

INTERNAL AUDIT PROGRESS REPORT

Oxford City Council

September 2023

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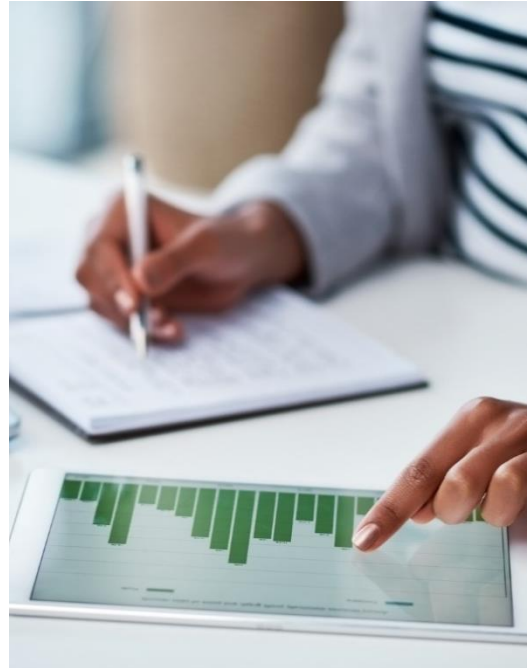
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SUMMARY OF SEPTEMBER 2023 WORK

INTERNAL AUDIT

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

SEPTEMBER 2023 INTERNAL AUDIT PLAN

We are making good progress in the delivery of the September 2023-24 audit plan, and we are pleased to present the following reports to this Audit Committee meeting:

- ▶ Planning Services
- ▶ Follow-up Report.

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

- ▶ Recruitment and Retention
- ▶ Health and Safety and Fire Safety
- ▶ Empty Properties and Dwellings
- ▶ Accounts Receivable
- ▶ Planned Maintenance and Refurbishment.

CHANGES TO THE INTERNAL AUDIT PLAN

- ▶ As part of the July 2023 Audit Committee, it was agreed that the Private Rented Sector Review is replaced with Recruitment and Retention. Therefore, we will undertake this review in Quarter 3.

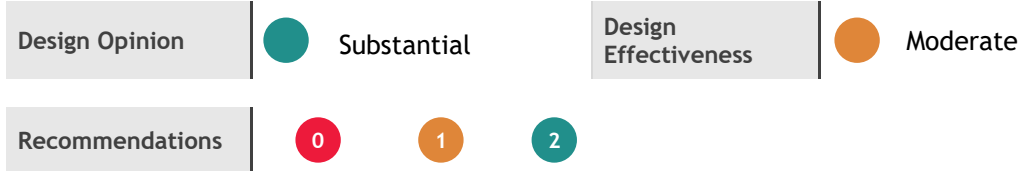
REVIEW OF 2023-24 WORK

AUDIT	EXEC LEAD	AUDIT COMMITTEE	PLANNING	FIELD WORK	REPORTING	DESIGN	EFFECTIVENESS
Audit 1: Recruitment and Retention	Nigel Kennedy	Jan 24	✓				
Audit 2. Planning Services	David Butler	Sept 23	✓	✓	✓	S	M
Audit 3. Building Control	David Butler	Apr 24	✓				
Audit 4. Selective Licensing	David Butler	Apr 24	✓				
Audit 5: Health and Safety and Fire Safety	Jane Winfield/Nerys Parry	Jan 24	✓				
Audit 6. Data Analytics	Nigel Kennedy	Apr 24	✓				
Audit 8. Empty Properties and Dwellings	Ian Wright	Jan 24	✓	✓	✓		
Audit 9. Town Hall and Community Centre Lettings	Ian Brooke	Apr 24	✓				
Audit 10. Accounts Receivables	Nigel Kennedy	Jan 24	✓				
Audit 11: QL Optimisation	Nigel Kennedy	Apr 24	✓				
Audit 12: Planned Maintenance and Refurbishment	Jane Winfield	Jan 24	✓	✓	✓		



