

# INTERNAL AUDIT PROGRESS REPORT

Oxford City Council

April 2022

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# SUMMARY OF APRIL 2022 WORK

## INTERNAL AUDIT

This report is intended to inform the Audit Committee of progress made against the April 2022 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.

## APRIL 2022 INTERNAL AUDIT PLAN

We are now making good progress in the delivery of the April 2022 audit plan, and we are pleased to present the following reports to this Audit Committee meeting:

- | Accounts Payable
- | Project Management
- | Follow up Report
- | Internal Audit Annual Plan 2022-23 & Strategic Plan 2022-25

Fieldwork is underway and close to finalising on a further three audits which we plan to present at the next Audit Committee in July 2022:

- | Private Rented Sector
- | Environment
- | Housing Rents

## CHANGES TO THE AUDIT PLAN

Remote working - The Council are rolling out their Flexible Working Programme which will be completed by September 2022. To avoid duplication, the Council has requested we review the outcome and benefits of the programme post implementation. We will undertake this review within Q2 of the 2022-23 audit plan.

Academy Review - This review was initially requested by KPMG to undertake an assessment of the migration process for Housing Benefit Data. However, KPMG are satisfied with the process the Council have adopted to migrate the claims from Academy to Civica, therefore we will no longer undertake this review.

## REVIEW OF APRIL 2022 WORK

AUDIT	EXEC LEAD	AUDIT COMMITTEE	PLANNING	FIELD WORK	REPORTING	DESIGN	EFFECTIVENESS	
Audit 1: Housing Rents	Nigel Kennedy	Jul 2022	✓	✓				
Audit 2. Community Strategy	Ian Brooke	Removed - This has been included in the 2022-23 internal audit plan as a community Strategy is to be devised by July 2022.						
Audit 3. Private Rented Sector	Stephen Clarke	Apr 2022	✓	✓	✓	Moderate (Draft)	Limited (Draft)	
Audit 4. Environment	Mish Tullar	Jul 22	✓	✓				
Audit 5. Data Analytics	Nigel Kennedy	Oct 21	✓	✓	✓	Moderate	Moderate	
Audit 6. Project Management	Carolyn Plowsynski	Apr 22	✓	✓	✓	Moderate	Moderate	
Audit 7. Cyber Security	Helen Bishop	Removed - This has been included in the 2022-23 internal audit plan as the Council are working on a cyber plan with DLUHC.						
Audit 8. Accounts Payable	Nigel Kennedy	Apr 22	✓	✓	✓	Moderate	Moderate	
Audit 9. Business Continuity and Disaster Recovery	Nigel Kennedy	Oct 21	✓	✓	✓	Moderate	Moderate	
Audit 10: General Ledger	Nigel Kennedy	Jan 22	✓	✓	✓	Substantial	Moderate	
Audit 11: Remote Working	Helen Bishop	Removed - The Council are rolling out their Flexible Working Programme which will be completed by September 2022. To avoid duplication, the Council has requested we review the outcome and benefits of the programme post implementation We will undertake this review within Q2 of the 2022-23 audit plan.						
Audit 12: Insurance	Nigel Kennedy	Jan 22	✓	✓	✓	Substantial	Moderate	
Audit 13: Academy vs Civica	Nigel Kennedy	Removed - This review was initially requested by KPMG to undertake an assessment of the migration process for Housing Benefit Data. However, KPMG are satisfied with the process the Council have adopted to migrate the claims from Academy to Civica, therefore we will no longer undertake this review.						



# ACCOUNTS PAYABLE

## BAF REFERENCE: FOSTER AND INCLUSIVE ECONOMY

Design Opinion	<span>M</span> Moderate	Design Effectiveness	<span>M</span> Moderate
Recommendations	<span>0</span> <span>4</span> <span>2</span>		

**SCOPE**

### BACKGROUND

Oxford City Council (the Council’s) main financial system is Agresso within which accounts payable transactions are recorded. Agresso is a long-standing system at the Council and the Agresso Purchase to Pay (P2P) module enables invoice entry using scanning technology, electronic purchase ordering with workflow and a contracts module. The main aim of P2P is to aid the Council in its end-to-end process of purchasing its goods and services and making payments in a timely manner.

