INTERNAL AUDIT PROGRESS REPORT

Oxford City Council

2022/2023

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CONTENTS

SUMMARY OF 2022/20233 WORK

INTERNAL AUDIT

This report is intended to inform the Audit Committee of progress made against the 2022/2023 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.
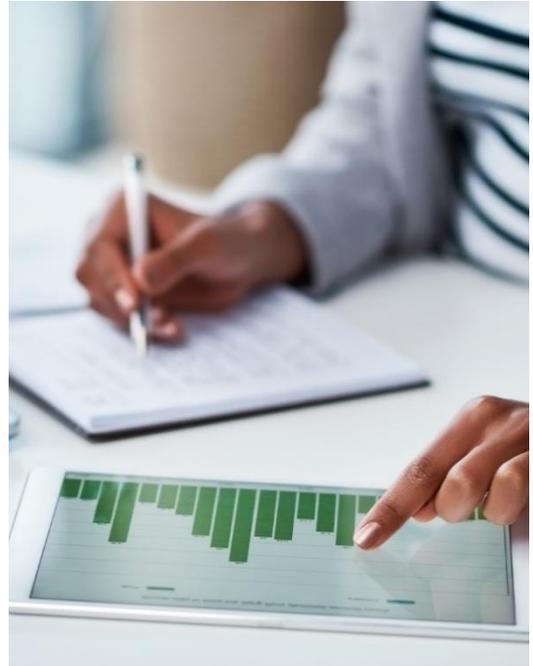
INTERNAL AUDIT METHODOLOGY

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.

2022/2023 INTERNAL AUDIT PLAN

We are now making good progress in the delivery of the 2022/20233 audit plan, and we are pleased to present the following reports to this Audit Committee meeting:

▶ Sickness & Absence Management

▶ Treasury Management

▶ NNDR & Business Rates Pooling

▶ Income Generation – To be presented separately in a confidential session

▶ Follow-up Report.

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

▶ Cyber Security

▶ Housing Rents

▶ Change Programme

▶ Planned Maintenance and Refurbishment

▶ Enforcement Restructure

▶ Contract Management & Procurement.

REVIEW OF 2022/20233 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	Jan 23	✓	✓	✓	L	L
Audit 3. Change Programme	Helen Bishop	Apr 23	✓				
Audit 4. Planned Maintenance & Refurbishment	Nerys Parry	Apr 23	✓				
Audit 5: Housing Rents	Nerys Parry	Apr 23	✓	✓			
Audit 6. Community Strategy	Stephen Gabriel	Apr 23	✓				
Audit 7. Enforcement Restructure	Ian Wright	Apr 23	✓				
Audit 8. Cyber Security	Helen Bishop	Apr 23	✓	✓	✓		
Audit 9. NNDR & Business Rates Pooling	Nigel Kennedy	Jan 23	✓	✓	✓	S	M
Audit 10. Sickness Absence Management	Nigel Kennedy	Jan 23	✓	✓	✓	M	M
Audit 11: Treasury Management	Nigel Kennedy	Jan 23	✓	✓	✓	S	S
Audit 12: Contract Management and Procurement	Nigel Kennedy	Apr 23	✓				

SICKNESS & ABSENCE MANAGEMENT

CRR 1: ENABLE AND INCLUSIVE ECONOMY

Design Opinion | **M** Moderate **Design Effectiveness** | **M** Moderate

Recommendations | 0 3 1

SCOPE

BACKGROUND

▸ Oxford City Council (the Council) have a workforce of c750 staff across a variety of departments. The Council has an Attendance Management Policy which covers the employee's and line manager's responsibilities for managing sickness absence, including: notifying the line manager of sickness absence, maintaining contact with employees on long-term sickness absence and completing return-to-work meetings. Return-to-work meetings are required for each period of sickness absence

▸ The Council use the iTrent system for recording sickness absence cases, attaching documents such as medical notes to support the absence, and reporting on sickness absence performance. It has used iTrent for over 10 years however, the current contract is due to end in the next two years so the People Team have commenced initial procurement procedures to identify the specifications and requirements of the new HR system