PLANNING SERVICES

CRR REFERENCE: ENABLE AN INCLUSIVE ECONOMY, DELIVER MORE AFFORDABLE HOUSING



SCOPE

BACKGROUND

- ▶ Oxford City Council (the Council's) Planning Policy is supported by legislation; this mainly takes the form of Acts of Parliament and Statutory Instruments. Planning authorities appoint planning officers to assist with assessing planning applications. The Council's scheme of delegation enables planning officers to determine approximately 90% of applications. Major applications and applications that have been called-in are determined by the Planning Committee prior to approval
- ▶ The Council sets out their planning strategy for each major development site. These form part of Oxford's Development Plan. The programme for this is set out in the Local Development Scheme which was updated in January 2023. The Council adopted its Local Plan 2016-2036 on 8 June 2020
- ▶ The Council's Planning Team are responsible for assessing planning applications. Planning permission can be applied for via the Council's website or through the planning portal. The planning portal manages planning applications and identifies the fees chargeable to the customer in accordance with statutory levels. Residents can view or comment on existing planning applications that have been submitted on the Council's website. By statute, the Council are required to review and provide decisions on minor planning applications within eight weeks of the application being submitted, and 13 weeks for major planning applications. The Council use the Uniform system to store documentation and provide an audit trail for planning applications
- ▶ Under Section 66 of the Planning (Listed Buildings and Conservation Areas) Act 1990, the Council has a duty to provide special regard to the desirability of preserving a listed building, its setting or any features of historical or architectural interest when considering whether to grant planning permission
- ▶ In May 2021 the Council updated its Validation Strategy, offering guidance to applicants on common reasons that applications may be considered invalid or not accepted. This is designed to improve the success rate for applications and allow applications to be processed within statutory timescales
- ▶ The Planning Team's income is largely generated through planning application fees, which are set for residential and non-residential developments by central government. The Planning Team can set fees for pre-application services and individual agreements with large organisations such as Oxford University, who require a specialised service for planning in the area
- ▶ The Council enter into Section 106 Agreements with developers for large residential developments that impact demands for local infrastructure and resources. These are a legal agreement with contributions ring-fenced for specific projects defined within the agreement

- ▶ The Government has signalled an intention to repeal the ‘duty to cooperate’, which requires neighbouring local authorities to work together to ensure the needs (in particular housing needs) of the area are met. This is likely to be replaced with a flexible ‘alignment test’, the details of which are as yet unknown and will be subject to further consultation; in the meantime the Duty to Co-operate remains in place. The alignment test is expected to give local authorities a reduced commitment for working with its neighbouring authorities.

AREAS REVIEWED

- ▶ Assessed the Development Strategy, the Validation Strategy, and other planning service procedure documents to ensure they have been developed and approved with adequate oversight and consultation. We also assessed whether the strategy, appeals process and Ombudsman process are included within the Planning Services policies and procedures
- ▶ Reviewed a sample of 11 planning applications to assess the end-to-end process including whether:
 - Statutory time frames were met in reviewing and approving an application and whether the process was aligned to the Council’s Planning Policy
 - Sufficient documentation has been retained to support the decision made on the application
 - Planning applications are reviewed and approved by a qualified officer before a decision notice is published to the applicant
- ▶ Reviewed the income generation arrangements in place and the processes in place for income collection, recording and monitoring and assessed whether this is adequate for planning application fees and Community Infrastructure Levy (CIL) and Section 106 (S106) fees
- ▶ Reviewed the actions that have been undertaken by the Council to prepare for the repeal of the ‘duty to cooperate’ and mitigate the impact of reduced cooperation by neighbouring local authorities
- ▶ Reviewed the governance arrangements for planning services and whether performance reports are sufficiently detailed, accurate and management maintain sufficient oversight of performance.




