

INTERNAL AUDIT PROGRESS REPORT

Oxford City Council

March 2020

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SUMMARY OF 2019/20 WORK

Internal Audit

This report is intended to inform the Audit Committee of progress made against the 2019/20 internal audit plan. It summarises the work we have done, together with our assessment of the systems reviewed and the recommendations we have raised. Our work complies with Public Sector 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.

2019/20 Internal Audit Plan

We are making good progress in the delivery of the 2019/20 audit plan, and we are pleased to present the following reports to this Audit Committee meeting:

- Business Continuity and Disaster Recovery
- Follow up Report
- Internal Audit Plan 2020-21 and Strategic Plan 2020-23

We are also completing the fieldwork on the following audits:

- Graffiti and Street Appearance
- Enforcement Restructure

We anticipate presenting these reports at the next Audit Committee.

Changes to the Plan

The Council is in the midst of creating several capital influencing programmes as a response to the climate change emergency. The influencing programmes will be included in the scope of the Environment review however, these are not complete and we are unable to base our conclusions on these. Because of this, the Council has requested to move the Environment Audit review to the 2020-21 audit plan.

Subject to the Audit Committees approval, the 15 days will be c/f to the 2020-21 audit plan.

Process to Agree 2020/21 Audit Plan

The Draft Audit Plan was discussed within the ODG meeting with all Heads of Service; the plan was subsequently presented to the S151 Officer on 21.02.2020. The Draft Internal Audit plan 2020 - 21 and Strategic plan 2020- 23 is presented in this committee for approval.

REVIEW OF 2019/20 WORK

Audit Area	Audit Days	Executive Lead	Planning	Fieldwork	Reporting	Opinion			
						Design	Effectiveness		
Audit 1: Accounts Payable and Procurement	18	Nigel Kennedy	✓	✓	✓	Moderate	Moderate		
Audit 2: ICT General Control	12	Nigel Kennedy	✓	✓	✓	Substantial	Moderate		
Audit 3: Collection Fund	12	Nigel Kennedy	✓	✓	✓	Substantial	Substantial		
Audit 4: Treasury Management High Level	8	Nigel Kennedy	✓	✓	✓	Substantial	Substantial		
Audit 4: Health and Safety and Fire Safety	13	Helen Bishop	✓	✓	✓	Substantial	Moderate		
Audit 5: Contract Management	15	Nigel Kennedy	✓	✓	✓	Moderate	Moderate		
Audit 6: High Level Business Continuity, Disaster Recovery and Emergency Planning Review	12	Helen Bishop	✓	✓	✓	Substantial	Moderate		
Audit 7: Corporate Performance	13	Helen Bishop	✓	✓	✓	Moderate	Moderate		
Audit 8: Enforcement Restructure	12	Nigel Kennedy	✓						
Audit 9: Events Management	12	Ian Brooke	✓	✓	✓	Moderate	Moderate		
Audit 10: Graffiti and Street Appearance	10	Ian Brooke	✓	✓	✓				
Audit 11: Housing Rents System	12	Stephen Clarke	Changes approved by the Committee in January 2020. This review has been c/f to the 2020-21 Audit plan.						
Audit 12: Environment	15	Nigel Kennedy	See changes to plan section on page 3, to be moved to 2020-21 Audit Plan.						
Audit 13: Fusion follow-up	4	Ian Brooke	✓	✓	✓	N/A	N/A		
Audit 14: Election Accounts	12	Anita Bradley	✓	✓	✓	Substantial	Moderate		

EXECUTIVE SUMMARY - High Level Business Continuity, Disaster Recovery and Emergency Planning Review

EXECUTIVE SUMMARY

LEVEL OF ASSURANCE: (SEE APPENDIX I FOR DEFINITIONS)

Design	Substantial	There is a sound system of internal control designed to achieve system objectives.
Effectiveness	Moderate	Evidence of non-compliance with some controls that may put some of the system objectives at risk.

SUMMARY OF RECOMMENDATIONS: (SEE APPENDIX I)

High	0
Medium	2
Low	0

TOTAL NUMBER OF RECOMMENDATIONS: 2

BACKGROUND:

The Council performs a number of essential and statutory functions. Effective Business Continuity and Disaster Recovery arrangements enable the Council to restore service delivery without undue delay in the event that an unplanned event prevents normal systems and processes occurring. Good planning will enable prioritization of work to restore affected services, and identify the key contacts, resources and processes to return to stability of operations.

