



RUTLAND COUNTY COUNCIL  
INTERNAL AUDIT UPDATE  
APRIL 2014

Date: 8<sup>th</sup> April 2014.

# BLUE BADGES

## EXECUTIVE SUMMARY

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### 1. INTERNAL AUDIT OPINION

The primary risk relating to the Blue Badge Service is that badges are issued to or used by individuals who are not entitled to them. There are also risks related to the handling of personal data that applicants are required to provide; and to the limited volume of income generated. An appropriate framework of controls operates to ensure that badges are issued only to legitimate persons and controls in respect of enforcement of proper use are consistent with the ambitions of the Service and the resources available: income is appropriately controlled. Testing found that the individuals to whom badges are issued meet eligibility criteria and that a consistent and appropriate approach is taken to cases of suspected badge abuse. However, while the Service's management have adopted policy on the period for which badge holders' personal data is to be retained, it is not clear that the period of retention specified (six years) can be justified: in addition the Auditor confirmed that personal data is currently being held for longer than the prescribed period. Testing also confirmed that databases are not updated on a timely basis in response to notices of badge holder deaths – this compromises information that might be used to investigate suspected frauds. It is, therefore, the Auditor's Opinion that the design and operation of controls provide only **Limited Assurance**. The audit was carried out in line with the scope set out in the approved Terms of Reference. Further information about the identification and analysis of controls; and the testing undertaken is shown as Appendices 1 and 2

The Opinion is based upon testing of the design of controls to manage the four risks about which the Client sought assurance and testing to confirm the extent of compliance with those controls as summarised below

Internal Audit Assurance Opinion		Direction of Travel				
Limited Assurance		N/A				
Risk		Design	Comply	Recommendations		
				H	M	L
Risk 1.	Badges issued to people not entitled.	Substantial	Substantial	0	0	0
Risk 2.	Badges being used by persons not entitled.	Substantial	Limited	0	1	0
Risk 3.	Inappropriate retention of personal data	Limited	No	1	0	0
Risk 4.	Income is not properly accounted for	Substantial	Substantial	0	0	0
Total Number of Recommendations				1	1	0

### 2. ISSUES REQUIRING MANAGEMENT ATTENTION

- Data Protection Legislation specifies that personal data must not be held for longer than can be justified on grounds of operational need. As Blue Badges are issued for three years, a policy of retaining data for six years appears excessive. The Service's managers must take advice and review the policy so that retention periods are not vulnerable to future challenge. As soon as an appropriate policy is in place, they must ensure the safe destruction of data that's been held for longer than the specified period [See Recommendation 1]
- The Council's Blue Badge database provides information required to support investigations into suspected abuse of badges. The audit established that the database is not being updated on a timely basis to reflect information received about deaths of badge holders or other changes of circumstances requiring the cancellation of a badge. Service management should consider setting, and monitoring performance against, targets for timely completion of updates. [See Recommendation 2]

- The “Tell Us Once” scheme offers an opportunity to improve the flow of relevant information about Badge holders: this should be recognised when consideration is given to the extent of the scheme’s application and support within the Team and the Directorate.

### **3. AREAS WHERE CONTROLS WORKED AS DESIGNED**

- Applications for Blue Badges are properly assessed for compliance with eligibility criteria
- The Service has developed a policy that sets out arrangements to prevent abuse and for enforcement that are consistent with resources available.
- Income is properly accounted for
- Personal data is held securely

### **4. LIMITATIONS TO THE SCOPE OF THE AUDIT**

- The Auditor’s work does not provide any guarantee against material errors, loss or fraud. It does not provide absolute assurance that material error; loss or fraud does not exist.

