

PATROL Adjudication Joint Committee
31st January 2012
Item 9 Appendix 2

Internal Audit Report

PATROL - Business Planning

Tom Powell
Corporate Services



MANCHESTER
CITY COUNCIL

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Audit Team

Name	Contact Details
Michael Ennis, Auditor	814 5276
Helen Smith, Lead Auditor	814 5238
Kathryn Fyfe, Principal Audit Manager	814 5271
Tom Powell, Head of Internal Audit and Risk Management	814 5273

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1 Introduction

- 1.1 This report summarises the findings and conclusions from our review of the business planning framework for the Parking and Traffic Regulations Outside London Adjudication Joint Committee (PATROL AJC).

2 Background

- 2.1 The Traffic Penalty Tribunal is an independent tribunal where impartial lawyers consider appeals by motorists and vehicles owners whose vehicles have been issued with Penalty Charge Notices, under either the Traffic Management Act 2004 or The Bus Lane Contraventions Regulations.
- 2.2 The PATROL Adjudication Joint Committee has been established to enable Councils having Civil Enforcement Area Orders to exercise their functions under Section 81 of the Traffic Management Act 2004 and Regulations 17 and 18 of the Civil Enforcement of Parking Contraventions (England) General Regulations 2007. These functions are exercised jointly with the other councils in accordance with the requirements of Regulation 16 of the Civil Enforcement of Parking Contraventions (England) General Regulations 2007. The expenses of the Joint Committee in carrying out its functions are defrayed amongst the member authorities.
- 2.3 The Joint Committee has appointed Manchester City Council as its Lead Authority. The Council's Internal Audit service has agreed a three year audit strategy with PATROL management following a risk assessment. The Internal Audit Plan for 2011/12 includes a review of the business planning arrangements.
- 2.4 Business planning is a crucial tool that enables the determination and articulation of strategic objectives, values and priorities and how this work will be resourced. The plans themselves are essential elements in the provision of assurance that the organisation is on track to deliver both a balanced budget and achieve agreed objectives. The business plan is a key component of an effective governance framework.

3 Scope, Objectives and Approach

- 3.1 To provide assurance over the adequacy of the business planning framework for PATROL in supporting effective governance arrangements. Specifically that:
- The process for the preparation and agreement of the business plan is supported by adequate planning, engagement and approval;
 - The content of the business plan accurately identifies priorities and supporting resource requirements to support effective medium to long term planning; and
 - There is an appropriate monitoring and reporting mechanism that enables the measurement of performance against business plan objectives to support effective decision making.

4 Findings

Preparation and Agreement of the Business Plan

- 4.1 There was a well structured and planned approach for preparing the business plan. The Head of Service commenced the process in November each year to coincide with the annual budget setting process for the following financial year.

- 4.2 We confirmed that senior staff and budget holders were consulted over the content of the plan before it was finalised in January. In addition to this, key information and themes from the Adjudicators Conference, held during November each year, was also considered.
- 4.3 On account of the reporting already made available to the Advisory Board regarding key areas of the plan, rather than review the Business Plan in its entirety the Advisory Board agreed to focus on strategic objectives and to be provided with progress reports at their meeting. Our review of meeting minutes from May 2010 and 2011 confirmed that objectives had been outlined to the Board, however from the detail recorded in the minutes it was unclear whether The Advisory Board had raised any issues / challenge over the information that was outlined
- 4.4 We consider the business plan document is a fundamental part of the governance arrangements and key to informing the strategic direction of the organisation. The document provides The Advisory Board with the opportunity to discuss strategic priorities and the resources planned to support the achievement of objectives prior to the start of each year.
- 4.5 We confirmed the business plan is located on the shared drive and is therefore accessible to staff. Discussions with the Head of Service and managers confirmed staff were notified when the business plan was finalised, and managers had been provided with a copy.

Content of the Business Plan

- 4.6 We reviewed the business plan against best practice and confirmed most of the relevant areas considered necessary to enable the effective operation of a service had been incorporated. These included an analysis of the market in which PATROL operated, annual performance measures outcomes, three year financial forecast, drivers for change, service objectives and details of the performance management framework.
- 4.7 However, we identified some key areas for improvement. Whilst reference was made to training, commitments in terms of an overarching plan were not included. Likewise information relating to staff/adjudicator numbers, skills mix, succession planning and equalities did not feature. We consider this information is essential for management to articulate how the business objectives and priorities will be supported and achieved. Whilst information regarding equalities may not have previously been considered, its inclusion helps demonstrate how the organisation complies with the wider legislation and equalities obligations to staff, customers and the public.
- 4.8 We were aware that management has continued to take positive steps to develop and embed risk management within the culture of the organisation. However the risk register, identifying strategic risks to the organisation was not included within the business plan, instead this was retained separately. Likewise, whilst there was a detailed business continuity plan and related arrangements, these were not referenced in the main business plan.
- 4.9 The key objectives of the service for the three years to 2013/14 were clearly presented within the business plan. We were satisfied these covered all key areas, namely adjudicators, staff, premises, appeals, communication, stakeholders, information technology and performance.

