

INTERNAL AUDIT PROGRESS REPORT

OXFORD CITY COUNCIL

SEPTEMBER 2022

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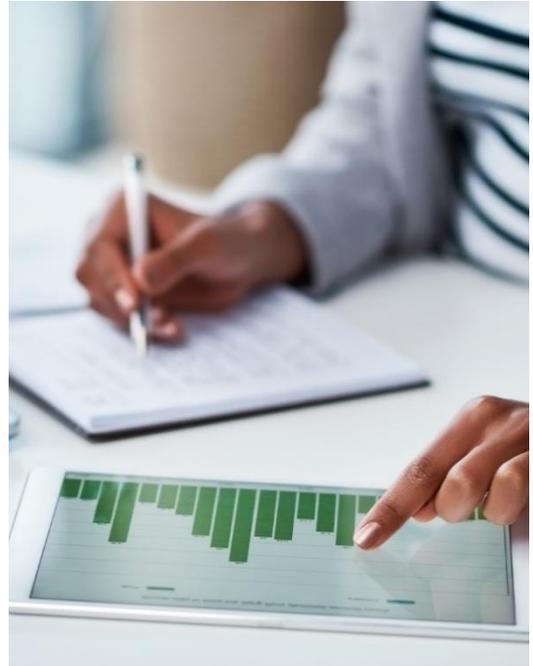
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SUMMARY OF SEPTEMBER 2023 WORK

INTERNAL AUDIT

This report is intended to inform the Audit Committee of progress made against the SEPTEMBER 2023 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.

SEPTEMBER 2023 INTERNAL AUDIT PLAN

We are now making progress in the delivery of the SEPTEMBER 2023 audit plan, and we are pleased to present the following reports to this Audit Committee meeting:

- ▶ Car Parking
- ▶ Follow Up Report
- ▶ Summary of work completed at Oxford Direct Services and Oxford City Housing Limited
- ▶ Local Authority Benchmarking Report 2021/22
- ▶ A BDO report on the process of appointing independent members to Audit Committee following the outcome of the Redmond Review. This report considers how Audit Committees can conduct skills assessments to identify areas of strength and weakness, and the benefits and challenges of recruiting independent members
- ▶ BDO Global Risk Landscape Report.

We have also delivered a Homes England assurance review on grant claims received by the Council. This is reported directly into Homes England's Investment Management System, assessing the Council's compliance with the RSAP and NSAP grant agreements.

Fieldwork is underway in respect of the following audits which we anticipate will be presented at the next Audit Committee meeting:

- ▶ Cyber Security
- ▶ Income Generation

CHANGES TO THE SEPTEMBER 2023 INTERNAL AUDIT PLAN

Changes to the 2022/23 internal audit plan mainly consist of revisions to the audit fieldwork dates, with the following reviews being moved back to later Audit Committees at the request of the Council:

- ▶ Change Programme
- ▶ Enforcement Restructure

REVIEW OF SEPTEMBER 2023 WORK

AUDIT	EXEC LEAD	AUDIT COMMITTEE	PLANNING	FIELD WORK	REPORTING	DESIGN	EFFECTIVENESS
Audit 1: Car parking	Nigel Kennedy	Sept 22	✓	✓	✓	S	S
Audit 2. Income Generation	Nigel Kennedy	Nov 22	✓	✓			
Audit 3. Change Programme	Helen Bishop	Apr 23	✓				
Audit 4. Planned Maintenance & Refurbishment	Nerys Parry	Jan 23	✓				
Audit 5: Housing Rents	Nerys Parry	Nov 22	✓	✓			
Audit 6. Community Strategy	Gabriel Stephens	Jan 23	✓				
Audit 7. Enforcement Restructure	Ian Wright	Apr 23	✓				
Audit 8. Cyber Security	Helen Bishop	Nov 22	✓	✓			
Audit 9. NNDR & Business Rates Pooling	Nigel Kennedy	Jan 23	✓				
Audit 10. Sickness Absence Management	Nigel Kennedy	Jan 23	✓				
Audit 11: Treasury Management	Nigel Kennedy	Jan 23	✓				
Audit 12: Contract Management and Procurement	Nigel Kennedy	Apr 23	✓				



