

INTERNAL AUDIT FOLLOW UP OF RECOMMENDATIONS REPORT

Oxford City Council

Companies Oversight

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Summary

FOLLOW UP GOING FORWARD - BDO RECOMMENDATIONS

Following the issue of the Companies Oversight report, all Medium recommendations were followed up and outlined within this report.

RECOMMENDATIONS

There were nine recommendations issued in total of these 5 were medium recommendations and were split into 15 sub recommendations. Of the 15 sub recommendations:

- 12 sub recommendations have been followed up with all being recorded as complete
- Three sub recommendations relating to this report were not due prior to the Audit and Governance Committee and remain incomplete so these will be followed up as they fall due.

Follow up Process

As part of the follow-up process, we issued all recommendations due for implementation on or before 24 May 2021. We held a discussion with the Head of Financial Service to obtain feedback on the actions that had been taken to implement each of the recommendations.

Recommendations: Complete

Recommendation made	Priority Level	Manager Responsible	Due Date	Current Progress
The terms of reference for CMCG which has only recently been produced should be recirculated to clarify the role of the Group of which the primary role is understood to be to 'ensure that the work of the companies and related work of the council is planned collaboratively and delivered in pursuit of the Council's agenda' and more specifically to ensure CMT can provide informed and effective advice as advisors on matters going to the Shareholder on strategically important projects and give the opportunity to resolve issues arising in the companies and joint ventures from within the Companies and joint ventures	M	Chief Executive	12/05/2021	<p>Council's Comments: The CMCG terms of reference was circulated to the Managing Directors of the companies on 12 May 2021.</p> <p>IA Comments: We confirmed that the CMCG terms of reference had been emailed to the Managing Directors of the companies.</p>
The shareholder should give consideration as to the future direction in relation to the pipeline of procurements of supplies and services by both OCC and their wholly owned companies	M	Head of Financial Services	31/07/2021	<p>Council's Comments: The Council's Procurement Team consists of four procurement officers and a manager. The team provides procurement advice and assistance on a range of specific procurements in respect of council services and also to our wholly owned companies, ODSL and OCHL. There is much to be gained from co-ordinating the purchase of goods, services and or works that are used by the council and its entities including:</p> <ul style="list-style-type: none"> a) Ability to leverage a better price through discounts b) Savings in administration not having to repeat the tendering or purchasing process and evaluation on multiple occasions in addition to contract management savings in dealing with the resultant single supplier c) Agreement on standard terms and conditions d) Improved reputation with the market and suppliers. <p>So, the Council support the case for a joint-procurement strategy.</p> <p>IA Comments: There has been adequate consideration of the procurement arrangements and a way forward has been agreed.</p>
The tri-annual review of the SLAs under the contract between the	M	Head of Financial	31/07/2021	<p>Council's Comments: The triennial review process of the SLAs has</p>

<p>Council and ODS should seek to identify cost savings where appropriate from the Group perspective as a whole, taking into account any financial diseconomies of scale that may arise from any services transferred into ODS. Any changes in such service provision will also need to determine the implications for the future oversight of the company in these areas</p>		<p>Services</p>	<p>commenced through the Support Services meetings between the Head of Financial Services and the ODS Managing Director.</p> <p>IA Comments: A review of the services provided by the Council has commenced and this recommendation is complete.</p>
<p>The Council should have formal discussions with the Executive team of each of their companies to assess whether they can take actions to ensure that there is a positive mutual relationship</p>	<p>M</p>	<p>Head of Financial Services</p>	<p>31/07/2021</p> <p>Council's Comments: Management are not aware of any current issues which may conflict with ensuring a positive mutual relationship. The discussions between Scrutiny and Cabinet members, the lead portfolio lead and attendance at the Councils Corporate Management Team meetings should be sufficient to ensure that this mutual relationship is maintained.</p> <p>IA Comments: The Council have considered the management of relationships with the companies and agreed that the current arrangements are adequate.</p>
<p>Whilst we recognise that the Teckal exemption allows the Council to contract work with ODSL without the need for a competitive tender process, it is important that the Council are able to evidence value for money in their procurement of goods and/or services. Therefore, the importance of undertaking the procurement exercise on certain contracts should be formally explained to ODS to ensure effective communication of the Council's position.</p>	<p>M</p>	<p>Head of Financial Services</p>	<p>31/07/2021</p> <p>Council's Comments: The Council's Constitution provides that evidence of best value must be obtained when OCC contracts with ODS and that in some circumstances that a procurement exercise should be undertaken.</p> <p>The Managing Director of ODS is aware of the provision in Part 19 of the Constitution and the Monitoring Officer has recently formally explained them to him.</p> <p>IA Comments: The importance of procurement in some situations has been explained to ODS so the recommendation is complete.</p>
<p>Summaries of audit plans and reports agreed by ODS and OCHL should be presented to the Council's Audit and Governance Committee and an overall opinion provided to the Committee, acting as the Group Audit Committee</p>	<p>M</p>	<p>Head of Financial Services</p>	<p>31/07/2021</p> <p>Council's Comments: The Council has recently awarded a new three-year contract for the internal audit of Council services and its wholly owned companies to BDO. Whilst this is an extension of existing contracts in respect of OCC and ODS this is a new service for OCHL. The annual audit opinion is presented to the relevant audit committees of OCC and ODS and the recommendation to present the opinion to the Council's Audit and Governance Committee will be undertaken for the audit year 2020-21 on 29 July 2021 with the Managing Director and Non-Executive Director present. Moving forward OCHL will present their audit opinion in a</p>