For Oxford Direct Services (ODS) the Council also maintain access to both Key2 and QL (Council’s housing and repairs system); these are accessed by Council staff who provide services to ODS and process invoices for motor transport, building repairs to housing and stores. These systems record the process from the order being raised, goods received, and the invoice being received. However, payments are not made from these systems. Once a week a batch file is created and uploaded into Agresso to enable payments to suppliers.

### AREAS REVIEWED

We assessed whether the Council has adequate controls in place for Accounts Payable transactions and whether the Council is conducting sufficient due diligence prior to the onboarding of suppliers, paying suppliers accurately and in a timely manner. We also undertook sample testing on procurement card transactions and assessed whether receipts were in place to support expenditure prior to approval.

We also completed sample-based testing on accounts payable transactions for Oxford Direct Services (ODS) and Oxford City Housing Limited (OCHL) made between April and December 2021 to assess the effectiveness of the three-way matching process.

BDO have undertaken several accounts payable audit reviews since 2015 -16 which covered the Accounts Payable process including supplier change controls, addition of new suppliers, expenditure, the P2P and procurement process. Over the three years, it has been noted that the level of assurance over the control design and operational effectiveness has remained stable.

Audit Title	Year	Assurance of Control	Assurance of Operation
Accounts Payable	2015/16	Moderate	Limited
Accounts Payable	2017/18	Moderate	Moderate
Accounts Payable	2019/20	Moderate	Moderate

**AREAS OF STRENGTH**

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

The Council has a robust Constitution in place which was approved by the Board in July 2021. The Constitution outlines the responsibilities of the Heads of Services ensuring that there are adequate procedures in place for ordering and paying for goods and services. There are separate procedure notes in place for P2P, ODS and OCHL payments, which are detailed and clearly explain the actions that need to be completed from requisition to payment stage

We tested the three-way matching process for a sample of 10 P2P payments made by the Council from April to December 2021. In each case, a purchase order was raised, invoiced and goods were receipted appropriately prior to payment. Segregation of duties were maintained between purchase order approval and receipting of the goods

We tested the three-way matching process for a sample of 10 ODS payments. In all instances, a purchase order was raised, invoiced and goods were receipted appropriately prior to payment whilst maintaining segregation of duties. The purchase amounts listed on the weekly BIF files matched the amounts shown on the invoices, bank statements and BACs remittance slips



## AREAS OF CONCERN

Supporting documents for amendments to supplier details were not attached to Agresso for three of the suppliers reviewed. Segregation of duties were not maintained for all supplier amendments, although spot checks are performed (Finding 1 - Medium)

There is a Scheme of Delegation in place for ODS payments. Our testing identified that in one instance, the approver was not listed on the Scheme of Delegations and therefore did not have an approver limit. There was a further instance where a transaction was not approved in line with the Scheme of Delegation (Finding 2 - Medium)

OCHL transactions relate to purchases of goods and services by the Housing Company. Through sample testing, we have identified that four of the supplier payments were not made within the 30-day timeframe due to Goods Received Notes (GRNs) not being completed in a timely manner (Finding 3 - Medium)

Three purchase card transactions were approved despite the receipts not being attached to the card holder accounts. Credit transactions were not approved by Line Managers in six instances (Finding 4 - Medium)

The Payments Team report KPIs in relation to payment performance, missed GRN's and purchase orders. We have identified that the reports are not clearly structured, are not adequately detailed against target performance and do not provide an insight on the year to date performance trends (Finding 5 - Low)

Evidence of VAT and Companies House checks were not retained for three of the suppliers tested. Therefore, we were unable to confirm that these checks have been completed (Finding 6 - Low)

Please note as part of the General Ledger audit review, we noted that the QL Housing System is in a status of 'recovery'; as a result a majority of the QL to Agresso interfaces are not being undertaken. The Interface 'Payment of Contractor Invoices and Material Purchases (GL07 QL Payment of Invoices)' is currently not working, but undergoing testing. As a workaround, the Council are undertaking manual processes to enable payments to be made to suppliers; this is via a Batch load direct into Agresso onto the AP ledger. Although payments were reconciled between QL and Agresso accurately and this is a suitable workaround the process is often time consuming for the finance team as opposed to automation. Please refer to the General Ledger audit report (Finding 1).



## ADDED VALUE

We have considered the use of data analytics as part of this audit as significant data sets were involved as part of testing.

