and active communities
 - A clean and green Oxford

- An efficient and effective council

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

5.5 The Corporate Plan is supported by service plans and individual performance development reviews and the organisation has identified five key corporate work streams for the year ahead: housing delivery, homelessness, climate change, new ways of working and phase two of the companies.

5.6 The Council continues to use CorVu for financial reporting and for integrated financial, performance and risk reporting to the Cabinet¹ on a quarterly basis.

5.7 Governance structures were simplified during 2018/19, resulting in the disestablishment of the previous programme boards and the establishment of a Development Board with a Review Panel reporting into it supported by a Project Management Office (PMO).

5.8 The Council continued to use the principles of Projects In Controlled Environments (“Prince 2”) in its approach to project management along with the introduction of Agile principles of project management. Both of these methodologies are widely used in government and the public sector.

¹ At the Council meeting on 29 April 2019 the Leader reported the change of name of the executive to Cabinet with effect from 13 May 2019. During the period covered by the AGS the executive was known as the City Executive Board but will be referred to as Cabinet throughout

5.9 The Capital Gateway framework has been revised during the year with on-going involvement in programme delivery. Project Managers and other officers involved with the delivery of the Council’s Capital Programme are encouraged to engage with the PMO who provide support and guidance in both the documentation required and the tasks demanded at each stage (gateway) of delivery. The Capital Gateway framework is intended to establish if ideas for projects should be developed, and then reconsidered at feasibility and design stages. A Review Panel with representation of Officers across the Council provides this peer review and challenge on proposals and business cases for the Development Board.. Following approval by Development Board and subsequent ratification by the Corporate Management Team capital projects are prioritised and recommended to Members for inclusion in the Councils Capital Programme subject to the availability of Capital finances. The revised processes enhance both Project Sponsors’ and Project Managers’ compliance with excellent project management practices, together with ensuring more timely and successful delivery of the Council’s capital projects.

5.10 A briefing was provided to Members in June 2019 on these new arrangements. All new projects go through these new governance processes, whilst projects already funded have been integrated into the process as appropriate.

5.11 The operations of Oxford Direct Services and Oxford City Housing Ltd continue to be managed through their

respective company boards with regular reporting to Shareholder meetings

- 5.12 Alongside this there are significant private and public sector investment proposals as well as the Oxfordshire Housing and Growth Deal.
- 5.13 The membership and format of the Heads of Service meetings was refreshed during the financial year 2018/19 and a wider group meets as the Operational Delivery Group (“ODG”) with a work plan of operational matters and Strategies to consider over the course of the year. Both the Development Board and ODG are responsible to the Corporate Management Team . These groups provided effective oversight of the large number of projects on-going.

Review of Corporate Risks

- 5.14 The Council maintains a corporate risk register that reflects strategic and operational risks that have been identified as well as proposed actions to mitigate or manage those risks in the council’s activities. Audit and Governance and Cabinet receive a quarterly report on progress against the risk registers.

Partnerships

- 5.15 The Council works in partnership with various organisations to deliver its corporate objectives. The Council’s Leader and Chief Executive represent the

Council and the Chief Executive is a board member of each of the following organisations:-

- Oxfordshire Local Enterprise Partnership (“OxLEP”) which since its launch in March 2011, has played a key role in driving forward a dynamic, growing and sustainable economy for Oxfordshire. OxLEP meets quarterly.
- The Oxford Strategic Partnership (“OSP”) was founded in 2003 and brings together senior representatives from the public, business, community and voluntary sectors. The OSP helps to provide direction for the city’s future, respond to local priorities and engage more effectively with local concerns. This partnership for the city promotes collaboration and openness and provides opportunities to access funding and share resources more easily. Currently the partnership contains several key organisations and individuals, all with a specific interest or experience in improving quality of life across the Oxford. The OSP meets quarterly.
- Oxfordshire Growth Board is a joint committee of the six councils of Oxfordshire together with key strategic partners. It has been set up to facilitate and enable joint working on economic development, strategic planning and growth and meets every other month.

The Council’s Companies

- 5.16 During the year 2018/19 the Council’s three housing companies (Oxford City Housing Limited (Company number 10212716), Oxford City Housing (Investment)

Limited (Company number 10370637) and Oxford City Housing (Development) Limited (Company number 10370647)) continued to develop their conjoined operation with a view to increasing affordable housing availability in Oxford and becoming a significant supplier of housing in their own right.

5.17 The most visible sign of the companies' progress has been in Oxford City Housing (Investment) Limited ("OCH(I)L") beginning to take ownership of the affordable housing at the new Barton Park site, as and when it becomes available, and commencing letting to tenants. In response, however, to changes in government policy during the year which liberalised the constraints on borrowing in the Housing Revenue Account ("HRA"), the companies are planning to make some key amendments to their business operation, under which the small to medium Council-owned sites, which were originally intended to be transferred to OCHL(I)L, would be developed by Oxford City Housing (Development) Limited ("OCH(D)L") before being sold into the HRA. In addition, the intention to transfer up to five properties per year from the HRA into the housing company will be suspended while the current regulatory regime remains in force. OCHL is wholly-owned by the Council, and OCH(I)L and OCH(D)L are both wholly-owned subsidiaries of OCHL.

5.18 With regard to the Council's two wholly-owned Direct Services companies – Oxford Direct Services Limited (Company number 10719214) ("ODSL") and Oxford Direct Services Trading Limited (Company number

10719214) ("ODSTL") – the year 2018/19 represented their first year of trading.

5.19 ODSL holds "Teckal" status, and as such can enter into contracts with the Council without the requirement to comply with the Public Contract Regulations 2015. The Council therefore let a substantial service contract to ODSL, under which many of the Council's statutory and other direct service operations are to be performed by ODSL, with effect from 1st April 2018. This involved a "TUPE" transfer of some 670 Council staff to the employment of ODSL. In return, with effect from the same date and to support ODSL's operation, the Council entered into a support services contract with ODSL under which ODSL receives a range of key support services. ODSTL trades exclusively with third parties and in its first year of operation has provided commercial waste collection services to its commercial clients.

5.20 The Council also holds a 50% share in Oxford West End Development Limited ("OxWED"), a company jointly owned with Nuffield College. The objective of OxWED is to develop and regenerate the Oxpens area of the city centre, and the principal business of the company throughout the year 2018/19 has been to run a procurement exercise to select an appropriate developer for the site. At the end of the procurement process the OxWED board will recommend its preferred developer to the two shareholders, for their consideration.