AREAS OF STRENGTH

- ▶ The Council have adequately prepared for the change in the ‘duty to cooperate’ requirement by evaluating the housing needs and capacity within the area, as evidenced in a joint report with Cherwell District Council. Furthermore, the Council are maintaining a level of communication with local councils at a higher level than is expected to be required through the Planning Advisory Group which has been established between Oxford City Council, Cherwell District Council, South Oxfordshire District Council, Vale of White Horse District Council, West Oxfordshire District Council and Oxfordshire County Council. The purpose of the group is to provide a forum in which local authority members can discuss countywide strategic planning matters and support the delivery of the Oxfordshire Strategic Vision for Long Term Sustainable Development created by the Future Oxfordshire Partnership
- ▶ The Planning Policy Officers from the Councils listed above also meet on a bi-monthly basis, known as the Oxfordshire Planning Policy Officers (OPPO), and the Heads of Planning have a similar arrangement to ensure countywide issues are dealt with consistently
- ▶ The Planning Team have developed detailed Planning Procedure Notes that cover key processes that the team are required to carry out on a regular basis and covers the planning application process from advertisement to approval. This includes distinction in processes for

major and minor applications and a Planning Troubleshooting Guide for issues regularly experienced by staff

- ▶ As part of a business process improvement (BPI) initiative the Planning Team have created a procedure note for how applications should be handled through Committee, Head of City Development or Area Planning Committees. The procedure provides criteria for which approval process is required for an application, and then outlines the steps the team is required to take in order to progress the application through these processes
- ▶ We reviewed 20 planning applications, split between minor and major applications, with decisions issued between 1 February and 30 April 2023 and confirmed that the fee had been charged correctly, the applicant was aware of the fee prior to a decision being made and all fees had been collected from the applicant
- ▶ There was adequate oversight of Planning Services by the Council’s management, producing regular performance reports. These reports were presented to the following groups:
 - The Authority Management Report: reviewed by the Scrutiny Committee on 5 December 2022 and subsequently presented to Cabinet on 14 December 2022
 - Development Management Report: presented to the Planning Committee at each monthly meeting
 - Monthly service performance reports: distributed to the Head of Planning, the portfolio holder and the management team. The Head of Planning escalates any issues raised within the reports.

Finding	Summary of Recommendations	Owner	Due Date
 AREAS OF CONCERN	It was unclear how the Council arrived at the specific contribution amount (Finding 1 - Medium).	The Council should provide a breakdown of the calculation used to justify the value Section 106 contribution and document this on the Planning Application Portal. Management Response: The Section106 agreements that were reviewed date back several years (2013, 2015 and 2018) and although the officer’s report and legal agreements are clear regarding the value and nature of contributions, there is not a complete audit trail from all other departments regarding the genesis of their contribution request. It should be noted that the legal regime governing Section 106 agreements nationally has changed significantly since 2013 (the date of one of the three agreements considered) and that current practice would be to retain all such information. The recommendation of creating a publicly accessible summary of contributions will be investigated, as part of a review of our CIL administrative system taking place this year.	David Butler & Rachel Williams 1 February 2024













**CONCLUSION**

Overall, the Council have substantial controls in place to manage its planning function, including effective procedures for processing applications within statutory timescales.

The Council has effective relationships with surrounding authorities and have investigated the housing needs of the local population and current capacity of the Council and its neighbouring authorities to meet demand. There is also effective management oversight of the Planning Team's performance, with the March 2023 Development Management Report identifying that 92% of minor and major applications have been decided within the statutory timescales.

However, areas of improvement have been identified around the transparency of the calculation of Section 106 fees and the governance of the Validation Strategy and Annual Service Plan. Therefore, we have concluded that the control design is was substantial and control effectiveness was moderate.

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.	We have had three survey responses in 2023-24 where the respondent 'Agreed' or 'Strongly 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 were provided within the Audit Committee progress report and/or in appending reports.	
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 three survey responses for 2023/24 where we had an average score of 4.25 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 2023/24.	
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 2023/24.	
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, with some dates moved back at the request of the Council.	

At least 60% input from qualified staff

Audits undertaken in 2023/24 have been undertaken by qualified staff.



LOCAL GOVERNMENT SECTOR UPDATE

Our quarterly public sector briefing summarises recent publication 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, non-executive directors and governors.

BIRMINGHAM ISSUES S114 NOTICE

The Council in the country's second-largest city has issued a section 114 notice as it faces down an £87m budget gap this year and an equal pay liability of three-quarters of a billion pounds.

Birmingham City Council has announced it cannot meet its liabilities, issuing the statutory notice stopping all non-essential spending.

