

Internal Audit Activity Progress Report

2017-2018



(1) Introduction

All local authorities must make proper provision for internal audit in line with the 1972 Local Government Act (S151) and the Accounts and Audit Regulations 2015. The latter states that a relevant authority “must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”. The Internal Audit Service is provided by Audit Risk Assurance under a Shared Service agreement between Gloucester City Council, Stroud District Council and Gloucestershire County Council and carries out the work required to satisfy this legislative requirement and reports its findings and conclusions to management and to this Committee.

The guidance accompanying the Regulations recognises the Public Sector Internal Audit Standards 2017 (PSIAS) as representing “proper internal audit practices”. The standards define the way in which the Internal Audit Service should be established and undertake its functions.

(2) Responsibilities

Management are responsible for establishing and maintaining appropriate risk management processes, control systems (financial and non financial) and governance arrangements.

Internal Audit plays a key role in providing independent assurance and advising the organisation that these arrangements are in place and operating effectively.

Internal Audit is not the only source of assurance for the Council. There are a range of external audit and inspection agencies as well as management processes which also provide assurance and these are set out in the Council’s Code of Corporate Governance and its Annual Governance Statement.

(3) Purpose of this Report

One of the key requirements of the standards is that the Chief Internal Auditor should provide progress reports on internal audit activity to those charged with governance. This report summarises:

- The progress against the 2017/18 Internal Audit Plan, including the assurance opinions on the effectiveness of risk management and control processes;
- The outcomes of the Internal Audit activity during the period September 2017 to October 2017;
- Special investigations/counter fraud activity; and

- The outcomes of the Amey – Streetcare contract follow up.

(4) Progress against the 2017/18 Internal Audit Plan, including the assurance opinions on risk and control

The schedule provided at **Attachment 1** provides the summary of 2017/18 audits which have not previously been reported to the Audit and Governance Committee.