## ACTION PLAN

Risk 3: Inappropriate Retention of Personal Information							
Rec No.	ISSUE	RECOMMENDATION It is recommended that ...	Management Comments	Category	Officer Responsible	Due date	WP Ref
1	<p>The Service has a policy of retaining personal data for six years to facilitate the renewal of Blue Badges which are issued for three years. The retention period does not appear to be justifiable and might expose the Council to challenge under Data Protection legislation.</p> <p>There is an associated issue of data being held for longer than allowed under the policy which might give to a further challenge.</p>	<p>The Team Leader (Team 7)</p> <ul style="list-style-type: none"> <li>consults with the Head of Governance on an appropriate retention period for personal data relating to Blue Badge administration and draft a revised Service Retention Policy for endorsement by the Head of Service; and, following the endorsement of that Policy</li> <li>arranges for the secure shredding of all personal data held on paper for longer than the prescribed period</li> <li>arranges for the deletion of electronic records held for longer than the prescribed period</li> </ul>	<p><b>Accepted</b></p> <ol style="list-style-type: none"> <li>Action to be taken to dispose of non-current files (use of confidential waste sacks cleared by Head of Governance)</li> <li>Policy on period of retention and on disposal of data at the end of that period to be drafted once HoG produces corporate framework in 2014/15.</li> <li>Date of formal adoption of changes to Blue Badge Policy is outside Head of Services Control</li> </ol>	H	The Head of Service Vulnerable People	<p>(1) 31/3/14</p> <p>(2) 30/9/14</p> <p>(3) TBD</p>	03.01.03

**Risk 2: Badges being used by People not Entitled.**

2	<p>The Blue Badge database provides a record of all badges, issued by the County, that might legitimately be in use and it is a tool available when suspected badge abuse is investigated. The database should be updated promptly to reflect information received about deaths or changes to badge holders' status which requires/justifies the cancellation of badges.</p> <p>Testing established that only half of the sample of deceased Blue Badge holders received from the Registrars had been updated on the old or new database.</p>	<p>The Team Leader (Team 7)</p> <ul style="list-style-type: none"><li>• sets a target for completing weekly updates of database to reflect weekly information received from the Registrars Service</li><li>• sets a target for completing updates to reflect information received annually from the NFI exercise</li><li>• puts in place for monitoring performance against targets</li></ul>	<p><b>Accepted</b></p> <p>Team Leader will take action to make clear to the Team Administrator what is required in terms of updating databases and will monitor performance</p>	M	The Head of Service Vulnerable People	31/3/14	02.01.04
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# COUNCIL TAX – FRAUD RISKS 2013/14

## EXECUTIVE SUMMARY

### 1. INTERNAL AUDIT OPINION

The key fraud risks associated with the collection of Council Tax are that hereditaments are concealed to avoid billing; that false information is provided, or information is withheld for the purpose of obtaining a reduced tax liability; or employees of the Council manipulate financial records for their own benefit or to benefit an associate. In areas like Council tax where much of the fraud is external and relates to a deliberate failure on the part of taxpayers to withhold information or provide false information, there will always be a residual element of fraud which cannot be eliminated. However, the Revenues and Benefits Manager was able to demonstrate that an appropriate framework of controls has been designed to mitigate the specified fraud risks or identify where fraud has occurred and that the framework is being maintained and enhanced incrementally. However, testing found instances where controls did not operate to ensure that end dates were set and enforced for time-bounded discounts and disregards. It is, therefore, the Auditor's Opinion that the design and operation of controls provides **Sufficient Assurance**. The audit was carried out in line with the scope set out in the approved Audit Planning Record Appendices 1 and 2 summarise the controls identified during the audit and testing performed during the course of the audit.

The Opinion is based upon testing of the design of controls to manage the three risks about which the Client sought assurance and testing to confirm the extent of compliance with those controls as summarised below

Internal Audit Assurance Opinion	Direction of Travel				
Sufficient Assurance	N/A				
Risk	Design	Comply	Recommendations		
			H	M	L
Risk 1. Taxable hereditaments are concealed.	Sufficient Assurance	Sufficient Assurance	0	0	0
Risk 2. Use of false information to obtain discounts or reliefs	Substantial Assurance	Sufficient Assurance	0	0	0
Risk 3. Manipulation of financial data	Substantial Assurance	Substantial Assurance	0	0	1
Total Number of Recommendations			0	0	1

### 2. ISSUES REQUIRING MANAGEMENT ATTENTION

- Audit testing established that there had been delays in cancelling time-bounded discounts and that end dates had not been entered for all relevant discounts. The Revenues & Benefits Manager has taken action to integrate review activities into the Accounts Team Leader's work programme to ensure accuracy of records and the timely ending of time-bounded discounts.