During our review the Council requested that we perform analysis on the procurement card transactions to determine the value of procurement card spend per service area and how this compares to other service areas. We reviewed the Barclaycard Corporate Online Servicing Report for the credit card transactions for Oxford City Council payments from April to December 2021 and grouped the transactions per service area. Our testing has identified that the following services have had the highest expenditure:

Housing Services - 47.38% (£235k)

Business Improvement - 23.82% (£118k)

Community Services - 17.37% (£86k).

Regeneration & Economy have had the least expenditure of £501 which is 0.1% of their total expenditure. We recommend each budget holder/Head of service review the expenditure for their corresponding service areas and ensure this is in line with their expectations. The expenditure and corresponding percentages which relate to other service areas can be found in Appendix II.



**CONCLUSION**

Overall, the Council has a moderate design of controls in place for managing Accounts Payables. There are adequate controls in place to ensure that accurate and complete payments are made to suppliers. However, we noted a number of areas where the controls could be strengthened, particularly the separation of duties between amending supplier details and ensuring relevant delegation limits are assigned within QL.

This leads us to conclude that both the control design and control effectiveness are moderate.

# PROJECT MANAGEMENT

## BAF REFERENCE: FOSTER AN INCLUSIVE ECONOMY

Design Opinion	M	Moderate	Design Effectiveness	M	Moderate
Recommendations	0	3	0		



### SCOPE

#### BACKGROUND

Project management is important to all organisations to ensure that the objectives of every project are achieved, and risks are managed in the process. Oxford City Council (the Council) utilise the 'Smartsheet' software upon which projects are managed; the software records the Council's assessment of the project from initiation, design, implementation, risk management and closure of projects. The Council have established its own project management methodology which is PRINCE2 compliant, and the guidance requirements are used to structure the requirements of Smartsheet. The Smartsheet had been rolled out to Project Managers in 2018/20 and training has been provided by the Project Management Office (PMO) to cover the expectations of the Smartsheets. Development Capital Projects are overseen and scrutinised by the Development Board which is chaired by the Executive Director for Organisational Development and Communications. Recent Capital projects undertaken by the Council are major regeneration schemes and several rolling programmes such as Health and Safety Projects both of which underwent scrutiny by the Development Board.

The Council have also commissioned Operational Projects such as QL Areon (ODS Housing System) which were subject to review by the Transformation Board. Please note operational projects were outside of the scope of this review.

As of December 2021, there are 126 Capital projects ongoing, with actual spend of £54m against £132.4m current year budget. Therefore, 41% of the budget has been spent 70% of the way through the financial year. The Council has a total of 23 rolling programmes, and we have selected two as part of our sample selection. The status of the projects is detailed below:

- | 7 - Proposal stage
- | 23 - Feasibility stage
- | 18 - Design & technical specification stage
- | 4 - Pipeline stage
- | 28 - Delivery stage

There are a total of 14 projects under the category of 'Other Capital Expenditure'. The 'Other Capital Expenditure' category is a project classification category the Council uses to present capital loans and capital grants that contribute to wider external schemes. In addition, three projects were completed, and six projects had been closed in 2021/22.

The Council have formalised their Capital Strategy for 2022/23 - 2025/26 in February 2022, which sets out the principles they will follow in its capital planning, the methodology for inclusion of schemes within the Capital Programme, the arrangements for management of Capital schemes and identifies the schemes that will be undertaken over the following four years and how they will be funded. The Capital Project Delivery process has been re-designed to include a 'pipeline' stage where approved projects are placed in a pool and prioritised for funding. The budget is requested from the Council where projects contribute favourably to the Council's core priorities and are shown to be viable. Projects only proceed to later gateway stages where they can be adequately resourced, and capital financing is identified.

#### AREAS REVIEWED

As part of our approach, we have reviewed five Capital projects to check whether the projects have been developed consistent with the Council’s Strategy. Of the five samples one of the projects was subject to the ‘pipeline’ stage, since the other four projects were initiated in line with the previous Strategy (2016/17 - 2019/20).

