

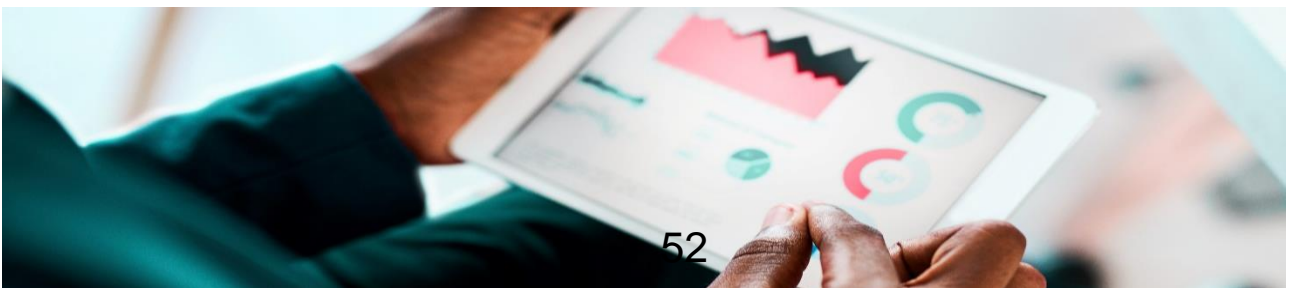
INTERNAL AUDIT PROGRESS REPORT

Oxford City Council

2023/24

CONTENTS

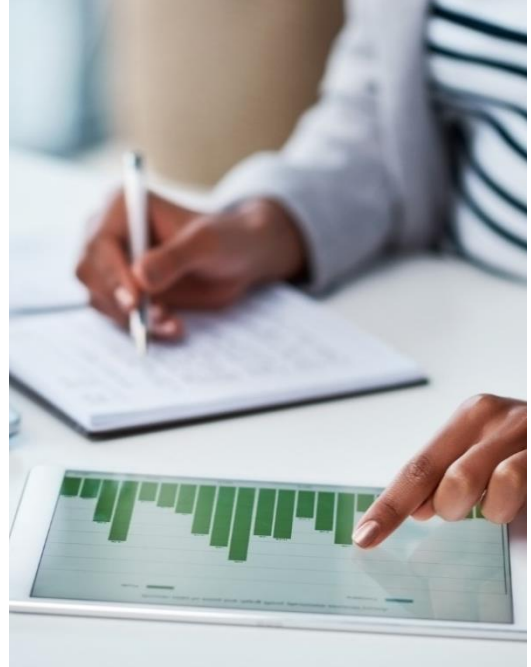
SUMMARY OF 2023-24 WORK2
REVIEW OF 2023-2024 WORK3
KEY PERFORMANCE INDICATORS 18
LOCAL GOVERNMENT SECTOR UPDATE 20
APPENDIX I 23



SUMMARY OF 2023/24 WORK

INTERNAL AUDIT

This report is intended to inform the Audit and Governance Committee of progress made against the 2023/2024 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.

2023/24 INTERNAL AUDIT PLAN

We are making progress in the delivery of the 2023/2024 audit plan, and we are pleased to present the following reports to this Audit and Governance Committee meeting:

- ▶ Empty Properties and Dwellings.
- ▶ Accounts Receivable.
- ▶ Planned Maintenance & Refurbishment.
- ▶ Follow-up Report.

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

- ▶ Recruitment and Retention.
- ▶ Data Analytics.
- ▶ Building Control.
- ▶ Selective Licensing.
- ▶ QL Optimisation.

2024/25 INTERNAL AUDIT PLANNING PROCESS

- ▶ We will start our internal audit planning process from December 2023 to February 2024. We will meet with heads of services to determine key areas of risk within their service area and also engage with the S151 Officer to collate a three-year strategic plan. We will present the Strategic and Operational Internal Audit Plan along with our Audit Charter to the Operational Delivery Group (ODG) and subsequently to the April 2024 Audit and Governance Committee for review and approval.

REVIEW OF 2023/24 WORK

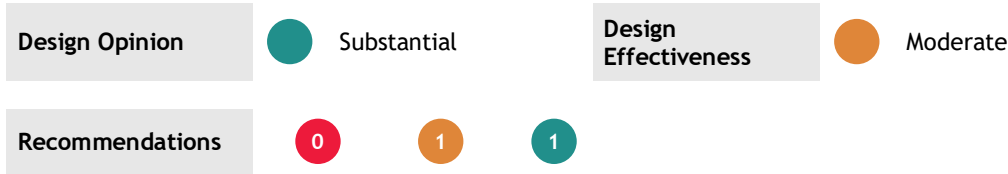
AUDIT	EXEC LEAD	AUDIT AND GOVERNANCE COMMITTEE	PLANNING	FIELD WORK	REPORTING	DESIGN	EFFECTIVENESS
Audit 1: Recruitment and Retention	Gail Malkin	Apr 24	✓	✓	✓		
Audit 2. Planning Services	David Butler	Sept 23	✓	✓	✓	S	M
Audit 3. Building Control	David Butler	Apr 24	✓				
Audit 4. Selective Licensing	David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



¹ Health and Safety and Fire Safety - The Council has requested to move the fieldwork of the review to the end of February 2024 and therefore this review will be presented to the July 2024 Audit and Governance Committee Meeting

