Ward Committee Budget Decision Making

City of York Council

Internal Audit Report 2016/17

Business Unit: Communities and Neighbourhood Services
Responsible Officer: Assistant Director – Communities, Culture and Public Realm
Service Manager: Head of Communities and Equalities
Date Issued: 28 November 2016
Status: Revised Draft

	P1	P2	P3
Actions	**0**	**1**	**3**
Overall Audit Opinion	Reasonable Assurance		

Reference: 10980/003

Summary and Overall Conclusions

Introduction

On 30 July 2015 Executive considered and approved the council's new approach to community engagement. This new approach involved the re-establishment of ward committees to enable the council to work in closer partnership with residents in order to tackle local issues and increase community capacity. Amongst other responsibilities, ward committees are charged with drawing up ward priorities based on engagement with residents, agreeing expenditure and services and stimulating community schemes that meet local needs.

To support this effort the council invested significant resource in the form of a £925K funding pot allocated between wards. For 2016/17 a further £100K has been added specifically to assist wards with local environmental schemes, taking total spending power to over £1M. The devolved budgets available to ward committees comprise of a one-off and three recurring annual funding streams which can be used flexibly to address ward priorities and to support and develop community initiatives which benefit local residents and may reduce reliance on council services.

Objectives and Scope of the Audit

The purpose of this audit was to provide assurance to management that procedures and controls within the system ensure that:

- Expenditure addresses ward priorities and/or is supported by full and effective engagement with ward residents
- The quality of information available to ward committees (and the extent to which this information is being used) is sufficient to enable effective decision making
- The effectiveness of spending decisions is measured

The audit reviewed the procedures underpinning the approach rather than assessing the validity of the approach itself. It also involved holding discussions with a sample of ward councillors in order to establish the basis on which spending decisions have been made and the approaches that have been taken to engage residents in these decisions. While anecdotal evidence was heard, all findings presented are those which could be readily substantiated. Additional informal feedback has been provided to the service ahead of the publication of this report.

Key Findings

Overall a sound framework for the administration of ward funding was found to be in place but it was observed that the level of resident engagement across wards is not always satisfactory. Although it is not expected that wards operate identically, engagement is fundamental to the neighbourhood working approach and, without it, the system is at risk of breaking down.

A number of wards were selected as part of the audit to be reviewed in detail. Their selection was determined by a stratified random sample that grouped wards based on their total ward budget. The sample was discussed with the service prior to undertaking the audit to ensure that the sample would prove representative of the range of city centre, suburban, rural, single-member, parished, unparished, affluent and relatively impoverished wards that exist across the city.

Not all of the wards selected for review had formally agreed priorities or allowed sufficient opportunity for engagement in their formulation. Similarly, while some ward teams were found to have been making use of ward committee meetings to involve residents in proposed projects and schemes, this is not being done consistently. However, review of the grant application process revealed that all approved applications were justified and could be related back to ward priorities where possible. Spending decisions have also been routinely recorded on the register of ward committee funding decisions, providing a good level of transparency (although its presentation could be improved to allow for greater ease of searching and for the development of a lessons learned approach across wards).

It is clear that the council has put significant effort into publicising ward committee meetings but that this is mainly limited to the council website and to social media which may be excluding a significant proportion of ward residents.

In the main, it appears that ward profiles (documents produced by the council's Business Intelligence Hub containing important social and demographic indicators) have been helpful in the initial setting of ward priorities but that their use on an ongoing basis is limited. The primary use of the document has been to reassure ward teams that significant socio-demographic issues have not been overlooked when setting the priorities. Testing conducted to compare ward priorities to ward profiles provided support for the fact that these documents are used in priority setting and that the priorities being set are appropriate for the wards. Ward councillor experience of data provided by council departments and by ward partners varied markedly and, as such, it is not clear how important this information is to decision making.

At the time of testing only three of 10 grant recipients had returned final reports in support of their applications. The three available reports differed significantly in content and level of detail owing in part to the fact that there is not a template for the report, although expenditure had always been accounted for in this way. Some wards have chosen to use ward committee meetings as a forum for receiving information on the outcome of projects and this acts as a compensating control to an extent. However, as this is not a mandatory element or applied consistently across wards it is not effective enough on its own to negate the requirement for formal reporting.

Overall Conclusions

The arrangements for managing risk were satisfactory with a number of weaknesses identified. An acceptable control environment is in operation but there are a number of improvements that could be made. Our overall opinion of the controls within the system at the time of the audit was that they provided Reasonable Assurance.

1 Resident engagement

Issue/Control Weakness	Risk
Lack of engagement in ward priority setting and in spending decisions.	Inappropriate expenditure. Reputational damage.

Findings

Overall, it is apparent that the level of engagement in ward priority setting and spending decisions is not satisfactory across wards. While it is not expected that wards should operate identically, engagement is the cornerstone of the neighbourhood working approach and so minimum standards in respect of this must be achieved.

Based on the evidence gathered from ward councillors and ward web pages, it is clear that not all wards have set priorities in consultation with residents and also that not all wards have set priorities. Without consultation, it may be that the priorities set are not appropriate for the residents and, without formally agreeing ward priorities, it is difficult to see how consistent and informed decisions can be made on spending proposals. In respect of spending decisions, while some ward teams have used the ward committee correctly as a forum for involving residents in spending proposals, others have not. The ability for wards to take decisions at ward team meetings, although entirely allowable under the neighbourhood working approach, has had the effect of reducing the opportunity for engagement where wards have not made efforts to consult residents at ward committee meetings or through other engagement channels.

There is some limited evidence of other methods being used to engage residents in spending decisions but it is not clear how effective these have been or how often they are employed.

