

Agenda

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Audit and Governance Committee

This meeting will be held on:

Date: **Wednesday 28 September 2022**

Time: **6.00 pm**

Place: **Long Room - Oxford Town Hall**

For further information please contact:

Lucy Tyrrell, Committee and Members Services Officer, Committee Services Officer

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Members of the public can attend to observe this meeting and.

- may register in advance to speak to the committee in accordance with the [committee's rules](#)
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Committee Membership

Councillors: Membership 7: Quorum 3: substitutes are permitted.

Councillor Tiago Corais

Councillor James Fry

Councillor Duncan Hall

Councillor Chris Jarvis

Councillor Dr Amar Latif

Councillor Chewe Munkonge

Councillor Roz Smith

Apologies and notification of substitutes received before the publication are shown under *Apologies for absence* in the agenda. Those sent after publication will be reported at the meeting. Substitutes for the Chair and Vice-chair do not take on these roles.

Agenda

	Pages
1 Apologies for absence and substitutions	
2 Declarations of Interest	
3 Annual Governance Statement 2021/22	7 - 34
Report of: the Head of Law & Governance	
Purpose of report: to present the 2021/22 Annual Governance Statement for consideration and approval.	
Recommendation: that the Audit & Governance Committee resolves to:	
1. Approve the Annual Governance Statement for the 2021/22 financial year.	
2. Note that the Action Plan for 2022/23 will be reported at a future meeting.	
4 Risk Management Report: Quarter 2 30 September 2022	35 - 58
Report of: the Head of Financial Services	
Purpose of report: to update the Committee on both corporate and service risks as at 30 September 2022	
Recommendation: that the Committee reviews the risk management report and notes its contents.	
5 External Audit: Draft Audit Results Report for the year ended 31 March 2022 - verbal update	
6 Internal Audit: Progress Report September 2022	59 - 106
Report of: the Internal Auditor BDO	
Purpose of report: to inform the Committee on progress made against the Internal Audit work plan and on the outcome of their reviews (including the audit conclusion for Oxford Direct Services Limited and Oxford City Housing Limited).	
Recommendation: to discuss and note the report.	
7 Internal Audit: Follow Up Report September 2022	107 - 120
Report of: the Internal Auditor BDO	

	Purpose of report: to inform the Committee on the implementation of the recommendations from their previous internal audit reviews.	
	Recommendation: to discuss and note the report.	
8	Local Authority Audit Benchmarking Report	121 - 128
	Report of: the Internal Auditor BDO	
	Purpose of report: to provide comparative information across Local Authority clients relating to the internal audit assurance opinions provided in 2021-22, along the number and relative proportion of recommendations and the priority level assigned.	
	Recommendation: to discuss and note the report.	
9	Minutes of the previous meeting	129 - 134
	To approve as a true and accurate record the minutes of the meeting held on 27 July.	
10	Matters exempt from publication and exclusion of the public	
	If the Committee wishes to exclude the press and the public from the meeting during consideration of any aspects of the preceding 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.	
	(The Access to Information Procedure Rules – Section 15 of the Council’s Constitution – sets out the conditions under which the public can be excluded from meetings of the Council).	
11	Confidential Minutes of the previous meeting	135 - 136
	To approve as a true and accurate record the confidential minutes of the meeting held on 27 July 2022.	
12	Dates and times of meetings	
	The Committee is scheduled to meet at 6.00pm in the Town Hall on the following dates:	

01 November 2022
18 January 2023
26 April 2023



Information for those attending

Recording and reporting on meetings held in public

Members of public and press can record, or report in other ways, the parts of the meeting open to the public. You are not required to indicate in advance but it helps if you notify the Committee Services Officer prior to the meeting so that they can inform the Chair and direct you to the best place to record.

The Council asks those recording the meeting:

- To follow the protocol which can be found on the Council's [website](#)
- Not to disturb or disrupt the meeting
- Not to edit the recording in a way that could lead to misinterpretation of the proceedings. This includes not editing an image or views expressed in a way that may ridicule or show a lack of respect towards those being recorded.
- To avoid recording members of the public present, even inadvertently, unless they are addressing the meeting.

Please be aware that you may be recorded during your speech and any follow-up. If you are attending please be aware that recording may take place and that you may be inadvertently included in these.

The Chair of the meeting has absolute discretion to suspend or terminate any activities that in his or her opinion are disruptive.

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". 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.

To: Audit & Governance Committee
Date: 27 September 2022
Report of: Head of Law & Governance
Title of Report: 2021/22 Annual Governance Statement

Summary and recommendations	
Purpose of report:	To present the 2021/22 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:	
<ol style="list-style-type: none"> 1. Approve the Annual Governance Statement for the 2021/22 financial year 2. Note that the Action Plan for 2022/23 will be reported to a future meeting 	

Appendices	
Appendix 1	Annual Governance Statement 2021/22

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 annual

governance questionnaires. The responses to the questionnaires 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 Annual Governance Statement includes an update on the Action Plan for the 2021/22 financial year. The Action Plan for 2022/23, which sets out the matters that the Council intends to focus on during the 2022/23 financial year in order to improve its governance arrangements, will be reported to a future meeting as it is still in development.
6. 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

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

Legal issues

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

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Background Papers:

1 Assurance Questionnaires completed by Service Heads

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Annual Governance Statement – 2021/22 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:

Overall, for the financial year 2021/22, the auditors are able to provide Moderate Assurance that there is sound system of internal control, designed to meet the Council’s objectives and that controls are being applied consistently.

- 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 2021/22.

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

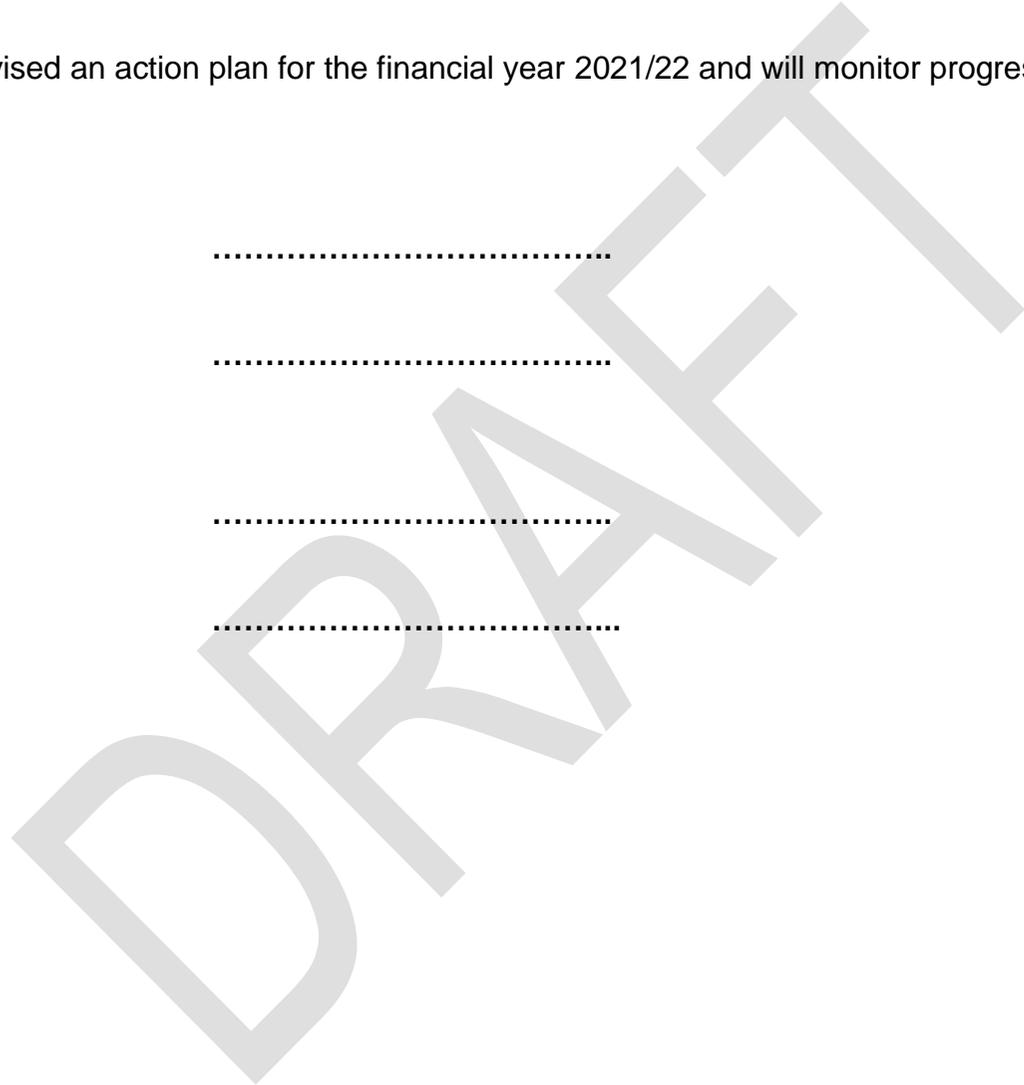
1.7 The Council has devised an action plan for the financial year 2021/22 and will monitor progress during the year.

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 This statement is guided by CIPFA Bulletin 06 Application of the Good Governance Framework and describes the Council’s governance framework, the steps taken to ensure that it is effective and establishes key actions that will be put in place to ensure the ongoing effectiveness of its arrangements.
- 2.5 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.
- 2.6 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 2022 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 as well as a refreshed Whistleblowing Policy on 29 July 2021 and an updated Bribery Policy on 20 October 2021.

5. The Governance Framework

Council Strategy 2020/24

5.1 The Council Strategy 2020-2024 came into force on 1 April 2020, replacing the Corporate Plan 2016-2020. The Council Strategy 2020/24 sets out, at a high level, the aims for the council and what outcomes it aims to have achieved by the end of 2024.

5.2 The strategy highlights the developments and changes the Council wants to make and as such does not include current ongoing areas of work that might be considered business as usual.

5.3 The Council Strategy 2020-2024 is a public document and is presented in a way that is easy for people to understand.

5.4 The Council's vision is "Building a world-class city for everyone". By creating successful places in which to live

and work, supporting its communities and addressing the climate emergency, it aims to build a fairer, greener city in which everyone can thrive.

5.5 The Council has set four key priorities over the next four years – all of equal importance. The four priorities are all interconnected, and the Council will work to achieve them in a joined-up way:

- Pursue a zero carbon Oxford
- Enable an inclusive economy
- Support thriving communities
- Deliver more affordable housing

5.6 The Council is committed to a “customer-first” approach. It works innovatively and efficiently as a flexible and customer-focused team offering high quality services that meet people’s needs. It works to tackle inequality through its employment practices and the ways in which services are delivered aim to provide equality of opportunity and access for all.

5.7 The Council’s investments and policy-making are all designed to address the social and financial inequalities across Oxford. The Council values diversity and seeks to build a greater sense of togetherness across the city’s communities. It wants to ensure all of Oxford’s citizens, including those who are harder to reach, have fair opportunities and a real share in the city’s future.

5.8 The Council works in partnership with others – other councils, businesses, communities, the voluntary sector,

Oxford’s universities, the Government and other public sector bodies to ensure the way it shapes services and directs investments is joined-up with others.

5.9 The Council uses its commercial assets for the benefit of local people. It uses the wholly-owned companies and the commercial properties it owns to create jobs, support the local economy and provide additional funds that support delivery of public services. This is called the “Oxford Model”.

5.10 The Council is a campaigning organisation, working actively to engage with residents, businesses, stakeholders and Government and use its influence to help achieve the aims set out in the Strategy.

5.11 For each of its four priorities, the Council has set out the outcomes it would like to see achieved over the four years, and some of the headline actions it believes will be required to help deliver this.

5.12 The Council Strategy is complemented by an annual business plan that sets out the key priorities and specific actions and milestones the Council will undertake for the year ahead and reports on progress against agreed key performance indicators. This strengthens the prioritisation of key areas of work and supports collaboration among officers and with external partners. The first Business Plan covering the period 2021/22 was published in September 2020 and an [update](#) was provided on the Council’s website.

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

5.14 The project management process supporting the Council's Capital Programme has continued to evolve and develop. The Project Management Office (PMO) supports the Development Review Group and Asset Review Group which provide scrutiny of projects before they reach the Council's Development Board for formal decision taking. The Housing Supply Board similarly is providing reports into the Development Board which maintains scrutiny of the whole Capital Programme.

5.15 Work is now underway corporately to review and standardise reporting across a range of project areas through the organisation to ensure the Corporate Management Team is able to have an overview of the whole programme. These changes will be implemented in the 2022/23 financial year.

5.16 In 2021/22 an audit was undertaken by BDO, the Council's internal auditors, of the Council's project management process. The system in use was identified as moderate in both its design and effectiveness. Good practice was identified in the following areas;

- The Council has a robust Capital Strategy in place, which is thoroughly detailed to explain the Gateway Project Delivery process, arrangement of capital schemes and rules which aid in the effectiveness of project management within the Council. The Capital

Strategy is supported by the P2P approver limits which lists the budget approvers for each project to ensure that expenditure is kept within limits

- There was a sample of five capital projects which confirmed that they had been developed in line with the Council's Corporate Strategy and progressed through all appropriate gateway stages: proposal, feasibility, design, pipeline, and delivery
- The PMO Team had retained all project documents to evidence the gateway stages of the projects selected for sample testing, which include project initiation forms, project briefs, appraisal documents and board meeting minutes. Therefore, it was possible to follow how the projects had been adequately assessed to cover risks, benefits, costs, and impact
- The PMO Team generate several reports to provide an update on the progress of projects in relation to risks, budget, expenditure, and slippages. There was a review of the integrated reports generated by the Management Accounting Manager for the first and second quarters of 2021/22 which confirmed that the reports provide thorough detail on the financial position, risks, performance, and slippages to the Cabinet for consideration and support in decision-making
- The PMO Lead produces highlight reports on a monthly basis to the Council's Development Board and the Development Review Group which provides information on the project progress, key milestones, finances and deadlines. The report includes a project finance section which details the overall budget over the project duration, the budget for the year, actual

and forecasted expenditure. Key risks are addressed, and action points are stated for each project. It was confirmed that for all the projects reviewed, this information was reported within the December 2021 Highlight report

- There was a sample of three sets of Development Board meeting minutes from November 2021 to January 2022 which confirmed that in each instance, there were adequate discussions regarding the progress of the capital projects, budgets, project expenditure and the risk. Action points had been raised for projects, which are revised at the subsequent Board meeting. There has also been a review of evidence of the Action Tracker populated at the end of each meeting with actions to be taken, including the responsible Officer, date, status, and additional comments
- There was a review of three of the most recent sets of Development Review Group (DRG) meeting minutes from December 2021 to February 2022 which confirmed that in each instance, specific projects are discussed in relation to their progress, risk, and finances. There is also evidence of a review of the Feasibility Funding List and the Capital Programme to discuss the budgets and expenditure. There are recommendations to the Development Board listed at the end of each item and it was possible to follow the recommendations within the Development Board minutes.

5.17 Three key areas were identified for improvement:

- The testing identified blank entries in the October, November, and December 2021 Capital Monitoring reports, due to Projects Managers not adequately completing all sections of the monthly Smartsheets (Finding 1 – Medium)
- An inconsistency in risk monitoring across all five projects tested was identified, as each project had a different register in place which was not in line with the Council's prescribed Capital Risk Register (Finding 2 – Medium)
- The Council does not have an established process to monitor and feedback on lessons learnt for wider learning (Finding 3 – Medium).

5.18 The outcome of the audit has been reported to the Development Board and an action plan has been produced to monitor the successful implementation of the actions from the audit. These include greater visibility on whether reporting has not been completed, improvements to project documentation and standardisation of risk registers and increased training to support the process. These actions are taking place in the 2022/23 financial year.

Review of Corporate Risks

5.21 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. The Audit and Governance Committee and the Cabinet receive a quarterly report on progress against the risk registers.

Partnerships

5.22 The Council works with a wide range of organisations through a number of city and county-wide partnerships to deliver its corporate objectives.

5.23 The Council's Leader and Chief Executive represent the Council on the following formal partnership:-

- The Leader is a board member of OxLEP. 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 Leader and the Chief Executive represent the Council in the Oxford Strategic Partnership ("OSP") which 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.
- The Leader of the Council is a board member of Future Oxfordshire Partnership, the recently confirmed new name of the Oxfordshire Growth

Board. The Future Oxfordshire Partnership is a joint committee of the six councils of Oxfordshire together with key strategic partners and meets four times a year. Its purpose is to coordinate local efforts to manage economic, housing and infrastructure development in a way that is inclusive and maximises local social and environmental benefits. The Leader and Chief Executive also attend regular informal systemwide meetings at a countywide level with other leaders and officers

- The Leader chairs the Fast Growth Cities group of councils that also includes Cambridge, Milton Keynes, Norwich, Swindon and Peterborough, with regular meetings attended by fellow leaders and senior officers.

5.24 Other formal countywide partnerships which have member representation from the Council include the Oxfordshire Resources and Waste Partnership, the Oxfordshire Health and Well Being Board, the Health Improvement Board and the Children's Trust.

5.25 In addition, the Council actively supports and participates in two further partnerships in the last year, the Zero Carbon Oxford Partnership (which the City Council established in 2020), bringing together key organisations in the city to coordinate action to reduce carbon emissions; and the Oxfordshire Inclusive Economy Partnership which brings together businesses and, councils and the universities to coordinate action on tackling economic inequalities

The Council's Companies

5.26 During the year 2019/20 the Council's three housing companies (Oxford City Housing Limited (OCHL) (Company number 10212716), Oxford City Housing (Investment) Limited (OCH(I)L) (Company number 10370637) and Oxford City Housing (Development) Limited (OCH(D)L) (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. OCHL is wholly-owned by the Council, and OCH(I)L and OCH(D)L are both wholly-owned subsidiaries of OCHL.

5.27 Capitalised expenditure across the companies totalled £18.8m on acquisitions and development activities compared to £17.1 in the 2021/22 financial year. This is mainly due to increased development activity. The spending for the year by both the development and investment company are in line with the estimated figures for the year.

5.28 During 2021/22 the investment company OCH(I)L took handover of an additional 14 dwellings from the housing scheme at Barton Park, taking the cumulative total now managed by the company to 117 at year end. Further properties from the third phase of Barton Park are expected to be handed over in the 2022/23 financial year.

5.29 During the year OCH(D)L continued to work on over 40 sites completing 68 units across 8 sites by the year end. The Company's business plan assumes 1,902 units in total over the next 10 years and the handover of 365 units at Barton Park. The business strategy is still to build a range of dwellings, the majority of which will be social dwellings and which will subsequently be sold to the Council's Housing Revenue Account (HRA).

5.30 Gross profit for the OCHL group of three companies totalled £6.79m, up from £629k last year. The profit was mainly derived from property sales by the development company. After other costs the net profit for the year was £3.4m compared to a net loss of £1.4m. After taking into account property re-valuations the total comprehensive profit for the Group was £2.5m compared to £120k last year.

5.31 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 2021/22 represented their third year of trading.

5.32 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. ODSL trades exclusively with third parties and in its first year of operation has provided commercial waste collection services to its commercial clients.

5.33 The profit on ODSTL for the 2021/22 financial year amounted to £454k, compared to a profit of £613k last year. The profit on ODSL for the year amounted to £619k, compared to a profit of £188k last year. No dividend payments were made and retained earnings totalled £2.7m for ODSL and £915k for ODSTL. It is expected that the companies will pay a dividend relating to the years up to 2021/22 during 2022/23. Early signs in 2022/23 are positive with a number of major contracts won and a return to some sense of normality although the recent problems experienced from the implementation of the QL housing system programme is hampering the production of financial management information to confirm this. Additional cost pressures are also being felt due to increases in the cost of energy, fuel and raw materials.

5.34 The Council also is a 50% partner in Oxwed LLP with a joint 50% partner, Nuffield College Developments 1 Ltd. The Council originally set up Oxford West End Developments Limited as a joint venture with Nuffield College. During 2021/22 the work of the Company was transferred into a Limited Liability Partnership, OxWED

LLP whose partners are Oxford City Council and Nuffield College Developments 1 Ltd, a wholly owned subsidiary of Nuffield College. OxWED LLP is now tasked with formulating the development plans and seeking planning permission for the site, following which strategic infrastructure will be installed, and onward sale of plots for development of housing and commercial properties will be made, with dividends in respect of these sales forecast to be returned to the shareholders over the next 4 to 5 years. The loss in the LLP for the period from 10th December 2021 to 31st March 2022 totalled £834k.

5.35 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. 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.

5.36 At the end of the financial year 2021-22 236 of the 237 properties in Phase 1 had been completed 95 of which are affordable. A further 41 properties have been completed in phase 2 out of the total of 207 units. Contracts have recently been exchanged for the development of Phase 3 consisting of a further 435 dwellings.

5.37 Each of the Council’s companies held regular Board meetings throughout the year 2021/22. In addition representatives of the housing companies and the direct service companies attended periodic reporting meetings

with their shareholders. For the year 2021/22 these shareholder meetings are to be regularised into quarterly reporting meetings and combined with the scrutiny function, reporting on the activities of all interests of the Council in wholly owned companies and joint ventures, at which decisions on matters reserved for the shareholder can be made.

Data Protection

5.38 Through leaving the Covid-19 pandemic, cost of living crisis and the Ukrainian refugee programme there has been a need for the Council to review its current practices and respond to new data sharing arrangements. It has undertaken the following activities in respect of data protection governance:

- Enforced the completion of the iLearn mandatory data protection training for officers (two modules rather than one depending on type of job role held) as part of their induction and then annually.
- Engaged with county wide local authorities on the provision of housing for Ukrainian refugees to allow for the sharing of data to provide support both hosts and guests.
- Engaged with the Oxfordshire County Council on the Household Protection Fund and managed the Council's responsibility about handling this data
- Established and published a revised information retention schedule, ensuring that this process is managed as the Council's ICT team migrate users over to Microsoft Office 365.

- Ensured that data is used properly whenever the delivery of further support to individuals is contemplated as part of the Council's response to the cost of living crisis.

Council Housing

5.39 The Council owned housing stock totals 7791 units which comprises 7333 of general needs social rented properties, 52 general needs affordable rent properties, 292 sheltered accommodation units, 26 shared ownership property and 73 properties used as homeless temporary accommodation. The Council also has 15 properties leased to external organisations and a further 696 leaseholder properties.

5.40 During the financial year 2021/22 the Council successfully collected 97.80% of rental income due in respect of its rented housing.

Constitution

5.41 The Constitution forms a key part of the Council's governance framework, setting rules, principles and procedures to enable the Council to take decisions and conduct its business effectively, including executive arrangements, committee structures, finance and contract rules, schemes of delegation and clear opportunities for public and councillor engagement in Council decision making.

5.42 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.

5.43 The Constitution is reviewed annually to take account of changes to regulations and other developments in the Council's governance arrangements. In 2021/22 this work was overseen by a cross-party group of councillors which held a series of meetings to consider and shape proposals from officers. The outcomes of this work were reported to the Council on 21 March 2022 when a revised version of the Constitution was approved.

5.44 The revisions approved by the Council included amendments to governance arrangements which changed elements of governance rules and practice; alongside amendments to clarify existing governance arrangements which did not materially impact governance arrangements. The more significant amendments included:

- A higher threshold for project approval from Cabinet of £1m for contract awards (previously £500k)
- The principle that an officer report will be published 5 clear working days before a decision is taken by an individual Cabinet Member (to promote transparency)
- To authorise officers to order questions on notice and to group similar questions (for Council meetings)

- To include a sub-section on answering questions stating that members answering questions can offer to follow up with a written response within 5 working days of the meeting if they do not have the answer to hand and that any written responses will be added to the minutes of the meeting.
- To include a rule that Cabinet must respond to recommendations from the Scrutiny Committee within two months unless the Scrutiny Committee agrees to an extension.
- To align the key decision rules with the financial thresholds for matters reserved to Cabinet.
- The adoption of a new Members Code of Conduct, with effect from 18 May 2022.

5.45 The Monitoring Officer retains delegated authority to make minor and consequential amendments to the Council's Constitution, to include correcting clerical mistakes and ensuring it follows the law. The Monitoring Officer also has delegated authority to change Part 4 of the Constitution (who carries out executive responsibilities) and Part 6 (roles of Cabinet members) to reflect the wishes of the Leader of the Council.

Standards

5.46 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.

5.47 The Standards Committee met three times during 2021/22 to oversee the numbers of complaints about councillors and any requests for dispensations, which allow a member to participate and vote on an item notwithstanding the existence of disclosable pecuniary interest. The Committee recommended the appointment of a parish council representative as a non-voting member of the Standards Committee up to May 2022 and considered the proposed new Members Code of Conduct and recommended it to Council for adoption.

5.48 The Standards Committee has a role in advising the Monitoring Officer on the Council's arrangements for training councillors. The Committee endorsed the proposed arrangements for member training in 2022; including the continuation the delivery of most member training and briefing sessions remotely via Zoom.

Members' Allowances Scheme

5.49 The Council's Members' Allowances Scheme forms Part 26 of the Council's Constitution. The scheme will operate for four years, until the end of March 2023.

5.50 There was an internal audit carried out of the procedures for the operation of the Members' Allowances Scheme during 2018/19 and spot checks continue to be undertaken periodically on the allowances paid to members.

Dispensations for Members

5.51 The Localism Act 2011 requires that the Members of the 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 the existence of a disclosable pecuniary interest, can be granted at the discretion of the Monitoring Officer.

5.52 On 21 March 2022, the Council granted generic dispensations to all Members for a period of four years from 01 October 2022 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

- 5.53 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.
- 5.54 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. The

Council recruited four independent persons for a four year term each from 25 November 2019.

Procurement

- 5.55 The Council's Procurement Team has transferred the Council's contract register and pipeline into Sharepoint to enable better contract management and monitoring of the Council spend. The register enables the Council to fulfil its obligations under the transparency agenda. The Contract register and pipeline is a live document meaning that as soon as a contract is updated any reports subsequently derived from the register are also updated. The council has an established contract register and pipeline which is updated on a daily basis and reflects the council contracts with a value exceeding £5000. This is published on the Council website
- 5.56 A new Procurement Strategy was approved the Council's Cabinet September 2020 to run for 2 years until September 2022. A new procurement strategy is in development for the 2023 – 2025 financial years.
- 5.57 Officers from the Council's legal and procurement teams have recently undertaken an exercise to update the standard form of terms and conditions for contracts below the Find a Tender (the government's e-notification scheme "FTS") thresholds and those above the FTS thresholds. Other contract templates are consistently reviewed and updated when required. This is on-going and will reflect updates to any regulations

5.58 Procurement officers have reviewed the government's Green Paper "Transforming Public Procurement", published in December 2020 and have highlighted the potential changes and impact to the Council's Finance Panel. Officers will continue to monitor the situation – the Procurement Bill is with Government. It is expected that the new procurement regulations will come into effect during 2023, 6 months' notice will be provided. The Council's procurement team is monitoring progress.

5.59 Section 19 of the Constitution which contains the Council's Contract Rules has been reviewed in 2022 and will be reviewed yearly.

5.60 Transparency reporting (Spend over £500) is undertaken and published to the Council's website quarterly.

Member Training

5.61 During 2021/22 the Council conducted a review of its established framework for inducting and training councillors and adopted a Member Training and Development Scheme 2020-24. This work was overseen by the Standards Committee. The Scheme aims to equip all elected members with the basic skills, knowledge and resources they need to perform their duties and responsibilities as a councillor during their term of office.

5.62 A key change from the previous framework is the expansion of the compulsory induction programme for new members to include a wider range of training topics such as finance, safeguarding and values and

behaviours. This expanded induction programme was delivered following the May 2022 local elections and sessions were well attended.

5.63 The Scheme also includes an indicative programme of optional training to support Members with their specific roles and responsibilities, such as training on appointments, audit, chairing, leadership, media and scrutiny.

5.64 Members are able to access externally facilitated training sessions with the agreement of their Group Leader.

Officer Training

5.65 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

5.66 On 9 December 2020 the Cabinet approved the Workforce Equality Report 2018-2020, considered current progress on the development of the draft Equalities, Diversity and Inclusion (EDI) Strategy where it related to Workforce Equality. It also considered those

actions which fall out of the draft EDI strategy but that will support the Council to develop relationships with local communities and realise its employee representation aspirations. In January 2021 The Workforce Equalities Report 2018 to 2020 which includes its Gender Pay Gap Report and its Ethnicity Pay Gap Report was published in January 2021.

Appointments

- 5.67 The Appointments Committee is responsible for appointing Executive Directors and Assistant Chief Executives and for undertaking the recruitment and selection process for the Chief Executive and designation of Head of Paid Service, Chief Finance Officer and Monitoring Officer and recommending these appointments to Council. The Committee also receives reports from the Chief Executive on senior management arrangements, to include any change. The Committee met twice in 2021/22.
- 5.68 The appointment of councillors to outside bodies such as trusts, charities and community associations is the responsibility of the Leader of Council, who chooses to seek Cabinet agreement to nominations. The Council currently has representatives on a total of 56 outside bodies. Those appointed to charities and trusts generally serve as trustees of those organisations which comes with a particular set of responsibilities. Guidance to assist Council representatives on these organisations is provided upon appointment to ensure that all appointees

understand their role and responsibilities in representing the Council on the organisation.

Decision Taking

- 5.69 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 risks and legal, financial, environmental and equalities 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 and this guidance was updated and refreshed in 2019/20. The Council's Forward Plan provides at least a four month forward view of upcoming 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

- 5.70 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 a work planning process while remaining flexible and responsive to emerging issues, priorities and Cabinet decisions. Where there are multiple suggestions for Scrutiny-commissioned work,

the Council's TOPIC methodology is engaged to rank suggestions - with points awarded for timeliness, organisational priority, public interest, influence (the ability to) and cost. Preferential focus is given to Cabinet reports, which generate less additional officer work to produce for Scrutiny, allowing Scrutiny to navigate the balance of continuing to consider topics of particular importance whilst not overburdening the organisation.

- 5.71 In addition to considering reports at meetings on a wide range of issues and decisions that affect the city and its communities and making recommendations to Cabinet on the majority of these, Scrutiny commissioned one major piece of review work in 2021/22. The topic chosen for review was child poverty; the review specifically considered what more the Council could do to embed poverty prevention methods into Council activity and how the Council might work with partners and local anchor institutions on a collaborative response to this issue. The review resulted in an evidence based report to Cabinet containing a series of recommendations.

Audit and Governance Committee

- 5.72 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 2021/22 the Committee also received reports from officers on the performance of the Council's fraud investigations team as well as considering and approving the Council's refreshed Whistleblowing Policy and retaining the Council's Anti-Bribery, Fraud and Corruption Policy.

