

INTERNAL AUDIT PROGRESS REPORT

Oxford City Council

October 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:

- Business Continuity and Disaster Recovery
- Main Financial Systems - Data Analytics

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

- Follow up Report

Changed to the 2021/22 Internal Audit Plan

The following audit reviews will be removed from the Internal Audit Plan:

- Car Parking - This audit will be moved to the 2022-23 audit plan as there has been a 40% reduction in car parking income. The audit will focus on the income collection process and the income generation activities in place. Due to the reduction in activity this area this will be moved to the 2022-23 audit plan
- Highways Audit - The Highways contract is to be terminated by the County Council in April 2022 and therefore this review will be removed from the audit plan
- Homelessness Prevention - This has been requested to be moved to the 2022-23 internal audit plan and be replaced with the Private Rented Sector Audit review
- People and Culture - The Council is currently undergoing a transformation programme particularly concentrating on both culture and people. There will be more added value if this review is undertaken next year when the changes have been embedded within the Council's processes
- Academy vs Civica - The Council are in the process of replacing their current benefits system (Academy) with Civica. The Council's benefit auditors KPMG have requested we undertake a review to assess whether there were adequate controls to translate and transfer the data from the source system to the target system. This will be an advisory review and will not generate an audit opinion.

REVIEW OF 2021/22 WORK

Audit Area	Audit Days	Executive Lead	Planning	Fieldwork	Reporting	Opinion	
						Design	Effectiveness
Audit 1: Housing Rents	14	Nigel Kennedy	✓				
Audit 2: Community Strategy	14	Ian Brooke	✓				
Audit 3: Private Rented Sector	15	Nigel Kennedy and Stephen Clarke	✓				
Audit 4: Environment	15	Mish Tullar	✓				
Audit 5: Data Analytics	15	Anna Winship	✓	✓	✓	Moderate	Moderate
Audit 6: Project Management	15	Carolyn Plosynski	✓				
Audit 7: Cyber Security	14	Helen Bishop	✓				
Audit 8: Accounts Payable	14	Nigel Kennedy	✓				
Audit 9: Business Continuity & Disaster Recovery	14	Nigel Kennedy	✓	✓	✓	Moderate	Moderate
Audit 10: General Ledger	10	Nigel Kennedy	✓				
Audit 11: Remote Working	14	Nigel Kennedy	✓				
Audit 12: Insurance	10	Nigel Kennedy	✓				
Audit 13: Academy vs Civica	10	Nigel Kennedy	✓				

EXECUTIVE SUMMARY - BUSINESS CONTINUITY AND DISASTER RECOVERY

EXECUTIVE SUMMARY

LEVEL OF ASSURANCE: (SEE APPENDIX I FOR DEFINITIONS)

Design	Moderate	Generally a sound system of internal control designed to achieve system objectives with some exceptions.
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	2

TOTAL NUMBER OF RECOMMENDATIONS: 4

CRR/BAF REFERENCE:

1. Foster and inclusive economy
2. Deliver more affordable housing
3. Support flourishing communities
4. Pursue a zero carbon Oxford.

BACKGROUND:

The Civil Contingencies Act 2004 (the Act) delivers a single framework for civil protection in the UK. The Act establishes a clear set of roles and responsibilities for those involved in emergency preparation and response at a local level. The Act divides local responders into two categories, imposing a different set of duties on each.

Those in Category 1 are organisations at the core of the response to most emergencies (the emergency services, local authorities, NHS bodies). Category 1 responders are subject to the full set of civil protection duties. The Act identifies the Council as a Category 1 responder.

As such, they are required to:

- Assess the risk of emergencies occurring and use this to inform contingency planning
- Put in place emergency plans
- Put in place business continuity management arrangements
- Put in place arrangements to make information available to the public about civil protection matters and maintain arrangements to warn, inform and advise the public in the event of an emergency
- Share information with other local responders to enhance co-ordination
- Co-operate with other local responders to enhance co-ordination and efficiency.