BDO have undertaken two project management audit reviews since 2016 -17 which covered the Capital Gateway Project Delivery Process including project initiation, appraisal, risk management, governance and lessons learnt. The outcome of the reviews are noted below:

Audit Title	Year	Assurance of Control	Assurance of Operation
Project Management	2016/17	Moderate	Moderate
Project Management (Inc. Capital Projects)	2018/19	Moderate	Moderate

The level of assurance over the control design and operational effectiveness had remained stable over the two reviews.



**AREAS OF STRENGTH**

We noted good practice in the following areas:

- ▮ The Council has a robust Capital Strategy in place, which is thoroughly detailed to explain the Gateway Project Delivery process, arrangement of capital schemes and rules which aid in the effectiveness of project management within the Council. The Strategy is supported by the P2P approver limits which lists the budget approvers for each project to ensure that expenditure is kept within limits
- ▮ We reviewed a sample of five Capital projects and confirmed that they had been developed in line with the Council’s Strategy and progressed through all appropriate gateway stages: proposal, feasibility, design, pipeline, and delivery
- ▮ The PMO Team had retained all project documents to evidence the gateway stages of the projects selected for sample testing, which include project initiation forms, project briefs, appraisal documents and Board meeting minutes. Therefore, we were able to follow through how the projects had been adequately assessed to cover risks, benefits, costs, and impact
- ▮ The PMO Team generate several reports to provide an update on the progress of projects in relation to risks, budget, expenditure, and slippages. We have reviewed the Integrated reports generated by the Management Accounting Manager for the first and second quarters of 2021/22 and confirmed that the reports provide thorough detail on the financial position, risks, performance, and slippages to the Cabinet for consideration and support in decision-making
- ▮ The PMO Lead produces Highlight reports on a monthly basis to the Development Board and the Development Review Group which provides information on the project progress, key milestones, finances and deadlines. The report includes a project finance section which details the overall budget over the project duration, the budget for the year, actual and forecasted expenditure. Key risks are addressed, and action points are stated for each project. We confirmed that for all the projects we reviewed, this information was reported within the December 2021 Highlight report
- ▮ We reviewed a sample of three Development Board minutes from November 2021 to January 2022 and confirmed that in each instance, there were adequate discussions regarding the progress of the capital projects, budgets, project expenditure and the risk. Action points had been raised for projects, which are revised at the subsequent Board meeting. We have reviewed evidence of the Action Tracker populated at the end of each meeting with actions to be taken, including the responsible Officer, date, status, and additional comments
- ▮ We reviewed of the most recent three Development Review Group (DRG) minutes from December 2021 to February 2022 and confirmed that in each instance, specific projects are discussed in relation to their progress, risk, and finances. We have seen evidence of the Members conducting a review of the Feasibility Funding List and the Capital Programme to discuss the budgets and expenditure. There are recommendations to the Development Board listed at the end of each item and we were able to follow the recommendations within the Development Board minutes.



## AREAS OF CONCERN

The following key findings have been identified:

- ▮ The testing identified blank entries in the October, November, and December 2021 Capital Monitoring reports, due to Projects Managers not adequately completing all sections of the monthly Smartsheets (Finding 1 - Medium)
- ▮ We identified inconsistency in risk monitoring across all five projects tested, as each project had a different register in place which was not in line with the Council's prescribed Capital risk register (Finding 2 - Medium)
- ▮ The Council does not have an established process to monitor and feedback back on lessons learnt for wider learning (Finding 3 - Medium).



## CONCLUSION

Whilst the current major project process and Board structure has been in place since 2018. The Council has recently re-designed their Capital Strategy regarding project management which outlines effective project management processes. However, we have noted that Smartsheet's are not being completed adequately, there are also inconsistencies in the risk management process across projects. In addition, the Council did not have an established process to monitor their lessons learnt.

Therefore, we have concluded on a moderate assurance over both the control design and control effectiveness.

## 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.

### COST OF LIVING SQUEEZE HITS PUBLIC SECTOR

Authorities face increased costs without any guarantee of higher income, putting pressure on budgets for next year. Everyone is paying a high price for the cost of living crisis, including the public sector.

In addition to higher energy bills and wider inflation, local authorities face problems finding contractors and could lose income from fees and charges.

“It is having a major impact on budgets,” said Lynton Green, deputy chief executive at Warrington Borough Council and president of the UK’s Society of Municipal Treasurers. Government support helped to protect UK councils during the first year of the pandemic, with some paying significant sums into reserves.

