

**Agenda Item No:** 6 **Report No:** 125/115

**Report Title:** Interim Report on the Council's Systems of Internal Control 2015/16

**Report To:** Audit and Standards Committee **Date:** 28 September 2015

**Ward(s) Affected:** All

**Report By:** Head of Audit, Fraud and Procurement

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### **Purpose of Report:**

**To inform Councillors on the adequacy and effectiveness of the Council's systems of internal control during the first five months of 2015/16, and to summarise the work on which this opinion is based.**

### **Officers Recommendation(s):**

- 1 To note that the overall standards of internal control were satisfactory during the first five months of 2015/16 (as shown in Section 3).
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### **Reasons for Recommendations**

- 1 The remit of the Audit and Standards Committee includes the duties to agree an Annual Audit Plan and keep it under review, and to keep under review the probity and effectiveness of internal controls, both financial and operational, including the Council's arrangements for identifying and managing risk.

### **Information**

#### **2 Background**

- 2.1** The Chartered Institute of Public Finance and Accountancy (CIPFA) has, with the other governing bodies that set auditing standards for the various parts of the public sector, adopted a common set of Public Sector Internal Audit Standards (PSIAS) that apply from 1 April 2013. The Head of Audit, Fraud and Procurement (HAFP) advised the Audit and Standards Committee of the effect of the new standards at its March 2013 meeting.
- 2.2** The PSIAS 2013 specify the requirements for the reporting to the Audit and Standards Committee and senior management by HAFP. These requirements are met via a series of reports, including interim reports to each meeting of the Committee. Each interim report includes a review of the work undertaken by

Internal Audit compared to the annual programme, an opinion of HAFP on the internal control, risk management and governance environment at the Council, together with any significant risk exposures and control issues, in the period since the beginning of the financial year. Each interim report will contain an appendix that includes an outline of each of the final audit reports issued since the previous meeting of the Committee, and an appendix that outlines any significant recommendations that have not yet been implemented.

### 3 Internal Control Environment at Lewes District Council

3.1 The Annual Report on the Council's Systems of Internal Control for 2014/15 included the opinion of HAFP that the overall standards of internal control are satisfactory. This opinion was based on the work of Internal Audit and the Council's external auditors, BDO, and the Council's work on risk management. In the five months since the start of the financial year there has been nothing to cause that opinion to change and there have been no instances in which internal control issues created significant risks for Council activities or services.

### 4 Internal Audit work 2015/16

4.1 This section of the report summarises the work undertaken by Internal Audit during the first five months of the year, compared to the annual plan that was presented to the Audit and Standards Committee in March 2015. Further information on each of the audits completed since the previous meeting of the Committee is given at Appendix A.

4.2 Table 1 shows that a total of 278 audit days have been undertaken compared to 275 planned. The variance of three days is not significant at this stage.

Table 1: Plan audit days compared to actual audit days for April to August 2015

Audit Area	Actual audit days for the year 2014/15	Plan audit days for the year 2015/16	Actual audit days to date	Pro rata plan audit days to date
Main Systems	336	285	158	
Central Systems	25	50	16	
Departmental Systems	79	105	47	
Performance and Management Scrutiny	39	45	14	
Computer Audit	28	55	1	
Management Responsibilities/Unplanned Audits	176	127	42	
Total	683	667	278	275

Note: The 'Pro rata plan audit days to date' provides a broad guide to the resources required to carry out planned audits. The actual timing of the individual audits will depend on a variety of factors, including the workloads and other commitments in the departments to be audited.

4.3 From 1 January 2016, the Principal Audit Manager (PAM) will be taking flexible retirement. This will mean that his working days per week will reduce from five to three, resulting in a reduction of 20 planned audit days in the period up to the end of March 2016. The full year effect will be a reduction of 81 planned audit days in 2016/17. Discussions have been held with the Internal Audit Manager at Eastbourne BC who has agreed to work for the Council for the equivalent of one day per week, with the time spent on specific audit projects. HAFP and PAM will put in place revised oversight arrangements to ensure that there will be minimal impact from the reductions in Audit Manager days. This joint working will deliver

progress on shared services between the two councils, and will generate a saving of approximately £8,400 per annum.