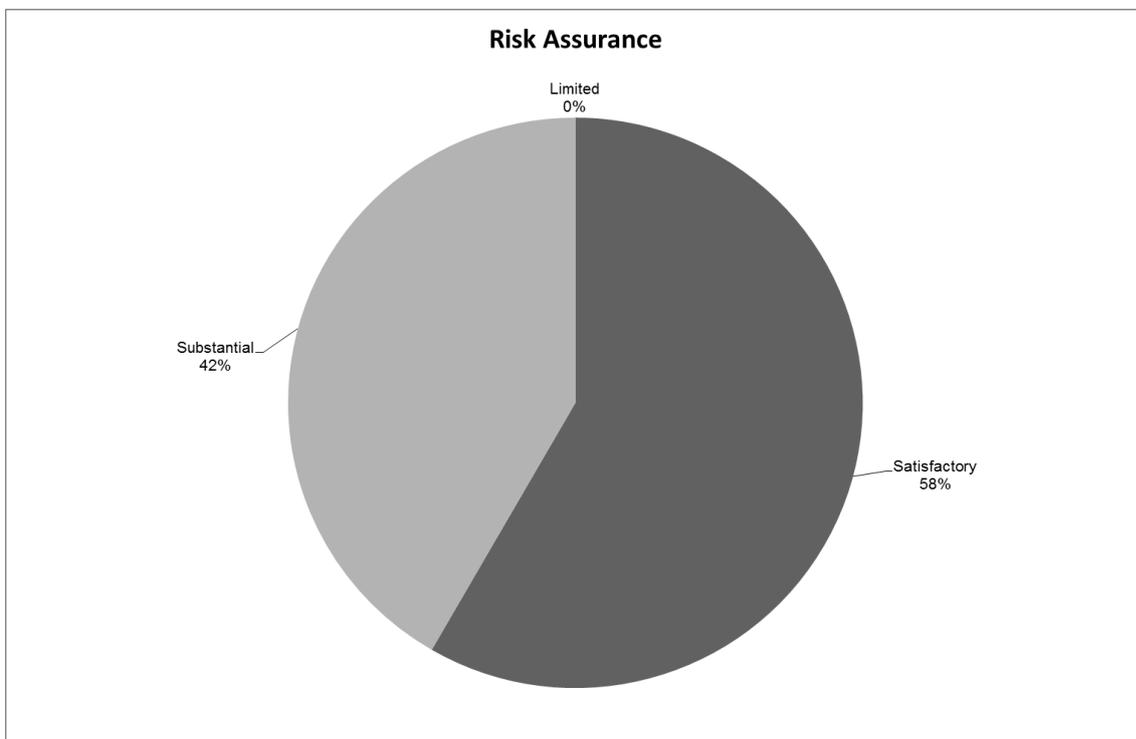
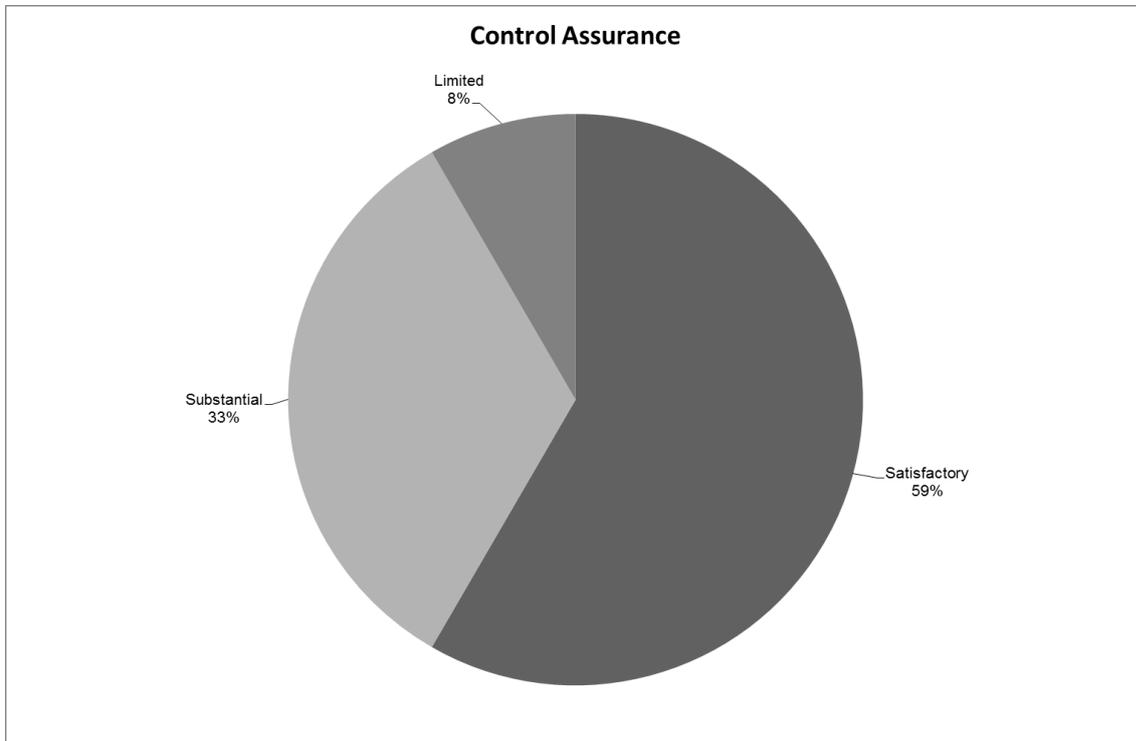
Attachment 2 includes the summary of the Amey – Streetcare contract follow up review (original audit completed in 2016/17).

The schedule provided at **Attachment 3** contains a list of all of the 2017/18 Internal Audit Plan activity undertaken during the financial year to date, which includes, where relevant, the assurance opinions on the effectiveness of risk management arrangements and control processes in place to manage those risks and the dates where a summary of the activities outcomes has been presented to the Audit and Governance Committee. Explanations of the meaning of these opinions are shown in the below table.

Assurance Levels	Risk Identification Maturity	Control Environment
Substantial	<p>Risk Managed Service area fully aware of the risks relating to the area under review and the impact that these may have on service delivery, other service areas, finance, reputation, legal, the environment, client/customer/partners, and staff. All key risks are accurately reported and monitored in line with the Council’s Risk Management Strategy.</p>	<ul style="list-style-type: none"> • System Adequacy – Robust framework of controls ensures that there is a high likelihood of objectives being achieved • Control Application – Controls are applied continuously or with minor lapses
Satisfactory	<p>Risk Aware Service area has an awareness of the risks relating to the area under review and the impact that these may have on service delivery, other service areas, finance, reputation, legal, the environment, client/customer/partners, and staff, however some key risks are not being accurately reported and monitored in line with the Council’s Risk Management Strategy.</p>	<ul style="list-style-type: none"> • System Adequacy – Sufficient framework of key controls for objectives to be achieved but, control framework could be stronger • Control Application – Controls are applied but with some lapses
Limited	<p>Risk Naïve Due to an absence of accurate and regular reporting and monitoring of the key risks in line with the Council’s Risk Management Strategy, the service area has not demonstrated an satisfactory awareness of the risks relating to the area under review and the impact that these may have on service delivery, other service areas, finance, reputation, legal, the environment, client/customer/partners and staff.</p>	<ul style="list-style-type: none"> • System Adequacy – Risk of objectives not being achieved due to the absence of key internal controls • Control Application – Significant breakdown in the application of control

(4a) Summary of Internal Audit Assurance Opinions on Risk and Control

The pie charts provided below show the summary of the risk and control assurance opinions provided within each category of opinion i.e. substantial, satisfactory and limited in relation to the 2017/18 audit activity undertaken up to October 2017.



