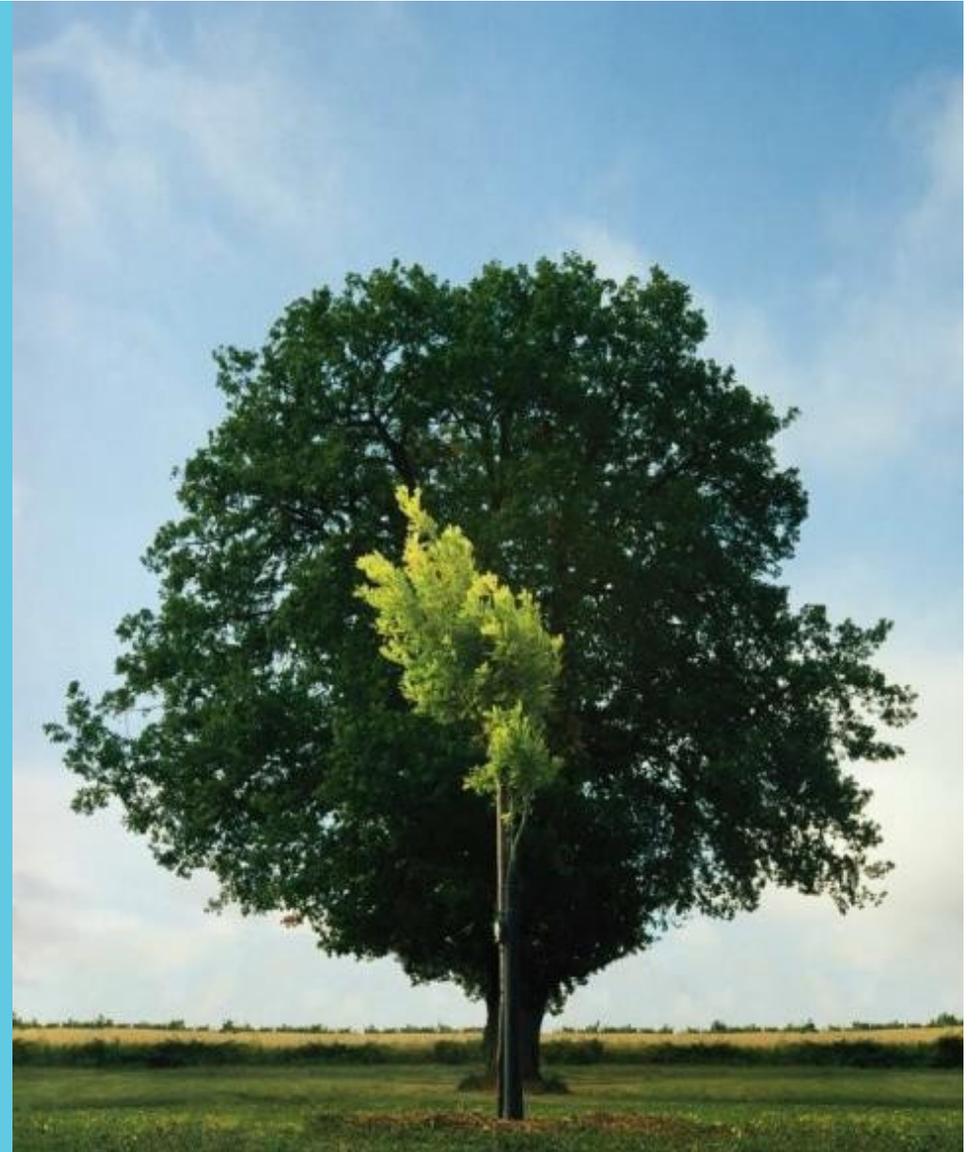


Oxford City Council
INTERNAL AUDIT PROGRESS
REPORT
3
March 2016



FINAL



CONTENTS PAGE

Progress Against 2015/16 Internal Audit Plan	3
Summary Audit Reports	4
Executive Summary - Audit 5. Budgetary Control and Performance Management	6
Executive Summary - Audit 7. Enforcement	8
Executive Summary - Audit 8. Homelessness Prevention	9
Sector Update – Tailored to Oxford City Council	10
Appendices:	
4 Audit Survey Detailed Results	12
Definitions of Assurance	13