### 3. AREAS WHERE CONTROLS WORKED AS DESIGNED

- There are effective arrangements to match Council Tax records against information captured by other Council services, or by partners, to ensure that all hereditaments are identified for billing purposes.
- There are appropriate arrangements for the review of discounts and disregards; and the Outside Inspector provides direct evidence to support determinations about discounts/disregards claimed and determined.
- A framework of IT and management controls operate to mitigate the risk of improper manipulation of financial data.

#### **4. EXAMPLES OF GOOD PRACTICE**

- The use of data matching has provided a cost-effective means of identifying claims for Single Person Discount that cannot be justified. The last exercise produced savings of £40,000.

#### **5. LIMITATIONS TO THE SCOPE OF THE AUDIT**

- The Auditor's work does not provide any guarantee against material errors, loss or fraud. It does not provide absolute assurance that material error; loss or fraud does not exist.

## ACTION PLAN

Risk 3: Manipulation of Financial Data						
Rec No.	ISSUE	RECOMMENDATION	Management Comments	Category	Officer Responsible	Due date
03.01.01	Currently refund payments cannot be generated directly from the Council Tax System. Instead, a file is downloaded from the System and used to produce a spreadsheet which is forwarded to the Exchequer Team, where it is modified to create a file that can be uploaded to Agresso. The accuracy of input is not checked by the Revenues & Benefits Team but all payments are authorised so significant errors e.g. £50 input as £50,000 should be identified.	Revenues & Benefits Manager considers the introduction of checks on the accuracy of refunds uploaded to Agresso.	Agreed	L	Assistant Director - Finance	<b>31.3.14</b>



# HR PROCEDURES

## EXECUTIVE SUMMARY

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### 1. INTERNAL AUDIT OPINION

The risks associated with HR Procedures and addressed by this assignment are that the HR function delivers poor advice to decision makers; and that proper HR processes are not followed consistently. The HR Team was able to demonstrate that an appropriate framework of controls has been put in place to ensure that HR policies satisfy current legal requirements; that decision makers are aware of those policies; and that the HR Team is engaged, on a timely and appropriate basis to support decision making. Testing confirmed that processes were followed for a sample of significant HR-related decisions. It is, therefore, the Auditor's Opinion that the design and operation of controls provides **Substantial Assurance**. The audit was carried out in line with the scope set out in the approved Audit Planning Record

The Opinion is based upon testing of the design of controls to manage the two risks about which the Client sought assurance and testing to confirm the extent of compliance with those controls as summarised below. Further information about the identification and analysis of controls; and the testing undertaken is shown as Appendices 1 and 2.

Internal Audit Assurance Opinion	Direction of Travel				
<b>Sufficient Assurance</b>	<b>N/A</b>				
Risk	Design	Comply	Recommendations		
			H	M	L
<b>Risk 1.</b> The HR function delivers poor advice to decision makers	Substantial	Substantial	0	0	0
<b>Risk 2.</b> Proper HR processes are not followed consistently	Substantial	Substantial	0	0	0
<b>Total Number of Recommendations</b>			<b>0</b>	<b>0</b>	<b>0</b>

### 2. ISSUES REQUIRING MANAGEMENT ATTENTION

- The findings of the audit gave rise to no material issues of concern and therefore no recommendations have been issued but management needs to recognise that
- Line Managers are responsible for identifying HR issues arising within their areas of responsibility and for seeking advice and support from the HR Team on a timely basis. HR Policies have been designed to make the timely engagement with the HR Team mandatory where a decision may have a material impact on an employee or the Council; and the Intranet and manager briefings have been used to develop Line Managers' awareness of relevant Policies. Plans are being developed to deliver further training in 2014/15.

### 3. AREAS WHERE CONTROLS WORKED AS DESIGNED

- An HR Policy Framework has been developed to identify the policies required for effective HR management and a timetable has been adopted to ensure that key policies are reviewed and updated on a timely basis.
- All HR Policies are subject to scrutiny by SMT, LJC and Employment & Appeals Committee before receiving Council approval.
- Contracts are in place to provide the HR Team with specialist legal and professional advice on demand.

### 4. LIMITATIONS TO THE SCOPE OF THE AUDIT

- The Auditor's work does not provide any guarantee against material errors, loss or fraud. It does not provide absolute assurance that material error; loss or fraud does not exist.