- 5.73 The Audit and Governance Committee receives quarterly reports on all allegations of fraud, corruption and money laundering once any on-going investigation is complete as well as those Ombudsman complaints for which a Public Interest Report is issued.

Financial Planning

- 5.74 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

- 5.75 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. The emergency planning documentation held by the Council is updated as required.

5.76 During 2021/22 the Council set up a working group for to emergency planning drawing on the expertise of all those involved in any emergency event within the City. The Council did the following:

- Introduced a new Flooding Protocol and Sandbag Policy and improved flood preparation information and communications for residents in the City which supported the County Council and ODS preparation and response to flooding
- Developed a more co-ordinated and comprehensive approach across the council and ODS to respond to incidents and emergencies, developing processes to support this
- Continued work on the Council's Crowded Places Plan to ensure it meets requirements and monitored progress on future Prevent legislation
- Ensured relevant officers continued to participate in Gold and Silver training in conjunction with Oxfordshire County Council
- Ensured officers across services participated in training to support the setting up of Reception Centres in an emergency
- Attended all relevant Thames Valley Local Forum Group online meetings to update and take forward

actions on major incidents e.g. flooding, heatwaves, fuel crises

- Worked with the Oxfordshire County Council on documents and plans in relation to the Death of a Senior Figure, developing a city plan for the Proclamation.

Statutory Officer Reports

5.77 The Monitoring Officer and Chief Finance Officer have had no cause to issue reports in exercise of their statutory powers in the 2021/22 financial year.

Whistleblowing

5.78 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 in July 2021.

Corporate Complaints

5.79 The Council also operates a comments, compliments and complaints system ("the 3 Cs"). The Council received 13 "stage 3" complaints. 9 of these were not upheld, 1 was upheld, 2 were partially held and one is on hold due to a legal claim.

5.80 There were no formal Public Interest Reports issued by the Housing Ombudsman or the Local Government and Social Care Ombudsman against the Council in this year. 20 complaints against the Council were received

by the Local Government and Social Care Ombudsman but out of these only 2 were investigated and one complaint upheld. As a consequence of the Council has agreed to review its Housing Benefit appeal process to minimise delays and, where appropriate, will ensure appeals are passed to tribunal within a reasonable timescale.

- 5.81 Following the Council's self-assessment against the Housing Ombudsman's new Complaint Handling Code for registered providers of social housing, it was agreed by the Council's Corporate Management Team (CMT) to adopt a two stage procedure for all complaints across the Council and ODS and to update and expand the 3 Cs documentation. This came into effect from July 22.

Fraud and Corruption

- 5.82 The Counter-Fraud team continued to provide an effective fraud prevention, detection and investigation capability for Oxford City 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.
- 5.83 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 2021-2022, the team were responsible for

preventing losses and increasing revenue, to the value of £6.81m for the Council.

- 5.84 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 12 instances of this in the year.
- 5.85 In early 2020, the team formed a shared-services partnership with the Counter-Fraud Team of Reigate and Banstead Borough Council. Both teams work in a commercial manner, supplying a range of services to client organisations and both teams have unique areas of specialisms. Joint working between the teams continued to thrive in the period with a range of high profile and high value outcomes achieved by the teams working in tandem.
- 5.86 In October 2021, the partnership was recognised by the IRRV, the Institute for Revenues, Ratings and Valuations, in their prestigious Performance Awards scheme. Together, the teams won the "Excellence in Partnership Working" award. In addition, the Oxford Team were independently recognised and won the "Excellence in Counter Fraud" award.
- 5.87 In November 2021, the team hosted its sixth Annual Fraud Conference. After hosting a virtual event in 2020, the conference again returned to the Town Hall for an in-person event with over 150 in attendance.

5.88 Throughout the year, the team continued to work as a commercial entity, providing a range of counter-fraud services to 23 external organisations, identifying £2.1m of fraud and financial irregularity on behalf of those organisations.

Employment

5.89 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.

5.90 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 People Team, who provide training, coaching and ad hoc support and advice. The People Consultancy Team and Business Partners 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

5.91 During the Covid-19 pandemic, the Council's response to a business continuity incident was tested in reality when the country went into full lockdown in compliance with Government guidelines. All Council offices were closed with most staff working from home and all work which couldn't be carried out within Government guidelines was ceased.

5.92 The Council's Corporate Business Continuity Plan anticipated that if main Council offices were not available then alternative accommodation would be needed for office based staff. Due to the nature of the pandemic, the use of alternative corporate accommodation was not possible and in the event it was proved that this accommodation wasn't needed through the use of ICT and remote working solutions.

5.93 The Council has now moved to a hybrid working pattern with staff working from home unless there is a need to attend the office. Most of the Council's workforce are therefore now essentially home-based. The Council's corporate and service business continuity plans have been updated in line with the revised business model and the reduction in the need for office space.

5.94 The business continuity plans currently still contain reference to alternative sites but the contract for the alternative site is being ended since it is no longer deemed necessary following the change in working patterns following the pandemic. Business continuity

plans with therefore be updated to remove the reference to the availability of an alternative location.

5.95 Business Continuity continues to be a focus for regular review. Service Area Business Continuity Plans are reviewed and tested on a regular basis with the most recent exercise being undertaken in February 2021 and focusing on the loss of ICT. This exercise was facilitated by the council's insurer Zurich Municipal and was successful with higher attendance than previously, probably due to the flexibility offered by running the event remotely.

5.96 Zurich Municipal also undertook a desk top review of all business continuity plans and provided feedback to the Council on those plans. These findings and the findings from the February 2021 exercise were fed back to managers to inform their business continuity plan updates.

5.97 The evidence provided by the continued delivery of services to the public during the pandemic indicates that the Council's business continuity processes held up well and that the Council can adapt well and quickly to changing circumstances

Freedom of Information

5.98 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 2021/2022 the Council received 964 requests for information, 11 of which were subject to an internal review. Two cases were referred to the Information Commissioners Office (ICO), the first was closed after a satisfactory internal review response was sent, the other is still awaiting an ICO case manager to be allocated.

5.99 It is clear that the types of request are becoming more complex with requesters using the FOI route to ask questions and opinions of officers rather than for recorded information

5 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 Head of Service has completed an assurance questionnaire. The questionnaire 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.

- 6.3 A number of actions have taken place and are planned within various of the Council's Service Areas and these are summarised in the Action Plans attached as Appendix 1 to this statement. Milestones will be added to this Action Plan as the work to achieve the tasks progresses.

6 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.

7 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.

8 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 The auditors have stated that in giving the opinion it should be noted that assurance can never be absolute. The internal audit service provides Oxford City Council with moderate assurance that there are no major weaknesses in the internal control system for the areas reviewed in 2021-22. 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.

9.4 In assessing the level of assurance to be given, the auditors took the following matters into account:

- All internal audits undertaken by BDO LLP during 2021-22
- Any follow-up action taken in respect of audits from previous periods for these audit areas
- Whether any significant recommendations have not been accepted by management and the consequent risks
- The effects of any significant changes in the organisation's objectives or systems
- Matters arising from previous internal audit reports to Oxford City Council
- Any limitations which may have been placed on the scope of internal audit – it is acknowledged that no restrictions were placed on the work.

Appendix 1

Awards/Recognition for 2021/22

The awards/external accreditations earned or retained by the Council in the year April 2021 – March 2022 are as follows:

- All five OCC leisure facilities and Rose Hill Community Centre are quality assured to the UK Quality Award Scheme for Sport & Leisure, QUEST;
- Parks and Green Spaces are accredited to the Green Flag Award® scheme; recognising well managed parks and green spaces, setting the benchmark standard for the management of recreational outdoor spaces across the United Kingdom and around the world;
- National Youth Agency Accreditation Framework;
- Town Hall has achieved AIM Accreditation. This is a formal accreditation provided by the MIA (Meetings Industry Association) and is UK's only recognised accreditation scheme for the meetings and events industry. More about the accreditation you can read their website <https://www.mia-uk.org/AIM>
- Arts Council England awarded its Museum Accreditation (ACE) to the Museum of Oxford;
- Regulatory Services & Community Safety received the Government's Regulatory Excellence Award for the response to the Coronavirus pandemic.
- Community Services received the Investors in Volunteers accreditation;
- The Council's Youth Ambition Team received the National Youth Agency accreditation.
- The Active Communities Team continues to achieve Active Communities Quest Stretch at 'Outstanding'; and
- The legal team within Law & Governance retained its LEXCEL accreditation and was commended as no non-compliances were identified during the assessment.

To: Audit and Governance Committee
Date: 28 September 2022
Report of: Head of Financial Services
Title of Report: Risk Management Reporting as at 31 August 2022

Summary and recommendations	
Purpose of report:	To update the Committee on both corporate and service risks as at 31 August 2022
Key decision:	No
Cabinet Member with responsibility:	Councillor Ed Turner, Cabinet Member for Finance and Asset Management
Corporate Priority:	
Policy Framework:	
Recommendations: that the Committee reviews the risk management report and notes its contents	

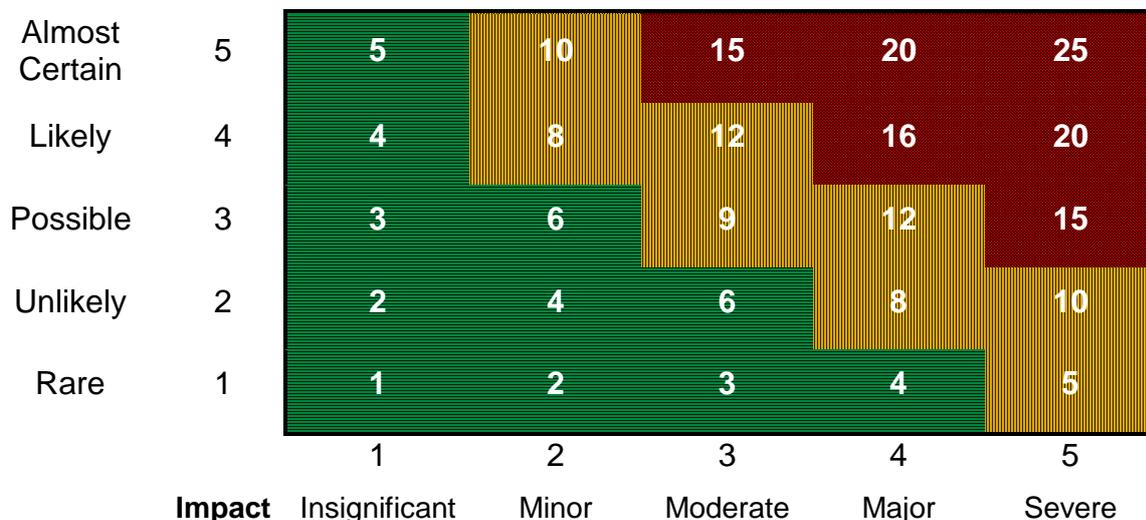
Appendices	
Appendix A	Corporate Risk Register
Appendix B	Insurance Strategy 2022

Risk Scoring Matrix

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

3. The risk prioritisation matrix is shown below.

Probability



Key:



Risk Identification

4. **Corporate Risks** – The Corporate Risk Register (CRR) is reviewed by the Corporate Management Team (CMT) on a periodic basis, any new risks are incorporated into a revised version of the CRR. Risk owners of corporate risks are generally Executive 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 and agile methodologies in addition to recognised industry standards in construction for managing projects. Incorporated within these methodologies 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.

Corporate Risk Register

7. The Audit and Governance Committee receive information on risk on a quarterly basis. The Council has recently switched over the reporting processes for corporate risks from the current methodology using the CorVu application to a new set of procedures involving the use of Smart sheets. These are a more modern

solution that aligns to the Business Intelligence vision using modern tools to provide data insights and data-led decision making. The Corporate Risk Register as at 31 August 2022 is attached at Appendix A.

Corporate Risk Register – 31 August 2022

The number of Red risks has remained at five.

8. Details of the Red risks are as follows:

- **Housing** – the Council has key priorities around housing which include ensuring housing delivery and supply for the City of Oxford and enabling sufficient house building and investment. Insufficient housing in Oxford 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, the social housing elements will be purchased by the Council

- **Economic Growth** – this relates to local, national or international factors adversely affecting the economic growth of the City. Whilst COVID 19 restrictions are currently lifted, the supply chain challenges relating to Brexit, the war in Europe, energy security and related inflationary issues are a heightened risk.

The Council is able to affect this risk through the delivery of the Oxford Economic Strategy & City Centre Vision Action Plan. This aims to stimulate recovery through targeted measures and the Council will work with Economic Growth Board & City Centre Task Force and engage with businesses to understand long term impact of COVID & EU Transition, taking action where possible. Macroeconomic impacts are outside the Council's direct control but the effects can be managed and mitigated at the local level.

- **Negative Impacts of Climate Change** – areas of concern are Flooding, which is highly weather dependent; poor air quality and increased episodes of excess heat.

The Council does not have control over the global climate position but it can make changes and improvements within its sphere of influence. The Council has made action on climate change one of its corporate priorities and has stepped up its programme of action, partnering and influencing to seek to mitigate social health and environmental impacts on the City. The Oxford Flood Alleviation Scheme (OFAS) scheme continues to progress. Work is ongoing through Zero Carbon Oxfordshire Partnership (ZCOP) to reduce carbon emissions across the City. Oxford City Council's Carbon Management Plan, ongoing work around flood mitigation, tree planting and partnership with the EA-led programme to deliver the Oxford Flood Alleviation Scheme.

Control measures relating to advocacy, clear communication and negotiation over our land assets, in particular at Seacourt and Redbridge Park and Ride sites (Seacourt extension) are also employed.

- **Terrorism** – this relates to a potential terrorist incident 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 such as May Morning, St Giles’ Fair. Dependent on nature of attack and where it occurs could result in lock down of buildings, including Council offices, severe travel disruption and a need to disperse large numbers of people to places of safety.

The Council cannot prevent a terrorist attack but working with partners, particularly the Police and County Council on the Crowded Places Plan, which includes mitigation interventions, it can hopefully help reduce the impact.

- **Delivery of Services by External Suppliers/Partners/Supply Chain** – this relates to the Councils arrangements for the management of its leisure centres by an external body. The external partner continues to focus on embedding their new delivery model which in summary is a reduction of staff in the Oxford contract, a concierge cashless system, they have exited their offices, reduced support services, alongside implementing COVID safe procedures. Recruitment is a challenge and there is a requirement for safeguarding checks, induction and mandatory training before employees can commence duties. Given the state of the leisure industry at present, the risk is that partner is manoeuvred into a position where they are unable to deliver on the contract and the Council will need to take back responsibility of delivering the services.

9. The table below shows the levels of Red, Amber and Green Corporate risks over the last 12 months.

Amber risks in summary relate to:

- **Business Improvement** – Customer Experience Strategy and the capacity to deliver the project on schedule due to insufficient resources.
- **Business Improvement** – Customer Experience Strategy and delays in related projects such as digital improvements, which could result in the strategy not delivered on schedule.
- **Business Improvement** – Recruitment and retention of the workforce. The proximity of Oxford to London, together with the high cost of housing, congested infrastructure and transport links has made the recruitment and retention of staff in some Service Areas a challenge.
- **Business Improvement** – Cyber Attack. A cyber security incident which impedes the operation of the business.
- **Business Improvement** – Business Continuity Planning and Disaster Recovery including ICT Recovery Plan. Preparing for, identifying risks and developing plans in order to provide a continuous service in the event of incidents and disruptions affecting business operations.

- **Financial Services** – Balancing and Delivery of the Financial Plan. Adverse financial impacts arising from the Covid-19 pandemic and the economic aftermath could result in being unable to balance the Mid Term Financial Plan and hence deliver the Council’s Corporate Plan priorities.
- **Financial Services** – Resilience of Trading Models. If the Council companies are not successful and fail to deliver outputs and financial returns this will impact on the Mid Term Financial Plan and also result in a lack of delivery of dividends to the Council.
- **Corporate Strategy** – Local Government Reorganisation. Risk that the reorganisation or devolution is imposed to the detriment of the Council and City. The 2017 bid for an Oxfordshire –wide unitary authority has sat dormant since the Government made it clear that it had no appetite to pursue this while Future Oxfordshire Partnership partners deliver the Growth Deal. However, there has been an increase in uncertainty with the replacement of the Prime Minister and Cabinet. The collapse of the Oxfordshire 2050 plan has added to the uncertainty at an Oxfordshire level. At present it is not yet clear whether risks around Local Government reorganisation will increase or decrease.
- **Housing Services** – Buildings Health & Safety. Failure to comply with Health & Safety legislative requirements which ensures the safety of our buildings could lead to corporate manslaughter charges, HSE investigation and substantial fines, together with a loss of reputation.

Current Risk	Q3 2021/22	Q4 2021/22	Q1 2022/23	Q2 2022/23
Red	3	3	5	5
Amber	11	11	9	9
Green	0	0	0	0
Total risks	14	14	14	14

Service Risk Registers – 31 August 2022

10. Each year as part of the service planning process, all service risks are reviewed, those no longer relevant are deleted, and any new ones are added.
11. The table below shows the number of service risks as at 31 August compared with the last 12 months.

Current Risk	Q3 2021/22	Q4 2021/22	Q1 2022/23	Q2 2022/23
Red	6	7	6	9
Amber	50	48	47	42
Green	12	13	16	19
Total risks	68	68	69	70
New risks in quarter	1	0	1	1
Closed	0	0	0	0

12. The number of Red risks has increased to nine. Three former Amber Risks relating to **Community Services** – Insufficient Resource and two risks relating to **Regeneration & Major Projects** – Staff Capacity and Project Delays have increased to Red as a result of changes in staffing levels, the current market instability and inflationary pressures.

Details of the Red risks are as follows:

- **Financial Services** – this relates to the Management effectiveness and employee ability to deliver services due to the Covid-19 pandemic. This has increased workloads and the volume of emails, which together with the many on-line meetings is placing excessive pressure and demands on staff and managers. This risk is entirely within the control of the Council, although it cannot be fully controlled within the service area itself.
- **Planning** – this relates to delays to Council projects caused by outside agencies. The probability of this risk occurring can only be influenced to a limited extent through greater collaboration on key projects but the impact can be influenced to a higher degree with a proactive approach to intervention and communications.
- **Planning** - this relates to Government legislation resulting in substantial changes to the planning system leading to the need to redesign processes and procedures. News of the Planning Bill is still awaited. The probability of this risk occurring is out of the Council’s control, except through response to consultations. However, the impact of the risk can be mitigated by maintaining responsiveness and plan for change.
- **Regulatory Services** – this relates to Public Health Protection. With the continued presence of Covid-19, the importance of competent and experienced specialist staff; effective links with the CCDC and protocols for

outbreak and control are a priority. The impact of Covid-19 has become business as usual.

- **Housing Services** – this relates to increased homelessness costs which has been additionally impacted due to the Covid-19 crisis. Control measures include undertaking a review of the approach to temporary accommodation to ensure faster move-on, informed by the “Housing First” approach, undertaking work to look at options for stock rationalisation of temporary accommodation units and bidding for any further funding available from Department for Levelling Up, Housing and Communities (DLUHC) to help fund provision for rough sleepers
- **Community Services** – this relates to Service Standards and Quality Provision and the Councils arrangements for the management of its leisure centres by an external body. The external partner continues to focus on embedding their new delivery model which in summary is a reduction of staff in the Oxford contract, a concierge cashless system, they have exited their offices, reduced support services, alongside implementing COVID safe procedures. Recruitment is a challenge and there is a requirement for safeguarding checks, induction and mandatory training before employees can commence duties. Given the state of the leisure industry at present, the risk is that partner is manoeuvred into a position where they are unable to deliver on the contract and the Council will need to take back responsibility of delivering the services.
- **Community Services** – this relates to insufficient resource (staff time) and market demand to deliver financial plan. Whilst there is a stringent focus on this work, the macro environment continues to increase the challenges.
- **Regeneration & Major Projects** – this relates to Staff Capacity. There is little capacity within the team to provide cover for other team members if required. Internal and external projects and programmes are running to similar timescales creating resourcing pressures. Staff resource and works needs to be carefully prioritised to handle demand.
- **Regeneration & Major Projects** – this relates to Project Delays due to unforeseen circumstances and external factors resulting in reduced performance and missed targets on capital projects which affect overall expenditure, MTFP spend or grant stipulations. The current market instability and inflationary pressures are causing issues and delays on several projects.

Business Continuity

13. The City Council is continuing to review its own office requirements, as well as offering flexible working arrangements whereby staff can work from home or the office as suits them, subject to any specific requirements of their role.
14. The Councils plans for Restart, Recovery and Renewal is an ongoing process that helps anticipate, prepare, and respond to and recover from the impact of COVID-19. The Services continue to deliver and develop effective processes to help mitigate risks to the smooth running and delivery of services, ensuring they can best continue to operate to the extent required in the event of COVID-19 and beyond. These include:

- Task and finish groups
- Identifying alternative strategies to mitigate further loss and assessing their potential effectiveness in maintaining ability to deliver critical and new - some unknown – service functions
- Contract variations
- New ways of working
- Staff well-being and resilience
- Service transformation (i.e. using skills and learning to create new structure)
- Budget review and re-prioritisation
- Generating new revenue
- Shielding the most vulnerable
- Healthy Place Shaping
- Strengthening and creating new partners
- Transforming the service business plan to help address new challenges and changing needs.

Risk Management

15. In order to monitor and ensure that there is a clear and consistent approach to the management of risk across the organisation, between services and between corporate and service levels, the Risk Management Group will be implementing the following action plan during 2022:-

1. Review of Corporate Risk Register – Risk Management Group (RMG) and Operational Delivery Group (ODG).
2. Sample check review of risks in connection with projects - RMG
3. Sample check review of service risks- RMG
4. Review of risk in companies and joint ventures – RMG
5. Review all Red Risks on a quarterly basis – RMG

16. There has been no meeting of the Group in the last period. The Risk Management Group is due to meet next on the 7th November 2022.

Insurance Audit 2021/22

17. In December 2021, BDO carried out an Insurance Audit. Whilst the audit resulted in a satisfactory conclusion there were a number of recommendations including one relating to the creation of an insurance risk strategy. The strategy covers :

- Council's Insurance arrangements
- The Council's approach to insurance risk appetite and risk tolerance
- The Council's approach to risk modelling (including how the Council calculates and maintains its provisions and insurance reserve)

- The Council's recharge policy for insurance premiums (including its trading companies)
- Insurance claims handling process
- Insurance Governance Arrangements

18. A copy of the Insurance Risk Strategy which has been drawn up and reviewed by the Head of Financial Services is attached at Appendix B for further consideration by the Audit & Governance Committee prior to being published.

Climate Change/Environmental Impact

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

Equalities Impact

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

Financial Implications

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

Legal Implications

22. 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 good corporate governance and good business management. There are some legal issues that may arise going forward in the business continuity process but these will be managed on a case by case basis.

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List of background papers: None.

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Oxford City Council Insurance Strategy

1. Aims and Objectives

The Council is committed to ensuring that it maintains an optimum balance between internal and external insurance within a framework of prudent financial management.

In determining the balance between internal and external insurance the Council will seek to

- Insure risks internally where it is financially prudent and advantageous to do so
- Purchase external insurance or arrange cover through an alternative risk transfer arrangement
 - where required by statute
 - to cover catastrophic events
 - limit the financial exposure of the Council to the cumulative effect of multiple small losses
 - where there is a requirement to insure e.g. under the terms of a contract or lease, and the third party insists that external insurance be purchased
- Ensure that the internal funding is adequate to meet the claims that it will be required to pay
- Maintain an adequate insurance reserve
- Maintain an actuarially assessed insurance provision

2. Framework

The following framework details how the Council will achieve its aims and objectives.

2.1 Approach to Risk Financing and Insurance

Insurance is a financial mechanism through which an individual or organisation can transfer an unknown potential liability into the certainty of a smaller but fixed annual cost. By combining a large number of exposures into a group, the insurer can predict the probability of loss relating to uncertain events with a reasonable degree of accuracy for the group as a whole. With large organisations, such as the City Council, combining large numbers of potential exposures allows for an insurance based on a balance of risk of loss over the whole group so that the cost of the premiums can be spread across the organisation.

The Council follows the approach of self-funding some insurable losses by setting the excess levels at an appropriate level and using commercial insurance where there are compulsory requirements or where it has been deemed that it is more appropriate to do so, particularly to provide a cap to its financial liabilities in respect of third party liability claims. Excess levels are set during each tender process and,

exceptionally, at annual renewal by looking at the relative cost of premiums and projected excess costs for each excess level. The City Council's insurance arrangements are therefore a mixture of self-insurance and commercially purchased insurance, with decisions on the balance between the two based on an assessment of relative cost and risk.

2.2 Insurance cover

The Council obtains insurance for the following risk areas:

- **Property**
 - Material Damage – Policy Excess £100k
 - Works In Progress – Policy Excess Nil
 - Business Interruption – Policy Excess £100k
 - All Risks – Policy Excess Varies £100 - £250
- **Casualty**
 - Public Liability – Policy Excess £50k
 - Officials Indemnity – Policy Excess £50k
 - Employers' Liability – Policy Excess £10k
 - Libel & Slander – Policy Excess £50k
 - Professional Negligence & Indemnity – Policy Excess £5k
- **Motor – Policy Excess Nil**
- **Additional Covers**
 - Fidelity Guarantee – Policy Excess £10k
 - Land Charges – Policy Excess £50k
 - Personal Accident – Policy Excess Nil
 - Public Health Act – Policy Excess Nil
 - Business Travel – Policy Excess Nil
 - Computers – Policy Excess Varies £100 - £500
 - Hirers Liability- Policy Excess £250
 - Terrorism – Policy Excess Nil
 - Property Owners – Policy Excess £500

2.3 Obtaining Insurance

The main aim when procuring an external insurance policy is to obtain the broadest cover at the most economically advantageous terms available.

For those risks that the Council has decided to insure against, insurance policies have been purchased in accordance with the Council's procurement guidance.

The Council selects insurers for the Council and its Group using a competitive tender process.

2.4 Zurich Municipal Insurance (ZM)

ZM are the principle provider of insurance to the public sector. The company is a direct provider and will not quote through the client's brokers. Were the Council to use a broker process, ZM's approach would complicate the tender process but as they are such a significant provider to the sector, the Council would not want to exclude them. Managing the tender process in-house therefore allows easy inclusion of ZM.

The Council's officers evaluate ZM's quotations alongside the submissions from other insurers.

2.5 Insurance Period

The Council renews its insurance annually with the insurance period running from 1st January to 31st December each year.

2.6 Procurement

Insurance or other forms of alternative risk transfer will be procured in accordance with the external regulatory requirements applying at the time and the Council's Financial Regulations. The procurement process will be handled in-house by the Financial Accounting Team and the Procurement Team. The Council will tender for insurance on a 3 year contract but with the option to extend for 2 further years.

3. Financial Management

3.1 Premiums and Excesses

Premiums and excesses are charged to holding accounts and then are allocated each financial year across service areas based on a combination of the basis of insurance (i.e. building values for property premiums) and the claims history for the service area. This process applies to the Council and to insurance premiums and excesses relating to Oxford Direct Services Limited.

Oxford City Housing Limited and Oxwed LLP hold their own insurance cover which is arranged by the Council on their behalf and to the levels that they require. All costs related to this are charged directly to the entities concerned.

3.2 Insurance Fund

The Council's Insurance Fund is a combination of an Insurance Reserve and an Insurance Provision. The value held in these is determined through an actuarial review of the Council's current claims and claims history which is renewed every few years.

3.3 Insurance Provision

The Council's Insurance Provision has been established to make a financial allowance for the aggregate level of the assessed cost of unsettled current claims. Each claim that has been notified by the Council has a settlement value which has been assessed by the Council's insurer. It is this value that is used to calculate the level to be held in the provision, adjusted as deemed appropriate by the actuary.

3.4 Insurance Reserve

The Council's Insurance Reserve provides a financial allowance for the actuarially assessed cost of claims for which, based on the Council's claims history, the incident relating to the claim has occurred but where the Council has not yet received notification of the claim. The value to be placed in the reserve is assessed by an actuary who provides a risk based assessment of the potential financial impact.

3.5 Compliance with Accounting Standards

These arrangements meet the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) prepared by CIPFA / LASAAC. The definition, within the Code of a Provision is:

"A liability of uncertain timing or amount.

A provision shall be recognised when:

- An authority has a present obligation (legal or constructive) as a result of a past event
- It is possible that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, and
- A reliable estimate can be made of the amount of the obligation."

An Insurance Reserve is "an earmarked reserve, accounted for separately, but remaining legally part of the General Fund, consisting of "sums held to meet potential and contingent liabilities". The Council's Insurance Reserve sits within the General Fund and within it, the amounts relating to the Housing Revenue Account (HRA) are identified within the overall amount to maintain the ring-fence of the HRA.

4. Claims Handling

4.1 Insurance and Risk Officer

The Insurance and Risk Officer manages the Council's and Companies overall Insurance programs. Reviews insurance needs by identifying risk exposures and

analysing and classifying risks to provide optimum coverage, costs and claims settlements.

4.2 Council Departments and Group Companies

The Council Departments and Group Companies notify the Insurance & Risk Officer of potential claims and assist with providing information pertinent to the incident, such as training records, inspection records, cleaning regimes. This enables Zurich Municipal to make an informed decision as regards liability. Any assistance with insurance related queries or additional insurance cover required by the Council Departments and Group Companies are all requested via the Insurance & Risk Officer.

4.3 Zurich Municipal

Zurich Municipal is a leading provider of insurance and risk management solutions for the public sector.

Zurich Municipal provide a claims handling service for Casualty and Motor claims regardless of the applicable policy excess. Claims within the excess are funded by the Council's Imprest account, held with Zurich Municipal.

Zurich Municipal also provide Risk Management guidance to assist the Council develop good risk management procedures and systems, which in turn enables the Council to identify and prioritise risks, and take practical steps to manage them.

4.4 Solicitors

In the event legal assistance is required with the defence of a claim, Zurich Municipal appoint their panel solicitor to represent the Council. Weightmans are the preferred panel solicitor for the Council and they are appointed on all Casualty related cases.

5. Links with Risk Management

5.1 Insurance as a Tool

Insurance can be seen a risk management tool whereby unavoidable risks can be managed by converting some of the risk into an annual fee, the value of which is known. This is a form of risk transfer.

5.2 Risk Management to Reduce Costs

Conversely, good risk management processes and associated controls and checks can reduce insurance claims occurring and also, when claims are made, can be used to defend the Council against the claims.

6. Governance

The Council's Constitution states (section 18.6):

"The Head of Financial Services will be responsible for establishing adequate insurance cover for the Authority including the amount of excess and the extent to which self-insurance is undertaken.

