West Oxfordshire District Council

Report of Internal Audit Activity

March 2023

Internal Audit ▪ Risk ▪ Special Investigations ▪ Consultancy

Contents

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Internal Audit Definitions

At the conclusion of audit assignment work each review is awarded a "Control Assurance Definition";

- **No**
- **Limited**
- **Reasonable**
- **Substantial**

● Audit Framework Definitions

Control Assurance Definitions

No	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.
Limited	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
Reasonable	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Substantial	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.

Non-Opinion – In addition to our opinion based work we will provide consultancy services. The "advice" offered by Internal Audit in its consultancy role may include risk analysis and evaluation, developing potential solutions to problems and providing controls assurance. Consultancy services from Internal Audit offer management the added benefit of being delivered by people with a good understanding of the overall risk, control and governance concerns and priorities of the organisation.

Internal Audit Definitions

Recommendations are prioritised from 1 to 3 on how important they are to the service/area audited. These are not necessarily how important they are to the organisation at a corporate level.

●   Audit Framework Definitions

Categorisation of Recommendations

When making recommendations to Management it is important that they know how important the recommendation is to their service. There should be a clear distinction between how we evaluate the risks identified for the service but scored at a corporate level and the priority assigned to the recommendation. No timeframes have been applied to each Priority as implementation will depend on several factors; however, the definitions imply the importance.

	Categorisation of Recommendations
Priority 1	Findings that are fundamental to the integrity of the service's business processes and require the immediate attention of management.
Priority 2	Important findings that need to be resolved by management
Priority 3	Finding that requires attention.

Each audit covers key risks. For each audit a risk assessment is undertaken whereby with management risks for the review are assessed at the Corporate inherent level (the risk of exposure with no controls in place) and then once the audit is complete the Auditors assessment of the risk exposure at Corporate level after the control environment has been tested. All assessments are made against the risk appetite agreed by the SWAP Management Board.

Definitions of Risk

Risk	Reporting Implications
High	Issues that we consider need to be brought to the attention of both senior management and the Audit Committee.
Medium	Issues which should be addressed by management in their areas of responsibility.
Low	Issues of a minor nature or best practice where some improvement can be made.

Audit Plan Progress

Audit Type	Audit Area	Status	Opinion	No of Rec	Priority 1	Priority 2	Priority 3	Comments
Operational	Procurement Cards	Final Report	Low Limited	6	2	4	-	Reported in November
Governance	Monitoring the Performance of Strategic Commissioned Services	Final Report	High Reasonable	2	-	2	-	Reported in November
ICT	Vulnerability Management	Final Report	High Reasonable	1	-	1	-	Reported in November
Operational	Business Grant Funding – Post Payment Assurance	Final Report	High Substantial	0	-	-	-	Reported in November
Operational	Election Expenses – Treatment of VAT	Final Report	Low Substantial	2	-	-	2	Reported in November
Operational	Planning Validation Process	Final Position Statement	N/A					See Appendix C
Operational	Climate Change (Strategic)	Final Report	Low Substantial	3	-	-	3	See Appendix C
Operational	S106 Agreements and Funds	Final Report	High Limited	5	1	3	1	See Appendix C
Operational	Accounts Payable (Qtly review)	Continuous						See Appendix C
Operational	Business Grant Funding – WODC ARG Scheme (Jan 2022)	Final Report	High Substantial	0	-	-	-	See Appendix C
Key Financial Control	Council Tax and NNDR	Draft Report						
Key Financial Control	Housing Benefit and Council Tax Support	Draft Report						
Key Financial Control	Treasury Management	Draft Report						

Audit Plan Progress

Audit Type	Audit Area	Status	Opinion	No of Rec	Priority 1	Priority 2	Priority 3	Comments
Key Financial Control	Accounts Receivable	Draft Report						
Key Financial Control	Payroll	In Progress						
Key Financial Control	Bank Reconciliation	In Progress						
Operational	Taxi Licensing Safeguarding	In Progress						
Operational	Business Continuity Management	In Progress						
Operational	Property and Estates Services	Audit Brief Drafted						
Operational	Publica Performance Information	In Progress						
ICT	Business World – Workflow and Approvals	In Progress						
Follow-Up	Asset Management and Commercial Property							To be included in new audit – Property and Estates
Operational	Management and Monitoring of Contracts							Time to be allocated to new Procurement Audit
Operational	Mechanism for Charging Council							Commenced but deferred as piece of work being undertaken by Publica Officers
Support	Business Grant Funding – Post Payment Review	Complete	N/A	-				Head of IA working with Head of Service, Counter Fraud and Enforcement Unit to conduct post payment review