PROGRESS AGAINST 2015/16 INTERNAL AUDIT PLAN

Internal Audit

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

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

Internal Audit Methodology

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

Work outside of the Internal Audit Plan

We completed the certification for Flood Support Scheme Grant. This is an one-off mandatory certification that must be completed by an independent auditor and this was mandated to be completed by 16 December 2015.

Overview of 2015/16 work to date

We have completed and finalised the reports for:

- Audit 7. Enforcement
- Audit 8. Homelessness Prevention
- Department for Communities and Local Government (DCLG) Flood Support Scheme Grant Certification.

All reports presented to this Committee have been issued with a Moderate opinion for both design and effectiveness of controls and therefore the Executive Summary has been provided within this Audit Progress Report.

The DCLG Flood Support Scheme Grant Certification was a certification for grant funding received; we issued a letter to DCLG confirming no instances of non-compliance were identified.

2016-17 and 2016-19 Audit Plan

We have also issued our draft 2016-17 and 2016-19 Audit Plan for the Audit and Governance Committee's consideration and approval.

PROGRESS AGAINST 2015/16 INTERNAL AUDIT PLAN

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

Name of review	Audit Sponsor	Agreed Days	Planning	Fieldwork	Reporting	Committee Reported to	Assurance	
							Design	Effectiveness
EFFICIENT, EFFECTIVE COUNCIL								
Audit.1a Accounts Payable	Nigel Kennedy	6	✓	✓	✓	December 2015	Moderate	Limited
Audit.1b Accounts Receivable	Nigel Kennedy	6	✓	✓	✓	December 2015	Moderate	Limited
Audit.2 Finance Systems	Nigel Kennedy	15	✓	✓	✓	December 2015	Moderate	Moderate
Audit.3 SIGMA System	Jo Colwell	7	✓	✓	✓	December 2015	N/A	N/A
Audit.4 Trading Services	Graham Bourton and Jackie Yates	18	✓	✓				
Audit.5 Budgetary Control, Risk Management and Performance	Nigel Kennedy	12	✓	✓	✓			
Audit.6 Finance - Year End Financial Reporting Timetable	Nigel Kennedy	10	✓	Planned for w/c 18 April				
Audit.9 Business Improvement and Technology	Paul Fleming and Helen Bishop	12	✓	Planned for w/c 9 March				
CLEANER, GREENER OXFORD								
Audit.7 Enforcement	Patsy Dell	12	✓	✓	✓	March 2016	Moderate	Moderate

PROGRESS AGAINST 2015/16 INTERNAL AUDIT PLAN

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

Name of review	Audit Sponsor	Agreed Days	Planning	Fieldwork	Reporting	Committee Reported to	Assurance	
							Design	Effectiveness
MEETING HOUSING NEEDS								
Pooling of Housing Capital Receipts Grant Certification	Nigel Kennedy	7	✓	✓	✓	December 2015	N/A	N/A
Flood Support Scheme Grant Certification	Nigel Kennedy	5	✓	✓	✓	March 2016	N/A	N/A
HCA Compliance Claim	Nigel Kennedy	7	✓	✓	✓	December 2015	N/A	N/A
Audit.8 Housing and Property: Homelessness Prevention	Dave Scholes and Stephen Clarke	10	✓	✓	✓	March 2016	Moderate	Moderate