Heads of Service must:

- assist in the annual review of insurance and advise the Head of Financial Services of changes in insurable risks
- process insurance claims in accordance with procedures laid down by the Head of Financial Services

The Insurance Provision and Reserve is maintained in accordance with accounting practices and the responsibility for doing this lies with the Head of Financial Services in respect to the requirement in paragraph 18.4 of in the Constitution to "comply with the Accounts and Audit Regulations for the time being in force".

7. Review

7.1 Annual

The levels of insurance excess will be considered for each annual insurance renewal, although there will normally not need to be any changes. A special focus will be on categories of insurance where the premium has varied significantly between years to see if different insurance terms are more financially acceptable. Often a change is the effect of market conditions however and so the review rarely results in a change in insurance terms.

At each annual insurance renewal, updated values are obtained for all properties, vehicles, assets, wages, works in progress, planned projects, etc. from Heads of Service and Personnel throughout the Council and Companies.

7.2 Insurance Strategy Document

This document will be renewed prior to each tender process.

Corporate Risk Register



Risk Status	Service	Ref	Title	Risk description	Opp/ threat	Cause	Consequence	Owner	Gross Impact	Gross Probability	Current Impact	Current Probability	Risk Score	Residual Impact	Residual Probability	RAG	Comments	Date Added	Control description	Due date	Control Status	Progress	Action Owner		
1	Open	Business Improvement	CE001	Customer Experience Strategy 2019-2021	Capacity to deliver	T	Insufficient resources to deliver projects, and lack of prioritisation	Strategy not delivered to schedule	Helen Bishop	4	5	3	3	9	2	3	A		31/03/21						
2			CE001																Develop meaningful measures of success and identify benefits to be realised	28/02/20	Completed	100%	Helen Bishop		
3			CE001																Agree corporate governance, to include ownership at CMT & ODG and Transformation Board	31/10/22	In Progress	95%	Helen Bishop		
4	Open	Business Improvement	CE002	Customer Experience Strategy 2019-2021	Delays in other related projects	T	Delays or non-delivery of customer-facing and digital improvements	Strategy not delivered to schedule	Helen Bishop	4	4	3	3	9	2	3	A		31/03/21						
5			CE002																Regular monitoring meetings and escalation were appropriate	31/10/22	In Progress	80%	Helen Bishop		
6	Open	Regeneration & Economy	CRR-001	Economic Growth	Local, national or international factors adversely affect the economic growth of the City	T	New trading and immigration arrangements with the EU combined with structural changes in the labour market remain a challenge, as does recovery from pandemic business impacts. Supply chain challenges relating to Brexit, war in Europe, energy security and related inflationary issues are a heightened and ongoing risk.	Post-transition, this may affect vehicle manufacturing, logistics and wider import and export demand or capacity, and lead to business relocation/investment decisions in extreme cases. It's likely many sectors may have labour shortages (health, logistics, research, manufacturing, hospitality, technical skills) and inflationary pressures to contend with. It is possible there will be some job losses in the sectors affected by trade/supply or inflationary issues. COVID-19, Brexit and energy security related supply issues may hit consumption spending further, affecting the viability of business inc. restaurants, travel and tourism, events, creative and cultural sectors. Workers who lose jobs may not have the skills for new ones, creating greater training needs. Ongoing fiscal challenges may reduce public sector investment in infrastructure and services.	Tom Bridgman	5	4	5	5	25	5	5	R	Given the challenges businesses and residents will face through the winter, the probability has been increased to 5 and mitigating measures will need to be taken, whether government support exists.	01/06/18						
7			CRR-001																Deliver Oxford Economic Strategy & City Centre Vision Action Plan. Stimulate recovery through targeted measures. Work with Economic Growth Board & City Centre Task Force. Engage with businesses to understand long term impact of COVID & EU Transition, alongside issues of inflation linked to international events.	01/04/27	In Progress	15%	Matthew Peachey		
8	Open	Financial Services	CRR-002	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; Adverse financial impacts arising from the covid-19 pandemic and the economic aftermath	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	Nigel Kennedy	4	3	4	3	12	4	2	A	the team are fully engaged with the current budget process working towards a balanced MTFP	01/06/18						
9			CRR-002																Ensure companies are on schedule to deliver returns to Council	31/03/23	In Progress	50%	Nigel Kennedy		
10			CRR-002																Review of transformation savings	31/03/23	In Progress	50%	Nigel Kennedy		
11			CRR-002																Regular monitoring of revenue and capital budgets and ensuring savings and increased income are on target	31/03/23	In Progress	60%	Nigel Kennedy		
12			CRR-002																Start budget setting early and drive savings in conjunction with members with a full budget reset in December	31/12/22	In Progress	70%	Nigel Kennedy		
13			CRR-002																Expenditure Restraint	31/03/23	Ongoing	100%	Nigel Kennedy		
14			CRR-002																Keep abreast of changes to Business rates reforms and Fair funding	31/03/23	Ongoing	100%	Nigel Kennedy		
15			CRR-002																Lobby Government	31/03/23	Ongoing	100%	Nigel Kennedy		
16	Open	Housing Services	CRR-003	Housing	Failure to deliver the Council's key priorities around Housing including ensuring increased housing delivery and enabling sufficient affordable house building and investment.	T	Changes to Homes & Communities Agency's funding stream for housing development. Government policy changes affecting housing tenure, rental levels, LA borrowing ability. Economic recession, leading to instability in the housing market, and falling prices which could undermine site viability. Shortage of labour and materials. Increased uncertainty in the housing market linked to unknown speed of pandemic recovery and Brexit.	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	Stephen Clarke	5	4	5	4	20	4	3	R		01/06/18						
17			CRR-003																Continue to take forward opportunities to purchase S106 dwellings through the HRA.	31/03/22	Completed	100%	Dave Scholes		
18			CRR-003																Maximise access to alternative funding programmes - Homes for England, HIF and Housing Growth fund	31/03/23	In Progress	75%	Dave Scholes		
19			CRR-003																Continuing to work with Registered Provider partners to enable supply of more affordable housing	31/03/23	In Progress	75%	Dave Scholes		
20			CRR-003																Implement robust programme and project management arrangements for the Affordable Housing Supply programme, including working as client for the OCHL programme.	31/03/23	In Progress	75%	Dave Scholes		
21			CRR-003																Housing delivery test in Planning ongoing. Deliver the housing delivery test action plan in Planning.	31/03/22	Completed	100%	Rachel Williams		
22			CRR-003																Provide a clear and robust response to the governments planning changes through the consultation, changes which would significantly reduce S106 contributions in the city.	31/10/20	Completed	100%	Rachel Williams		
23			CRR-003																Delivery of regeneration schemes, including Blackbird Leys.	31/03/23	In Progress	40%	Stephen Clarke		
24			CRR-003																Purchase of Council dwellings from Barton Park development.	31/03/25	In Progress	50%	Stephen Clarke		
25			CRR-003																Deliver OCHL business plan to increase scale and speed of delivery.	31/03/23	In Progress	70%	Stephen Clarke		
26			CRR-003																Reevaluate financial appraisals of development sites and make any adjustment to ensure continued viability.	31/03/23	In Progress	80%	Stephen Clarke		
27	Open	Business Improvement	CRR-004	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	- Proximity to London - High cost of housing - Congested infrastructure and transport links	Reduced capacity to deliver, especially in high profile projects	Helen Bishop	3	4	3	3	9	2	3	A		01/06/18						
28			CRR-004																Develop and implement improved recruitment processes [incl. use of social media, 'staff stories' and other promotional material]	31/03/23	In Progress	25%	Justin Thorne		
29			CRR-004																Develop employer brand	31/03/23	In Progress	25%	Justin Thorne		
30			CRR-004																Develop greater understanding of reasons for staff leaving and obtain insight into their 'work experience' whilst at council	31/03/23	In Progress	40%	Justin Thorne		
31			CRR-004																Development of 'talent pipeline' including work experience, apprenticeships, graduate placement, sponsoring students through qualification, etc.	31/03/23	In Progress	40%	Justin Thorne		

Risk Status	Service	Ref	Title	Risk description	Opp/ threat	Cause	Consequence	Owner	Gross Impact	Gross Probab ility	Current Impact	Current Probab ility	Risk Score	Residu al Impact	Residu al Probab ility	RAG	Comments	Date Added	Control description	Due date	Control Status	Progress	Action Owner
32		CRR-004																	Review of employment offer for hard to fill and specialist roles [pay, flexible working practices, employee benefits]	31/03/23	In Progress	40%	Justin Thorne
Open	Financial Services	CRR-005	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 Housing Company sites not delivered to planned timescales Directors not recognising the control that a holding organisation properly has over their operations and outputs	Reputational damage of failing companies Reduced financial returns to the Council impacting on MTFP Lack of delivery of dividends to the Council	Nigel Kennedy	4	3	4	3	12	3	3	A		01/06/18					
34		CRR-005																	Update and improve ODS Operating Model	31/03/23	In Progress	30%	Nigel Kennedy
35		CRR-005																	Delivery of Improved systems	31/03/23	In Progress	50%	Nigel Kennedy
36		CRR-005																	Governance over all joint ventures and companies	31/03/23	In Progress	50%	Nigel Kennedy
37		CRR-005																	Strategic Review of OCHL	31/03/23	In Progress	50%	Nigel Kennedy
38		CRR-005																	Review dividend policy - OCHL	31/03/23	In Progress	70%	Nigel Kennedy
39		CRR-005																	Internal audit of companies review by BDO	31/03/23	In Progress	80%	Nigel Kennedy
40		CRR-005																	Presentation of updated business plan on a quarterly basis to shareholder -ODS & OCHL shareholders	31/03/23	In Progress	80%	Nigel Kennedy
41		CRR-005																	Reporting to shareholder for Barton	31/03/23	Ongoing	100%	Nigel Kennedy
42		CRR-005																	Reporting to shareholder for Oxwed	31/03/23	Ongoing	100%	Nigel Kennedy
43		CRR-005																	Establish robust system of shareholder and scrutiny meetings for wholly owned companies. Changed the shareholder and scrutiny meeting arrangements earlier in the year.	31/03/22	Completed	100%	Susan Sale
Open	Corporate Strategy	CRR-006	Local Government Reorganisation	Risk that the reorganisation or devolution is imposed to the detriment of the Council and the City	T	The 2017 bid for an Oxfordshire-wide unitary authority has sat dormant since Government made clear it has no appetite to pursue this while Future Oxfordshire Partnership partners deliver the Growth Deal. The collapse of the Oxfordshire 2050 Plan reflects a widening gap in views among councils around the need for sustainable growth in housing, economy and infrastructure. There is also greater uncertainty about the future of the OxCam Arc. However, uncertainty is once again increased with the prospect of replacement of the Prime Minister and Cabinet, and a potential change in Government policy. Though, it is not yet clear whether risks around local government reorganisation - or in relation to the future of the Arc will increase or decrease.	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 Adverse impact on resourcing Adverse impact on the growth deal and partnership working	Mish Tullar	5	3	4	2	8	4	1	A		01/06/18					
44		CRR-006																	Ongoing partnership work through the Future Oxfordshire Partnership, bilaterally with Fast Growth Cities group partners and with our neighbours and across the Ox-Cam Arc	31/12/22	In Progress		Mish Tullar
45		CRR-006																	There has been an increase in uncertainty with the prospect of replacement of the Prime Minister and Cabinet, and a potential change in Government policy. However, it is not yet clear whether risks around local government reorganisation will increase or decrease. Partnership working - a key mitigation of those risks - continues regardless.				
46		CRR-006																	There has been an increase in uncertainty with the prospect of replacement of the Prime Minister and Cabinet, and a potential change in Government policy. However, it is not yet clear whether risks around local government reorganisation will increase or decrease. At the appropriate time we will seek a clearer understanding of new administration's view on devolution/unitary, Growth Deal, Ox-Cam Arc & seek levers to influence around Oxford Priorities. Maintain focus on delivering growth agenda & build consensual partnership governance. However, additional uncertainty at an Oxfordshire level with the collapse of the Oxfordshire 2050 Plan	31/12/22	In Progress	50%	Mish Tullar
Open	Business Improvement	CRR-007	Business Continuity Planning and Disaster Recovery including ICT Recovery Plan	There is an adverse impact on continuous business operation due to unplanned events.	T	- Disruptive event hindering access to building -Disruptive event affecting full functionality of building. - Major technology incident (physical or cyber).	Non-delivery of business operation	Helen Bishop	3	3	3	3	9	3	2	A		01/06/18					
47		CRR-007																	Desktop review of BCP	31/03/23	Not yet started	0%	Bill Lewis
48		CRR-007																	Re-establish Risk Management Group	20/02/19	Completed	100%	Bill Lewis
49		CRR-007																	All Services to review and sign-off their BC plans to ensure up-to-date.	31/03/23	Ongoing	100%	Bill Lewis
50		CRR-007																	CMT to approve software priority restoration list from all Services BC plans.	30/06/19	Completed	100%	Mike Newman
51		CRR-007																	Include ICT systems outages in business continuity plan tests.	01/10/18	Completed	100%	Mike Newman
52		CRR-007																	Assure ICT backup and restore capabilities	31/03/23	Ongoing	100%	Rocco Labellarte
53		CRR-007																	Review existing ICT recovery plan to ensure up-to-date.	31/03/23	Ongoing	100%	Rocco Labellarte
54		CRR-007																	Implement alternative software to CITRIX to allow homeworking for own user devices	31/03/22	Completed	100%	Rocco Labellarte
55		CRR-007																					

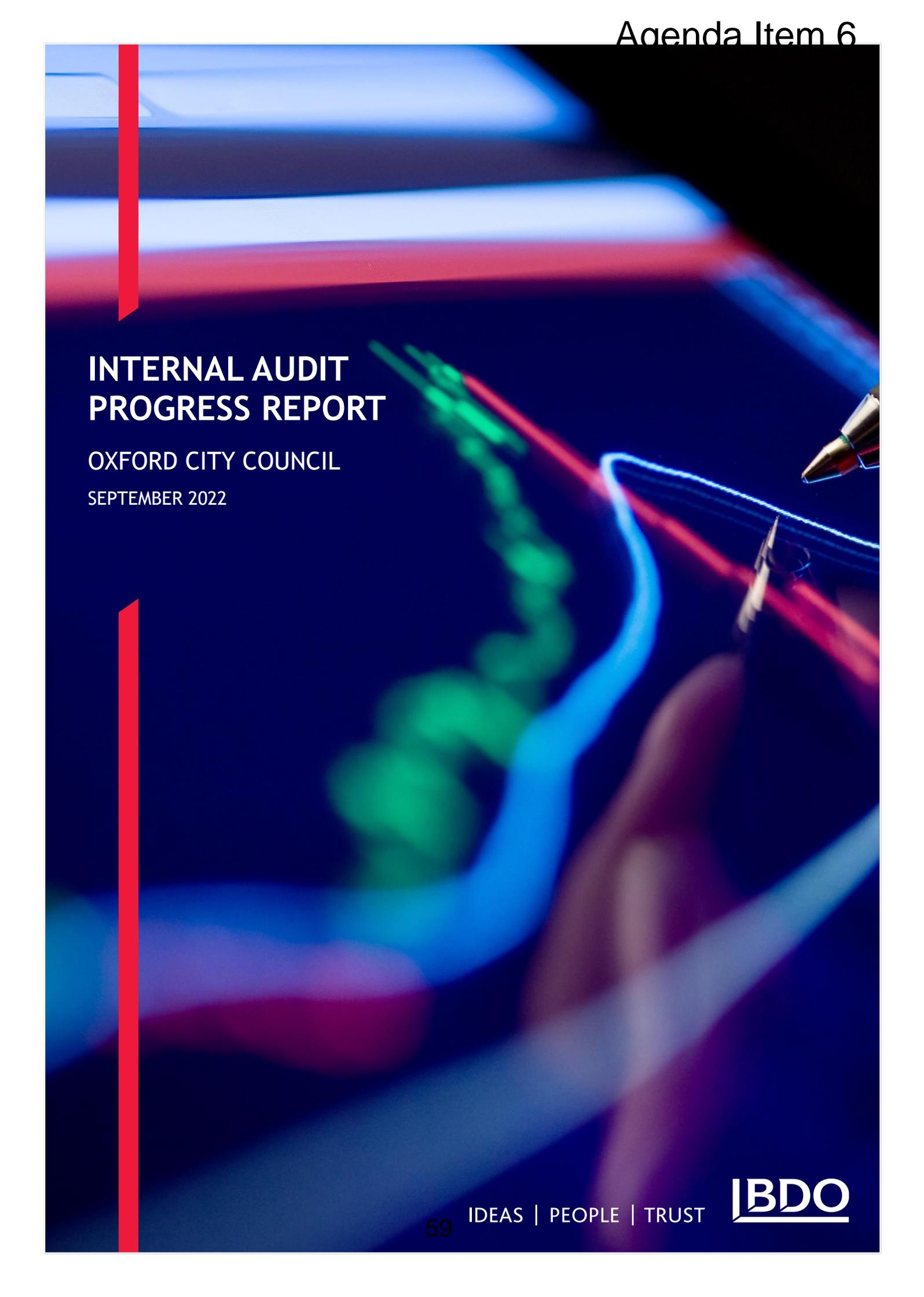
Risk Status	Service	Ref	Title	Risk description	Opp/ threat	Cause	Consequence	Owner	Gross Impact	Gross Probab ility	Current Impact	Current Probab ility	Risk Score	Residu al Impact	Residu al Probab ility	RAG	Comments	Date Added	Control description	Due date	Control Status	Progress	Action Owner		
Open	Community Services	CRR-012	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 council's critical service partners may place additional burdens /demands on the council and poorer services outcomes for citizens and potential risks to our supply chain. - Cost of living crisis meaning memberships are canceled by our customers. Leading to reduced revenue for our leisure provider. - Significant and uncontrollable increases in utility costs.	- 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.	Ian Brooke	3	3	4	4	16	4	4	R	Fusion continue to focus on embedding their new delivery model, which in summary is a reduction of staff in the Oxford contract, a concierge, cashless systems, they have exited their offices and reduced support services. The past month has remained difficult, continuing to try to balance Fusion's focus on safely embedding their new delivery model. Fusion are still finding it very challenging to recruit staff, which is also apparent in other sectors. When recruited, there is a requirement for safeguarding checks, induction and mandatory training to be completed before employees operationally starting duties. It's a delicate balance of carefully and constructively challenging Fusion and being clear about responsibilities, trying to nudge them towards whilst trying to avoid a scenario where given the state of the leisure industry, that Fusion are somehow maneuvered into a position where they are unable to deliver on the contract and OCC get it back with all of the costs and risks anyway.	01/06/18							
		CRR-007																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. Closely monitor the impacts of the macro env on suppliers.	01/04/23	In Progress	60%	Ian Brooke			
Open	Corporate Strategy	CRR-008	Negative Impacts of Climate Change	Climate Change leads to a number of adverse social, health and environmental impacts on the City	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.	Flooding, which is highly weather dependent, poor air quality and increased episodes of excess heat.	Mish Tullar	4	3	4	4	16	3	3	R		01/06/18							
		CRR-008																Oxford City Council's Carbon Management Plan, our work delivered through the Zero Carbon Oxford Partnership, and ongoing work around flood mitigation and treeplanting	31/03/24	In Progress	40%	Mish Tullar			
		CRR-008																Partnership with the EA led programme to deliver the Oxford Flood Alleviation Scheme	31/03/23	In Progress	30%	Mish Tullar			
		CRR-008																Control measures relating to advocacy and clear communication to residents, tenants and businesses around behaviours and measures needed for decarbonisation. Also consideration over use of our land assets for mitigation measures including renewables and tree planting.	30/12/22	In Progress	40%	Mish Tullar			
Open	Regulatory Services and Community Safety	CRR-009	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	Ian Wright	5	2	5	4	20	5	3	R		01/06/18							
		CRR-009																Work with partners, particularly the Police and County Council, on the Crowded Places Plan that includes mitigation interventions.	31/10/22	In Progress	75%	Richard J Adams			
		CRR-009																Council's emergency plan includes link to Crowded Spaces Evacuation Plan	31/03/23	Ongoing	100%	Imogen Hughes			
		CRR-009																Emergency plans for Council-operated buildings include dealing with a terrorist attack (including building lock-down procedure)	31/07/22	In Progress	40%	David Hunt			
		CRR-009																Physical barriers in place - temporary and permanent. County Council leading on design and development. Difficulties in getting progress updates from the County Council on the design commissioning. County have confirmed that they have commissioned a designer for the HVM interventions.	31/12/22	In Progress	50%	Richard J Adams			
Open	Business Improvement	CRR-010	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	Helen Bishop	3	4	3	3	9	3	2	A		01/06/18							
		CRR-010																Ensure any security breaches are dealt with appropriately, in line with policies.	31/03/23	Ongoing	100%	Helen Bishop			
		CRR-010																Ensure PSN accreditation is achievable. Allocate funding as necessary to ensure remedial work can be delivered.	31/03/23	Ongoing	100%	Nigel Kennedy			
		CRR-010																Carry out PSN remedial work.	31/03/23	Ongoing	100%	Rocco Labellarte			
		CRR-010																Ensure cyber defences (firewalls, anti-virus, anti-malware, password protection, two-factor authentication) is in place	31/03/23	Ongoing	100%	Rocco Labellarte			
		CRR-010																Ensure cyber security policies are in place.	31/03/22	Completed	100%	Rocco Labellarte			
Open	Housing Services	CRR-011	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	Stephen Clarke	4	4	4	3	12	3	2	A		01/06/18							
		CRR-011																Following CDM audit, implement revised and strengthened governance arrangements.	31/03/23	In Progress	50%	Nick Brown			
		CRR-011																Ongoing monitoring and surveillance of property to ensure compliance.	31/03/23	In Progress	60%	Stephen Clarke			
		CRR-011																Continued progress with tower blocks, ensuring remaining planned work is complete, including at Hockmore, and continued monitoring to identify and implement any further improvements needed.	31/03/23	In Progress	80%	Stephen Clarke			
		CRR-011																Health & Safety team have been allocated key areas of responsibilities and are progressing the area highlighted from FRA and Asbestos surveys are rectified to ensure OCC are fully compliant.	31/03/23	In Progress	80%	Stephen Clarke			
		CRR-001																Lobby for government support to help businesses affected by energy costs and inflation	15/09/22	In Progress			Matt Peachey		

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Risk Sta	Service	Ref	Title	Risk description	Opp/ thr	Cause	Consequence	Owner	Gross	Gross	Curren	Curren	Risk	Scor	Residi	Residi	RAG	Comments	Date Added	Control description	Due date	Control Statu	Progress	Action Owner	
Open	Business Improvement	CE001	Customer Experience Strategy 2019-2021	Capacity to deliver	T	Insufficient resources to deliver projects, and lack of prioritisation	Strategy not delivered to schedule	Helen Bishop	4	5	3	3	9	2	3	A		31/03/21							
		CE001																		Develop meaningful measures of success and identify benefits to be realised	28/02/20	Completed	100%	Helen Bishop	
		CE001																		Agree corporate governance, to include ownership at CMT & ODG and Transformation Board	31/10/22	In Progress	95%	Helen Bishop	
Open	Business Improvement	CE002	Customer Experience Strategy 2019-2021	Delays in other related projects	T	Delays or non-delivery of customer-facing and digital improvements	Strategy not delivered to schedule	Helen Bishop	4	4	3	3	9	2	3	A		31/03/21							
		CE002																		Regular monitoring meetings and escalation were appropriate	31/10/22	In Progress	80%	Helen Bishop	
Open	Regeneration & Economy	CRR-001	Economic Growth	Local, national or international factors adversely affect the economic growth of the City	T	New trading and immigration arrangements with the EU combined with structural changes in the labour market remain a challenge, as does recovery from pandemic business impacts. Supply chain challenges relating to Brexit, war in Europe, energy security and related inflationary issues are a heightened and ongoing risk.	Post-transition, this may affect vehicle manufacturing, logistics and wider import and export demand or capacity, and lead to business relocation/investment decisions in extreme cases. It's likely many sectors may have labour shortages (health, logistics, research, manufacturing, hospitality, technical skills) and inflationary pressures to contend with. It is possible there will be some job losses in the sectors affected by trade/supply or inflationary issues. COVID19, Brexit and energy security related supply issues may hit consumption spending further, affecting the viability of business inc. restaurants, travel and tourism, events, creative and cultural sectors. Workers who lose jobs may not have the skills for new ones, creating greater training needs. Ongoing fiscal challenges may reduce public sector investment in infrastructure and services.	Tom Bridgman	5	4	5	5	25	5	5	R	Given the challenges businesses and residents will face through the winter, the probability has been increased to 5 and mitigating measures will need to be taken, whether government support exists.	01/06/18							
		CRR-001																		Deliver Oxford Economic Strategy & City Centre Vision Action Plan. Stimulate recovery through targeted measures. Work with Economic Growth Board & City Centre Task Force. Engage with businesses to understand long term impact of COVID & EU Transition, alongside issues of inflation linked to international events.	01/04/27	In Progress	15%	Matthew Peachey	
Open	Financial Services	CRR-002	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; Adverse financial impacts arising from the covid-19 pandemic and the economic aftermath	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	Nigel Kennedy	4	3	4	3	12	4	2	A	the team are fully engaged with the current budget process working towards a balanced MTFP	01/06/18							
		CRR-002																		Ensure companies are on schedule to deliver returns to Council	31/03/23	In Progress	50%	Nigel Kennedy	
		CRR-002																		Review of transformation savings	31/03/23	In Progress	50%	Nigel Kennedy	
		CRR-002																		Regular monitoring of revenue and capital budgets and ensuring savings and increased income are on target	31/03/23	In Progress	60%	Nigel Kennedy	
		CRR-002																		Start budget setting early and drive savings in conjunction with members with a full budget reset in December	31/12/22	In Progress	70%	Nigel Kennedy	
		CRR-002																		Expenditure Restraint	31/03/23	Ongoing	100%	Nigel Kennedy	
		CRR-002																		Keep abreast of changes to Business rates reforms and Fair funding	31/03/23	Ongoing	100%	Nigel Kennedy	
		CRR-002																		Lobby Government	31/03/23	Ongoing	100%	Nigel Kennedy	
Open	Housing Services	CRR-003	Housing	Failure to deliver the Council's key priorities around Housing including ensuring increased housing delivery and enabling sufficient affordable house building and investment.	T	Changes to Homes & Communities Agency's funding stream for housing development. Government policy changes affecting housing tenure, rental levels, LA borrowing ability. Economic recession, leading to instability in the housing market, and falling prices which could undermine site viability. Shortage of labour and materials. Increased uncertainty in the housing market linked to unknown speed of pandemic recovery and Brexit.	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	Stephen Clarke	5	4	5	4	20	4	3	R		01/06/18							
		CRR-003																		Continue to take forward opportunities to purchase S106 dwellings through the HRA.	31/03/22	Completed	100%	Dave Scholes	
		CRR-003																		Maximise access to alternative funding programmes - Homes for England, HIF and Housing Growth fund	31/03/23	In Progress	75%	Dave Scholes	
		CRR-003																		Continuing to work with Registered Provider partners to enable supply of more affordable housing	31/03/23	In Progress	75%	Dave Scholes	
		CRR-003																		Implement robust programme and project management arrangements for the Affordable Housing Supply programme, including working as client for the OCHL programme.	31/03/23	In Progress	75%	Dave Scholes	
		CRR-003																		Housing delivery test in Planning ongoing. Deliver the housing delivery test action plan in Planning.	31/03/22	Completed	100%	Rachel Williams	
		CRR-003																		Provide a clear and robust response to the governments planning changes through the consultation, changes which would significantly reduce S106 contributions in the city.	31/10/20	Completed	100%	Rachel Williams	

Open	Corporate Strategy	CRR-008	Negative Impacts of Climate Change	Climate Change leads to a number of adverse social, health and environmental impacts on the City	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.	Flooding, which is highly weather dependent; poor air quality and increased episodes of excess heat.	Mish Tullar	4	3	4	4	16	3	3	R	01/06/18				
		CRR-008															Oxford City Council's Carbon Management Plan, our work delivered through the Zero Carbon Oxford Partnership, and ongoing work around flood mitigation and tree-planting Partnership with the EA led programme to deliver the Oxford Flood Alleviation Scheme	31/03/24	In Progress	40%	Mish Tullar
		CRR-008															Control measures relating to advocacy and clear communication to residents, tenants and businesses around behaviours and measures needed for decarbonisation. Also consideration over use of our land assets for mitigation measures including renewables and tree planting.	31/03/23	In Progress	30%	Mish Tullar
		CRR-008																30/12/22	In Progress	40%	Mish Tullar
Open	Regulatory Services and Community Safety	CRR-009	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	Ian Wright	5	2	5	4	20	5	3	R	01/06/18				
		CRR-009															Work with partners, particularly the Police and County Council, on the Crowded Places Plan that includes mitigation interventions.	31/10/22	In Progress	75	Richard J Adams
		CRR-009															Council's emergency plan includes link to Crowded Spaces Evacuation Plan	31/03/23	Ongoing	100%	Imogen Hughes
		CRR-009															Emergency plans for Council-operated buildings include dealing with a terrorist attack (including building lock-down procedure)	31/07/22	In Progress	40%	David Hunt
		CRR-009															Physical barriers in place - temporary and permanent. County Council leading on design and development. Difficulties in getting progress updates from the County Council on the design commissioning. County have confirmed that they have commissioned a designer for the HVM interventions.	31/12/22	In Progress	50%	Richard J Adams
Open	Business Improvement	CRR-010	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	Helen Bishop	3	4	3	3	9	3	2	A	01/06/18				
		CRR-010															Ensure any security breaches are dealt with appropriately, in line with policies.	31/03/23	Ongoing	100%	Helen Bishop
		CRR-010															Ensure PSN accreditation is achievable. Allocate funding as necessary to ensure remedial work can be delivered.	31/03/23	Ongoing	100%	Nigel Kennedy
		CRR-010															Carry out PSN remedial work.	31/03/23	Ongoing	100%	Rocco Labellarte
		CRR-010															Ensure cyber defences (firewalls, anti-virus, anti-malware, password protection, two-factor authentication) is in place	31/03/23	Ongoing	100%	Rocco Labellarte
		CRR-010															Ensure cyber security policies are in place.	31/03/22	Completed	100%	Rocco Labellarte
Open	Housing Services	CRR-011	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	Stephen Clarke	4	4	4	3	12	3	2	A	01/06/18				
		CRR-011															Following CDM audit, implement revised and strengthened governance arrangements.	31/03/23	In Progress	50%	Nick Brown
		CRR-011															Ongoing monitoring and surveillance of property to ensure compliance.	31/03/23	In Progress	60%	Stephen Clarke
		CRR-011															Continued progress with tower blocks, ensuring remaining planned work is complete, including at Hockmore, and continued monitoring to identify and implement any further improvements needed.	31/03/23	In Progress	60%	Stephen Clarke
		CRR-011															Health & Safety team have been allocated key areas of responsibilities and are progressing the area highlighted from FRA and Assessors surveys are rectified to ensure OCC are fully compliant.	31/03/23	In Progress	80%	Stephen Clarke
		CRR-001															Lobby for government support to help businesses affected by energy costs and inflation	15/09/22	In Progress		Matt Peachey



**INTERNAL AUDIT
PROGRESS REPORT**

OXFORD CITY COUNCIL

SEPTEMBER 2022

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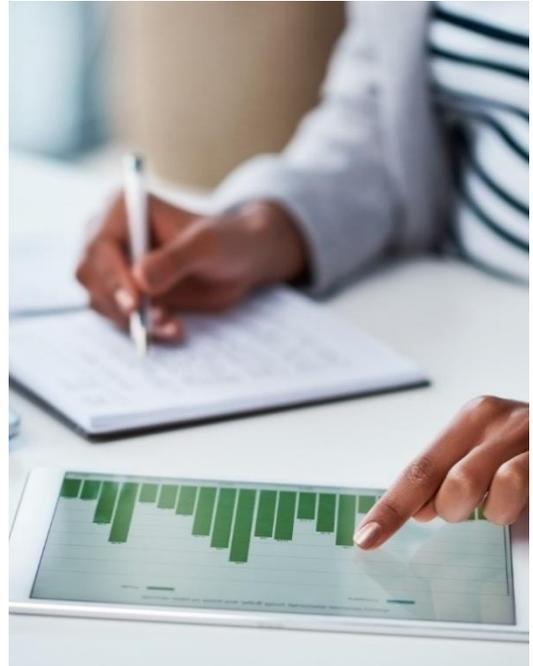
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SUMMARY OF SEPTEMBER 2023 WORK

INTERNAL AUDIT

This report is intended to inform the Audit Committee of progress made against the SEPTEMBER 2023 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 Internal Audit 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 Appendix 1 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.