But along with consumers, they now face inflation exceeding 7% during the next few months. Contractors, including providers of adult social care, are keen to pass on costs, such as April’s 1.25 percentage point rise in national insurance.

“They see local authorities as having extra money,” said Green. Meanwhile, supply chain problems, partly caused by Brexit, mean that some contractors will only guarantee prices for short periods. “Everything has to be signed and sealed in two weeks,” he added. “They will not hold prices any longer.”

Ian Miller, chief executive of Wyre Forest District Council in Worcestershire, said bills for construction schemes are exceeding initial estimates: “We have to reshape projects in line with available funding.” Along with other district councils, Wyre Forest is effectively limited to raising council tax in 2022-23 by a maximum of 1.99%. “It will definitely be sub-inflation,” said Miller. Upper- and single-tier authorities can levy an extra 1% for social care.

<https://www.publicfinance.co.uk/analysis/2022/03/cost-living-squeeze-hits-public-sector>

#### FOR INFORMATION

For the Audit Committee Members and Executive Directors

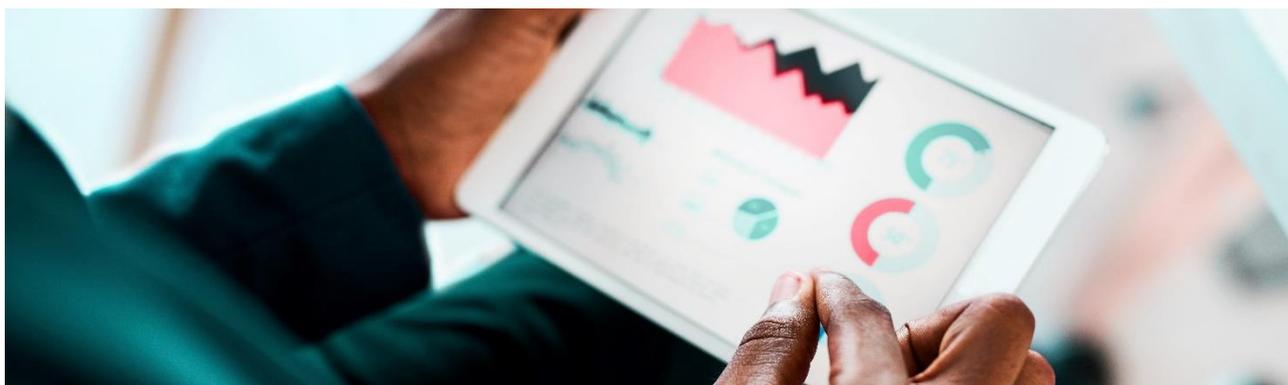
### FUNDING REFORMS KEY TO ‘LEVELLING UP’

The government’s ‘levelling up’ agenda is reliant on detail on funding reforms omitted from last month’s white paper, according to the Institute for Fiscal Studies.

Although February’s ‘levelling up’ white paper recognised the importance of public services, it failed to include any proposals on how the government planned to reform funding, research published by the IFS said.

It added that the paper focused on narrowing geographic gaps in funding, but lacked any details on how money was reaching the most deprived areas, and the effect it was having.

The report said: “Overall there is little said [in the paper] about one of the biggest direct levers the government has to effect levelling up: changes to how funding is allocated between places.”



### **FUNDING REFORMS KEY TO 'LEVELLING UP'**

“This is an important omission because recent years have seen increasingly robust evidence emerge that the amount of funding a range of public services receive matters for the outcomes they deliver.”

Since 2010 local authorities funding has acted against ‘levelling up’, as authority spending fell by around twice as much per person (31%) in the most deprived tenth of councils, compared to the wealthiest (16%), the report added.

This was a result of the government failing to consider how much each authority relied on grants to fund services, with more deprived areas unable to raise additional revenue through council tax, the IFS said.

The institute said that the 2022-23 local government settlement indicated a change, as councils in more deprived areas are set to receive larger funding boosts than authorities in wealthier areas.