5.21 In 2011 the Council entered into a Joint Venture ("JV") with Grosvenor Developments Ltd, known as Barton

Oxford LLP (BOLLP) to enable the delivery of a new housing development at Barton Park. As part of establishing the JV the Council transferred its land into the entity at an agreed price. When construction is complete the 885 home development will include 354 homes for social rent which will be purchased and managed by OCH(I)L. Strictly the LLP has no shareholders and reporting on the activities of the LLP has been to the Council's Cabinet (last report 10th July).

5.22 Each of the Council's companies held regular Board meetings throughout the year 2018/19. In addition representatives of the housing companies and the direct service companies attended periodic reporting meetings with their shareholders. For the year 2019/20 these shareholder meetings are to be regularised into quarterly reporting meetings, reporting on the activities of all interests of the Council in wholly owned companies and JV's, at which decisions on matters reserved for the shareholder can be made. The activities of the Council's Shareholder group have been and will continue to be scrutinised throughout the year by the Companies' Scrutiny Panel.

5.23 The Directors of each of the Council's companies have been properly appointed and plans are in place for further non-executive appointments to be made during the financial year 2019/20.

Data Protection

5.24 The Council has continued to embed its practices in relation to the requirements of the General Data Protection Regulation (GDPR) and the Data Protection Act 2018. Over the course of the financial year 2018/19 the Council:

- Completed a suite of corporate GDPR awareness training to the whole organisation.
- Produced and implemented a Policy and Procedure to deal with Subject Access Requests
- Carried out work within services on developing and approving Data Sharing Agreements with third parties
- Produced guidance on Privacy by Design including the provision of a Data Protection Impact Assessment Form for service areas to use.
- Set up registers for all core central documents to comply with the accountability aspect of the GDPR.
- Appointed two qualified GDPR practitioners to provide full governance of Data Protection for the organisation.

5.25 Data sharing agreements have been put in place between the Council and the three housing companies as well as the Council and the two direct services companies.

Council Housing

5.26 The Council owned housing stock totals 7696 units which comprises 7269 of general needs social rented properties, 45 general needs affordable rent properties, 291 sheltered accommodation units, 2 shared ownership

properties and 73 properties used as homeless temporary accommodation. The Council also has 698 leaseholder properties.

5.27 During the financial year 2018/19 the Council successfully collected 98.51% of rental income due in respect of its rented housing.

Projects

5.28 In the last year the Council:

- Submitted the Oxford Local Plan 2016-2036 for independent examination;
- Initiated development programmes in respect of East Oxford Community Centre, Barton Neighbourhood Centre, Oxford Sport Park, Museum of Oxford and Bullingdon Community Centre;
- Initiated a strategic housing review;
- Started an equalities framework review and an inclusive growth review;
- Took part in the government funded Controlling Migration Fund Project;
- Commenced arrangements for a Climate Emergencies Citizens' Panel which is due to meet in September 2019;
- Participated in a Health Inequalities project;
- In January 2019 Oxford City Council and Oxfordshire County Council have published updated proposals for a Zero Emission Zone ("ZEZ") in Oxford city centre. The updated proposals follow 15 months of listening to businesses, residents, transport operators and

health experts in Oxfordshire. The Councils set a journey to zero transport emissions in Oxford by 2035. From 2020, the ZEZ will see restrictions on some vehicles and journey types, which will increase gradually to all vehicles in the following years. The aim of the ZEZ is to tackle Oxford's toxic air pollution and protect the health of everyone who lives in, works in and visits the city. It is also expected that the ZEZ will improve air pollution levels across Oxfordshire because the buses and taxis that serve Oxford also serve towns and villages across the county; and

- Following the adoption of the Summertown and St. Margaret's Neighbourhood Plan a referendum was required to see if the electors of those two wards were in favour of the Plan. The referendum took place on 7th March 2019 and the result was as follows: Yes – 92.2%, No – 7.3%. The plan was therefore approved and will be taken into consideration by the Council when deciding planning applications in those two wards

Constitution

5.29 The Council's Constitution sets out comprehensively the rules for conducting business undertaken by the Council, including executive arrangements, committee structures, structures, finance and contract procedure rules and schemes of delegation.

5.30 The statutory roles of the Head of the Paid Service, Monitoring Officer and Section 151 Officer are described in the Constitution, as are the responsibilities for

providing robust assurance on governance, ensuring lawful expenditure in line with approved budgets and procurement processes.

- 5.31 The Council's Constitution is reviewed annually to take account of changes to regulations and other developments. It sets out clear schemes of delegation for stipulating which decisions must be taken by full Council, the Cabinet, committees and officers. The constitution also provides clear opportunities for public and councillor engagement in Council decision making and policy formulation.
- 5.32 During 2018 the Council's Constitution was subject to an extensive review. This process began at officer level and as proposals developed a cross party working group was convened to consider changes and to make recommendations to Council. The review was undertaken to ensure that the Council's Constitution complied with all statutory requirements and to examine how the processes and procedures could be altered to improve organisational efficiency and achieve stronger governance. The Employment Rules in the Constitution were amended to properly reflect the provisions of the Local Authorities (Standing Orders) (England) Regulations, 2001.
- 5.33 An updated Constitution was agreed by Council on 26 November 2018. Key changes included additional clarity about the role of the Monitoring Officer in providing advice to councillors in respect of motions, a wider role for the Standards Committee in overseeing all councillor

training and the introduction of arrangements for councillors to voluntarily record offers of gifts and hospitality. Council also agreed to the inclusion of a social media policy to offer additional guidance to councillors.

- 5.34 The Monitoring Officer has delegated authority to amend the Councils' Constitution if it is to put right clerical mistakes or to make it follow the law. The Monitoring Officer can also change Section 4 of the Constitution (who carries out executive responsibilities) and Section 6 (roles of Cabinet members) to reflect the wishes of the Leader of the Council.
- 5.35 Any other changes must be agreed by Council after considering a report from the Monitoring Officer.
- 5.36 As changes are made to the Constitution it is updated on the Council's website. Previous versions of the Constitution are also available for reference.

Members' Allowances Scheme

- 5.37 The Council's Members' Allowances Scheme was considered by an Independent Remuneration Panel in November 2018. This process was a review of the scheme which found the scheme to be sound and highlighted the need for some clarifications for example in relation to how reductions to allowances would be applied. A new scheme was adopted by Council on 29 January 2019 and took effect on 1 April 2019. The

scheme will operate for four years, until the end of March 2023.

5.38 There has also been an internal audit carried out of the procedures for the operation of the Members' Allowances Scheme during 2018/19.

Dispensations for Members

5.39 The Localism Act 2011 requires that the Members of Council must disclose Pecuniary Interests as defined in the Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012. Individual dispensations, which allow a member to participate and vote notwithstanding existence of disclosable pecuniary interest, can be granted in the discretion of the Monitoring Officer.