(4b) Limited Control Assurance Opinions

Where audit activities record that a limited assurance opinion on control has been provided, the Audit and Governance Committee may request Senior Management attendance at the next meeting of the Committee to provide an update as to their actions taken to address the risks and associated recommendations identified by Internal Audit.

(4c) Audit Activity where a Limited Assurance Opinion has been provided on Control

During the period September 2017 to October 2017, it is pleasing to report that no limited assurance opinions on control have been provided on completed audits from the 2016/17 Internal Audit Plan.

(4d) Satisfactory Control Assurance Opinions

Where audit activities record that a satisfactory assurance opinion on control has been provided, where recommendations have been made to reflect some improvements in control, the Committee can take assurance that improvement actions have been agreed with management to address these.

(4e) Internal Audit Recommendations

During the period September 2017 to October 2017 Internal Audit made in total, **23** recommendations to improve the control environment, **none** of these being high priority recommendations and **23** being medium priority recommendations (**100%** accepted by management).

The Committee can take assurance that all high priority recommendations will remain under review by Internal Audit, by obtaining regular management updates, until the required action has been fully completed.

(4f) Risk Assurance Opinions

During the period September 2017 to October 2017, it is pleasing to report that no limited assurance opinions on risk have been provided on completed audits from the 2017/18 Internal Audit Plan.

Where a limited assurance opinion is given, the Shared Service Senior Risk Management Advisor will be provided with the Internal Audit report(s) to enable the prioritisation of risk management support.

Completed Internal Audit Activity during the period September 2017 to October 2017

Summary of Satisfactory Assurance Opinions on Control

Service Area: Cultural and Trading

Audit Activity: Box office ticketing and shop-café-bar system

Background

A replacement till, box office ticketing and shop / café-bar system was purchased in 2016 to manage tickets, sales and stock at the Guildhall, Tourist Information Centre (TIC), Museums, and Crematorium's Arbor tea room. These services have been brought together into the Cultural and Traded Services group as part of the Together Gloucester programme.

The new system was procured to significantly improve the arrangements previously in place, which relied on two complementary applications and end user developed reporting, marketing and stock control. The intention of the new system was to broaden the Council's retail capability across all sites, introduce stock control, and allow flexible reporting.

Scope

The audit objective was to provide assurance that the functionality of the system purchased by the Council is in accordance with the tendering documentation.

The procurement process, IT security and backup / disaster recovery, cash receipting and associated banking arrangements were not included within the original scope of this audit. However, assessment of user processes linked to IT provision was undertaken in a limited number of areas based on staff feedback during the audit.

Risk Assurance – Satisfactory

Control Assurance – Satisfactory

Key findings

- The contract commenced 29th January 2016, with implementation initially planned for April 2016. The system went live in November 2016;
- Internal Audit found that the main functions of the system are present and the system delivers what was set out in the tender. However, there are instances where the wording of both the invitation to tender and the tender response is not clear, and may be open to interpretation;
- Core sales processes for events, food and beverages, and merchandise are functioning;

- The system is adaptable and flexible, allowing users to create bespoke items or events. However, this also increases the complexity of the system. Staff feedback on the system performance could not be readily used to identify whether perceived issues are caused by the system design, the configuration adopted by the Council, or user understanding;
- Some functionality previously unavailable on the legacy system, such as stock control and online sales, has not yet been implemented fully; and
- Although the system offers numerous security functions, for till users these are significantly undermined by the absence of any timeout mechanism, combined with open accounts across multiple browser tabs. Staff reported using each other's open login when busy. Consequently audit trails within the till system cannot be relied upon.

Conclusion

The purpose of this audit was to assess the progress made by the Council in implementing and embedding the new software, and confirming that the Council has received the services requested in the tendering process. The assessment of assurance has taken into account the complexity of the system in integrating to the Council's hardware and software infrastructure, as well as the different uses each functional team expects the system to perform.