▸ The Council's performance target of 6.5 days lost to sickness absence per employee was marginally missed in 2021/22 with 7.15 days lost to sickness absence. However, it is significantly lower than a decade ago where the figure was c12 to 14 days per employee per annum. Between 1 October 2021 and 30 September 2022 the Council lost 4,138 days to sickness absence with 1,196 days (29%) lost being caused by stress, depression, anxiety or mental health. Other significant causes of sickness absence were musculo-skeletal (11%), infections including cold and flu (10%), and Covid-19 (6%)

▸ The People Team provide central support and guidance on sickness absence management when required by line managers however, the onus is on line managers to effectively manage staff absence in accordance with the Attendance Management Policy. There are two HR Business Partners that work directly with service areas to provide general guidance, training and advice on managing sickness, including absence prevention methods.

AREAS REVIEWED

The following areas were be covered as part of this review:

▸ We reviewed the Council's Attendance Management Policy and any supporting guidance documents to assess whether these were appropriate and clearly advised employees and line managers on their responsibilities regarding notifying the Council of absence and uploading information into iTrent

▸ We reviewed the arrangements in place to support, guide and advise line managers on how to undertake effective return to work interviews and manage long-term sickness absence amongst staff

▸ We reviewed 15 episodes of staff sickness to ascertain whether data was recorded correctly in iTrent, whether return-to-work interviews were completed and medical notes were obtained

▸ We reviewed five long-term sickness absence cases to assess whether adequate contact had been maintained with the employee and steps were taken to support a timely return to work

▸ We reviewed reporting on sickness absence rates and reasons to managers and Heads of Service to assess whether adequate information was provided to identify issues and trends

▸ We enquired to HR Business Partners about the support provided to managers on an ongoing basis for managing and reducing sickness absence. We also enquired to managers about

AREAS OF STRENGTH

We identified the following areas of good practice:

▶ The Attendance Management Policy clearly outlines the roles and responsibilities of employees and managers in relation to notifying and recording sickness absence. Furthermore, whilst there were some areas for improvement with the Management Guidance – Attendance Management document (see Finding 1), the overall guide provided a step-by-step process on how to manage return-to-work interviews, long-term sickness and escalation procedures when certain thresholds are reached. Line managers were aware of how to access the guidance on the intranet

▶ There was a consensus amongst line managers we interviewed that there was sufficient support on sickness absence management from the People Team. Whilst we noted that line managers are responsible for managing the absence, the People Team are accessible to provide support, particularly on long-term sickness cases. Additionally, some managers informed us that the HR Business Partners were useful for providing specific guidance on absence cases

▶ Management reporting on sickness absence was adequate, with greater details on specific cases provided to managers and a higher level of performance reported to Heads of Service. The information provided allowed for trend analysis of reasons for sickness absence by department, the Bradford Factor or employees and the overall number of days lost to absence.

AREAS OF CONCERN

Finding	Summary of Recommendations	Owner	Due Date
Finding 1 – Medium There was no evidence or records of a return-to-work meeting in nine of the 15 sickness absence cases reviewed (66%), of which three were long term sicknesses. The use of the word 'promptly' to describe when return-to-work meetings should be held requires clarification	a. The 'Management Guidance – Attendance Management' document should be updated to specify a precise timeframe for when return-to-work' interviews should be completed. For example, 'on the day of the employee's return' or 'before commencing any duties' b. The People Team should email all line managers to remind them of the expectation that return-to-work interviews are completed after each sickness absence episode on the day that the employee returns, and that records of the discussion should be held on iTrent c. The People Team or the HR Team should review a sample of absences to assess whether the return-to-work interview had been completed and recorded on iTrent. Non-compliance identified from these checks should be raised with the relevant line manager. Where certain line managers are identified as consistently not recording the return-to work interview on iTrent this should be escalated to their Head of Service d. The People Team or the HR Team should ascertain whether they are able to extract data from iTrent on the completion of return-to-work interviews for closed absences. This data should be reported for each department to the Head of Service. Management Response a. It is agreed that it makes sense to update the guidance to reflect what it says in the policy. b. It is agreed that managers should be reminded of this, but best method of communication may	Simon Edginton, Operational Manager (HR & Payroll) Justin Thorne, People Services Delivery Manager	31/01/23