CAR PARKING

CRR REFERENCE: ENABLE AN INCLUSIVE ECONOMY

Design Opinion	S Substantial	Design Effectiveness	S Substantial
Recommendations	0	0	2



SCOPE

BACKGROUND

- ▶ Oxford City Council (the Council) are responsible for 26 car parks made up of both on-street and off-street car parks. The Council's car parks consist of those situated in the centre of Oxford, outside of Oxford, park and ride sites and public park sites. Most of the Council's car parks allow customers to pay via cash, debit/credit card or the Ringo app. A trial for cashless parking was rolled out at the Gloucester Green car park in January 2022 and, due to the success, has recently been widened to include the Worcester Street car park. These are high-tariff City Centre sites where a high proportion of customers already paid via cashless payment methods
- ▶ In 2021/22 the Council reported a £1.5 million reduction in car park revenue owing mainly to lower footfalls of customers visiting the city centre since the start of the pandemic. For 2022/23 parking charges have increased by 50p per hour in city centre car parks and 20p per hour in sub-urban car parks to off-set the loss, however, parking revenue has only recovered to c.85% of the pre-pandemic levels
- ▶ Oxford Direct Services (ODS) manage the off-street car parks for the Council. It has a dedicated Parking team to manage parking machines (maintenance/repairs), customer queries, parking enforcement and general management of the car parks. All tariffs are set by the Council in its Fees and Charges Schedule and input into the Metric system which sets the charging in each machine
- ▶ The Council have a contractual arrangement in place with Jade Security Services (Jade) to collect and bank cash from car park machines. The Council is responsible for reconciling the bank receipts to the Jade cash collection spreadsheet following each cash collection. The Parking team separately reconcile the audit ticket from the car park machines to the Jade cash collection spreadsheet
- ▶ Customers contravening the Council's parking regulations are issued an excess charge notice (ECN) under the Road Traffic Act 1984. ODS have Parking Enforcement Officers (PEOs) to patrol car parks and issue ECNs where necessary. All ECNs are recorded on the Imperial system, through the handheld devices used by PEOs. There are parameters established within Imperial to commence debt recovery procedures if the ECN is not paid within 28 days. However, ODS had difficulties initiating the debt recovery procedures between December 2021 and May 2022 due to contractual challenges with the Driving and Vehicle Licensing Agency (DVLA). These led to the DVLA not providing vehicle keeper records in this period
- ▶ This audit has been carried out twice before by BDO:
 - We have undertaken previous reviews of Car Parking in 2017/18 and 2018/19 a substantial opinion for both control design and effectiveness. Issues were identified over debt recovery of ECNs and the approval of the parking cash collection reconciliations between Jade's records and those provided by the machine.

AREAS REVIEWED

- ▶ The following areas were covered as part of this review:
 - We reviewed a sample of 25 car parking transactions from different car parks to assess whether the customer was charged and paid at the correct tariff value
 - We reviewed the Council's arrangements for reconciling Jade's collection reports to internal reports to confirm that these are accurate, complete and timely
 - We enquired about the arrangements in place for issuing ECNs to assess whether these comply with the Council's rules and regulations

- We reviewed a sample of 15 ECNs issued between 1 June 2021 to 31 May 2022 to assess whether these were accurate and recovered in a timely manner
- We reviewed processes for generating performance reports for the 'Going Cashless' scheme at Gloucester Green car park and ensured that these are reported through the appropriate channels to support informed decision-making on the future of this strategy
- We reviewed the Council's future car parks strategy to assess whether its development is in accordance with the Council's overall strategy and that more detailed plans are in place to support the strategy.