The overall feedback from the staff interviewed is a combination of endorsement and the need for improvement. The general consensus is that the system is a distinct improvement on the system previously in place. However, staff have reported a lack of confidence in using it, due to its complexity, the number of steps required to complete certain tasks, a sense that it is "clunky" or less favourably configured, underpinned by a need for further training.

From the described arrangements and comparison between sites, it is anticipated that some of the issues reported can be resolved simply through improving the configuration or staff procedures. The introduction of the Together Gloucester project has already highlighted different ways of working and led service managers to consider how best to consolidate arrangements.

As a consequence of all the staff feedback gathered, Internal Audit concludes that the Council has prioritised the core functions of the system, with further work needed to establish and embed the additional functions that should be possible and would improve efficiency. Management is aware that further development is possible and has started work to identify and prioritise relevant areas. However, Internal Audit identified some risks around security and access to adjust prices that require additional management attention. As a result the assurance opinion for both risk identification and the control environment is satisfactory.

Management Actions: Management have responded positively to the audit findings and have agreed an action plan to address all issues raised from this review.

Service Area: Council Wide

Audit Activity: Complaints Handling

Background

The Council has a three stage corporate Complaints Policy. Customer Services is responsible for the day-to-day administration of the complaints system, including recording complaints received into the contact centre on the central complaints recording system and making Service Areas aware of the complaint. Stage one involves the complaint being dealt with by the appropriate person within the Service Area. For Stage two complaints the next tier of management is responsible. Where the complainant is still dissatisfied with the response they can make a complaint to the Local Government Ombudsman (LGO) (Stage three).

Performance monitoring of the complaints process and analysing complaints for reporting purposes is within Customer Services remit. In 2016/17 the Council received over 2,000 complaints.

Scope

This audit reviewed the process for complaints handling, to provide assurance that complaints are handled in line with policy and guidelines and that the level of corporate oversight is appropriate. In particular:

- A corporate Complaints Policy has been approved, is available and known to staff;
- The Council's service standards in relation to dealing with complaints are followed; and
- Areas for improvement in managing complaints are subject to corporate oversight.

Risk Assurance – Satisfactory

Control Assurance – Satisfactory

Key findings

- The Council has a corporate Complaints Policy and associated documents in place. The Policy was scheduled for review in May 2017, however this remains outstanding;
- The number of recorded complaints has increased significantly between 2010/11 and 2016/17 from 996 to 2,088. The most substantial increases being in 2013/14 and 2014/15 where the number of recorded complaints increased by 469 and 557 per year respectively;
- A high proportion (over 95% in 2015/16 and 2016/17) of complaints have been handled in a timely manner, meeting the 10 day key performance indicator;

- There is a good level of staff awareness of the Complaints Policy, particularly in terms of the timescales for resolving complaints, however disparity was identified in terms of understanding when a complaint should be recorded on the complaints recording system;
- The ease of accessibility to the internal complaints handling procedures and associated documents for staff could be improved;
- Complaints data recorded in the complaints recording system cannot currently be deleted;
- Independent quality assurance sample checks are not currently conducted to assess if complaints have been dealt with appropriately; and
- Regular (monthly) performance reporting is carried out by Customer Services on the number of complaints, the number resolved in 10 working days, details about the complaints (as recorded on the complaints recording system) and summary detail of the complaints received and not yet resolved. However corporate oversight could be strengthened to identify and act on lessons learnt from complaints received; currently they do not form part of regular team or management discussions across all service areas.

Conclusion

Overall Complaints Handling processes and controls at the Council were found to be appropriately managed and delivered. However there is further opportunity for the Council to strengthen controls within the following areas, including:

- Improving the accessibility of the policy, to increase awareness of the full content of the policy, both publically and internally;
- Ensuring data held on the complaint recording software is compliant with Principle 5 of the Data Protection Act (DPA) and forthcoming General Data Protection Regulations (GDPR); and
- Enhancing performance monitoring and reporting to encompass how appropriately complaints have been dealt with and act on lessons learnt.

Management Actions

Management have responded positively to the audit findings and have agreed an action plan to address all issues raised from this review.

Service Area: Communities

Audit Activity: Choice Based Lettings

Background

The Council has responsibilities under the Housing Act 1996 to allocate housing accommodation to eligible households, and is part of the Homeseeker Plus partnership with other local authorities to allocate housing across Gloucestershire and West Oxfordshire via a Choice Based Lettings (CBL) scheme. Forest of Dean District Council is the Homeseeker Plus lead authority and the partnership is supported by a Management Board and Operations Group, consisting of representatives from the Councils.