SEPTEMBER 2023 INTERNAL AUDIT PLAN

We are now making progress in the delivery of the SEPTEMBER 2023 audit plan, and we are pleased to present the following reports to this Audit Committee meeting:

- ▶ Car Parking
- ▶ Follow Up Report
- ▶ Summary of work completed at Oxford Direct Services and Oxford City Housing Limited
- ▶ Local Authority Benchmarking Report 2021/22
- ▶ A BDO report on the process of appointing independent members to Audit Committee following the outcome of the Redmond Review. This report considers how Audit Committees can conduct skills assessments to identify areas of strength and weakness, and the benefits and challenges of recruiting independent members
- ▶ BDO Global Risk Landscape Report.

We have also delivered a Homes England assurance review on grant claims received by the Council. This is reported directly into Homes England's Investment Management System, assessing the Council's compliance with the RSAP and NSAP grant agreements.

Fieldwork is underway in respect of the following audits which we anticipate will be presented at the next Audit Committee meeting:

- ▶ Cyber Security
- ▶ Income Generation

CHANGES TO THE SEPTEMBER 2023 INTERNAL AUDIT PLAN

Changes to the 2022/23 internal audit plan mainly consist of revisions to the audit fieldwork dates, with the following reviews being moved back to later Audit Committees at the request of the Council:

- ▶ Change Programme
- ▶ Enforcement Restructure

REVIEW OF SEPTEMBER 2023 WORK

AUDIT	EXEC LEAD	AUDIT COMMITTEE	PLANNING	FIELD WORK	REPORTING	DESIGN	EFFECTIVENESS
Audit 1: Car parking	Nigel Kennedy	Sept 22	✓	✓	✓	S	S
Audit 2. Income Generation	Nigel Kennedy	Nov 22	✓	✓			
Audit 3. Change Programme	Helen Bishop	Apr 23	✓				
Audit 4. Planned Maintenance & Refurbishment	Nerys Parry	Jan 23	✓				
Audit 5: Housing Rents	Nerys Parry	Nov 22	✓	✓			
Audit 6. Community Strategy	Gabriel Stephens	Jan 23	✓				
Audit 7. Enforcement Restructure	Ian Wright	Apr 23	✓				
Audit 8. Cyber Security	Helen Bishop	Nov 22	✓	✓			
Audit 9. NNDR & Business Rates Pooling	Nigel Kennedy	Jan 23	✓				
Audit 10. Sickness Absence Management	Nigel Kennedy	Jan 23	✓				
Audit 11: Treasury Management	Nigel Kennedy	Jan 23	✓				
Audit 12: Contract Management and Procurement	Nigel Kennedy	Apr 23	✓				



CAR PARKING

CRR REFERENCE: ENABLE AN INCLUSIVE ECONOMY

Design Opinion	S Substantial	Design Effectiveness	S Substantial
Recommendations	0	0	2



SCOPE

BACKGROUND

- ▶ Oxford City Council (the Council) are responsible for 26 car parks made up of both on-street and off-street car parks. The Council's car parks consist of those situated in the centre of Oxford, outside of Oxford, park and ride sites and public park sites. Most of the Council's car parks allow customers to pay via cash, debit/credit card or the Ringo app. A trial for cashless parking was rolled out at the Gloucester Green car park in January 2022 and, due to the success, has recently been widened to include the Worcester Street car park. These are high-tariff City Centre sites where a high proportion of customers already paid via cashless payment methods
- ▶ In 2021/22 the Council reported a £1.5 million reduction in car park revenue owing mainly to lower footfalls of customers visiting the city centre since the start of the pandemic. For 2022/23 parking charges have increased by 50p per hour in city centre car parks and 20p per hour in sub-urban car parks to off-set the loss, however, parking revenue has only recovered to c.85% of the pre-pandemic levels
- ▶ Oxford Direct Services (ODS) manage the off-street car parks for the Council. It has a dedicated Parking team to manage parking machines (maintenance/repairs), customer queries, parking enforcement and general management of the car parks. All tariffs are set by the Council in its Fees and Charges Schedule and input into the Metric system which sets the charging in each machine
- ▶ The Council have a contractual arrangement in place with Jade Security Services (Jade) to collect and bank cash from car park machines. The Council is responsible for reconciling the bank receipts to the Jade cash collection spreadsheet following each cash collection. The Parking team separately reconcile the audit ticket from the car park machines to the Jade cash collection spreadsheet
- ▶ Customers contravening the Council's parking regulations are issued an excess charge notice (ECN) under the Road Traffic Act 1984. ODS have Parking Enforcement Officers (PEOs) to patrol car parks and issue ECNs where necessary. All ECNs are recorded on the Imperial system, through the handheld devices used by PEOs. There are parameters established within Imperial to commence debt recovery procedures if the ECN is not paid within 28 days. However, ODS had difficulties initiating the debt recovery procedures between December 2021 and May 2022 due to contractual challenges with the Driving and Vehicle Licensing Agency (DVLA). These led to the DVLA not providing vehicle keeper records in this period
- ▶ This audit has been carried out twice before by BDO:
 - We have undertaken previous reviews of Car Parking in 2017/18 and 2018/19 a substantial opinion for both control design and effectiveness. Issues were identified over debt recovery of ECNs and the approval of the parking cash collection reconciliations between Jade's records and those provided by the machine.

AREAS REVIEWED

- ▶ The following areas were covered as part of this review:
 - We reviewed a sample of 25 car parking transactions from different car parks to assess whether the customer was charged and paid at the correct tariff value
 - We reviewed the Council's arrangements for reconciling Jade's collection reports to internal reports to confirm that these are accurate, complete and timely
 - We enquired about the arrangements in place for issuing ECNs to assess whether these comply with the Council's rules and regulations

- We reviewed a sample of 15 ECNs issued between 1 June 2021 to 31 May 2022 to assess whether these were accurate and recovered in a timely manner
- We reviewed processes for generating performance reports for the ‘Going Cashless’ scheme at Gloucester Green car park and ensured that these are reported through the appropriate channels to support informed decision-making on the future of this strategy
- We reviewed the Council’s future car parks strategy to assess whether its development is in accordance with the Council’s overall strategy and that more detailed plans are in place to support the strategy.



AREAS OF STRENGTH

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

- ▶ We reviewed 25 car parking payments from customers, split between cash, debit/credit card and Ringo payments, and noted that in all instances the customers were charged the correct amount per the Council’s Fees and Charges Schedule. Therefore, tariffs were set correctly on the Metric system with the exception of one tariff identified from the Total Sales Report
- ▶ Reconciliations between the audit ticket from parking machines, the Jade cash collection spreadsheet and the bank are completed accurately and in a timely manner. The Parking team reconcile the audit ticket to the Jade collection sheet on the day it is received from Jade and investigate any machine discrepancies of more than £10
- ▶ We reviewed 10 reconciliations and noted that the cash collected by Jade reconciled with the bank account in all instances. Any variances over £10 between the audit ticket and the Jade cash collection spreadsheet were investigated to obtain a satisfactory explanation. These reconciliations were prepared and reviewed with a separation of duties maintained, and within three days of the cash collection in all cases reviewed
- ▶ Imperial’s handheld devices require PEOs to give vehicle owners a 10-minute grace period before they can process an ECN for non-payment or non-display of a parking ticket. The vehicle is logged on the handheld device which does not allow the PEO to process the ECN until 10 minutes later. This control operated effectively in all 11 of the non-payment/non display cases that we reviewed and was evidenced in the case log
- ▶ In all 15 ECNs reviewed, the PEO took photographs of the parking contravention using their handheld device to evidence the reason the ECN was issued to the customer
- ▶ There are automatic parameters in Imperial to commence debt recovery arrangements 28 days after the ECN was issued. A VQ4 request is issued to DVLA to obtain vehicle keeper records 28 days after the offence date, then a first reminder letter is issued once the records are received. Second reminder letters are then sent 14 days later if no payment has been received. We reviewed six ECNs that were not paid within 28 days and noted that appropriate actions were taken to recover debts, with some minor exceptions
- ▶ Monthly reports on car park usage compared to previous years are generated by the Parking team for the Council’s Finance team and Asset Management team to assess the effectiveness of the ‘Going Cashless’ scheme in certain car parks. Furthermore, there have been no complaints received on the cashless parking at Gloucester Green car park during the trial six-month trial period from January 2022 and as a result the Council have rolled out cashless parking at Worcester Street car park in July 2022. It also intends to introduce this to the Oxpens car park from September 2022. These car parks have been specifically selected as high-tariff city centre car parks where non-cash payment methods were mainly used by customers already
- ▶ The Asset Management Strategy, which Cabinet recommended to Council to be adopted on 10 August 2022, includes its future plans for its car parks. This was broadly in line with other transport and environmental policies, noting the potential for re-development of city centre car parks into mixed-developments (residential and commercial). Whilst the future car park plans are at their early phase, the Asset Management team review usage and income data from car parks to inform decisions on how to use car park land to obtain best value. Informal monthly and quarterly meetings between the Asset Management team, ODS and the Finance team are in place to oversee car park usage.



AREAS OF CONCERN

- ▶ Our review of 15 ECNs identified two exceptions. In one instance, the customer was over-charged due to the discount period being incorrectly reset and the customer not seeking a refund afterwards and in the other instance, a VQ4 was issued to the DVLA despite the customer having already paid the ECN. This was due to interfacing issues between Civica Pay and Imperial (Finding 1 - Low)
- ▶ In another ECN a part-payment of £50 was accepted from the customer without clear rationale. This was during the period where vehicle keeper details could not be obtained from the DVLA

so we were informed that the Parking team were accepting part-payments in some cases as they could not take actions to recover debts (Finding 2 - Low).



CONCLUSION

Overall, we have provided Substantial assurance on the control design and effectiveness of the Council’s car parking arrangements with only two Low findings raised.

Minor issues were identified around the debt recovery procedures for ECNs with one instance identified where a part-payment was accepted without clear rationale and a separate incident where a customer was overcharged due to the discount period date being incorrectly reset following an appeal from a customer. However, these were the exception and across the majority of ECNs reviewed, they were paid correctly and in a timely manner. The Parking team did face difficulties in initiating debt recovery procedures between December 2021 and May 2022 due to delays in setting up a contract with the DVLA however, the team prioritised recovery procedures for unpaid ECNs once the contract was signed.

Tariffs were set correctly across all 25 parking tickets we reviewed and there are adequate security and reconciliation procedures around Jade’s cash collection and banking.

SUMMARY OF WORK AT THE COMPANIES

OXFORD DIRECT SERVICES (ODS)

2021/22

This report details the work undertaken by internal audit for Oxford Direct Services Limited (ODS) and provides an overview of the effectiveness of the controls in place for the year.

The proposed reviews for this financial year per the agreed 2021/22 annual plan were as follows:

- Procurement and Contract Management
- General Data Protection Regulation (GDPR)
- QL Implementation

Due to the impact of the QL implementation throughout 2021/22, and as agreed with the Audit Committee at its meetings in December 2021 through to March 2022, the above audits were paused / removed / deferred as follows:

Audits removed from 21/22 Plan	Rationale for deferral
Procurement and Contract Management	Owing to the ongoing financial reporting issues with the QL system and the lack of accurate management information to effectively manage contractors, it was determined with the Director of Finance that this audit would add greater value in 2022/23 when a review of business-as-usual controls can be performed, underpinned by the use of new QL system.
General Data Protection Regulation (GDPR)	As above, a similar conclusion to include this review in 2022/23.
QL Implementation	The QL implementation issues were spread across both ODS and the Council, in line with the agreed protocols a deep dive in this area was discussed with both ODS and the Council on 22 nd October 2021. It was agreed that a separate independent review would be conducted outside of both audit plans - thus to avoid duplication this review would be cancelled. Going forward, the use of QL as a system would be embedded into reviews for 2022/23 and beyond.

Following Audit Committee approval, it was agreed that the primary focus would be the completion of a proposed advisory review over the temporary financial management and reporting controls that have been operational during the QL implementation period to ensure selected key activities continued whilst the system implementation issues were rectified - ahead of the year-end closedown.

This advisory review commenced on 4 February 2022 and remains in progress. We mapped all key processes adopted by ODS and submitted these to ODS for review to confirm their accuracy.

Through this phase of our work, we identified one issue pertaining to the billing process for Oxford University. Here we found that it was possible for costs to be added to jobs which had already been invoiced leading to a lower invoice value being issued. As per the Terms of Reference for this review, this was flagged to the ODS Finance team immediately and has resulted in the Business support team completing an additional reconciliation between the value of jobs billed for and the value of the jobs in QL for the key billing customers tested (Oxford University, Oxford County Council and Highways and Engineering). Apart from the change in value of the Oxford University Billing job, we have found no further issues regarding our walkthroughs or sample testing to date.

The advisory review, whilst it has progressed, has been delayed as there has been several issues with the implementation of the new system and processes used to overcome these issues that has required the ODS

Finance team to prioritise their work to overcome these issues. This has caused a number of delays in providing evidence and information for our review which has been escalated. As above, we have completed the process flow charts and c60% of the required sample testing at the time of drafting this report. It is expected that this work will be completed by the end of September 2022. This piece of work, whilst advisory in nature and will not be attributed an assurance opinion, will inherently provide ODS management assurances ahead of the financial reporting and external audit process.

In addition to this, the following reviews were completed at Oxford City Council which included ODS-related transactions (for Accounts Payable and Accounts Receivable):

- Key Financial Systems - Data Analytics (Moderate/Moderate)
- General Ledger (Substantial/Moderate)
- Accounts Payable (Moderate/Moderate).

2022/23

We are currently in the process of planning the work for the 2022/23 Internal Audit Plan at ODS, with the Contract Management and the Information Governance reviews set to commence in October 2022. The following two reviews are scheduled for Q3 or Q4 of the year:

- Data Input Controls
- Risk/Counter Fraud Maturity.

OXFORD CITY HOUSING LIMITED

We have undertaken one review at Oxford City Housing Limited (OCHL) in 2021/22 relating to the governance and reporting frameworks for its Business Plan. This report has been drafted and is expected to be issued to OCHL for management comments by the end of September 2022. However, the scope of the review was:

- We reviewed the documented governance arrangements in place at OCHL, and their extension to the collation and review of the business plan.
- We reviewed key SLAs and other documented role definitions, like the client role performed by the Council, to understand how these should operate as minimum and to ensure there is a clear understanding of roles between OCHL and the Council.
- We reviewed the business plan and any supporting documentation that outlines how it was collated, any changes that have been applied and the basis of these changes to confirm these were transparent, challenged, scrutinised, and approved accordingly.
- We reviewed a sample of key meeting minutes held during the period 1 April 2021 to date where the business plan has been discussed to evaluate the level of engagement with the business plan.
- In addition to the above, we reviewed key management reports and updates on the business plan and its delivery, to evaluate the level of detail presented, basis of information and ability to evaluate progress against key business plan targets and milestones.

Our planning for the one review to be completed in 2022/23 will commence with management once the previous review has been finalised.

KEY PERFORMANCE INDICATORS

QUALITY ASSURANCE	KPI	RAG RATING
High quality documents produced by the auditor that are clear and concise and contain all the information requested.	This KPI will be updated during the course of the year based upon the results from the client satisfaction surveys. However, so far we have had one survey response in 2022/23 where the respondent 'Agreed' that the final report was clear and concise	
Frequent communication to the customer on the latest mandatory audit standards and professional standards prescribed by the main accountancy bodies.	Sector updates will be provided within the Audit Committee progress report and/or in appending reports. For this Committee we have provided the BDO paper on considerations for the Redmond Review.	
The auditor attends the necessary, meetings as agreed between the parties at the start of the contract	All meetings so far have been attended, including Audit Committee meetings, pre-Audit Committee, scoping meetings and meetings during audit fieldwork.	
Information is presented in the format requested by the customer.	No requests to change the BDO format.	
Customer satisfaction reports - overall score at average at least 3.5 / 5 for surveys issued at the end of each audit.	We have received one survey response for 2022/23 where we scored 4 for audit satisfaction. We will continue to issue surveys for each audit as it is finalised.	
External audit can rely on the work undertaken by internal audit (where planned)	To be clarified at year end once we have met with the new external auditors	
Positive result from any external review	In June 2021 an External Quality Assessment by the Institute of Internal Auditors reported that BDO LLP's Public Sector Internal Audit Team 'generally conforms' with the International Professional Practices Framework (IPPF) and the Public Sector Internal Audit Standards (PSIAS). This is the highest of the three ratings categories.	
REPORTING ARRANGEMENTS	KPI	RAG RATING
Draft report to be produced 3 weeks after the end of the fieldwork	Draft reports have been produced within 3 weeks in the year to date.	
Management to respond to internal audit reports within 2 weeks	We have received management responses within 2 weeks for all audit reports so far in 2022/23.	
Final report to be produced 1 week after management responses	The final reports issued were released within one week of receipt of management comments for all reviews so far in 2022/23.	
90% recommendations to be accepted by management	All recommendations have been agreed with management prior to release of the final audit report and have been accepted in full.	

DELIVERY	KPI	RAG RATING
Annual Audit Plan delivered in line with timetable and Actual days are in accordance with Annual Audit Plan	Progress against the audit plan is reported at every Audit Committee, against original planned dates. All audits have been completed in line with the actual days agreed.	
At least 60% input from qualified staff	Audits undertaken in 2022/23 have been undertaken by qualified staff.	

APPENDIX I

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.

RECOMMENDATION SIGNIFICANCE DEFINITION

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

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REDMOND REVIEW INTO
LOCAL GOVERNMENT AUDIT

INDEPENDENT AUDIT COMMITTEE MEMBERS

SEPTEMBER 2021

INDEPENDENT AUDIT COMMITTEE MEMBERS

A closer look at the Redmond Review Recommendation No.4

Ensuring audit committees have the skills they need to provide appropriate scrutiny and challenge is an ongoing issue in the local government arena. Appointing independent members may be the solution.

BACKGROUND TO THE REDMOND REVIEW

Six years ago, the Government abolished the Audit Commission in England, transferring its local audit work to the private sector and its oversight responsibilities to a range of public sector organisations. The changes were expected to provide for a “more robust, accountable and efficient way of holding local councils to account”.¹

In 2020, Sir Tony Redmond conducted an independent review of the effectiveness of local audit and financial reporting. A key question guiding the review was: “How are local authorities accountable to service users and taxpayers and how are auditors accountable for the quality of their work?”² We believe that this question is key to the work we do in the public sector. Establishing effective accountability is essential to delivering high quality and independent audit services.

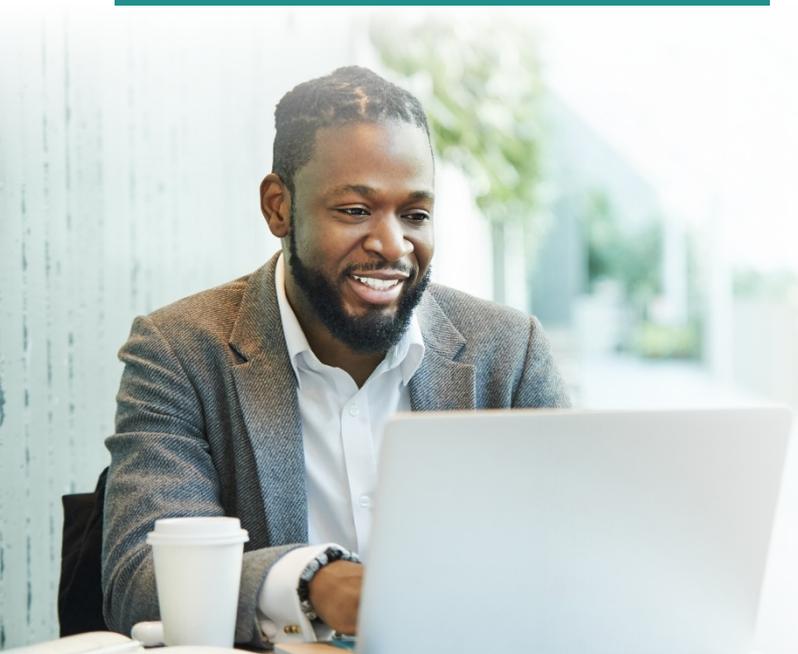
RECOMMENDATION NO.4

Of the 23 recommendations that the Redmond review presented, No.4 calls for a review of local authority governance arrangements. This includes a recommendation of “consideration being given to the appointment of at least one independent member, suitably qualified, to the Audit Committee”.²

This recommendation was made to address the finding that 56% of local authority audit committees had no independent members.² The Government has agreed to this recommendation and acknowledged that there are instances where current governance arrangements “fail to appropriately escalate concerns identified by external audits.”³ Furthermore, the Government has announced that it will work with key stakeholders such as CIPFA, the National Audit Office (NAO) and the Local Government Association (LGA) to issue guidance on the appointment of independent members to audit committees.³

The audit committee deals with complex accounts, as well as governance issues arising from internal audit work on specialist areas such as cyber security and environmental performance. A skills gap within the audit committee could weaken the audit process, resulting in insufficient scrutiny and challenge of officers and inadequate mitigation of the risks facing local authorities.

In the local government arena, the elected members who receive audit reports and accounts may lack the skills and expertise required to sufficiently understand and critique the audit findings and recommendations. This is in contrast to other sectors, where audit committee members are usually chosen based on specific skills, such as accounting and governance. Hence, we believe that addressing the local authority audit committee skills gap is key to improving actions required as a result of external and internal audits.



1. <https://www.gov.uk/government/news/audit-commission-abolition-on-course-to-save-taxpayers-over-1-billion>
 2. <https://www.gov.uk/government/publications/local-authority-financial-reporting-and-external-audit-independent-review>
 3. <https://www.gov.uk/government/publications/local-authority-financial-reporting-and-external-audit-government-response-to-the-redmond-review/local-authority-financial-reporting-and-external-audit-government-response-to-the-independent-review>

ADDRESSING THE SKILLS GAP

An essential first step is for audit committees to conduct a thorough skills assessment of their members. Some key issues facing local government bodies require subject matter expertise and experience - ranging from finance and risk management, to fraud, IT and environmental issues. It is essential to identify the strengths and weaknesses of the committee's skills as a collective.

A NUMBER OF ACTIONS CAN THEN BE TAKEN TO CLOSE ANY SKILLS GAP THAT HAS BEEN IDENTIFIED:



PROVIDE TRAINING

Audit committee members can be given training in key knowledge areas and technical skills. This is something that many local authorities already do. However, the Redmond Review highlighted that this is unlikely to be sufficient. Although training can increase awareness of some topics, it is unlikely that it can comprehensively address the skills gap. This is especially true for certain technical skills such as accounting.



INCREASE MANAGEMENT ATTENDANCE

The Redmond Review found that chief financial officers attended only 67% of audit committee meetings, and chief executives attended 23%. By encouraging more senior managers to attend meetings, audit committees can benefit from their expertise during discussions. As best practice, committees should aim to invite management executives based on the agenda items, eg the diversity officer when discussing equality, diversity and inclusion.



RESTRUCTURE

In some instances, it may be that the audit committee members' skills are concentrated in certain areas, while lacking in others. For example, a committee may have several finance experts, but no members with knowledge of cyber security threats. In such a case, the committee could consider replacing current members with other elected officials in order to achieve a more holistic skill set.



RECRUIT INDEPENDENT MEMBERS

Audit committees should consider recruiting one or more independent members to provide additional expertise. Such members should be appropriately qualified to address the skills gap and help elected members to scrutinise audit outputs effectively.

BENEFITS AND CHALLENGES OF RECRUITING AN INDEPENDENT MEMBER

There are several potential benefits of recruiting an independent member to the audit committee:



INCREASED EXPERTISE

The right committee composition is vital to an effective audit committee. Members with a range of expertise and experience can delve deeper into the audit findings. An independent member who brings needed skills to address a skills gap will make the committee more efficient and increase the accountability of auditors.



ENHANCING THE SCRUTINY FUNCTION

Scrutinising audit outputs is at the heart of the audit committee's purpose. Recent financial issues in local authorities have been linked to inadequate understanding and challenge by members in relation to issues such as investment strategies and use of companies. Appropriately qualified independent members will be able to better understand subject-specific reports and therefore better challenge officers over the audit findings.



KNOWLEDGE SHARING

Having independent members with strong specialist knowledge can help improve the knowledge and experience of the whole audit committee. Independent members can coach the elected members and encourage them to ask questions on areas they may not otherwise have considered.



BENEFITS AND CHALLENGES OF RECRUITING AN INDEPENDENT MEMBER (CONTINUED)

However, recruiting independent members also poses some challenges:

INCREASED COSTS

The recruitment is an added cost to the local authority. It is therefore essential to ensure that the new independent member really does bring the desired skills and experiences in order to add real value to the committee.

ATTRACTING QUALIFIED PERSONS

Given the budgetary constraints of local authorities, it is often difficult to attract the right talent. Audit committees can try to overcome this by writing clear and specific job descriptions, offering fair compensation and highlighting the intrinsic benefits of working in the public sector. The Council will also need to consider whether it wants more than one independent member. This would allow for additional expertise and reduce the risk of a single independent member feeling isolated. However, it requires additional recruitment effort and may upset the balance of the committee. Our advice would be to trial one member first before deciding whether additional independence is required.

ENSURING INDEPENDENCE

It is essential to ensure the independence of the member. The recruitment process should include consideration of any conflicts of interest, such as past political involvement, that may hinder independence.

EFFECTIVE WORKING

Given that independent members will only sit on the audit committee while the elected members are more heavily involved with the local authority, independent members may not be aware of all of the relevant issues facing the Council and the important role that members play in democratic accountability. This, however, can be managed by clarifying roles and responsibilities, issuing guidelines and providing effective monitoring. The role of the independent member should be confined to the audit committee only, and not interfere with the democratic workings of the authority.

The public sector audit function is vital in ensuring the accountability of our government bodies and in mitigating risks that they face. Adding independent members to audit committees could greatly enhance the effectiveness of the audit function and, in turn, the accountability of local authorities to their citizens. We recommend that the option of recruiting independent members to local authority audit committees is seriously considered by every Council, following a thorough skills assessment of the audit committee currently in place.

If you require further advice and assistance we would be happy to help. We can support you in undertaking a skills assessment of the audit committee to identify any skills gaps and can also provide training to address these gaps. Should you decide to appoint an independent member, we can provide role descriptions and advise on potential recruitment.



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The background of the entire page is a photograph of a paraglider with a red canopy flying over a mountain range. The sky is filled with white and grey clouds, and the mountains are partially covered in snow. The paraglider is silhouetted against the clouds. A red vertical bar is on the right side of the page.

GLOBAL RISK LANDSCAPE 2022

A Fragmenting World



FOREWORD

By Nigel Burbidge, Partner and the
Global Chair of Risk Advisory Services, BDO

The seismic economic shocks of the past two years have led businesses, industries and governments to rethink supply security and, hence, supply chains, placing a bigger focus on resilience over efficiency and low costs. While the COVID-19 pandemic turned entire global supply chains upside down, the geopolitical shocks that will continue to have an impact on supply chains have been creeping up before the upheavals of 2020 and 2021.

Declining relations between a number of the world's largest powers set the stage for ongoing trade tensions that have shown the potential to spill over into supply chains. China's zero-COVID strategy, which continues to shut down many of the country's ports and manufacturing facilities, creates a challenging business environment, especially for companies that have invested heavily in transferring manufacturing capabilities to the Far East. For years, China offered efficient, low-cost supply chains, but events of the past two years exposed the problems caused by heavy reliance on one manufacturing and distribution base.

The effects of the pandemic caused wholesale re-evaluations of supply chains – the measures many businesses have taken should stand them in good stead as further challenges emerge, such as the disruption caused by Russia's invasion of Ukraine, sanctions against Russia, and shortages

“ There are no simple solutions for weathering ongoing and forthcoming supply chain storms... (but) the case for resilient supply chains is stronger than ever ”

NIGEL BURBIDGE,
PARTNER AND THE GLOBAL CHAIR
OF RISK ADVISORY SERVICES, BDO

caused by Ukrainian farmers being unable to produce and export grain that the world has come to rely on.

Localisation for shorter supply chains, running multiple smaller manufacturing plants rather than one large site, and using more than one supplier are three major steps that can be taken to boost resilience. However, taking these measures can be expensive, which increases costs along the supply chain and for consumers – and ultimately drives up inflation.

There are no simple solutions for weathering ongoing and forthcoming supply chain storms. As uncertainty is set to continue on an international scale and businesses need to prioritise sustainability and environmental stewardship issues, the case for resilient supply chains is stronger than ever.