- 4.10 However, there was no indication of which areas or specific objectives were considered priority. We considered this information, together with known details of planned/actual resources required or available in relation to specific objectives, would help demonstrate the commitments necessary, whether financial or other, to the achievement of objectives.
- 4.11 For example, improvements to computer systems, the introduction of a new website and office move will all have associated costs. Whilst the financial implications of these initiatives have been reported separately during the year, this information was not separately identifiable within the three-year financial budget contained within the business plan. We consider there are benefits to providing effective links between the information provided within the three-year financial budget and risk register.

Performance Management

- 4.12 There is a satisfactory level of performance management information produced to enable the evaluation and review of the service. The information is analysed and produced quarterly and reported to the Advisory Committee thereby providing challenge and oversight. We consider the level of detail is sufficient to provide clarity over performance. There are satisfactory explanations recorded over areas of over and under performance.
- 4.13 A review of the performance documents presented to the Advisory Board confirmed that there are clear links between performance management at a strategic level, with the use of the objectives and a 10 Point Action Plan within the business plan, through to the team meetings where progress is discussed. This thread also features within staff appraisals, as objectives are used to measure personal performance against.
- 4.14 We confirmed that risk management and details regarding the mitigation of strategic risks had continued to be reported to the Joint Committee during the year.

5 Conclusions

- 5.1 Whilst we were satisfied there was a set timetable and structured approach to the preparation of the plan, we considered the content of the final document could be improved by broadening its scope to include information held separately. We are satisfied management has taken action to develop strategies for managing risks and resources, however we consider this has not been reflected within the business plan in sufficient detail and as a result the business plan may not provide effective assurance that key risks to the delivery of the business plan are effectively overseen. There was evidence of regular monitoring of performance against business plan objectives, in particular the 10 point Action Plan. We consider the plan should be provided to the Advisory Board for review so they can demonstrate oversight. If these two areas for improvement are addressed we consider that the Service will be well placed to obtain substantial assurance over the business planning framework.

6 Recommendations

- 6.1 The Action Plan at Appendix 1 includes two recommendations for improvement.

Appendix 1. Detailed Findings Recommendations and Action Plan

	Matters Arising	Potential Risk Implications	Recommendations	Risk	Management Response and agreed actions
1	<p>The 2011-14 business plan clearly identified the strategic objectives, priorities and annual budget forecast for the period. However the level of detail provided within a number of key areas was insufficient, specifically human resources, risk management and business continuity.</p> <p>Furthermore, we considered there was greater opportunity for transparency of reporting over the resources required to support the achievement of individual objectives. For instance, budget allocations for areas of priority such as software changes or the office move.</p>	<p>Without sufficient detail within the Business Plan there can be a lack of clarity over the strategic direction of PATROL, specific objectives or the resources required to support the delivery and achievement of these over the short to medium term. This may result in poor decision making over operational and strategic matters and may lead to inconsistencies of approach.</p>	<p>The Head of Service should review the content of the business plan to ensure it reflects details of all resources, financial and otherwise, required to achieve the strategic objectives along with framework to manage risks to the achievement of this. We consider the following information should be included:</p> <ul style="list-style-type: none"> • Human resource management, including staffing and adjudicator numbers, skill mix, training plan and succession planning. • Equalities Impact Assessment / Action Plan. • Risk Register. • Business Continuity. <p>Consideration should also be given to identifying specific resource allocations assigned to the achievement of objectives.</p>	<p>Significant (Control)</p>	<p>Agreed: Yes Action to be taken: Collation of identified documents within the Business Plan Additional Resources Required for implementation: No Responsible Officer: Head of Service Target Date: February 2012</p>

	Matters Arising	Potential Risk Implications	Recommendations	Risk	Management Response and agreed actions
2	<p>Whilst the Advisory Board received key extracts from the business plan as part of the performance management framework, they had not approved the 2011-2014 business plan at the start of the financial year.</p>	<p>Without the review and approval of the business plan by the Advisory Board it is more difficult for the Service to demonstrate that all relevant stakeholders and those charged with governance were informed and aware of the key areas of strategic and operational priority, and forthcoming decisions and actions regarding the use of resources and achievement of value for money over the forthcoming period.</p>	<p>Following the implementation of recommendation 1 above the business plan should be presented to the Advisory Board for review and approval.</p> <p>Minutes from the Advisory Board should be sufficiently detailed as to reflect any points/challenge raised from discussion.</p>	<p>● Significant (Control)</p>	<p>Agreed: Yes Action to be taken: Business Plan to be presented to the Advisory Board and minutes to reflect any decisions/points raised. Additional Resources Required for Implementation: No Responsible Officer: Head of Service Target Date: May 2012 and subsequently at December meeting</p>

