

INTERNAL AUDIT PROGRESS REPORT

Oxford City Council

July 2021

IDEAS | PEOPLE | TRUST



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SUMMARY OF 2021/22 WORK

Internal Audit

This report is intended to primarily inform the Audit Committee of progress made against the 2021/22 internal audit plan although there is also reference to audits recently completed in respect of the 2020-21 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.

2020/21 Internal Audit Plan

We are pleased to present the following reports to this Audit Committee meeting:

- Income Collection and Cashiers

We will present the following reports to this Audit Committee meeting separately:

- Internal Audit Annual Plan 2021-22 & Strategic Plan 2021 - 24
- Internal Audit Annual Report
- Follow up Report (Companies Oversight)
- Follow up Report

2021/22 Internal Audit Plan

We are currently making progress with the 2021/22 internal audit plan with scoping meetings underway for Car parking, Highways, Cyber Security, and Accounts Payable

REVIEW OF 2021/22 WORK

Audit Area	Audit Days	Executive Lead	Planning	Fieldwork	Reporting	Opinion	
						Design	Effectiveness
Audit 1: Car Parking	13	Emma Gubbins	✓				
Audit 2: High Ways Audit	13	Stephen Clarke	✓				
Audit 3: Housing Rents	14	Nigel Kennedy	✓				
Audit 4: Community Strategy	14	Ian Brooke	✓				
Audit 5: Homelessness Prevention and Temporary Accommodation	14	Stephen Clarke	✓				
Audit 6: Environment	15	Mish Tullar	✓				
Audit 7: Data Analytics	15	Anna Winship	✓				
Audit 8: Project Management	15	Carolyn Plosynski	✓				
Audit 9: Cyber Security	14	Helen Bishop	✓				
Audit 10: Accounts Payable	14	Nigel Kennedy	✓				
Audit 11: Business Continuity & Disaster Recovery	14	Nigel Kennedy	✓				
Audit 12: General Ledger	10	Nigel Kennedy	✓				
Audit 13: People and Culture	18	Helen Bishop	✓				
Audit 14: Remote Working	14	Nigel Kennedy	✓				
Audit 15: Insurance	10	Nigel Kennedy	✓				

EXECUTIVE SUMMARY - INCOME COLLECTIONS CASHIERS

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	Substantial	The controls that are in place are being consistently applied.

SUMMARY OF RECOMMENDATIONS: (SEE APPENDIX I)

Medium	1
Low	0

TOTAL NUMBER OF RECOMMENDATIONS: 1

CRR/BAF REFERENCE:

- 1.Enable An Inclusive Economy
- 2.Deliver More Affordable Housing
- 3.Support Thriving Communities
- 4.Pursue A Zero Carbon Oxford

BACKGROUND:

Oxford City Council's (the Council's) main source of income is from Business rates, Council Tax, New Homes Bonus and Housing and Commercial Rent. The following is the breakdown of the income from the three major sources in 2019/20 and 2020/21:

Income source	2020/21 (£'000)	2019/20 (£'000)
Business rates	9,165	9,263
Council Tax	14,408	13,942
New Homes Bonus	610	962
Total	24,183	24,167

The Council uses the PARIS income management system which is due to be replaced with Civica Pay in late 2021. The PARIS system allows the Council to take card payments over the phone or face to face when there is a court order. Payment details of customers are obtained by the Recovery Officers via calls to charge payers for Council Tax and Business Rates. Upon payment, a Payment Reference is given either over the phone or via email per

request. The Council still accept cheque payments in person or in the post, but no longer accept cash payments since COVID-19.

As part of the Government's Covid response, businesses that could not afford to pay their business rates for 2020-21 (if eligible) were either provided a business rates holiday for the first three months of the financial year (April 2021-30 June 2021), did not have to pay Business rates for the year or could get 66% off their business rates bills for the rest of 2021-22. As a result, the Council provided £57.5m of rates relief to businesses in Oxford which has helped employers keep their business viable throughout lockdown.

Per the Recovery Procedure, once there is a default in payment a reminder letter is sent within seven working days. If the payment is still outstanding, further legal action is considered by the Council. However, if the payment is made and the individual defaults again, the second reminder letter is sent within 7 working days of the default. Where the payment at this point has not been made, a final notice letter is sent where the next stage of the procedure is a Summons.