- 4.4 Main Systems:** The testing of the major financial systems has been completed. The results provide assurance on the adequacy of internal controls for the Annual Governance Statement (AGS) and to inform BDO's work on the Council's accounts for 2014/15. A final report has been issued.
- 4.5** The summary report on the work to test the Council's subsidy claims for Benefits for 2013/14 has been finally issued. The priority work to test the Council's subsidy claims for Benefits for 2014/15 has been underway since late June 2015. Initial results have been passed to BDO for evaluation, and the need for additional testing in some areas has been identified.
- 4.6 Central Systems:** Final reports have been issued for the audits of Ethics and Building Control. The audit of Health and Safety from the 2014/15 programme is at the draft report stage, and the audit of Insurance is at the draft report stage.
- 4.7 Departmental Systems:** The initial work on the audit of Housing Management from the 2014/15 programme is completed, and feedback has been given to service managers; the second part of the audit will take place when Scheme Manager vacancies have been filled permanently. The final report from the audit of Trade Waste has been issued.
- 4.8 Performance and Management Scrutiny:** As part of planned work on Programme Nexus, the PAM was part of the officer group that has been evaluating the tenders for the systems comprising the New Service Delivery Model (NSDM). HAFP has been regularly involved as a member of the procurement team for the project.
- 4.9 Computer Audit:** Internal Audit completed the IT aspects of the testing of the main financial systems.
- 4.10 Management Responsibilities/Unplanned Audits:** This category provides resources for activities such as support for the Audit and Standards Committee, managing the Fraud Investigation Team, liaison with BDO, managing the Follow Up procedures, as well as for special projects or investigations.
- 4.11** Internal Audit has been coordinating the Council's response to the 2014/15 NFI data matching exercise. The base data was forwarded to the Audit Commission in October 2014 and the first reported matches for LDC were received on 29 January 2015. Further matches have been received, and there are now 1,568 matches detailed across 56 reports. Each report sets out different types of potential frauds among HB claimants, housing tenants, and anyone receiving payments or discounts from the Council. Council departments have nominated officers to investigate matches in their service area, and their initial work has been to analyse and assess the matches to weed out those that are the result of error, coincidence or entirely proper activity - 670 matches have been actioned, the majority related to payment procedures, with no instances of fraud so far identified. Any suspected cases of fraud would be passed to the Fraud Investigation Team.
- 4.12** Internal Audit and the Fraud Investigation Team have been working with departments to examine the controls over the Right to Buy (RTB) procedures, with the aim of improving the safeguards that help prevent possible RTB fraud. This is

unplanned work arising from guidance on a range of RTB frauds that have occurred in other authorities.

## **5 Follow up of Audit Recommendations**

- 5.1** All audit recommendations are followed up to determine whether control issues noted by the original audits have been resolved. The early focus for follow up in 2015/16 was on confirming the implementation of the recommendations that had been agreed in the previous year. The results of this work were reported to the June 2015 meeting of the Committee.

## **6 Quality Reviews/Customer Satisfaction Surveys/Performance Indicators (PIs)**

- 6.1** The results of the Internal Audit quality reviews, customer satisfaction surveys and PIs for 2015/16 were reported to the June 2015 meeting of the Audit and Standards Committee. The results enabled the HAFP to report that the Internal Audit service at Lewes is fully effective, is subject to satisfactory management oversight, achieves its aims, and objectives, and operates in accordance with the Internal Audit Strategy as approved by the Audit and Standards Committee.
- 6.2** Proposals for a revised set of PIs for Internal Audit were agreed at the September 2013 meeting of the Committee. The new PIs form the framework for the reporting on Internal Audit Benchmarking, and the results for 2014/15 are reported separately to this meeting of the Committee.