		not be by email. A useful approach will be to make sure senior managers and leaders are role modelling the right behaviours in managing absence and to set expectations in 121 discussions. c. Not agreed. Doing this would be a time intensive process and would require going into each record individually. A reminder to all managers about the correct process (as in point (b)) would be a better way to address this. d. We do not think this is possible but agree that this should be checked and if possible actioned as suggested.		
	Finding 2 – Medium Medical notes were not provided in three sickness absence episodes that lasted more than seven working days, with another employee providing a hospital appointment letter but not a medical note. In a further two instances, medical notes were provided but did not cover the entire period of absence	a. All line managers should be sent a reminder email by the People Team that medical notes should be provided for any absence over seven working days, covering the entire period of absence and these should be attached to iTrent b. The People Team or the HR Team should review a sample of open absences that have lasted more than seven working days to check whether medical notes have been attached to the iTrent records. Any cases where the medical certificates are not attached or do not cover the entire period should be followed up with the line manager. Management Response a. It is agreed that managers should be reminded of this, but best method of communication may not be by email. b. Not agreed. Doing this would be a time intensive process and would require going into each record individually. A reminder to all managers about the correct process (as in point a) would be a better way to address this.	Justin Thorne, People Services Delivery Manager	31/01/23
	Finding 3 – Medium Sickness absence end dates were not input into iTrent in a timely manner in eight of the 15 cases reviewed, resulting in payroll adjustments having to be processed in the following month to correct an over or underpayment to employees	The Management Guidance – Attendance Management document should be sent to all line managers by the Head of People highlighting the responsibilities of line managers, particularly around entering sickness absence information into iTrent. Other issues identified in Finding 1 and 2 could also be addressed through this communication and information on line managers not complying with this guidance should be escalated to heads of department. Management Response Agreed that a reminder about the guidance and where to find it should be given to managers, but the document does not need to be sent by email, or be sent by the Head of People. This should be combined	Justin Thorne, People Services Delivery Manager	31/01/23

	with the recommendations in Finding 1 and 2.		
	Finding 4 – Medium Various issues with iTrent were raised to us, including the lack of detail in the return-to-work meeting notes box and inaccuracies with live data provided by the system	As part of the procurement exercise, the People Team should establish working groups or consultation sessions with line managers to obtain their perspectives on essential and desired functionality within the new HR system to support more effective sickness absence management. Management Response Agreed that managers will be consulted on this.	Simon Edginton, Operational Manager (HR & Payroll)	At an appropriate time in the procurement process

CONCLUSION

Overall, the Council have a moderate control design and effectiveness for the management of sickness absence, with three Medium findings and one Low finding raised.

We were informed of limitations in iTrent however, the system does provide dates of sickness absence to be recorded and for medical notes and return-to-work interviews to be attached. Our review of sickness absence cases identified significant non-compliance in obtaining medical certificates for absences over seven days, recording return-to-work meetings and entering the end date of the sickness absence. Therefore, this suggests that managers were not using the system effectively or in accordance with the Attendance Management Policy.

Performance reporting was adequate and tailored appropriately to the audience. For example, greater detail on specific staff absences was provided to managers, noting staff that had a score of more than 100 on the Bradford Factor scale which triggers escalation procedures.

The onus for managing sickness absence and recording data is on line managers which led to inconsistencies in approaches and higher levels of non-compliance in certain areas.

TREASURY MANAGEMENT

CRR 1: ENABLE AND INCLUSIVE ECONOMY

Design Opinion	S	Substantial	Design Effectiveness	S	Substantial

Recommendations	0	0	2

SCOPE

BACKGROUND

▸ Good treasury management is a key element of the effective management of working capital, ensuring that the organisation has cash available to meets its obligations while ensuring any surplus cash is managed within the council's appetite for risk and return

▸ Legislation requires local authorities to have regard to statutory proper practices in relation to treasury management, including CIPFA's Prudential Code and the Treasury Management Code of Practice, which provides guidance on recommended treasury management practices

▸ Oxford City Council (the Council) have a Treasury Management Strategy which outlines its approach towards borrowing and investing, setting limits for the amounts that can be borrowed and invested with each counterparty. Counterparty limits are set by the Council's treasury advisors, Link Group, based on the risk factor and credit ratings