# INVESTMENTS


## EXECUTIVE SUMMARY

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### 1. INTERNAL AUDIT OPINION

The risks associated with Investments and addressed by this assignment are inappropriate investments; fraud; and breach of statutory reporting requirements. Officers responsible for the Council's Treasury Management activities were able to demonstrate that they have put in place, and maintain a framework of controls designed to assure that all Treasury Management transactions are legitimate and secure and that there are appropriate arrangements to ensure that statutory reporting requirements are satisfied. Testing identified no errors or instances of non-compliance with prescribed procedures. It is, therefore, the Auditor's Opinion that the design and operation of controls provides **Substantial Assurance**. The audit was carried out in line with the scope set out in the approved Audit Planning Record

The Opinion is based upon testing of the design of controls to manage the three risks about which the Client sought assurance and testing to confirm the extent of compliance with those controls as summarised below. Further information about the identification and analysis of controls; and the testing undertaken is shown as Appendices 1 and 2.

Internal Audit Assurance Opinion	Direction of Travel				
<b>Sufficient Assurance</b>					
Risk	Design	Comply	Recommendations		
			H	M	L
<b>Risk 1.</b> Inappropriate Investments	Substantial	Substantial	0	0	0
<b>Risk 2.</b> Fraud	Substantial	Substantial	0	0	0
<b>Risk 3.</b> Breach of statutory reporting requirements	Substantial	Substantial	0	0	0
<b>Total Number of Recommendations</b>			<b>0</b>	<b>0</b>	<b>0</b>

### 2. ISSUES REQUIRING MANAGEMENT ATTENTION

- The Auditor identified no issues requiring management attention

### 3. AREAS WHERE CONTROLS WORKED AS DESIGNED

- Controls operate to ensure that the Council deals only with appropriate counterparties; that the size and period of all investments is consistent with the Council's policy for prudent investment; and investments are recalled, together with any interest due, on the dates specified.
- Reports to Members in 2013/14 have satisfied reporting requirements.

### 4. LIMITATIONS TO THE SCOPE OF THE AUDIT

- The Auditor's work does not provide any guarantee against material errors, loss or fraud. It does not provide absolute assurance that material error; loss or fraud does not exist.

# TAXI LICENSING

## EXECUTIVE SUMMARY

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### 1. INTERNAL AUDIT OPINION

The purpose of the audit is to provide assurance that the shared service is delivering to the Council the anticipated level of resources and that those resources are applied effectively so that the Council meets its statutory obligations.

The risks associated with the Taxi Licensing Service about which assurance was sought are that agreed level of resources are not delivered by Peterborough City Council; licences are granted to applicants that do not satisfy the relevant conditions and the Council does not maximise income generated from taxi licensing activities.

The audit established that the Service has developed a control framework that acknowledges its limited resource base and reflects a customer-friendly approach to current and prospective clients. Appropriate arrangements are in place to secure the Service's limited income and the responsible manager is currently working to improve arrangements to monitor PCC's compliance with the agreement. However the Auditor established that current policy is for taxi drivers to receive reminder letters one month before the expiry of their annual licence. This period of notice does not leave sufficient time to complete DBS checks – where these are required – before expiry of licence. Testing found that two licences had been renewed before necessary checks had been completed: one taxi driver operated for a period of two months without the mandatory DBS checks. It is, therefore, the Auditor's Opinion that the design and operation of controls provides **Limited Assurance**. The audit was carried out in line with the scope set out in the approved Terms of Reference. The Opinion is based upon testing of the design of controls to manage the four risks about which the Client sought assurance and testing to confirm the extent of compliance with those controls as summarised below

Internal Audit Assurance Opinion	Direction of Travel				
<b>Limited Assurance</b>	Not Applicable				
Risk	Design	Comply	Recommendations		
			H	M	L
<b>Risk 1.</b> The shared service agreement doesn't deliver the agreed level of resources	Sufficient	Sufficient	0	0	0
<b>Risk 2.</b> Licensing and control arrangements do not ensure that licensed vehicles are roadworthy; meet regulatory requirements; and are properly equipped.	Sufficient	Sufficient	0	0	0
<b>Risk 3.</b> Licensing and control arrangements do not ensure that only fit and proper persons are licensed	Sufficient	Limited	1	1	0
<b>Risk 4.</b> Licensing and control arrangements do not provide assurance that private hire operators are complying with statute and regulations.	Sufficient	Sufficient	0	0	0
<b>Risk 5.</b> The Council does not maximise income generated from licensing activities.	Sufficient	Sufficient	0	0	0
Total Number of Recommendations			1	1	0