<https://www.publicfinance.co.uk/news/2022/03/funding-reforms-key-levelling>

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### **FOR INFORMATION**

For the Audit Committee and Executives

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### **VAST MAJORITY' OF PUBLIC BODIES SIGN-UP FOR LOCAL AUDIT PROCUREMENT**

Almost all eligible public bodies in England have registered for the national auditor procurement scheme run by Public Sector Audit Appointments from 2023, the oversight body has announced

The body announced yesterday that 470 of the 475 qualifying bodies signed up to the scheme for the five-year accounting period from 2023-24 to 2027-28.

This was an increase of one percentage point over the previous accounting period, which runs until the end of 2023-24, PSAA added.

Steve Freer, PSAA chair, said: “We are very pleased that the vast majority of eligible local bodies have once again decided to put their faith in PSAA’s scheme.

“In our view it makes particular sense for the sector to work together in a co-ordinated, collaborative scheme at a time when the local audit market is facing unprecedented challenges and risks affecting the supply of audit services and the delivery of timely audit opinions.”

Stephen Sheen, managing director at local government adviser Ichabod’s Industries, told PF that it was no surprise that more public bodies signed up for the procurement period.

<https://www.publicfinance.co.uk/news/2022/03/vast-majority-public-bodies-sign-local-audit-procurement>

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### **FOR INFORMATION**

For the Audit Committee and Executives

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### Council tax support scheme will be 'challenging to deliver'

Logistical and software issues are likely to make it challenging for councils to deliver the government's £150 council tax rebates to help consumers with soaring energy prices, according to CIPFA.

Chancellor Rishi Sunak announced the policy yesterday, which see all properties between band A and D receive a flat £150 rebate from April, to help combat soaring inflation and energy prices.

However, responding to the announcement, CIPFA said that short time scale to get rebates out would create logistical issues, and authorities will require extra funding to deliver them on time.

CIPFA chief executive Rob Whiteman said: "While the sector will be pleased that their communities are receiving support toward the emerging cost of living crisis, on a practical level this additional support is challenging to deliver because of logistical and software issues.

"With bills due to go out next month, including possible individual benefits calculations, the help announced will not be able to be delivered immediately."

The Institute for Fiscal Studies said that due to the regressive nature of council tax, based on 30-year-old property valuations, rebates are unlikely to target those who need the support most.

<https://www.publicfinance.co.uk/news/2022/02/council-tax-support-scheme-will-be-challenging-deliver>

#### FOR INFORMATION

For the Audit Committee and Executives

### Authority to publish carbon 'budget' alongside finances

A county council is set to begin releasing details about its carbon emissions together with its annual budget in order to monitor its impact on the environment.

Suffolk County Council declared a climate emergency in 2019, and cabinet members believe the "historic" move will help realise their net-zero goals.

The authority will record data including the energy used to power buildings, travel by its workers, waste disposal and fuel for public transport and gritters, for example.

"This is an historic budget, the first full budget of its kind that the council has ever produced," said deputy leader and cabinet member for finance and environment Richard Rout.

"Becoming a net zero organisation by 2030 is incredibly ambitious, but I'm committed to doing everything we can to realise that vision."

Rout said officers have collected data to provide a baseline against which they can measure future emissions, which should drive decision-making towards pursuing a decline, especially given it will be published alongside the annual financial budget.

<https://www.publicfinance.co.uk/news/2022/01/authority-publish-carbon-budget-alongside-finances>

#### FOR INFORMATION

For the Audit Committee and Executives

### Housing associations slammed for commercial focus

Social housing conditions have deteriorated in part because housing associations have become accountable to investors in the City, rather than to tenants, sector experts told MPs.

Speaking to the Levelling Up, Housing and Communities Committee, yesterday tenants' organisations said that government housing targets have led to an increase in high-rise investor properties and shared ownership homes, rather than social housing.

Suzanne Muna, representative at the Social Housing Action Campaign, said that many large housing associations are focused on income generation, with many board members from financial backgrounds, removing their focus from maintaining existing stock.

Muna said: "We would say that housing associations are now accountable to investors in the City, and we do not believe that they are really, especially the bigger ones, accountable."

In the committee's first session probing the regulation of social housing, Darren Hartley, chief executive of tenant's charity the TAROE Trust, said that commercialisation means that the primary focus of housing associations is on financial gain, rather than providing a social service.

<https://www.publicfinance.co.uk/news/2022/01/housing-associations-slammed-commercial-focus>

#### FOR INFORMATION

For the Audit Committee and Executives

### Energy company part-owned by Warrington Borough Council collapses

An energy company in which Warrington Borough Council invested £52m has gone bust.