EMPTY PROPERTIES & DWELLINGS

CRR REFERENCE: DELIVER MORE AFFORDABLE HOUSING



SCOPE

BACKGROUND

- ▶ Oxford is one of the fastest growing cities in the world with a current population of 162,100. Oxford is also known for its high housing costs. According to the UK House Price Index, in June 2023, the average house price in Oxford was £482,715 compared to the UK average of £290,000, hence having lower levels of house ownership than other parts of the UK. The Council have recently updated its Housing, Homelessness and Rough Sleeping Strategy 2023-28 which strategy sets out how the Council and its key stakeholders will address the housing and homelessness challenges.
- ▶ According to the 2021 Census, 21% of all households in Oxford live in social rented housing. Oxford City Council (the Council) is the largest social landlord in the city, with around 7,800 homes owned and let to those in housing need. A majority of Council properties are charged at a social rent level, which is typically around 40% of market rent charged for similar properties. The Council manage all aspects of these properties, including the allocation process, arranging lettings agreements, providing assistance and support to residents, and repairing and maintaining the properties and their surroundings. The Council contact all owners of empty dwellings throughout the year, and many are brought back into use without formal intervention however, the Council can take formal action to ensure a dwelling is brought back into use if deemed appropriate. Empty Dwelling Management Orders (EDMOs) allow the Council to take over the maintenance and management of empty homes for up to seven years, but only if they have been unoccupied for more than two years and cause a nuisance in the community.
- ▶ From April 2018 the Council have charged a 100% council tax premium to properties that remain empty for more than two years. This is increased to 200% and 300% if the property remains empty for over five and 10 years respectively.
- ▶ Owners of empty properties may contact the Council to consider a wide range of options to prevent properties becoming empty, such as the Home Choice Scheme which is a rent deposit scheme providing people who may be homeless with the opportunity to find a tenancy in the private sector.

AREAS REVIEWED

As part of this audit the following areas were reviewed:

- ▶ The Housing, Homelessness and Rough Sleeping Strategy and the references to empty properties to assess whether these were robust, up-to-date and in line with statutory legislation.
- ▶ The team/organisational structure and resources dedicated to managing empty properties.
- ▶ Processes for identifying, recording, communicating with property owners to assess whether adequate action has been taken by the Council to prevent properties becoming empty.
- ▶ Assessed KPIs and governance reporting processes to ascertain whether benchmarking to empty properties locally and nationally was undertaken.
- ▶ Whether adequate investigations are undertaken to identify and charge council tax premiums against known empty properties.



AREAS OF STRENGTH

The following areas of good practice were identified:


- ▶ There is a Housing, Homelessness and Rough Sleeping Strategy 2023 to 2028 which was approved at Cabinet in March 2023. At this meeting the Cabinet recommended to the Council that authority be delegated to the Executive Director (Communities and People), in consultation with the Cabinet Member for Housing, and to update the Action Plan within the Strategy document when required. These actions are filtered through into the Regulatory Services & Community Safety (RSCS) Service Plan, where a KPI for the ‘Number of empty properties being brought back into use through the use of Empty Property Management Orders and other pro-active measures’ is monitored.
- ▶ Council tax records held on the CIVICA system show that empty properties are clearly recorded under different classifications depending on what the circumstances are in relation to their vacancy, and are charged a premium depending on the length of time the property has been empty.
- ▶ There are arrangements in place to progress partnerships with other organisations to support a multi-agency approach to the effective prevention of empty dwellings. The Council have commenced initial discussion for developing a partnership with Oxford University and Aspire Housing with the aim to bring more properties back into use.
- ▶ The Council’s website has dedicated pages providing information on Empty Homes, actively promotes National Empty Homes Week, explains its approach to dealing with empty properties, and allows the public to report an empty property. Approximately 50 are reported via web forms per year.
- ▶ A sample of Council Tax Premium cases were reviewed, and we found in all cases the correct premium rate had been applied accurately based for the time that the property had been empty.



AREAS OF CONCERN

Finding	Summary of Recommendations	Owner	Due Date
<p>Within the Regulatory Services & Community Safety Service Plan 2023-24 service level KPIs are defined. This year’s target is consistent with last years but increases in future years.</p> <p>Current Council activities are supported by one member of staff however, a documented assessment of the future resource input required to utilise powers and achieve targets has not been conducted. It is important to document the required time/resource and skill set input to ensure targets set can be achieved. ((Finding 1 - Medium)</p>	<p>The Council should conduct a resource needs assessment to increase confidence in the delivery of more affordable housing in the future.</p> <p><u>Management Response:</u></p> <p><i>An analysis of resource and/or targets within the KPI will take place as part of the annual Service Plan process.</i></p>	David Butler, Head of Planning & Regulatory Services	3 Jun 2024
<p>Managing long term empty properties is a complex process, so requires support from other areas of the Council, particularly the Legal Team. The Empty Property Procedure details the final resort measures that the Council may take:</p> <p><u>Enforced sale</u> may be considered for homes where the Council has had to use its enforcement powers to abate nuisances or to secure a home. The owner must pay charges that are raised against the property by the Council for carrying out the works in default.</p> <p><u>Empty Dwelling Management Orders (EDMO’s)</u> are a means by</p>	<p>The Council should consider introducing a formal cross-departmental communication structure, such as a working group, to enhance planning and commitment from Council resources, particularly if the ambition is to pursue more EDMOs.</p> <p><u>Management Response:</u></p> <p><i>Dependent on Council prioritisation, this</i></p>	David Butler, Head of Planning & Regulatory Services	3 Jun 2024

	<p>which the Council can temporarily take over the management of a home to repair and then let the property.</p> <p>Compulsory Purchase Orders can be made under either Section 17 of the Housing Act 1985 or Section 226(1)(a) Town and Country Planning Act 1990 as a means by which the Council can acquire land and buildings for housing purposes.</p> <p>Cross-departmental communication on these matters is currently assessed on a case-by-case basis. Prior to the Covid-19 pandemic the Council had a cross-departmental working group to oversee these measures however, this has gradually ceased to meet. There is potential value to introducing formal cross-departmental communication to manage empty properties. For instance, this structure could improve planning for legal procedures, allocation of resource, establishing time commitment, and a greater understanding of the council tax position of the empty properties.</p>	<p><i>recommendation will be considered to be included in the 2024/25 Service Plan.</i></p>		
--	---	---	--	--

