

Appendix A

Internal Audit

Progress Report 2015-16 – Quarter 3

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Contents

1. Introduction.....	3
2. Final Reports Issued.....	3
3. Key Findings from Internal Audit Work with No or Limited assurance	5
4. Advisory reviews for management purposes	51
5. Work in progress	58
6. Implementation of Internal Audit recommendations	59
7. Internal Audit effectiveness review.....	65
8. Changes to our plan.....	66
9. Risk Management.....	66

1. Introduction

The Internal Audit Plan was approved by the Audit Committee on the 30th April 2015. As previously requested by the Committee, this report covers audit reports with limited or no assurance which are summarised into key messages with some detail.

2. Final Reports Issued

This report covers the period from 1st October 2015 to 31st December 2015 and represents an up to date picture of the work in progress to that date. The Internal Audit service has over this period issued 15 reports as final in accordance with the 2015-16 Internal Audit Plan. In summary, the assurance ratings provided were as follows:

Substantial ✓✓✓	0
Satisfactory	8
Limited	3
No	2
N/A	2
Total	15

Table 1: 2015-16 work completed during quarter 3 including assurance levels		
Systems Audits		Assurance
1	Financial Assessments	Satisfactory
2	Shared Legal Service – Clienting and Governance	Satisfactory
3	Information Security Governance review	Satisfactory
4	Client Affairs	Limited
5	Accounts Payable	Limited
6	Procurement – Contract Procedure Rules (CPR) Compliance	Limited
7	Street Scene Operations Review	No
8	Better Care Fund (BCF) and Section 75 agreement review	No
Advisory Reviews		Assurance
9	Capital Development Pipeline	N/A
10	Data Quality - Face to Face Wait Times (CS1a & CS1b)	N/A
School Audits		Assurance
11	Northgate Pupil Referral Unit (PRU)	Satisfactory
12	Mathilda Marks Kennedy	Satisfactory

13	Trent	Satisfactory
14	St Catherine's	Satisfactory
15	St Mary's CE High	Satisfactory

The summary detail of those reports issued as Limited or No assurance is included within section 3.

3. Key Findings from Internal Audit Work with No or Limited assurance

Title	Street Scene Operations Review (Joint Internal Audit & CAFT review)
Audit Opinion	No Assurance
Date of report:	November 2015
Background & Context	<p>An audit was undertaken to confirm the adequacy and effectiveness of HR, Fleet Management, Waste and Recycling, Trade Waste and depot management processes.</p> <p>Recent CAFT investigations have been undertaken of which relevant findings were included within this report where appropriate.</p>
Summary of Findings	<p>There are 6 priority one and 6 priority two recommendations.</p> <p>The following issues, in order of significance, were noted:</p> <p>1. Recruitment - Conflicts of interest. Control processes to ensure the identification of personal relationships, close relatives and other potential conflicts of interest in relation to recruitment exercises were inadequate and ineffective. Instances were noted where interviewers had interviewed close relatives as defined in the Staff Code of Conduct. (Priority 1)</p> <p>2. Workforce Management – Governance arrangements (Priority 1)</p> <ul style="list-style-type: none"> ○ Instances were noted where there was no evidence of documented policies / procedures governing key processes. For example, there were no formal documented policies/procedures evident for the collection of side waste, the use of fuel pumps on site and fuel key management. ○ We found a lack of awareness of workforce policies by staff. ○ Records of appraisals recorded on HR Core indicated that appraisers had appraised close relatives as defined in the Staff Code of Conduct (see also recommendation 1).

Title	Street Scene Operations Review <i>(Joint Internal Audit & CAFT review)</i>
	<ul style="list-style-type: none"> ○ There were a significant number of instances where records of “Return to Work” interviews with sickness details and actions were not recorded on HR Core or scanned and sent to HR for central review and scrutiny. ○ Where staff had requested annual leave that had been refused due to a lack of alternative staff being available, we noted instances of the requesting officer then calling in sick. ○ We found weaknesses in the record keeping of senior management approval of workforce related decisions. ○ There was a lack of transparent approval or recording of training needs and subsequent attendance at training courses. ○ There were inconsistencies between local HR paper files held within Street Scene and what has been recorded centrally in HR Core. ○ Overtime payments in the Waste and Recycling Service and the overtime earned as a percentage of pay for 2 officers, potentially ‘close relatives’ as defined in the Staff Code of Conduct, were considered inappropriately high. <p>3. Risk of illicit payments. Control processes for identifying any non-compliant behaviour of waste operatives on waste collection routes were inadequate. Pro-active reviews of CCTV vehicle camera recordings were not done. In addition there was limited rotation of operatives on waste collection routes allowing the potential to develop arrangements with businesses for illicit payments. (Priority 1)</p> <p>4. Trade and residential waste - Refuse vehicle tracker monitoring. Control processes for identifying out of borough movements of refuse vehicles were inadequate. Pro-active reviews of related reports were not done. (Priority 1)</p> <p>5. Council fleet vehicles - Mileage / fuel usage records and monitoring. Mileage reporting and review processes were inadequate for identifying any misuse of council vehicles for private purposes other than travel between home and the workplace. (Priority 1)</p>