Audit Plan Progress

Audit Type	Audit Area	Status	Opinion	No of Rec	Priority 1	2	3	Comments
Support	Business Grant Funding – Aged Debt	On-Going						Quarterly review of Business Grant Overpayment Aged Debts with Head of Service, Counter Fraud and Enforcement Unit for reporting to BEIS
Advisory	Support to the Agile Working Project	Complete						
Advisory	Environmental Services Improvement Programme	On-Going						
Advisory	Procurement and Commissioning Group	On-Going						
Advisory	Health and Safety Working Group	On-Going						
Certification	Carbon Data	Complete	N/A					
Grant Certification	Test and Trace Payment Scheme	Complete	N/A					
Grant Certification	Contain Outbreak Management Fund	Complete	N/A					
Follow-Up	Follow-Up of Agreed Actions (not included in an audit above)	On Going						
Other Audit Involvement	Working with the Counter Fraud and Enforcement Unit	On Going						
Other Audit Involvement	Management of the IA Function and Client Support	On Going						
Other Audit Involvement	Contingency – Provision for New Work based on emerging risks							

The following are the Internal Audit reports, of each audit review finalised,
since the last Committee update

Planning Validation Process – Final Position Statement – December 2022

Introduction / Background

The Planning Validation team was recently created, the goal being for each member of the team to be able to validate planning applications across the 3 partner Councils. We were requested to undertake an audit to provide assurance that effective procedures are in place and that planning applications are validated in accordance with legislation.

Discussions were held with the service area, which identified that processes were still being updated, and that not all Officers are currently able to work flexibly across the 3 Councils. Due to this it was agreed that an assurance opinion would not add value at this current stage. Instead, we have sought evidence to support statements made, and based our conclusion on analysis of planning validation data, control testing where applicable, publicly available information, and observations during our review.

We will revisit this area with a view to providing an assurance opinion once ongoing work has been completed.

Findings

1. _Staff Training_
   Validation Support Team Leader advised that staff training is underway but will not be complete until September 2023. We found up to date procedures are not in place. Without these there is an increased risk of errors, as well as a risk of validations not being completed within agreed timescales.

2. _Validation Checklists_
   At the start of the audit, all checklists were due for review. We have been informed that checklists were sent to Portfolio Holders, Members, and Senior Management to view before going live with the documents. Although it has been reported that positive feedback has been received, the "go live" date has been delayed from the end of the year until 1st February 2023. This is due to a predicted backlog of invalid claims throughout the Christmas period. Prior to this date, we have been informed that communication with agents, consultants, and residents is planned, as well as updating the websites and planning portals.

3. _Uniform Templates_
   At present, Officers do not have access to complete autogenerated templates within Uniform – the reasons for invalid applications are being updated, which is planned to come into effect when the new checklists go live in February 2023.

4. _Performance, KPIs, and Monitoring_
   There is a disconnect between KPI reporting by the Business Information Lead, and the Validation Team. The Business Manager is not involved in the current KPI reporting process, which sees information collated by the Business Information Lead in the form of a Development Manager Dashboard. There is also a dashboard which is sent to Members, which contains a Validation KPI within. The Business Manager was unaware of which KPIs are being reported in these dashboards, and to whom they are being reported.
   The Business Manager collates and uses their own KPIs, however, the disconnect detailed above suggests silo working is in place. Silo working needs to be resolved as soon as possible to ensure consistent information is being reported, and that thorough oversight is maintained.
   Customer satisfaction is not monitored at service level, however the Business Manager wants to introduce the monitoring of informal complaints. This will feed into KPI reporting, and help obtain a sense of how the team are performing. Whilst it is encouraging to see the use of management data, it should be noted, that each Council has a formal complaint process in place which should be made available to an applicant.
   Benchmarking is not undertaken outside of the Publica environment. We suggest that the team regularly benchmark against other district Councils (other than CDC, WODC, and FODDC) to compare processing times, fees and charges, and information available to customers.