5.40 On 1st October 2018 the Council granted generic dispensations to all Members for a period of 4 years in respect of:

- Determining an allowance (including special responsibility allowances), travelling expense, payment or indemnity given to Members;
- Housing: where the Member (or spouse or partner) holds a tenancy or lease with the Council as long as the matter does not relate to the particular tenancy or lease of the Member (their spouse or partner);
- Housing Benefit or Universal Credit: where the Councillor (or spouse or partner) receives housing benefit and/or Universal Credit;

- Any Ceremonial Honours given to Members - Mayor-making, conferring the title of alderman/woman or admitting freemen/women;
- Setting the Council Tax or a precept under the Local Government and Finance Act 1992 (or any subsequent legislation); and
- Setting a Local Council Tax Reduction Scheme or Local scheme for the payment of business rates (including eligibility for rebates and reductions) for the purposes of the Local Government Finance Act 2012 (or any subsequent legislation).

Complaint Handling Arrangements

5.41 The Council has arrangements in place to enable the public to make a formal complaint that a councillor, parish councillor or co-opted member has failed to comply with the Members' Code of Conduct. In 2018/19 the Monitoring Officer reviewed the Council's complaint handling arrangements after operating the system for a period of time and in response to feedback from the Standards Committee, with a view to making the process more open and efficient whilst continuing to ensure it remained fair and independent. As a result of this exercise and recommendations from the Standards Committee revisions were made to these arrangements by Council on 29 April 2019. Initial assessment criteria have been included to guide the Monitoring Officer, in consultation with an Independent Person, when establishing whether there are valid grounds to investigate a complaint or take other action.

5.42 Other notable changes are the inclusion of indicative timescales for each stage of the complaints process and changes to the complaints form to require complainants to specify which part(s) of the Code they believe have been breached and what remedy they are seeking. In 2019/20 the Council is seeking to recruit four independent persons because the term of the current independent persons will come to an end.

Procurement

5.43 Over the last two years the Council's Procurement Team has been working to update and improve the Council's contracts register. The register is used not only to fulfil the Council's obligations under the transparency agenda, but it is also a key document that the Procurement Team use to manage and monitor contracts across all Service Areas. The register allows the Council to manage Procurement Team resources more efficiently as it gives visibility of future contract renewals and what work is in the pipeline. In 2019/20 there are plans to migrate the data to a Smartsheet which will give the register more functionality.

5.44 Officers from the Council's Legal and Procurement teams meet monthly to ensure that the Council's procurement procedures and documentation are effective and fit for purpose. Work has been undertaken on standard contract terms and conditions, upcoming projects and improving existing contract templates during 2018/19.

Member Training

5.45 The Council has an established framework in place for inducting and training councillors. Feedback is collected and analysed to inform the content and delivery of training to ensure the sessions are accessible, useful, engaging and meet councillors' needs.

5.46 Following the Oxford City Council elections on 3 May 2018 all newly elected councillors were required to attend a choice of two induction sessions which included training on the Members' Code of Conduct. New councillors were also assigned a "buddy" from within the Committee and Member Services Team to act as their first point of contact during their early months in office and ensure that their needs were being met.

5.47 An annual programme of compulsory and optional training is offered to all councillors. Compulsory training is provided annually on the Code of Conduct, planning and, for members on licensing committees; licensing. Council has collectively agreed that any members who fail to attend compulsory induction or training sessions will have a voluntary reduction applied to their basic allowance.

5.48 Compulsory training is complemented by optional training which is designed to be more specific to the specialist roles that members undertake. In 2018/19 a number of additional themed planning sessions were held, for example on the National Planning Policy Framework, planning enforcement and key urban design

principles. Optional training sessions were also held on the Council's finances and safeguarding.

- 5.49 Building on the current arrangements, a revised training framework will be put in place for the years 2020-24. This process will be overseen by a cross-party group of members and reported to the Standard's Committee. Feedback from members is collected and analysed to inform the content and delivery of training members are offered.

Officer Training

- 5.50 Council officers are also encouraged to access internal training courses as well as specific professional development. All new starters are required to undertake the corporate induction and to understand key policies on data protection, code of conduct and ICT security, as well as to undertake safeguarding awareness training as a minimum. Appraisals are conducted in relation to the performance of each member of staff on an annual basis.

Inclusion and Diversity

- 5.51 Following a comprehensive review of equalities data as part of the Council's duty to publish a Workforce Equality Report (WER) it has been recognised that there is a disparity in how representative the Council workforce is in relation to the economically active communities of Oxford. The WER also recognised how a diverse workforce drives higher performance.

- 5.52 As a result of this review a recruitment and retention development plan has been developed and is being implemented. This covers various themes such as how and where the Council recruits, its employer brand, talent management and training. All members of staff were asked to complete two short training programmes; one on unconscious bias and the other on general equalities awareness. In June 2019 the Council delivered a week of events and activities under the banner of Everyone Matters to engage staff in equalities diversity and inclusion issues.

- 5.53 Alongside this work the Council has set up a project group which is completing a review of Equalities, with an external focus, using the Local Government Equalities Framework to guide the work. Looking initially at data across Oxford in terms of demographics and inequalities the work is designed to inform future service delivery.

Decision Taking

- 5.54 All decision reports are subject to a robust clearance procedure to ensure that decision makers are presented with the best organisational advice and that the legal, financial and other risks and implications of proposals are identified and explained. All decision reports to the Cabinet are accompanied by a risk register and, where equalities impacts are identified, an equality impact assessment. Report writing guidelines and clear deadlines are in place to guide report authors. The Council's Forward Plan provides at least a four month

forward view of upcoming key decisions to assist councillors and the public in engaging with council decision making. The Council also maintains a focus on ensuring that decisions taken by officers are recorded and published on the Council's website.

Scrutiny

- 5.55 The Council has a mature Scrutiny function that benefits from the active engagement of members, dedicated officer resource and a positive organisational culture that is conducive to effective scrutiny. The work of Scrutiny is prioritised and agreed through an annual work planning process while remaining flexible and responsive to emerging issues, priorities and City Executive Board decisions. In addition to considering reports at committee and sub-committee meetings on a wide range of issues and decisions that affect the city and its communities, Scrutiny commissioned three major pieces of review work in 2018/19. The topics chosen for review were the homelessness no local connection policy, tourism management and the annual review of the Council's finances and budget proposals. Each of these reviews resulted in an evidence based report containing a series of recommendations for improvement, the majority of which were agreed by the Cabinet.