▸ Interest rates set by the Bank of England have increased from 0.25% in January 2022 to 3% in November 2022, increasing the cost of the Council's future borrowings, as current borrowings are at a fixed interest rate. The Risk Register identifies key risks, which are reported in the Annual Treasury Management Report and the Mid-Year Report. These are provided to Cabinet and the Finance & Performance Committee for member oversight

▸ The Treasury Manager is responsible for managing the treasury function, including daily dealing, completing reconciliations and treasury reporting. All investments, money market funds (MMFs) and borrowings are recorded on the Daily Treasury spreadsheet and reviewed by a separate officer. Payments to counterparties are processed by the Management Accountants Team

▸ We have previously reviewed the Council's Treasury Management function in 2020/21 providing Substantial assurance for both the control design and effectiveness. Only one Low finding was raised around the timeliness and review process for bank reconciliations for the General Fund Account.

AREAS REVIEWED

The following areas were be covered as part of this review:

▸ We reviewed the Treasury Management Strategy and assessed whether it has been approved by Cabinet and relevant Committees, complies with statutory requirements and sufficiently outlines the approach and limits for investments and borrowing for the Council

▸ We reviewed a sample of five investments, five MMF transactions and six borrowing transactions to assess whether these were processed in accordance with the limits set in the Treasury Management Strategy, with counterparties approved by Link Group and with appropriate levels of approval

▸ We reviewed whether treasury management performance reports and cash flow forecasts are presented to management and Members regularly, and in compliance with CIPFA's Prudential Code, to support effective oversight and scrutiny of treasury performance

▸ We reviewed all treasury reconciliations for 2022/23 to assess whether these are accurate, complete and reviewed by a separate officer in a timely manner

▸ We reviewed risk management arrangements, including risk registers and oversight of key risks by management and Committees, to assess whether risks are identified and managed effectively.

AREAS OF STRENGTH

We identified the following areas of good practice:

▶ The Council's Treasury Management Strategy for 2022/23 was approved by Cabinet on 9 February 2022 and then by Full Council on 16 February, as required by the Prudential Code. The Treasury Management Strategy, and the Investment Strategy and Borrowing Strategy within it, complied with the Prudential Code requirements and clearly outlined the Council's approach and risk appetite for investing and borrowing

▶ Treasury performance was reported to the Finance & Performance Panel twice per year, in accordance with the Prudential Code. The Annual Report and Mid-Year report provide clear information to the Panel on the performance of each type of investment fund and an overview of its borrowing plans. It also provides the Panel with forecasts of interest rates, and the interest income from its investing activities

▶ Monthly reporting to the Financial Management Manager was robust, including the overall Loans List and investment performance for the period. Cashflow trajectories for the month are reported to support decision making on future treasury activities

▶ We reviewed five investments and MMF transactions which were all reviewed by two separate officers, with a separation of duties maintained between the dealer and the officer processing the payment to the counterparties. All of the investments and MMF transactions reviewed were within the counter party limits set by the Link Group, although there was one instance identified where an MMF was recorded against the incorrect counterparty on the Loans List (see Finding 1)

▶ In all six borrowings from other local authorities since March 2022, no more than £30m or 30% of the overall portfolio was borrowed from each counterparty, which was compliant with the Treasury Management Strategy. These borrowings, or rollovers of existing loans, were approved in advance by the Financial Accounting Manager

▶ Reconciliations between the dealing database and Agresso, the finance system, were completed monthly and subject to a separate review. Investments for each fund and interest income/expenditure was reconciled to Agresso accurately for August and September 2022.