5. *Data Analysis*

   High level data analytics (DA) were performed using the Validation Tracker on applications received between 1st January and 21st September 2022.

   From the DA performed, we can see that:

   - The Validation team have a target of 7 days to validate an application. The average amount of days to validation for each Council between January – September 2022 was:
     WODC: 5 days
     FODDC: 9 days
     CDC: 7 days
   - In June 2022, each Council validated the following percentages of applications received:
     WODC: 85% (234 applications received)
     FODDC: 90% (124 applications received)
     CDC: 95% (262 applications received)

Conclusion

We recognise that the team are still working on processes, and discussions have confirmed that some developments are not planned to be delivered until well into the new financial year. Based on our findings it is unlikely that robust and consistent processes for flexible working across all Councils will be in place soon.

The areas that lead to this conclusion are as follows:

- Time to develop fully trained Officers – The current estimated date for all Officers to be fully trained is September 2023, but this may be longer if there is staff turnover. The need for current up to date procedures is even more important in the current circumstances.
- Delays in publishing validation guidance (checklists) on each of the Council's websites - The final versions of the checklists provided to us are dated June 2022. Waiting until February 2023 will mean the service will have had more than six months to consult and engage with all interested parties. We would not assess this as being an effective process. Up to date accurate information must be available to both the Officers and the public, and the go live date must not be delayed further (currently planned to be February 2023).
- Expected backlogs during the Christmas period - We would suggest that service demand is likely to decrease during the festive season, therefore predicting a backlog does not give confidence that the service can deliver its goals.

On a final note, although not in the scope of this review as it is not the responsibility of the Planning Validation Team, we did note a business continuity risk with WODC's tree application process - there is only one Officer who deals with these applications and records are not digitally held. This area should be reviewed to ensure management are comfortable with current arrangements.

Accounts Payable Continuous Auditing Analysis – Final Report – December 2022

Audit Objective	The objective of the continuous review is to identify potential duplicate payments, summarise, and present to the AP team for remedial action.

Audit Scope

Our review covers a period of 2 years, checking for potential duplicate payments at WODC, and between WODC and/or Publica, CBH or another Council. Findings have been summarised and reported to the Accounts Payable team for further review and remedial action where necessary. Findings have been followed-up during the subsequent review.

Assurance Opinion
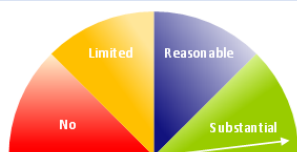
Quarter 1	Quarter 2	Quarter 3	Quarter 4

The assurance provided above relates only to the controls and processes operated by the Publica Accounts Payable service.
WODC officers and Publica service area officers are responsible for approving invoices for payment and therefore must ensure robust checks are undertaken prior to authorising a payment.
This will help to limit the risk of duplicate payments being processed.

Testing / Findings	Q1 (July 22)	Q2 (Nov 22)	Q3	Q4
Total Number of Payments made	1131	972		
Number of potential duplicate payments identified (paid twice by WODC)	5	3		
Potential duplicate payments as a % of the total number of payments made for the quarter	0.4%	0.3%		
Value of potential duplicate payments	£8,679	£743		
Total value of payments to be recovered	£1,452	£7,702		
Number of potential Duplicate Payments identified (paid by WODC and another organisation)	0	1		
Potential duplicate payments as a % of the total number of payments made for the quarter	-	0.1%		
Value of potential duplicate payments	0	£162		
Total value of payments to be recovered	£0	£162		

For Information

This continuous report will be included within the annual AP audit report and will support the annual assurance score.

Climate Change (Strategic) – Final Report – January 2023

Audit Objective > To ensure effective governance arrangements are in place to support and challenge the delivery of the Councils' corporate priority(ies) for Climate Change and the actions set out within Environment and Climate Strategy(ies).

Assurance Opinion

A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.

Number of Actions

Priority	Number
Priority 1	0
Priority 2	0
Priority 3	3
Total	3

Risks Reviewed

The Council experiences reputational damage, and potential financial loss, through failing to deliver on one of its corporate priorities and commitment to achieve carbon neutrality, and take appropriate action to mitigate the threat of climate change and its associated impacts.