Audit and Governance Committee

- 5.56 The Council has an established Audit and Governance Committee with terms of reference that comply with the Chartered Institute of Public Finance and Accountancy ("CIPFA") guidance. The Audit and Governance Committee is responsible for setting the Council Tax base, approving the Annual Statement of Accounts, reviewing quarterly risk management reports and noting and commenting on the work plans and reports of the Council's internal and external auditors. The Committee monitors the implementation of audit actions. In 2018/19 the Committee also received update reports from officers on senior management turnover, staff retention processes and as an update on the risks challenges and actions being taken to ensure the best possible cyber security for the Council.
- 5.57 The Audit and Governance Committee receives quarterly reports on all allegations of fraud or corruption once any on-going investigation is complete as well as those Ombudsman complaints for which a Public Interest Report is issued.

Financial Planning

- 5.58 The Council has a coherent accounting and budgeting framework which includes the monthly monitoring and publication of spend against budget. The Medium Term Financial Plan and budget setting are underpinned by the prioritisation and savings plans which are regularly reviewed and updated by the Cabinet.

Emergency Planning

- 5.59 The Civil Contingencies Act 2004 establishes a clear set of roles and responsibilities for those involved in emergency preparation and response at the local level. It requires the Council and other organisations to prepare for adverse events and incidents. The Council is a category one responder and as such has continued to work with other agencies to build resilience on emergency planning functions. Officers have been identified to undertake silver and gold level response roles within the Council and will receive appropriate training during the financial year 2019/20. The emergency planning documentation held by the Council is being updated accordingly.

Statutory Officer Reports

- 5.60 The Monitoring Officer and Chief Finance Officer have had no cause to issue reports in exercise of their statutory powers in the 2018/19 financial year.

Whistleblowing

- 5.61 The Council has adopted a Whistleblowing Policy. The Policy is published within the Council's Constitution and is periodically reviewed by the Monitoring Officer and was reviewed as part of the recent review of the Constitution.

Corporate Complaints

- 5.62 The Council also operates a corporate complaints, comments and compliments system ("the 3 Cs"). The Council has sought to integrate the corporate complaints process with its Customer Relationship Management system so as to ensure the consistent capturing and reporting of customer feedback.
- 5.63 There were no formal Public Interest Reports issued by the Local Government and Social Care Ombudsman against the Council in this year. One complaint against the Council was upheld by the Ombudsman. It related to how the Council dealt with a planning application and how the Council responded to a complaint about the way a complaint was dealt with. No remedy was recommended as the Ombudsman was satisfied that the Council had apologised and that no significant injustice had been caused.

Fraud and Corruption

- 5.64 The Counter-Fraud team continued to provide a highly effective fraud prevention, detection and investigation capability for the Council. Charged with safeguarding Council services, the team has a remit to ensure that processes and controls are robust and protected from exploitation by fraudsters.
- 5.65 Working in tandem with a number of Council departments and external organisations, the team ensures that vulnerabilities are addressed and where

appropriate, civil and criminal action is taken against those who deceive and defraud the organisation. In the financial year 2018-2019, the team were responsible for preventing losses and increasing revenue, to the value of £3.68m for the Council.

- 5.66 The team also tackles abuse in social housing by preventing fraudulent and irregular applications for housing from progressing, and by recovering Council properties that are being illegally sublet, misused or abandoned. There were 22 instances of this in the financial year 2018/19..
- 5.67 For the third consecutive year, the team has been recognised by the Institute of Revenues, Ratings and Valuation (IRRV) in the winning of the 2018 prestigious performance award for Excellence in Counter Fraud. Human Resources
- 5.68 The Council has a comprehensive range of policies, procedures and processes that combine employment legislation with best practice and organisational norms. Supplementary to these and for the purposes of monitoring and transparency, is a suite of reports and reporting tools. Together these inform and govern how the Council manages people related matters whilst also ensuring that the organisation achieves this in a fair, consistent and legally compliant manner. The policies and procedures cover the whole employee lifecycle, ranging from recruitment and selection and career development, to performance, conduct and capability

issues and there is a regular cycle of review to ensure they are up to date and fit for purpose.

- 5.69 All policies and procedures are available for employees and managers to see on the Council's intranet. Additional guidance and support is accessed through the Council's Human Resources Team, ("HR") which provides training, coaching and ad hoc support and advice. The HR Business Partners and Advisors also work closely with Service Areas to deal with people related matters in a consistent manner and in line with the agreed policies and processes.

Business Continuity Planning

- 5.70 Business Continuity Planning has continued to be a focus for improvement and regular review. Service Area Business Continuity Plans and have been reviewed and tested focusing on the loss of facilities and loss of ICT. The exercises were successful and there were a number of actions which arose from the exercises and the discussions around them. The recommendations arising from those exercises have been implemented by officers and the key learning points and recommendations around ICT have been implemented by the Chief Technology and Information Officer in conjunction with Heads of Service and the Council's Operational Delivery Group.
- 5.71 The Corporate business continuity Plan has been updated following these reviews and tests and will be finalised in the 2019/20 financial year.

5.72 The next stages involve updating the Service Area Business Continuity Plans and a full review by the council's insurer Zurich Municipal of both the Corporate and Service Area Business Continuity Plans. This review will then inform some follow up training sessions to be facilitated by Zurich Municipal. The reviews and tests to date have found that the plans are broadly effective and the follow up actions are to further improve and update the plans and to refresh the training of key officers.

5.73 Freedom of Information

The Council is required to provide certain information on request under the Freedom of Information Act 2000 and the Environmental Information Regulations 2004.

Requests are considered and, if held, information is disclosed unless an exemption or exception applies. During the financial year 2018/19 the Council received 902 requests for information, three of which were subject to an internal review. No cases were referred to the Information Commissioner.

6 Review of Effectiveness

6.1 The Authority has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework, including the system of internal control. The review of effectiveness is informed by the work of senior officers within the Authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report

and also by comments made by the external auditors and other review agencies and inspectorates.

6.2 In preparing this statement each service area has completed and each Head of Service has signed an assurance checklist. The checklist covers the following areas:

- Risk Management
- Business Performance
- Projects and project management
- Financial management
- Fraud
- Procurement and contract management
- Human resources
- Equality and Diversity
- Data quality and security
- Health and safety
- External accreditations
- Review and documentation of business critical processes

6.3 The checklist asked each Head of Service to draw attention to any matters in respect of which internal controls were not working well and required a positive assurance that apart from those areas which were identified for improvement that the controls within the service had been, and are, working well. Each Head of Service gave a positive assurance.

6.4 A number of actions have taken place and are planned within various of the Council's Service Areas and these are summarised as follows:-

- Increased review and staff awareness of risk assessments
- Continued awareness raising of data protection requirements in order to promote best practice and to avoid data breaches
- Review of business continuity plans and health and safety controls
- Training for officers identified to undertake silver and gold level response roles and update of the Council's emergency planning documentation
- After the successful neighbourhood planning referendum in Headington in 2017, the Headington Neighbourhood Forum requested the Council carry out a community governance review (CGR) with a view to creating a community (parish) council for the area. Full Council agreed the Terms of Reference for the CGR in February 2019. The consultation period will start in mid-July, finishing on 25th August 2019. A report will be submitted to Full Council in October 2019 for it to decide whether a community council is created. If approved the new council would come into effect in 1st April 2020, with its first elections on Thursday 7th May 2020.

