

Internal Audit Monitoring Report

Audit	Report status	Assurance
Commissioning – Ubico Contract Monitoring	Final	Satisfactory
<p>Overview and Key Findings</p> <p>Ubico is a local authority company limited by shares. Current shareholders are Cheltenham Borough Council and Cotswold District Council. It was created to deliver a range of complementary and integrated environmental services - primarily waste collection, street cleaning, green space and fleet management. Standards of service are specified in the contract between Cheltenham Borough Council and Ubico.</p> <p>The purpose of this review has been to establish that appropriate procedures are in place to monitor delivery of the contract by Ubico; to test that performance data provided by Ubico is accurate; to highlight any gaps in services provided to residents and to ensure that service budget savings identified in the bridging the gap process are delivered.</p> <p>With effect from 1st April 2013 a Gloucestershire Joint Waste Committee (GJWC) was established between the County Council and 3 district councils (including Cheltenham) to help deliver more efficient waste services by considering waste collection and disposal as a single system. It has been given delegated powers to make decisions concerning recycling, waste collection and street cleaning services. Amongst other things officers of the GJWC have taken on a monitoring, co-ordination and delivery improvement role for service delivery on these aspects of the Ubico contract and so reliance is placed on the GJWC, with appropriate overview from the Council, to monitor contract delivery.</p> <p>Processes and procedures have been established by the Council (and the GJWC) to monitor delivery of the Ubico contract. These are discussed in the body of the report. Procedures put in place are considered appropriate to monitor delivery of the contract.</p> <p>Some teething issues have been identified in the report with appropriate recommendations but officers are largely aware of these and progress is being made to resolve them. Ubico have been slow in providing full performance data as required under the terms of the contract but this should now have resolved itself as a performance analyst has recently been appointed by Ubico, part of whose responsibility will be the production of data to appropriate timescales. There have been concerns over alignment of the budgets on waste management but these are being progressed.</p> <p>Some recommendations are made in the report for consideration but these are not significant enough to affect the audit opinion given. Recommendations include checking the accuracy of performance data provided by Ubico (no checks have been undertaken) to ensure accurate information is provided; reviewing of performance indicators required under the contract to ensure they remain relevant and are used appropriately by the Council; reviewing procedures for relevant operational issues that arise to see they are handled as efficiently as possible; and considering if</p>		

information on monitoring work undertaken by the GJWC should be requested.

One further issue identified relates to the risk associated with Ubico's Waste and Recycling Manager. The officer will commence maternity leave in December and the Council should seek assurance that Ubico have appropriate arrangements in place to cover this key post in her absence.

Management Response

The report is welcomed as it has highlighted a number of issues with the current contract management arrangements. Given new roles and responsibilities arising from the establishment of Ubico and the Joint Waste Committee (joint waste team), it was inevitable that there would be teething problems. We are pleased with the performance of Ubico but we were already aware that there were some issues with the way in which we were reviewing performance. This report highlights the key issues and provides a useful framework as part of our ongoing dialogue with both Ubico and the joint waste team. The issues identified within the action plan are not major and we anticipate that by the end of the financial year the necessary actions will be put in place.

Cash Receipting	Final	Satisfactory
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Overview and Key Findings

The objective of this audit is to provide management with independent assurance that adequate and effective internal controls and procedures are operating in respect of cash receipting services. It is also to ensure that the processes in place meet the requirement of internal policy and procedural standards and to ensure that processes are meeting external codes of practice, professional good practice and appropriate regulation.

Cheltenham Borough Council (CBC) uses CIVICA as its corporate cash receipting system. A new web hosted version of CIVICA went live on 16th January 2013 after wide-ranging testing following a developed testing plan. With any major system change, there is a risk that the implemented modifications will have a knock-on effect on other integrated systems.

In this case, not all files were being exported from CIVICA correctly. This meant that all payments were not being loaded into the Planning and Car Parking systems resulting in delays in processing planning applications and erroneous "Notice to Owner" letters being produced. This issue came to light a month later when agents contacted the Council to query the progress of their planning application and customers rang asking why they had received letters chasing payment for parking offences which had been paid.

Audit were able to assist Planning and Car Parking with the production of reports from CIVICA to identify these payments and in the case of Car Parking, to devise a manual, daily working procedure to ensure that further notices were not issued where payments had been received. During the course of the audit, the matter was resolved with Parking and Planning receiving payments from all payment channels.