Responsibility for the implementation and management of the Council's continuity planning has been assigned to Financial Services, having previously been managed by the Corporate Affairs Lead within Law and Governance. Zurich is appointed as their insurance provider and

have been involved in providing training and desktop exercises for the service areas. Specialist Computer Centres (SCC) are responsible for the Council's data centre and also conduct Disaster Recovery testing on behalf of the Council. In December 2019, we undertook a high level review of the Council's business continuity and disaster recovery arrangements and provided a substantial assurance for the design and limited assurance for the effectiveness of the controls. As part of this audit, we raised two 'medium' priority recommendations pertaining to testing of the plans and having an oversight of the plans' approval.

We assessed the Council's arrangements in place for the overall Business Continuity and Disaster Recovery Plan. This included how the corporate plan interacts with local service plans and whether there was adequate oversight that these all remain up-to-date. As part of this we looked at the plans of three service areas (ICT, the Development Directorate and Finance Directorate) to determine how these interact with the corporate plan. We also looked at how relevant personnel are trained to enact business continuity and how testing of the plan is conducted.

GOOD PRACTICE:

The following areas of good practice were noted during our review:

- The Council has a Corporate Risk Register in place which was last reviewed in June 2021. The register has a dedicated risk for business continuity planning and disaster recovery which also includes the ICT recovery plan
- The local plans interact with the main corporate plan by ensuring that the Corporate Team takes overall responsibility for coordinating the Council's response to an incident and in turn will provide direction and assistance to Service areas. Furthermore, the plans are reviewed and updated on an annual basis
- The Council has mechanisms in place to ensure that third parties are held to account and can maintain service levels in the event of an incident such as regular review meetings with Oxford Direct Services. Furthermore, SCC has a quarterly review with the Chief Technology and Information Officer to review the service performance over the quarter. This includes reviewing incidents and service requests raised and a backup status report.
- Overall responsibility for Business Continuity rests with the Financial Accounting Manager, who is responsible for the management of the Business Continuity process, including an oversight on the status of all the local Business Continuity Plans (BCPs)
- A test of the Business Continuity Plan occurred in February 2021 by the Council's insurance provider, Zurich. We noted that a register of attendees was maintained for the exercise and consisted of the corporate recovery team and the heads of service delivery. Oxford Direct Services were also involved in the test. The test demonstrated that the plan worked effectively and identified lessons learned for future improvements.

KEY FINDINGS:

During our review the following areas for improvement were identified:

Finding	Summary of Recommendations	Owner	Due date
<p>Finding 1 - Medium. - There is no single unified corporate document in place to outline the protocol for Disaster Recovery</p>	<p>Management should look to implement a unified Disaster Recovery Plan that is aligned to and supports the Council's priorities and includes, but not limited to:</p> <ul style="list-style-type: none"> • The recovery procedures for the Council's IT infrastructure, hardware and systems • The procedures for invoking the Council's IT Disaster Recovery plan • The contact details for all key members of IT, the Council, Oxford direct Services and Third Party suppliers (to include in the DR plan as well) • The location of alternative sites <p>This should also include a unified list of systems which are to be restored in order of priority and should be subject to review on an annual basis in line with the annual review of the business continuity plan.</p> <p><u>Management response</u> Agreed, we will create a unified Disaster Recovery plan that contains the aspects stated above and include a unified system restoration list as part of this process</p>	<p>Rocco Labellarte, Chief Technology and Information Officer</p>	<p>1 April 2022</p>
<p>Finding 2 - Medium - No disaster recovery test has been conducted in 2021</p>	<p>Management should look to arrange a full end-to-end disaster recovery test on one or more business systems with SCC on a regular (annual) basis, in order to ensure that arrangements are feasible and can be effectively relied upon. This should be clearly documented within the disaster recovery plan.</p> <p><u>Management response</u> Agreed, we will look to schedule a test with SCC and document the testing within the disaster recovery plan.</p>	<p>Rocco Labellarte, Chief Technology and Information Officer</p>	<p>1 April 2022</p>

CONCLUSION:

Overall the Council is in a good position with regards to Business Continuity and Disaster Recovery. Risks relating to business continuity are contained within the corporate risk register and appropriate mitigations are in place. Additionally, we found that the local plans (including the plan from Oxford Direct Services) interact with the corporate plan and are reviewed concurrently on an annual basis. Furthermore, a test of the business continuity plan has been conducted in February 2021 in which the plan was shown to work effectively and lessons learned identified and discussed with service heads.