Glasgow-based Together Energy today (Tuesday) joined the increasing number of small energy firms which have closed down due to an increase in wholesale gas prices.

The company announced the decision to cease trading with immediate effect on its website this afternoon.

It said: "Despite press reports, we did buy enough gas and electricity for your needs, but the sustained increase in wholesale prices and the securities required to continue to forward purchase the energy, have meant that it is untenable for us to continue."

The firm thanked customers for supporting its "commitment to providing employment and education opportunities to young people from disadvantaged areas".

In a statement, Warrington Borough Council said: "Our vision was to be part of a company that tackles the climate emergency by delivering 100% green energy to customers, contributes to reducing fuel poverty and provides local jobs in Warrington - particularly for those out of work or without formal qualifications - but the current market conditions are sadly not sustainable.

<https://www.publicfinance.co.uk/news/2022/01/energy-company-part-owned-warrington-borough-council-collapses>

#### FOR INFORMATION

For the Audit Committee and Executives

## KEY PERFORMANCE INDICATORS

Quality Assurance	KPI	RAG Rating
High quality documents produced by the auditor that are clear and concise and contain all the information requested.	This KPI will be updated during the course of the year based upon the results from the client satisfaction surveys.	
Frequent communication to the customer on the latest mandatory audit standards and professional standards prescribed by the main accountancy bodies.	Sector updates will be provided within the Audit Committee progress report, as shown above.	
The auditor attends the necessary, meetings as agreed between the parties at the start of the contract	All meetings so far have been attended, including Audit Committee meetings and pre-meetings.	
Information is presented in the format requested by the customer.	No requests to change the BDO format.	
Customer satisfaction reports - overall score at average at least 3.5 / 5 for surveys issued at the end of each audit.	We have not received any customer satisfaction reports in 2021/22 to date. We will continue to update this KPI through the year.	
External audit can rely on the work undertaken by internal audit (where planned)	To be clarified at year end once we have met with the new external auditors	
Annual Audit Plan delivered in line with timetable and Actual days are in accordance with Annual Audit Plan	Progress against the audit plan is reported at every Audit Committee, against original planned dates. All audits have been completed in line with the actual days agreed.	
Draft report to be produced 3 weeks after the end of the fieldwork	Draft reports have been produced within 3 weeks in the year to date.	
Management to respond to internal audit reports within 2 weeks	We have received responses in a timely for a majority of the audit reports in 2021/22.	
Final report to be produced 1 week after management responses	The final reports issued were released within one week of receipt of management comments	
90% recommendations to be accepted by management	All recommendations have been agreed with management prior to release of the final audit report.	
At least 60% input from qualified staff	Audits undertaken in 2021/22 to date have been undertaken by qualified staff.	
Positive result from any external review	In June 2021 an External Quality Assessment by the Institute of Internal Auditors reported that BDO LLP's Public Sector Internal Audit Team 'generally conforms' with the International Professional Practices Framework (IPPF) and the Public Sector Internal Audit Standards (PSIAS).  This is the highest of the three ratings categories.	

# APPENDIX 1

## OPINION SIGNIFICANCE DEFINITION

LEVEL OF ASSURANCE	DESIGN OPINION	FINDINGS FROM REVIEW	EFFECTIVENESS OPINION	FINDINGS FROM REVIEW
 <b>Substantial</b>	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.
 <b>Moderate</b>	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.
 <b>Limited</b>	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.
 <b>No</b>	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.

## RECOMMENDATION SIGNIFICANCE DEFINITION

RECOMMENDATION SIGNIFICANCE	
 <b>High</b>	A weakness where there is substantial risk of loss, fraud, impropriety, poor value for money, or failure to achieve organisational objectives. Such risk could lead to an adverse impact on the business. Remedial action must be taken urgently.
 <b>Medium</b>	A weakness in control which, although not fundamental, relates to shortcomings which expose individual business systems to a less immediate level of threatening risk or poor value for money. Such a risk could impact on operational objectives and should be of concern to senior management and requires prompt specific action.
 <b>Low</b>	Areas that individually have no significant impact, but where management would benefit from improved controls and/or have the opportunity to achieve greater effectiveness and/or efficiency.

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