EXECUTIVE SUMMARY – ENFORCEMENT

STRATEGIC OBJECTIVE THIS REVIEW RELATES TO			SUMMARY OF RECOMMENDATIONS (SEE APPENDIX II)	
Cleaner, Greener Oxford: A cleaner, greener Oxford: in the city centre, in our neighbourhoods and in all public spaces.			High	-
LEVEL OF ASSURANCE (SEE APPENDIX II FOR DEFINITIONS)			Medium	4
Design	Moderate	System of internal controls is weakened with system objectives at risk of not being achieved	Low	-
Effectiveness	Moderate	Non-compliance with key procedures and controls places the system objectives at risk	Total number of recommendations: 4	

OVERVIEW

The purpose of our review was to provide assurance that appropriate arrangements are in place and operating effectively in relation to Enforcement to provide assurance that enforcement cases are being dealt with in line with the Council's Corporate Enforcement Policy approved in December 2015. See appendix IV for the agreed scope which provides greater detail on our approach to this review.

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

- In December 2015 the Council approved its Corporate Enforcement Policy which now spaces two pages setting out the key principles
- The Council's Uniform system records case information to substantiate the efficiency and proportionality of enforcement action
- Majority of staff are experience and qualified professionals within their area i.e. have a good understanding of legislative requirements

However we also found the following areas for improvement:

- A separate and more detailed Planning Enforcement Policy is created in line with the guiding principles of the Council's Corporate Enforcement Policy (Detailed Finding 1)
- Ensure that staff adhere to standard operating procedures and expectations during a period of staff change (Detailed Finding 2)
- Consideration should be given for each area and how they can become more proactive; subsequent actions then need to be taken to implement such initiatives (Detailed Finding 3)
- Discussion should consider appropriate KPI's for all enforcement areas and these should then be reported and monitored by the Head of Planning and Regulatory Service at agreed intervals (Detailed Finding 4).

Conclusion

We have issued four medium recommendations for the areas identified above. As a result we conclude moderate assurance on both the design and operational effectiveness of the controls. To move towards substantial assurance we would expect the service to implement our recommendations and evidence strong joint-working across the various enforcement teams with best practice targeting of enforcement embedded throughout.

EXECUTIVE SUMMARY – HOMELESSNESS PREVENTION

STRATEGIC OBJECTIVE THIS REVIEW RELATES TO			SUMMARY OF RECOMMENDATIONS (SEE APPENDIX II)	
Meeting Housing Needs: More affordable, high quality housing in Oxford. This is essential for the vibrancy of the economy and the health and well-being of residents.			High	-
			Medium	3
			Low	1
LEVEL OF ASSURANCE (SEE APPENDIX II FOR DEFINITIONS)			Total number of recommendations: 4	
Design	Moderate	System of internal controls is weakened with system objectives at risk of not being achieved		
Effectiveness	Moderate	Non-compliance with key procedures and controls places the system objectives at risk		

OVERVIEW

6

The purpose of our review was to provide assurance that appropriate arrangements are in place and operating effectively in relation to Homelessness Prevention to provide assurance that all homeless and prevention cases are being dealt with appropriately. See appendix 3 for the agreed Terms of Reference which provides detail on the key risks identified this review.

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

- The policies and procedures in place are strong. A detailed manual is available to all staff which provides a comprehensive and up to date guide to all the policies and procedures for the housing needs team and staff training and experience is strong as they are well trained and experienced to handle variance of homelessness prevention cases.
- The procedures in place to assess potential statutory homeless individuals are robust and are very well carried out. From our testing we noted no exceptions to meet legislative requirements and proactively take steps to support homelessness prevention. The Council also has sufficient agreements in place with external organisations in order to provide a sufficient multi-agency approach.
- The Council have set up a Real Lettings initiative and are only one of three Council's outside of London to adopt this property investment fund approach to tackle the issue of lack of suitable and affordable accommodation locally

However we also found the following areas for improvement:

- A revised action plan should be created for the Homelessness Strategy which should be presented to the Council's Housing Panel; this recommendation was also endorsed by the Housing Scrutiny Panel in September 2015 (Detailed Finding 1)
- The Council website should be reviewed to ensure all appropriate documents are available (Detailed Finding 2)
- Consideration must be taken before 2016 peak period on whether staffing/caseloads could compromise targets (Detailed Finding 3).