Whilst the elements of disaster recovery are contained over documents such as the ICT business continuity plan, we found that there is currently no unified document in place for disaster recovery which outlines the recovery process, including a single agreed priority order for the recovery of business systems. Moreover, no action has been taken on the desktop review for local business continuity plans which occurred in March 2021. In addition, the corporate plan does not contain a commitment to test the plan on a regular basis despite a test of the plan having been conducted in 2021. Lastly, a disaster recovery test of one or more key business systems has not yet taken place although this is currently subject to confirmation with SCC to arrange a test of the plan. Testing disaster recovery is important because it covers how business will return to normal following an incident.

Therefore, we conclude moderate assurance over both the design and operational effectiveness of controls.

EXECUTIVE SUMMARY - MAIN FINANCIAL SYSTEMS - DATA ANALYTICS

EXECUTIVE SUMMARY

LEVEL OF ASSURANCE: (SEE APPENDIX I FOR DEFINITIONS)

Design	Moderate	Generally a sound system of internal control designed to achieve system objectives with some exceptions
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 FOR DEFINITIONS)

High	-
Medium	2
Low	1

TOTAL NUMBER OF RECOMMENDATIONS: 3

BACKGROUND:

Oxford City Council (the Council) uses Agresso as its main financial management system, which holds transactions and standing data for accounts payable and accounts receivable, The finance team can run scripts on Agresso in order to extract necessary datasets. The Agresso system was last updated in 2018 and is subject to an upgrade in 2022.

The Council's scheme of delegation is continuously updated each year as staff change roles. We take note of varying authorisation limits year-to-year where we run tests relevant to accounts payable transaction approvals. There are current limitations within the Agresso system whereby Scheme Of Delegation limits are set against the cost centre rather than the individual which can increase the risk of an individual approving above their limit. This means that if a task is redirected to an approver it takes the limit of the cost centre rather than the limit of the user with it. This has been identified by the Council and will be reviewed as part of the Agresso upgrade.

As part of our accounts receivables review we have extracted an aged debtors analysis and agreed with management the debtors which require further review.

The Council's ICT team own and manage file transfer protocol (FTP) sites which we have used for transferring sensitive payroll information. HR are responsible for payroll and payroll transactional data is stored on the Midland iTrent system. The Midland iTrent system was last updated in 2018. The Council has not defined thresholds for overtime, so we extracted overtime payments which account for a significant proportion (percentage agreed with audit owners during fieldwork) of total employee pay. In addition, the Council does not process a significant number and/or value of expenses payments.

In 2020/21 we carried out our first data analytics review in addition to performing the main financial system reviews covering the following areas:

- Accounts Payable
- Accounts Receivables

- Payroll functions

We reported that the key financial controls were moderate in both design and operational effectiveness and raised two medium priority recommendations covering accounts payable and payroll.

SUMMARY OF WORK PERFORMED:

We have performed data analytic schedules through tests in the table as follow. Details are attached in Appendix II.

Area	No of tests planned	No of tests with no exception	No of tests with exceptions
Accounts Payable	12	6	4
Accounts Receivable	4	2	1
Payroll	15	15	0
Total	31	23	5

GOOD PRACTICE:

No exceptions were noted in the following areas:

ACCOUNTS PAYABLE

- We found no instances where purchase orders had been requested and approved by the same individual account
(Test Ref 1.3)
- We ran a matching script with supplier names, bank account number and address against employee standing data and identified two round sum employee transactions with a cumulative value of £22.2k. Further review confirmed that these transactions were for temporary accommodation provided by the employees who were also landlords
(Test Ref 1.2, 1.10)
- All transactions were assigned a valid supplier code from the supplier standing data
(Test Ref 1.4)
- We identified one transaction processed over the weekend worth £52, this transaction was deemed appropriate by the Council
(Test Ref 1.6)
- We did not identify any instances of suppliers with duplicate codes
(Test Ref 1.11)