Appendix 2. Basis of our opinion and level of assurance

Level of assurance	Description
Full ●	Full assurance – there is a sound system of internal control designed to achieve the objectives of the system/process and manage the risks to achieving those objectives. Recommendations will normally only be Advice and Best Practice.
Substantial ●	Substantial assurance – whilst there is basically a sound system of control, there are some areas for improvement, which may put the system/process objectives at risk. There are Moderate recommendations but these do not undermine the system's overall integrity. Any Major or Significant recommendations relating to part of the system would need to be mitigated by strengths elsewhere. Any Critical recommendations will prevent this assessment.
Moderate ●	Moderate assurance – there are some areas for improvement in the system of internal control, which may put the system/process objectives at risk. There are a small number of Major recommendations or a number of Significant recommendations. Any Critical recommendations would need to be mitigated by significant strengths elsewhere. A number of Critical recommendations would prevent this assessment.
Limited ●	Limited assurance – there are significant areas for improvement in key areas of the systems of control, which put the system/process objectives at risk. There are Major recommendations and any Critical recommendations relating to part of the system would need to be mitigated by significant strengths elsewhere.
No ●	No assurance – an absence of effective internal control is leaving the system/process open to significant error or abuse. There are Critical recommendations indicating major risks requiring mitigating actions.

Capacity to improve	Description
High ↑	The assessment will be based on a number of factors including: Recommendations progressed since the start of the audit; timescales for the implementation of agreed recommendations; levels of resources / capacity to effect implementation; focus and clarity of ownership within directorate / service for implementation; directorate / service track record in implementation of agreed recommendations; professional auditor judgement.
Medium ↔	
Low ↓	

Risk Type	Description
Control	There are areas for development and improvement in the design of the system of internal control.
Compliance	There is need to improve compliance with the existing system of internal control, processes or procedures

Risk	Assessment rationale
<p>● E. Critical</p>	<p>Life threatening / multiple serious injuries or prolonged work place stress. Severe impact on morale and service performance. Intense political and media scrutiny i.e. national media coverage / prolonged local media coverage. Possible criminal, or high profile, civil action against PATROL, members or officers. Cessation of core activities, Strategies not consistent with government's agenda, trends show service is degraded. Failure of major Projects – elected Members required to intervene. Large increase on project budget/cost: (more than 15 to 30% of the departmental budget). Statutory intervention triggered. Impact on the whole organisation.</p>
<p>● D. Major</p>	<p>Serious injuries or stress requiring medical treatment with many workdays lost. Major impact on morale and performance. Scrutiny required by external agencies, external audit etc. Unfavourable national or prolonged local external media coverage. Noticeable impact on public opinion. Major impact on the effectiveness of governance for PATROL. Significant disruption of core activities / performance. Key targets missed, some services compromised. Senior Management action required. Major increase on project budget/cost: (more than 6 to 15% of the departmental budget).</p>
<p>● C. Significant</p>	<p>Injuries or stress requiring some medical treatment with workdays lost. Some impact on morale and performance. Scrutiny likely to be exercised by external agencies, internal committees or internal audit to prevent escalation. Probable limited unfavourable local media coverage. Significant short-term disruption of non-core activities / service performance. Standing Orders / Financial Regulations not complied with. Impact on the effectiveness of governance at PATROL or service level. Services unlikely to meet needs. Service action will be required. Significant increase on project budget/cost: (more than 3 to 6% of the departmental budget). Handled within the team</p>
<p>● B. Moderate</p>	<p>Injuries / stress requiring some medical treatment, potentially some workdays lost. Some impact on morale and performance. Additional scrutiny required by management and internal committees to prevent escalation. Possible limited unfavourable local media coverage. Short-term disruption of non-core activities / service performance. Standing Orders / Financial Regulations occasionally not complied with. Minor impact on the effectiveness of governance at PATROL or moderate impact at service level. Services do not fully meet needs. Service action will be required. Small increase on project budget/cost: (up to 3% of the departmental budget). Handled within the team</p>
<p>● A. Minor</p>	<p>Minor injuries or stress with no workdays lost or minimal medical treatment. No impact on staff morale Internal Review, unlikely to have impact on the corporate image. Minor errors in systems/operations or processes requiring action or minor delay without impact on overall schedule. Handled within normal day to day routines. Some impact on the effectiveness of governance at service level. Minimal financial loss – Minimal effect on project budget/cost: Negligible effect on total Budget or departmental budget).</p>