The authority has faced costs and setbacks including a faltering implementation of its Oracle IT system (£100m), a share of the 2022 Commonwealth Games (£184m) and an outstanding equal pay liability (£650m-760m, on top of the £1.1bn it has already paid).

Interim director of finance Fiona Greenway has confirmed the council does not have the resources to meet the equal pay costs, and does not have any other way of paying.

Birmingham implemented spending controls in July, about a week after uncovering the latest equal pay liability, which relates to a 2012 Supreme Court ruling that found female staff had been denied bonuses given to their male colleagues. The liability is rising by between £5m and £14m each month.

"The council will tighten the spend controls already in place and put them in the hands of the Section 151 officer to ensure there is complete grip," a spokesperson said.

"The notice means all new spending, with the exception of protecting vulnerable people and statutory services, must stop immediately."

A committee later this week will be told £33m of £65m of savings needed in 2023-24 were seen as "high risk", while £29m are "medium risk" and only £3m are at "low risk" of not being achieved.

<https://www.publicfinance.co.uk/news/2023/09/birmingham-issues-s114-notice>

FOR INFORMATION

For the Audit Committee Members and Executive Directors

A survey found that three of 14 SIGOMA member councils had recently considered or were considering issuing a notice this year - and two who did not respond have separately publicly warned they are at risk.

Six more SIGOMA members told the organisation they think S114 notices are possible in future years - three in the survey and three separately.

At least nine more councils - not members of SIGOMA - have had S114 concerns of their own reported in the media.

This makes 12 this year (not including Woking Borough Council, which issued a notice in June) and nine next year - and the possibility of there being many more besides remains real.

Councils said the lack of dedicated funding for children's care has piled pressure onto already-stretched budgets, reducing reserve balances and putting financial stability at risk, SIGOMA said.

SIGOMA chair Stephen Houghton said: "The funding system is completely broken.

"Councils have worked miracles for the past 13 years, but there is nothing left.

"The government should provide additional in-year funding to relieve inflationary pressure, including for the pay deal this year.

<https://www.publicfinance.co.uk/news/2023/08/there-nothing-left-sigoma-warns-s114-risks>

FOR INFORMATION

For the Audit Committee Members and Executive Directors

HUGE COSTS ARE STIFLING COUNCILS, LGA WARNS

Energy, Social Care and Inflation part of spiralling costs

Local government is facing multiple cost pressures and needs billions of extra funding, the LGA has warned.

Its leader warned the huge spikes in inflation and energy costs, plus wage costs and extra demand for social services have left the majority of councils on the brink.

“Inflation, the National Living Wage, energy costs and increasing demand for services are adding billions of extra costs just to keep services standing still,” said LGA chair, Cllr Saun Davies.

His comments came in response to a BBC investigation which concluded local authorities are set to spend £1.1bn of reserves this year to stay afloat.

It also forecast that the sector will need £5bn of extra funding just to keep services going.

And its research concluded that the average deficit for councils will be £33m by 2025-26.

But the drivers of extra demand are not evenly spread across the country - and some councils have specific issues that are not their responsibility.

A group of councils are lobbying the Home Office over how they can resolve the small boats crisis as they are either a first point of contact for arrivals or are housing an increasing number of asylum seekers and their budgets do not reflect this.

Kent County Council has written to the Home Office asking for action to resolve the support for unaccompanied children.

The incentivised funding scheme, in place throughout 2023-2024, will provide local authorities with an additional lump sum of £6,000 for each child transferring within five working days from a dedicated children’s hotel.

<https://www.publicfinance.co.uk/news/2023/08/huge-costs-are-stifling-councils-lga-warns>

FOR INFORMATION

Audit Committee, Executive Directors, and Non-Executive Directors

COUNCIL SET TO WIND DOWN HOUSING COMPANY

Rising interest rates and government restrictions on commercial developments have prompted Mid Devon District Council to begin winding down a housing subsidiary.

Levelling up minister Lee Rowley confirmed that David Smith, former chief executive of South Yorkshire Mayoral Combined Authority, has been appointed as a managing director commissioner.