## **7 Combatting Fraud and Corruption**

### **Annual Report on the Council's work to combat Fraud and Corruption 2014/15**

- 7.1** The Annual Report on the Council's work to combat Fraud and Corruption 2014/15 is presented separately to this meeting of the Committee. Some of the issues outlined below are also covered in the Annual Report.
- 7.2** It should be noted that the reported statistics on fraud cases for 2014/15 and 2015/16 overlap in some areas because cases that began in the first year have been completed or closed in the second year.

### **Local developments**

- 7.3** There had been some uncertainty over the future of the Benefit Fraud Investigation Team. CMT agreed a business case for the Investigation Team to work as part of Internal Audit from 1 November 2014 and from that date the team has been working on the prevention and detection of fraud across additional areas of Council services including tenancy fraud and business rates (NDR) fraud. Each interim report to the Committee contains a summary of the team's work (see 7.7 -7.9).
- 7.4** The Investigation Team will maintain its memberships of the East Sussex Fraud Officers Group (ESFOG) and the Sussex Tenancy Fraud Forum (TFF), bodies that enable information sharing and joint initiatives with neighbouring authorities on a wide range of counter fraud work.
- 7.5** A sub group of six authorities within ESFOG, including LDC, is developing a 'Hub' approach to coordinating new anti-fraud initiatives across East Sussex and Brighton. The Hub is managed by officers at Eastbourne BC with input from

ESFOG partners, and the initial stages have seen a programme of standardised training and planning, and trials of case management systems.

- 7.6** Work on cases in the separate Hub authorities will continue to take priority, but increasingly activities are being coordinated to help in the development of joint approaches to common issues. For example, LDC has been leading on aspects of tenancy fraud; Eastbourne BC is leading on Right to Buy (RTB) fraud; LDC is developing the approach to business rate fraud on industrial estates, and Eastbourne BC is leading on business rates in the charity sector. Successful developments are shared with Hub partners via ESFOG.

### **LDC Investigation Team**

- 7.7** During 2015/16, the team's work on countering tenancy fraud has focused on developing the case referral arrangements with officers in Housing Services, advising on controls over housing applications, and investigating the reported cases of suspected fraud. Six suspected cases of tenancy fraud are currently being investigated. One abandoned property has been returned to the housing stock as a result of successful investigations. One further case of abandonment was proven but the tenant declared an intention to return and was allowed to keep the property. Dealing fully with cases of property abandonment is a key part of the work to return unused properties to the housing stock, although abandonment is not strictly fraud under the Prevention of Social Housing Fraud Act 2013.
- 7.8** Internal Audit has in place an agreement with DWP for the management of cases of HB fraud. The team works with local DWP officers to help ensure efficient operation of the processes covered by the agreement. The major work on each HB case will be the responsibility of the national Single Fraud Investigation Service (SFIS), but LDC retains a role in referring cases of suspected HB fraud to SFIS and handling requests for information. A total of 69 HB cases have been passed to SFIS since April 2015, and 36 information requests have been actioned. This liaison work with DWP/SFIS currently takes up, on average, 20 – 25% of the team's time, and therefore HB cases have continued to represent a significant activity for the team.
- 7.9** LDC retains responsibility for dealing with the cases of suspected CT Reduction Scheme (CTRS) fraud that are often linked to HB cases, and administering the penalties for CTRS cases that are not subject to prosecution. There are currently 49 cases of suspected CTRS fraud under review, with seven cases having been proven and penalties administered.
- 7.10** NDR fraud is the current priority area for the team and, in early June 2015, the team attended training on counter fraud work for NDR in an exercise organised by the Hub. The team has been working with LDC officers in the Revenues team to set up a method to target areas of possible non-payment of business rates. Visits to an industrial estate in Lewes District have identified nine business premises not recorded on NDR and therefore not paying business rates – the results have been passed to the local team of the Valuation Office Agency (VOA) for assessment. Further visits to other industrial estates are scheduled.

