

<u>Committee and date</u>	<u>Item</u>
Audit Committee	Agenda Item 5 Management Report Highways Permits
1 March 2018	Public

MANAGEMENT REPORT – HIGHWAYS PERMITS

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1. Summary

1.1. The street works team/service has undergone rapid growth and expansion and has been very successful in the high profile generation of income, as well as being shortlisted for the 2017 Municipal Journal Team of the year. The team had grown significantly, new approaches to services were being undertaken that the Council had no prior experience and significant fines/prosecutions of utility providers were being undertaken. As a result, the Highways Transport and Environmental Manager requested in March 2017 that Audit colleagues undertake an Audit of the service. It was thought prudent to ensure that a review of the service was undertaken from a corporate governance issue. There was no underlying concern motivating the request.

1.2. The Audit was to provide assurance on the extent to which the following 11 management control objectives were being achieved: -

- There are policies and procedures in place which are in accordance with the statutory advice
- There are controls and procedures to reduce the disruption caused by highways works.
- The applications received for permits are approved and issued appropriately in accordance with procedures.
- The fines and penalties are issued consistently and in accordance with procedures.
- The income due from the issue of permits and fines is collected and recorded accurately and securely.
- There is appropriate reporting which is in accordance with statutory requirements.
- The service budget is monitored and fines and permits income is used in accordance with statutory requirements.
- Personal data is processed in a secure and controlled manner in line with internal policy and legislation.
- Overtime payments are appropriate, checked and authorised prior to payment.
- There are appropriate procedures in place for the operation of Annualised hours within the Team.
- There are appropriate procedures and processes in place in respect of recruitment within the Team.

1.3. Progress made against the recommendations for each of these objectives is given in section 6 below.

2. Recommendations

- 2.1. It is recommended that Audit revisit the Street Works team once all recommendations have been implemented to review and monitor the controls previously assessed and confirm that they are happy that the management control objectives are now being met satisfactorily.
- 2.2. Members are asked to consider and endorse with appropriate comment the contents of this report.

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3. Risk Assessment and Opportunities Appraisal

(NB This will include the following: Impact on Children and Vulnerable Adults, Risk Management, Human Rights, Equalities, Community and other Consultation)

- 3.1. Failure to address the recommendations made in the internal audit report will put the council at risk. However, numerous positive actions have already taken place, and as far as reasonably practical we are confident that the remaining outstanding recommendations will be resolved by the end of May 2018.
- 3.2. A follow up visit from Audit would satisfy the council that control measures have been reviewed and assessed as satisfactory, and therefore it is considered that the level of risk would be low.

4. Financial Implications

- 4.1. There are no cost implications of the above recommendations as they do not require any additional council expenditure.

5. Background

- 5.1. The audit took place in May 2017 and provided an assurance level to indicate the level of assurance that can be given based upon testing and evaluation of the system. There are four levels of assurance; Good, Reasonable, Limited and Unsatisfactory.
- 5.2. As a result of the evaluation and testing of the controls that were in place at the time of the audit in the areas examined, Audit Services gave the following assurance opinion:

Unsatisfactory	The system of control is weak and there is evidence of non-compliance with the controls that do exist.
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- 1.1. Audit recommendations are rated Fundamental, Significant, Requires Attention or Best Practice according to their level of priority. Implementation of these recommendations will serve to address the risks identified and enhance the procedures that are currently in place. The following table summarises the number of recommendations that were made in each category:

Total	Fundamental	Significant	Requires Attention	Best Practice
51	0	21	30	0

1.1. The review identified the following areas where appropriate management controls were in place and operating satisfactorily and, upon which, positive assurance can be given:

There is appropriate reporting which is in accordance with statutory requirements.

6. Additional Information

6.1. A summary of the recommendations made in relation to each of the management control objectives is given in the tables below in order to give assurance to the Audit Committee of progress made to date. These are split into those with a 'Significant' rating and those with a 'Requires Attention' rating.