Regular reconciliation of income is crucial to ensure that all payments have been received and any discrepancies are identified promptly. Some of the business areas examined do not reconcile payments on their business systems to CIVICA on a daily

basis and in addition have not been performing regular reconciliations to ABW contrary to CBC's financial rules. In the above example a quick daily reconciliation to CIVICA would have identified the missing payments in addition to facilitating monthly income reconciliations to ABW.

Revised money laundering regulations came into effect in December 2007 and the Authority is required to ascertain a level of risk to money laundering in individual situations. The main aims of the regulations are to identify suspicious transactions and if a customer comes under investigation, that the Council can provide a precise audit trail. Through discussion with staff it was found that CBC's Money Laundering Policy has not been formally communicated to staff and as a result, not all staff with cash handling responsibilities are aware of the regulations and how they affect them.

The CIVICA system allows the provision of various payment channels and through this, greater flexibility for customers to pay. Multiple funds and methods of payments allow monies to be receipted accurately as well as providing a global analysis of payments made providing valuable information on payments trends. With the agreement of Civica, Cheltenham Borough Homes are also utilising the system to process payments for the CBH owned properties. As the system only produces one bank file, this means that the payments for CBH properties, which are identifiable as they have their own fund, subsequently have to be manually allocated to the CBH bank account. The scope for miss-posting errors occurring is minor as there are less than 100 of this type of property.

Cheltenham Borough Homes want to allow the tenants of Cheltenham Borough Homes properties to pay on-line. However, there is an issue at present whereby if a multiple payment is made, one of which is rent for a Cheltenham Borough Homes property and one is for a Cheltenham Borough Council charge, e.g. Council Tax, if it is processed as one transaction and will default to one merchant number only and which means that part of the payment will be detailed incorrectly on the customers bank statement. On a face-to-face basis this is managed by the cashiers who undertake two separate transactions. However, as customers are unlikely to undertake separate payments when paying for multiple services, the option to pay rent for Cheltenham Borough Homes properties online, is not being made available. Civica have been asked to provide a quote for a solution. Note this issue only relates to CBH owned properties and not to the Council's housing stock, the rent for which can be paid for on-line.

The Financial Rules state that budget holders are responsible for "*securing all income to safeguard against loss or theft and ensuring the security of cash handling*". Whilst procedures and processes in place minimise this risk, cheques received for the Planning Service are not immediately taken to cashiers for receipting. They are taken to the service area where they are manually receipted onto their business system beforehand which increases the chance of them being mislaid.

The roles of CBC's Income Collectors have changed since the new arrangement with APCOA who now have full responsibility for on-street parking. The Income Collectors now have maintenance responsibilities for the retained off-street parking machines in addition to their normal collections. This could cause an issue with segregation of duties however; there is a full audit trail of machine activities available which, if compared with approved fixes and modifications, would identify any unauthorised alterations.

Physical access to the cash halls is secure with access controlled via keypad or key stored in a secure key safe. Safes are kept out of the view of the public and insurance limits on amounts held are sufficient with safes used to store car park collections increased over bank holiday weekends. Insurance arrangements covering the collection, safekeeping and movement of monies was also adequate.

During testing, Audit found that there was one user of the CIVICA system who was no

longer employed by CBC or CBH. ICT confirmed that this user still had access to CBC's ICT network. Effective systems administration ensures that all users are set up with relevant access rights and users no longer needing access are removed. The CIVICA system is used by multiple service areas and it may not always be known by the CIVICA systems administrators that a member of staff has left. It is crucial that user access is reviewed on a regular basis to ensure that access is still required.

Compliance with PCI DSS (Payment Card Industry Data Security Standards) is essential for organisations taking credit and debit card payments. The CIVICA system version in use is compliant and the Customer and Support Services Manager ensures that a form is completed and signed by all Service Managers where the CIVICA system is used ensuring that they have security controls and processes in place to cover PCI DSS obligations.

Audit testing also covered the inspection of receipts given to customers for cash, cheque and card payments made at the offices and via the telephone and website. All were found to contain accurate and appropriate payment information. However, manual receipts being issued by the depot for some payments were not from an official, sequentially numbered receipt book.