7 CIPFA Statement on the Role of the Chief Financial Officer

7.1 In assessing the effectiveness of the Council's Annual Governance Statement the Chief Financial Officer is required to review how their role in the authority meets the CIPFA Statement on the Role of the Chief Financial Officer in Local Government. Key to this assessment are a number of principles:

- The Chief Financial Officer ("CFO") in a local authority is a key member of the leadership team, helping it to develop and implement strategy. In the Council the CFO is a key member of the Corporate Management Team with direct access to the Chief Executive, members, Audit & Governance Committee and internal and external audit
- The CFO in a local authority must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and alignment with the authority's overall financial strategy. In Oxford the CFO is responsible for Risk Management, has the ability to influence decisions through meetings and reporting to members and also has a statutory requirement to advise members of the robustness of estimates and the level of reserves and balances
- The CFO in a local authority must lead the promotion and delivery by the whole authority of good financial

management so that public money is safeguarded at all times and used appropriately, economically, efficiently, and effectively. The CFO has a personal responsibility for financial stewardship and their prime responsibility is to the citizens to manage resources prudently, both within the authority and extending into partnerships, joint ventures and companies in which the council has an interest e.g. Oxford Direct Services Group, Oxford City Housing Limited, Oxford West End Development Limited (OxWED) and Barton LLP

- The CFO in a local authority must lead and direct a finance function that is resourced to be fit for purpose. In Oxford the CFO currently has sufficient resources to undertake the Finance function and this is subject to review
- The CFO in a local authority must be professionally qualified and suitably experienced. The CFO and a number of key staff within the Finance Team are suitably qualified. Deputising for the CFO on matters of financial accounting is undertaken by the Financial Accounting Manager and Management Accountancy Manager, with additional posts taking responsibility on matters relating to Procurement and Revenues.

8 Awards/Recognition

- 8.1 The Council wishes to ensure that it remains up to date with best practice and standards of performance so it regularly enters competitions against its peers and has

achieved standards and won awards as set out in Appendix 1 to this statement.

9 Significant Governance Issues

- 9.1 The control framework described above facilitates the identification of any areas of the Council's activities where there are significant weaknesses in the financial controls, governance arrangements or the management of risk.
- 9.2 The Council's internal auditors are BDO LLP who are required to provide the Audit and Governance Committee, and the Section 151 Officer with an opinion on the adequacy and effectiveness of risk management, governance and internal control processes, as well as arrangements to promote value for money.
- 9.3 Overall the annual report from the Council's internal auditors, which will be reported to the Audit and Governance Committee on 24 July 2019, provides that, based on the evidence of the audits conducted, moderate assurance is given that there are no major weaknesses in the internal control system for the areas reviewed in 2018-19
- 9.4 As the internal auditors of the Council BDO LLP is required to provide the Audit and Governance Committee and the Section 151 Officer with an opinion on the adequacy and effectiveness of risk management, governance and internal control processes, as well as arrangements to promote value for money.

9.5 In giving its opinion BDO LLP has stated that assurance can never be absolute. The internal audit service provides the Council with moderate assurance that there are no major weaknesses in the internal control system for the areas reviewed in 2018-19. Therefore, the statement of assurance is not a guarantee that all aspects of the internal control system are adequate and effective. The statement of assurance should confirm that, based on the evidence of the audits conducted, there are no signs of material weaknesses in the framework of control.

9.6 In assessing the level of assurance to be given, BDO LLP has stated that the following matters were taken into account:

- “All internal audits undertaken by BDO LLP during 2018-19
- Any follow-up action taken in respect of audits from previous periods for these audit areas
- Whether any significant recommendations have not been accepted by management and the consequent risks
- The effects of any significant changes in the organisation’s objectives or systems
- Matters arising from previous internal audit reports to the Council
- Any limitations which may have been placed on the scope of internal audit – no restrictions were placed on our work”.

Appendix 1

Awards/Recognition for 2018/19

The awards/external accreditations earned by the Council in the year April 2018 – March 2019 are as follows:

- QUEST for the Council's Leisure Centres and Rosehill Community Centre – the Council's Sport and Physical Activity Team was rated "Outstanding";
- Green Flag status for six of the Council's parks;
- Arts Council England awarded its Museum Accreditation (ACE) to the Museum of Oxford;
- Community Services received the Investors in Volunteers accreditation; and
- The Council's Youth Ambition Team received the National Youth Agency accreditation.

The awards/external accreditations retained by the Council in the year April 2018 – March 2019 are as follows:

- Investors In People Gold (2017);
- Customer Service Excellence accreditation for the entire organisation;
- The legal team within Law & Governance retained its LEXCEL accreditation;
- Business Improvement retained Payroll Quality Partnership and the Payroll Assurance Scheme;
- Community Services retained ISO 14001 and ISO 9001;

Annual Governance Statement 2018/19

www.oxford.gov.uk



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Gordon Mitchell
Chief Executive
Oxford City Council
Town Hall, St Aldates
Oxford
OX1 1BX

26 April 2019

Ref: Fee Letter/19-20

Direct line: 01189 281556

Email: PKing1@uk.ey.com

Dear Gordon

Annual Audit 2019/20

We are writing to confirm the audit that we propose to undertake for the 2019/20 financial year Oxford City Council.

From 2018/19, local government and police bodies have been responsible for making their own arrangements for the audit of the accounts and reporting on the housing benefit subsidy claim.

The Secretary of State for Housing, Communities and Local Government has specified Public Sector Audit Appointments (PSAA) as an appointing person under provisions of the Local Audit and Accountability Act 2014. PSAA has appointed auditors for bodies that opted into the national scheme. Appointments were made for the duration of the five-year appointing period, covering the audits of the accounts for 2018/19 to 2022/23.

The appointment of an auditor to report on the Council's housing benefit subsidy claim is no longer covered by the PSAA appointment.

Indicative audit fee

For the 2019/20 financial year, PSAA has set the scale fee for each opted in body. Following consultation on its Work Programme and Scale of Fees, PSAA has maintained scale audit fees at the same level as for 2018/19, unless there are specific circumstances which require otherwise.

The fee reflects the risk-based approach to audit planning set out in the National Audit Office's Code of Audit Practice for the audit of local public bodies.

The audit fee covers the:

- Audit of the financial statements;
- Value for money conclusion; and
- Whole of Government accounts.