ACCOUNTS RECEIVABLE

Our analysis of the accounts receivable ledger extract, provided as at 01 September 2021, identified average debtor days as 88 days across 2,785 pending invoices with a monetary value of £3.13m *(Test Ref 2.1)*

- We further analysed the pending invoices and identified average debtor days outside the agreed payment terms as 82 days across 2,371 invoices with a monetary value of £3.05m *(Test Ref 2.2)*

PAYROLL

- We ran a duplicate key matching: employee number, surname and forename, position, value, and period. We identified nine transactions which appeared to be duplicates. Upon subsequent analysis with management it was confirmed that these are legitimate transactions and are approved backdated payment adjustments due to change in the employee roles or change in hours
(Test Ref 3.1)
- Six leavers have been processed for the sample period with no overpayments noted
(Test Ref 3.2, 3.14)
- All employee payroll transactions were assigned valid employee numbers
(Test Ref 3.3)
- Our analysis identified cumulative total overtime worth £287k within the sample period, which accounts for 0.3% of the total cumulative pay (£89.2m), including salary, other benefits and enhancements
(Test Ref 3.4)
- We ran a duplicate match on sort code and account number and found eight employee records with shared bank accounts. Six employee records were single individuals with valid double entries due to split roles and two employee records were family members with a joint bank account
(Test Ref 3.6)
- We found six employee records with matching full names but further review confirmed that these were valid entries with different employee numbers, position titles, addresses and National Insurance number (NINO)
(Test Ref 3.7, 3.8)
- We found three employee records with duplicate employee numbers and NINO but further review confirmed all were valid double entries due to split roles
(Test Ref 3.5, 3.9)
- We found eight employee records with matching addresses, post codes and surnames. Further review confirmed these were family members with shared addresses
(Test Ref 3.10)
- Invalid NINO format scripts were run based on format, length and characters in the prefix and suffix and no exceptions were identified
(Test Ref 3.11)
- No null (empty) entries were identified in the following fields: NINO, name, address, employee reference and date of birth
(Test Ref 3.12, 3.13)
- We ran an age script and confirmed the youngest member of staff was 21 years old as at September 2021
(Test Ref 3.15)

KEY FINDINGS:

The following exceptions were noted from the above work performed:

Finding	Summary of Recommendations/Management Response	Owner	Due date																																										
<p>Finding 1 - Low. - <u>Non Purchase Order (PO) Expenditure</u> Our analysis identified a cumulative Non-PO expenditure of £3.94m, which is 5% of the total spend of £74.1m, within the sample period i.e. May 2020 to June 2021 (Test Ref 1.1)</p>	<p><u>Management response</u> Risk Accepted - There is always a small value of Non PO expenditure within a gross which we deem as reasonable, as these are part of the agreed exemptions list. A majority of these relate to landlord payments where PO's are not raised.</p>	Anna Winship, Management Accounting Manager	-																																										
<p>Finding 2 - Medium <u>Purchase Orders Approved Over SoD Limits</u> We identified 16 POs (£1.3m) approved by 10 individual accounts outside their approved limit, defined within the scheme of delegation. The cumulative amount approved and subsequently paid over the limit is £668k (Test Ref 1.5)</p>	<p><u>Management response</u> Agreed - There is currently a system limitation that the SoD applies to the cost centre and not the individual so if the task is redirected it carries the cost centre limit rather than the individual's limit, there is a risk that users are able to approve above their limit - this will be reviewed as part of the next upgrade to Agresso, the team will also check the limits of officers that they are redirecting to.</p>	Anna Winship, Management Accounting Manager	January 2022																																										
<p>Finding 3 - Medium <u>Retrospective Purchase Orders</u> Our analysis identified 1,747 purchase orders, with total cumulative value of £6.87m, where the purchase orders were approved following the invoice received from the supplier. A breakdown is attached below :-</p> <table border="1"> <thead> <tr> <th>Retrospective POs</th> <th>Total POs</th> <th>Amount</th> </tr> </thead> <tbody> <tr> <td>Over 989 days</td> <td>1</td> <td>£67</td> </tr> <tr> <td>Between 600 - 700 days</td> <td>3</td> <td>£605</td> </tr> <tr> <td>Between 500 - 600 days</td> <td>3</td> <td>£11,077</td> </tr> <tr> <td>Between 400 - 500 days</td> <td>5</td> <td>£2,602</td> </tr> <tr> <td>Between 300 - 400 days</td> <td>15</td> <td>£17,301</td> </tr> <tr> <td>Between 200 - 300 days</td> <td>31</td> <td>£25,766</td> </tr> <tr> <td>Between 100 - 200 days</td> <td>155</td> <td>£1,051,767</td> </tr> <tr> <td>Between 61 - 100 days</td> <td>153</td> <td>£330,888</td> </tr> <tr> <td>Between 31 - 60 days</td> <td>180</td> <td>£904,666</td> </tr> <tr> <td>Between 11 - 30 days</td> <td>370</td> <td>£1,950,895</td> </tr> <tr> <td>Within 10 days</td> <td>542</td> <td>£1,668,011</td> </tr> <tr> <td>On Same Day</td> <td>288</td> <td>£907,030</td> </tr> <tr> <td>Grand Total</td> <td>1747</td> <td>£6,870,773</td> </tr> </tbody> </table>	Retrospective POs	Total POs	Amount	Over 989 days	1	£67	Between 600 - 700 days	3	£605	Between 500 - 600 days	3	£11,077	Between 400 - 500 days	5	£2,602	Between 300 - 400 days	15	£17,301	Between 200 - 300 days	31	£25,766	Between 100 - 200 days	155	£1,051,767	Between 61 - 100 days	153	£330,888	Between 31 - 60 days	180	£904,666	Between 11 - 30 days	370	£1,950,895	Within 10 days	542	£1,668,011	On Same Day	288	£907,030	Grand Total	1747	£6,870,773	<p><u>Management Response</u> Agreed - We will provide refresher training which will include the need to raise timely purchase orders. We will request the team to undertake regular KPI reporting on retrospective PO's and monitor this accordingly.</p>	Anna Winship, Management Accounting Manager	January 2022
Retrospective POs	Total POs	Amount																																											
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CONCLUSIONS:

ACCOUNTS PAYABLE

Our review identified some exceptions in the accounts payable datasets provided. We have reviewed these exceptions with management and have confirmed that these have been highlighted due to system limitations, housekeeping and quality of the reports provided.

However, some more significant exceptions have also been identified such as POs approved over SoD limits, and retrospective POs raised. This has led us to two medium and one low finding. We have also raised one observation on duplicate supplier accounts that currently sit within Agresso. This was raised in the prior year's audit review and will be removed as part of the Council's cleansing exercise.