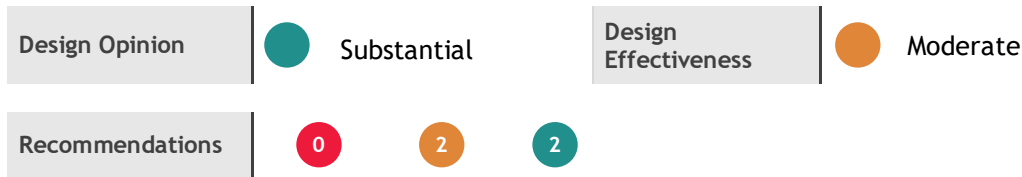


CONCLUSION

- ▶ Empty properties are a national issue. In England, recent Government figures show that there are 238,000 homes which have been empty for over six months. Oxford City Council monitors empty properties, the figure listed in February 2023 was 636.
- ▶ Bringing empty properties back into use relies on homeowners engaging and co-operating with the council. As a final measure the council can pursue a legal route through enforced sales, empty dwelling management orders and compulsory purchase orders.
- ▶ The Council has controls in place to identify empty properties and dwellings, there is a robust approach and framework in the Housing, Homelessness and Rough Sleeping Strategy 2023 to 2028. An action plan highlighting the Council’s priorities has been developed and presented to Cabinet to further embed the approach.
- ▶ The Council currently has limited resource (financial and/or people) to obtain and restore properties through the legal route. These properties will potentially require work to ensure they are at an acceptable liveable condition, in addition resource to manage these properties going forward. Therefore, the Council is developing a partnership with Oxford University and Aspire Housing to improve the process. This is in its initial stage, however, could contribute to the Council meeting its target of empty properties being brought back into use. Furthermore, improvements in cross-departmental communication could enable operational efficiencies by reducing delays to decisions to be made.

ACCOUNTS RECEIVABLE

CRR REFERENCE: Other Including Finance and ICT



SCOPE

BACKGROUND

- ▶ Oxford City Council (the Council's) Accounts Receivable Team is led by a dedicated Revenues Service Delivery Manager and manages transactions that come through the Council's main financial system, Agresso. The accounts receivable function is managed by one Team Leader who covers the areas of support and prevention, arrears and processing receivables. We reviewed accounts receivable raised in Agresso covering Council activities such as licensing, subscriptions, trade, garden waste and parks and leisure (sundry debtors).
- ▶ The Council provide comprehensive income collection services for Oxford Direct Services (ODS) and Oxford Direct Services Trading Limited (ODSTL), with this relationship outlined in a dedicated Service Level Agreement (SLA) Income Collection in effect since 2018. We tested the Council's processes involving raising invoices, subsequent debt recovery and write-offs. Our sample-based testing included procedures relating to both the Council and ODS.
- ▶ The total Year to Date (YTD) accounts receivable income received in 2023-24 (made up of sundry debtors equated to £6.6m) the current YTD outstanding debt owed to the Council as of 2023-24 was £16.03m largely made up of debt owed by ODSTL.
- ▶ The Council require payments due immediately upon receipt of an invoice. Where payment is not received, the Council's debt recovery process is as follows:
 - First reminder letter after 14 days of invoice.
 - Second reminder letter after 45 days of invoice.
 - L7 letter after 75 days of invoice.
 - Referral to enforcement agencies after 90 days.
- ▶ We undertook an accounts receivable review in 2020/21, resulting in a substantial opinion on control design and moderate opinion on control effectiveness. We noted in our previous audit review that the Council did not take all expected steps to recover debt, some policies were outdated and there were missing invoice approvals identified as part of our sample testing.

AREAS REVIEWED

- ▶ This review focused on the controls in place at the Council for managing accounts receivables.
- ▶ we assessed the policies and procedures in place at the Council and determined whether they align with current practice.
- ▶ We reviewed the information that management received for assessing performance.
- ▶ We also sample tested accounts receivable transactions equally apportioned across the Council, ODS and ODSTL from April to November 2023 to assess whether transactions have been raised, approved and paid by debtors in a timely manner.
- ▶ We also assessed a sample of outstanding debts to understand the debt recovery procedures in place and whether they were adequately monitored and managed.
- ▶ A sample of write-offs were reviewed to determine whether these followed appropriate procedures and were approved prior to write off.



AREAS OF STRENGTH

During our review, we identified the following areas of good practice:

- ▶ When a new user requires access to the Agresso system, a relevant request must be raised within the Council's Intranet by the user's line manager. They must specify the level of access the new user requires for their job role and this must follow the principle of 'least privilege' whereby a user must have the appropriate level of access in order to conduct their role and no additional levels. We assessed three new starters who joined the Council between April to December 2023 responsible for the accounts receivable processes and found that the appropriate level of access was given in each case for the user to carry out their role and access was approved by the relevant person.
- ▶ We tested a sample of income transactions raised from April to November 2023 to determine whether they were raised, approved and paid in an accurate and timely, manner. It was identified that for one of our selected samples, the Agresso system had correctly identified that an incorrect approver had been input for the process. This was picked up by the Agresso system workflow and the appropriate level of authorisation was provided.
- ▶ The payment methods report breaks down the level of income collected either by cheque or direct debit. The highest level of income collected for this report are contained within the garden waste services offered to residents and housing benefit claimants (at 12,121 and 284 respectively). However, these services are predominantly subscription based. The 30 days report breaks down the levels of income that are paid within the categories as noted above. At the time of our review, only 774 out of a total of 14,419 invoices were unpaid with 12,419 being paid within 30 days. Of the total that remain unpaid, 41 consisted of intercompany debt with the next highest (commercial waste) consisting of one out of a total of four raised.