Our final fee will include the impact of additional risks and/or circumstances that are out of the scope of the scale fee, for example:

- The preparation of group accounts;
- Additional work performed on asset valuations, including the involvement of our valuation specialists;
- Additional work performed on the valuation of the net pension liability, including the involvement of our pension specialists; and
- Additional work arising from the implementation of IFRS 16 Leases.

This indicative fee is based on certain assumptions, including:

- The overall level of risk in relation to the audit of the financial statements is not significantly different to that of the prior year;
- Officers meet the agreed timetable of deliverables;
- The operating effectiveness of the internal controls for the key processes identified within our audit strategy;
- Our accounts opinion and value for money conclusion are unqualified;
- Appropriate quality of documentation is provided by Officers;
- There is an effective control environment; and
- Prompt responses are provided to our draft reports.

Meeting these assumptions will help ensure the delivery of our audit at the indicative audit fee which is set out in the table below.

As we have not yet completed our audit for 2018/19, our audit planning process for 2019/20 will continue as the year progresses. Fees will be reviewed and updated as necessary, within the parameters of our contract.

Summary of fees

	Indicative fee 2019/20 £	Planned fee 2018/19 £	Actual fee 2017/18 £
Scale Fee	66,355	66,355	86,175
Scale Fee Variation			600
Total Code audit fee			
Housing Benefit Certification			25,440
Housing Benefits Certification testing per 2017/18 results	19,500	19,500	

Housing Benefits Certification estimate per additional test	2,500	2,500	
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Any additional work that we may agree to undertake (outside of the Code of Audit Practice) will be separately negotiated and agreed with you in advance. All variations to the scale fee will be subject to PSAA approval.

Billing

The scale fee will be billed in four quarterly instalments of £16,589.

Audit plan

Our plan is expected to be issued in December 2019. This will communicate any significant financial statement and value for money risks identified, planned audit procedures to respond to those risks and the estimated fee implications of these additional procedures. Should we need to make any significant amendments to the audit fee during the course of the audit, we will discuss this in the first instance with the Head of Finance and communicate the revised fee and the matters giving rise to any adjustments to the scale fee in our Audit Results Report which we will present to the Audit and Governance Committee.

For a high level overview of our approach and further information on how we intend to work with you under the PSAA contract, please refer to our leaflet 'EY working with you' which is enclosed.

We remain committed to providing you with a high quality service. If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, please contact me, or Janet Dawson as our Government and Public Sector Assurance Leader at jdawson1@uk.ey.com. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, by writing to him at 1 More London Place, London, SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute.

Yours sincerely



Paul King
Associate Partner
For and on behalf of Ernst & Young LLP

cc. Nigel Kennedy, Head of Finance
Councillor James Fry, Chair of the Audit and Governance Committee

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Confidential

EY working with you

An overview of our approach

March 2019

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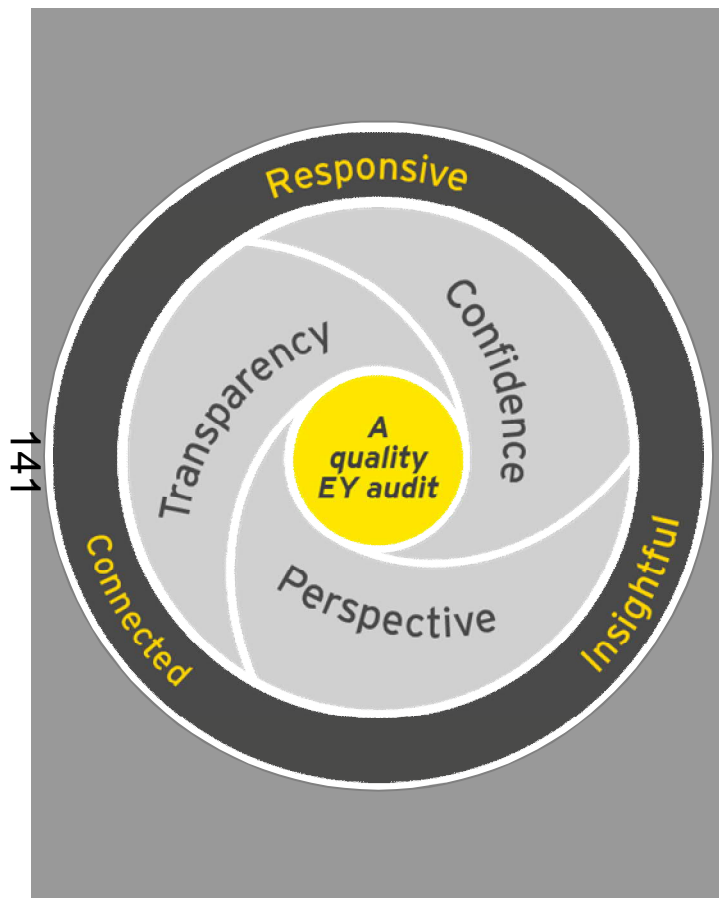
Value beyond the audit

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Our commitment to you



Oxford City Council opted into the Public Sector Audit Appointments (PSAA) Appointing Person scheme which started in 2018/19. PSAA appointed EY as your auditors. PSAA is responsible under the Local Audit (Appointing Person) Regulations 2015 for monitoring compliance with the contract and is committed to ensuring good quality audit services are provided by its suppliers. Details of PSAA's audit quality monitoring arrangements are available from its website, www.psaa.co.uk.



Janet Dawson – Partner

I am the lead partner for this contract, and EY's Global Government and Public Sector Assurance Leader. I have been a partner in Government and Public Sector (GPS) assurance services for 14 years, and have over 20 years of experience and knowledge from working in the sector. My work across health and central government brings an understanding of the broader context of the environment that you operate within.

My appreciation of the value of audit, transparency, and the importance of working in partnership with the public sector aligns with PSAA in promoting and supporting those values through our work. I have asked Paul King to lead your engagement on behalf of EY. Our commitment to quality and culture of consultation means that they will draw on the expertise within the firm in fulfilling this responsibility.

Our extensive experience of providing a range of assurance services has demonstrated that strong relationships, clear communication, and investing time with our clients to understand their issues delivers the highest quality outcomes.

This is our commitment to you.

Our contract with PSAA contains a method statement which sets out the firm's commitment to deliver quality audit services, our audit approach, and what clients can expect from us. A summary of the key points of the method statement follows. It is provided as a guide and reference for liaising with us, and a benchmark for you to provide feedback on our performance to PSAA via its survey in Autumn 2019.



Working with you

Communication

Our experience shows that close, constructive working relationships are built on trust and open dialogue.

Paul King is your engagement lead and responsible for our relationship protocols, overall audit service and quality. We meet regularly with Officers and Members, discussing sector challenges and bringing insights from our network. Your engagement manager, David Guest, is a key contact and brings significant experience of managing local authority audits.