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	<p>6. Mill Hill depot site security – The CCTV system in operation at the site was not fully operational. 8 of the 32 cameras covering the site were not working when we undertook a site visit on 2/10/2015. We were also informed that night vision was poor rendering the system ineffective in the dark. There were no arrangements for the identification of people or physical inspection of vehicles entering/leaving the site to mitigate the risk of theft or other criminal activity. (Priority 1)</p> <p>7. Side waste policy – We were provided with a Memo governing the process for the identification of side waste but this was not dated or subject to version control as we would have expected for a formally approved key procedure. The Memo was also not considered complete in our view as it did not define the approach for ensuring that excess waste was charged promptly. (Priority 2)</p> <p>8. Policies and procedures – staff use of all Council fleet vehicles The Drivers Handbook setting out the policy in relation to the personal/private use of Council fleet vehicles by staff was not clear as to when vehicles could be used for private purposes. The approach being adopted is inconsistent across the service. (Priority 2)</p> <p>9. PAYE for taxable benefit from private use of Council fleet vehicles - HR confirmed that Street Scene employees' PAYE calculations did not take into account the taxable benefit associated with the private use of vehicles which could lead to a potential liability to HMRC. HMRC guidance suggested that officers using vehicles for private travel between home and work are liable for PAYE on this benefit. (Priority 2)</p> <p>10. Policies and procedures – staff use of all Council fleet vehicles - There was no formal documented policy or procedure governing the use of the fuel pumps and fuel key operation. (Priority 2)</p> <p>11. Trade Waste Market share - The methodology for the calculation of the Council's share of the trade waste market being 30% was considered suitable. However, the percentage was considered low when compared to other boroughs and we were informed that there were plans to embed a process to improve market share involving Enforcement officers. (Priority 2)</p>

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	<p>12. Trade Waste Invoicing Follow-up – The follow-up of a recommendation made in March 2015 was considered partly implemented. Our sample test confirmed that there were no errors within our sample but records of checks to ensure the accuracy of invoices in line with agreements were not retained for referral as per the original recommendation. (Priority 2)</p>		
Priority 1 recommendations, management responses and agreed action dates			
1. Recruitment - conflicts of interest			
Recommendation	Management Response	Responsible Officer	Deadline
<p>a) CSG HR officers should review returned job application forms to identify, communicate and address any interest or close relatives declared on application forms. The action should ensure that the interview and evaluation panel is structured to ensure an unbiased objective assessment of the candidate for the role in line with the Employment of Relatives policy paragraph 2.1.</p>	<p>a. Agreed. This requires the introduction of a new process which CSG will introduce and pilot for a 2 year period. During that time the impact of the additional control will be monitored and the results after the pilot will be brought back to Audit Committee.</p>	<p>Human Resources Director Customer and Support Group(Capita)</p>	<p>February 2016</p>
<p>b) The Staff Code of Conduct should be updated to require officers involved in the interview, evaluation and selection of candidates to formally complete a recruitment declaration of interest form, for example in relation to “close</p>	<p>b. Agreed. The wording within the Code of Conduct will also be clarified around relationships.</p>	<p>Human Resources Director Customer and Support Group(Capita)</p>	<p>February 2016</p>

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<p>relatives” as defined, similar to the requirement at paragraph 9.10 of the Code of Conduct to complete a procurement declaration of interest form at the start of each procurement exercise.</p>			
<p>c) The recruitment declaration of interest form should formally record/confirm the existence or non-existence of conflicts which could compromise objective selection of a candidate, for example, where the candidate is a “close relative” as defined. This would prevent the lack of awareness of policy being raised as a defence for not declaring interests where necessary.</p>	<p>c. Agreed.</p>	<p>Human Resources Director Customer and Support Group(Capita)</p>	<p>February 2016</p>
<p>d) The relevant Assistant Director / Director should sign off the declaration as evidence of appropriate review.</p>	<p>d. Agreed. HR to devise a summary recruitment form which includes names of the members of the interview panel, declaration of no conflict of interest, who has been appointed and rejected. Reason for rejection to be included. Where a relationship has been declared the Director should sign off the declaration as evidence of appropriate review. The completed signed form to be scanned and sent to HR in Belfast.</p>	<p>Human Resources Director Customer and Support Group(Capita)</p>	<p>February 2016</p>