### 2. ISSUES REQUIRING MANAGEMENT ATTENTION

The findings of the audit gave rise to the following issues of concern:

- The Service's management has acknowledged that the Taxi Licensing Policy requires updating to codify the proper treatment of applications from other EU nationals. A policy update would allow for the development and communication of supplementary guidance on issues such as license suspensions and appeals. Once an updated policy has been adopted, there will be an

opportunity to share learning with Peterborough City Council about using the Council's website to communicate the Policy clearly and effectively. These issues are addressed in the Action Plan.

- The Council has adopted a policy on inspection and enforcement consistent with the level of resources available. Some use is made of the Licensing System's diary facility to prompt timely applications for license renewals but there have been instances of license holders beginning the renewal process too late to allow for renewal of vehicle insurances to be evidenced or for mandatory Disclosure and Barring Service checks to be completed before existing licenses expire. In such circumstances the Licensing Officer has exercised discretion to renew licenses before necessary documentation and in one case a taxi driver was licensed to operate for a period of two months without a valid DBS check. This issue is addressed in the Action Plan
- A Private Hire Operator licensed by the Council is subject to legal action by Aylesbury Vale Council because the Operator is responding to requests for service within that Council's boundaries. The Council has responded appropriately to all complaints received about the Operator from Aylesbury Vale and has found no evidence that the Operator has breached its licensing conditions.

### **3. LIMITATIONS TO THE SCOPE OF THE AUDIT**

- The Auditor's work does not provide any guarantee against material errors, loss or fraud. It does not provide absolute assurance that material error; loss or fraud does not exist.

## ACTION PLAN

Risk 3. Licensing and control arrangements do not ensure that only fit and proper persons are licensed							
Rec No.	ISSUE	RECOMMENDATION	Management Comments	Category	Officer Responsible	Due date	WP Ref
1	Taxi Licensing Policy is out of date and does not address the question of applicants by other EU citizens. Council's website contains sufficient information but lacks clear guidance on appeals process and guidance of evidence to be provided for other EU citizens.	<p>Senior Environmental Services Manager makes provision for the updating of policies and procedures in light of pending legislative changes so that:</p> <ul style="list-style-type: none"> <li>Guidance to applicants and licence holders is complete and accurate;</li> <li>There are clear and explicit policies for dealing with breaches of licence conditions;</li> <li>There are clear and explicit arrangements for dealing with applications for licences by other EU nationals</li> <li>The extent of the Licensing Officer's discretion is made explicit</li> </ul>	Agreed on 21/01/2014	M	SESM	31/07/14	02.01.01 02.02.02 02.03.01 02.05.01 03.02.01

Risk 3. Licensing and control arrangements do not ensure that only fit and proper persons are licensed							
Rec No.	ISSUE	RECOMMENDATION	Management Comments	Category	Officer Responsible	Due date	WP Ref
2	DBS checks provide some assurance that an applicant is a proper person the hold a driver's licence and there is a clear policy that all licence holders should have a current DBS check. Testing established that – because holders delayed the renewal of their licenses – discretion was exercised to renew licenses before new DBS checks had been completed and formal confirmation was obtained about the licensee's fitness to continue to hold a license.	<p>The Senior Environmental Services Manager establish a policy on the issue of renewal of license reminders which involves:</p> <ul style="list-style-type: none"> <li>the issue of reminders in time to allow for all necessary evidence to be obtained prior to expiry of existing licenses;</li> <li>a clear statement that licenses will not be renewed until all necessary evidence has been received</li> </ul>	<p>Agreed on 05/03/2014</p> <p>SESM to require changes in the arrangements for issuing reminders and the end to the practice of issuing licenses in advance of receipt of DBS check.</p>	H	SESM	30/06/14	03.03.02

Note     SESM Senior Environmental Services Manager