				<p>similar manner.</p> <p>IA Comments: This recommendation is complete. The annual internal audit opinions of the companies will be presented to the Council.</p>
<p>Members of the Shareholder Group and the Panel should meet privately to discuss the role of the Panel. This may include:</p> <ul style="list-style-type: none"> • Whether the Panel should continue to scrutinise the companies or whether they should be holding the Shareholder Group to account • If the latter option is chosen, whether the Panel meetings should be held after the Shareholder Group meetings. 	M	Head of Financial Services / Monitoring Officer	31/07/2021	<p>Council Comments: Discussions have taken place around the role of the Companies Scrutiny Panel with the following conclusions reached:</p> <ul style="list-style-type: none"> • Members would prefer to continue to hold them before Shareholder meetings so they can influence decisions taken by the Shareholder • All members of the Panel will be invited to attend the Shareholder meetings to present comments and recommendations • The role of the Panel will not be limited to scrutinising Shareholder decisions • The Panel may provide scrutiny at the following Shareholder meeting or call additional meetings to scrutinise the Shareholder • The Panel and the Finance and Performance Scrutiny Panel will increase membership to six members each • The Panel will meet separately to consider the business relating to ODS and other companies and joint ventures. This will increase the number of meetings to six per year. <p>IA Comments: Adequate consideration has taken place of the Panel function and role and changes have been made, taking into consideration this recommendation.</p>
<p>Alternatively, the Council should consider whether it would be worth revising the current structure and composition of the Shareholder Group in line with the proposals identified in the above finding</p>	M	Head of Financial Services / Monitoring Officer	31/07/2021	<p>Council Comments: Discussions have taken place and it is proposed that the current structure of the Shareholder and Joint Venture Group be revised. The Shareholder will role is to remain an Executive function with the Shareholder Group remaining an Executive Committee. The Leader will appoint some but not all Cabinet members to this Committee.</p> <p>Members of the Panel will being invited to attend the Shareholder meetings to play an active role in making comments, representations and participating in the debate; but not to have any voting rights.</p> <p>As with the Panel, the Shareholder meetings will be split between ODS and other companies and joint ventures.</p>

				<p>IA Comments:</p> <p>Consideration has been taken as to the structure of the Shareholder meetings and adequate changes have been made.</p>
<p>The Council should discuss the following points with ODS:</p> <ul style="list-style-type: none"> Whether the Panel and Shareholder Group reports can include an income and expenditure breakdown for both ODSL and ODSTL Whether a session could be arranged for Panel members to meet with local managers and officers to get a better understanding of the company operations. 	M	Head of Financial Services / Monitoring Officer	31/07/2021	<p>Council Comments:</p> <p>ODS and ODSTL financial information will be split and reported to the Panel and the Shareholder Group separately.</p> <p>Consideration about the Panel meeting ODS' local managers and staff will be considered when the Panel meets in July.</p> <p>IA Comments:</p> <p>This recommendation has been completed.</p>
<p>The Council should ensure that all outstanding SLAs are signed by the year-end and SLAs with OCHL for the 2021/22 are signed before 30 April 2021</p>	M	Head of Financial Services / Head of Business Improvement	29/07/2021	<p>Council Comments:</p> <p>All SLAs for services provided by the Council to OCHL for 2020-21 have been signed and agreed between the company and service providers within the Council.</p> <p>Work is ongoing on the agreement for SLA's for 2021-22 and this has been extended to services provided by the Council to ODS. These are expected to be completed by the end of July 2021.</p> <p>IA Comments:</p> <p>This recommendation is complete. All 2020-21 SLA's have been signed.</p>
<p>There should be a responsible officer in the Council assigned to ensure SLA's are completed in a timely manner</p>	M	Head of Financial Services / Head of Business Improvement	29/07/2021	<p>Council Comments:</p> <p>The Head of Financial Services will take ownership of ensuring all SLA's are agreed between the Council's wholly owned companies and the Council on an annual basis.</p> <p>IA Comments:</p> <p>Recommendation complete.</p>
<p>The Council should reinstate meetings between the Companies and key support service providers</p>	M	Head of Financial Services / Head of Business Improvement	29/07/2021	<p>Council Comments:</p> <p>Support service meetings have recommenced and will evaluate the support services through the triennial review.</p> <p>IA Comments:</p> <p>Support service meetings reinstated and the recommendation is complete.</p>

Recommendations: Not Due

Recommendation made	Priority Level	Manager Responsible	Due Date	Current Progress
The Council should update the job description of the Head of Financial Services to include details around their responsibilities in monitoring and communication with the companies and joint ventures	M	Head of Business Improvement	30/09/2021	<p>Council's Comments: Agreed to update in consultation with the Head of Financial Services and with the advice of the Monitoring Officer.</p> <p>IA Comments: This recommendation is currently in progress and will be followed up in September 2021</p>
The Executive Directors should each have a separate job description and these should make reference to their responsibilities in monitoring and having oversight of the companies and joint ventures. Council officers sometimes need to (and can) have two hats when operating in their roles. For the roles that also involve acting as a director of a company/joint venture there should be clarity around their conduct and their responsibilities to advise the Shareholder. Where Heads of Service are required to act as Directors on Company Boards this should also be reflected in job descriptions	M	Head of Business Improvement	30/09/2021	<p>Council's Comments: Agreed to update in consultation with the individual post holders, and with the advice of the Head of Financial Services and the Monitoring Officer</p> <p>IA Comments: This recommendation is currently in progress and will be followed up in September 2021</p>
All the above mentioned job descriptions should be uploaded to the Council's website and be subject to periodic review	M	Head of Business Improvement	30/09/2021	<p>Council's Comments: Agreed to upload all revised and approved job descriptions to the Council's website.</p> <p>IA Comments: This recommendation is currently in progress and will be followed up in September 2021</p>

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