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Dacorum Borough Council
Final Internal Audit Report
Trees and Woodlands

September 2014

This report has been prepared on the basis of the limitations set out on page 17.

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Key Dates:

Date of fieldwork: May 2014

Date of draft report: June 2014

Receipt of responses: September 2014

Date of final report: September 2014

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1. Executive Summary

1.1. Background

As part of the Internal Audit programme for 2014/15, we have undertaken an audit of the Council's system of internal control in respect of Trees and Woodlands. This audit was initiated as a request from management to look at the operation of the service as concerns were expressed as to the effectiveness of the services being provided   The Trees and Woodlands team work can be categorised into 3 main sections; Highways trees; Parks and Woodlands; and Public Housing Land.

Highways trees come under the auspices of Herts County Council. Herts County Council allocates Dacorum Borough Council money in order to maintain Highway trees and trees on rights of ways such as bridleways.

Funding is received from Housing in relation to the Public Housing Land trees and in relation to the Park and Woodland Trees, this is funded through the Councils own General Fund Resources.

1.2. Audit Objective and Scope

The overall objective of this audit was to provide assurance over the adequacy and effectiveness of current controls over Trees and Woodlands, and provide guidance on how to improve the controls going forward.

In summary, the scope covered the following areas: Policies, Procedures and Legislation; Contract Arrangements; Ordering of work; Completion of Work; Payment of Contractor Invoices; Budget Monitoring; Performance Management and Performance Benchmarking.

1.3. Summary Assessment

Our audit of DBC's internal controls operating over Trees and Woodlands found that whilst there is a basically sound system of internal control design, there are weaknesses in design which may place some of the system objectives at risk. However, the level of non-compliance puts the system objectives at risk.

Our assessment in terms of the design of, and compliance with, the system of internal control covered is set out below:

Evaluation Assessment	Testing Assessment
Substantial	Limited

Management should be aware that our internal audit work was performed according to UK Public Sector Internal Audit Standards (PSIAS) which are different from audits performed in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. Similarly, the assurance gradings provided in our internal audit report are not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board.

Similarly, the assessment gradings provided in our internal audit report are not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board. The classifications of our audit assessments and priority ratings definitions for our recommendations are set out in more detail in Appendix A, whilst further analysis of the control environment over Trees and Woodlands is shown in Section 3.

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1.4. Key Findings

We have raised three priority 1 recommendations and six priority 2 recommendations where we believe there is scope for improvement within the control environment. These are set out below:

- A record of all the training that has been undertaken by members of the Trees and Woodlands team should be maintained and should be reviewed on a regular basis. (Priority 2).

- Procedural guidance notes should be in place to document the day to day processes that are carried out by the Trees and Woodlands team. (Priority 2).

- Contracts and Agreements between the Council and third party providers should be in place, and should be signed and sealed by both parties prior to the start date of the contract. (Priority 2)

- There should be a Service Level Agreement (SLA) in place between the Planning Department and the Trees and Woodlands Team. The SLA should include a specification of the services to be provided and a performance management framework. The SLA should be signed by both parties. (Priority 1)

- Spot checks of both Arborcare and Treelife's contracted work should be carried out on a monthly basis. A percentage of contractors previous months work to be checked should be agreed and the checks carried out. (Priority 2)

  Consideration should be given to the viability of a direct electronic link between the EzyTreev and Agresso system to allow for direct data transfer. (Priority 2)

- A monthly reconciliation between the EzyTreev system and Agresso should take place. This should be signed and dated by the officer who carried out the reconciliation and verified by an independent officer. (Priority 1)

- Performance Indicators relating specifically to the Trees and Woodlands team should be accurately recorded on Corvu and based on information from a valid source. (Priority 1)

- Benchmarking of the Trees and Woodlands Service should take place on a regular basis. (Priority 2)

Full details of the audit findings and recommendations are shown in Section 4 of the report

1.5. Management Response

We have received the management responses and have included them in our Final report.

1.6. Acknowledgement

We would like to take this opportunity to thank all staff involved for their time and co-operation during the course of this visit.

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2. Scope of Assignment

2.1. Objective

The overall objective of this audit was to provide assurance that the systems of control in respect of Trees and Woodlands, with regards the areas set out in section 2.3, are adequate and are being consistently applied.