GOOD PRACTICE:

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

- There is an effective system in place for the billing of Council Tax and Business Rates amounts whereby bills are generated on Academy and payments are collected via the PARIS system
- The Council has in place adequate recovery procedures for outstanding payments which were fit for purpose and clearly defined
- Where a default in payment was identified for one of the samples, the Council followed the recovery procedure correctly ensuring that payments are collected
- Each Government grant type is reconciled via the Biff files sent from the Revenues Team which are confirmed by the accounts generated by the Finance Team, on a daily basis. Grant payments of £303,510 received via the PARIS system correctly reconciled to grant income expected
- Of the sample of 15 Council Tax and Business Rates income receivable tested, it was noted that all payments received were allocated to the correct ledger code within the correct period
- Senior Management produce monthly reports to monitor the income collection of Business Rates and Council Tax; these are discussed in monthly meetings to establish strategies particularly where underperformance is identified. Weekly reports are generated by the Technical Officer to compare the weekly income collection performance
- The Financial Accounting Manager performs a monthly reconciliation between the accounts from Agresso and the bank statements for Council Tax, Business rates and grants received; it was noted that all reconciliations were prepared and approved by separate officers. No variances were identified for the sample of 12 reconciliations reviewed.

KEY FINDINGS:

Finding	Summary of Recommendations	Owner	Due date
<p>Finding 1 - Medium. - There were no records of access request forms for seven users, therefore approval of access levels cannot be validated. These related to starters prior to 2016 when a new IT system was introduced.</p>	<p>a) The Council should ensure that all access forms are submitted prior to the user gaining access to the system</p> <p>b) The Council should retain access of forms so where additional requests are made, management are aware of the current level of access the user has and whether this is appropriate.</p> <p>Management response</p> <p><i>In relation to the access forms that were not provided, the ICT Operational Applications Manager stated "We can only access requests for 8 out of the 15 samples due to the individual starting with the council prior to the introduction of the ITSM application in 2016. We have checked the IT Service Desk for submission of an online form, previously used to request access, but cannot locate any for the remaining 7 samples."</i></p> <p><i>Currently the Council in the process of moving to a new IT system, and going forward it is agreed that an access form is to be completed and approved for all staff. To acknowledge current access level of staff, it is agreed that all access forms will be held as reference for consistency.</i></p>	<p>Anna Winship, Management Accounting Manager</p>	<p>31 July 2021</p>

CONCLUSION:

Overall, there is an effective system in place for the billing of Council Tax and Business Rates and adequate monthly reconciliations to monitor Council Tax, Business rates and Grant Payments. Whilst the debt recovery procedures paused for three months due to the Governments Covid response the Council are now continually monitoring the above on a monthly basis.

Whilst there are adequate controls in place we noted that user access forms and their corresponding approval of the PARIS System should be retained by the Council to maintain an appropriate audit trail.

We have therefore provided substantial assurance over control design and operational effectiveness.



LOCAL GOVERNMENT SECTOR UPDATE

Quarter 1 Update

July 2021

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

£100m plan to slash council's office space by three quarters

A unitary authority has unveiled plans to spend more than £100m on slashing its office space by three quarters, enabled by a rise in home working following Covid-19.

Cornwall Council's cabinet will next week vote on plans which would see the authority's operational estate shrink from 200 buildings to between 50 and 60.

Capital spending on the plan is estimated at £105m over five years, leading to annual revenue savings of £6m a year, release assets worth £25m and reduce a maintenance backlog by £32m.

A report to councillors said: "Successful delivery of this transformation is reliant on a corresponding increase in the number of staff working from home for larger parts of the working week."

The council, which gained unitary status in 2009, was last year already working on proposals for to reduce the size of its estate as Covid-19 hit.

Its initial, less ambitious, plans relied on staff working from home for one day a week, but the pandemic has "demonstrated an ability to work more flexibly than originally thought possible", the report said.

The plan would see a reduction in the council's carbon footprint by around 3,500 tonnes of Co2 each year - around 70% of current levels, the report said.

Next week's cabinet meeting will be asked to vote to approve £30m of capital spending for the first tranche of the programme, plus the use of £3.3m of capital receipt flexibilities to support programme delivery costs.

<https://www.publicfinance.co.uk/news/2021/07/ps100m-plan-slash-councils-office-space-three-quarters>

Building stronger procurement

Two important new documents provide the basis for stronger and more efficient public sector procurement as we emerge from Covid-19, says Crown Commercial Service chief executive Simon Tse.