The Homeseeker Plus partnership and CBL enables landlords to advertise their properties and applicants to express their interest by bidding to be shortlisted for the property. Interested parties are shortlisted depending on their need, time on the waiting list and criteria of the advert. CBL gives applicants more choice in where they wish to live and information about the homes available. Between 1 October 2017 and 30 June 2017 284 Gloucester City CBL applicants were housed. As at 1 September 2017 there are 3,380 live status CBL applicants.

All Councils within the partnership follow the Homeseeker Plus policy and supporting standardised procedures. CBL application processing, review and decision making for Gloucester City Council is carried out by the Housing Services team.

Scope

The objectives of this audit were to:

- Confirm compliance with Homeseeker Plus policy including shortlisting arrangements and bypassing the top of the shortlist ('skipping') practices; and
- Review the strength of access controls, management of user accounts and data protection arrangements in place.

Risk Assurance – Satisfactory

Control Assurance – Satisfactory

Key findings

- A Data Sharing Protocol (DSP) is in place between members of the Homeseeker Plus partnership. The DSP is currently in the process of being reviewed and updated to ensure it reflects upcoming General Data Protection Regulations;

- The CBL system is web based with access restricted through username and password (including controls relating to password strength, history, expiry, user role and audit trail). In addition it incorporates good practice areas including notifying users of the time of last login and number of unsuccessful attempts since their last login;
- The management of the risk of a leaver inappropriately accessing the information held on the CBL system could be enhanced through regular review of user access rights;
- The Homeseeker Plus Co-ordinator (Forest of Dean Council) is responsible for cross-partnership system administration and liaises with HomeSeeker Plus partners and the software provider to implement required changes (including recent changes to restrict access and enhance data protection);
- Homeseeker Plus partners have their own Super Users who are able to set up new accounts, update accounts, suspend accounts and run management reports. There is a high number (102) of Super Users across the partnership; however their controls are limited to within their own partner area;
- New CBL system users within the Council are not required to confirm they have read, understood and agreed to handling data in line with data protection and information security policy;
- All reviewed Homeseeker plus applications had been assessed and banded appropriately in line with Homeseeker Plus policy. However the banding assessment was not always carried out in a timely manner and performance in this area is not monitored or reported on;
- A review process is in place for applicants who have registered for Homeseeker Plus CBL but have not bid for 12 months, to ensure their application can be suspended and cancelled if appropriate. There were 146 (Gloucester City) CBL applications suspended as at 30 June 2017. Sampling found that some applications were suspended for reasons other than outlined in the Homeseeker Plus policy; however a defined rationale was evident;
- Between October 2016 and June 2017 1,795 Gloucester City HomeSeeker Plus CBL applications were cancelled. A review of a sample of cases found cancellation of CBL applications were only completed for defined and valid rationale and that the applicants were appropriately informed;
- The Homeseeker Plus Policy outlines how Registered Providers (RPs) are able to bypass the top of the shortlist for a property for a number of reasons. Sampling found that 'skipping' the top of the shortlist had taken place in most (80%) of cases reviewed, a reason for the skip was recorded on the CBL system by the RP, however they often lacked specific detail; and

- Quality assurance sample checks are not carried out by the service, however the applicant has the right to appeal any Homeseeker Plus decision. In all cases that went to Stage 2 appeal in 2016 the Council's decision was upheld.

Conclusion

Overall CBL processes and controls at the Council were found to be appropriately managed and delivered. However there is further opportunity for the Council to strengthen controls by:

- Ensuring new CBL system users have read and understood the Data Sharing Protocol;
- Carrying out reviews of user access rights, in order to provider greater data security;
- Introducing performance monitoring and reporting in relation to the timeliness of CBL application banding assessments; and
- Considering, in conjunction with HomeSeeker Plus partner, the level of information RP's should be require to input onto the CBL system when the shortlist has been bypassed.

Management Actions

Management have responded positively to the audit findings and have agreed an action plan to address all issues raised from this review.

Service Area: Policy and Resources

Audit Activity: Councillors' Community Fund

Background

As part of the Community Grant budget, the Cabinet Member for Communities and Neighbourhoods has provided a Councillors' Community Fund of £39,000 for 2017/18 (based on a £1,000 allocation per Councillor). This fund allows each Councillor to provide financial support to projects and activities that benefit the communities within their ward boundaries.

Scope

The objective of this audit was to review the governance arrangements established to approve, administer and monitor the fund expenditure to ensure it is in line with guidance for the scheme.