2.2. Approach and Methodology

The following procedures were adopted to identify and assess risks and controls and thus enable us to recommend control improvements:

- discussions with key members of staff to ascertain the nature of the systems in operation;

- evaluation of the current systems of internal control through walk-through and other non- statistical sample testing;

- identification of control weaknesses and potential process improvement opportunities;

- discussion of our findings with management and further development of our recommendations; and

- Preparation and agreement of a draft report with the process owner.

2.3. Areas Covered

The audit was carried out to evaluate and test controls over the following areas:

- *Policies, Procedures and Legislation:*

  The Council has in place documented procedures to ensure staff within the Trees and Woodlands Team can carry out their duties effectively and in accordance with Council policy and legislative requirements. Staff within the Trees and Woodlands Team should receive appropriate training so that tasks are carried out in a consistent and safe manner.

- *Contract Arrangements:*

  There is in place a formal contract agreement between Client departments and the Trees and Woodlands Team, which specifies the work to be carried out. There is in place a formal contract between the Council and the contractor(s) for the provision of specified services. The contract should contain a specification of services to be provided, a framework as to how performance is to be measured, and a means of addressing poor performance.

- *Ordering of Work:*

  Procedures are in place for identifying the work to be carried out. Formal procedures are used to requisition work to be carried out by the contractor and orders are costed prior to issue to the contractor.

- *Completion of Work:*

  Procedures are in place to monitor the performance of the contractor in the completion of the specified work to the required standard and completion date. Where poor performance is identified, the contractor is notified in accordance with the terms and conditions of the contract. Where work is not completed to the required standard or timescale a rectification notice is issued if poor performance is not remedied through an escalation process..

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- *Payment of Contractors Invoices*:

  On completion of the work the contractor will submit an invoice. Procedures are in place to ensure that the work invoiced has been completed to the required standard and within the specified timescales. Invoices are appropriately authorised prior to payments being made. Payments to the contractor are made in accordance with the terms of the contract. Where poor performance is not rectified penalties are invoked as specified in the contract.

- *Budget Monitoring:*

  Robust procedures are in place for the monitoring of performance of actual income and expenditure against that contained in the budget for the service. Any significant variances are identified and investigated. All income and expenditure is accurately accounted for

- *Performance Management:*

  The performance of the Trees and Woodlands Team in performing their duties under the SLA is monitored and reported upon to the appropriate forum on a regular basis. Performance of income and expenditure against the budget is also reported upon on a regular basis.

- *Performance Benchmarking*:

  Procedures are in place to benchmark the services being provided by the Trees and Woodlands Team and any areas of good practice adopted where appropriate. Procedures are in place for determining if the services being provided meet the requirements of the client departments.

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3. Assessment of Control Environment

The following table sets out in summary the control objectives we have covered as part of this audit, our assessment of risk based on the adequacy of controls in place, the effectiveness of the controls tested and any resultant recommendations.

The classifications of our assessment of risk for the design and operation of controls are set out in more detail in Appendix A.

Control Objectives Assessed	Design of Controls	Operation of Controls	Recommendations Raised
Policies, Procedures and Legislation	✔ (green)	≈ (yellow)	**Recommendation 1& 2**
Contract Arrangements	≈ (yellow)	? (orange)	**Recommendation 3& 4**
Ordering of Work	✔ (green)	✔ (green)	
Completion of Work	✔ (green)	≈ (yellow)	**Recommendation 5**
Payment of Contractor invoices	≈ (yellow)	? (orange)	**Recommendation 6& 7**
Budget Monitoring	✔ (green)	✔ (green)	
Performance Management	✔ (green)	? (orange)	**Recommendation 8**
Performance Benchmarking	≈ (yellow)	≈ (yellow)	**Recommendation 9**

The classifications of our assessment of risk for the design and operation of controls are set out in more detail in Appendix A.

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4. Observations and Recommendations

Recommendation 1: Training records (Priority 2)

Recommendation
A record of all the training that has been undertaken by members of the Trees and Woodlands team should be maintained and should be reviewed on a regular basis.