52%

of respondents agreed that the risks of large complex global supply chains now outweigh the benefits that they bring

EXECUTIVE SUMMARY

The unprecedented supply chain disruption caused by the COVID-19 pandemic may be subsiding, but new challenges require companies to build on the measures already taken to ensure resilience and sustainability

COVID-19 disrupted supply chains on a global scale, the likes of which businesses, governments and industries had not previously seen. More than two years on from the first pandemic lockdowns, businesses continue to experience supply chain challenges. Our Global Risk survey reveals almost half of C-Suite respondents said their supply chains have been severely affected by disruption over the last 18 months.

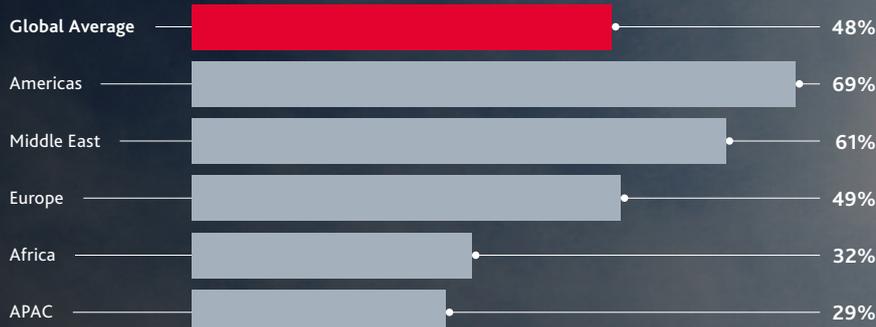
While international borders and economies have reopened, China's zero-COVID strategy continues to contribute to delays and shortages as the Government continues to impose lockdowns. Our report will outline other geopolitical factors that continue to create issues, forcing companies to find alternative suppliers and transportation routes – it is clearly a major concern among businesses with 77 percent of survey respondents citing geopolitical risk as a significant priority or the highest

priority risk for their business. Russia's War in Ukraine and the resulting sanctions have stopped essential goods and produce from leaving Ukraine while isolating Russia from vast swathes of global trade, while threats of a US-China trade war also pose risks to supply chains.

As well as geopolitical headwinds, our report examines other factors that continue to cause supply chain disruption and investigates whether businesses are prepared for ongoing and future challenges. Our survey found that businesses consider transparency as the second-biggest threat to supply chains (75 percent) and the third-biggest risk is cyber attacks on supply chains at 72 percent.

However, our survey revealed that discrepancies exist between the concerns businesses have and the practical steps they are taking to really build supply chain resilience.

Almost half of C-Suite respondents said their supply chains have been severely impacted by disruption over the last 18 months







Discrepancies exist between the concerns businesses have and the practical steps they are taking to really build supply chain resilience

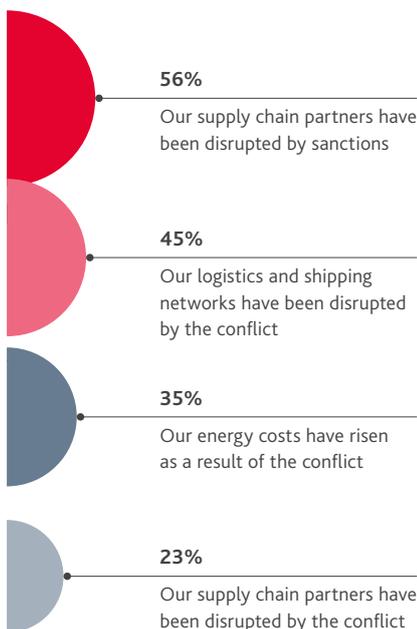
Regional differences in preparedness for supply chain disruption also emerged when survey respondents were asked about developing digital expertise and investing in digital transformation. Despite real and widespread fears about cyber attacks, hiring digital talent and investing in supply chain technology is a significantly higher priority in the Middle East and the Americas.

Our report outlines strategies businesses can take to build resilience into supply chains. Many businesses worldwide have already taken steps such as moving away from low-inventory, just-in-time supply chains, increasing localisation, and introducing joint procurement strategies.

Greater investment in digital transformation is another important step businesses can take to improve supply chain transparency and better predict disruptions so timely decisions can be made to mitigate risks. Artificial intelligence solutions that use predictive analytics will play a growing role in improving supply chain resilience and efficiency. At the same time, businesses will have to prioritise cyber security to ensure malicious attacks on supply chain systems do not derail the movement of goods.

Ultimately, however, the risk of serious disruption to supply chains from extreme climate events and natural disasters is the one that could create challenges of an equal or greater magnitude than those caused by the COVID-19 pandemic. Integrating climate and weather forecasting into predictive analytics solutions is one major step that can be taken to be better prepared for the disruption that many leading supply chain experts and climate scientists are expecting. Our report offers a powerful call to action for businesses across the world to take this threat seriously, build resilience and transparency into supply chains and cooperate with all stakeholders.

Impact of Russia's War in Ukraine in Supply Chains



Fifty-nine percent of survey respondents have created alternative supply chains as a backup and 23 percent intend to do so, but there are other areas where businesses may not be as ready to weather current or future storms. For example, none of the survey respondents who described their supply chain risk management as “under-resourced” felt they had a full understanding of the location or threats faced by their Tier 1 suppliers, indicating serious issues with transparency for many businesses.

Another area where many businesses may be leaving themselves vulnerable to supply chain threats can be found in the status given to risk leaders within companies. Our survey found significant regional differences in this regard. While an overwhelming majority of survey respondents in the Middle East and the Americas said that a risk management leader was a C-suite position in their companies – 72 percent and 80 percent respectively – this was much lower in other regions. The third highest percentage was Europe at 44 percent.

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P8

The Perfect Storm

89%

of respondents say that the disruption of the last 18 months has revealed weaknesses in their supply chain



P12

Geopolitical Quicksand for Supply Chains

77%

of respondents said geopolitical tensions are one of the highest priority risks for their organisation



P16

Transparency in an Opaque World

Only **24%**

of respondents said they had a full understanding of the locations and key threats faced by their tier one suppliers

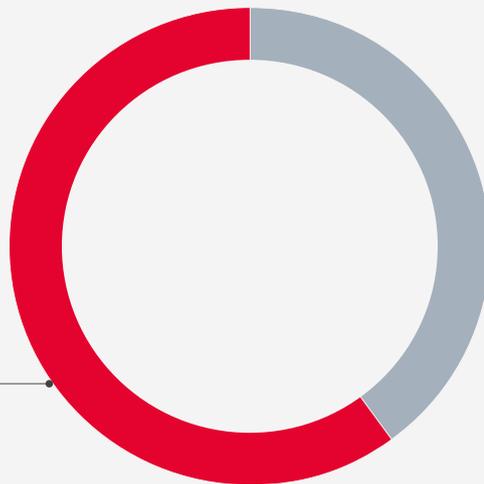


P18

Risk Leaders in the C-Suite Part 1

60%

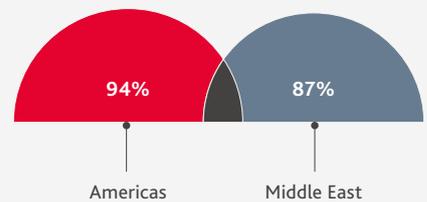
have a risk officer in the C-Suite



P21

Risk Leaders in the C-Suite Part 2

87% in the Middle East and 94% in the Americas, say their company has a dedicated individual responsible for supply chain risk management



P22

Cyber Assault on Supply Chains

42%

said cyber attacks was one of the top risks their organisation was unprepared for

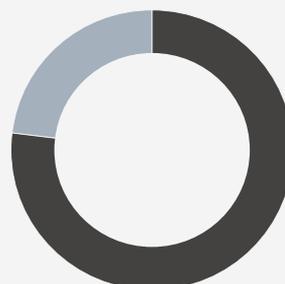


P24

The Gathering Storm

77%

of respondents did not think climate change and natural disasters would pose a significant threat to their organisation in five years time



THE PERFECT STORM

Overlapping factors – including geopolitical tensions, regulatory pressures, skills shortages and climate change – now present major threats to supply chain operations

Global supply chains have experienced ongoing and unprecedented disruption since 2020. The challenges presented by a “perfect storm” of multiple factors have forced businesses across the world to reassess how products are moved around on a regional, national and international level.

As lockdowns were imposed across the world in 2020 to mitigate the spread of COVID-19, shockwaves were sent across global supply chains. In particular, the pandemic-related disruption exposed the heavy reliance on China’s manufacturing and logistics sectors for many businesses. Even though economies around the world are reopening, reliance on China continues to present supply chain issues, as the country continues with a zero-COVID strategy.

“The pandemic disrupted the global supply chain – Asia and parts of Europe were initially hit hard with workers who fell sick with COVID, as well as shut down factories or factories at partial production and lockdowns,” said Vicky Gregorcyk, National Practice Leader – Risk Advisory Services – BDO US. “Once the factories were not fulfilling supply, the transportation piece of the supply chain also began to falter. Many companies did not have a plan in place when their primary sources of supply were cut off or delayed.”

Business leader and author Kevin Gaskell, sums up the major causes of the disruption: “There are many factors at play including the political impact of the US-China trade war, the global economic impact of COVID-induced reductions in manufacturing volume, and the practical implications of vehicle and vessels being in the wrong place at the wrong time.”

Supply chain transparency was affected during the pandemic when businesses

Geopolitical tensions was ranked as the top priority risk

01

Geopolitical tensions

02

Supply chain transparency

03

Cyber attacks on supply chains

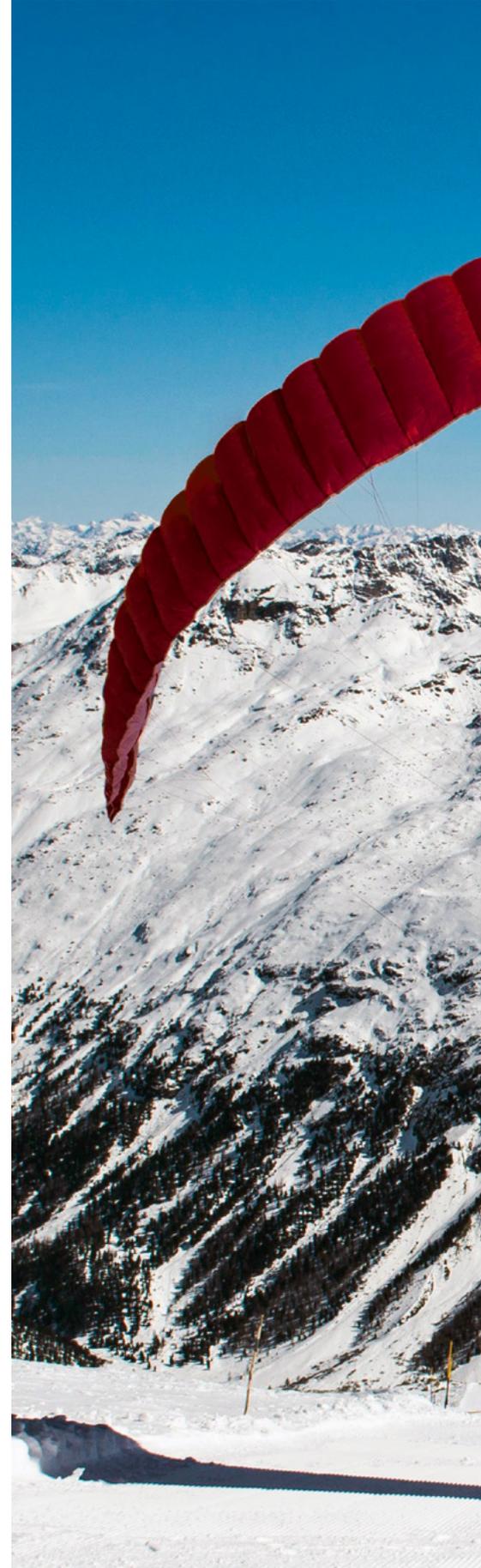
04

Transport and distribution bottlenecks

05

Raw material shortages

scrambled to find alternative partners amid lockdowns and labour shortages. It remains a serious challenge for businesses worldwide, indicating widespread awareness of the importance of visibility along entire supply chains, particularly when multiple partners and countries are involved. The [MIT Sloan Management Review](#) reported that a major reason for increased concern about supply chain transparency is consumer pressure for demonstrably better environmental and social practices, especially in the clothing, consumer electronics, and food and beverage sectors.







“ Once the factories were not fulfilling supply, the transportation piece of the supply chain also began to falter. Many companies did not have a plan in place for this ”

VICKY GREGORCYK,
NATIONAL PRACTICE LEADER –
RISK ADVISORY SERVICES, BDO US

The fear of cyberattacks on supply chains is justified, according to data from IBM's annual [X-Force Threat Intelligence Index](#) for 2022. IBM found that manufacturing was the most heavily targeted industry for cyberattacks in 2021 at 23 percent, taking over from financial services and insurance. Ransomware attacks on manufacturers create "ripple effects" that affect the supply chains of manufacturers,

IBM reported, adding that 47 percent of attacks on manufacturers were caused by "vulnerabilities that victim organisations had not yet or could not patch".

Transport and distribution bottlenecks and raw material shortages were brought into sharp focus during the pandemic, with increased awareness of how easily supply chains can be disrupted. In an increasingly uncertain world, even with pandemic pressures easing across many markets, the impetus has been created for serious evaluation of supply chains to prevent future chaos.

Factors that affect supply chains as well as other business operations – including geopolitical tensions (77 percent), regional conflict (47 percent), tougher environmental regulations (44 percent), lack of digital expertise (33 percent), and climate change and natural disasters (22 percent) – are challenging businesses to varying degrees, our survey found.

Overall, this paints a complex picture of overlapping supply chain challenges, some of which are hard to control, such as regional conflicts and natural disasters, along with factors where businesses can take more direct control, such as a lack of digital expertise.

During the past 18 months, the need for greater resilience and flexibility in global supply chains has come to the fore, particularly with the COVID-19 pandemic causing unprecedented disruption. But has this translated into businesses making changes to supply chains so that future events do not create similar challenges?

According to our survey, the most popular step to take has been creating full alternative supply chains as a backup to existing systems at 59 percent, closely followed by the introduction of dual sourcing of raw materials (54 percent), and regionalising supply chains or nearshoring production (50 percent).

Other measures taken by businesses to prevent a repeat of such serious disruption include introducing supply chain analytics technology (40 percent), increasing inventories for critical components (37 percent), and hiring more digital talent (30 percent). Interestingly, this indicates that 60 percent of survey respondents have not introduced supply chain analytics technology and 70 percent are not hiring more digital talent, despite 75 percent citing supply chain transparency as a major priority.

Looking towards the longer term, the survey respondents were asked how they expected supply chain optimisation to change in the next five years, a particularly crucial question given that uncertainties, such as the conflict between Russia and Ukraine, natural disasters and the impact of climate change, are difficult to forecast accurately.

In particular, business leaders were asked if they expected supply chains to be optimised based on efficiency or resilience in the next five years. The results revealed interesting variations between different regions.

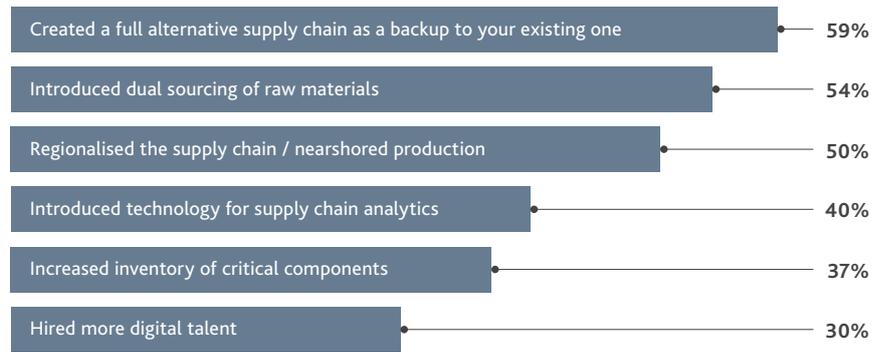
Overall, the expectation is that resilience will be a stronger focus than efficiency for supply chain managers, indicating how serious

the impact of pandemic-related disruption was for many businesses. Every region we surveyed – Europe, Middle East, Africa, Asia-Pacific and the Americas – favoured a resilience focus, albeit to varying degrees. Respondents from the Americas proved to be the most committed to improving resilience at 92 percent, closely followed by the Middle East at 89 percent. For the other regions surveyed, resilience is still a major priority at 68 per cent for Europe, 60 per cent for Asia-Pacific and 52 percent for Africa.

Supply chain efficiency is a much lower priority across all the regions, with African business leaders ranking it the highest at 33 percent, followed by Asia-Pacific (30 percent), Europe (24 percent), Middle East (10 percent) and the Americas (6 percent).

Decoupling from existing supplier relationships – particularly when long distances and multiple regions or countries are involved – is a growing trend among many businesses and industry sectors. This has the twin benefit of improving resilience and efficiency, if businesses take practical steps to achieve it – 59 percent of survey respondents have developed alternative supply chains, indicating decoupling is being taken seriously.

Companies have taken a variety of steps to make their supply chains more resilient



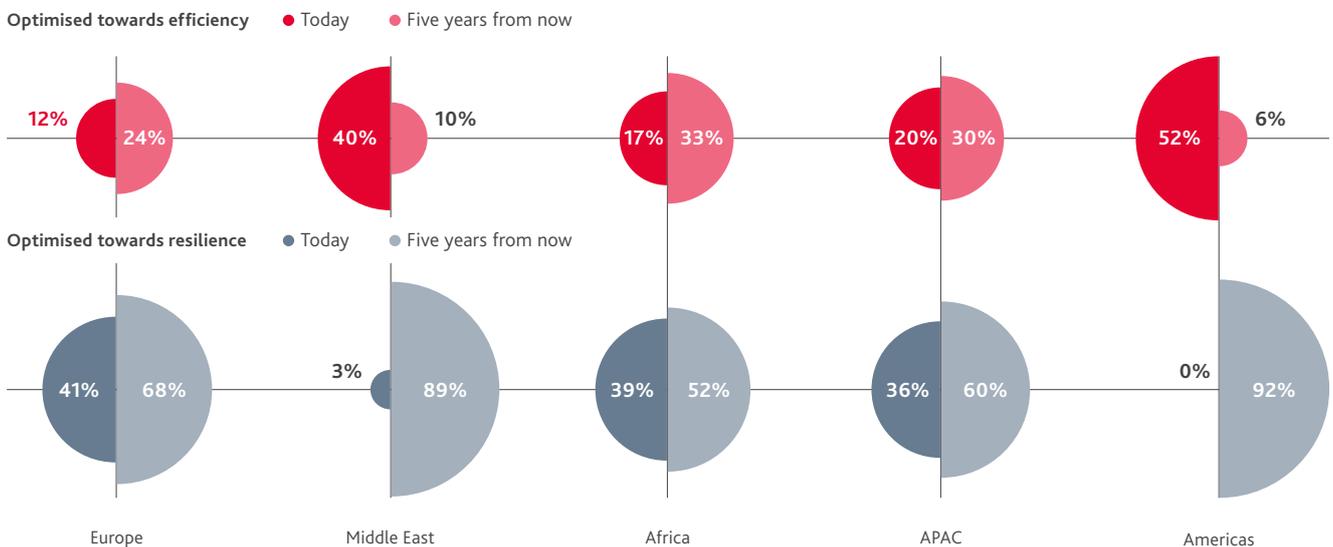
For businesses that relied heavily on China, decoupling has become a way to safeguard businesses as Beijing continues to enforce a zero-COVID policy, either by finding alternatives to Chinese suppliers or implementing a so-called China-plus-one strategy when completely eliminating China from the supply chain is impractical.

Kevin Gaskill says that businesses are “typically very agile” when responding to supply chain challenges, such as the need to decouple from existing suppliers: “They will

build a bigger safety stock buffer, identify new and alternative routes for suppliers, and find alternative channels to market.”

Emanuel van Zandvoort, Partner – BDO Netherlands, cautioned about the negative effects of being unprepared for future supply chain shocks, at a company level and in broader terms: “No supply means no sales, decreasing margins and loss of market share – and the social impact can be huge, the gap between rich and poor will increase.”

While the Middle East & Americas were most likely to have supply chains optimised towards efficiency. All regions expected a significant shift to optimise towards resilience over the next 5 years



GEOPOLITICAL QUICKSAND FOR SUPPLY CHAINS

Russia's War in Ukraine and trade tensions between the US and China are creating obstacles for supply chains on a regional and international scale

The major geopolitical risks currently affecting supply chains include growing tensions among Europe, the US and Russia, ongoing US-China trade headwinds, tariffs, and Russia's War in Ukraine. The latter has led to Russia's economic isolation as international sanctions take effect, as well as highlighting the political implications of European reliance on Russian oil and gas. For the UK, the vote to leave the European Union and the trade barriers this has created is an additional geopolitical pressure. These factors exist against a backdrop of increasingly stringent requirements of technology transfer and a growth in nationalism and protectionism.

59%

of respondents had created an alternate supply chain as a backup over the last 18 months, to make their supply chain more resilient

A further

23%

intend to do this over the next 18 months

55%

of respondents had found alternate suppliers to help mitigate supply side risk stemming from the Russia's War in Ukraine

Enric Doménech, Partner, Head of Risk Advisory Services, BDO Spain, said the geopolitical and commercial tensions with China began before the pandemic, creating stress on supply chains that was exacerbated by lockdowns. This was especially prevalent for factories that make raw materials and components that need to be transported internationally, which then exposed the lack of preparedness in other continents, such as Europe, when it came to managing risk.

"Geopolitical tensions will continue to exist in the coming years and we have already seen these tensions rapidly spill over into supply chains and, ultimately, product costs, which are increasing at speed" said Doménech. "It is very difficult for companies to react – or they are not prepared – and this is one of the current risks for businesses."

In 2022, feelings of unpreparedness for managing geopolitical risk have increased since 2020 and 2021, perhaps a reflection of the impact of Russia's War in Ukraine on supply chains.

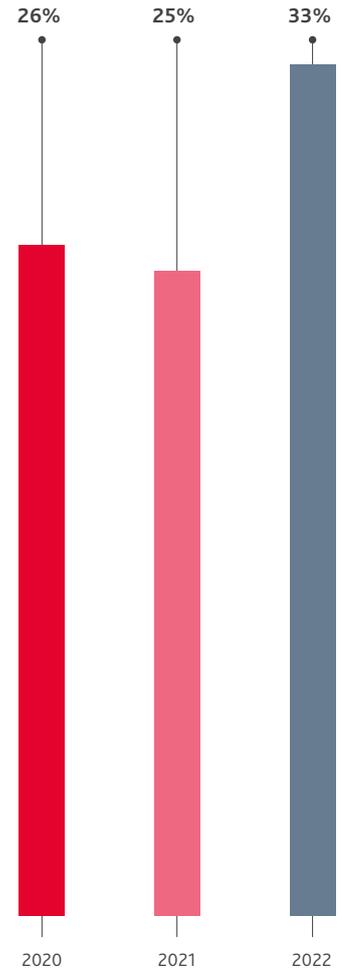
Developing alternative supply chains as a buffer against these tensions has become increasingly important. Growing nationalism and protectionism – along with consumer pressure for greener, low-mileage supply chains – creates a favourable political and social climate for localising supply chains.

Russia's War has resulted in 55 percent of respondents finding alternate suppliers to mitigate this risk. Survey respondents in the Middle East and the Americas have the most partners in Ukraine at 72 percent and 73 percent respectively. Overall, 24 percent of respondents have operations in Ukraine, 33 percent have partners in Ukraine, 21 percent have suppliers





More C-Suite say they are unprepared for the risks stemming from Geopolitical tensions than ever before



in Ukraine, and 45 percent have reported logistics and shipping disruptions as a result of the conflict. In the context of those figures, it is clear that ongoing conflict will mean alternative sources of supply and supply chains will likely be in place for the foreseeable future.

As well as finding alternate supply chains, other measures the survey respondents are taking to mitigate the effects of the War in Ukraine include ramping up cyber security (51 percent) and increasing inventory (57 percent).

Sanctions imposed against Russia have had the biggest impact on the Middle East and the Americas, with both regions the most likely to experience supply chain disruption as a result. Overall, 56 percent of respondents reported supply chain partners experiencing disruption because of sanctions and 23 percent reported partners being disrupted by the conflict itself. At the other end of the scale, African businesses are the least affected by the conflict, with 25 percent reporting no impact whatsoever on supply chains or energy costs.

However, not all survey respondents are cutting all ties with Russia – 39 percent have severed ties with some Russian partners and suppliers and only 2 percent have severed all ties with Russia, all of which were in the Middle East and the Americas. A heavy reliance on Russian oil and natural gas is a challenge for regions, especially Europe, where leaders are keen to impose sanctions, but fears of energy price rises and shortages create political and economic challenges.

Higher revenues appear to make it easier for organisations to sever ties with Russia while its War in Ukraine continues. Our survey found that 60 percent of organisations with revenues of \$10 billion or more had done so.

Tensions between the US and China, with added pressures of China's strict adherence to a zero-COVID strategy, has created serious supply chain challenges on an international scale. The superpowers of the US and China represent the world's biggest economies, with the US at number one with a GDP of \$20.89 trillion, followed by China at \$14.72 trillion, according to [World Bank data](#).

Laurence Dellicott, Director of Supplier Management & Supply Chain Services at logistics technology firm MySupply, explained that threats of a full-blown US-China trade war have caused manufacturers to stockpile components ahead of embargos. At the height of the pandemic, demand for consumer electronics increased and Dellicott said "these problems are still impacting the supply chain, especially in relation to the stress on electronics".

Dellicott added that regardless of how well other countries manage supply chains as



The C-suite feels Geopolitical Tensions & Regional conflicts pose the most severe threat to supply chains right now

- Geopolitical tensions
- Regional conflict (coups, wars etc)

SEVERITY OF IMPACT



SEVERITY OF IMPACT IN 5 YEARS





economies have reopened after pandemic-related lockdowns, "it's not dramatic to say that if China struggles too much with the variant throughout 2022, there will be significant global supply chain impacts."

Ruediger Hagedorn, Director of The Consumer Goods Forum, advises businesses to take a range of measures to protect them against the impact of geopolitical events on supply chains, especially when other factors, such as consumer demand increase the pressure. These measures include building more flexibility within supply chains "to give more room for manoeuvre if the unexpected happens", as well as storage of essential products closer to home, shipping from geographically closer neighbours, reviewing warehousing to ensure reliable storage facilities, and closer collaboration with supply chain partners to secure longer-term benefits for everyone involved.

SAMSUNG'S TIGHTROPE

In 2011, Japan was rocked by an earthquake and tsunami. The Fukushima nuclear accident dominated headlines, but this natural disaster had wider implications. For South Korean technology giant Samsung, the aftermath of the earthquake and tsunami led to increased investment in domestic production capabilities to limit exposure to natural and climate disaster supply chain risks. However, minimising risk exposure to natural disasters was not the only supply chain concern Samsung has managed since 2011. More than 80 percent of Samsung's revenue comes from overseas markets, making the company highly susceptible to global circumstances.

Samsung balances competing relationships with the US and China, two vital trading partners for South Korea. To achieve this, the company has made major investments with Chinese partners and in US-based infrastructure for producing semiconductors. The value of the semiconductor market cannot be overstated – these solutions led Samsung's 2022 first quarter profits with a 151.5 percent increase in operating profit to 8.5 trillion won year-on-year.

Cooperation with governments is another important strategy for alleviating supply chain issues. In [October 2021](#), Samsung Electronics North America President and Chief Executive Officer KS Choi met with Vice President Kamala Harris, Transportation Secretary Pete Buttigieg, National Economic Council Director Brian Deese, and CEOs of other major companies to discuss practical ways to alleviate a pandemic-related shipping bottleneck at two Californian ports. This resulted in an increase of almost 60 percent in the number of containers that were moved in a 90-day period.

Looking ahead, Samsung plans to build a \$17 billion plant in Taylor,

80%

of Samsung's revenue comes from overseas markets

Texas, to make advanced chips for its contract-manufacturing business. Protecting US market share is crucial – 72 percent of US homes have one or more Samsung products. In addition, Samsung is looking to Vietnam as an alternative supplier, so the company has a buffer against supply chain issues that could be created by trade war-related tensions between the US and China.

The practical lessons business leaders can take from Samsung's example include localising manufacturing and supply chains for important markets, such as investment in US infrastructure. As well as providing a buffer against geopolitical events that affect cross-border supply chains, localised supply chains are more sustainable with a lower carbon footprint as goods and components travel fewer miles.

For businesses with a heavy reliance on China for manufacturing and logistics, Samsung demonstrates that as well as forming solid partnerships within China, it is important to work with other countries. Using Vietnam as an alternative supplier will help shield Samsung from issues created by US-China tensions and China's zero-COVID strategy.

Samsung also demonstrates the benefits of maintaining good relations with governments in their markets. Having a seat at the table with political leaders when supply chain issues are caused by external factors creates powerful cooperation with bottom line benefits.

TRANSPARENCY IN AN OPAQUE WORLD

How technology can be safely leveraged to improve supply chain transparency, in an era where visibility is more important than ever before

Our 2022 Global Risk survey has revealed that, on average, 47 percent of respondents ranked supply chain transparency among their organisations' highest risk priorities. However, our survey revealed gaps between the concerns of businesses, understanding of the key threats caused by poor transparency, and actions taken to alleviate these issues, along with significant regional variations.

There are two main risks caused by poor supply chain transparency. First, there is a growing reputational risk for businesses associated with suppliers that do not meet the high ethical standards more consumers are demanding, and the second risk is knock-on effects when businesses do not

understand regional challenges faced by suppliers. If businesses are not fully aware of these challenges, additional risk exposure is a real possibility.