## **8 Risk Management**

- 8.1** Cabinet approved the Risk Management Strategy in September 2003. Since then risk management at the Council has been developed via a series of action plans,

with the result that all the elements of the risk management framework set out in the strategy are in place and are maintained at best practice standards.

- 8.2** The risk management process has identified that most risks are mitigated by the effective operation of controls or other measures. However, there are some risks that are beyond its control, for example a major incident, a 'flu' pandemic, a downturn in the national economy or a major change in government policy or legislation. The Council has sound planning and response measures to mitigate the effects of such events, and continues to monitor risks and the effectiveness of controls. The overall satisfactory situation for risk management has helped to inform the opinion on the internal control environment.
- 8.3** In response to the Government's national deficit reduction plan, the Corporate Management Team (CMT) put in place a phased programme to make savings in the Council's budgets. The programme commenced in 2011/12 and has achieved each of its annual savings targets including £596,000 in 2014/15. The savings target for 2015/16 is £561,000, and will mainly derive from the structural changes in the Organisational Development programme and from the introduction of a 2% vacancy savings target. In delivering these savings, a budget will be retained to cover future changes in the back office service arrangements and to enhance the joint working initiative with Eastbourne Borough Council which will then deliver further savings in future years.
- 8.4** The system of management assurance (see Section 9) has confirmed the operation of controls and the absence of significant control issues during the period of the savings programme so far. HAFP will monitor the impact on the control environment of the Council's restructuring, and will liaise with managers who are working to ensure that the control environment keeps pace with these changes. This comment is reflected in the Annual Governance Statement (AGS) that is presented separately to this meeting of the Committee (see Section 10).
- 8.5** The Annual Report on Risk Management was presented to Cabinet at its March 2015 meeting. This report confirmed the strategic risks identified by CMT and the action plan for risk management for the year ahead.

## **9 System of management assurance**

- 9.1** The Council operates a management assurance system, which enabled senior officers to confirm the proper operation of internal controls, including compliance with the Constitution, in those services for which they were responsible in 2014/15. A joint statement by the Chief Finance Officer (Section 151) and Monitoring Officer confirmed that there were no significant governance issues for the Council in 2014/15 and there has been nothing in the first five months of the financial year to change these assessments.

## **10 Corporate governance**

- 10.1** In January 2015, HAFP reviewed the Council's Local Code of Corporate Governance, and concluded that the arrangements remain satisfactory and fit for purpose. These results were reported to the January 2015 meeting of the Committee.
- 10.2** The Council is required to produce an Annual Governance Statement (AGS), which outlines the main elements of the Council's governance arrangements and the

results of the annual review of the governance framework including the system of internal control. The AGS for 2014/15 is reported separately to this meeting of the Committee.

## 11 External assurance

11.1 The Government relies on external auditors to periodically review the work of the Council to make sure it is meeting its statutory obligations and performing well in its services. The results of these external reviews have helped inform the opinion on the internal control environment. The recent results are summarised below.

11.2 Annual Audit Letter for 2013/14 (October 2014) – This report summarises the key issues from the work carried out by BDO during the year, and was presented to the December 2014 meeting of the Committee. The key issues were:

- BDO issued an unqualified true and fair opinion on the financial statements for 2013/14.
- BDO identified three misstatements in relation to revaluations of land and buildings and the accounting for the value of additions to HRA Council dwellings. Appropriate amendments were made to the financial statements. As these corrections relate to capital transactions and valuations there was no impact on the General Fund or HRA balance.
- BDO did not identify any significant deficiencies in internal controls but, working with Internal Audit, BDO observed instances where purchase orders were either in excess of the officer's formal authorisation limits or were placed by officers not on the authorised signatory list. Management has agreed to review and strengthen this control.
- BDO were satisfied that the Council has robust systems and processes to manage financial risks and opportunities effectively and to secure a stable financial position that enables it to continue to operate for the foreseeable future, and BDO therefore issued an unqualified value for money conclusion.
- BDO noted that the Council maintains healthy levels of earmarked reserves and balances, and Members have agreed a policy to use reserves to fund investments and non-recurring expenditure.
- BDO were satisfied that the Annual Governance Statement (AGS) was not inconsistent or misleading with other information they were aware of from the audit of the financial statements and complies with '*Delivering Good Governance in Local Government*' (CIPFA/Solace).
- BDO noted that the Council's Whole of Government Accounts (WGA) submission is below the threshold for audit and they were required only to review the total amounts in the Data Collection Tool for property, plant and equipment and for the net pension liability. BDO reported that the values in the Data Collection Tool were consistent with the audited financial statements.
- The Medium Term Financial Strategy was updated during the year and Members continue to consider options for achieving additional savings, with these likely to arise from the continued organisational development process and Programme Nexus.
- BDO have completed their review of the Housing Pooled Capital Receipts 2013/14 and have no matters to report.
- BDO reported on the results of the most recent grant claims and returns certification report that covered three returns for 2012/13 amounting to £67 million. The Housing Pooled Capital Receipts return and National Non Domestic Rates returns were certified without amendment or qualification.

The BDO audit of the Housing and Council Tax Benefits subsidy claim for 2012/13 found a number of errors in processing. Following further discussion and the provision of additional supporting information by the Council, DWP amended its assessment of the impact on the claim and made a deduction of approximately £4,000 from the final settlement.

**11.3** Grant Claims and Returns Certification for year ended 31 March 2014 (March 2015). The report was presented to the March 2015 meeting of the Committee. The key points were:

- The audit found errors in the administration of benefits involving non-HRA rent rebates, HRA rent rebates and rent allowances. The Council had already recognised the issues in the administration of benefits, and a review of the management and control structures was carried out in the summer of 2014. The Council believes that the results for the second half of 2014/15 will show material improvements from those that were the subject of the BDO report.
- The audit identified deficiencies in the Council's systems and controls around the identification of uncashed payments, and the writing back of these within the subsidy form. The Council will work with BDO to identify and put in place systems and processes that alleviate the weaknesses identified.
- As a result of the errors found in administering benefits, BDO qualified the claim across all benefit expenditure types. The additional work required to be completed by the Council and BDO meant that the audited claim was submitted to DWP two months after the deadline date.
- BDO and the Council will agree a timetable for completing the work on the next subsidy claim to assist both parties in planning and completing the audit on a timely basis.
- The certification of the returns for the Pooling of Housing Capital Receipts was completed satisfactorily, and the claim was submitted as unqualified and without amendment.

## **12 Financial Appraisal**

**12.1** There are no additional financial implications from this report.

## **13 Sustainability Implications**

**13.1** I have not completed the Sustainability Implications Questionnaire as this report is exempt from the requirement because it is an internal monitoring report.

## **14 Risk Management Implications**

**14.1** If the Audit and Standards Committee does not ensure proper oversight of the adequacy and effectiveness of the Council's systems of internal control there is a risk that key aspects of the Council's control arrangements may not comply with best practice.

## **15 Legal Implications**

**15.1** There are no legal implications arising from this report.



## **16 Equality Screening**

**16.1** This report is for information only and involves no key decisions. Therefore, screening for equality impacts is not required.