Conclusion

We have issued three medium and one low recommendation for the areas identified above. As a result we conclude moderate assurance on both the design and operational effectiveness of the controls.

SECTOR UPDATE – TAILORED TO OXFORD CITY COUNCIL

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

SOCIAL MEDIA USAGE IN UK LOCAL GOVERNMENT

What's the update?	BDO released a report on Social Media in December 2015 which found the way local authorities are using it, is evolving. Council's still focus on more 'traditional' social media platforms (with Facebook, Twitter, Youtube and Flickr) being the most popular, but use of alternative platforms, such as Instagram, Snapchat and Whatsapp, is increasing. A survey identified that Council's are missing opportunities to engage on particular platforms and to make best use of social media. Council's need to reflect the platforms used by their users. The study gives examples of Council use of Social media, and the following top tips: <ul style="list-style-type: none"> - Integrate social media platforms to make customers aware that they exist - Use an informal but positive tone - Have a strategy which identifies outcomes, investment needs and KPIs to secure buy in - Make it easy, display all social media options in one logical place - Tailor content to mobiles - Focus on platforms on which you can commit to regular high quality content - Engage customers, such as through posting questions, and holding polls and surveys .
How does this impact Oxford?	The Council uses Twitter, Instagram, Vine and Facebook and a Social Media Wall; these platforms are regularly updated. Council leaders should recognise social media trends and opportunities, support their use, and diversify the range of platforms used
Where to find out more	http://www.localgov.co.uk/Survey-respondents-believe-social-media-can-save-local-authorities-money/40030 http://www.bdo.co.uk/sectors/public-sector/local-government/our-research/social-media-within-local-authorities

COMPUTER MALWARE ATTACK ON COUNCIL

What's the update?	Lincolnshire County Council computer systems were closed for 4 days following a malware attack on an IT system. Emails were sent to staff, the attack was triggered when an email was opened and data on affected machines was encrypted. This was a zero day attack, meaning software developers had not previously encountered this particular ransom-ware, and had therefore not developed an anti virus. Emailed attempts at introducing malware are common, this was not thought to be a targeted attack
How does this impact Oxford?	The Council is required to comply with strict data and information security protocols, however the attack on Lincolnshire County Council highlights the speed by which new viruses are developed and therefore the vulnerability of all to attack. Maintenance of effective Business Continuity and Disaster Recovery arrangements, and ensuring all users remain alert to risks, are key to minimising the risk of such an attack. We have included a review within our draft 2016-17 internal audit plan on Cyber Crime.
Where to find out more	http://www.bbc.co.uk/news/uk-england-lincolnshire-35443434

PLANNING APPEAL DECISIONS – FIVE YEAR LAND SUPPLY

What's the update?	Councils are urged to review the impact of appeal decisions relating to the five year land supply. Rushcliffe Council lost a case defending five year land supply calculations, and Swindon accepted it was unable to demonstrate a deliverable supply of housing sites
How does this impact Oxford?	Oxford Council is looking to review its planning policies as it develops a new Local Plan. Learning from the above cases will assist in the plan development
Where to find out more	http://www.planningresource.co.uk/article/1379744/council-concedes-lack-five-year-housing-land-supply

SECTOR UPDATE – TAILORED TO OXFORD CITY COUNCIL

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

LOCAL GOVERNMENT FINANCE SETTLEMENT – TRANSITIONAL FUNDING	
What's the update?	The final Local Government finance settlement was published on 8 February 2016. The Statutory Settlement is for 2016/17, however Indicative figures provide greater certainty by allowing Councils to apply a four year budget (but see note below concerning efficient=cy plans). In addition, transitional funding ensures that no Council moves into a negative grant funding position within the next 3 years, and allowing Band D Council Tax increases will enable some Councils to mitigate some of the additional funding pressures they face
How does this impact Oxford?	Funding reductions will still be a challenge to all Councils, further cost pressures will need to be funded by alternative means such as reductions in local services and increases in Council Tax. The Council will reviewing the budget and Medium Term Financial Strategy on 17 February 2016
Where to find out more	https://www.gov.uk/government/speeches/final-local-government-finance-settlement-2016-to-2017

