

Final Internal Audit Report

Allotments

February 2019

Distribution: Executive Director of Place (Final only)
 Director of Council Homes, District and Regeneration
 Head of Active Lifestyles
 Live Well Programme Manager

Assurance Level	Recommendations Made	
Limited Assurance	Priority 1	1
	Priority 2	3
	Priority 3	1

Confidentiality and Disclosure Clause

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Please refer to the Statement of Responsibility in Appendix 3 of this report for further information about responsibilities, limitations and confidentiality.

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Executive Summary

1. Introduction

- 1.1 There are 15 allotment sites in Croydon, of which 9 are independently run by allotment societies and associations and 6 are directly run by Croydon Council.
- 1.2 The Council managed allotments are:
 - Hartley Down – Stoats Nest Road, Purley;
 - Pampisford Road – Pampisford Road, South Croydon;
 - Mickleham Way – Mickleham Way, New Addington;
 - Midday Sun – St Andrews Road, Coulsdon;
 - Orchard Avenue – Orchard Avenue, Shirley, and
 - Sanderstead – Purley Oaks Road, Sanderstead.
- 1.3 This audit is being undertaken as part of the agreed Internal Audit Plan for 2018/19.

2. Key Issues

Priority 1 Issue

Actions to follow up outstanding debts were not consistently applied or applied in a timely manner, **(Issue 4.)**

Priority 2 Issues

Allotment contracts with societies and associations have expired and not been renewed or undergone a rent review, **(Issue 1.)**

The allocation of plots to service users could not all be evidenced, **(Issue 2.)**

Four of six Council allotment sites did not have inspections carried out, **(Issue 3.)**

Priority 3 issue is included under item 4 below.

3. **Actions and Key Findings/Rationale**

Control Area 2: Societies and Associations		Detailed Finding/Rationale – Issue 1
Priority	Action Proposed by Management	
2	<p>Meeting scheduled with Assets and Estates Management to identify leases that are currently in place, those that are signed and the opportunity to review and renew council freehold sites in alignment with proposed increase in fees and charges for plot holders.</p> <p>We will also discuss the future of Park Hill allotment site which the Council lease from the Whitgift Foundation.</p>	<p>Signed lease agreements provide the Societies, Associations and the Council with a legal document stating the expectations of both parties and how negative situations will be resolved. Formal agreements are often a tool that parties use to safeguard their resources.</p> <p>There are eight independently managed allotments leased to allotment associations from the Council. There is also one independently managed allotment leased by the Council from the Whitgift Foundation which in turn is then leased to an allotment association. Eight of these allotment lease agreements have expired as well as the lease between the Council and the Whitgift Foundation.</p> <p>The existing leases are old 25 year lease agreements commencing in the early 1990's. The lease agreements have not been renewed since expiry.</p> <p>Where lease agreements are not renewed and signed by the societies and associations, there is a chance that terms and conditions are not updated in accordance to the latest legal standards. There is also a risk that rental payments are not reviewed to current market value.</p>
Responsible officer	Deadline	
Programme Manager Head of Active Lifestyles	February 2019	

Control Area 3: Waiting List and Allocation of Allotments		Detailed Finding/Rationale – Issue 2				
Priority	Action Proposed by Management					
2	<p>ICT Place Tech Board approved funding for online booking system.</p> <p>Procurement to commence in January 2019 and project due to complete April 2019.</p>	<p>Plots are required to be fairly allocated on a first come basis, using the waiting list as a tracker. Each process should be documented and records kept.</p> <p>Examination of the records for a sample of five recently allocated plots found that:</p> <ul style="list-style-type: none"> Records for two of the plots allocated were not available. Records for two of the plots did not provide sufficient detail. (For one of these, the customer details did not match the systems details. This indicates a break in the procedure in adding this allotment to the Council's records, and for another allotment, the customer did not have a full audit trail.) <p>Where records of allocation is not kept, there is a risk that if there is a query to the Council regarding due diligence of records, the Council will not easily be able to demonstrate that the plots were issued in a fair manner.</p>				
	<table border="1"> <thead> <tr> <th>Responsible officer</th> <th>Deadline</th> </tr> </thead> <tbody> <tr> <td>Programme Manager</td> <td>April 2019</td> </tr> </tbody> </table>	Responsible officer	Deadline	Programme Manager	April 2019	
Responsible officer	Deadline					
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Control Area 4: Inspection and Monitoring		Detailed Finding/Rationale – Issue 3
Priority	Action Proposed by Management	
2	<p>Two inspections per year to be programmed during the 'cultivation period' from January 2019 per site.</p> <ul style="list-style-type: none"> • April – Review Risk Assessments & Serve 40 day 'Notice to cultivate' to poorly managed allotments/ plots. • June (40 days from first visit) – Follow up. 	<p>Allotments are required to be periodically inspected to ensure these are maintained as required in line with the contracts in place with the Societies and Associations. Council managed allotments are also required to be inspected periodically to ensure plot holders adhere to the terms and conditions of renting a plot from the Council.</p> <p>Discussion with the Live Well Programme Manager noted that the Council did not carry out allotment inspections on all of the six Council managed allotment sites.</p> <p>Four out of six allotment sites did not have previously recorded inspections, or any future inspections scheduled, namely:</p> <ul style="list-style-type: none"> • Mickleham Way; • Midday Sun; • Orchard Avenue; and • Sanderstead. <p>Where allotment and plots are not inspected periodically, there is a risk that societies and association managed allotments are breaching contract terms. There is also a risk that poorly maintained plots within Council managed allotments are not identified.</p>
Responsible officer	Deadline	
Programme Manager	January 2019- to programme December 2019- to complete	