6.1.1. Recommendations rated as 'Significant':

Management Control Objective	Number of Recommendations	Summary of Progress
There are policies and procedures in place which are in accordance with the statutory advice	2	<ul style="list-style-type: none"> • 1 implemented • 1 partially completed, request for an extension to May 2018
The applications received for permits are approved and issued appropriately in accordance with procedures	1	<ul style="list-style-type: none"> • Implemented
The fines and penalties are issued consistently and in accordance with procedures	4	<ul style="list-style-type: none"> • Implemented
The income due from the issue of permits and fines is collected and recorded accurately and securely	1	<ul style="list-style-type: none"> • Implemented
The service budget is monitored and fines and permits income is used in accordance with statutory requirements	2	<ul style="list-style-type: none"> • Implemented
Personal data is processed in a secure and controlled manner in line with internal policy and legislation	1	<ul style="list-style-type: none"> • Implemented
Overtime payments are appropriate, checked and authorised prior to payment	2	<ul style="list-style-type: none"> • Implemented
There are appropriate procedures in place for the operation of Annualised hours within the team	3	<ul style="list-style-type: none"> • Implemented
There are appropriate procedures and processes in place in respect of recruitment within the team	3	<ul style="list-style-type: none"> • Implemented
There are appropriate performance management processes in place to monitor staff performance and development	2	<ul style="list-style-type: none"> • Implemented

6.1.2. Of the 21 recommendations that were rated as 'Significant', 20 of these are now implemented. There is one remaining that is partially completed, with an extension request to May 2018 due to awaiting information from a third party.

6.1.3. Recommendations rated as 'Requires Attention':

Management Control Objective	Number of Recommendations	Summary of Progress
There are controls and procedures to reduce the disruption caused by highway works	1	<ul style="list-style-type: none"> Partially completed, request for an extension to March 2018
The applications received for permits are approved and issued appropriately in accordance with procedures	9	<ul style="list-style-type: none"> 4 Implemented 4 partially completed and on track for target implementation dates. 1 partially completed, request for an extension to May 2018.
The fines and penalties are issued consistently and in accordance with procedures	13	<ul style="list-style-type: none"> Implemented
The income due from the issue of permits and fines is collected and recorded accurately and securely	2	<ul style="list-style-type: none"> Implemented
Overtime payments are appropriate, checked and authorised prior to payment	2	<ul style="list-style-type: none"> Implemented
There are appropriate procedures and processes in place in respect of recruitment within the team	3	<ul style="list-style-type: none"> 2 Implemented 1 partially complete, request for an extension to March 2018

6.1.4. Of the 30 recommendations that were rated as 'Requires Attention', 23 of these are now implemented. There are 7 remaining that are partially completed, 4 of which are on track for their target implementation dates, and extensions are requested on the remaining 3 due to awaiting information from third parties.

7. Conclusions

7.1. Excellent progress has been made by the team in implementing the required processes and control measures in order to meet the requirements of the audit recommendations. In summary, the current status of the 51 recommendations are as follows:

Status	Number
Implemented	43
Partially Completed	8

7.2. The audit identified the headline management objectives that required improvement were in relation to permit application procedures and the issue of fines and penalties, with 27 of the 51 recommendations being in these areas. The team are thankful for the feedback received from audit and have welcomed the opportunity to enhance internal processes and procedures and create a more robust service.

7.3. The team have embraced the need for the new processes and measures to be put in place to improve the internal control environment, and have achieved a great deal in the 6 months since the audit report was received. It is evident that the progress made and processes implemented to date have significantly improved the controls that were originally assessed.

7.4. It should be noted that this service operates within a complex and legalistic framework, and does undertake active enforcement, prosecution and/or fines to utilities. The team has developed rapidly, and performance is high with national external recognition. However, this also requires the need for such a new service, working in the context of services that the council has no previous experience of delivering, to ensure that its systems and process and the council's governance of this Service is appropriate. Thus the reason the initial request was made, and the need for support in developing its internal systems and processes to ensure it can act effectively in its complex environment, but also to ensure the council has confidence in its activities and outcomes.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)
Internal Audit Report – Highways Permits – 2017/18
Cabinet Member (Portfolio Holder) Cllr Steven Davenport
Local Member All
Appendices