Recent incidents affecting Local Authorities have highlighted the reality of the risks and the necessity for Councils to be prepared - South Oxfordshire District Council was the victim of an arson attack in 2015, and more recently Lincolnshire County Council Services were affected by a ransomware computer virus. The inability to maintain key services in exceptional circumstances (business continuity) has been identified as a key corporate risk (no. 38). The arrangements enable shared resources and expertise, and cross Council incident support through an increased pool of trained staff.

In 2016 the responsibility for Business Continuity moved to Financial Services. In that same year we undertook an audit in this area which led to a Limited Audit Opinion. After this Zurich were appointed to improve the control environment.

GOOD PRACTICE:

- We confirmed senior management have completed a risk assessment and a business impact assessment in order to determine and define their recovery time objectives.
- Existing plans are in line with the Council's corporate structure and cover the necessary key contacts for employee guidance on who to raise incidents with in each department
- We confirmed that the Corporate Business Continuity Plan has adequate coverage to ensure that the Council's service areas that rely on systems and servers not highlighted in a specific plan are addressed.
- The Council has conducted a criticality assessment in the corporate business continuity plan, system and server incidents are categorised into three timeframes; 1 day, 1 week & 1 month, with 1 month being the longest time required for non-critical systems to being operationally effective.
- We confirmed that the key contacts and responsible officers in the event of an incident have been referred to as set out in the corporate business continuity plan.
- The Council have an IT Disaster Recovery Plan in place and we confirmed that procedures were documented in the event of an incident occurring, ensuring that senior management are aware of their responsibilities through workshop events that were held. Key contacts from the 3rd party suppliers (SCC) have been set out and referred to in the plan.
- The continuity plans in place include a review of the Horspath road offices with plans to expand to another office further to ensure all service areas that are required to perform critical functions for the Council can operate effectively. The service areas that do not require a connection to the LAN to perform their tasks are assigned to work remotely.
- There was sufficient evidence to showcase how members of staff would get to Horspath road with each BCP including a map towards the end with directions for employees to follow in the event where the site would be needed.
- Workshops for senior management took place explaining why a business continuity plan should be in place. This made sure every department was aware of their individual responsibilities towards the business continuity plan. After this, senior management in all departments drafted their section of the Business Continuity Plan and this was then reviewed by Zurich the third party risk management provider.