AREAS OF CONCERN

Finding	Summary of Recommendations	Owner	Due Date
<p>We could not determine from Agresso when the first reminder letter was issued to the customer for three accounts and sufficient notes on the progress of the outstanding debt were not outlined within Agresso (Finding 1 - Medium).</p>	<p>Management should investigate whether the reminder letters were sent out for the exceptions identified above and the dates should be recorded</p> <p>Management should ensure that the Agresso system records the dates by which all reminder letters are issued and subsequent enforcement action should be taken in line with policy</p> <p>Sufficient notes should be made on Agresso describing the actions taken to date</p> <p><u>Management Response:</u></p> <p>a) <i>We will investigate the exceptions identified and record reminder dates for those cases.</i></p> <p>b) <i>Agresso records the last reminder level and the date it was sent. This is used to inform enforcement action in line with the policy. L7's are</i></p>	<p>Neil Markham, Incomes Team Leader</p>	<p>30 Jun 2024</p>

		<p><i>issued when we have authorisation from the service to take enforcement action.</i></p> <p><i>The move to Cloud based Agresso is planned to include the implementation of the 'Action Overview' function for AR. This should allow us to track actions against an individual invoice far more effectively. It will require set up from ICT and the writing of new procedures for AR staff.</i></p>		
	<p>Management do not review the changes made to customer data on Agresso either through spot checks or a quarterly basis as recommended within our previous accounts receivable review (Finding 2 - Medium).</p>	<p>Management should update both the debt management policy and the corporate debt policy and ensure that this reflects up to date practices for accounts receivable. These policies should be subject to review annually.</p> <p><u>Management Response:</u></p> <p><i>At present we only have a report that identifies changes to bank details against the customer masterfile. We will be requesting a fuller report from ICT to show all changes. We won't be completing a full check of all changes due to resource limitations, but we will be running the report quarterly to identify any irregular changes or patterns.</i></p>	<p>Neil Markham, Incomes Team Leader</p>	<p>31 Mar 2024</p>
	<p>Policies and procedures relating to accounts receivable are not up to date having been last reviewed in 2019 (Finding 3 - Low).</p>	<p>Management should conduct a six-monthly check of all changes relating to automatic notifications from Agresso for customer details where these have been amended more than once during this time period. Should this not be possible, a quarterly check should be conducted to identify any irregular changes to customer details.</p> <p><u>Management Response:</u></p> <p><i>The debt management and corporate debt policies are due for review.</i></p> <p><i>The corporate debt policy encompasses all debts. The review of this policy will be led</i></p>	<p>Neil Markham, Incomes Team Leader and Phil McGaskill, Revenues Service Delivery Manager</p>	<p>30 Sept 2024</p>

		<p><i>by the Revenues Service Delivery Manager.</i></p> <p><i>The Sundry Debtors Guide (which covers AR debts for OCC in the OX client) will be reviewed in 2024 to take in account any changes as result of the upgrade.</i></p>		
	<p>Three of our selected samples for invoice raising did not show whether appropriate approval had been obtained (Finding 4 - Low).</p>	<p>Management should ensure that any invoices/subscriptions raised receive the appropriate level of approval. Should this not be possible, then a reason for why the approval was not made should be sought.</p> <p><u>Management Response:</u> <i>Agreed. The importance of this is included in the sundry debtors guide and the staff are made aware of it. We are hopeful that workflow will be introduced for the OX client at some point to mirror what we currently have in DS/DT.</i></p> <p><i>Regarding the three examples:</i> <i>An authorising email is required before we batch load any invoices on behalf of a service. Only a few senior officers are permitted to batch load in the AR team and the authorisation must be saved in a designated folder. The trade waste invoices that come via a txt file are an exception and the 91.51 was part of one of those batches. The files are pulled out of the trade waste system and checked by Oxford Direct Services before being sent to us to load. As they are loaded via a txt file (and pre checked by ODS) they do not workflow like manual invoices raised by ODS.</i></p> <p><i>Authorisation for the allotment subscription of 77.87 could not be found. This is not surprising as the allotment subscriptions have been running for a very long time. Many of them predate the subscription</i></p>	<p>Neil Markham, Incomes Team Leader</p>	<p>31 Mar 2024</p>

		<p><i>authorisation processes that we employ today.</i></p> <p><i>The rent adjustment invoice amounting to £100 is running on a subscription. The rent review process for subscriptions was looked at as part of the recent asset's income generation review of July 2022 - completed by BDO.</i></p> <p><i>Miscellaneous subscriptions require an authorised AR7 form. Commercial rents now follow an updated change note process and there is a designated change note for rent reviews. Change notes are now logged on a shared excel sheet held in teams. Assets are also sent a monthly report of all live rent subscriptions running in Agresso showing charging frequencies and amounts.</i></p>	
--	--	---	--



CONCLUSION

- ▶ We have raised two medium and two low priority recommendations to improve the Council's controls for accounts receivable.
- ▶ Overall, the Council is in a good position with regards to accounts receivables. This is due to appropriate controls in place for Agresso users in addition to the reporting provided to management on accounts receivable and the identified instance of Agresso correcting an invoice approver.
- ▶ However, sufficient audit trails and notes should be recorded on Agresso for outstanding debt, policies and procedures required updating albeit we did not find any inconsistencies in the current processes used and a change in customer data amendments should be reviewed at least quarterly by management.
- ▶ This leads us to conclude substantial assurance for the control design and moderate assurance for the effectiveness of the controls for accounts receivable.