Control Area 5: Income Collection

Priority	Action Proposed by Management	Detailed Finding/Rationale – Issue 4
1	<p>An automated online booking and payments system will be introduced to make tracking and monitoring payments (and any rent arrears) more efficient</p> <ul style="list-style-type: none"> • Staff training, migration of council data and application of new administration software (Colony Allotment Management) has been scheduled for 26th & 27th March 2019 • We will continue to allocate a proportional level of staff resource to maintain high level of rent payment until new administration software is implemented. <p>The payment rate is currently at 97% for the current financial year (2018/19). This is an increase in payments of up to 25% from the previous two years. This rigorous approach has required a substantial increase (and unsustainable) level of staff resource to manage the process manually. Highlighting a need for a centralised and automated technological solution.</p>	<p>The rent for plots is due annually in arrears in October of each year. Where the rental income due is not received in a timely manner, an arrears recovery processes is instituted.</p> <p>A sample of five late payments was tested and for each it was found that the reminder notice was sent out between 1 and 5 months late.</p> <p>In one case the rent due notice was sent on 3 November 2017, however, the plot holder didn't reply until four months later on 4 March 2018. During this period, no notice to quit was sent to the plot holder.</p> <p>Where rent recovery processes are not followed or carried out effectively, there will be a delay in the collection timeframe and a risk that these may become irrecoverable. Furthermore, where tenants are not evicted, there is also an unnecessary increase in the waiting time of service users on the allotment waiting list.</p>
Responsible officer	Programme Manager	
	Deadline	
	April 2019	

4. Priority 3 Issue

Action Proposed by Management	Findings
1) Procedure notes to be drafted and signed- off by April 2019.	<p>Procedure notes provide staff with guidance on the process for completing tasks, to ensure they abide by regulations as well as the requirements of the organisation and management. These should be regularly reviewed to ensure they fit current procedures and law.</p> <p>While the process for handling allotments was explained, and a process diagram provided there were no procedures available relating to the inspections of allotments and plots. The Live Well Programme Manager confirmed that there were no working procedures provided to staff.</p> <p>Where procedure notes are not available or up-to-date, there is a risk that staff will not comply with the requirements expected by the organisation or legislation for important processes. This could lead to reputational damage where legislation is breached or a service user is negatively affected as a result of non-compliance.</p>

TERMS OF REFERENCE

Allotments

1. INTRODUCTION

- 1.1 There are 15 allotment sites in Croydon, of which 9 are independently run by allotment societies and associations and 6 are directly run by Croydon Council.
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 - Orchard Avenue – Orchard Avenue, Shirley, and
 - Sanderstead – Purley Oaks Road, Sanderstead.
- 1.3 This audit is being undertaken as part of the agreed Internal Audit Plan for 2018/19.

2. OBJECTIVES AND METHOD

- 2.1 The overall audit objective is to provide an objective independent opinion on the adequacy and effectiveness of the control environment relating to allotments.
- 2.2 In order to achieve the overall objectives, a risk based systems audit approach will be carried out, documenting and evaluating the actual controls against those expected and based on this, undertaking appropriate testing conducted.
- 2.3 The key findings, conclusions, and subsequent issues arising will be presented at an exit meeting and followed by the circulation of a draft report for consideration by management. This prior to agreement and issue of the final audit report.

3. SCOPE





- 3.1 The audit included the following areas:

Control Areas/Risks	Issues Identified		
	Priority 1 (High)	Priority 2 (Medium)	Priority 3 (Low)
Regulatory, Management and Organisational Requirements	0	0	1
Societies and Associations	0	1	0
Waiting List and Allocation of Allotments	0	1	0
Inspection and Monitoring	0	1	0
Income Collection	1	0	0
Management Reporting	0	0	0
Budgetary Control	0	0	0
TOTAL	1	3	1

DEFINITIONS FOR AUDIT OPINIONS AND RECOMMENDATIONS

In order to assist management in using our reports:

We categorise our **audit assurance opinion** according to our overall assessment of the risk management system, effectiveness of the controls in place and the level of compliance with these controls and the action being taken to remedy significant findings or weaknesses.

	Full Assurance	There is a sound system of control designed to achieve the system objectives and the controls are consistently applied.
	Substantial Assurance	While there is basically a sound system of control to achieve the system objectives, there are weaknesses in the design or level of non-compliance which may put this achievement at risk.
	Limited Assurance	There are significant weaknesses in key areas of system controls and/or non-compliance that puts achieving the system objectives at risk.
	No Assurance	Controls are non-existent or weak and/or there are high levels of non-compliance, leaving the system open to the high risk of error or abuse which could result in financial loss and/or reputational damage.

Priorities assigned to recommendations are based on the following criteria:

Priority 1 (High)	Fundamental control weaknesses that require the immediate attention of management to mitigate significant exposure to risk.
Priority 2 (Medium)	Control weakness that represent an exposure to risk and require timely action.
Priority 3 (Low)	Although control weaknesses are considered to be relatively minor and low risk, action to address still provides an opportunity for improvement. May also apply to areas considered to be of best practice.

STATEMENT OF RESPONSIBILITY

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

The responsibility for designing and maintaining a sound system of internal control and the prevention and detection of fraud and other irregularities rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy and effectiveness of the system of internal control arrangements implemented by management and perform sample testing on those controls in the period under review with a view to providing an opinion on the extent to which risks in this area are managed.

We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify any 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.

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.

This report is confidential and must not be disclosed to any third party or reproduced in whole or in part without our prior written consent. To the fullest extent permitted by law Mazars LLP accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the Report, its contents, conclusions, any extract, reinterpretation amendment and/or modification by any third party is entirely at their own risk.

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