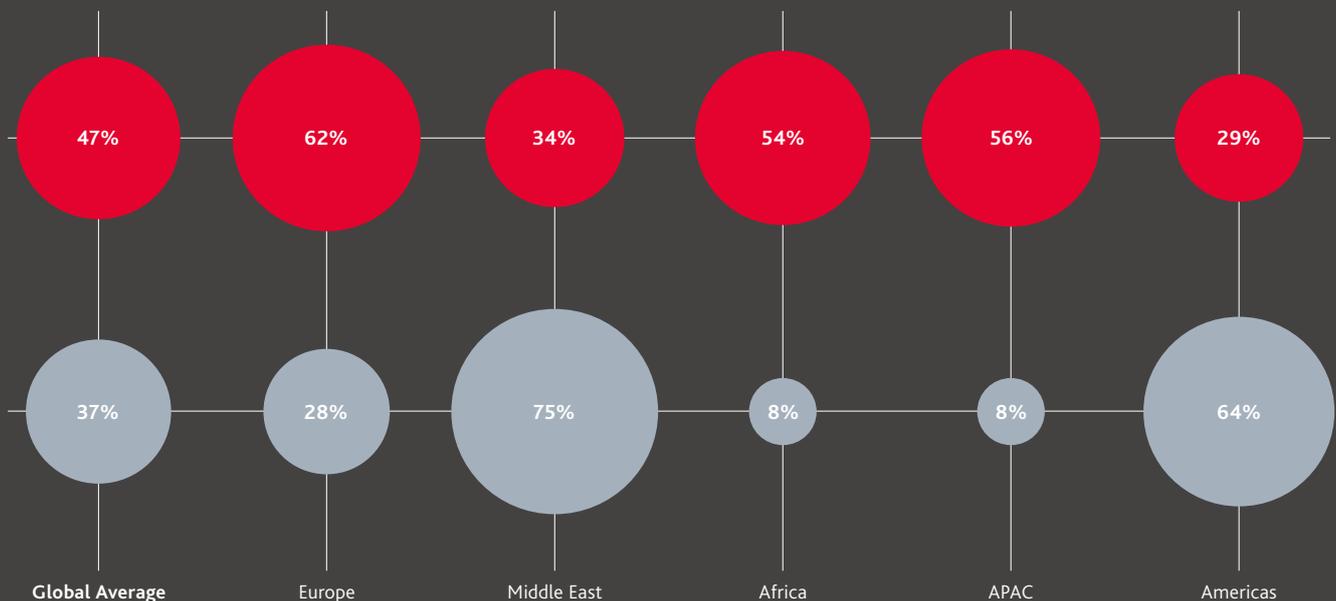
Studies have shown that more consumers demand high ethical standards along supply chains from the brands they use. IQPC's [Global State of Customer Experience Report 2022](#) found that 80 percent of customer experience professionals surveyed said there was "rising sustainability awareness" from consumers, and just over 80 percent said awareness of company ethics is influencing purchasing decisions. This includes environmental stewardship, no child or unpaid labour, good working

conditions, using sustainable materials, and the highest safety standards.

Rising concern among consumers regarding supply chain ethics interconnects with the second risk, that of businesses not fully understanding suppliers' regional challenges – and improved transparency at every level of the supply chain helps minimise these risks. For businesses, the risks are not only reputational, but can have financial implications. When a business is unable to gather the right data at every step and in every region, it is difficult to find solutions to deal with issues that cost money and waste valuable time. This is why supply chain visibility is crucial at every tier.

Supply chain transparency priority and impact

● Highest priority today ● Most severe impact in five years time



75%

of the C-Suite ranked supply chain transparency amongst their companies highest priorities. The second highest priority of any risk

28%

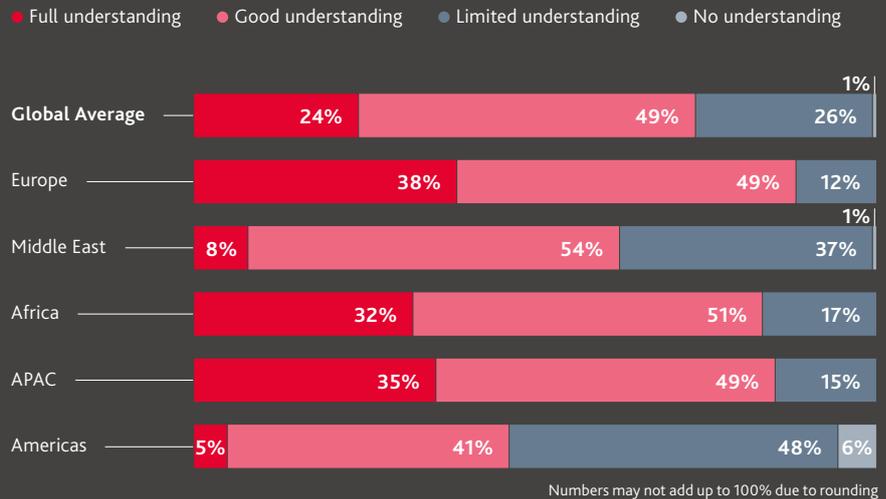
said they're investments in supply chain technology were made to increase visibility & transparency

Richard Walker, Director, BDO South Africa, emphasised the importance of prioritising sustainability when mitigating risk: "Companies should ensure that there is an integrated approach to supply chain risk management and supply chain resilience. An integrated approach can only be achieved if supply chain, as part of sustainability, is at the centre of a company's business model."

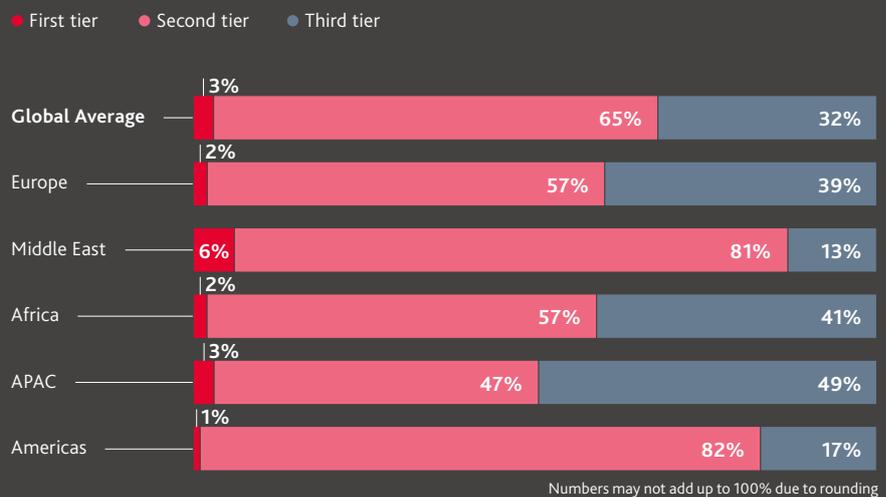
Leveraging data is essential to improve transparency and visibility. For accessing data in real time, so smart, fast decisions can be made, investment in technology has become a "need-to-have" rather than a "nice-to-have". Twenty-eight percent of survey respondents said they had introduced technology for supply chain transparency and visibility, which was the second-highest answer after supply chain planning. However, this indicates that 72 percent of respondents are yet to make this investment.

Leading edge technological solutions for improved transparency make the most of advances in artificial intelligence and machine learning. This technology not only ensures data about supply chain challenges, such as delays and shortages, is readily available to everyone who needs to be aware, but it processes and analyses data to aid decision-making. Cloud-based solutions mean that people across different regions and countries can see supply chain activity in real time, while

Supply chain key threats understanding



Does your company have any visibility in their supply chain beyond the first tier?



balancing cybersecurity concerns regarding who has access to the information.

Dr Shereen Nassar, Global Director of Logistics Studies, Heriot-Watt University Dubai, says transparency is "not limited to only knowing the location of the inventory while on its journey from manufacturer to supplier to shipping company through to end user. It is about having access to and leveraging real-time data from every point of the journey."

She sums up the importance of technology for businesses that are serious about supply chain transparency: "[The priorities are] identifying inefficiencies, ensuring quality compliance of products, enhancing the ability to monitor suppliers, and positively impact stakeholder and customer satisfaction. Technologies such as AI-powered tools and blockchain technology provide enhanced product visibility and traceability, conferring trust and eliminating disputes in many cases."

RISK LEADERS IN THE C-SUITE, PART I

The corporate status of risk leaders in an organisation can have a direct impact on how risk management is prioritised in supply chains

The prominence of a risk management leader within the corporate structure of a business tends to reflect how risk-averse – or risk-tolerant – the company might be. The risks associated with managing supply chains in an increasingly unpredictable world are presenting new challenges to businesses, so our latest global risk research investigated the connection between the corporate status of risk officers, the appetite for risk, and supply chain priorities and plans.

Survey respondents from companies where the risk lead is a C-suite position were found to be considerably less risk-welcoming. According to the data, these organisations are two-and-a-half times more likely to cut ties with Russian partners in response their War in Ukraine, and are 18 percent more likely to have a team member whose role is dedicated specifically to supply chain risk.

Of the organisations that do not have a risk lead in a C-suite position, 29 percent have never considered elevating a risk lead to a position such as head of internal audit, chief risk officer or director of risk and assurance, and consider themselves risk-welcoming.

Our research found a connection between the level of resources dedicated to supply chain risk management and supply chain visibility, which risks are prioritised within those organisations, and views on the future

2.5x

more likely to cut all ties with Russian partners than those who haven't considered making it a C-Suite role.

24%

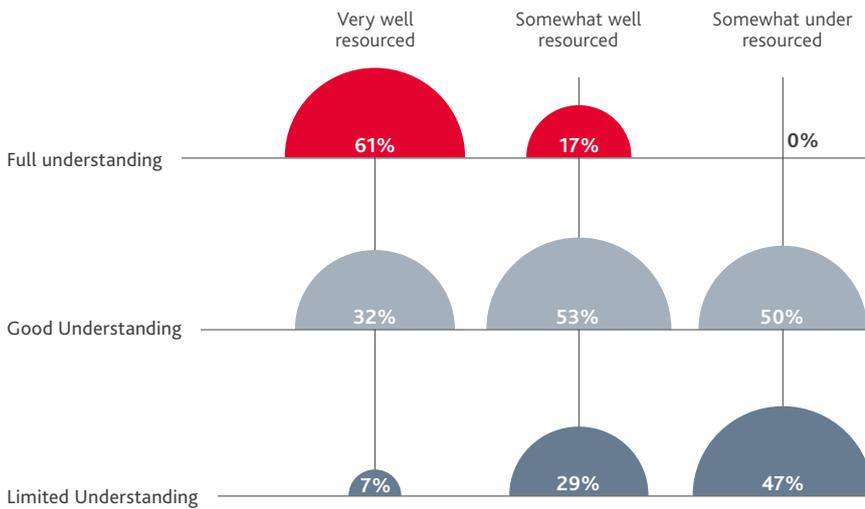
more likely to cut some ties with Russian partners or suppliers

Is your risk lead a C-suite position

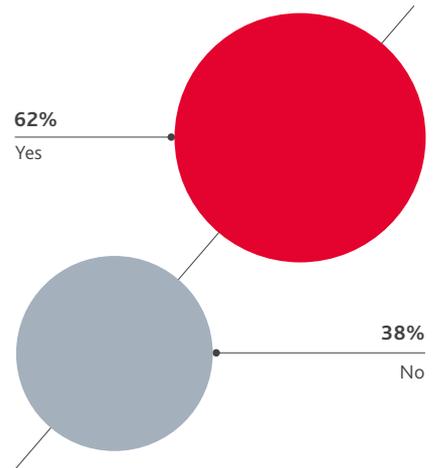




To what extent does your company understand the locations and key threats faced by your tier one suppliers?



Does your company have a dedicated individual responsible for supply chain risk management?



None of the under-resourced respondents felt they had a full understanding of location and threats faced by their Tier 1 suppliers

number one priority for their business. In contrast, 38 percent of respondents with under-resourced supply chain risk management ranked cyber-attacks as the top priority. In addition, none of the under-resourced respondents felt they had a full understanding of location and threats faced by their Tier 1 suppliers.

position and whether more investment is needed into supply chain risk management.

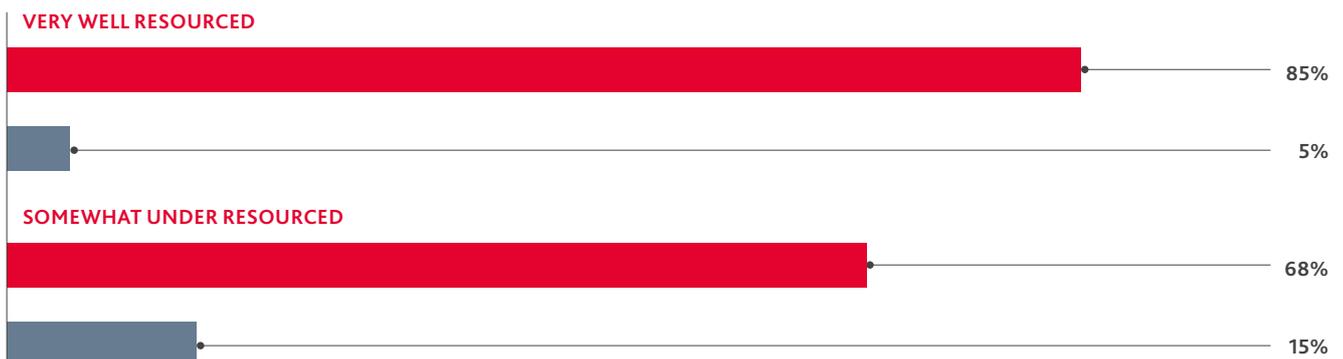
Dr Shereen Nassar, Global Director of Logistics Studies, Heriot-Watt University Dubai, cited the example of the pharmaceutical companies, which tend to have complex and sensitive supply chains, as an industry where others can learn lessons for improved supply chain investment and prioritisation of risk managers in C-suite positions. She said the wide-ranging benefits include "investing in technologies that provide transparency, traceability and visibility to using it to support sustainability goals."

direction of travel for supply chains. Of the respondents with well-resourced supply chain risk management, only 5 percent ranked cyber-attacks as the

Our survey data certainly poses some challenging questions for companies with under-resourced supply chain management to consider, such as whether the time is right to promote a risk officer to C-suite

On average is your business headed toward a more diverse, or an increasingly narrow supply chain, over the next 18 months?

● More diverse ● Increasingly narrow



RISK LEADERS IN THE C-SUITE, PART II: TWO REGIONS ALIGN

The Middle East and the Americas are, by a significant margin, the regions most likely to promote risk leaders to C-suite roles – but what impact does this have on supply chain management?

The prioritisation of supply chain management and the prominence within organisations of risk leads, is markedly higher in the Middle East and the Americas, according to our survey data.

Among survey respondents from the Middle East, 72 percent reported that a risk management leader is a C-suite position in their organisation. In the Americas, this figure was even higher at 80 percent. In contrast, the third-highest percentage was Europe at 44 percent.

Again, the Middle East and the Americas were in lockstep with each other when asked if their organisations have a position dedicated specifically to supply chain risk management – this figure was at 87 percent for the Middle East and 94 percent in the Americas, with Europe in third position at 50 percent.

Drilling down further into the data, the majority of respondents from the Middle East and the Americas consider themselves to be risk-welcoming at 81 percent and 84 percent respectively. Once more, there was a significant gap between the top two and the third-highest percentage, with 52 percent of

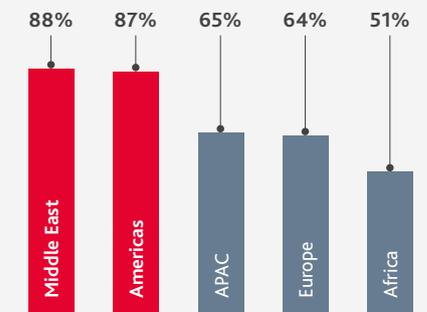
respondents from Asia-Pacific considering themselves to be risk-welcoming.

The proliferation of risk officers in the Middle East and the Americas may help explain the confidence of so many respondents from these regions to consider themselves risk-welcoming. More than 75 percent of respondents from both regions said their organisations planned to further diversify supply chains over the next 18 months and, overall, they strongly agree that the risks of more globalised supply chains outweigh the benefits. In addition, organisations in the Middle East and the Americas led the way among survey respondents in creating full alternative supply chains to improve resilience. The Middle East also led all regions in moving towards more regionalised supply chains at just above 60 percent. These figures indicate major plans are in place across multiple businesses to manage risks associated with geopolitical tensions, with diversification meaning greater localisation for these regions' supply chains.

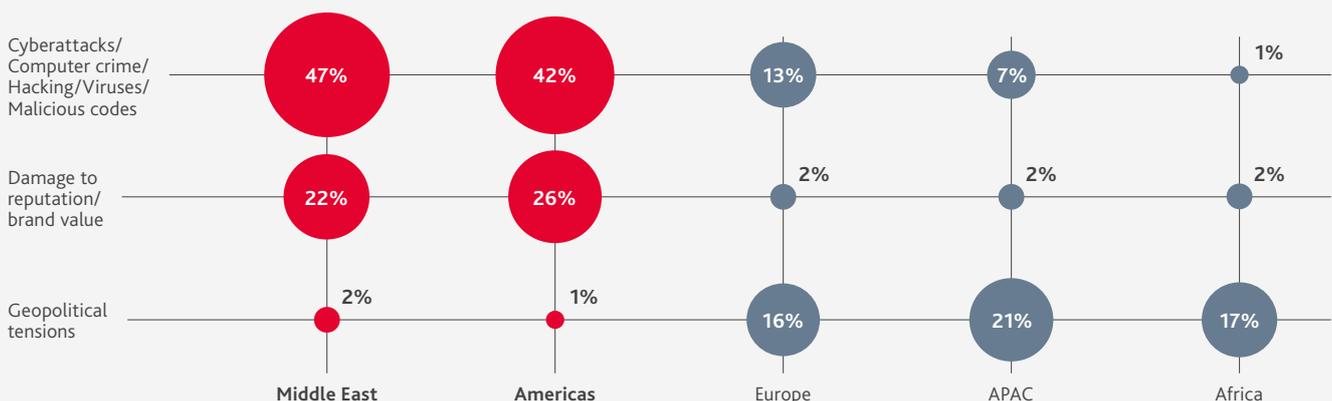
Leveraging supply chain technology to improve resilience and flexibility was a high

priority for the Middle East and the Americas, ahead of other regions. For the Middle East, almost 60 percent of organisations in the Middle East are hiring more digital talent and just over 40 percent are investing in supply chain analytics technology. In the Americas, more than 50 percent are investing in this technology and almost 50 percent are hiring more digital talent.

Businesses in The Middle East and the Americas expect far greater supply chain diversification over the next 18 months than other regions



Which risks are your company most unprepared for?



CYBER ASSAULT ON SUPPLY CHAINS

Cyber security is a growing concern for business leaders worldwide, a challenge that requires digital expertise and investment in leading edge technologies

Digital transformation has a powerful impact across industries and industry sectors – and supply chains are no exception. Technology has improved the transparency, resilience and efficiency of supply chains, but digitisation of supply chains comes with the significant risk of attack by increasingly sophisticated hackers and cyber criminals.

The risks are complex and wide-ranging, including crimes such as nation state hacking of strategic industries and cyber-criminals using ransomware to shut down business operations. But Internet of Things (IoT) technology for supply chains is here to stay, so cyber-security risks must be mitigated.

Our survey revealed more businesses expressing concern about the risk of cyber-attacks, with 22 percent of respondents ranking it as the number one priority for their business, the highest score of any risk. This represents a sharp rise, compared with 12 percent ranking it as their highest priority in 2020 and 9 percent in 2021.

Many businesses made it clear in our survey that the risk of cyber-attacks will continue to pose challenges in the years ahead, ranking as the second highest challenge on average

in terms of the risk it presents to supply chains in five years' time. Forty-five percent of respondents said cyber-attacks would pose a severe or somewhat severe impact.

It is clear that businesses need to boost preparedness for cyber-attacks and remain resilient in the face of this ongoing challenge, so they can benefit from the increased transparency and efficiency while staying safe.

The US-based [National Institute of Standards and Technology](#) advises organisations to develop defences against cyber-attacks “based on the principles that your systems will be breached”. Starting the process from the premises that a breach is inevitable means the question “becomes not just how to prevent a breach, but how to mitigate an attacker’s ability to exploit the information they have accessed and how to recover from the breach”.

The UK Government’s [National Cyber Security Centre](#) recommends continuous improvement within digital supply chains. This involves constant vigilance, with the centre advising organisations to “encourage your suppliers to continue improving their security arrangements, emphasising how

“The question is not just how to prevent a breach, but how to mitigate an attacker’s ability to exploit the information they have accessed and how to recover from the breach”

US-BASED NATIONAL INSTITUTE OF STANDARDS AND TECHNOLOGY

this might enable them to compete for and win future contracts” and to act quickly whenever concerns are raised.

Last year, the European Union Agency for Cybersecurity (ENISA) released the [Threat Landscape for Supply Chains report](#), which offers practical advice to prevent these attacks. The report found that in 66 percent of reported breaches, attackers focused on suppliers’ code, and concluded that organisations should “focus their efforts on validating third-party code and software before using them” to ensure there has been no tampering or manipulation.

ENISA also found that of the supply chain incidents it analysed, 58 percent involved targeting customer data, such as personally identifiable information and intellectual property. This points to the importance of not forgetting the protection of customer data and following all relevant data protection regulations when improving digital supply chain security.

The New Zealand government’s [Communications Security Bureau](#) recommends a clear definition of roles and responsibilities within a cyber risk management programme. Instead of treating supply chain cyber-security as an isolated process within a specific team or unit, the bureau recommends integrating supply chain risk management, including cyber-security, within a broader organisational programme.

On a scale of 1-5 rank each risk by the severity of the impact you think it will pose to your company in 5 years time.

45%

Cyber attacks on supply chains ranked second highest on average when considering impact it will pose in 5 years time

67%

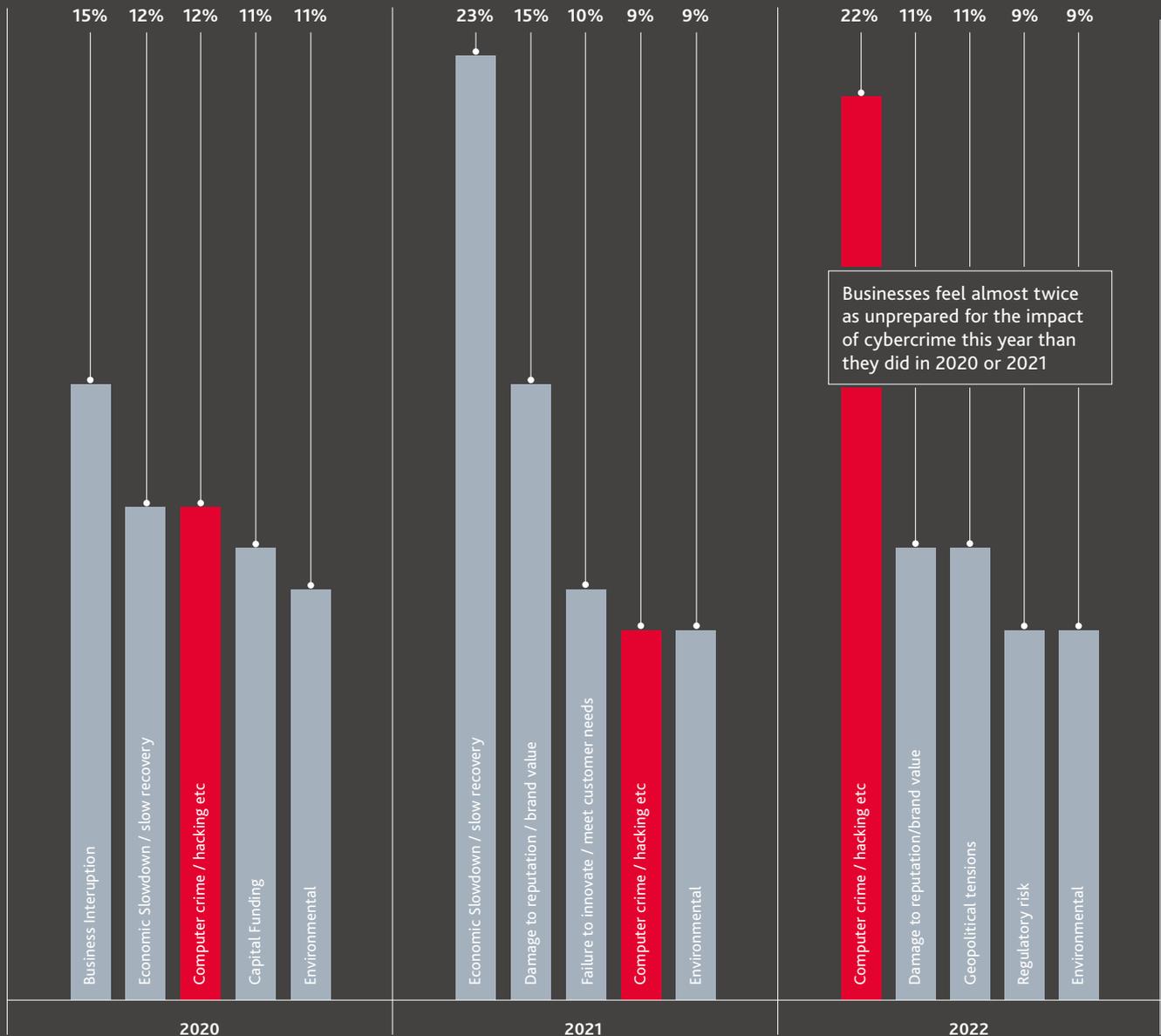
of companies have invested in digital supply chain technology over the last 18 months?



51%

of respondents said their business had ramped up cybersecurity in response to the War in Ukraine

Businesses are feeling much more unprepared for cybercrime than in previous years



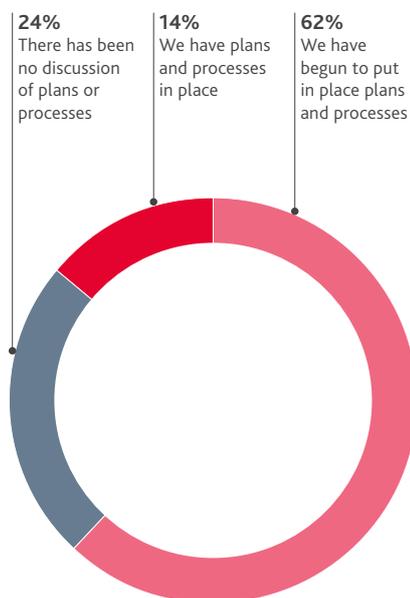
THE GATHERING STORM

Businesses cannot afford to be complacent about the challenges that climate change and extreme weather events will present to supply chains across the globe

Despite the COVID-19 pandemic highlighting crisis-related supply chain management issues, our survey indicates a lack of preparedness for future pressures. In particular, it revealed that many organisations are not putting plans and processes in place to minimise the impact of climate disaster. The vast majority of regions and industries are likely to be caught out in the event of forthcoming climate change-related events, with financial and reputational repercussions.

Natural and climate disasters that are expected to affect supply chains in the coming years include rising coastal tides, extreme rainfall, floods, hurricanes, wildfires, and regional droughts. These extreme

Preparing for the impact of climate change on supply chains



weather events make the risk of climate disaster-affected supply chains particularly critical for supply chains that cross international borders. Now is the time for all businesses to put plans and processes in place to mitigate this risk. It puts into sharp focus an important question: Is it now time to optimise supply chains more around resilience than efficiency?

Our survey results demonstrated the low priority many organisations place on climate change risk. Only 22 percent of respondents ranked climate change and natural disasters as a significant or highest priority for their business, which was the lowest score of any risk. The next lowest priority was tougher environmental regulations. Furthermore, just 23 percent of respondents believed that climate change and natural disasters would have a significant or severe impact on their business in five years time, again the lowest score of any risk.

While businesses are largely diligent about the risks to supply chains posed by cyber-attacks, mitigating climate-related risk is a blind spot for many C-suite leaders. While many businesses proved to be agile during the pandemic when lockdowns affected supply chains, it is unclear whether similar agility will be on display when climate events have a similar – or more serious – impact.

Ricky Cheng, Director and Head of Risk Advisory – BDO Hong Kong, cited failure to control the average temperature rise to less than 1.5° as a major concern for companies being unprepared for forthcoming challenges, along with potential economic downturn from global economic recession and future outbreaks of infectious diseases.

[The Climate Change Committee](#), an independent UK statutory body that reports to parliament on progress made in preparing for and adapting to the impact of climate change, outlined how climate events can

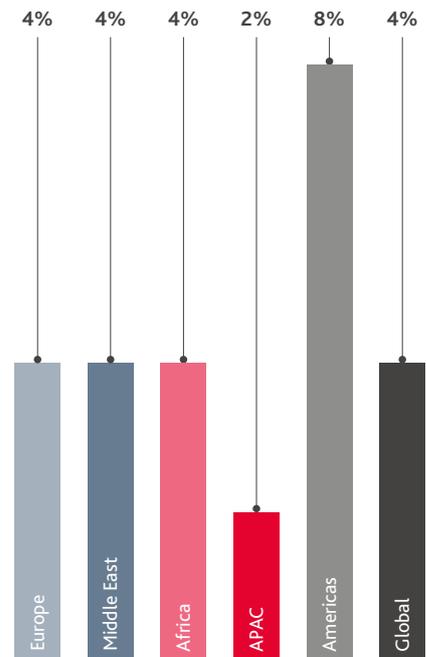
disrupt business operations. In particular, the committee highlighted how the level of disruption will depend on factors that businesses cannot necessarily control, such as the resilience of local infrastructure including energy, transportation and communications systems. As these services are frequently the responsibility of government bodies in many jurisdictions, the committee warns that businesses will “need to understand their exposure” to climate events and “not assume that authorities will manage risks on their behalf”.

For organisations that rely on international supply chains, distribution networks and global markets, the committee highlighted the reality of risk exposure regarding extreme weather worldwide. This is especially prevalent for supply chains that include more vulnerable countries, such as those in south and south-east Asia and sub-Saharan Africa.

The importance of planning for the impact of climate disaster on supply chains cannot be overstated. However, there are steps that can be taken to ensure better preparedness. [The European Corporate Governance Institute](#)



Priority of climate change as a risk



released a paper in August 2021 that outlined urgent measures for businesses.

Internationally diversified companies will likely have the financial power to make supply change adaptations that remove vulnerable countries from supply chains, the paper found. This is a similar approach to that which was taken in response to events such

Only
22%

ranked climate change and natural disasters as a significant or high priority

Only
23%

said it would have a significant or severe impact in 5 years time

as Russia's War in Ukraine, US-China trade tensions, and China's zero-COVID strategy. However, taking this step means that international economic development will be affected in vulnerable countries, leaving them economically weaker.

A 2020 [Hanken School of Economics](#) report found that businesses can learn lessons in preparedness from humanitarian agency supply chains, which showed remarkable resilience and agility during the COVID-19 pandemic. The report found that corporate and humanitarian supply chains both benefit from "the concepts of agility, flexibility, responsiveness and resilience" for managing turbulent conditions, such as extreme climate events.

Specifically, the Hanken report highlighted the importance of moving away from depending on low-inventory, just-in-time supply chains and recommended carrying safety stocks pre-positioned in strategic locations to avoid shortages. In corporate terms, the report concluded that this system "mitigates the effects of panic-buying and of price surges in the immediate aftermath of a disaster". Other recommendations included

joint procurement to increase purchasing power during crises, localising supply chains wherever possible, not relying on single suppliers, and managing inventory to favour suppliers with shorter lead times.