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2. Workforce Management – Governance Arrangements			
Recommendation	Management Response	Responsible Officer	Deadline
a) Policies and procedures governing key processes should be formally documented and communicated.	a. Agreed.	Human Resources Director Customer Support (Capita) and Group	February 2016
b) Governance arrangements for Workforce Management in Street Scene should be reviewed and approval sought from the Workforce Board for the documented changes, for example, to ensure that appraisals and overtime authorisations are not undertaken by management who are close relatives of the relevant officer.	b. Agreed. Governance arrangements will be reviewed to ensure that, alongside recommendation 1 above, proper protocols are in place.	Street Scene Director	March 2016
c) All sickness should be recorded in Core and records of return to work interviews and related issues should be recorded in HR Core after each period of absence. Where this is not possible a corporate Return to Work form should be completed, scanned and sent to HR to be held on the employee's file.	c. Agreed. Return to work interviews will be recorded by scanning in copies of employer / employee signed returns for centrally held CSG HR records.	Street Scene Director	December 2015

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d) For workforce related decisions, records of approval for example, to attend training that could lead to an enhanced salary, should be retained for referral.	d. Agreed. HR will devise a corporate form which includes the workforce related decision, to record approval to attend training that could lead to an enhanced salary, and is counter signed by a Director or Assistant Director where there could be a conflict of interest. HR will update and amend the Post-Entry Training guidance to reflect this requirement.	Human Resources Director Customer and Support Group (Capita)	February 2016
e) Documented training needs assessments should be undertaken prior to officers attending training courses.	e. Agreed. Documented training needs assessments will be included on the HR Form as detailed in (d) above and should be undertaken prior to officers attending training courses and documented in mid-year and final year Appraisals.	Human Resources Director Customer and Support Group (Capita)	February 2016
f) A review of HR Records Management in Street Scene should be undertaken and local HR records held by Street Scene should be scanned and held centrally by CSG HR to avoid unnecessary duplication, inconsistency or lack of appropriate records.	f. Agreed. HR records will no longer be retained locally. Street Scene will scan the documents currently held locally and will provide them to CSG HR for retention on the appropriate employee files to enable timely access and retrieval of these documents as and when required.	Street Scene Director and Human Resources Director Customer and Support Group (Capita)	March 2016
g) The approach / policy for allowing overtime should be reviewed, updated	g. Agreed.	Human Resources Director	February 2016

Title		Street Scene Operations Review (Joint Internal Audit & CAFT review)	
	and communicated where necessary to ensure that it is only used in the appropriate circumstances where work genuinely required cannot be done during normal work hours.		Customer and Support Group (Capita)
h)	Instances where a period of sickness absence was taken after a request for annual leave was refused should be recorded as part of the Return to Work interview process and investigated further by line management as appropriate.	h. Agreed. The Return to work form and revised Sickness Policy will include reference to instances where a period of sickness absence was taken after a request for annual leave was refused and the need for this to be investigated further by line management as appropriate.	Human Resources Director Customer and Support Group (Capita) Return to Work form - February 2016 Sickness Policy - October 2016 (current estimate, dependent on Unified Reward)
3. Risk of Illicit Payments - Vehicle CCTV monitoring / Route rotation			
Recommendation	Management Response	Responsible Officer	Deadline
a) A process should be introduced and documented to review camera recordings pro-actively on a sample basis to ensure that cameras are operating correctly at all times and to identify non-compliant behaviour, such as accepting amounts for private collections from businesses with whom the Council does	a) Agreed – A process for correct positioning of cameras is already underway. A matrix of risk-assessed intelligent sampling will be introduced to ensure compliant operations.	Street Scene Director	March 2016

Title		Street Scene Operations Review (Joint Internal Audit & CAFT review)			
not have trade waste agreements or for identifying non-attendance at work.					
b) The 'Data Protection Council Vehicle Mounted CCTV, Vehicle Tracking and Electronic Data Management Systems Policy' should be updated, in conjunction with the Council's Data Protection team, to facilitate the use of such pro-active monitoring.		b) Agreed - The council's policy will be refreshed, consulted and communicated.	Head of Business Improvement and Contract Management	March 2016	
c) The procedure should also emphasize the implications of such misconduct and should be communicated to all refuse collection operatives as a deterrent to such misconduct.		c) Agreed – The policy will clearly reference the Council's conduct procedure as a deterrent.	Head of Business Improvement and Contract Management	March 2016	
d) Waste collection operatives should be rotated between collection crews periodically to prevent the development of rogue relationships with businesses on routes.		d) Agreed – A process for rotating waste collection operatives will be undertaken which ensures a balance between good customer service, knowledge of rounds and bin locations, as well as ensuring the prevention of rogue relationships.	Waste & Recycling Manager	February 2016	
4. Refuse vehicle tracker monitoring					
Recommendation		Management Response		Responsible Officer	Deadline