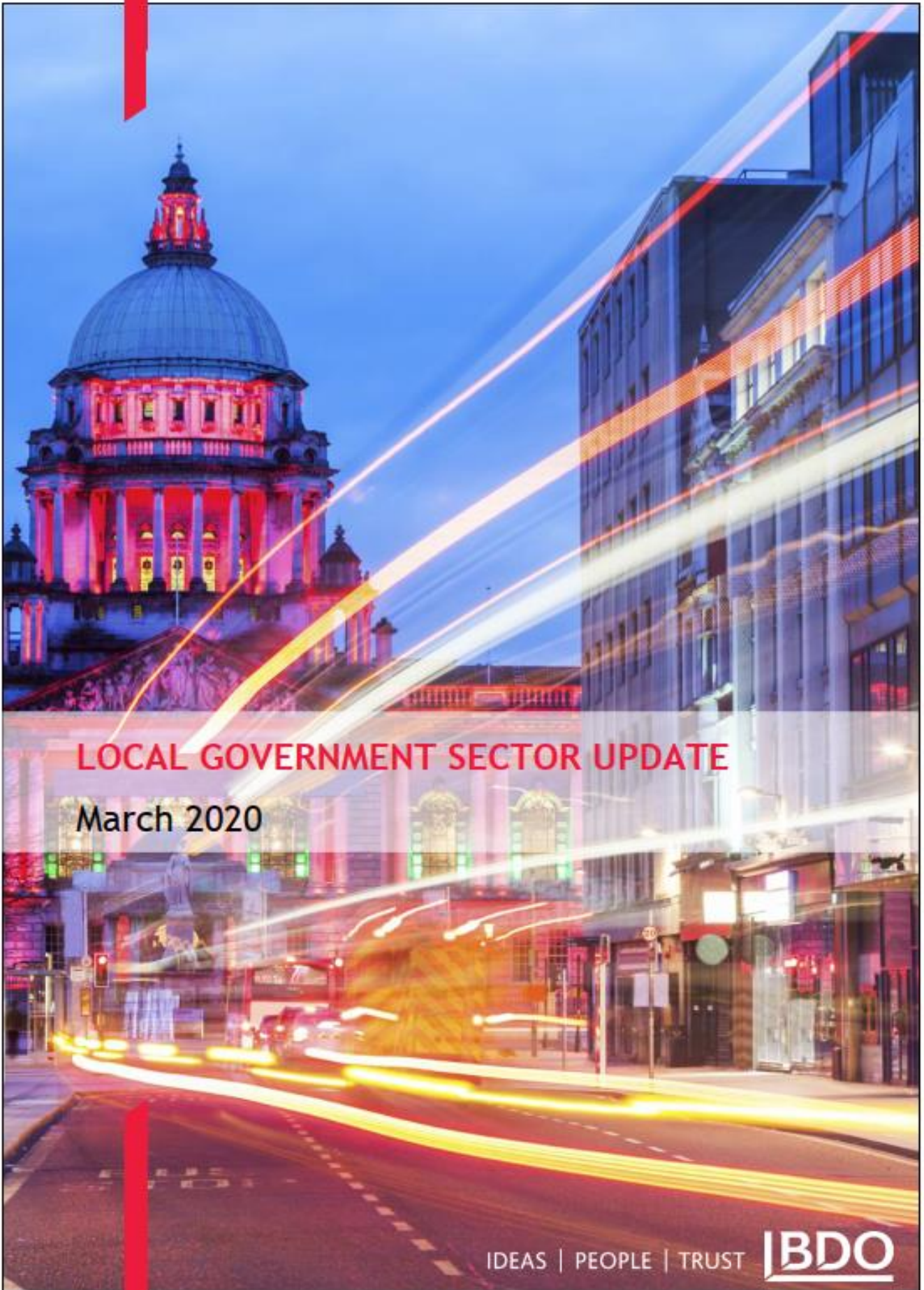
KEY FINDINGS:

Finding	Summary of Recommendations	Owner	Due date
In the business continuity plans review spreadsheet the Council currently have in place, there was no reference made towards the testing of the service areas' business continuity plans and no confirmations within the spreadsheet that confirms that testing of the plans is undertaken on an annual basis amongst all service areas that have a plan. (Medium - finding 1)	<p>The Council should implement annual testing for the plans to ensure that potential threats to critical systems and servers in specific service areas are identified to aid the Council in preparations, ensuring potential damages are mitigated for critical systems and servers as well as key data used in the day to day functioning of the Council's service areas.</p> <p>Management Response: <i>Agreed: The Council operates and will continue to operate biennial testing of the Corporate Business Continuity plan. Additional reviews will be</i></p>	Bill Lewis	December 2019

	<i>undertaken from time to time to supplement the oversight of the Risk Management Group.</i>		
Based on our review of the continuity plans provided along with the tracker used by the Council to highlight all continuity plans across service areas, we confirmed that the Council currently does not track third party plans produced by Zurich as to whether they have been reviewed and updated on an annual basis. (Medium - finding 2)	<p>The Council should ensure plans are provided to a board providing oversight to ensure approval has been granted before any Business continuity plans are issued back out to Service area management to be actioned in the event of a disaster occurring.</p> <p>Management Response: <i>Agreed: The Risk Management Group has the responsibility for overseeing business continuity plans and will review all updated corporate and service area plans. The Risk Management Group will then feedback any issues identified.</i></p>	Bill Lewis	December 2019

CONCLUSION:

Overall, we conclude that the control framework in place for the management of Business Continuity and Disaster Recovery Planning within the Council is adequately designed and operationally effective, but management need to address the areas of risk identified from this review to ensure a robust approach is maintained.



LOCAL GOVERNMENT SECTOR UPDATE

March 2020

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SECTOR UPDATE

Our quarterly Local Government briefing summarises recent publications and emerging issues relevant to Local Authorities that may be of interest to your organisation. It is intended to provide a snapshot of current issues for senior managers, directors and members.