PLANNED MAINTENANCE & REFURBISHMENT

BAF REFERENCE: Deliver More Affordable Housing

Design Opinion	 Moderate	Design Effectiveness	 Moderate
Recommendations	 0	 3	 1



SCOPE

BACKGROUND

Oxford City Council (the Council) is investing £51m in planned maintenance, refurbishments, and estate improvements to their existing housing stock of 7,800 council houses over the next four years (from 2023 to 2027).

In May 2018 the Council signed a 25-year Service Level Agreement (SLA) with Oxford Direct Services (ODS) the Council's wholly-owned company, to supply building services to the Council. Within this agreement it set out how ODS and the Council will work together to ensure services are designed and delivered to suit resident needs, while delivering to the highest standard and embracing the true spirit of partnership working.

ODS deliver the planned programme of maintenance and refurbishments to the Council's housing stock, with projects split into two commercial categories: fixed price and the cost-plus model.

All ad hoc maintenance works, which are unknown projects at the start of the year, or maintenance works requested by tenants are also covered by ODS or sub contracted to outsourced providers.

ODS and the Council have the following meetings to maintain oversight of the Council's planned programme:

- Monthly Operational Management Meetings.
- Monthly Budget Management Meetings.
- Monthly Core Group Meetings.

All maintenance and repairs were intended to be logged through the QL Aareon Housing Management system (QL). Whilst there were initial technical issues with the housing management system, the QL system is working as specified but there are still some system processes and improvements to be implemented that will improve asset management information. QL will now identify the actual costs for the planned programme and ODS will report their work in progress (WIP) figures to support live and ongoing budget management.

AREAS REVIEWED

The following areas were assessed as part of this review:

- ▶ Review of the minutes and reports presented to the monthly Operational Management Meeting, Budget Management Meeting and Core Group Meeting between the Council and ODS to assess whether there is adequate oversight of the planned programme and ad hoc work.
- ▶ Assessment of the arrangements in place for obtaining feedback from customers/tenants and whether lessons learned and common themes are reviewed and communicated to the relevant teams.
- ▶ Review of the arrangements in place for agreeing the planned capital programmes and assessed whether the Council/ODS are providing sufficient time and accurate information to support effective delivery.
- ▶ Review for a sample of nine maintenance/refurbishment projects (planned and reactive) from January 2021 to July 2023 and assessed whether these were completed, in a timely manner, within the agreed budget (including approval of expenditure by sub contractors) and were quality assessed by an independent surveyor.

▶ Review of the organisational structure for all parties involved in the maintenance and refurbishment of housing stock and assessed whether the roles and responsibilities are clearly defined, assessed the governance structures in place and whether there are clear escalation processes in place.

 AREAS OF STRENGTH

- ▶ We reviewed the minutes of the following meetings:
 - Budget Management (October and November 2022; February and March 2023).
 - Operational Management (December 2022; January, February, and March 2023).
 - Strategic Core (November 2022; January, February, and March 2023).

We noted that the planned projects were discussed in detail. Furthermore, any action plans post discussions were developed. Ad hoc works were raised and discussed within the Core Group meetings and the progress of actions identified were discussed within subsequent meetings.
- ▶ We reviewed the SLA between the Council and ODS and noted that the aims and objectives were clearly outlined and delegated across three areas - Performance, Commercial, and Communication. The SLA was a 25-year agreement between the Council and ODS and signed by all parties in April 2021. The SLA identified the details of work to be undertaken and identified both critical success factors, and KPI targets to manage and monitor performance. The Council and ODS would benefit from reviewing the SLA when there are changes within the business and revise the terms when required as this is a long-term arrangement between both parties. We have raised an observation point as a result.
- ▶ The SLA further detailed the roles across two teams - Strategic Core and Operational Management, clearly defining their respective responsibilities and the frequency of their meetings.
- ▶ Of the nine planned maintenance and refurbishment projects reviewed we noted that:
 - The expenditure of three projects was approved by subcontractors and therefore the Council was satisfied that the expenditure incurred was accurate.
 - Four projects were quality assessed and passed by an independent surveyor and this was subsequently recorded on the QL system.
 - Three projects were completed in a timely manner in line with the prospective completion date.
- ▶ We also reviewed the standards set by the Council for ODS across three service areas - Voids, Responsive Repairs, and Planned Works. The standards were updated based on the feedback from the Council Team in January 2023, which highlighted a clear communicative practice across teams and an understanding of roles and responsibilities.

 AREAS OF CONCERN

Finding	Summary Recommendations	Owner	Due Date
Online feedback received from tenants via the Council's website was not collated into an action tracker and monitored accordingly. The annual survey undertaken by Acuity (outsourced provider) was not presented to the Core working group at the time of our review (Finding 1 - Medium).	<p>a. <i>The Council should ensure that survey reports from Acuity are issued to the relevant teams and discussed to identify key areas of concern the exceptions from the feedback should be clearly outlined and discussions should be held on the lessons learned from the feedback. Subsequent actions from the feedback should be identified and allocated to the relevant officers/service areas</i></p> <p>b. <i>The Council should ensure that feedback received via their</i></p>	<p>Malcolm Peek, Property Services Manager</p> <p>Nerrys Parry, Head of Housing</p>	30 Apr 2024