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a) A process should be introduced and documented to pro-actively review vehicle tracker output reports on a sample basis to ensure that tracking systems remain on/operational at all times and to identify and challenge potential non-compliant behaviour, such as leaving designated routes without authorisation.	a) Agreed – Tracker output reports will be produced on a regular basis to identify and challenge non-compliance. This will be documented and communicated.	Head of Business Improvement and Contract Management / Supervisors	January 2016	
b) The vehicle tracker reports and vehicle CCTV camera recordings should be used together to optimise pro-active monitoring of movements.	b) Agreed – Ref 3a above, risk-assessed intelligent sampling will be utilised alongside tracker output reports to pro-actively review vehicle movements.	Heads of Service / Supervisors	March 2016	
c) The procedure should also emphasize the implications of inappropriate conduct and should be communicated to all operatives as a deterrent to such unauthorised operation.	c) Agreed – The revised procedure will clearly reference the Council’s conduct procedure as a deterrent.	Head of Business Improvement and Contract Management	March 2016	
5. Mileage / fuel usage records and monitoring				
Recommendation	Management Response	Responsible Officer	Deadline	
The Delivery Unit should investigate the viability	Agreed - Tracking devices are fitted to the	Head of Business	January 2016	

Title		Street Scene Operations Review (Joint Internal Audit & CAFT review)		
<p>of fitting vans with trackers for a precise record of vehicle movements to allow for the more effective monitoring of private misuse of vehicles.</p> <p>Alternatively, arrangements should be introduced for more specific monitoring - on a random basis - of vehicle travel over controllable periods, reconciled to odometer readings and known distances between home and work to identify and challenge for gaps/discrepancies.</p>	<p>majority of council vehicles and will be fitted to all council vehicles inclusive of vans. There is an exception where vehicles are hired on a short term basis and fitting of trackers would not be financially viable. Vehicle mileages will also be monitored to ensure they are reconciled to known averages by type.</p>	<p>Improvement and Contract Management / Heads of Service</p>		
6. Risk Management (CCTV and Mill Hill depot site security)				
Recommendation	Management Response	Responsible Officer	Deadline	
a) The implementation of a fit for purpose CCTV system should be investigated as part of the move to the new site, planned in December 2016.	(a) Agreed. This requirement is part of the specification for the new site.	Head of Corporate Programmes, CSG	Implemented	
b) In the interim, the broken cameras should be repaired immediately to ensure that the entire site is visible during the day.	(b) Full repairs to the inoperable cameras have been scheduled to take place on 26th and 27th November 2015. This will also include a service to the DVR reader and monitor.	Acting Facilities Manager CAPITA Customer and Support Group	27/11/2015	
c) Security processes such as maintaining a physical presence at the fuel pump should be implemented in line with risks,	(c) It has now been implemented that Security carry out spot checks at the diesel pump to reduce risk of theft. This will be at sporadic	Acting Facilities Manager CAPITA Customer and	Implemented on 18/11/2015 and will	

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<p>for example the increased risk of theft of fuel when the pump is hidden from CCTV cameras by vehicles or not visible via CCTV due to poor light.</p>	<p>times including when the pump is not visible from the gatehouse.</p> <p>Security have increased their hourly patrols to every 30 minutes to improve visibility and to act as a deterrent. Just to add, the patrols that are carried out at night cover the whole Mill Hill Depot site and allow security to visit areas that are not clearly visible on camera.</p>	<p>Support Group</p>	<p>continue.</p> <p>Has been in operation since May 2012. Increased patrols from 18/11/2015</p>	
<p>d) Spot checks of people and vehicles entering and leaving the site should be introduced as should increased site patrols.</p>	<p>(d) Security will continue to carryout spot checks on site which will involve checking of visitors to the site. If ID is not displayed or supplied upon request then contact will be made with Service Managers. Security to be informed of any visitors prior to the visit.</p> <p>Spot checks will be undertaken on/in vehicles entering and leaving the site, for example, to identify illegal substances being brought on site or the theft of items being taken off-site.</p>	<p>Acting Facilities Manager CAPITA Customer and Support Group</p>	<p>Implemented on 18/11/2015 and will continue.</p> <p>23/11/2015</p>	