AREAS OF CONCERN

Finding	Summary of Recommendations	Owner	Due Date
Finding 1 – Low The Treasury Risk Register provided to the most recent Finance & Performance Panel was a previous version which reflected the risk of a decline in interest	The updated version of the Risk Register should be reported to the Finance & Performance Panel at its next meeting, noting that the version reviewed at the December meeting was a previous version, to ensure the Panel has sufficient oversight of the key treasury risks. Management Response An older version of the risk register was incorrectly used for the mid-year report which did not include the updated narrative in respect of the risk relating to interest rates. This was an oversight and was a one-off occurrence due to the updated register having been saved with the draft treasury strategy for 2023/24. Management will be ensure that the risk register being used for future reports is the latest one available.	Bill Lewis, Financial Accounting Manager	Immediate
Finding 2 – Low There was one MMF transaction for £7.46m that had been recorded against the wrong fund on the Loans List, creating a risk of future trading with that fund which exceeds the counterparty limit. Although, in this instance, the MMF was within the counterparty limit	The wording of the section for confirming that there has not been a breach of counterparty limits on the Stage 2 Checklist should be amended to include a check that the MMF transaction or investment has been added to the correct fund on the Loans List. Management Response The stage 2 checklist has been updated to incorporate this additional check.	Paul Jeffery, Treasury Manager	Implemented

CONCLUSION

Overall, the Council have a substantial control design and effectiveness for its treasury management function, with two Low findings raised.

Local authority treasury management practices are governed by CIPFA's Prudential Code and Treasury Management Code of Practice. We identified that the Council's arrangements were compliant with the requirements of these documents. Its Treasury Management Strategy outlined its approach for treasury management and had been approved by Full Council, as required by the codes. Furthermore, with support from its treasury advisors, the Link Group, the Investment Strategy and Borrowing Strategy identified counterparties whose risk factors aligned with the Council's low risk appetite for risk and return.

However, the Treasury Risk Register presented to the Finance & Performance Panel at its most recent meeting was a previous version which omitted key risks over rising interest rates which could impact the cost of future borrowing.

A separation of duties between dealing, reviewing and making the payment for investments and MMFs were maintained, and these transactions were with approved counterparties, within the limits set.

NNDR & BUSINESS RATES POOLING

CRR 1: ENABLE AND INCLUSIVE ECONOMY

Design Opinion	**S** Substantial	Design Effectiveness	**M** Moderate

Recommendations	**0** **2** **1**

SCOPE

BACKGROUND

▸ Oxford City Council (the Council) receive business rates (NNDR) from commercial properties. Business rates are a tax on the occupation of non-domestic properties such as shops, offices, pubs, warehouses and factories

▸ The Valuation Office Agency (VOA) calculate a rateable value for each commercial property every five years. To calculate an occupier's business rates liability a multiplier is applied to the rateable value. For properties with a rateable value over £51,000 the higher multiplier of 51.2% is used and for properties below £51,000 the lower multiplier of 49.9% is used. These multipliers have remained stable since 2020/21

▸ The Council collected £78.955m in NNDR in 2021/22 with a collection rate of 89.8%. This was down on 2020/21 where the collection rate was 95.8%, albeit only £49.641m was collected by the Council. The 2021/22 figures were understated due to a VOA valuation reduction of £10m on a property receiving 80% mandatory relief, which was received on 31 March 2022 but not processed until 1 April 2022 resulting in the overall billing being shown as higher than it should have been by c£1m. Additionally, due to the higher reliefs and exemptions in 2020/21 caused by legislative changes to help businesses manage the impact of the pandemic, overall billing in 2020/21 for NNDR was c.£36m lower than the following year. The Council's collection target for NNDR is 95.5% for 2022/23, with performance monitored monthly at a profiled rate throughout the year. As at 31 October 2022, the profiled collection was 60.34% which is on target to meet the overall annual collection rate target

▸ The Council implemented the new Civica Open Revenues system in September 2021 to manage NNDR billing. Previously, it used the Capita system. The Council's cash receipting system is transferring to Civica Pay however, this is being phased in so the backend of the system is still operated by PARIS

▸ Whilst the data conversion from Capita to Civica Open Revenues has not resulted in any known instances of incorrect billing of occupiers, it has caused issues relating to the reporting of legal/court costs for arrears. Arrears notices to occupiers do not break down the NNDR arrears and the court costs payable which has led to financial reporting issues for the Council. Only the opening balance was affected by this during the data conversion so new arrears are not impacted

▸ During the Covid-19 pandemic the Council had a moratorium on debt recovery of arrears however, it has now recommenced its formal debt recovery procedures. The wording used in reminder letters was softened to promote a more cooperative approach with occupiers. However, the Council has managed to book its first court slot in 18 months for January 2023 therefore it has issued summons' to occupiers that have reached their final notice.