Risk Assurance – Substantial

Control Assurance – Satisfactory

Key findings

- Two key documents are in place which confirm the Councillors' Community Fund approach – the Terms of Reference (outlining the fund requirements, process and Member responsibilities) and the application form (which requires detail of the proposed fund allocation plus authorisation by the Councillor);
- It is the responsibility of each Councillor to ensure the funds use will comply with all relevant legislation affecting the way the project is carried out (for example health and safety regulations), including having the appropriate practices in place where working with children, young people or vulnerable adults, ensuring the project provides value for money and completing the necessary forms required by the scheme in line with the Terms of Reference;
- Internal Audit sample tested 13 spending allocations across 2016/17 (nine) and 2017/18 (four) to test compliance against the Terms of Reference and the amounts recorded in the Financial Management System (FMS) ring fenced cost centre for the fund. Four forms did not have a written signature of the approving Councillor or suitable email authorisation;
- A monitoring spreadsheet is maintained by the Community Engagement Officer, detailing the allocations of payments from the fund. Internal Audit found that this did not always record actual expenditure but the expected expenditure as stated on the forms completed by the Councillors; and
- The 2016/17 budget for the scheme was set at £2,000 per Councillor (a total budget of £78,000). Total payments made for 2016/17 (£77,625) were within the agreed budget for the scheme.

Conclusion

Overall the scheme is being managed and operating as intended. The internal audit has made recommendations around enhancing the recording of expenditure arrangements and authorisation processes to further improve the controls.

Management Actions

Management have responded positively to the recommendations made.

Summary of Substantial Assurance Opinions on Control

Service Area: Cultural and Trading

Audit Activity: Cemetery and Crematorium Services

Background

Gloucester City Council manages two Cemeteries and a Crematorium in order to deliver burial services within the local area: the Coney Hill site includes a cemetery and the crematorium, whilst the Gloucester Old Cemetery is situated off the Tredworth Road.

Provision of burial space is not a statutory responsibility, but delivers a discretionary service for the public benefit. Local authorities that do provide burial services must comply with legislation. Gloucester crematorium has adopted the 'Charter for the Bereaved' and aims to provide services to meet the social, ethical and environmental needs of the community.

Scope

The audit objectives were to provide assurance that:

- The Council delivers local burial services and local cremation services in compliance with the law;
- The service finances are managed effectively, in order to support the Council's overall financial plan; and
- Standards of excellence and quality are maintained and improved, in order to meet the needs and expectations of mourners.

This audit did not review arrangements for managing memorials associated with burials or cremations.

Risk Assurance – Substantial

Control Assurance – Substantial

Key findings

- The Council manages two cemeteries: Tredworth Road and Coney Hill. Review of the burial administration procedures confirmed that the Council complies with the Local Authorities Cemetery Order (as amended) 1977 in all significant regards, for the functions of burial space management and purchase of burial rights;
- The Council operates a crematorium at the Coney Hill site, comprising three cremators. Review of the cremation administration procedures confirmed that the Council complies with the Cremation (England and Wales) Regulations 2008 in all significant regards;

- Fee income is billed appropriately by the Bereavement Services team;
- Since a new Financial Management System was introduced in February 2017 there have been delays in recovery action for unpaid invoices, including those raised by the Bereavement Services team; and
- The Bereavement Services Team have achieved the Gold award (the highest level) for meeting the requirements of the Institute of Cemetery and Crematorium Management's (ICCM) Charter for the Bereaved Assessment. The ICCM has independently verified this award.

Conclusion

The purpose of this audit was to assess the arrangements in place for delivering the core functions of this service. In all material aspects these were found to be in place and operating effectively, and Internal Audit has concluded that the service's arrangements for identifying and managing risks are sound.

The service uses predominantly hardcopy records in order to manage both burials and cremations. This is currently considered to be a reliable method of ensuring each burial and cremation is adequately controlled, so that the service avoids errors that would cause a family emotional distress and the Council reputational harm. Moving to an electronic system that could backup data and reduce the number of stages or handovers has been considered previously. At the time of review there are no plans to pursue an electronic solution due to both cost and feedback from other organisations. Internal Audit concludes that the control framework is strong, and applied continuously. Although there may be scope for reducing a degree of internal control, any changes should be carefully considered so that the level of risk is managed in accordance with Council requirements.

For the above reasons, the assurance for both risk maturity and control environment has been assessed as substantial.

Management Actions

Management have responded positively to the audit findings and have agreed an action plan to review improvement actions raised from this review.