Agreed Action 1.1

Recommendations from the ward funding scrutiny review that is currently in progress will form the basis of future actions in this area.

Priority	2
Responsible Officer	Head of Communities and Equalities
Timescale	March 2017

2 Register of ward committee decisions on funding

Issue/Control Weakness	Risk
The register of ward committee decisions on funding is not readily accessible.	Residents are not able to effectively scrutinise spending decisions. The benefits and efficiencies that could be derived from a lessons learned approach are not realised.

Findings

All approved schemes recorded on the master spreadsheet were found to have been published on the council website as part of the register of ward committee decisions on funding. However, the presentation of this register as monthly scanned PDFs does not provide for easy searching either within or between documents. As a result, it can be difficult to find particular approved spending decisions or spending decisions by ward. The Communities and Equalities Team produces an Excel decision log and, if this were to be adapted for online publication, it would not only enable easier searching and hence greater transparency but could also facilitate a lessons learned approach by allowing ward teams to draw on the outcomes of projects from across wards.

Agreed Action 2.1

A refinement to the current system will be made, allowing the public easier access to the monthly decision log which will include the facility to search by ward. At the end of the current financial year the new system will be used to report on the activity across the whole of 2016/17. This will demonstrate the ability of the new system with a view to formally introducing it at the start of 2017/18.

Priority	3
Responsible Officer	Head of Communities and Equalities
Timescale	March 2017

3 Communication

Issue/Control Weakness	Risk
Communication media used to publicise ward committee meetings has limited exposure.	Ward residents are not aware of ward committee meetings and thus do not have the opportunity to engage in ward priority setting or spending decisions.

Findings

While there was evidence available to support the fact that the council has made efforts to communicate ward committee meetings to residents and that it has done so consistently, these efforts appear limited to internet and social media platforms and thus may exclude a significant proportion of ward residents. Communication to remaining residents is, therefore, reliant on the efforts of ward councillors which testing showed not to be consistent across wards.

Based on ward committee attendance figures alone it is not possible to establish whether or not the low attendance is the result of poor communication, a lack of interest on the part of ward residents or a combination of both. However, when considered alongside discussions with ward councillors, it appears that communication is not as effective as it could be and that this is at the very least a contributing factor in the poor attendance at ward committees.

Agreed Action 3.1

The council's Your Ward publication (which is delivered to every household in the city) will next be issued in January 2017. Community Involvement Officers are already working with ward councillors to set dates for meetings and events in advance so that, as far as possible, the publication can be used to publicise this to residents.

The publication will also feature a number of stories from across all wards, reporting on the projects and schemes that have been funded through the ward budgets. There will also be a feature promoting the ward funding process with details of how to apply and who is eligible.

In addition, any recommendations from the ward funding scrutiny review that is currently in progress will also form the basis of further actions in this area.

Priority	3
Responsible Officer	Head of Communities and Equalities
Timescale	January 2017

4 Monitoring of scheme outcomes

Issue/Control Weakness	Risk
Final reports are not always produced.	Expenditure is not accounted for. The effectiveness of spending decisions is not known.

Findings

Only three of 10 grant recipients sampled as part of the audit returned a final report. All but one of the applications for which there was no final report were made in the 15/16 financial year. Therefore, it is highly probable that the projects or initiatives have been concluded for a period of time greater than three months and thus a final report would be expected (even taking into account delays in their receiving funding). The reports received varied in content and level of detail. It was found that, although the council outlines the required content of the final report, there is not a report template.

A compensating control is the fact that three of the five wards tested were found to have used ward committee meetings as a forum for grant recipients to feed back on the outcomes of their respective projects or initiatives. In this way, councillors are able to establish whether or not ward priorities have been addressed as expected and if the project has been a success. This approach seems an appropriate method of accounting for project delivery but is not mandatory and thus the effectiveness of all spending decisions cannot be measured in this way.

Agreed Action 4.1

The Communities & Equalities team is currently designing a monitoring form that will be trialled with projects and schemes that are now complete. The design and content of the form will take into consideration the questions asked in the application stage of the ward funding process. Following feedback from this trial, a final form will be introduced at the start of the 2017/18 financial year so that applicants will not only complete the application form but will also have clear expectations as to what is required by way of monitoring.

In addition, any recommendations from the ward funding scrutiny review that is currently in progress will also form the basis of further actions in this area.

Priority	3
Responsible Officer	Head of Communities and Equalities
Timescale	April 2017

Audit Opinions and Priorities for Actions

Audit Opinions	
Audit work is based on sampling transactions to test the operation of systems. It cannot guarantee the elimination of fraud or error. Our opinion is based on the risks we identify at the time of the audit. Our overall audit opinion is based on 5 grades of opinion, as set out below.	
Opinion	**Assessment of internal control**
High Assurance	Overall, very good management of risk. An effective control environment appears to be in operation.
Substantial Assurance	Overall, good management of risk with few weaknesses identified. An effective control environment is in operation but there is scope for further improvement in the areas identified.
Reasonable Assurance	Overall, satisfactory management of risk with a number of weaknesses identified. An acceptable control environment is in operation but there are a number of improvements that could be made.
Limited Assurance	Overall, poor management of risk with significant control weaknesses in key areas and major improvements required before an effective control environment will be in operation.
No Assurance	Overall, there is a fundamental failure in control and risks are not being effectively managed. A number of key areas require substantial improvement to protect the system from error and abuse.

Priorities for Actions	
Priority 1	A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management.
Priority 2	A significant system weakness, whose impact or frequency presents risks to the system objectives, which needs to be addressed by management.

Priority 3	The system objectives are not exposed to significant risk, but the issue merits attention by management.

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