Assessment

Low

Key Findings

In June 2019, WODC declared a climate and ecological emergency and made a commitment to become carbon neutral by 2030. Full Council approved WODC's Carbon Action Plan in October 2020 and the Climate Change Strategy in February 2021. Biannual Climate Action and Annual Monitoring Reports to Cabinet (recently renamed the Executive) advise on Strategy and Plan progress. A Climate and Environment Overview and Scrutiny Committee meet regularly to support the Climate Agenda by requiring Carbon Action Plan updates or specific project updates for scrutiny at every meeting. Anyone can sign-up for WODC Climate Action Bulletins which are published quarterly.

KPIs previously reported to the Cross-Party Climate Action Working Group will be reviewed and updated as part of the WODC's wider Climate Strategy and Carbon Action Plan refresh. As this group has been disbanded, KPIs will now be reported to the Climate and Environment Overview and Scrutiny Committee. Consideration could be given to including Climate KPIs in performance reporting to the Executive.

WODC Climate Officers recognise a requirement to review and update the Climate Change Strategy and Carbon Action Plan. Work will commence now the new WODC Council Plan has been approved to ensure objectives are appropriately linked. References to the Cross-Party Climate Action Working group will be updated and Climate Officer's responsibilities will be defined within the Climate Change Strategy and Carbon Action Plan.

Risk Registers presented to WODC Audit and Governance Committee will be updated to reflect the associated risks of WODC failing to deliver corporate priorities and carbon neutral targets.

Audit Scope

Our review focussed on the following areas:

- A Council Plan, Climate Change Strategy, and Carbon Action Plan have been developed and received Member approval to support the delivery of the authority's climate agenda.
- Oversight and co-ordination of the delivery of the climate corporate priority, Climate Change Strategy and Carbon Action Plan.
- Climate Change objectives are SMART (Specific, Measurable, Attainable, Relevant and Timely).
- Performance monitoring and reporting.

Discussions were held with the Publica Business Manager – Assets and Council Priorities, and WODC's climate change team.

Scope Limitations: Climate change operations and carbon reduction were not included in this review as separate audits focusing on these areas have been planned.

Additional Information

The WODC Climate Impact Assessment Tool (CIAT) is designed to support decision making by indicating the potential climatic, environmental and social impacts. Officers will be required to complete an CIAT to ensure projects and policies are meeting the Council's commitments to climate. Once the CIAT criteria has been completed, a dashboard and report will indicate any positive and negative impacts on a range of environmental and social considerations, and whether further review or changes are required. Informal Cabinet are aware that a phased roll-out is planned, and the CIAT will be subject to review.

WODC committee report templates are updated to ensure specific implications are considered as priorities evolve. For example, templates now include a 'climate and ecological emergencies implications' heading. However, updates have not been communicated to all template users. A process should be implemented to rectify this.

To ensure WODC can continue to meet their ambitious climate agenda, it is important that the Executive, Council and Committees support the Climate Team's key role in reducing carbon emissions through allocating sufficient resources.

Section 106 Agreements and Funds – Final Report – March 2023

Audit Objective	To provide assurance on the effectiveness of WODC's Section 106 controls and procedures.

Assurance Opinion

Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.

Number of Agreed Actions

Priority	Number
Priority 1	1
Priority 2	3
Priority 3	1
Total	5

Risks Reviewed

Risks Reviewed	Assessment
1. S106 contributions are not received by the council and/or obligations are not met by developers, leading to reputational damage and financial loss.	Low
2. Monitoring arrangements are unclear, leading to missed deadlines and unspent/returned monies.	Medium

Key Findings

Analysis of the current position regarding historic cases evidenced shortcomings in some areas of monitoring. Cases were identified where the deadline (as specified in the S106 agreement) by which developer contributions had to be spent had expired. These funds totalled approximately £280,000 and consisted of historic cases which were not being actively monitored. This may result in monies having to be repaid to the developers. This issue requires urgent resolution.