The decisions we make in 2021 will shape the way our public institutions procure goods and services for a generation.

Even before the findings of the government's consultation on transforming public procurement are published, two concise documents published this summer throw down the gauntlet for public sector buyers, and impact the commercial solutions we put in place for them.

Alongside measures to ensure our buying is sustainable and socially responsible come new demands on us all as procurement professionals.

- **The National Procurement Policy Statement**

Released in June, the National Procurement Policy Statement brings together half a decade of procurement reform, mostly issued in the form of Procurement Policy Notices - the guidance produced regularly by the Cabinet Office to clarify and evolve our buying

practices.

- **The Declaration on Government Reform**
The [National Procurement Policy Statement](#) arrives in tandem with a renewed emphasis on civil service reform.
Our commercial colleagues across government will be studying the Declaration on Government Reform extremely closely, and applying its principles to their own organisations.
- **Planning for the future of public procurement**
For my part, I am confident that Crown Commercial Service is making good progress in planning for the future public procurement system that we know is at a crucial, formative stage right now.

<https://www.publicfinance.co.uk/opinion/2021/07/building-stronger-procurement>

Council creates checklist for lending to other authorities after negative attention

A Scottish local authority has adopted a checklist for assessing prospective loans to other councils after receiving negative publicity over lending to the struggling London Borough of Croydon.

Midlothian Council lent Croydon £13m in April 2020, and by November the latter had [issued a Section 114 notice](#), citing “severe ongoing financial [challenges](#)”.

An audit [report](#) from Ernst and Young discussed at a recent meeting of the council’s audit committee described “adverse media attention” for Midlothian in the following month, after which the authority drafted the checklist.

“The purpose of the checklist is to further strengthen the documentation of the due diligence checks carried out and to use information sourced to flag potential counterparties who are engaged with ‘debt for yield’ activities or are otherwise considered to be higher risk in the local government context,” the report said.

It includes requirements that the counterparty must be a local authority with a higher population and larger cost of services than Midlothian; that it does not intend to use the money to buy commercial assets outside its own area primarily for yield; and that it has uncommitted general fund reserves of at least 2% of its net revenue budget.

The checklist also specifies that the maturity period must be a maximum of five years, and sets out a series of financial background checks that must be completed.

Ernst and Young recognised that due diligence on local authorities is impacted by the lack of credit reference checks available for the majority of councils, and by the timeliness of publicly available financial information.

<https://www.publicfinance.co.uk/news/2021/07/council-creates-checklist-lending-other-authorities-after-negative-attention>

Council treasurers need to be ‘a little braver’ on transformation

Councils need to stop waiting for rules from central government and start working innovatively to transform their services and adapt to the future, a Public Finance Live 2021 panel heard.

Donna Hall, former chief executive of Wigan Council who developed the ‘Wigan Deal’ - a social contract between the public and the authority that [resulted in cost savings and increased satisfaction](#) - said councils need to change the way they view their roles.

“What we really need to do is not ask for permission but forgiveness,” she said.

“Instead of looking upwards for the rules, we need to [look outward to our communities](#).”

Giving the example of Wigan, which decided to not raise council tax for eight years, so as to not

pass on the cost of austerity to the community, Hall pointed to a ‘transformation reserve’ the authority set up to “try new things”.

She said other authorities need to be similarly innovative

“I do think there’s a role for treasurers to be a little braver,” she said.

Key to success is “clarity of purpose and constancy of purpose,” she added.

“We had a plan and we stuck with it. We listened and we adapted it, but we had that core running through our programme.”

The partnership with the community, listening when people told the council it was getting something wrong, Hall said, “completely redefined the role of public services in a place”.

<https://www.publicfinance.co.uk/2021/07/council-treasurers-need-be-little-braver-transformation>

Fair Funding Review ‘on ice’ for two years

Fundamental reform of UK local authority finances is likely to be delayed further by up to two years, to assess Covid-19’s impact on local taxation, according to CIPFA chief executive Rob Whiteman.

The Fair Funding Review, originally scheduled for last year, was set to create a new system for distributing resources between authorities. However, Covid-19 has halted the process.

Whiteman told the recent CIPFA Treasury Management Conference that long-term uncertainty over future business rates levels casts doubt over the timing of the review.