		<p><i>website is collated and reported via an action tracker clearly outlining the following:</i></p> <ul style="list-style-type: none"> <i>c) Details of the complaint</i> <i>d) Actions to be taken to address the complaint</i> <i>e) Action Owner</i> <i>f) Target Date to complete action</i> <p><i>Management should review the action tracker alongside the survey report and drill down into details to identify common themes, key issues and lessons learned.</i></p> <p><u>Management Response</u></p> <p><i>A new process of managing complaints is being introduced via Housing Services and the wider Council departments. It will be reviewed to look to include negative feedback into that process.</i></p> <p><i>Housing Management will review the process by which it collates and formalises the data received from surveys and feedback from residents and ensure going forward that this is shared with other departments (Property Services etc.) and look to setup a joint panel to review periodically and appropriately the data received and agree on actions arising as well as communications with residents on those actions. Housing review Group will act as the conduit for this to be undertaken.</i></p>		
	<p>Data reported as part of the budget setting process was based on historical data extracted from a system called Codeman (former housing management system) and subsequently uploaded to the QL housing management system. At the time of our review management confirmed that the data has not been validated and therefore could not be relied upon as part of the budget setting process. Management did not outline how often data is validated prior to feeding into the budget setting process (Finding 2 - Medium).</p>	<p>The Council should ensure the data on refurbished properties is updated and validated on a regular basis (at least quarterly) and this is reviewed by management prior to being incorporated into the forecasting and budget setting process.</p> <p><u>Management Response:</u></p> <p><i>A new process of managing complaints is being introduced via Housing Services and the wider Council departments. It will be reviewed to look to include negative feedback into that process.</i></p> <p><i>Housing Management will review the process by which it collates and formalises the data received from surveys and feedback from residents and ensure going forward that this is shared</i></p>	<p>Malcolm Peek, Property Services Manager</p> <p>Nerrys Parry, Head of Housing</p>	<p>30 Apr 2024</p>

		<p><i>with other departments (Property Services etc.) and look to setup a joint panel to review periodically and appropriately the data received and agree on actions arising as well as communications with residents on those actions. Housing review Group will act as the conduit for this to be undertaken.</i></p>		
	<p>We reviewed a sample of nine planned maintenance and refurbishment projects started and completed from January 2021 to July 2023 and noted there was a lack of information/evidence recorded for several projects in relation to variances, completion dates of projects, and we could not confirm whether a quality assessment was undertaken on the completed projects (Finding 3 - Medium).</p>	<p>a. The exceptions for each sample noted above should be investigated and adequate evidence for the samples above should be sought and stored on the Council's database QL Areon housing management system</p> <p>b. The Council should ensure that an adequate audit trail is maintained for all projects and produced when required on all future projects</p> <p>c. Any variances during the project cycle must be approved by an appropriate person, adequate reasons to explain the nature of the variance should be sought and reported and the evidence should be retained in support of the project.</p> <p><u>Management Response:</u> <i>Resources are being onboarded to monitor project closer in terms of Financial management, project performance, compliance and CDM which will address many of the issues.</i></p> <p><i>Utilising external Contract administrators with a QS element which has been introduced to new projects is already assisting in ensuring recording of costs as well as cost challenge where presented.</i></p> <p><i>Reviews are taking place currently in relation to orders being raised, approved, completed and paid within QL directly and entirely by ODS without OCC being aware. Whilst this may not actually be happening it appears the ability to do so is there and this presents as potential risk for the council. The QL team are looking into these controls and appropriate</i></p>	<p>Malcolm Peek, Property Services Manager</p> <p>Nerrys Parry, Head of Housing</p>	<p>31 May 2024</p>












		<i>measures to prevent these happening.</i>		
	<p>The SLA between the Council and ODS has not been reviewed since 2018. The SLA is for a 25-year term and it is encouraged the SLA is reviewed periodically to reflect any business changes (Finding 4 - Low).</p>	<p>The SLAs should include a clearly defined framework for modification during the term of the contract. The SLA should be reviewed periodically, specifically if:</p> <ul style="list-style-type: none"> - The Council's business needs have changed. - The technical environment has changed. - Workloads have changed - Metrics, measurement tools and processes have improved. <p><u>Management Response</u></p> <p><i>The SLA between the Council and ODS is planned to have a review and whilst the full review is yet to be completed elements of it such as the repairs priorities are underway currently.</i></p> <p><i>Most of the above items apply as there has been significant changes to legislation requiring reprioritising by the Council in the repairs service.</i></p> <p><i>This will include more detailed and specific specifications being developed by the Council for ODS and OxPlace to ensure standardisation of materials, quality and cost as well as ensuring compliance and decency whilst ensuring Tenant choices and involvement are safeguarded.</i></p> <p><i>The new specifications will include modern and developed Technology such as USB points included with sockets, TV points in bedrooms and measures for reduction in damp risks and improvements to insulation and EPC mitigations</i></p>	<p>Malcolm Peek, Property Services Manager</p> <p>Nerrys Parry, Head of Housing</p>	<p>30 Apr 2024</p>




CONCLUSION

- ▶ There is a clear SLA between the Council and ODS signed by both parties. In addition, roles and responsibilities and the monitoring of performance was clearly outlined within the SLA. Planned projects were discussed in detail within the monthly Budget Management, Operational Management and Strategic Core Meetings which required the presence of both the Council and ODS. Action plans were developed and tracked as part of these meetings.
- ▶ However, we noted that the Council does not have reliable data to inform their budget setting process and we could not determine how often data is validated to reflect an accurate budget. Sufficient audit trails were not maintained on the sample of nine planned maintenance and refurbishment projects. Therefore, we could not verify whether an independent quality assessment for each project was undertaken by an independent surveyor to ensure works have been completed to the required standards.