AREAS REVIEWED

The following areas were covered as part of this review:

▸ We reviewed the Council's policies and procedures for managing NNDR valuations, billing and discounts to assess whether these were adequate and up to date

▸ We reviewed the reconciliation process between Civica Open Revenues and the VOA's valuation listing to assess whether these were completed regularly and accurately

▸ We reviewed 15 commercial properties to assess whether occupiers had been billed accurately and in a timely manner and that payments had been received from customers

▸ We reviewed 10 commercial properties where reliefs/exemptions had been applied to assess whether the relief/exemption had been appropriately applied and that the discount had been calculated accurately

▶ We reviewed 15 occupiers in NNDR arrears to ascertain the debt recovery actions taken to pursue the debt and assess whether these were appropriate to ensure arrears were recovered in a timely manner

▶ We reviewed the arrangements for reconciling Agresso and Civica Open Revenues to assess whether these were completed accurately and in a timely manner

▶ We reviewed the arrangements for reconciling Agresso and PARIS to assess whether these were completed accurately and in a timely manner

▶ We reviewed management reporting on NNDR collection rates and against KPIs to assess whether there was adequate oversight and monitoring of performance

▶ We reviewed the actions taken by the Council to resolve the financial reporting issues on legal costs caused by the data conversion to Civica Open Revenues to assess whether these were reasonable.

AREAS OF STRENGTH

We identified the following areas of good practice:

▶ The Council has a page on its website providing information and explanatory notes on NNDR billing and the types of exemptions and reliefs available to businesses. This provides clarity and transparency over its NNDR policies

▶ Weekly reconciliations between the VOA property list and Civica were completed, with a separation of duties between the preparer and reviewer. We reviewed five reconciliations between April and August 2022 and noted variances between the VOA's listing and Civica were investigated, and mainly caused by timing differences

▶ We reviewed 15 new NNDR liabilities between 1 April and 30 September 2022, where the occupier of the property had changed in the year, and found that in all instances the new occupier had been billed on the day that the Council became aware of the change. Furthermore, the annual bill had been correctly apportioned based on the number of days remaining in the year. When the liability start date is entered into Civica, the system automatically calculates the liability based on the property's rateable value and the number of days remaining

▶ The Council use Destin to monitor the eligibility of reliefs for retail relief and small business rates relief applications. The system uses freedom of information data supplied by local authorities to identify occupiers that hold commercial properties in other areas, making them ineligible for the relief if they exceed the maximum thresholds. This is an effective preventative measure for fraudulent relief claims for certain types of relief

▶ The Counter Fraud team also use Destin to provide ongoing monitoring of occupiers receiving small business rates relief and retail relief to confirm they remain eligible. It periodically uploads data from Civica for all properties receiving reliefs to identify whether the ratepayers occupy properties on other local authority databases. Matches are assessed to ascertain whether the occupier was fraudulently claiming a relief or if it was claimed in error. For example, where an occupier was already claiming retail relief with the Council before occupying another property, exceeding total portfolio's rateable value limit for relief, this may be considered an error which is passed to the Senior Revenues Officer to manage with the occupier

▶ Occupiers are automatically sent a first reminder in Civica 14 days after falling into arrears then a final notice if it remains unpaid 14 days later. A liability order is then raised for the Recovery team to pursue the debt. We reviewed 15 occupiers in arrears and identified a proactive approach by the Recovery team. Regular communication was maintained with occupiers and sufficient records of correspondence were retained on the Civica diary notes. As the Council has been able to book its first court hearing date for January 2023, summons' were issued to occupiers on their final notice

▶ We reviewed the monthly reconciliations between Agresso and Civica for April to August 2022 and noted that these had been completed with a separation of duties and reviewed in a timely manner

▶ Collection rate performance was reported to the Revenues Manager monthly for oversight of performance against the profiled target. Additionally, the Recoveries Team Leader provided detailed monthly reports to the Revenues management team on the recovery performance, with comparisons to previous year

▶ The Revenues Manager reported monthly to the Head of Financial Services and the Portfolio Holder for Citizen Focused Services on revenues performance, including NNDR. We reviewed the Portfolio reports between June and September 2022 and noted that adequate detail was provided over the collection rates and any issues relating to NNDR.