AREAS OF STRENGTH

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

- ▶ We reviewed 25 car parking payments from customers, split between cash, debit/credit card and Ringo payments, and noted that in all instances the customers were charged the correct amount per the Council's Fees and Charges Schedule. Therefore, tariffs were set correctly on the Metric system with the exception of one tariff identified from the Total Sales Report
- ▶ Reconciliations between the audit ticket from parking machines, the Jade cash collection spreadsheet and the bank are completed accurately and in a timely manner. The Parking team reconcile the audit ticket to the Jade collection sheet on the day it is received from Jade and investigate any machine discrepancies of more than £10
- ▶ We reviewed 10 reconciliations and noted that the cash collected by Jade reconciled with the bank account in all instances. Any variances over £10 between the audit ticket and the Jade cash collection spreadsheet were investigated to obtain a satisfactory explanation. These reconciliations were prepared and reviewed with a separation of duties maintained, and within three days of the cash collection in all cases reviewed
- ▶ Imperial's handheld devices require PEOs to give vehicle owners a 10-minute grace period before they can process an ECN for non-payment or non-display of a parking ticket. The vehicle is logged on the handheld device which does not allow the PEO to process the ECN until 10 minutes later. This control operated effectively in all 11 of the non-payment/non display cases that we reviewed and was evidenced in the case log
- ▶ In all 15 ECNs reviewed, the PEO took photographs of the parking contravention using their handheld device to evidence the reason the ECN was issued to the customer
- ▶ There are automatic parameters in Imperial to commence debt recovery arrangements 28 days after the ECN was issued. A VQ4 request is issued to DVLA to obtain vehicle keeper records 28 days after the offence date, then a first reminder letter is issued once the records are received. Second reminder letters are then sent 14 days later if no payment has been received. We reviewed six ECNs that were not paid within 28 days and noted that appropriate actions were taken to recover debts, with some minor exceptions
- ▶ Monthly reports on car park usage compared to previous years are generated by the Parking team for the Council's Finance team and Asset Management team to assess the effectiveness of the 'Going Cashless' scheme in certain car parks. Furthermore, there have been no complaints received on the cashless parking at Gloucester Green car park during the trial six-month trial period from January 2022 and as a result the Council have rolled out cashless parking at Worcester Street car park in July 2022. It also intends to introduce this to the Oxpens car park from September 2022. These car parks have been specifically selected as high-tariff city centre car parks where non-cash payment methods were mainly used by customers already
- ▶ The Asset Management Strategy, which Cabinet recommended to Council to be adopted on 10 August 2022, includes its future plans for its car parks. This was broadly in line with other transport and environmental policies, noting the potential for re-development of city centre car parks into mixed-developments (residential and commercial). Whilst the future car park plans are at their early phase, the Asset Management team review usage and income data from car parks to inform decisions on how to use car park land to obtain best value. Informal monthly and quarterly meetings between the Asset Management team, ODS and the Finance team are in place to oversee car park usage.



AREAS OF CONCERN

- ▶ Our review of 15 ECNs identified two exceptions. In one instance, the customer was over-charged due to the discount period being incorrectly reset and the customer not seeking a refund afterwards and in the other instance, a VQ4 was issued to the DVLA despite the customer having already paid the ECN. This was due to interfacing issues between Civica Pay and Imperial (Finding 1 - Low)
- ▶ In another ECN a part-payment of £50 was accepted from the customer without clear rationale. This was during the period where vehicle keeper details could not be obtained from the DVLA

so we were informed that the Parking team were accepting part-payments in some cases as they could not take actions to recover debts (Finding 2 - Low).



CONCLUSION

Overall, we have provided Substantial assurance on the control design and effectiveness of the Council’s car parking arrangements with only two Low findings raised.