The last internal audit report on Cash Receipting in September 2011 identified inconsistencies in the Council's approach to the application of credit card charges. The recommendation was to develop and implement a Credit Card Charging Policy which would ensure a consistent approach. A corporate policy has not yet been produced and testing has found that the inconsistencies in charge applications continue.

With regard to payments from petty cash, the Financial Rules clearly state that "*Payments from any such account shall be limited to minor individual items of expenditure up to a maximum of £50*". On examination of the reimbursements made a number of those exceeding the £50 limit are for the purchase of staff uniforms. It is essential that the Financial Rules are followed to ensure that payments made are for minor items of expenditure and do not exceed the £50 limit without the express permission of the Section 151 Officer. The testing also found 2 that contained amounts relating to travelling and subsistence which should not be paid out of petty cash accounts

Management Response

Findings and recommendations agreed

Car Parking	Final	Limited
<p>Overview and Key Findings</p> <p>The review of Car Parking was conducted in accordance with the 2013/2014 Audit Plan as approved by the Audit Committee in March 2013. The main objectives of the audit were focussed on:</p> <ul style="list-style-type: none"> • Operational, performance and risk management examining the internal controls in operation. • Processes are meeting the requirements of internal policy, procedural standards and targets. • Processes are meeting external codes of practice, professional good practice such as the British Parking Association's Code of Good Practice and statutory regulations 		

as laid out in the Traffic Management Act 2004.

- To review service method and delivery arrangements.
- Regent Arcade management including the use of Automatic Number Plate Recognition (ANPR) and enforcement.

Whilst Audit have looked at various areas, it has not been an exhaustive review and not all of the areas outlined in the brief have been covered. Audit would advise management to examine matters not included within the review.

Key legislation that regulates Car Parking by an Authority is the Road Traffic regulation Act 1984, the Traffic Management Act 2004 and the Civil Enforcement of Parking Contraventions (England).

The Car Parking service has been through a significant period of change with the transfer of on-street parking to APCOA and the retained off-street element moving to form part of the Public Protection service. This saw a reduction in resources and the loss of skilled car parking employees.

From audit testing and observation there are areas that require further progression and development:

Regent Arcade

- Formal review of the Regent Arcade project to include contract provisions and an assessment of the achievement of financial objectives.
- Enforcement of non-payment of parking fees. Current figures supplied of an average of 30 per day based on a stay of up to 3 hours would equate to a shortfall of £47,085 in a year. Confirmation is also required from Parkeon on which motorists are detected as non-payers.
- Other items left outstanding at the closedown of the Regent Arcade project.
- A review and update of Cheltenham Borough Council's Data Protection entry to encompass the use of ANPR technology.
- CCTV technology in car parks and the use of evidence from this for parking tribunal hearings and insurance claims.
- Adequacy, amount and positioning of car park signage.
- The quality of data obtained and the enforcement of non-payment for parking.
- Management, control and review of the "whitelist" and Blue Badge administration to include analysis of potential loss of income. Current figures show over 6000 whitelist entries entitled to free parking.
- Reconciliation of income from all payment channels and analysis of variances.
- Business continuity procedures in the event of full or partial system failure.

General

- Penalty Charge Notice wording review to ensure conformity with legislation in view of

recent parking adjudicator decisions.

- Procedures covering the waiving of PCN's ensuring compliance with Financial Rules.
- Insurance arrangements.
- Consistency and placement of signage.
- Issue, renewal, control and enforcement of permits.
- Reconciliation process and procedures for all car park income.
- Regular management reporting of car park income and key service performance indicators.
- Review of resources to ensure resilience of service provision.

The service is still in a period of transition following the transfer of Car Parking to Public Protection, the effect of resource changes to the retained off-street provision and residual, unresolved matters from the Regent Arcade project. A temporary project manager has recently been appointed in order to support progress on identified actions and to ensure that the operation and delivery of the car parking service is fit for purpose.

The overall conclusion is that the current assurance level for the service is "limited" but that work has commenced to tackle the issues that have been identified.

Management Response

Having recently acquired off street car parking this review was requested as an early intervention. The review challenged the service in great depth both strategically and operationally and has proved extremely beneficial as a comparator against the many issues we, as Heads of Service, have identified and which need addressing. We have worked diligently and taken swift action to address many of the items listed and will continue to work through our own comprehensive action plan to ensure we conclude with a service which is fit for purpose.