Summary of Consulting Activity and/or Support where no Opinions are provided

Service Area:	Place
Audit Activity:	Planning Appeal

Background

In September 2014 Gloucester City Council received an outline planning application (14/01063/OUT) for the erection of up to 420 dwellings in the Matson ward. The scheme was considered at Planning Committee in December 2015 and April 2016, and Members resolved to approve the scheme, subject to a number of conditions including the provision of 20% affordable housing secured through a section 106 agreement.

The proportion of affordable housing suitable for the development was contested by the applicant, and a Section 106 Agreement was consequently not agreed. The applicant submitted the application to appeal for non-determination in May 2016.

The planning appeal was heard in December 2016, and allowed by the inspector without an affordable housing element or police contribution in the Unilateral Planning Obligation.

The 2016/17 Financial Outturn was presented to Cabinet in June 2017, and showed an overspend in the planning service of £164,000. Of this, £84,000 was attributed to costs incurred as a result of the planning appeal. In July 2017 the Corporate Director requested an internal audit review to provide assurance on the costs incurred and commissioning process in defending the planning decision.

Scope

The audit objectives were to:

- provide a definite understanding of the costs in defending the planning appeal; and
- review the process for procuring specialist advice and consultancy that supported the Council in the planning appeal.

Risk Assurance – Not applicable

Control Assurance – Not applicable

Key findings

- Within the Planning and Housing portfolio, the Planning service reported an overspend of £164k in 2016/17. A main component is the overspend of £84k in Professional Advice / Consultant Fees within the Development Management cost centre;

- The cost of consultants used specifically for the planning appeal total £52k and form the largest cost contributing to the £84k overspend;
- The selection of the consultants was based on reasonable rationale: familiarity with the subject matter, and availability to support the Council within the required timescales. However, the commissioning of the consultants used directly by the Council did not follow the Council's Contract Rules or obtain an appropriate waiver; and
- Review of the invoices received from consultants identified £1,590.15 that requires supplier clarification in order to confirm the charges are correct and accurate.

Conclusion

In agreement with the Corporate Director, this audit has been approached as a non-opinion audit.

Analysis of the costs stated in the 2016/17 Outturn report showed that these are based on fully traceable figures from the Accountancy system. However, the statement in the Outturn Report "It has previously been reported at Quarter 3 that increased costs had been incurred in Planning as a result of a Planning Appeal. These totalled £84k at the end of the financial year." could be misconstrued. The cost of £84k equates to the overall overspend on planning consultancy, of which £52k was incurred as a consequence of the appeal.

The commissioning of the consultants should be considered in the context of Council's intention to provide a robust defence during the planning appeal and ensure the Council's actions would be considered reasonable by the Planning Inspector. This was a key mitigation against the risk that the Planning Inspector would accept the appellant's application for costs against the Council, which were anticipated to be a significant sum.

The Council's direct commissioning of the consultants used in the appeal was undertaken on the basis that a specialist consultant was needed. The Authorised Officer considered it in the Council's best interest to continue using the consultant who had the most recent knowledge of the case and who had provided an independent review of the two viability assessments undertaken at the application stage. However, this decision does not have the benefit of a formally completed waiver to document the rationale and obtain the support of the S151 Officer and Council's Solicitor; and

Overall, Internal Audit concludes that the costs of the appeal form a substantial part of the £84k overspend on planning consultancy, although they do not account for the full sum. The rationale for selecting the consultants used is logical, and was intended to manage a potentially significant risk to the Council. However, key procedures to reflect this should have been followed and were overlooked.

Management Actions

Management have responded positively to the audit findings and have agreed an action plan to address all issues raised from this review.

Summary of Special Investigations/Counter Fraud Activities

Current Status

Four referrals have been received by Internal Audit for investigation during 2017/18 to date. Three of these cases have been closed, all of which have previously been reported to the Audit and Governance Committee. The fourth case is still under investigation, although an interim report has been provided to management.

The outcome of the fourth case will be provided to the Audit and Governance Committee once concluded.

Any fraud alerts received by Internal Audit from National Anti-Fraud Network (NAFN) are passed onto the relevant service areas within the Council, to alert staff to the potential fraud.

National Fraud Initiative (NFI)

Internal Audit continues to support the NFI which is a biennial data matching exercise administered by the Cabinet Office. The data collections were collected throughout October 2016 and reports have now been received for further investigation. Examples of data sets include housing, insurance, payroll, creditors, council tax, electoral register and licences for market trader/operator, taxi drivers and personal licences to supply alcohol. Not all matches are investigated but where possible all recommended matches are reviewed by either Internal Audit or the appropriate service area.