Minor issues were identified around the debt recovery procedures for ECNs with one instance identified where a part-payment was accepted without clear rationale and a separate incident where a customer was overcharged due to the discount period date being incorrectly reset following an appeal from a customer. However, these were the exception and across the majority of ECNs reviewed, they were paid correctly and in a timely manner. The Parking team did face difficulties in initiating debt recovery procedures between December 2021 and May 2022 due to delays in setting up a contract with the DVLA however, the team prioritised recovery procedures for unpaid ECNs once the contract was signed.

Tariffs were set correctly across all 25 parking tickets we reviewed and there are adequate security and reconciliation procedures around Jade’s cash collection and banking.

SUMMARY OF WORK AT THE COMPANIES

OXFORD DIRECT SERVICES (ODS)

2021/22

This report details the work undertaken by internal audit for Oxford Direct Services Limited (ODS) and provides an overview of the effectiveness of the controls in place for the year.

The proposed reviews for this financial year per the agreed 2021/22 annual plan were as follows:

- Procurement and Contract Management
- General Data Protection Regulation (GDPR)
- QL Implementation

Due to the impact of the QL implementation throughout 2021/22, and as agreed with the Audit Committee at its meetings in December 2021 through to March 2022, the above audits were paused / removed / deferred as follows:

Audits removed from 21/22 Plan	Rationale for deferral
Procurement and Contract Management	Owing to the ongoing financial reporting issues with the QL system and the lack of accurate management information to effectively manage contractors, it was determined with the Director of Finance that this audit would add greater value in 2022/23 when a review of business-as-usual controls can be performed, underpinned by the use of new QL system.
General Data Protection Regulation (GDPR)	As above, a similar conclusion to include this review in 2022/23.
QL Implementation	The QL implementation issues were spread across both ODS and the Council, in line with the agreed protocols a deep dive in this area was discussed with both ODS and the Council on 22 nd October 2021. It was agreed that a separate independent review would be conducted outside of both audit plans - thus to avoid duplication this review would be cancelled. Going forward, the use of QL as a system would be embedded into reviews for 2022/23 and beyond.

Following Audit Committee approval, it was agreed that the primary focus would be the completion of a proposed advisory review over the temporary financial management and reporting controls that have been operational during the QL implementation period to ensure selected key activities continued whilst the system implementation issues were rectified - ahead of the year-end closedown.

This advisory review commenced on 4 February 2022 and remains in progress. We mapped all key processes adopted by ODS and submitted these to ODS for review to confirm their accuracy.

Through this phase of our work, we identified one issue pertaining to the billing process for Oxford University. Here we found that it was possible for costs to be added to jobs which had already been invoiced leading to a lower invoice value being issued. As per the Terms of Reference for this review, this was flagged to the ODS Finance team immediately and has resulted in the Business support team completing an additional reconciliation between the value of jobs billed for and the value of the jobs in QL for the key billing customers tested (Oxford University, Oxford County Council and Highways and Engineering). Apart from the change in value of the Oxford University Billing job, we have found no further issues regarding our walkthroughs or sample testing to date.

The advisory review, whilst it has progressed, has been delayed as there has been several issues with the implementation of the new system and processes used to overcome these issues that has required the ODS

Finance team to prioritise their work to overcome these issues. This has caused a number of delays in providing evidence and information for our review which has been escalated. As above, we have completed the process flow charts and c60% of the required sample testing at the time of drafting this report. It is expected that this work will be completed by the end of September 2022. This piece of work, whilst advisory in nature and will not be attributed an assurance opinion, will inherently provide ODS management assurances ahead of the financial reporting and external audit process.

In addition to this, the following reviews were completed at Oxford City Council which included ODS-related transactions (for Accounts Payable and Accounts Receivable):

- Key Financial Systems - Data Analytics (Moderate/Moderate)
- General Ledger (Substantial/Moderate)
- Accounts Payable (Moderate/Moderate).