He said: “I think that is possibly still the reform agenda, but it is parked for a year or two.” He warned the sector that this meant a potential continuation of yearly spending reviews and a proliferation of funding pots for financing specific policy aims.

Whiteman warned that the government currently has no alternative to non-domestic rates lined up as a source of local government income, “so whether business rates can continue to be that anchor, or whether something else needs to be found is going to take a few years”.

Whiteman said that, more importantly, the government will need to assess the impact of missing council tax revenue on local authority collection funds.

<https://www.publicfinance.co.uk/news/2021/07/fair-funding-review-ice-two-years>

City council to defer loan repayment due on local attraction

Brighton and Hove City Council has deferred a £1.2m loan payment from Brighton i360, a 530ft viewing tower, to help with its cash flow - over fears the attraction’s failure would cost more in the long run.

The council lent Brighton i360 Ltd £36.2m in 2014 with money from the [Public Works Loan Board](#), and interest has pushed the outstanding figure to over £41.1m.

Covid-19 has had a “massive impact” on i360, with lockdowns and reduced tourism harming visitor numbers, assistant director for city development and regeneration Max Woodford told the authority’s policy and resources committee last week.

“Encouraging figures” [as restrictions ease](#) are a cause for optimism but the attraction still needs support, he said, proposing the payment due in June be deferred.

A report ahead of the meeting suggested the loss of value to the asset that would result from the i360’s insolvency or the council stepping in “is likely to be worse than restructuring the loan”.

In the past three years, i360 has missed more than £6m in repayments due to lower-than-expected visitor numbers - a problem that predates Covid-19.

A loan restructure was agreed in December 2019, but work on this was paused amid the pandemic, as were payments due in June and December 2020.

Councillors agreed at the meeting to also defer the June 2021 repayment, and push ahead with reprofiling the debt.

<https://www.publicfinance.co.uk/news/2021/07/city-council-defer-loan-repayment-due-local->

[attraction](#)

Government proposes shortened business rates valuations period

The government has proposed a three-year valuation period for business rates, alongside changes to the appeals process, in a bid to make the system more effective.

The proposal would see the valuation period reduce from the current five years, to ensure the rental values on which business rates are based better reflect changing economic conditions, a Treasury [consultation](#) published today said.

To help streamline the valuation process, ratepayers would have to provide information of changes to buildings, alongside lease details and other supporting information, such as side agreements, to the Valuation Office Agency.

Jesse Norman, financial secretary to the Treasury, said: “As our economy is recovering, we are supporting businesses to build back better.

“Proposals set out in this consultation would mean that valuations more quickly reflect how the economy is performing, making the business rates system more accurate and responsive, while balancing the burden for ratepayers.”

The Treasury has also proposed changes to the appeal system including a three-month window to lodge potential claims and excluding landlords from lodging appeals themselves.

Currently, ratepayers are allowed to lodge appeals up until the end of valuation period.

An industry expert said this could have a mixed impact on local authorities.

<https://www.publicfinance.co.uk/news/2021/06/government-proposes-shortened-business-rates-valuations-period>

Environment

Funding mechanisms ‘work against climate change’

Some funding streams available to help local authorities in England fund energy-efficient initiatives are actively working against reducing emissions, a local government network organisation said.

A report from local government leadership network group UK100 said that the Treasury Green Book promotes funding of roads over active travel, and investment in more dense cities and towns rather than rural areas.

The report also said that long-term funding cuts have led to smaller local authorities losing the skills and knowledge needed to support action on climate change.

“As a country we cannot hope to deliver the measures needed to meet our carbon targets without investment at scale and in delivery at the local level - through organisations that have the potential to deliver locally-appropriate investment,” the report stated.

UK100 said that national programmes that previously provided independent information and advice to councils have also been cut or privatised, meaning local authorities have not been able to push ahead with some green projects.

The report also noted that government departments’ priorities are not joined up or focused on net-zero commitments, adding the Department for Business, Energy and Industrial Strategy has instead focused on energy and fuel poverty.

It also said the Ministry for Housing Communities and Local Government has focused on house building in large numbers rather than supporting energy-efficient homes with sustainable

transport links.

<https://www.publicfinance.co.uk/2021/05/funding-mechanisms-work-against-climate-change>

HOUSING

Council housing company threatened with closure

Regulators have threatened to close down Luton Borough Council's wholly-owned housing development company after it failed to file its accounts.