LOCAL GOVERNMENT FINANCE SETTLEMENT – EFFICIENCY PLANNING	
What's the update?	In recognition that offering minimum spending levels each year until 2019/20 would constrain the governments flexibility in dealing with variation in finance, to qualify for four year finance settlements Councils are to be asked to demonstrate that they have plans to improve their efficiency during that period. Councils will need to show how the spending certainty would be of mutual benefit to residents and citizens. Local Authority Medium Term Financial Strategies may be used as a basis for efficiency plans
How does this impact Oxford?	Oxford City Council has published a draft budget recognising reductions in Government Grant and recognising further future reductions. Prudent financial planning and planned efficiency savings are expected to enable the Council to continue to offer quality services. This already planned efficiency activity would support a move towards a four year settlement giver greater certainty. We have included a review within our draft 2016-19 internal audit plan on Budget Setting which includes looking at efficiency generation
Where to find out more	http://www.publicfinance.co.uk/news/2016/01/clark-confirms-council-efficiency-checks-return-four-year-finance-deals

ENERGY EFFICIENCY AND RENEWABLE ENERGY	
What's the update?	This LGA guide for Councillors and Officers sets out the scale of financial opportunities available from energy efficiency and renewable energy sources. A large number of Councils have begun to realise the potential for energy related savings, but the report identifies further untapped potential
How does this impact Oxford?	Oxford City Council have already achieved success in implementing measures to improve energy efficiency, use of renewable energy, fuel efficiency and waste reduction, and have won an award for sustainability. This report offers additional insight into respective benefits of different energy efficiency and renewable energy opportunities, and provides key questions for Councillors and Senior Officers to consider when determining a strong business case for energy efficiency and renewable energy projects. We have included a review within our draft 2016-17 internal audit plan on Energy Purchasing
Where to find out more	http://www.publicfinance.co.uk/news/2016/01/clark-confirms-council-efficiency-checks-return-four-year-finance-deals

APPENDIX I – AUDIT SURVEY DETAILED RESULTS

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

	Enforcement	Homelessness Prevention		Flood Grant
Was the Terms of Reference aligned to strategic/departmental risks?	Agree	Agree	Strongly Agree	Agree
Was the timeline of events through to reporting	Agree	Agree	Strongly	Agree
How would you rate our understanding of your business through our input in conversations and correspondence?	3	4	4	3
How would you rate communication with regards to the progress of the audit and, if applicable, any significant issues identified?	3	4	5	4
How would you rate the closedown meeting in terms of discussing and agreeing findings?	3	4	5	4
How would you rate the audits contribution to delivering added value and insightful experiences?	3	4	4	4
Was the final report clear and concise?	Agree	Agree	Agree	Agree
Was agreement with all key stakeholders obtained prior to final distribution?	Agree	Agree	Agree	Agree
Where recommendations were made, were they constructive and practical?	Agree	Agree	Agree	Agree
Did our work add value?	Agree	Agree	Agree	Agree
How would you rate the overall audit experience?	3	4	4	4

12

KEY

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

APPENDIX II – DEFINITIONS

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

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

13

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.



BDO LLP, a UK limited liability partnership registered in England and Wales under number OC305127, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms. A list of members' names is open to inspection at our registered office, 55 Baker Street, London W1U 7EU. BDO LLP is authorised and regulated by the Financial Conduct Authority to conduct investment business.

14

BDO is the brand name of the BDO network and for each of the BDO Member Firms.

BDO Northern Ireland, a partnership formed in and under the laws of Northern Ireland, is licensed to operate within the international BDO network of independent member firms.

Copyright ©2015 BDO LLP. All rights reserved.

www.bdo.co.uk