Observation
Training records should be kept for every member of staff in order to help identify when refresher training is needed and to provide assurance to management that members within the team have the appropriate skills to be able to carry out their role effectively. The training records should include the training that each individual has completed, be it mandatory or discretionary, when / if the training is due to expire and when the next round of training is to be completed. Training should include items such as legislation updates and licence renewals i.e. for chain saws.
During the audit, it was identified that training records are not documented for each individual within the Trees and Woodlands team. However, from discussions with the Group Manager (Environmental Services) it was stated that a new corporate system called Entropy will be released to record training on.
Where the training and development records are not kept there is a risk that essential training is not carried out. Furthermore, there is also a risk that penalties may be invoked if legislative requirements are not met.

Responsibility
Group Manager (Environmental Services)

Management response / deadline
Agreed.
Will endeavour to compile a record of training prior to the implementation of the Entropy system.
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Recommendation 2: Guidance notes (Priority 2)

Recommendation
Procedural guidance notes should be in place to document the day to day processes that are carried out by the Trees and Woodlands team.

Observation
In order that members of staff within the Trees and Woodlands Team carry out their duties in a consistent and an effective manner procedures guidance notes should be in place and should be up to date. The procedures should be version controlled and should document the day to day processes that are in place within the team.   It was confirmed during the audit that there are currently no documented procedures in place that detail the operational duties that are carried out by the Tress and Woodlands Team in the provision of the service.   Where up to date procedural guidance is not available to staff there is a risk that incorrect / inconsistent procedures maybe followed. Furthermore, there is a risk that if a key member of staff leaves, processes may not be continued.

Responsibility
Group Manager (Environmental Services)

Management response / deadline
Agreed.   All staff to detail procedural activities which should be displayed manually in the office or on a shared drive.   March 2015

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Recommendation 3: Contracts should be signed (Priority 2)

Recommendation
Contracts and Agreements between the Council and third party providers should be in place and should be signed and sealed by both parties prior to the start date of the contract.
Observation
Herts County Council is ultimately responsible for all of the Highways and Rights of Ways (Footpaths, Bridleways etc.) in Hertfordshire. However, they outsource some of the work to the Borough Councils. Dacorum BC is responsible for the Trees on the Highways and on the Rights of Ways within the Borough. To manage this arrangement there are two separate agreements in place. In order for the agreements to be valid, they must be signed and sealed by both parties prior to the start of the contract.
Audit can confirm that in relation to the management of Public Rights of Way, the previous agreement expired on the 31st March 2014. It was noted that a new contract is in place which runs from 1st April 2014. However, it was confirmed that this contract was signed and sealed by both the Council and Herts CC in May 2014, after the work had commenced.
Where agreements and contracts are not signed in a timely manner there is a risk that if disputes arise they may not be easily resolved. In turn this could lead to a financial and reputational loss to the Council.
Responsibility
Group Manager (Environmental Services)
Management response / deadline
Agreed.
The delay in signing the Agency Agreements was due to a review in funding that resulted in an increase in the salary budget being applied. The delay did not have an adverse effect on service delivery and therefore did not give cause for concern.
Implemented

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Recommendation 4: Planning SLA (Priority 1)

Recommendation
There should be a Service Level Agreement (SLA) in place between the Planning Department and the Trees and Woodlands Team. The SLA should include a specification of the services to be provided and a performance management framework. The SLA should be signed by both parties.
Observation
The Trees and Woodlands Team provide a service to the Planning Department in relation to Tree Preservation Orders and Trees in conservation areas. The Planning Department send through a weekly list of Planning applications that require the attention of the Trees and Woodlands Team. A SLA should be in place to document an agreed service specification and performance management requirements in order to facilitate the effective management of the service to meet the clients needs.

During the audit it was confirmed that there is no formal agreement in place between the Planning and the Trees and Woodlands team.

Where there is no formal agreement in place between a client department and the Trees and Woodlands Team there is a risk that the value for money is not being provided and the needs of the client may not be met. In turn this could lead to financial and reputational loss to the authority. |
| **Responsibility** |
| Group Manager (Environmental Services) and Group Manager (Development Management and Planning) |
| **Management response / deadline** |
| Agreed.

Group Manager (Environmental Services) to arrange a meeting with Group Manager from Planning. The SLA needs to be driven by Planning as they are essentially the customer. The SLA will be produced within 6 month.