Forecasting is also essential, the report found, and not just in terms of accurately predicting the need for goods – the "integration of climate and weather forecasts with the activation of procurement, the mobilisation of supplies and funds and the deployment of people" is crucial. In short, companies that ignore the real risks of climate change will do so at their peril and, without preparedness and adaptation, the outcome for supply chains could be devastating.

Richard Walker provided a timely reminder about the implications of ESG disclosure requirements for supply chain managers across the globe: "After many years of greenwashing arguments, new disclosure requirements – especially the double materiality principle – ensure disclosure of information for investors and stakeholders, which brings suppliers and supply chains out of the shadows and into the sustainable, long-term value creation limelight."

CONCLUSION

Businesses that have taken a proactive approach to building supply chain resiliency, with a focus on sustainability, will be in a strong position to weather future storms in the years ahead

Plan for 'unacceptable events'... and assess supply chain risks in terms of dependency, quality, environmental and social impact, and your security of supply

EMANUEL VAN ZANDVOORT,
PARTNER, BDO NETHERLANDS

Our Global Risk survey revealed an interesting mix of supply chain concerns – and measures taken to mitigate the risks – across businesses and across regions. Perhaps unsurprisingly given the impact of Russia's War in Ukraine, as well as ongoing issues with the US and China, geopolitical tensions were cited by 77 percent of respondents as the most pressing challenge.

As economies reopen after the COVID-19 lockdowns, other supply chain challenges include tougher environmental regulations, lack of digital expertise, and the effects of climate change and natural disasters. The picture is one of complex and often overlapping challenges, but our survey results exposed some hard questions that organisations will need to ask themselves if they are serious about mitigating supply chain risks.

Although the pandemic meant businesses across the globe had to adapt and diversify supply chains, lessons from this unprecedented worldwide crisis are not always being applied to future risks. While the risk of cyber-attacks in supply chains was cited by 72 percent of respondents as a threat, there were significant regional discrepancies in the development of digital expertise. In the Middle East and the Americas, hiring digital talent and investing in supply chain technology were higher priorities than other regions – and the prioritisation of supply chain management is markedly higher in these two regions.

"Assess supply chain risks in terms of dependency, quality, environmental

and social impact, security of supply," advised Emmanuel van Zandvoort.

He added that businesses should plan for "unacceptable events" by looking at alternative sourcing, qualifying alternative materials, reviewing contractual arrangements with customers when they cannot supply, shortening supply chains where possible, monitoring risk indicators, and creating buffers by shoring up inventories with "safety stock".

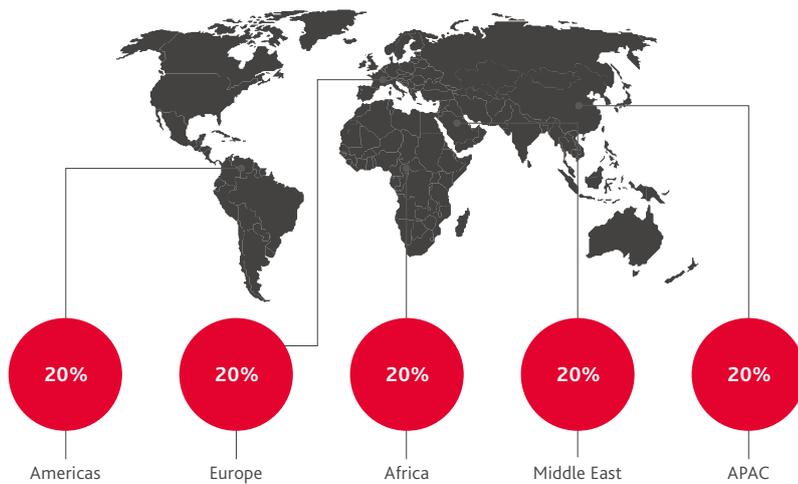
However, overall, our survey found a low proportion of businesses are concerned about the risk of climate disaster to supply chains (22 percent), correlating with a low proportion having plans and processes in place to mitigate climate change disruption (14 percent).

Ricky Cheng warned supply chain leaders that "climate-related data will be further scrutinised by global regulators [and] further requirements will be expected, such as mandatory assurance on ESG reporting and verification of carbon emissions data."

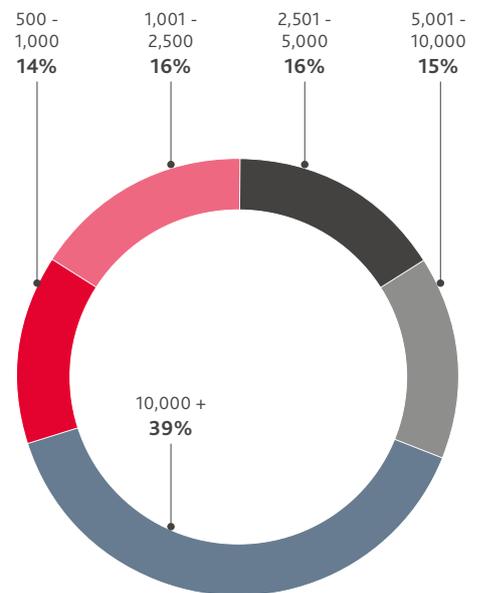
Strategies such as moving away from low-inventory, just-in-time supply chains; localisation where possible; joint procurement; and integrating climate and weather forecasting into predictive analytics make sense in the context of focusing more on resilience than efficiency when planning supply chains that can withstand extreme climate events. This has the potential to be the biggest challenge yet for supply chains, but the question remains as to whether businesses are prepared to make the plans and investments required to prevent another pandemic-level supply chain crisis.

DEMOGRAPHICS AND METHODOLOGY

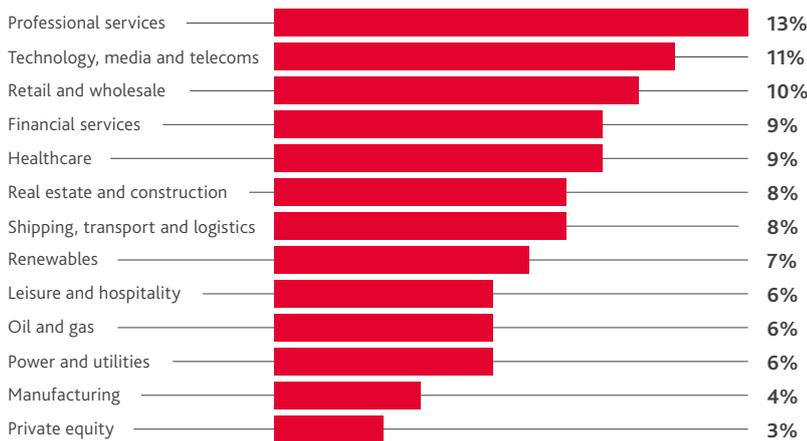
Company location



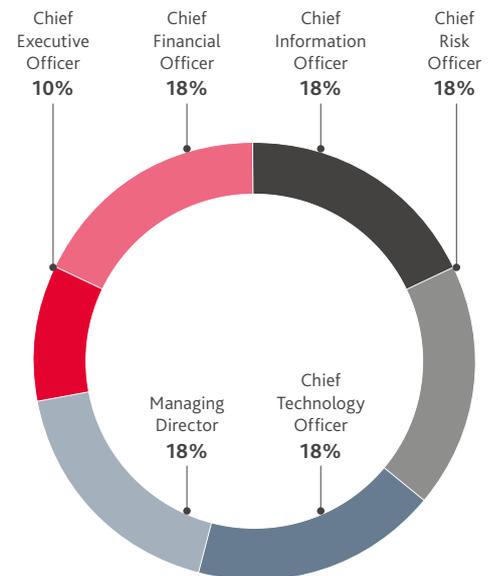
Number of employees



Organisation's primary industry

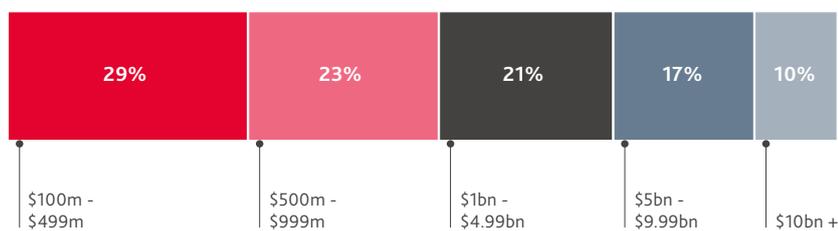


Job title or nearest equivalent



Numbers may not add up to 100% due to rounding

Annual Revenue

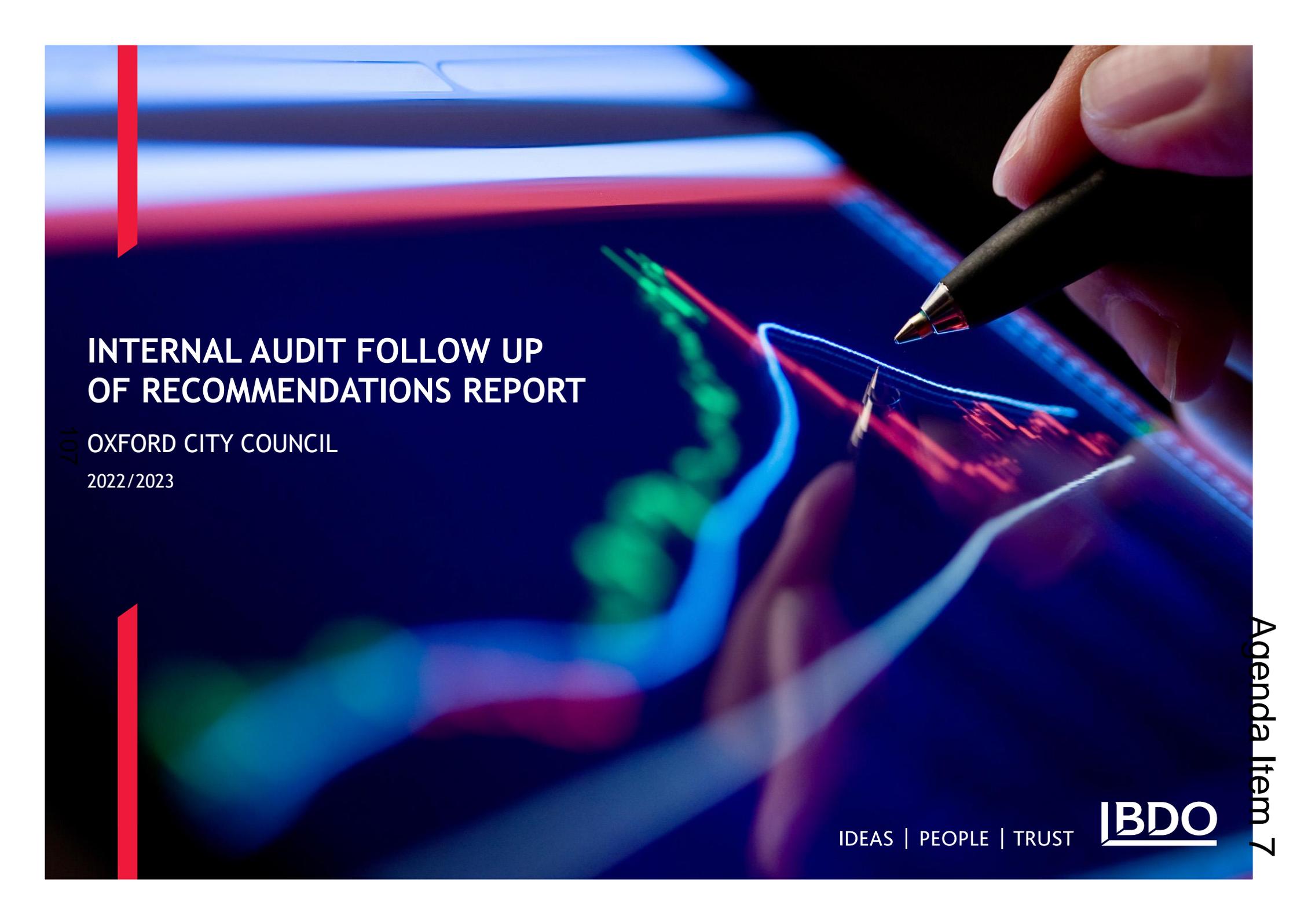




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**INTERNAL AUDIT FOLLOW UP
OF RECOMMENDATIONS REPORT**

OXFORD CITY COUNCIL

2022/2023

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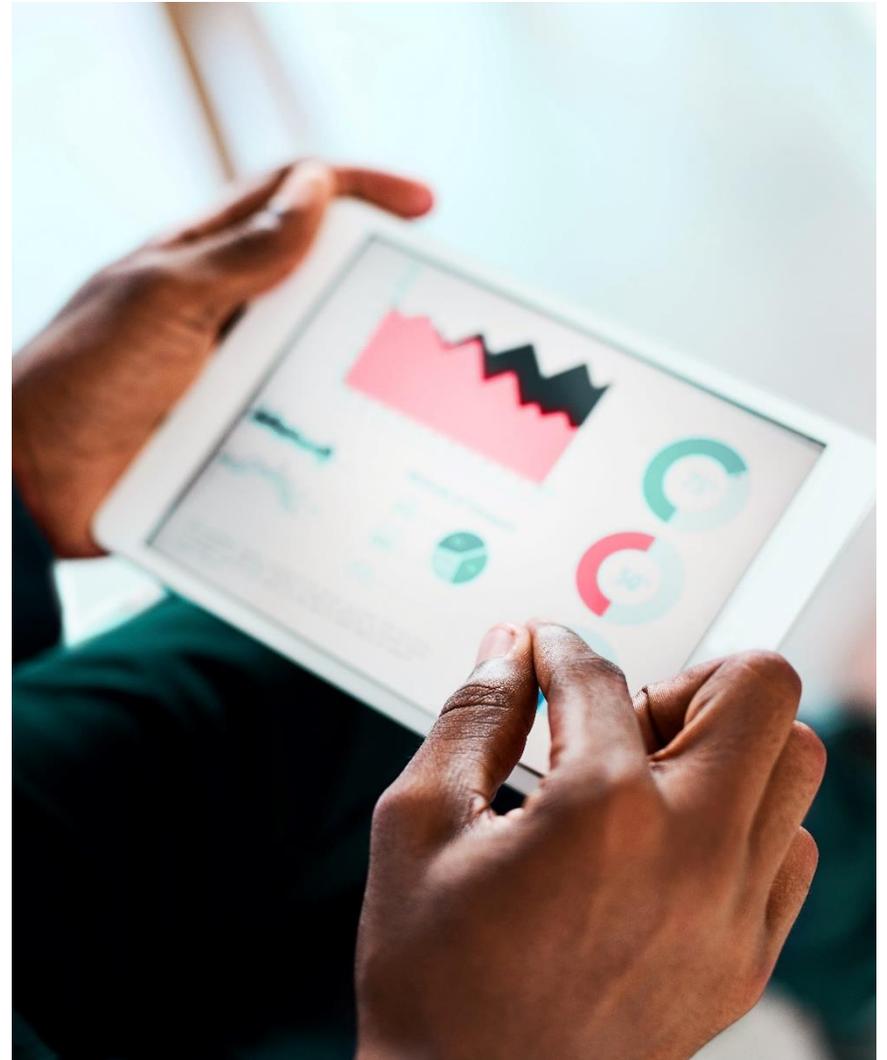
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Agenda Item 7

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RECOMMENDATIONS: COMPLETE 4
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SUMMARY OF RECOMMENDATIONS

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	2022/2023	Total Recs	H	M	L	To follow up	Complete		In progress		Overdue		Not Due	
							H	M	H	M	H	M	H	M
Insurance		3	-	2	1	2	-	2	-	-	-	-	-	-
Accounts Payable		13	-	9	4	1	-	1	-	-	-	-	-	-
Environment		37	10	23	4	2	1	1	-	-	-	-	9	22
Private Rented Sector		21	17	4	-	21	9	2	8	2	-	-	-	-
Project Management		11	-	11	-	11	-	3	-	8				
Total		85	27	49	9	37	10	9	8	10	-	-	9	22

SUMMARY OF IMPLEMENTATION PROGRESS

2021/2022

Please find below a summary of the status of implementation of recommendations arising from reports issued in 2022/2023.

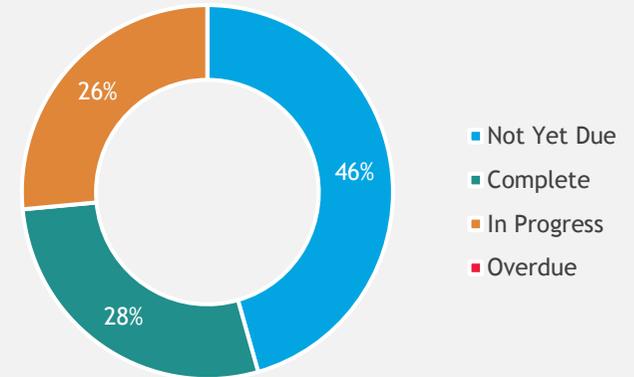
- ▶ 10 High recommendations have been implemented, including nine from the Private Sector Rented review, have been completed. However, there remains eight High and two Medium recommendations that were not completed and have had a revised due date from that review
- ▶ Nine Medium recommendations have been implemented, including all recommendations that have now been completed for the Insurance and Accounts Payable reviews.
- ▶ All recommendations that have a revised due date or not due will be followed up as they fall due at subsequent Audit & Governance Committee meetings.

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REQUIRED AUDIT COMMITTEE ACTION:

We ask the Audit & Governance Committee to note the progress against the recommendations.

2022/2023 Recommendation Implementation



RECOMMENDATIONS: COMPLETE

AUDIT	ACTIONS AGREED	PRIORITY LEVEL	MANAGER RESPONSIBLE	DUE DATE	CURRENT PROGRESS
2021/22. Accounts Payable	Management reports should be run monthly to identify transactions where GRN's have not been receipted for over 30 days	MEDIUM 	Anna Winship, Management Accounting Manager	31/05/2022 31/08/2022	Management Comments: The KPI report has been run with a KPI to identify transactions where GRN's have not been receipted for over 30 days and this will continue to be run monthly. Internal Audit Comments: We reviewed the latest KPI report for payments and confirmed that the new GRN KPI was included and it was circulated with the Head of Financial Services.
2021/22. Insurance	The Council should create an insurance risk strategy which outlines the following areas: <ul style="list-style-type: none"> • Council's Insurance arrangements • The Council's approach to insurance risk appetite and risk tolerance • The Council's approach to risk modelling (including how the Council calculates and maintains its provisions and insurance reserve) • The Council's recharge policy for insurance premiums (including its trading companies) • Insurance claims handling process • Insurance Governance Arrangements 	HIGH 	Alison Nash, Insurance Officer	30/04/2022 31/08/2022	Management Comments: The Insurance Strategy has been updated to include all aspects required by the recommendation. Internal Audit Comments: We reviewed the draft Insurance Strategy and confirmed that it incorporated all aspects of this recommendation.
2021/22. Insurance	Once this strategy/guidance has been created, it should be reviewed by the Head of Finance and ratified at the relevant committee/subcommittee prior to being published	MEDIUM 	Alison Nash, Insurance Officer	30/04/2022 31/08/2022	Management Comments: The Head of Finance has agreed the content of the Insurance Strategy and it is included in the Audit & Governance Committee papers for approval on 28 September 2022. Internal Audit Comments: We confirmed that the Insurance Strategy had been approved accordingly and included in the Audit & Governance Committee papers.
2021/22. Environment	The SG should apply one name consistently and all subsequent	MEDIUM	Mish Tullar, Head of	31/07/2022	Management Comments: The Steering Group is now consistently referred to as the Net Zero Steering Group.

	communications about the group should use that name		Corporate Strategy		<i>Internal Audit Comments:</i> We reviewed the group's terms of reference to confirm that it was referred to as the Net Zero Steering Group.
2021/22. Environment	The issue over staffing costs should be clarified and communicated to staff	MEDIUM 	Mish Tullar, Head of Corporate Strategy	31/07/2022	Management Comments: This issue over staffing costs has been discussed and clarified at various meetings. <i>Internal Audit Comments:</i> We consider this recommendation to have been completed.
2021/22. Private Rented Sector	Reasons for making both rent in advance and deposit payments should be established and this should be deemed as satisfactory prior to payments being made to landlords	HIGH 	James Pickering, Welfare Reform Manager	30/06/2022	Management Comments: All staff have received refresher training recording rent in advance and deposits on QL, including explanation of the reasons why these should be recorded. <i>Internal Audit Comments:</i> We reviewed the Private Rented Sector team meeting notes and confirmed that staff received verbal training on ensuring rent in advance and deposit are recorded in QL.
2021/22. Private Rented Sector	The Private Rented Sector policies and the terms of the landlord management agreement should be updated to reflect the matter on recovering RIA and Deposit payments should a tenant not reside in the property in accordance with their tenancy term	HIGH 	James Pickering, Welfare Reform Manager	30/06/2022	Management Comments: The management agreement has been updated to clearly express requirement for repayment of any rent post-tenancy. <i>Internal Audit Comments:</i> We reviewed the revised landlord management agreement and noted that this recommendation had been completed.
2021/22. Private Rented Sector	There should be evidence of negotiation before RIA and deposit payments are made regardless of this being a Rent Guarantee service	HIGH 	James Pickering, Welfare Reform Manager	30/06/2022	Management Comments: Staff have been reminded that evidence of rental negotiation should be included within the case notes detailing why payment the subsequent payment was made. <i>Internal Audit Comments:</i> We reviewed the Private Rented Sector team meeting notes and confirmed that staff received a verbal reminder to document evidence of rental negotiations.
2021/22. Private Rented Sector	If RIA are paid for more than two months a reason for this should be established and authorised prior to arranging the payment	HIGH 	James Pickering, Welfare Reform Manager	30/06/2022	Management Comments: On the rare occasions when an RIA of more than two months is required prior approval from a senior manager will be sought and documented in the case notes. <i>Internal Audit Comments:</i> We reviewed the Rent Negotiation Matrix detailing this authorisation process for early-rent in advance and noted that it was clear for staff to follow.
2021/22. Private Rented Sector	Deposit payment agreements should be signed and dated by the tenant for all Home Choice Scheme tenants before the	HIGH 	James Pickering, Welfare	30/06/2022	Management Comments: All applications for assistance require a loan agreement approval to be signed by the tenant. <i>Internal Audit Comments:</i> We reviewed the Rent Negotiation Matrix which outlines the requirement for all payment

	deposit payment is made to the landlord. The agreement should be retained on file		Reform Manager		<i>agreements to be retained on file and the Private Rented Sector team meeting notes and noted that this requirement was communicated to staff.</i>
2021/22. Private Rented Sector	Written confirmation of 'no fault eviction' should be recorded on file for all finder fee incentive payments	HIGH 	James Pickering, Welfare Reform Manager	30/06/2022	Management Comments: The QL workplan includes a request for an exception report to identify cases ended after 18 months where finder's fee paid was paid in order to seek repayment if the tenancy cessation appeared to be due to a no fault eviction. Internal Audit Comments: We reviewed an email from the QL Project Coordinator confirming that the exception report has been included in the QL Workplan.
2021/22. Private Rented Sector	There should be clear reasons retained on file if finder fees are paid on discretionary terms	HIGH 	James Pickering, Welfare Reform Manager	30/06/2022	Management Comments: Staff have received refresher training on the Incentive Policy (which includes Finders Fees) including recording reasons on QL/enterprise document system. Internal Audit Comments: We reviewed Private Rented Sector team meeting notes and confirmed that staff received verbal refresher training which includes recording reasons on QL for managing the Finders Fees.
2021/22. Private Rented Sector	There should be an enquiry made on whether efforts were made by the Private Rented Sector team to regain the £2000 finder fee and if this was not the case sufficient reasons should be established	HIGH 	James Pickering, Welfare Reform Manager	30/06/2022	Management Comments: An investigation has taken place but as the tenancy failed and was not the responsibility of the broker we cannot reclaim the money. This was a known case of a very challenging customer during the pandemic. Internal Audit Comments: We were informed by the Welfare Reform Manager that a case review was conducted by the Private Rented Sector team to discuss the details of the case however, this review was not documented. They confirmed that this was the only case they could recall in the past nine years and that the team were aware of it prior to the audit review.
2021/22. Private Rented Sector	There should be monthly reports which enable the Private Rented Sector team to monitor the volume and value of finder's fee paid to landlords	HIGH 	James Pickering, Welfare Reform Manager	30/06/2022	Management Comments: Monthly checks for finders fees are made on QL and recorded as part of the KPI suite. Internal Audit Comments: We reviewed performance management dashboard and confirmed that the monthly checks are included in the report. The Welfare Reform Manager confirmed that this report is reviewed by managers in the Private Rented Sector team.
2021/22. Private Rented Sector	The Private Rented Sector team should create a tracker of all bank detail change requests made. These should be approved	MEDIUM 	James Pickering, Welfare	30/06/2022	Management Comments: A process has been agreed with the Treasury/Payments team that any bank detail changes need prior approval by Private Rented Sector officer and are recorded in central file marked 'bank change payment request'.

	prior to being changed by the Finance team		Reform Manager		<i>Internal Audit Comments: We reviewed the Bank Change Payment Request tracker and confirmed the recommendation has been implemented.</i>
2021/22. Private Rented Sector	Frequency of changes and reasons for bank details should be monitored and all back detail changes should be subject to a written request by the landlord and retained on file.	MEDIUM 	James Pickering, Welfare Reform Manager	30/06/2022	Management Comments: The Payments team have agreed to check all bank changes with original account holder prior to any amendments. <i>Internal Audit Comments: We reviewed communications with the Payment team to confirm that they have agreed to obtain the requisite approval.</i>
2021/22. Project Management	To remind all Project Managers that the completion of all sections of the Smartsheets is mandatory and should be populated in thorough detail	MEDIUM 	James Marriott, PMO Lead	31/07/2022	Management Comments: A number of meetings with Project Managers and Service Managers have taken place to reinforce the importance of completion, and the audit findings have been widely shared. The underlying process is currently unchanged with Project Managers receiving a monthly update request highlighting the importance of completing information, and a monthly report is then sent to Heads of Service for review each month, providing an opportunity to chase missing information. Further reinforcement of the importance will take place through training. <i>Internal Audit Comments: We reviewed the copy of the most recent monthly managers update and the most recent Head of Service report and confirmed that the recommendation had been implemented.</i>
2021/22. Project Management	The PMO Team should implement an escalation process which involves notifying Project Sponsors where Project Managers repeatedly submit incomplete Smartsheets	MEDIUM 	James Marriott, PMO Lead	31/07/2022	Management Comments: Head of Service reports now make it clearer where no update has been provided and when comments were last updated. Improved automated reminders have been implemented in Q1 to support an improved response rate. Escalation and chase up with Head of Service to be more robust by a reminder being sent to the Head of Service around what is expected for quality assurance, plus implement improved follow up. Further clarity around roles and responsibilities will be provided in the training sessions. <i>Internal Audit Comments: We reviewed the Head of Service report and noted that it is clearly documented where no updates are needed. We also reviewed the reminders to Heads of Services clarifying expectations on quality assurance and confirmed the recommendation has been completed.</i>

<p>2021/22. Project Management</p>	<p>The Council's Capital Strategy should be amended to include a risk scoring matrix to ensure</p>	<p>MEDIUM </p>	<p>James Marriott, PMO Lead</p>	<p>31/07/2022</p>	<p>Management Comments: The revised risk register template has been circulated to project managers which includes a built-in matrix. Some minor changes to the template have been agreed by Risk Management Group.</p> <p>Whilst the Capital Strategy can be expanded in future, it was not considered an ideal place to sign-post project managers to risk management guidance, so we have included links to templates in the Project's intranet pages. The risk scoring matrix is now built into the corporate template.</p> <p><i>Internal Audit Comments: We reviewed the revised risk register and the email to all Project Managers noting that it directed them towards using the updated risk register. This revised version includes a risk scoring matrix.</i></p>
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RECOMMENDATIONS: IN PROGRESS

These recommendations have been marked as In Progress as they have not been implemented by their original date; a revised date has been provided.

AUDIT	RECOMMENDATIONS MADE	PRIORITY LEVEL	MANAGER RESPONSIBLE	DUE DATE	CURRENT PROGRESS
2021/22. Private Rented Sector	A file should be created for each letting within a centralised location on the Private Rented Sector network and all checks undertaken per property including the assessment of the landlord should be retained on file (subject to relevant retention policies).	HIGH 	James Pickering, Welfare Reform Manager	30/06/2022 31/10/2022	Management Comments: Centralised files, on the M Drive, have been created for all property lets from January 2021 and the team are now rolling out to upload all files for January 2020 and prior years for all 977 cases held. As it can take up to one hour per case to check this process is taking longer than originally expected.
2021/22. Private Rented Sector	The file should retain the following documents as a minimum: <ul style="list-style-type: none"> Confirmation that a prosecution check was completed Declaration/approval that the landlord is fit and proper Signed and dated Code of management Completed property conditions checklist Tenancy agreement Approval to register the landlord within Private Rented Sector 	HIGH 	James Pickering, Welfare Reform Manager	30/06/2022 31/10/2022	Management Comments: All 129 lets from January 2021 have been checked with 62 cases being compliant. The Code of Management has been suspended pending a review by the Environmental Health team so is not being sent out at the moment. The diligence gaps revealed that there were 24 cases where no deposit protection certificate has been returned by the landlord, 12 electrical checks not completed. eight gas certificates not obtained, six energy performance certificates and nine loan repayment agreements have not been filed. All missing evidence has been requested and is being collected as a matter of urgency.
2021/22. Private Rented Sector	Existing landlords on the Private Rented Sector register should complete a self-declaration confirmation annually this should be signed, dated by the landlord and checked by an appropriate officer prior to being retained on file	HIGH 	James Pickering, Welfare Reform Manager	30/06/2022 31/10/2022	Management Comments: Since January 2021, 17 procured homes do not have fit and proper landlord self-declaration forms. Five of these were classed as self-find and we only support clients moving to licensed HMO's that already have self-declared and have a licence number recorded. We have arranged a check with the Licence Applications team for November 2022 to verify existing landlords.
2021/22. Private Rented Sector	SharePoint access should be created between the Private Rented Sector team and HMO enforcement (Post the Office 365 implementation) team whereby the HMO team publish a list of rogue landlords and those	HIGH 	James Pickering, Welfare Reform Manager	30/06/2022 31/10/2022	Management Comments: Licences are required to access environmental health enforcement action records. Three licences have been obtained for the Private Rented Sector team however, they are awaiting training from the Environmental Health team on how to use its system.

	subject to financial penalties monthly. Subsequently, the Private Rented Sector team should check the listing against their current landlords.				
2021/22. Private Rented Sector	Tenancy agreements should be signed by both parties and retained on the property file	HIGH 	James Pickering, Welfare Reform Manager	30/06/2022 31/10/2022	Management Comments: Of the 129 checks completed to date, two cases were identified where a signed tenancy agreement was not held. These documents have been requested.
2021/22. Private Rented Sector	Landlord payments reports should be extracted via the relevant systems (Agresso or QL) and checked quarterly to ensure they are in line with the payments outlined on the tenancy agreement	HIGH 	James Pickering, Welfare Reform Manager	30/06/2022 31/10/2022	Management Comments: All payments made in 2022 have been checked and verified that they agree to the tenancy agreement. The Private Rented Sector team are now working through payments made in 2021.
2021/22. Private Rented Sector	There should be an automated process where the Private Rented Sector team are alerted when the tenant is no longer residing within the property prior to reaching the end of their tenancy agreement term	HIGH 	James Pickering, Welfare Reform Manager	30/06/2022 31/10/2022	Management Comments: QL is being updated to create an alert task two months before the tenancy ends (usually on the 10 th month) allowing officers to proactively contact both the landlord and the tenant.
2021/22. Private Rented Sector	Up to date tenancy agreements should be retained on file for all occupancies made	HIGH 	James Pickering, Welfare Reform Manager	30/06/2022 31/10/2022	Management Comments: A check of all tenancy agreements on record found that two tenancies did not have an agreement in the Council's records but these have been requested. Additionally, the automatic alerts in QL will prompt checks of tenancy agreements for all occupancies to be completed.
2021/22. Private Rented Sector	The guidance should be reviewed for duplication and ensure there are consistent messages throughout all guidance available. The guidance notes should be aggregated to form consistency and one overarching guidance on the private rented sector schemes	MEDIUM 	James Pickering, Welfare Reform Manager	30/06/2022 31/12/2022	Management Comments: A desktop policy review is in progress. Following the team's restructure the Private Rented Sector team will no longer exist in its current format. It will be split into specific areas in relation tenancy sustainment and property procurement. Therefore, the policy review is in its early phases and cannot be completed until the restructure has been done.
2021/22. Private Rented Sector	The Council should update the guidance ensuring it reflects current practices and policies should be reviewed annually	MEDIUM 	James Pickering, Welfare Reform Manager	30/06/2022 31/12/2022	Management Comments: As above
2021/22.	The PMO Team should provide refresher training or arrange a workshop to inform staff	MEDIUM 	James Marriott, PMO Lead	31/07/2022 30/11/2022	Management Comments: Roles and responsibilities and reporting requirements will be included in training sessions but these are yet to be arranged.