- ▶ We could not determine whether projects were completed in a timely manner and whether the subcontractors costs were verified for a sample of six projects. In addition, while there were processes to capture feedback from tenants there were no lessons learned or actions circulated to the wider team. We have therefore provided a Moderate Assurance on both the design and effectiveness on the Council's arrangements for Planned Maintenance and Refurbishment.

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 3 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 and Governance 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 and Governance Committee meetings, pre-Audit and Governance 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 3 survey responses in 2023/24 where we had an average score of 4 for audit satisfaction. Please note the audit satisfaction results related to audit reviews undertaken in 2022-23. We have not yet received satisfaction surveys for 2023-24. 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 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	We have issued draft reports within 3 weeks of fieldwork 'closing' meeting and finalised internal audit reports within 1 week after receiving management responses.	
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 our recommendations made were accepted by management and we worked with the Auditees to present information in the format requested.	

DELIVERY	KPI	RAG RATING
<p>Annual Audit Plan delivered in line with timetable and Actual days are in accordance with Annual Audit Plan</p>	<p>Progress against the audit plan is reported at every Audit and Governance Committee, against original planned dates. A majority of audits have been completed in line with the actual days agreed except for Planned Maintenance and Refurbishment which took over several months to complete due to client delays in providing sufficient evidence, some dates were moved back at the request of the Council.</p>	
<p>At least 60% input from qualified staff</p>	<p>Audits undertaken in 2023/24 have been undertaken by qualified staff.</p>	

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.

SECTION 114 FEAR FOR ALMOST 1 IN 5 COUNCIL LEADERS AND CHIEF EXECUTIVES AFTER CASHLESS AUTUMN STATEMENT

Almost one in five council leaders and chief executives in England surveyed by the Local Government Association think it is very or fairly likely that their chief finance officer will need to issue a Section 114 notice this year or next due to a lack of funding to keep key services running.

Almost one in five council leaders and chief executives in England surveyed by the Local Government Association think it is very or fairly likely that their chief finance officer will need to issue a Section 114 notice this year or next due to a lack of funding to keep key services running.

The LGA estimates that councils in England face a £4 billion funding gap over the next two years just to keep services standing still but last month's Autumn Statement failed to provide the additional funding needed to protect services from further cuts.

This is despite councils of all political colours and types warning that growing demand and cost pressures are threatening their financial sustainability.

In 2024/25, councils will be able to increase general council tax by 3 per cent without the need for a referendum. Those with social care responsibilities will again be able to increase the adult social care precept by up to a further 2 per cent again.

This means that councils continue to face the tough choice about whether to increase council tax bills to bring in desperately needed funding to provide services when they are acutely aware of the significant burden that could place on some households.

The LGA survey - of council leaders and chief executives - also reveals:

- ▶ Half are not confident they will have enough funding to fulfil their legal duties next year (2024/25). This includes the delivery of statutory services.
- ▶ Nearly two thirds of council leaders and chief executives said there were no announcements in the Autumn Statement that they thought would help them deal with their council's financial position.

The LGA said the circumstances that have led to a Section 114 notice so far have been unique to each local area and the pressures they face.

However, all those that have had to curb spending in this way have faced the same underlying pressures - councils' core spending power falling by 27 per cent in real terms from 2010/11 to 2023/24, the impact of the pandemic, rising demand for services, in particular statutory services like social care and homelessness support, and the extra costs to provide them.

Section 114 fear for almost 1 in 5 council leaders and chief executives after cashless Autumn Statement | Local Government Association

'GOVE 'MINDED TO' APPOINT COMMISSIONERS AT NOTTINGHAM

Concerns over the financial stability of Nottingham City Council following its Section 114 notice has prompted levelling up secretary Michael Gove to propose appointing commissioners.

The Department for Levelling Up, Housing and Communities confirmed the proposed intervention, amid slow progress on reforms to improve governance and deliver financial stability.

The council has been working with an independent assurance and improvement board since January 2021, but the government is set to escalate the intervention.

If approved, the government will appoint three commissioners with powers to appoint and dismiss senior officers, oversee financial governance and progress on improvement plans.

Writing to the council, Max Soule, deputy director of local government stewardship at the department, said the authority is failing its best value duty, just two weeks after it published a Section 114 notice.

"The precarious nature of the authority's finances, and its effect on overall transformation, together with outstanding governance issues are causes of serious concern," he wrote.

"It is now vital that the pace of improvement is increased." In its third and final report, the improvement board said the council's financial position has worsened with limited reserves to mitigate a forecast £50m budget gap in 2024-25.

The team raised specific concerns over the ability to implement a transformation programme aimed at delivering financial stability.

<https://www.publicfinance.co.uk/news/2023/12/gove-minded-appoint-commissioners-nottingham>

FOR INFORMATION

For the Audit and Governance Committee Members and Executive Directors

BIRMINGHAM TO SEEK EXCEPTIONAL GOVERNMENT SUPPORT

The financial fallout from an equal pay dispute and the botched implementation of an IT system will lead Birmingham City Council to ask the government for permission to hike council tax above the referendum limit and for a capitalisation direction.

The authority's financial position has worsened in recent weeks, mainly due to the need to use £40m of reserves to offset unachieved savings this year, finance director Fiona Greenway has revealed.

Her report, published ahead of a cabinet meeting, said the council will now need to make around £300m of savings (£100m more than forecast in November) over the next two years.

The council said it will seek government permission to raise council tax by more than the referendum limit (4.99% including the social care precept) next year.

It is also set to request a capitalisation direction, allowing the use of capital income to meet revenue expenses, to pay for a potential £760m equal pay liability, cover staff redundancy payments and fund next year's forecast deficit. Greenway did not specify how many staff would leave the authority, but said the council will consult on voluntary and compulsory redundancies schemes.