Smith will fulfil the role of a chief executive for the authority, and will be responsible for its day-to-day operations until the council appoints a replacement, joining Essex County Council on the commissioning team.

Council leader Mark Coxshall said: “Dave brings with him great experience and expertise having held senior positions across a number of local authorities in England.

“I look forward to working hand in hand with him as we drive forward our recovery to ensure Thurrock Council has a future in which it is sustainable and is the best it can be.”

Commissioners, the first of whom were appointed in September, will also have new powers over the scrutiny of council decisions; how services are designed and run; hiring and firing senior officers; overseeing an audit of the authority’s governance; and the development of a senior management performance framework.

“Having carefully considered the best value inspection report, and the representations I have received about the intervention, I am satisfied that Thurrock Council is continuing to fail to comply with its best value duty,” Rowley said.

Details of the authority’s financial woes became clearer in November, when a £452m funding gap emerged in this year’s budget due to the impairment of four assets and a significant increase to MRP to comply with local government guidelines.

<https://www.publicfinance.co.uk/news/2023/08/council-set-wind-down-housing-company>

FOR INFORMATION

Audit Committee, Executive Directors, and Non-Executive Directors

FINANCE NAMED AS MAJOR BARRIER TO ICS SUCCESS

Unexpected cuts and other financial pressures have been listed by integrated care system leaders as being among the biggest issues they face, despite them being proud of the work done so far.

NHS Confederation released a report looking at the state of the systems one year after they became operational, optimistically subtitled “riding the storm”, following a survey of leaders.

They have faced challenges such as the cost-of-living crisis, significant winter pressure, industrial action and a huge backlog of care.

Nearly half (45%) named 'lack of funding for social care' or 'current financial position of the NHS' in their top three barriers over the coming two years - only below 'pressure on and morale of the workforce' (53%) among concerns.

"ICS leaders are proud of the progress they've made in really tough conditions but they are deeply frustrated by some of the potentially soluble barriers that are hindering the extent to which they can get on with transforming services for their local communities," said director of NHS Confederation's ICS network Sarah Walter.

"They want to see these tackled urgently if ICSs are to fulfil their full potential."

In March, NHS England told integrated care boards they should plan for a 30% cut in their running costs by 2025-26 - even before adjusting for inflation, which means the real-terms cut could be closer to 40%.

<https://www.publicfinance.co.uk/news/2023/08/finance-named-major-barrier-ics-success>

FOR INFORMATION

Audit Committee, Executive Directors, and Non-Executive Directors

NAO REPORT: WHOLE OF GOVERNMENT ACCOUNTS 2020-21

The NAO has published the C&AG's audit certificate and report on the Whole of Government Accounts 2020-21 (WGA). The financial statements were qualified due to:

- The non-consolidation of 155 components designated to the public sector;
- The definition and application of the accounting boundary;
- The inconsistent application of accounting policies;
- Qualifications in relation to the underlying statutory audits of bodies falling within the accounts including two that are significant - the Department of Health and Social Care, and the Department for Environment, Food and Rural Affairs;
- The consolidation of components with non-coterminous year ends; and
- The consolidation of components whose accounts have not been audited.

[Whole_of_Government_Accounts_202021_Final_Version_for_laying_and_publishing.pdf](#)

FOR INFORMATION

Audit Committee, Executive Directors, and Non-Executive Directors

HMICFRS - POLICE PERFORMANCE: GETTING A GRIP

His Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) has published Police performance: Getting a grip which focuses on the findings the police effectiveness, efficiency and legitimacy 2021-22 inspection programme, which assesses the performance of the 43 police forces in England and Wales.

Part 1 of the report examines national themes and Part 2 of the report explores problems with performance management and areas for improvement.





Police performance: Getting a grip - His Majesty's Inspectorate of Constabulary and Fire & Rescue Services (justiceinspectorates.gov.uk)

FOR INFORMATION




Audit Committee, Executive Directors, and Non-Executive Directors

APPENDIX I

OPINION SIGNIFICANCE DEFINITION

LEVEL OF ASSURANCE	DESIGN OPINION	FINDINGS REVIEW	FROM	EFFECTIVENESS OPINION	FINDINGS REVIEW	FROM
 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:

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