FINANCE

'Alarm bells' ring over 14-fold boom in council commercial property investment

A report from the National Audit Office urged the government to look again at the framework in place to protect taxpayer money from risks involved in investing in property such as offices and shopping centres.

The watchdog found that town halls in England spent £6.6bn on commercial property between 2016-17 and 2018-19 - 14.4 times higher than the preceding three years.

Relying on this type of investment leaves councils open to risk caused by an economic recession.

Meg Hillier, chair of the Public Accounts Committee, said: "Given local authorities have faced such big cuts, it is understandable that many might take part in risky investments to get more money in. "However, a fourteen-fold increase in spend on commercial property raises serious alarm bells."

<https://www.publicfinance.co.uk/news/2020/02/alarm-bells-ring-over-14-fold-boom-council-commercial-property-investment>

LGA: £80m from PWLB rate hike should be given back to councils

In its 2020 Budget submission the Local Government Association estimated that the government could receive as much as £80m due to the rate hike and it should be used to support the sector.

"The income received by the government from the rate rise must be reused in the form of additional funding for local government," the LGA said.

As an alternative, the LGA called for a scheme similar to the Local Infrastructure Rate, introduced in the 2017 Autumn Budget, which allowed councils in England to borrow up to £1bn with a discounted interest rate of 60 basis points for infrastructure projects.

"Now that standard PWLB rates are higher it is vital that the opportunity is taken to implement a similar scheme in the 2020 Spring Budget for crucial projects, including housing, to enable councils to deliver schemes vital to the National Infrastructure Strategy which would otherwise be under threat," the group said.

The LGA noted that councils have increasingly been relying on their own resources to fund capital projects with central government grant falling by £600m between 2014-15 and 2018-19.

<https://www.publicfinance.co.uk/news/2020/02/lga-ps80m-pwlb-rate-hike-should-be-given-back-councils>

Nearly all local authorities expected to raise council tax and fees

Among the 152 councils that responded to research, released by the Local Government Information Unit, 93% plan to increase council tax by more than 1.5%. The 2019-20 threshold to which local authorities could raise council tax to avoid a referendum was 3%.

Of the respondents, 97% said they plan to increase fees and charges in 2020-21, with 14% feeling they will have to raise them by the "maximum possible amount", the think-tank found.

Jonathan Carr-West, chief executive of the LGiU, said in the report: "The state of local government finances is dire. It is simply unacceptable that the government has let things get to this point."

<https://www.publicfinance.co.uk/news/2020/02/nearly-all-local-authorities-expected-raise-council-tax-and-fees>

Government ‘failing’ to act on audit changes two years after Carillion

Two years on from the collapse of outsourcing giant Carillion, Unite, the UK’s biggest union, has accused the government of failing to act on weaknesses in the UK audit system. Unite said that the government has done “exactly nothing” to overhaul the system after the firm’s demise left thousands without jobs and left major projects hanging in the balance. The union highlighted a Carillion-led project at the Royal Liverpool hospital, which was 85% complete when the firm collapsed in January 2018. The hospital was originally due to be completed in 2017 but will not be finished until 2022. Several reviews into Carillion’s collapse are currently underway including by the National Audit Office, the Financial Reporting Council and the Official Receiver. But none have been published yet.

<https://www.publicfinance.co.uk/news/2020/01/government-failing-act-audit-changes-two-years-after-carillion>

Public sector procurement grew by 17% last year

UK public sector spend on procurement increased by 17% to £93bn in the last year, according to a data provider on government contracts. Tussell’s 2019 in UK public procurement report found that 2,076 public sector buyers awarded 45,216 contracts to 16,218 suppliers. The total value of contracts grew from £79bn in 2018 to £93bn in 2019 “despite political uncertainty”, Tussell said.

Of the £93bn total, £40bn came from central government contracts followed by £23bn from local government. Housing associations spent £9.3bn on procurement and the NHS spent £7.4bn. “other” public bodies, according to Tussell, spent a further £13bn.

The single largest buyer was the Ministry of Defence, which spent nearly £15bn on procurement, followed by Peabody housing association which spent £8.08bn. Tussell said that it expects the outsourcing market to grow again in 2020.