In addition, there is an annual data matching exercise undertaken relating to matching the electoral register data to the single person discount (SPD) data held within the City Council. Once all relevant data has been uploaded onto the NFI portal, a data match report is instantly produced and available for analysis.

To date, SPD review forms have been issued to current claimants. Where returns have been received which identify a change in circumstances this has resulted in adjustments of **£155,448** to the Council Tax base. Verification on those returned with no declared changes will be reviewed by undertaking internet checks, credit checks etc. Further work on those households failing to return forms or giving incorrect information is ongoing.

As a result of the SPD review seven potential fraud cases which also include Housing Benefit have been referred to the Department for Work and Pensions (DWP) and the Single Fraud Investigation Service (SFIS).

Outcomes from the Amey – Streetcare Contract Internal Audit Follow Up

Service Area: Place

Audit Activity: Amey – Streetcare contract follow-up

Background

The Streetcare partnership contract was set-up in January 2007 with Accord Operations Ltd, with an initial annual value of £5.4m and a contract expiry of 31st March 2022 (extension option is available). The services provided in the contract are for waste collection and recycling, street cleansing and grounds maintenance. In September 2007, Accord Operations Ltd was taken over by Enterprise and then on 9th April 2013 they were acquired by Amey.

During 2016-17, Internal Audit undertook a review of the governance, service provision, charges and performance systems and processes employed by Neighbourhood Services in the management of the contract. This review identified a number of issues with the management of the contract, which resulted in seven recommendations being raised by Internal Audit to strengthen the control environment. A limited assurance opinion was given against the control environment and satisfactory assurance for risk identification maturity.

The Audit and Governance Committee requested senior management to provide an update to 18th September 2017 meeting on the progress made against the recommendations and for Internal Audit to provide independent assurance on the completion of the recommendations to 20th November 2017 meeting.

Scope

The objective of the audit was to follow-up the implementation of the agreed recommendations from the original audit to provide independent assurance that the necessary improvements have been made.

Risk Assurance – Not applicable

Control Assurance – Not applicable

Key Findings

The follow-up review highlighted that three recommendations have been completed which relate to the following:-

- **Recommendation 1** – Review and revise the purpose, terms of reference, completeness of the Risk Register and arrangements for strategic oversight of the service.
- **Recommendation 2** – Formally document and regularly maintain and review service conditions, specifications and variations to ensure contract completion.

- **Recommendation 3** – Implement a formal contract change process, reflecting past changes where practical, including an up to date Adopted Land Schedule.

The remaining four recommendations, which are detailed below, are progressing to resolution:

- **Recommendation 4** - Clarify currently undocumented contract charges and ensure that procedures are appropriate to demonstrate "good value for money".

Appropriate information has now been received from Amey to verify the capital expenditure relating to the annual charge for waste bins.

The City Improvement and Environment Manager is currently obtaining appropriate information to confirm quotes were obtained from Amey for two additional costs outside of the annual contract charge of approximately £7k to confirm they represented "good value for money".

- **Recommendation 5** - Implement an annually updated Service Plan, which documents key service delivery and in particular, costs, staff levels, fleet, health and safety, quality measurement, site locations and working methods.

Verbal confirmation was received from the Streetcare Contract Client Officer that the identified key service areas highlighted by Internal Audit will be included by Amey in their 2018 Service Delivery Plan.

- **Recommendation 6** - Review key performance indicators to include strategic, operational and quality related targets and sanctions for non-compliance.

Thirty three new key performance indicators including financial penalties for poor performance have been created and verbally agreed by Amey management. Council management are now seeking formal agreement including performance target levels for implementation for the start of the 2018-19 financial year.

- **Recommendation 7** - Implement appropriate arrangements to monitor / check and document performance.

Council monitoring of Amey performance through random inspections is in operation and has been documented. However, the summary results of these reviews are not reported to the bi-monthly Strategic Performance meeting, which could assist in the Council's overall assessment of Amey performance. In addition it may also be beneficial to obtain the results of Amey supervisory inspections on the work performed by their operatives.

The new key performance indicators have not yet been introduced and therefore Council officer checks on the results, which will be produced by Amey, are still to be determined.

Internal Audit confirmed that a health and safety risk, which was identified in the 2016-17 Streetcare Contract audit as absent from the shared Risk Register, has now been included within the key document.

Conclusion

It is pleasing to note that management have either implemented the recommendations raised by Internal Audit or are actively progressing the recommendations to resolution. Internal Audit therefore concludes that management are moving the control environment in the right direction to achieve a satisfactory position.