Council leader John Cotton said: "We need to reset our finances, reset how we deliver our services, and reset the relationship with our residents, partners and staff.

"There can be no let-up in this work and the cabinet and leadership team will remain focussed on working with commissioners to get the council on a road to improvement."

The authority issued a Section 114 notice in September, after its external auditors warned provisions for meeting the equal pay liability being understated in previous years' accounts means its general fund reserves have been exhausted on an accounting basis.

<https://www.publicfinance.co.uk/news/2023/12/birmingham-seek-exceptional-government-support>

FOR INFORMATION

Audit and Governance Committee, Executive Directors, and Non-Executive Directors

LEEDS SETS 'DIFFICULT' £60M SAVINGS TARGET TO SAVE OFF S114

Social care now taking 70% of budget.

Frontline services are at risk at another council battling to balance the books.

Delivering almost £60m of savings next year will require "discipline and rigour" and be a challenge for Leeds City Council, the Local Government Association has said.

The council has forecast an overspend of almost £31m this year, and will need to make £59m of cuts to balance the budget in 2024-25.

In a progress report following a Corporate Peer Challenge last year, the LGA said the council will need to make difficult decisions about the scope of service, as social care accounts for 70% of overall spending.

The LGA said that while councillors and officers are open about the financial pressures, it is likely they will have to look at delivering services differently and whether the "traditional role of local government" is still feasible.

"The council will need a very clear plan for balancing the budget, with clear accountabilities for delivery across the organisation," the report said.

"This will be challenging for everyone, both politically and managerially, as these savings will be difficult to achieve and will require discipline and rigour."

Local leaders said the financial situation is worsened by relatively low reserve levels that could offset the impact not meeting the full savings target.

<https://www.publicfinance.co.uk/news/2023/12/leeds-sets-difficult-ps60m-savings-target-save-s114>

FOR INFORMATION

Audit and Governance Committee, Executive Directors, and Non-Executive Directors

COUNCIL UNCOVERS 'GOVERNANCE FAILURES' AMID FRAUD INVESTIGATION

Suspected fraud relating to a housing maintenance contract led Guildford Borough Council to uncover widespread governance issues in its housing service, and the authority is now carrying out a review.

The authority informed the police over fraud concerns with one of its housing maintenance contractors, after concerns were initially raised in July.

The council has since reviewed its contracts and subsequently given notice to terminate some agreements and paused some works to conduct further enquiries, a report published ahead of a special meeting of the corporate, governance and standards committee said.

During this work, officers found evidence of overspends and a lack of contract management, mainly linked to spending, compliance and delivery, the report said.

Monitoring officer Susan Sale said the council has made initial enquiries into “contract failures” to stop any potential wrongdoing and overspending.

She told the committee: “It has been identified that there have been governance failures within the organisation.

“We are now clear that there have been failures in aspects of management within the organisation, particularly in housing services’ financial controls and, particularly, procurement and contract management.

“We need to establish a further workstream, which would be an internal governance review team, to look at exactly how we have got to this position and to make recommendations and [an] action plan for implementation of how we go forward.”

<https://www.publicfinance.co.uk/news/2023/11/council-uncovers-governance-failures-amid-fraud-investigation>

FOR INFORMATION

Audit and Governance Committee, Executive Directors, and Non-Executive Directors

COUNCIL PERFORMANCE REVIEWS GET REFRESH

LGA consults on improvement and assurance framework.

A refresh of the oversight framework seeks to improve clarity around how councils deliver and evaluate services, the Local Government Association has said.

In its second consultation on the framework, the LGA said there is no single document that outlines all the elements of council assurance and how they all fit together.

The LGA said creating this single document would increase clarity and transparency within the sector, and improve understanding of how assurance and oversight works.

The consultation is seeking views on the principles of assurance and accountability, including performance monitoring against local targets, good quality data and clarity over the responsibilities of officers and councillors.

Abi Brown, chairman of the LGA’s Improvement and Innovation Board, said: “Feedback from our initial engagement was really helpful, and has helped us to extend our mapping of the improvement and assurance framework for local government, which hasn’t previously been written down anywhere.

“We are taking on board all comments received and now want to follow up with some more detailed questions about how the current framework can be improved.

“It’s important we hear the views of all councils, partners and all other stakeholders and I encourage everyone to engage with us, for the benefit of the whole of local government and the wider public.”





<https://www.publicfinance.co.uk/news/2023/11/council-performance-reviews-get-refresh>

FOR INFORMATION




Audit and Governance 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:

Gurpreet Dulay
Partner

Gurpreet.Dulay@bdo.co.uk

This publication has been carefully prepared, but it has been written in general terms and should be seen as broad guidance only. The publication cannot be relied upon to cover specific situations and you should not act, or refrain from acting, upon the information contained therein without obtaining specific professional advice. Please contact BDO LLP to discuss these matters in the context of your particular circumstances. BDO LLP, its partners, employees and agents do not accept or assume any liability or duty of care for any loss arising from any action taken or not taken by anyone in reliance on the information in this publication or for any decision based on it.

BDO LLP, a UK limited liability partnership registered in England and Wales under number OC305127, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms. A list of members' names is open to inspection at our registered office, 55 Baker Street, London W1U 7EU. BDO LLP is authorised and regulated by the Financial Conduct Authority to conduct investment business.

BDO is the brand name of the BDO network and for each of the BDO Member Firms.

BDO Northern Ireland, a partnership formed in and under the laws of Northern Ireland, is licensed to operate within the international BDO network of independent member firms.

© 2024 BDO LLP. All rights reserved.

www.bdo.co.uk

This page is intentionally left blank