<https://www.publicfinance.co.uk/news/2020/01/public-sector-procurement-grew-17-last-year>

IT

Breaking from the herd to meet threat of cyber-attack

Last year we launched a white paper which reflected on digital and technology trends. The shift to truly digitally enabled services will become ubiquitous but these in turn bring new threats. Freedom of information requests have revealed that over the first half of 2019 UK councils suffered 263 million cyber-attacks. That’s an average of 800 an hour. The current model of cyber defence is a kind of ‘herd protection’. We learn from those that are breached and as quickly as possible we create a defence and share it.

Local government has done pretty well in cyber defence, but the model only works well if you are not the first to be attacked. So, as the internet of things takes off in care and other areas of our communities, it’s clear that the current reactive model to cyber defence will be severely tested. There are already some powerful lessons to be learned from other countries. It is now possible to put cyber defence on the front foot; you don’t need to have seen the type of attack before to trap it and kill it.

<https://www.lgcplus.com/services/health-and-care/how-councils-can-collaborate-to-harness-the-power-of-social-care-data-05-02-2020/>

Environment

One in 19 deaths linked to air pollution in cities, research finds

A Centre for Cities report, out today, found that people living in southern cities are more likely to die from toxic air, and air pollution deaths are 25 times higher than the national rate of deaths from traffic accidents.

London and Slough have the highest percentage of deaths linked to the deadly toxin PM2.5, at 6.4%. Aberdeen has the lowest number of deaths linked to the toxin at just 3%, followed by Dundee at 3.1%. Centre for Cities found that 62% of roads monitored in UK cities exceed World Health Organisation guidelines for PM2.5, though these levels are still legal in England, Wales and Northern Ireland.

In 19 cities, all monitored roads are breaching the WHO guideline, potentially exposing 14 million people to the pollutant every day, the research unit said.

Researchers said that transport is a big source of pollution but burning fuels is another major cause. Half of deadly PM2.5 taxins generated in cities come from sources such as wood burning stoves and coal fires, the report said

<https://www.publicfinance.co.uk/news/2020/01/one-19-deaths-linked-air-pollution-cities-research-finds>

Government adviser cautions against ‘deluded’ net zero carbon goal

A government climate change adviser has warned councils that setting ‘net zero’ carbon emissions targets could create “very serious unintended consequences”.

Dieter Helm, professor of energy policy at Oxford University, said the only form of net zero that should count is “net zero carbon consumption”, which also takes into account the carbon cost of our consumer products imported in from abroad.

Prof Helm told the Local Government Association’s climate emergency conference on Wednesday that he was “really concerned with deluding people with the idea that if we get to net zero on carbon territorial reduction by 2030, we will no longer be causing climate change”.

<https://www.lgcplus.com/services/environment/government-adviser-cautions-against-deluded-net-zero-carbon-goal-24-01-2020/>

HOUSING

Government pledges £16.6m for domestic violence victims

The government has pledged £16.6m to fund 75 projects providing refuge to victims of domestic violence and their children.

Housing and communities secretary Robert Jenrick today said the funding for councils would help up to 43,000 victims and end a “postcode lottery” of support for those fleeing abusive relationships.

The announcement follows a pledge by the government in last year’s Queen’s speech to impose a legal requirement on every council to provide accommodation-based support by amending the Domestic Abuse Bill, which will be reintroduced to the House of Commons shortly.

<https://www.lgcplus.com/services/housing/government-pledges-16-6m-for-domestic-violence-victims-17-02-2020/>

Councils must start cladding enforcement by end of the month

Councils will be expected to start enforcement against building owners who have not started remediation work to remove unsafe Aluminium Composite Material (ACM) cladding from their buildings by the end of this month, the government has announced.

Officials from the Ministry of Housing, Communities & Local Government will work with local authorities to “support enforcement options” if a clear plan for remediation is not provided by building owners by the end of January.





The government will also begin naming and shaming the building owners who have been “too slow to act”.

The announcement was made as part of a raft of new measures being proposed to improve fire safety in high rise buildings in the wake of the Grenfell Tower fire, including the creation of a new building and safety regulator and the appointment of a chief inspector of buildings to speed up remediation work . The government is also to consult on lowering the height threshold for buildings requiring sprinklers from the current 30 metres and for the use of combustible materials on buildings from the current 18 metres.

<https://www.lgcplus.com/services/housing/councils-must-start-cladding-enforcement-action-by-end-of-the-month-21-01-2020/>

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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