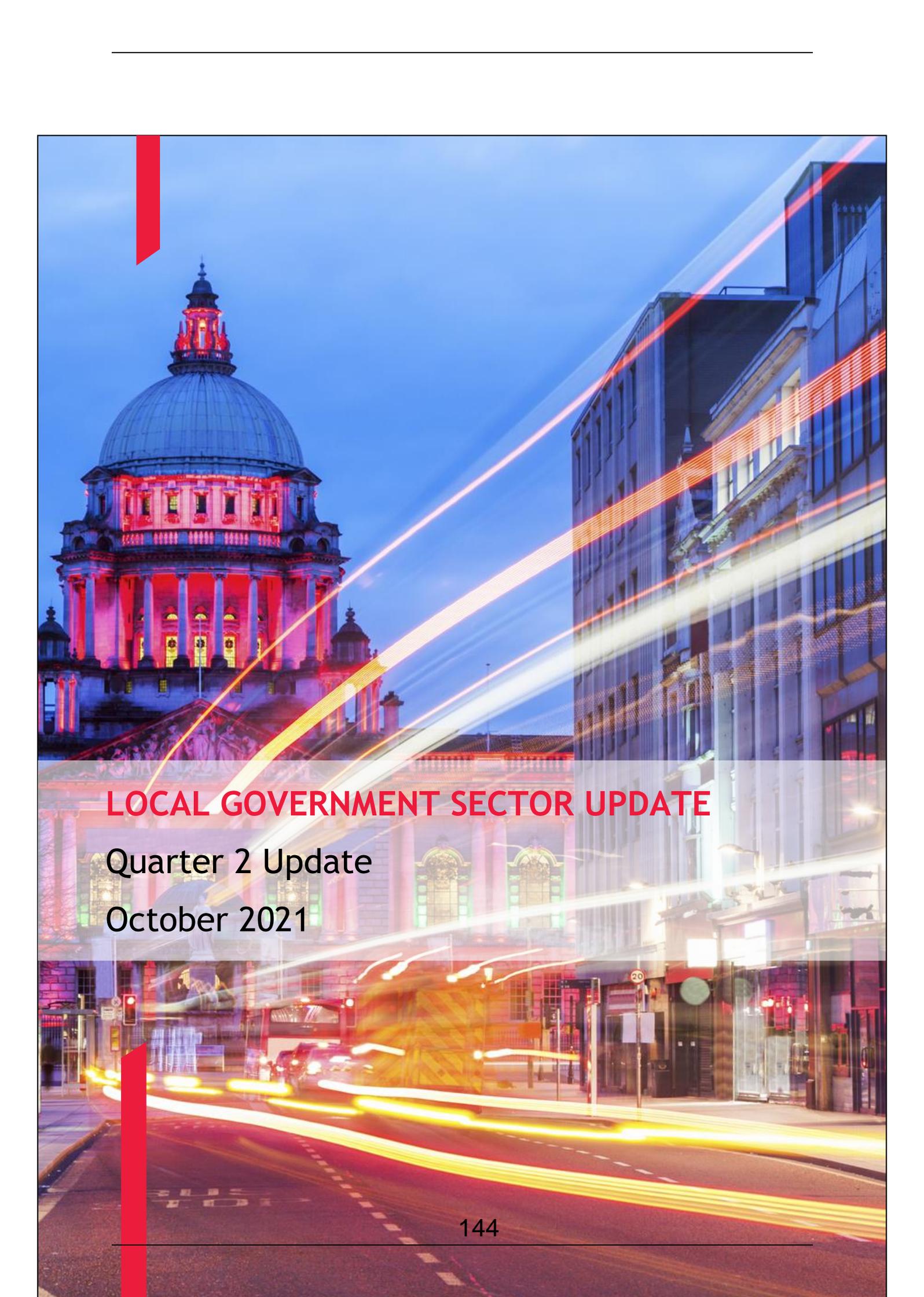
ACCOUNTS RECEIVABLE

Our review identified no significant findings but we have raised two observations in order to raise awareness of the housekeeping required relating to debtor accounts. Management has agreed with the audit recommendation and confirmed that the department is already working towards data cleansing.

PAYROLL

Our review identified no significant findings.

This has led us to our opinion of “Moderate” assurance for both control design and operational effectiveness.

A nighttime photograph of a city street. In the background, a large, domed building, likely a city hall or capitol, is illuminated with red and blue lights. The sky is a deep blue. In the foreground, a street with a crosswalk is visible, with long, bright yellow and white light trails from moving vehicles. To the right, a multi-story building with many windows is visible. The overall scene is a vibrant, urban night scene.

LOCAL GOVERNMENT SECTOR UPDATE

Quarter 2 Update

October 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

Labour unveils plans to scrap business rates

A future Labour government would replace non-domestic rates with a fairer system to ease the burden on smaller high street firms, shadow chancellor Rachel Reeves has announced.

Speaking at the party's annual conference today, Reeves urged the government to freeze business rates and increase relief on smaller properties next year, funded by a 10 percentage point hike to the digital services tax.

If elected, Labour would implement a new tax system in the long-term, featuring more frequent revaluations and instant reductions in bills if property values fall, she added.

Reeves said: "Our high street businesses do so much to enrich our lives and our communities, facing huge adversity in the past year. They are struggling right now, with a cliff-edge in rates relief coming up in March.