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Recommendation 5: Spot checks (Priority 2)

Recommendation
Spot checks of both Arborcare and Treelife's contracted work should be carried out on a monthly basis. A percentage of contractors previous months work to be checked should be agreed and the checks carried out.
Observation
Treelife and Arborcare are the external contractors who provide the Tree work on behalf of the Trees and Woodlands Team. Tree work is allocated depending upon the location of the tree as Arborcare carry out the works in the North of the Borough and Treelife in the South of the Borough. At the end of the month, once all the required tree work has been completed by the contractors, spot checks are undertaken by the Tree Inspection Officer to ensure that the work is carried out to the required standard as specified within the contract.
The testing carried out during the audit confirmed that spot checks are currently taking place on a monthly basis. However, audit noted that there is not a set requirement for the percentage of trees that should be checked each month.
Where spot checks of the tree work carried out by the external contractors is not carried out on a regular basis or to an agreed level there is a risk contractors are not carrying out the work to the required standard.
Responsibility
Group Manager (Environmental Services)
Management response / deadline
Agreed.
Group Manager (Environmental Services) to determine the number of inspections required in order to provide an overall view of service performance. Corvu will then be amended accordingly.
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Recommendation 6: Ezytreev and Agresso (Priority 2)

Recommendation
Consideration should be given to the viability of a direct electronic link between the EzyTreev and Agresso system to allow for direct data transfer.
Observation
EzyTreev is the system used by the Trees and Woodlands team to record all tree information. It is also used by the team to enter specific job information and create an order for the two contractors, Arborcare and Treelife. Agresso is the Council's accounting system and is used to raise purchase orders, and the authorisation and management of invoices and budgeting
During the audit it was identified that orders have to be entered on both the EzyTreev system and Agresso. as there is no electronic link between the two systems. In order to reduce the time spent on double entry and to minimise the risk of discrepancies arising between the two systems a link should be created to allow both systems to communicate and free up resources time.
Where EzyTreev and Agresso are not directly connected there is a risk that Data may not be entered onto both systems, data may inaccurate and there is an increased risk of fraud or error.
Responsibility
Group Manager (Environmental Services)
Management response / deadline
Agreed.
Group Manager (Environmental Services) to speak with ICT to determine whether the two systems can be linked and if not whether Ezytreev can provide both requirements.
Dependent upon ICT / Feasibility

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Recommendation 7: Reconciliation (Priority 1)

Recommendation In the absence of a direct interface a monthly reconciliation between the EzyTreev system and Agresso should take place. This should be signed and dated by the officer who carried out the reconciliation and verified by an independent officer.
Observation EzyTreev is used to record all tree information relating the Council's trees and the work carried out on them. It is also used by the team to enter specific job information and create an order for the two contractors, Arborcare and Treelife. Agresso is used to raise purchase orders, authorisation, the management of invoices and budgeting. In order to confirm that the information on both systems is correct, a reconciliation should take place which verified by an independent officer. During the audit it was identified that orders have to be entered on both the EzyTreev system and Agresso system. Currently no reconciliation is carried out to check that the information on both systems is accurate. Where reconciliations between the EzyTreev system and the Agresso system are not carried out regularly, there is a risk that errors are not identified in a timely manner and appropriate action to address the issue is not taken. In turn this could lead to a financial loss to the authority.
Responsibility Group Manager (Environmental Services)
Management response / deadline Agreed. Similarly to recommendation 6 ICT need to be consulted on whether systems can be linked, one system can be used only or a new system needs to be assessed. Group Manager (Environmental Services) to speak with Tree's and Woodland's team along with ICT. December 2014

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Recommendation 8: Performance Indicators (Priority 1)

Recommendation
Performance Indicators relating specifically to the Trees and Woodlands team should be accurately recorded on Corvu and based on information from a valid source.
Observation
The Trees and Woodlands team have three performance indicators in place against which their performance is monitored on a regular basis. And they are as follows: 1) TW01 - Percentage of Trees and Woodlands planning consultations requests responded to within 21 days   2) TW03 - Percentage of Trees and Woodlands work instructions completed in the required timescale   3) TW04 - Contractor Quality Performance   There needs to be a clear basis for calculating PIs, and they should be accurately reported so that Senior management are aware of the performance of the team and any issues can be rectified.   The testing carried out during the audit confirmed that the figures reported on Corvu in relation to the performance indicator ' Percentage of Planning Applications responded to within 21 days' (TW01) has been incorrectly calculated and reported. The percentage of applications responded to on time has been based on the 8 week planning target set in the Acolaid system, instead of the 3 week Performance Indicator set for the Trees and Woodlands Team.   Where performance information is not calculated correctly there is a risk that Senior Management are unaware of poor performance, meaning that inaccurate and uniformed decisions may be made based on incorrect information.
Responsibility
Group Manager (Environmental Services)
Management response / deadline
Agreed.   Group Manager (Environmental Services) to address with Planning to ascertain whether a 3 week target in achievable. Corvu to be updated accordingly.   December 2014