An update from Companies House said that the London Gazette, the government's record office, has prepared a first notice for compulsory strike-off for Foxhall Homes, which will be published next week.

[Luton](#) said the delay was due to an administrative error, and that it had failed to advise Companies House of this circumstance.

A statement from the council said: "There has been a regrettable delay in finalising Foxhall Homes' accounts and filing them at Companies House due to uncertainties resulting from the pandemic.

"On behalf of the directors of Foxhall Homes, the council has now written to Companies House, apologising for this and giving assurances that the accounts will be presented shortly, whilst at the same time requesting a short period of deferral of any further action."

The housing company was incorporated in 2017, with plans to build 381 homes for sale and rent a year by 2022-23.

<https://www.publicfinance.co.uk/news/2021/06/council-housing-company-threatened-closure>

Council offers to buy back homes to cover repair costs

City of Edinburgh Council will progress with a £30m housing pilot which could see former council homes sold back to the authority to cover essential repairs.

The Mixed Tenure Improvement Service will see the council provide 70% of funding for repair works on housing blocks, with owners who purchased their homes under Right to Buy needing to contribute to costs.

A document discussed at a Housing, Homelessness and Fair Work Committee meeting last week said that owners will have access to grants, 10-year debt repayment plans or selling their properties back to council to cover costs.





Kate Campbell, housing homelessness and fair work convener at the council, said: "This is a hugely challenging project but one that needs to be done in order to improve the living conditions for all residents living in these properties - our tenants, owner occupiers and those who rent from private landlords - so they feel more safe, secure, warm and proud of the neighbourhood they live in.

"Serious investment needs to be made now with many of the blocks falling into serious states of disrepair and as a social landlord we have a responsibility to meet housing quality standards and energy efficiency standards."

She added that the council is doing everything it can to ensure that there is support in place to help owners manage the costs of the repairs.

<https://www.publicfinance.co.uk/news/2021/06/council-offers-buy-back-homes-cover-repair-costs>

APPENDIX I - DEFINITION OF ASSURANCE

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.

APPENDIX II - PROTOCOLS

RESPONSIBILITIES

Having clear protocols around approvals across all stages is important to the integrity of the outputs produced. The table below sets out the minimum expectations for approvals - all approvals must be done via email or letter and verbal approvals cannot be accepted. BDO will retain all evidence of approvals.

Definitions:

- Lead - this always refers to BDO. It is defined as the organisation responsible to the delivery and management of the task
- Approve - this is who BDO require to formally approve the task and will be one of the three organisations
- Consult - this is where BDO will reach out to one or more of the Group organisations to ask for their feedback into a specific task. This feedback will be given to the Approver and be taken into account in the process prior to finalisation of any given task. Where there may be disagreement between the Approver and those Consulted, the Approver decision is taken
- Inform - this is where BDO will reach out to one or more of the Group organisations to inform them of the outcome of a task providing the output where appropriate. This is therefore a post task process to inform. It may happen on occasion that an organisation is informed in advanced however they are not being consulted to seek feedback/input.

OCC 2021-22 PLAN WITH RESPONSIBILITIES

	L lead, A approve, # inform, @ consult				
	BDO	OCC	ODS/ODST	OCHL	Comments
Annual Planning					
Car Parking	L	A	@	None	
Highways Audit	L	A	@	None	
Housing Rents	L	A	@	#	
Community Strategy	L	A	None	None	
Homelessness Prevention & Temporary Accommodation	L	A	None	None	
Environment	L	A	None	None	
Data Analytics	L	A	@	None	ODS/ODST receive financial software support from OCC and therefore will be consulted on this review as it will cover all finance software.
Project Management	L	A	#	#	
Cyber Security	L	A	#	None	
Accounts Payable	L	A	@	@	ODS/ODST and OCHL receive AP support from OCC and therefore will be consulted on this review.

Business Continuity and Disaster Recovery	L	A	@	@	ODS/ODST and OCHL maintain the same software as OCC and therefore will be consulted on this review.
General Ledger	L	A	@	@	ODS/ODST and OCHL receive GL support from OCC and therefore will be consulted on this review.
People and Culture	L	A	#	None	
Remote Working	L	A	None	None	
Insurance	L	A	None	None	



FOR MORE INFORMATION:

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