"The next Labour government will scrap business rates.

"We will carry out the biggest overhaul of business taxation in a generation, so our businesses can lead the pack, not watch opportunities go elsewhere."

However, Reeves did not give any details on the potential replacement to business rates.

But she insisted that the new system would reward businesses that move into empty properties, encourage green improvements, and ensure that no public services or local authorities will lose out.

<https://www.publicfinance.co.uk/news/2021/09/labour-unveils-plans-scrap-business-rates>

Councils to receive funding boost for accommodating Afghan refugees

Local authorities in the UK will receive additional funding to help with the cost of resettling Afghan refugees, following the recent coup in the nation.

Councils that offer residence through the government's two refugee settlement schemes will receive £20,520 per person, spread over three years, to cover resettlement and integration costs. Local councils and health partners will also receive up to £4,500 per child for education, £850 to cover English lessons for adults requiring support and £2,600 for healthcare costs.

Communities Secretary Robert Jenrick said: "I am incredibly impressed by the positive response we have received from councils so far, with a large number already pledging their support.

"However, we urgently need more offers of accommodation to welcome Afghan families who have remained firm allies of the UK, working with our troops and our country so bravely in recent years. "With this extra funding in place, I am asking all councils that have not yet come forward to contact us with a firm offer of support to help these families secure the best possible start to their new lives."

Local authorities will also be able to bid for a share of a £20m flexible funding pot, which will help offset the costs of providing additional services.

<https://www.publicfinance.co.uk/news/2021/09/councils-receive-funding-boost-accommodating-afghan-refugees>

Council scrutiny 'superficial and inadequate'

Nottingham City Council's scrutiny of wholly-owned companies remains "superficial and inadequate" a year after its auditors raised similar concerns, according to an independent report.

In August 2020, external auditors Grant Thornton said in a public interest report that Nottingham's governance arrangements had a lack of clarity about roles and responsibilities and financial forecasts were not appropriately challenged.

However, a report by the Centre for Governance and Scrutiny, to be discussed at an overview and scrutiny committee meeting next week said that governance concerns are still an issue at the authority.

The report said: "Scrutiny of the executive and council companies was superficial and inadequate; this is partially due to scrutiny having no clearly understood role and the lack of a suitable information to base its scrutiny upon.

"We also note that some of the councillor-board roles and positions were potentially in conflict or might contribute to the weakened input of scrutiny oversight and challenge."

Scrutiny is "essentially disconnected" from the issues that the council faces and has largely been absent in challenging the decisions and events that have led it to the point of crisis", the report said.

<https://www.publicfinance.co.uk/news/2021/09/council-scrutiny-superficial-and-inadequate>

Former senior council officers guilty of 'phantom worker' scam

Two senior officers at a borough council have been found guilty of creating a fake worker to defraud more than £40,000 from the authority.

Between June 2012 and April 2015, Kalvinder Garcha, head of corporate resources at Oadby and Wigston Borough Council, and Lynn Middleton, head of HR at the authority, created a fake employee to defraud the council.

Middleton's sister, Sharon Reeve, played the role of the phantom employee - being paid for two years' employment alongside seven weeks' work for a local cancer charity.

Reeve pleaded guilty to two counts of conspiracy to money launder two weeks into the trial, while Middleton pleaded guilty to two counts of fraud and money laundering at an earlier hearing. Meanwhile, Garcha was found guilty of two counts of money laundering and fraud at Leicester Crown Court.

Detective sergeant Matt Swift, from Leicestershire Police's Economic Crime Unit, said: "This has been a lengthy and complex investigation spanning more than four years.

<https://www.publicfinance.co.uk/news/2021/09/former-senior-council-officers-guilty-phantom-worker-scam>

News analysis: UK government threatens return of borrowing caps

A government policy paper proposing limits on some UK local authorities' borrowing has received a mixed reception from voices within the sector.