This Internal Audit report summary for Audit Committee has already been presented in a report for the Scrutiny Task Group ~ ICT Review held on the 18th December 2013.

Internal Audit Review of the Completion, Responses and Evidence to Support the PSN Submission

Background

1. As part of the documentation set issued by the Cabinet Office regarding PSN there was a document relating to the “zero tolerance” approach to the PSN Code of Connection. No remedial action plans or weak compliance positions would be allowed and assessment would be made to be either compliant or rejected.
2. By the time internal audit was asked to conduct this review, two full assessments had been conducted, both of which had asked for evidence of the risk assessment method in operation at the Council. RIS.1 *“Information Risk Management: The connecting organisation shall demonstrate a risk management and standards-based approach to the assurance of their connected network”*, was the condition that the Cabinet Office rejected previous submissions. Cheltenham Borough Council (CBC) declared that they had a *“corporate process that is based around CESG IAS 1 & 2”*. However, the evidence supplied related to CBC’s corporate risk register, risk management policy and ICT programme risk logs but these did not address the issue of information risk in the required format based on or around Information Assurance Standards 1 & 2 (IAS 1&2).
3. CBC subsequently engaged an independent, CESG approved security consultant to ensure that the Council complies with information risk management in accordance with IAS 1&2. However, the uncertainty surrounding the responses supplied in relation to information risk management created an element of doubt within the Cabinet Office on the integrity of the rest of the submission made by CBC.
4. The submission is a substantial range of questions (38 areas with multiple questions in each area), although not all were relevant to CBC.

Audit Objective & Process

5. The internal audit brief surrounded the evaluation of the evidence available to substantiate the “Supporting Evidence” statements made on CBC’s PSN Code of Connection (CoCo) submission. The methodology used was to take the guidance available from the Cabinet Office to assist in the PSN CoCo Submission completion and use this as a basis to test the CBC submission responses. In particular, we have used the sample of a completed Annex B which is produced in order for Local Authorities to aid their CoCo submission.
6. Details of the guidance provided can be found at <https://www.gov.uk/public-services-network>
7. The levels of evidence being requested were – as an example – where CBC state that users requesting the use of a USB memory stick will need to submit

a business case – we looked to see the business case and the process in place to ensure the correct authorisation channels were followed. We have also conducted our own testing as a system user by checking processes are in place when connecting via CBC’s wireless network and working from home as well as trying to amend PC anti-virus protection settings. We also checked that the IT Health Check was conducted by a company in one of the CESG recommended schemes and the output from these contained the recommended content to support CBC’s submission.

8. Table 1 sets out internal audit’s review of CBC’s CoCo submission responses where we were not able to initially confirm the response given and requested further evidence. On receipt of the evidence the question was then RAG rated to show where the control meets expectation (Green), partially met (Amber) or not met (Red) and includes a note where action is required by management.

Table 1

Area and question	RAG rating	Action required
Incident Response		
RES. 3	G	No
Configuration		
CON. 1	A	Yes
CON. 3	G	No
CON. 4	A	Yes
CON. 5	A	Yes
CON. 6	G	No
Compliance Checking		
CHE. 1	G	No
Patch Management		
PAT. 1	A	Yes
PAT. 2	G	No
Access Control		
ACC. 1	A	Yes
ACC. 2	A	Yes
Boundary Controls/Gateways		
BOU. 1	G	No

BOU. 6	G	No
Removeable Media		
MED. 1	A	Yes
Mobile / Home Working		
MOB. 1	A	Yes
Protective Monitoring		
PRO. 3	G	No
Email		
EMA. 1	G	No
Framework		
FRA. 2	G	No
Incident Management		
INC. 3	G	No
INC. 7	G	No

Summary

9. Internal audit gathered evidence to substantiate CBC's PSN CoCo submission statements. Where possible, internal audit also performed physical tests to ensure the information supplied was accurate. Internal audit have not found any instances of deliberately misleading information being provided however, submission responses needed to clearly reflect the working practices of the Authority at the time of the submission.

10. The IT consultant that assisted ICT with the issues surrounding information risk used the matters identified within the internal audit report to form part of the work completed prior to the new PSN CoCo submission. Internal audit will monitor the implementation of management responses and test where appropriate as set out in the terms of reference for the Security Working Group.

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