Project Management	of the reporting requirements including variance analysis on the project				<p>However, several 'How to Guides' have been piloted with the Regeneration team and are now accessible via the Projects SharePoint pages. The intranet has also been updated with improved guidance and clearer information on process to support training roll out. Other sections of the intranet require updates to provide greater clarity, for example, the feasibility funding process and risk register template/guidance. The business case template also requires attention.</p> <p>RAG reporting and definitions are also being reviewed as part of an assessment of CMT reporting.</p>
2021/22. Project Management	The onus should be placed on the Project Managers to review variances and ask questions where they are unsure on how to narrate these	MEDIUM 	James Marriott, PMO Lead	31/07/2022 30/11/2022	<p>Management Comments: A specific exercise to look at budget profiling is currently taking place and this will remind Project Managers of the need to report variances. Project Managers are required to forecast as part of their monthly project updates but reporting of variances has been limited to date for the financial year suggesting more work needs to be done in this area.</p> <p>Roles and responsibilities and reporting requirements will be included in training sessions but these have not yet been arranged. Training will include guidance on expected approach to budget forecasting, as well as accessing financial reporting information.</p>
2021/22. Project Management	To formalise and better promote a lessons learnt process, which involves the PMO Team to report the lessons learnt log to the Development Review Group on a quarterly basis. The PMO Team should consolidate the lessons learnt into a report and distribute to Project Managers for wider learning. The Development Review Group should monitor the lessons learnt and ensure that actions are taken to mitigate the issues from occurring in the future	MEDIUM 	James Marriott, PMO Lead	31/07/2022 30/11/2022	<p>Management Comments: The existing process and web-form will be promoted through training sessions as it continues to be under utilised, however, these have not yet been arranged.</p> <p>Lessons Learned are regularly discussed at DRG and DB meetings in the context of monitoring individual projects and discussing the response to issues arising. Lessons learned from specific projects like Decarbonisation (PSDS), and Bullingdon Cost Pressures have been presented to DRG or DB at particular intervals.</p> <p>General lessons learned continue to inform future approach.</p>
2021/22. Project Management	To amend the lessons learnt log to include an action, a responsible Officer, and a date for the completion of actions where applicable for monitoring purposes.	MEDIUM 	James Marriott, PMO Lead	31/07/2022 31/03/2023	<p>Management Comments: An online Lessons Learned Log requires promotion through training sessions. Lessons learned raised by DRG and ARG through business as usual will be formerly captured going forward.</p> <p>Actions from lessons will be allocated where appropriate and overseen by DRG with lessons are grouped by theme. However, it needs to be recognised that not all lessons will require an action plan as there will be duplication and reoccurring themes.</p>

2021/22. Project Management	To routinely send closure reports to the development board. The development board should review whether project objectives were successfully met and or lessons learned can be drawn for wider learning	MEDIUM 	James Marriott, PMO Lead	31/07/2022 31/03/2023	Management Comments: The existing closure form process will be enforced and reported to DB when the form is completed. The number of projects reaching the closure stage at any given time can be limited but the aim is to embed a culture of following the closure process and sharing of lessons learned. The process to assess whether major capital projects have met their objectives can only take place over a long period of time, ie. understanding utilisation and income generation can takes some time to accumulate and evaluate.
2021/22. Project Management	The PMO Team should provide refresher training or arrange a workshop to inform staff of reporting requirements	MEDIUM 	James Marriott, PMO Lead	31/07/2022 30/11/2022	Management Comments: Lessons learned will be covered within project management training sessions but these have not yet been arranged.
2021/22. Project Management	All Project Boards (including programmes of work) should adopt the Council's prescribed risk register as part of their risk monitoring process to achieve a uniform approach. Projects that represent a programme of work should include key risks on the risk register. The risk register is to be updated at the end of each month and significant risk areas should be discussed at Project Boards meetings. The information from the risk register should subsequently feed into the Smartsheets which are completed at beginning of the following month	MEDIUM 	James Marriott, PMO Lead	31/07/2022 30/03/2023	Management Comments: There is work ongoing to move all risk registers to an agreed format by the end of 2022/23. Acknowledged registers for some established projects may not be transferred to new templates providing existing template functions adequately. A cross section of risk registers are reviewed by Corporate Risk Management Group to ensure consistency. There will be a standard terms of reference and agendas for all Project Boards to ensure consistency across projects.
2021/22. Project Management	The PMO Team should design a training session or a workshop which demonstrates how Smartsheets, the Council's main risk register and the lessons learnt web-form should be completed and monitored. Refresher training should be aimed at existing and new staff who complete work for the Capital projects. Training resources should be uploaded onto the Council's intranet for staff to revisit and which should include examples of best practice for guidance.	MEDIUM 	James Marriott, PMO Lead	31/07/2022 30/11/2022	Management Comments: The Council are in the process of updating the Intranet content with improved guidance and good practice examples of project management ahead of the training roll out to Project Managers. Good practice examples have been shared informally at a local level.

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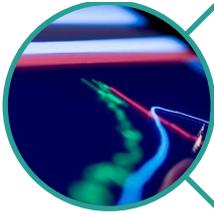
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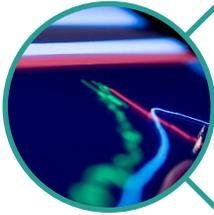
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**INTERNAL AUDIT ANNUAL REPORT
BENCHMARKING 2021/22**

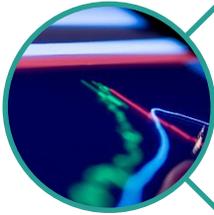
CONTENTS



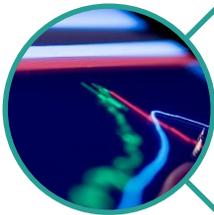
Design and Effectiveness Assurance Levels



Total number of reports included in the Annual Report, Average number of days per review, and average recommendations per review



Percentage of High and Medium recommendations raised, Significance levels of all recommendations raised



Appendix 1 - Opinion significance definition

Purpose of Report

This report provides comparative information across our Local Authority clients relating to the internal audit assurance opinions provided in 2021-22, along with the number and relative proportion of recommendations and the priority level assigned. This report can be used to assess how the Local Authority compares to its peers so that inferences can be drawn and used to further strengthen the Local Authority's internal control environment.

Commentary on the Results

Oxford City Council (the 'Council') is Organisation 3 in all the graphs included within this report.

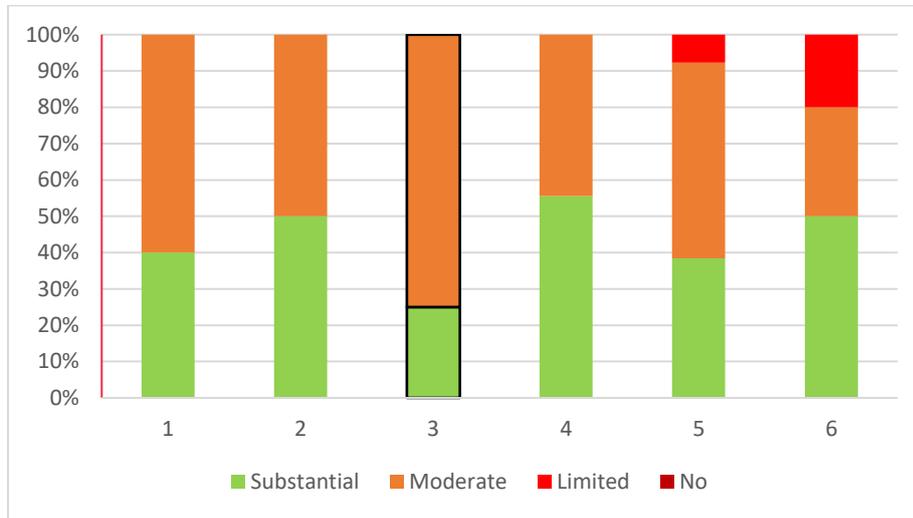
The graphs show that:

- The majority of moderate assurance opinions for the design and effectiveness of the controls, note there was only one limited assurance effectiveness opinion provided. This places the Council in the 'middle of the pack' when compared to other local authorities
- Having a risk-based and flexible plan invariably means that the audit resource is directed to areas of risk / concern, which should be seen as a positive and is reflected in the opinions and recommendations made
- The Council receives a lower-than-average number of audit reports in comparison to its peers, reflecting the size of the audit plan. This is partly due to other clients being County or Unitary Councils and having a more complex control environment
- The average number of recommendations is comparable and feeds into the relatively high proportion of Moderate assurance opinions. Medium recommendations are also relatively higher than at other Councils whilst Low recommendations are considerably lower.

In terms of the benchmarking outcomes, it should be considered that this was an exceptional year due to the Covid-19 pandemic, and therefore some Councils re-shaped their audit coverage, resulting in changes to the number and type of audits performed.

Design Opinion

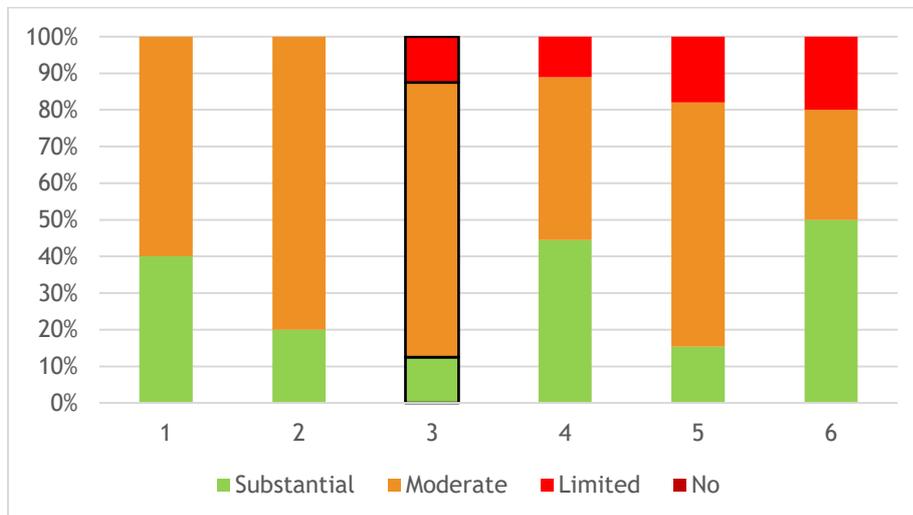
The graph below shows the assurance levels for all reports included in the annual report, in relation to the design of the controls. This does not include advisory reports where no assurance levels are provided.



The Council had a higher proportion of Moderate design opinions and a lower proportion of Substantial opinions than the other local authorities in the sample. There were no Limited or No Assurance opinions issued on control design.

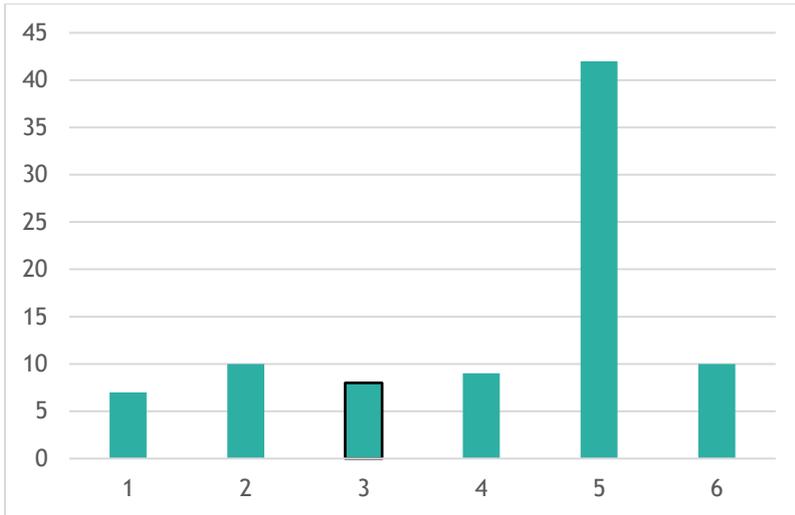
Effectiveness Opinion

The graph below shows the assurance levels for all reports included in the annual report, in relation to the design of the controls. This does not include advisory reports where no assurance levels are provided.



The Council had one Limited opinion on control effectiveness with a significant proportion of reports receiving Moderate assurance for effectiveness. The authority is comparable to other members of the sample group



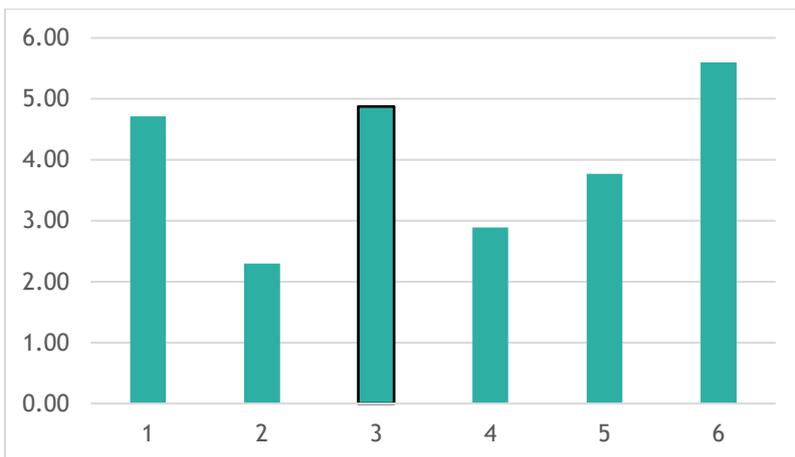
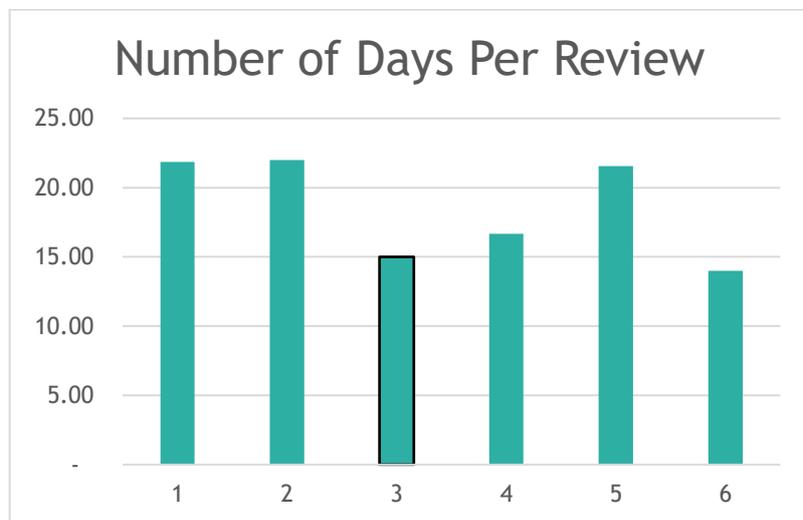


Reports Issued

This graph shows the total number of reports included in the 2021/22 annual report. This includes advisory reports where assurance levels are not provided.

Days per review

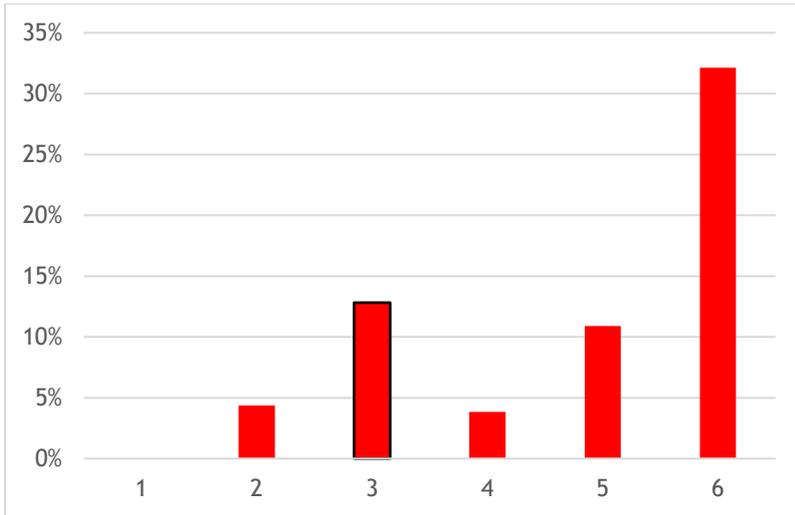
This graph shows the total number of days per the 2021/22 annual plan divided by the number of reports included in the annual report or out in draft.



Average recommendations

This graph shows the total number of recommendations listed in the annual report divided by the total number of reports, including advisory reports.



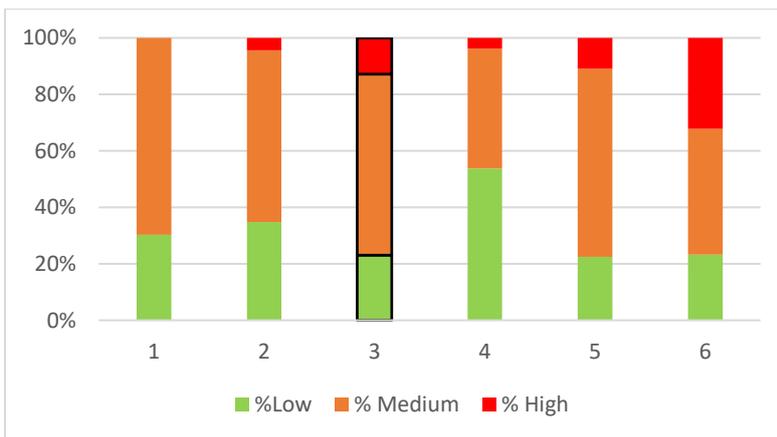
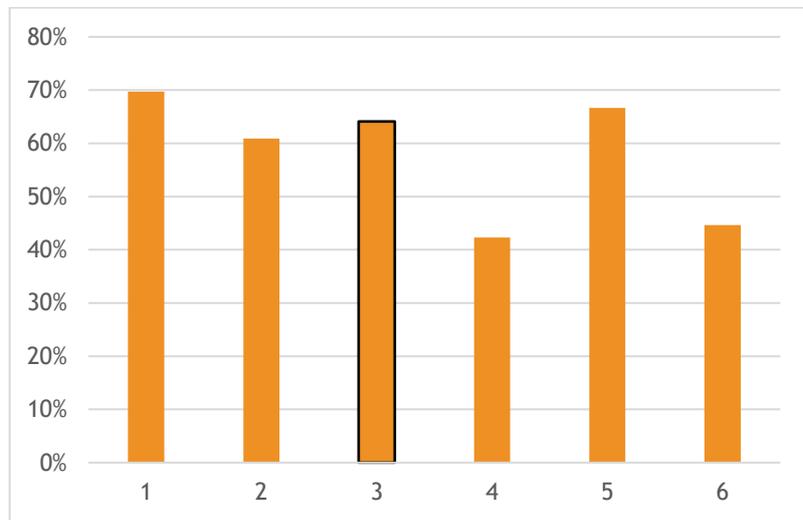


High Recommendations

This graph shows that more High findings were issued proportionately to the Council than most of the other local authorities.

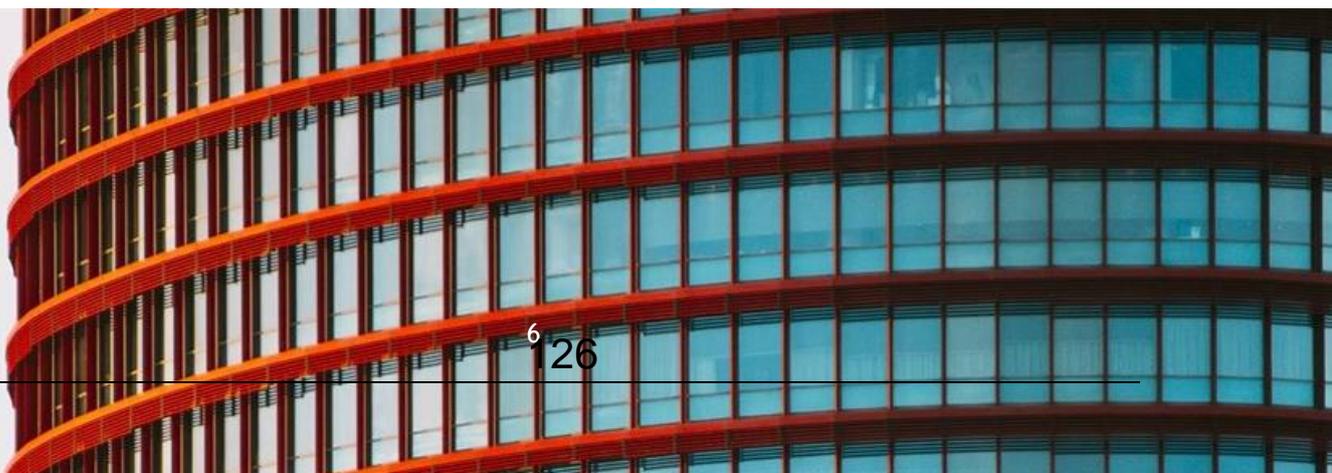
Medium Recommendations

This graph shows that the Council were consistent with its peers in relation to the proportion of Medium findings raised.



Significance of Recommendations

This graph shows the significance levels of all recommendations listed in the annual report.



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.

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Minutes of a meeting of the Audit and Governance Committee on Wednesday 27 July 2022

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Committee members present:

Councillor Fry	Councillor Hall
Councillor Jarvis	Councillor Latif
Councillor Roz Smith	Councillor Aziz (as substitute for Cllr Corais)
Councillor Pressel (as substitute for Cllr Munkonge)	

Officers present for all or part of the meeting:

Nigel Kennedy, Head of Financial Services
Bill Lewis, Financial Accounting Manager (remote attendance)
Marcia Ecclestone, Legal Services Manager
Scott Warner, Counter Fraud Manager
Mish Tullar, Head of Corporate Strategy
Rose Dickinson, Carbon Reduction Team Manager
Jason Pickering, Welfare Reform Manager (remote attendance)

Apologies:

Apologies were received from Councillors Corais and Munkonge.
Substitutes are shown above.

1. Election of Chair for 2022/23

The Committee resolved to elect Cllr James Fry as Chair for the 2022/23 Council year.

2. Election of Vice-Chair for 2022/23

The Committee resolved to elect Cllr Amar Latif as Vice Chair for the 2022/23 Council year.

3. Declarations of Interest

There were no declarations of interest received.

4. Minutes of the previous meeting

The Committee agreed to approve the minutes of the meeting held on 11 April 2022 as a true and accurate record.

5. Investigation Team Annual Report 2021 - 2022

Scott Warner, Counter Fraud Manager, introduced the report which appraised Members of the activity and performance of the Counter Fraud Team for the fiscal year 1 April 2021 to 31 March 2022 and highlighted the following:

- Three of the five performance targets were not met, mainly due to the pandemic and governments restrictions thereof.
- The team excelled in protecting public funds over the year in the gains made in enhanced due diligence and verification checks on all Covid grant applications.
- The team hosted its sixth annual fraud conference at the Town Hall, raising awareness of the services the Investigations Team offers in a commercial capacity as the Oxford Investigation Service.
- The team secured the highest ever value Unlawful Profit Order with their work with Riverside Housing.
- The value of prevented fraud losses, additional revenue identified as well as income from external trade amounted to £6,811,214 in the financial year 2021-2022.

Cllr Pressel left the meeting.

Cllr Latif joined the meeting.

Scott Warner responded to questions from Members as follows:

- The figures reported above are for Oxford City Council, the shared service arrangements are resilience arrangements providing resources dependent on need and are detailed in the report.
- The data for the number of fraudulent Covid Business Support grant scheme applications is currently being processed as part of returns supplied to the government and can be supplied to the Committee at a later date.

The Committee noted the report.

6. Risk Management Report: Quarter 1 30 June 2022

Bill Lewis, Financial Accounting Manager introduced the report which updated the Committee on both corporate and service risks as at 30 June 2022 and answered Members' questions as follows:

- Whilst there is limited control over national or international factors adversely affecting economic growth, the Council is able to affect this risk through the delivery of the Economic Strategy & City Centre Vision Action Plan, however a recession would be outside of this control mechanism.
- The Council would seek to mitigate the risk of a potential terrorist incident by working with partners, particularly the Police and County Council on the Crowded Places Plan, which includes mitigation interventions to reduce the impact.
- Whilst the negative impacts of climate change presented in the report do not include the impact on housing standards and transport, it was noted that the impact of climate change and zero carbon could be an additional issue and will report back to the corporate risk register owner.
- There are a number of amber risks identified in the report, and whilst these are not reported to the Committee as they sit with the Heads of Service, further details of significant amber risks would be included in the next report.

- Members requested further information within the registers that would identify amber risks that are veering towards a red rated risk.

In response to a question from the Committee, Nigel Kennedy, Head of Finance, confirmed that a report on the consultant's review of the QL system would be tabled at a future Committee.

The Committee noted the report.

7. External Audit Planning Report 2021-22

Francesca Churchhouse, Assistant Manager of Ernst & Young, introduced their report which set out how the external auditors intend to carry out their responsibilities as external auditors to Oxford City Council. The purpose of the report intended to provide the Committee with the basis to review the audit approach and scope for the 2021/2022 audit and ensure it was aligned with the Committee's service expectations. The plan summarised the initial assessment of key risks and outlined the planned audit strategy in response to those risks.

Francesca Churchhouse and Nigel Kennedy, Head of Finance, responded to Members' questions as follows:

- The delay to the audit timeline was due to the issues with the QL system and a full report from the consultants would come to this Committee.
- Regarding the MRP, Nigel Kennedy confirmed that due to the Council's proactive position in speaking to and lobbying both the LGA and DELAC, the Council was now in a better financial position since the consultation was launched.
- Following the CIPFA guidance on Independent Person representation on Audit and Governance Committees in Local Authorities, further guidance would be sought by the external auditors.

The Committee noted the report.

8. Internal Audit Annual Report 2021-22

Greg Rubins, Internal Auditor, BDO presented the report which informed the Committee of the details of the work undertaken by internal audit for Oxford City Council and provided an overview of the effectiveness of the controls in place for the full year, and highlighted the following:

- Moderate assurance had been awarded overall, and seven out of the eight reports have received either a substantial or moderate assurance.
- Summary reports regarding the Council's subsidiary companies will be brought to the next committee meeting.

The Committee noted the report.

9. Internal Audit: Progress Report July 2022

Greg Rubins, Internal Auditor BDO, introduced the report which informed the Committee on the progress made against the internal audit work plan and on the outcome of their reviews. He added that the report included a summary of 2021/2022 audits and a scope of the audits to be presented to the next Committee meeting.

Greg Rubins, Mish Tullar, Head of Corporate Strategy and Rose Dickinson, Carbon Reduction Team Manager, responded to Members' queries as follows:

- An updated Zero Carbon action plan would be produced based on recommendations from the internal audit, and a progress report provided at the next Committee meeting.
- Deadlines that have been pushed back due to staff capacity had been addressed and would be updated for this report at the next Committee meeting.

The Committee noted the report.

10. Internal Audit Follow Up Report 2022

Greg Rubins, Internal Auditor, BDO introduced the report which informed the Committee on the implementation of the recommendations from their previous internal audit reviews.

Greg Rubins advised that following the outcome of the Redmond Review, Audit and Governance Committees had been advised to appoint an Independent Person to Committees and would provide further information to the next Committee meeting following updated advice from the government.

The Committee noted the report.

11. Matters exempt from publication and exclusion of the public

The Audit and Governance Committee passed a resolution in accordance with the provisions of Paragraph 4(2)(b) of the Local Authorities (Executive Arrangements) (Access to Information) (England) Regulations 2012 to exclude the press and members of the public on the grounds that Oxford City Council, Town Hall, St Aldate's Oxford OX1 1BX their presence could involve the likely disclosure of exempt information as described in specific paragraphs of Schedule 12A of the Local Government Act 1972.

12. Private Rented Sector internal audit

Greg Rubins, Internal Auditor, BDO presented the internal audit report and recommendations thereof.

The Committee noted the report.

13. Exempt Appendix 2: Internal Investigation

14. Dates and times of meetings

The Committee noted the dates and times of future meetings.

The meeting started at 6.00 pm and ended at 7.30 pm

Chair
September 2022

Date: Wednesday 28

When decisions take effect:

Cabinet: after the call-in and review period has expired

Planning Committees: after the call-in and review period has expired and the formal decision notice is issued

All other committees: immediately.

Details are in the Council's Constitution.

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

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