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Recommendation 9: Benchmarking (Priority 2)

Recommendation
Benchmarking of the Trees and Woodlands Service should take place on a regular basis.
Observation
Benchmarking of the services provided by the Trees and Woodlands Team should be carried out to ensure that the services being provided are the services required by the client departments. Benchmarking will also help to streamline the processes in place and compare how this team work to a similar team in another Borough and will also give the opportunity to adopt best practice where appropriate.

During the audit it was confirmed that a Tree Officer attends meetings in relation to a very specific tree disease, Ash Dieback. However, it was confirmed that there are no procedures in place to compare the services provided by the Trees and Woodlands Team to other authorities. As a result the team may be missing opportunities to improve the service.

Where benchmarking is not taking place regularly, there is a risk that inappropriate services are being delivered or that processes are not being completed as efficiently as they could be. |
| **Responsibility** |
| Group Manager (Environmental Services) |
| **Management response / deadline** |
| Agreed.

Group Manager (Environmental Services) to develop inter County dialogue around benchmarking performance against neighbouring Authorities.

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Appendix A - Reporting Definitions

Audit assessment

In order to provide management with an assessment of the adequacy and effectiveness of their systems of internal control, the following definitions are used:

Level	Symbol	Evaluation Assessment	Testing Assessment
Full		There is a sound system of internal control designed to achieve the system objectives.	The controls are being consistently applied.
Substantial		Whilst there is a basically sound system of internal control design, there are weaknesses in design which may place some of the system objectives at risk.	There is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.
Limited		Weaknesses in the system of internal control design are such as to put the system objectives at risk.	The level of non-compliance puts the system objectives at risk.
Nil		Control is generally weak leaving the system open to significant error or abuse.	Significant non-compliance with basic controls leaves the system open to error or abuse.

The assessment gradings provided here are not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board and as such the grading of 'Full' does not imply that there are no risks to the stated control objectives.

Grading of recommendations

In order to assist management in using our reports, we categorise our recommendations according to their level of priority as follows:

Level	Definition
Priority 1	Recommendations which are fundamental to the system and upon which the organisation should take immediate action.
Priority 2	Recommendations which, although not fundamental to the system, provide scope for improvements to be made.
Priority 3	Recommendations concerning issues which are considered to be of a minor nature, but which nevertheless need to be addressed.
System Improvement Opportunity	Issues concerning potential opportunities for management to improve the operational efficiency and/or effectiveness of the system.

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Appendix B - Staff Interviewed

The following personnel were consulted:

- Craig Thorpe   -   Group Manager (Environmental Services)
- Simon Coultas   -   Operations Manager, Clean, Safe and Green;
- Colin Chambers   -   Team Leader, Trees and Woodlands
- Luke Johnson   -   Tree Officer
- Mansour Moini   -   Trees and Landscapes officer
- Clayton Rae   -   Countryside Access Officer
- Caroline Souto   -   Accountant, Finance and Operations;
- Vanessa Johnson   -   Administrative Support;
- Bill Evans   -   Tree Inspector
- Andy Vincent   -   Assistant Director (Tenants and Leaseholders)
- Alex Chrusciak   -   Group Manager (Development Management and Planning)

We would like to thank the staff involved for their co-operation during the audit.

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Statement of Responsibility

We take responsibility for this report which is prepared on the basis of the limitations set out below.

The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices. We emphasise that the responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by us should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. Our procedures are designed to focus on areas as identified by management as being of greatest risk and significance and as such we rely on management to provide us full access to their accounting records and transactions for the purposes of our work and to ensure the authenticity of such material. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system.

Mazars Public Sector Internal Audit Limited

London

September 2014

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