## **17 Background Papers**

[Strategic Audit Plan 2015 to 2018](#)

## **18 Appendices**

**18.1 Appendix A:** Statement of Internal Audit work and key issues.

**18.2** There is no Log of Significant Outstanding Recommendations (normally Appendix B) for this report.

## **APPENDIX A**

### **Statement of Internal Audit work and key issues**

#### **Audit report: Benefit Subsidy Claim 2013/14**

**Date of final issue: 24 August 2015**

#### **Main points:**

Internal Audit carried out the annual testing of the Benefits subsidy claim for 2013/14. This testing was undertaken in liaison with the external auditors BDO, who were working on behalf of the Audit Commission and the Department of Work and Pensions (DWP).

The overall value of the subsidy claim for 2013/14 was approximately £35.6 million (2012/13 – £43.1 million), across more than 7,700 individual claims (2012/13 - 17,400). The decrease is as a result of approximately 9,800 Council Tax Benefit cases being included in the previous year's subsidy claim, and which are no longer part of the claim as they are now within the local Council Tax Reduction Scheme (CTRS).

The testing was conducted in accordance with BDO instructions, using workbooks supplied by the Audit Commission, and was subject to compliance checks by BDO staff. Managers in Revenues and Benefits examined the cases highlighted by the testing, described the handling of each case and provided answers to Internal Audit queries. This report summarises the outcome of the joint Internal Audit/BDO exercise to verify the HB subsidy claim. The report contains no recommendations.

#### **Initial testing and review**

The Internal Audit testing work on the 2013/14 HB subsidy claim was planned and scheduled in accordance with the previous arrangements agreed with BDO managers. The initial testing of 60 individual claims highlighted a number of errors in administering benefit and calculating subsidy entitlement. The issues mainly involved the incorrect recording of information such as the claimant's income, type and size of property, composition of household, and classification of overpayments. Where errors cannot be considered isolated, the Audit Commission requires that additional samples of 40 cases are selected and reviewed for similar error attributes.

During the planning of this additional work the BDO manager left the company, and another BDO manager was assigned to complete the audit of the subsidy claim. This break in continuity, plus the range of claim errors and issues that needed to be examined, delayed the testing programme. In order to ensure a satisfactory outcome to the exercise, Internal Audit agreed to all requests for the additional testing required to assess the impact of the errors noted.

During the period October 2014 to January 2015, Internal Audit and BDO reviewed a total of 377 benefit cases (including the initial sample of 60 cases). This significant extra testing, and the detailed review of the test results by BDO staff, delayed completion of the audit and submission of the claim. BDO submitted the audited claim, qualified across all benefit subsidy expenditure types, on 11 February 2015.

## **Reported results and subsequent actions**

In its report to the Audit and Standards Committee on 16 March 2015, BDO recommended that the Council should review the processes for administering benefits to ensure that accuracy of recorded data. The Council's response was that it had already recognised the issues in the administration of HB in 2013/14 and early 2014/15, and had carried out a review of the management and control structures in the summer of 2014. The results were significant changes in the management arrangements in Revenues and Benefits in August 2014. No further action was proposed.

In response to the BDO comments in respect of uncashed payments, the Council agreed to work with BDO in a review its processes for identifying and accounting these transactions. Internal Audit can confirm that the Council has adopted the processes recommended by BDO for the preparation of the subsidy claim for 2014/15.

To assist in improving the timeliness of completing its work, BDO proposed that it would agree a timetable for the subsidy claim audit at least two months in advance of starting the work. Internal Audit and the BDO manager met on 15 June 2015 to agree an outline timetable and review the joint working methods. In accordance with the agreed approach, Internal Audit began its work on the 2014/15 subsidy claim on 16 June 2015.

## **Final outcomes**

The Department of Work and Pensions (DWP) considered the audited claim for 2013/14 and the associated letter of qualification. On 19 May 2015, DWP advised that the claim was acceptable to the Department, with no outstanding issues and, at £35,597,523, included a small adjustment of £7,407 in the Council's favour.