2022/23

We are currently in the process of planning the work for the 2022/23 Internal Audit Plan at ODS, with the Contract Management and the Information Governance reviews set to commence in October 2022. The following two reviews are scheduled for Q3 or Q4 of the year:

- Data Input Controls
- Risk/Counter Fraud Maturity.

OXFORD CITY HOUSING LIMITED

We have undertaken one review at Oxford City Housing Limited (OCHL) in 2021/22 relating to the governance and reporting frameworks for its Business Plan. This report has been drafted and is expected to be issued to OCHL for management comments by the end of September 2022. However, the scope of the review was:

- We reviewed the documented governance arrangements in place at OCHL, and their extension to the collation and review of the business plan.
- We reviewed key SLAs and other documented role definitions, like the client role performed by the Council, to understand how these should operate as minimum and to ensure there is a clear understanding of roles between OCHL and the Council.
- We reviewed the business plan and any supporting documentation that outlines how it was collated, any changes that have been applied and the basis of these changes to confirm these were transparent, challenged, scrutinised, and approved accordingly.
- We reviewed a sample of key meeting minutes held during the period 1 April 2021 to date where the business plan has been discussed to evaluate the level of engagement with the business plan.
- In addition to the above, we reviewed key management reports and updates on the business plan and its delivery, to evaluate the level of detail presented, basis of information and ability to evaluate progress against key business plan targets and milestones.

Our planning for the one review to be completed in 2022/23 will commence with management once the previous review has been finalised.

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. However, so far we have had one survey response in 2022/23 where the respondent 'Agreed' that the final report was clear and concise	
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 and/or in appending reports. For this Committee we have provided the BDO paper on considerations for the Redmond Review.	
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, pre-Audit Committee, scoping meetings and meetings during audit fieldwork.	
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 received one survey response for 2022/23 where we scored 4 for audit satisfaction. We will continue to issue surveys for each audit as it is finalised.	
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	
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.	
REPORTING ARRANGEMENTS	KPI	RAG RATING
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 management responses within 2 weeks for all audit reports so far in 2022/23.	
Final report to be produced 1 week after management responses	The final reports issued were released within one week of receipt of management comments for all reviews so far in 2022/23.	
90% recommendations to be accepted by management	All recommendations have been agreed with management prior to release of the final audit report and have been accepted in full.	

DELIVERY	KPI	RAG RATING
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.	
At least 60% input from qualified staff	Audits undertaken in 2022/23 have been undertaken by qualified staff.	

APPENDIX I

OPINION SIGNIFICANCE DEFINITION

LEVEL OF ASSURANCE	DESIGN OPINION	FINDINGS FROM REVIEW	EFFECTIVENESS OPINION	FINDINGS FROM REVIEW
 Substantial	Appropriate procedures and controls in place to mitigate the key risks.	There is a sound system of internal control designed to achieve system objectives.	No, or only minor, exceptions found in testing of the procedures and controls.	The controls that are in place are being consistently applied.
 Moderate	In the main, there are appropriate procedures and controls in place to mitigate the key risks reviewed albeit with some that are not fully effective.	Generally a sound system of internal control designed to achieve system objectives with some exceptions.	A small number of exceptions found in testing of the procedures and controls.	Evidence of non compliance with some controls, that may put some of the system objectives at risk.
 Limited	A number of significant gaps identified in the procedures and controls in key areas. Where practical, efforts should be made to address in-year.	System of internal controls is weakened with system objectives at risk of not being achieved.	A number of reoccurring exceptions found in testing of the procedures and controls. Where practical, efforts should be made to address in-year.	Non-compliance with key procedures and controls places the system objectives at risk.
 No	For all risk areas there are significant gaps in the procedures and controls. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Poor system of internal control.	Due to absence of effective controls and procedures, no reliance can be placed on their operation. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Non compliance and/or compliance with inadequate controls.

RECOMMENDATION SIGNIFICANCE DEFINITION

RECOMMENDATION SIGNIFICANCE	
 High	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.
 Medium	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.
 Low	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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