Those with long memories will remember the days when Whitehall issued UK councils with annual credit approvals, effectively setting a cap on each authority's borrowing. That system ended with the introduction of the prudential framework in 2004, freeing councils to spend and borrow without seeking prior approval. It has been easy to forget that the legislation enabling the framework, the 2003 Local Government Act, contained a clause allowing the secretary of state to impose caps on particular councils "for the purpose of ensuring that the authority does not borrow more than it can afford". Easy to forget, that is, until now.

In late July, the Ministry of Housing, Communities & Local Government published a policy paper with an ominous message: "We are reviewing the statutory powers for capping borrowing and considering how and when we will apply these to protect local financial sustainability."

Although the paper said that the government wants to avoid a return to a system of central control, it made clear that greater intervention from Whitehall might be necessary to deal with

increasing financial risks - not just from commercial property investments but from private finance initiative deals, income strip arrangements and financial derivatives.

<https://www.publicfinance.co.uk/analysis/2021/09/news-analysis-uk-government-threatens-return-borrowing-caps>

Environment

Councils need 'centralised net zero plan'

Local authorities will require a centralised strategy to ensure that net zero commitments are met, and councils are not forced to “go it alone”, according to a senior peer.

Although more than three quarters of local authorities in England have declared climate emergencies, councils are forced to go it alone without centralised help, Lord Deben, chair of the Climate Change Committee said.

He added that the Ministry for Housing, Communities and Local Government needs to develop a strategy, including best practice, to guide local authorities in achieving net zero policies.

Deben told the Housing, Communities and Local Government Committee: “What we really need is a net zero delivery structure, which would be centralised in MHCLG, and bring in other departments.

“This would constantly ensure that decisions made by local authorities, for local authorities, would be made with [climate] matters absolutely at the forefront.

“At the moment it is not like that.”

On funding, Deben said that the Treasury does not have a clear breakdown of where funding for climate related projects comes from, meaning it is difficult to create a benchmark to assess financing arrangements.

<https://www.publicfinance.co.uk/news/2021/09/councils-need-centralised-net-zero-plan>

HOUSING

Commission urges flexible funding plan to tackle homelessness

The government must develop a flexible long-term funding strategy if it is to meet its target of eliminating rough sleeping by 2024, according to experts.

Funding for local authorities to tackle rough sleeping is mainly directed to major cities, meaning that some councils are unable to offer services, the influential Kerslake Commission said [in its final report](#).

The commission called for a joined-up cross departmental approach, with central government leadership, to ensure that communities have enough guidance and resources to manage homelessness levels.

In his foreword to the report, Bob Kerslake, chair of the commission, said: “Perhaps inevitably, there is not one single answer but a series of actions covering prevention, early response, and new provision.

“Taken together, they add up to a substantial system change from the way things have been done up until now. All are practical and deliverable.

“At its heart is stronger cross-government planning and coordination, sufficient funding, and embedding a new level of collaboration and partnership across local government, health, and housing and homelessness providers.”

<https://www.publicfinance.co.uk/news/2021/09/commission-urges-flexible-funding-plan-tackle-homelessness>

MHCLG rebranding a 'misstep'

The decision to rebrand the Ministry for Housing, Communities and Local Government has been criticised by the sector, with one expert calling it a misstep.

MHCLG confirmed yesterday that its name has changed to the Department for Levelling Up, Housing and Communities, mirroring the government's lead policy of tackling regional inequalities.

However, the move has drawn some scorn from experts due to the removal of local government, with Adam Lent, chief executive of think tank New Local, labelling the move arrogant.

He tweeted: "I know the arrogance of Westminster is usually off the scale but replacing a whole tier of democratic governance with a half-baked election slogan is special even for SW1.

"The government has pointlessly alienated the two million people who work in local govt while simultaneously upping the stakes on levelling up, a promise they cannot remotely fulfil in any meaningful way without the help of those people.

"What a misstep."

Simon Bottery, senior fellow of social care at healthcare charity the Kings Fund said that rebranding belittles the importance that local authorities have in providing services.

He tweeted: "Seems extraordinary to remove 'local government' from the department's title.

"Councils spend over £23bn on adult social care alone."

<https://www.publicfinance.co.uk/news/2021/09/mhclg-rebranding-misstep>

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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