## **Audit report: Key Financial Systems 2014/15**

**Date of final issue: 27 August 2015**

### **Overall opinion:**

The audit has confirmed that procedures and controls within the Council's key financial systems are operating to a reasonable standard in most respects. The audit has not identified any significant control issues that will have an impact on the Council's main accounts. In a small number of cases the controls over ordering and the receiving of goods and services have not operated as intended, or are not operated consistently across the Council. Similarly, the Council's rules covering the authorisation of payroll transactions and the reimbursement of the costs of official travel have not been applied in all cases.

These issues reflect a situation in which lists of authorised signatories and the operation of other controls appear unable to keep pace with changes in staffing and officers' responsibilities. These issues are not considered likely to have a material effect on the integrity of the main accounts, but the issues should be addressed either by the correct operation of the planned controls or by the operation of other

compensatory controls that are put in place.

This review, which supplements the other work of Internal Audit, enables the Head of Audit, Fraud and Procurement to form an opinion on the Council's control environment for the purposes of the Annual Governance Statement (AGS). BDO uses the results of this review to gain assurance about the systems operated by the Council and the effectiveness of the controls that are applied.

## **Audit report: Trade Waste**

**Date of final issue: 7 September 2015**

### **Overall opinion**

From the audit work carried out during this review Internal Audit has obtained partial assurance that there is a sound system of internal control covering trade waste. Controls are in place and to an extent there is reasonable compliance. For example, regular collections of Trade Waste are made from almost 800 customers and the service earned a net surplus of over £200,000 in 2014/15. The charges set achieve a reasonable financial return, and service debtors are effectively followed up. However, there are gaps in the control processes which weaken the system. These control issues are not necessarily significant at the moment, but they need to be addressed in order to provide the right conditions to enable the Council to grow the Trade Waste business in future.

### **Main points:**

#### **Duty of care in the transfer of waste**

The Council is collecting waste from a large proportion of its Trade Waste customers without there being a valid Waste Transfer Note (WTN) in place. This is in contravention of the Council's duty of care under the Environmental Protection Act 1990. The likelihood of the Environment Agency taking action against the Council is slight, unless there were to be an accident or incident involving waste from a customer for which there is no valid WTN. It will be necessary to have in place effective procedures for the issue and follow up of WTNs ahead of the Council seeking to grow the business into other sectors.

#### **Customer records and charges**

Currently, there is not an integrated system for managing the service records and accounts for Trade Waste customers. The present arrangements are based on separate systems in Waste and Recycling and Finance and, in the absence of adequate reconciliation checks, these systems do not currently show the same number of customers for the Trade Waste service. It is not possible to consider new IT applications ahead of the decision on the major New Service Delivery Model (NSDM). Therefore, it will be necessary to devise an interim solution to the issues noted.

#### **Performance reporting and monitoring**

Internal Audit has been unable to identify performance monitoring in respect of the Trade Waste service. Also, current and proposed financial reporting arrangements do not/will not provide a detailed analysis of Trade Waste income and expenditure that can be used to monitor financial performance on a regular basis. Internal Audit

believes that it will be difficult to make judgements about the future direction, scope and structure of the service without detailed information of this kind.

### **Marketing of the Trade Waste service**

Currently there is no active marketing of the Trade Waste service, and the service collects waste from less than 25% of the registered businesses in the District. The Council has identified the growth potential of the service, and consideration is being given to the viability of possible commercial operations in this sector. In the interim, there would appear to be scope to grow the Trade Waste service within the District if that can be done efficiently and economically, and without adversely affecting the future plans for commercial operations.

### **Recycling of Trade Waste**

Currently, the Trade Waste service receives no financial benefit from the sales of the recyclates that it collects. If the Trade Waste service is planned to grow, and perhaps move into the collection of other recyclates (eg glass), then consideration needs to be given to the service receiving some financial credit for the sales.

### **Market comparisons**

Given the very competitive nature of the Commercial Trade Waste business, and the Council's desire to grow the business, it is important that pricing decisions take account of the charges levied by the Council's major competitors.