AREAS OF CONCERN

Finding	Summary of Recommendations	Owner	Due Date
Finding 1 – Medium An instance was identified in our review of 10 exemptions/reliefs where a community interest company was given charity relief of over £11,000, despite not being eligible and one occupier was eligible for over £1,000 of retail relief but this was not applied. There were also five instances where charity relief was applied but there was no evidence that the officer had confirmed that the occupier was a registered charity	a. The Revenues team should be reminded by the Senior Revenues Officer in a minuted discussion or via email to ensure that the charity number is recorded on the occupier's diary note on Civica for those receiving charity relief. For the next quarter, the Senior Revenues Officer should review a sample of occupiers receiving charity relief to assess whether compliance has improved b. The Revenues team should consider whether it would be appropriate for the Senior Revenues Officer to check all new applications for charitable relief discounts to assess whether the occupier is eligible. Alternatively, if this is considered too time-consuming due to the volume of discounts, guidance and training should be prepared for the Revenues team to outline eligibility criteria for charity relief. <u>Management Response</u> a. Agreed – an email will be sent to all Revenues Officers and a team meeting in the new year to remind the team to record the charity numbers on the Civica diary note. The meeting will be for staff to discuss the email and raise any concerns or issues around training. A sample will be reviewed each month by the Senior Revenues Officer to check that this is being complied. b. The sample check will be around 10-20% of all charity reliefs awarded in the month.	Phil McGaskill, Revenues Manager	31/01/23
Finding 2 – Medium The procedure notes to support staff with NNDR processes were out-dated, with screenshots and instructions relating to the Capita system which the Council no longer use	The Revenue team's procedure notes should be updated with screenshots and instructions on how to complete the processes on Civica. These should be saved in a central folder to ensure they are accessible to staff.	Phil McGaskill, Revenues Manager	28/02/23
Finding 3 – Low Daily reconciliations between PARIS and Agresso were not reviewed by a separate officer to confirm the accuracy of the reconciliation	Daily reconciliations between PARIS and Agresso should be retrospectively reviewed after it has been submitted. The initials and date of the review should be recorded on the reconciliation spreadsheet.	Partially agreed – a review will be taken at the end of each calendar month for reconciliations in that month. All daily reconciliations for a month are in a single reconciliation spreadsheet, so these will be reviewed for the overall month within 10 working days of the	31/01/23

			month end, as with other monthly reconciliations	

CONCLUSION	Overall, the Council have a substantial design of controls and moderate control effectiveness for the management of NNDR billing and collection, with two medium findings and one low finding raised.
	While issues were identified over the recording of eligibility checks for charity relief applications, discounts were calculated accurately. New occupier's bills were also apportioned correctly and issued in a timely manner.
	There were robust processes around arrears recovery through proactive engagement with occupiers by the Recovery team and now that it is able to issue court summons' to debtors, this should improve collection.
	Following the Council's move from Capita to Civica, there have been challenges around procedures and data integration on the breakdown of legal costs on the court summons. However, we identified compliance across the main NNDR functions.

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 two survey response in 2022/23 where the respondent 'Agreed' or 'Strongly Agreed' that the final report was clear and concise	G
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.	G
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.	G
Information is presented in the format requested by the customer.	No requests to change the BDO format.	G
Customer satisfaction reports – overall score at average at least 3.5 / 5 for surveys issued at the end of each audit.	We have received two survey responses for 2022/23 where we had an average score 4.5 for audit satisfaction. We will continue to issue surveys for each audit as it is finalised.	G
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.	G

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.	G
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, with exception to the Income Generation report which required cross-departmental responses, therefore, we set up a meeting with all stakeholders to obtain an agreed response.	G
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.	G
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.	G

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, with some dates moved back at the request of the Council.	G
At least 60% input from qualified staff	Audits undertaken in 2022/23 have been undertaken by qualified staff.	G

DELIVERY	KPI	RAG RATING

APPENDIX 1

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.

FOR MORE INFORMATION:

Greg Rubins
Partner
0238 088 1892 (DDI)

Greg.Rubins@bdo.co.uk

www.bdo.co.uk

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