Reporting to Members on the position of S106 within the authority is currently restricted to the annual Infrastructure Funding Statement as per government requirements. This is published in December each year. However, the reporting period contained covers the previous financial year, meaning that this data is already nine months old by the time it is seen by Members.

Some historic agreements have 'Spend by Date' entered, in Excaom, as 1990 or were left blank, as data was missing. We were advised that these agreements did not have a repayment clause but were still subject to monitoring. However, potentially there is a risk agreements with these parameters will not be monitored as expected and triggers will not be actioned, which could result in the Council holding on to unspent funds.

We performed an independent reconciliation between S106 income invoiced during the years 20/21 & 21/22 and figures stated in the corresponding year's IFS. Our calculations show differences of £85,112 (20/21) and £469,897 (21/22) with a number of invoices raised not being included in the IFS and vice versa. The accruals accounting concept states that revenues (and expenses) should be matched to the period in which they are recognised and incurred.

Audit Scope

The audit sought to confirm that, following the introduction of Exacom:

- Triggers are identifiable, monitored and actioned in a timely manner.
- Monies received are utilised by the Council in accordance with the agreement.
- Reporting to Senior Management and Members meets statutory requirements.
- Appropriate consultation with internal departments when drafting S106 agreements is undertaken.

The period audited was 2021/22.

Enquiries indicate that there is no formal sign off of the reconciliation of S106 balances between Exacom and Business World. This represents a weakness in control and heightens the likelihood of misstatement or fraud.

Other Relevant Information

The previous audit in this area took place in 2018/19 and gave rise to several agreed actions. These have been addressed by the introduction of the Exacom software, with improved monitoring controls, ensuring triggers are identified and acted upon, particularly in respect of new and active agreements. However, control weaknesses with the historic agreements and missing information need to be resolved urgently so that the integrity of data within the Exacom system can be assured.

We also examined the internal consultation process between departments which was found to be consistent and fit for purpose.

With regard to the Community Infrastructure Levy (CIL), this has yet to be adopted by WODC, although there have been several unsuccessful attempts to do so. Further efforts to introduce a CIL charging schedule are planned for later this year. Although the implementation of CIL is not compulsory for local authorities, income created from it's realisation could contribute to the costs of infrastructure projects and aid developmental growth in the WODC area.

Post Payment Assurance ARG Scheme (Winter 2022) – Final Report – March 2023

Audit Objective	To provide assurance that COVID-19 related business grants were paid to eligible businesses, in accordance Council Policy and Guidance

Assurance Opinion
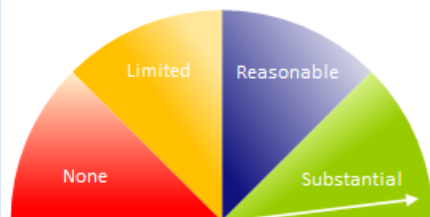
A sound system of governance, risk management and control exist, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.

Number of Actions

Priority	Number
Priority 1	0
Priority 2	0
Priority 3	0
Total	**0**

Risks Reviewed

If sufficient checks and controls are not in place, ineligible recipients may receive COVID-19 business grants resulting in potential financial, fraud and reputational risk to the Council.

Assessment

Low

Key Findings

In the Winter of 2022 WODC approved an Additional Restrictions Grant Policy (January 2022) to support businesses that had continued to be severely impacted, due to Covid restrictions, since 1st December 2021. A number of conditions were placed on applications and specific sectors were targeted to be invited to apply.

As part of the post payment review, evidence and data that was submitted originally as part of the application process, was re-reviewed and calculations for profit / loss margins re-performed. An assessment was made on the applications, in respect of the grant paid, compared to businesses with a similar new profit / loss position.

Of the 227 approved applications reviewed 11 applications were identified as needing a further review by the CFEU. IA can confirm that the CFEU have conducted further investigation into the identified cases and, where appropriate, invoices have been raised in respect of overpayment.

We can confirm there were no significant findings.

Audit Scope

We reviewed a sample of awarded / paid applications eligible for the Winter 2022 Additional Restrictions Grants (January 2022), introduced to support businesses that were continuing to be severely impacted by COVID-19.

677 applications were awarded; audit reviewed 227 applications (33%)

Further Comment

Grant applications were assessed and processed as per the Council Policy and guidance.

Unrestricted