Our relationship protocols allow you to escalate concerns to Janet Dawson (Contact Partner) or Steve Varley (UK Managing Partner) should you need to.

Our Audit Planning Report contains further information on our planning approach and timetable, giving you a risk based, tailored audit. We ensure our senior leaders are accessible for management and members.



Knowledge and training

Significant investment in the development of dedicated GPS teams is part of our commitment to improve skills in the public sector. Our structured recruiting and training approach delivers the best audit quality. All our training is developed by technical specialists and is quality and risk assessed. Staff must pass online tests following training, to demonstrate they can apply the learning in practice.

GPS sector specific training including emerging opportunities and risks, new requirements and specific technical areas, e.g., capital accounting, group accounts, LG pensions and other areas.

Topics are derived from our sector knowledge and stakeholder engagement.

We share these insights with you via our Audit Committee Briefings, Public Sector Accounting Workshops, Audit Committee Forums and other bespoke training sessions.



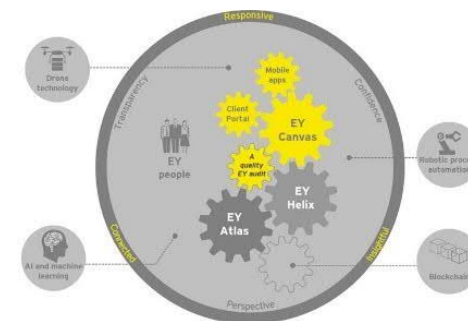
Quality and Innovation

Audit quality is our primary goal in ensuring confidence in public services in a landscape of constant change and uncertainty. Factors which contribute to achieving consistently high quality audits are our people, tailored audits, consultation, and engagement quality reviews.

Our consultation policies are built upon a culture of collaboration, whereby audit professionals are encouraged to share perspectives on complex accounting, auditing and reporting issues.

Audit quality is at the heart of our innovation strategy.

We will continue to innovate and integrate new technologies into our audit process. The technologies discussed so far are just the start of our journey, designed to grow and be enhanced with additional functionalities.



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Value beyond the audit

In line with the firm's broader vision to build a better working world, EY's commitment to, and investment in, the public sector is focussed on delivering sustainable social value.

We are the first of the Big 4 firms to establish an apprenticeship programme awarded 'employer status' by the Skills Funding Agency, that specifically addresses the needs of deprived communities. 'EY Business Apprenticeships' is a way of investing in local people, directly challenging the UK skills gap, whilst prioritising those from deprived communities, and disadvantaged backgrounds. Our work under the PSAA contract enable us to create around 165 additional apprentice roles.

EY was also the major graduate recruiter to change our minimum entry requirements, increasing inclusivity by opening up opportunities for talented individuals regardless of their background and education.



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Economic and Social

We deliver socio-economic improvements by carefully aligning existing initiatives to our clients' objectives, for example, local authorities' focus on local employability.

Examples include: Removing barriers to employment and education: our 'Smart Futures' initiative provides Year 12 students access to paid work experience, employability workshops and career talks plus 10-months of mentoring from an EY employee. We deliver this from 11 EY offices across the UK. The benefit to you is that we focus on state schools and prioritise those on free school meals. In addition, our 'Stay Curious' and 'Employability Support' initiatives raise awareness of audit career opportunities to STEM students and provide CV advice, networking, mock interviews and assessment centres. Collectively the improvement outcomes include increased employability for young people in the community, connecting schools, universities, employers and building confidence in the students themselves.

Supporting local businesses for prosperity in the community: the EY Foundation, our independent charity, supports collaboration between young people and local businesses. The benefit is a community better connected, focussed on key issues, and providing a voice to the under privileged.

Our global EY Ripples programme enables our staff to donate time to make use of their knowledge, skills and experience to support young people and impact entrepreneurs, by providing mentoring support, business skills training, and more equitable access to resources – to drive sustainable inclusive growth.

Environmental

We protect the environment by minimising waste and using resources efficiently, e.g., we proactively manage and monitor the environmental impacts of our supply chain, and our own people. We encourage carbon footprint reduction through initiatives such as Bike to Work, Flexible Working Policy, and our sustainable travel strategy. We have also made changes to our processes from procurement to recruitment to minimise the environmental impact of them on the wider world.

EY | Assurance | Tax | Transactions | Advisory

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

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Ernst & Young LLP

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ED None

EY-000089533-01 (UK) 03/19. CSG London.



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Minutes of a meeting of the AUDIT AND GOVERNANCE COMMITTEE on Monday 11 March 2019

www.oxford.gov.uk



Committee members:

Councillor Fry (Chair)	Councillor Munkonge (Vice-Chair)
Councillor Corais	Councillor Gant
Councillor Lygo (for Councillor Tanner)	Councillor Rush
Councillor Wolff	

Officers:

Laura Bessell, Benefits Manager
Anita Bradley, Monitoring Officer
Ian Brooke, Head of Community Services
Aileen Carlisle, Interim Executive Director (Communities and Customers)
Nigel Kennedy, Head of Financial Services
Bill Lewis, Financial Accounting Manager
Jennifer Thompson, Committee and Members Services Officer
Scott Warner, Investigation Manager

Also present:

Gurpreet Dulay, BDO Internal Auditor
David Guest, Ernst & Young External Auditor

Apologies:

Councillor Tanner sent apologies.

35. Declarations of Interest

None

With the consent of the committee, the Chair varied the order of the agenda.

36. Avoiding Bribery Fraud and Corruption Policy March 2019

The Committee considered the report of the Head of Financial Services seeking approval of the new Avoiding Bribery, Fraud and Corruption Policy for adoption as Council policy.

Scott Warner (Investigations Manager) introduced the report and policy and answered questions.

Councillor Wolff stated that he considered the requirement at 16.4 (*to conduct documentary checks on all new employees to ascertain their eligibility to employment in accordance with the Asylum & Immigration Act 1996 s.8 (as amended)*) was not

compatible with a commitment to racial equality and should be removed as soon as legislation permitted. The Monitoring Officer reminded the committee that the checks made on new employees in accordance with the Asylum & Immigration Act 1996 are at present a lawful requirement. Should this change in the future, the Council would review the approach to the necessity and proportionality of these checks.

The Committee noted its remit extended to wider governance issues affecting the Council.

The Committee resolved:

- 1. to adopt the Avoiding Bribery, Fraud and Corruption Policy attached as Appendix A to the report; and**
- 2. that the checks outlined at 16.4 of the policy should be kept under review to ensure these did not exceed those required by legislation.**

37. Internal Audit 12 Fusion Leisure audit report

Councillor Rush arrived during this item.

The Committee considered the report of the internal auditor setting out the results of the audit of the control design and effectiveness with regards to the Council's oversight of/and Fusion Customer Service processes.

In summary, Gurpreet Dulay (BDO) in presenting the report and in answer to questions, and Ian Brooke (Head of Community Services) and Mark Munday (Fusion) in answer to questions reported:

1. Fusion had made improvements as a result of the concerns raised through tests of Fusion's online and social media presence, although the auditors had not received evidence all of these were addressed. Fusion had corrected inconsistencies on the website and was making changes to its social media campaigns and to its app.
2. Customer satisfaction surveys showed a positive picture of the overall service.
3. Officers were working with Fusion to complete the outstanding actions from the audit.
4. As a result the audit opinion had moved from Limited to Moderate to reflect the recent changes.
5. Some partnership meetings could be better organised and on some sites it can be challenging to get enough interest. There were some excellent representatives and stakeholders on the partnership groups.
6. Auditors had randomly picked 3 to 5 data sets from each site and verified the data. Fusion correctly and appropriately used industry standard measures such as counting a 5-a-side football booking as 10 participants regardless of the actual attendance; and a member who went to a yoga class and then for a swim only counted as one visit. In the samples tested standards were used correctly and the data was as robust as should be expected, but clearly differences in measurement standards could lead to discrepancies.

The Committee agreed:

1. to note that the report would also be considered by the Scrutiny Committee on 2 April as they had asked for a review of the reliability of the data;
2. that councillors' specific queries on the Fusion report should be sent to the Head of Financial Services who would collate these for response;
3. to request an in-depth follow up to ensure actions were completed and a further report covering the same aspects of Fusion's services be brought in 12 months' time either to this committee or to the Scrutiny Committee;
4. to ask the Head of Financial Services and the auditors to allocate time for specific audit tasks necessary to prepare this report.

The Committee noted the report, the presentations, and the points above.

38. Risk Management Quarterly Reporting as at 31 March 2019

The Committee considered and asked questions about the report of the Head of Financial Services giving an update on both corporate and service risks as at 31 March 2019.

Bill Lewis (Financial Accounting Manager) presented the report and answered questions.

The Committee noted:

- Risks around housing delivery and supply were partly mitigated by the council's Lord Mayor's deposit scheme and the rent guarantee scheme. The Oxfordshire Growth Deal had a significant role in housing delivery, and the Council had an opportunity to use the removal of the Housing Revenue Account (HRA) debt cap to significantly increase its housing.
- The auditors' comments that at other local authorities they audited the treasury management function narrative was similar but the risk rated lower.

The Committee noted a significant risk to the Council and the city from climate change, and requested a report setting out how to properly audit and evaluate the risks and mitigation of the effects of climate change including:

- the risks to the Council and to the city from climate change;
- evaluating the Council's own carbon use;
- skills and resources required to audit and manage the Council's reduction in carbon use;
- what data is required and how to collect this;
- how to audit and evaluate the Council's activities;
- evaluation of the risks and the effectiveness of possible and actual mitigation measures.

The Committee noted the report and comments.

The Committee asked for a report as set out above to be brought to a future meeting.

39. Ernst & Young: Certification of Claims and Returns for 2017-18

The Committee considered the report on the certification of the Housing Benefit subsidy claim from the external auditor, Ernst and Young.

David Guest (external auditor) presented the report and answered questions. Laura Bessell (Benefits Manager) and Nigel Kennedy (Head of Head of Financial Services) reported on progress and answered questions.

The Committee noted:

1. Accuracy checks were carried out on 100% of claims from students and the self-employed.
2. Robust and recently reviewed procedures were in place for processing claims.
3. There were concerns over recruitment of high-quality staff: there was a core of experienced and competent staff, but currently 5 vacancies in an establishment of 21.
4. There will still be some loss of subsidy in 2018/19 claim although as the error rate was reduced, the loss should also reduce.
5. The total amount of Housing Benefit paid out was £59m with a very small actual error rate, and a very small allowed error rate/ amount before subsidy was reclaimed and penalties applied.
6. The auditor's experience was that Oxford City Council's performance was similar to that of comparable city authorities handling a similarly complex caseload.

The Committee noted the report and comments, and thanked the Benefits Manager and her team for their work on the certification claim.

40. Ernst & Young: Audit Progress Report at March 2019

The Committee considered the report from the external auditor, Ernst and Young.

David Guest (external auditor) presented the report. In answer to questions he reported that he would be liaising with the auditors for the Council's wholly-owned companies. Incorporating these audited accounts into the Council's introduced complexity and risk around the audit process and final accounts, and with Oxford Direct Services because of the volume and value of transactions. There was a different process for incorporating the accounts of joint venture companies into Council's the accounts.

The Committee noted the report.

41. Internal Audit: Follow up of recommendations to March 2019

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

Gurpreet Dulay (BDO) presented the report.

Aileen Carlisle (Interim Executive Director) reported that a lead officer and a compliance officer had joined the new Project Management Office (PMO) which would manage the capital programme and other large projects. Further appointments would fill identified skills gaps. The outstanding actions should be completed by the revised date.

The Committee noted the report and comments.

42. Internal Audit: Progress Report to March 2019

Councillors Gant and Lygo left just prior to the start of this item.

The Committee considered the report of the internal auditor setting out progress made against the 2018/19 internal audit plan and executive summaries of two audit reports. Gurpreet Dulay (BDO) presented the report and the auditors' findings.

The Committee noted the report.

43. Internal Audit: Audit Plan for 2019-20 and internal audit charter

The Committee considered the report of the internal auditor setting out the proposed Internal Audit plan for 2019-20 and the Internal Audit Charter.

Gurpreet Dulay (BDO) presented the draft plan and Charter.

The Committee asked for a revision of the timetable to allow time for an audit of the Council's work on mitigating climate change: to include overview of previous work; coherency of plans and corporate and strategic aims; adequacy of systems, controls and measures; adequacy of data for monitoring and improving performance.

The Committee asked that the review of events management include an assessment of the team's income generation strategy, cost/ income balance, and other opportunities for increasing income.

The Committee resolved to:

- 1. approve the Internal Audit plan for 2019-20 with the inclusion of an audit on climate change work, and changes to the scope of the events management review, and the points resulting from the audit of Fusion; and**
- 2. note the Internal Audit charter.**

44. Minutes of the previous meeting

The Committee agreed to approve the minutes of the meeting held on 10 January 2019 as a true and accurate record.

The Chair asked if a table of agreed actions could be included in the minutes.

45. Dates and times of meetings

The Committee noted the dates and times of future meetings.

The meeting started at 6.15 pm and ended at 8.00 pm

Chair

Date: Wednesday 24 July 2019