

Argyll and Bute Council
Internal Audit Report
May 2018
FINAL

Trading Standards

Audit Opinion: Reasonable

| | High | Medium | Low |
|--------------------|------|--------|-----|
| Number of Findings | 1 | 3 | 0 |

Contents

| | |
|--|-----------|
| 1. Executive Summary | 3 |
| Introduction..... | 3 |
| Background..... | 3 |
| Scope..... | 3 |
| Audit Opinion | 3 |
| Key Findings..... | 4 |
| 2. Objectives and Summary Assessment..... | 4 |
| 3. Detailed Findings..... | 5 |
| Appendix 1 – Action Plan | 8 |
| Appendix 2 – Audit Opinion..... | 12 |

Contact Details

Internal Auditor: **Mhairi Weldon**

Telephone: **01546 604294**

e-mail: ***mhairi.weldon@argyll-bute.gov.uk***

www.argyll-bute.gov.uk

1. Executive Summary

Introduction

1. As part of the 2017/18 internal audit plan, approved by the Audit & Scrutiny Committee in March 2017, we have undertaken an audit of Argyll and Bute Council's (the Council) system of internal control and governance in relation to Trading Standards.
2. The audit was conducted in accordance with the Public Sector Internal Audit Standards (PSIAS) with our conclusions based on discussions with council officers and the information available at the time the fieldwork was performed.
3. The contents of this report have been agreed with the appropriate council officers to confirm factual accuracy and appreciation is due for the cooperation and assistance received from all officers over the course of the audit.

Background

4. Trading Standards is a regulatory service dealing with a wide range of Scottish, UK and European legislation relating to the quality, quantity, price, description and safety of goods and services.
5. The aim of the service is to "protect Argyll and Bute's residents, visitors and businesses and maintain a fair and safe trading environment where local businesses and consumers can thrive". Activities include fair trading, weights and measures, safety, quality and environment, age related sales, and licenses. In addition they can investigate criminal consumer complaints and provide scam prevention advice to vulnerable consumers and provide advice to businesses.
6. On 1 April 2017, there were 3,301 business premises recorded on the Council's Uniform database with 582 programmed visits scheduled during 2017/18. The net cost of the service in 2016/17 was £546k.

Scope

7. The scope of the audit was to assess the administration and controls surrounding the application of statute and council policy within the Trading Standards service. We reviewed processes and procedures in place with testing carried out to assess the operation of controls and compliance with legal/regulatory requirements as outlined in the terms of reference agreed with the Head of Planning, Housing and Regulatory services on 12 February 2018.

Audit Opinion

8. We provide an overall audit opinion for all the audits we conduct. This is based on our judgement on the level of assurance which we can take over the established internal controls, governance and management of risk as evidenced by our audit work. Full detail of the five possible categories of audit opinion is provided in Appendix 2 to this report.
9. Our overall audit opinion for this audit is that we can take a **reasonable** level of assurance. This means that internal control, governance and the management of risk are broadly reliable. However, whilst not displaying a general trend, there are a number of areas of concern which

have been identified where elements of residual risk or weakness may put some of the system objectives at risk.

Key Findings

10. We have highlighted one high priority recommendation and three medium priority recommendations where we believe there is scope to strengthen the control and governance environment. These are summarised below:
 - Uniform and General Enforcement Forms (GEF) require updating to ensure their data fields match.
 - Documentation should be scanned into the document management system for all visits undertaken.
 - Data input into Uniform should be subject to secondary review.
 - Standard operating procedures should be established for all key processes within the Trading Standards service.
11. We can confirm that a Trading Standards Improvement Plan, developed jointly by service management and staff to secure a range of improvements and efficiencies, is in place and we recognise that a number of the audit's key findings are already reflected in the plan including the review and development of policies and procedures, better use of systems and technology, improved reporting arrangements and service redesign. Work is ongoing to implement the improvement actions in the plan.
12. Full details of the audit findings, recommendations and management responses can be found in Section 3 of this report and in the action plan at Appendix 1.

2. Objectives and Summary Assessment

13. Exhibit 1 sets out the control objectives identified during the planning phase of the audit and our assessment against each objective.

Exhibit 1 – Summary Assessment of Control Objectives

| | Control Objective | Assessment | Summary Conclusion |
|---|---|------------|---|
| 1 | The Council undertakes its statutory duties in relation to Trading Standards in accordance with legislation and approved policy and guidelines. | Limited | Enforcement visits are undertaken and complaints processed appropriately. However testing identified incorrect, incomplete and missing data in Uniform meaning information derived from it, including statutory and non-statutory returns, is unreliable. There is very little secondary review of data input to Uniform and too much reliance on officers /admin to undertake this task. |
| 2 | Licences are issued in accordance with legislation and approved policy and guidelines. | Reasonable | Licences and certifications are processed in accordance with legislative and regulatory requirements however processes to issue licences, certificates, registrations and approvals are not documented. |

| | Control Objective | Assessment | Summary Conclusion |
|---|---|-------------|--|
| 3 | The Council undertakes its discretionary duties in relation to Trading Standards in accordance with legislation and approved policy and guidelines. | Substantial | Debt counselling guidance has been drafted and is complied with. |
| 4 | Governance arrangements are in place and are consistent with approved policies and guidelines. | Reasonable | Liaison and joint-working arrangements with relevant bodies are well established. There are very limited documented procedures in place. |

14. Further details of our conclusions against each control objective can be found in Section 3 of this report.

3. Detailed Findings

The Council undertakes its statutory duties in relation to Trading Standards in accordance with legislation and approved policy and guidelines.

15. The Trading Standards visit master schedule was reviewed to assess compliance with the Association of Chief Trading Standards Officers (ACTSO) Risk Assessment Scheme 2013. A sample of 30 premises was reviewed with risk scores, business classifications and visit frequency found to be compliant. The current annual target is to complete 100% of high risk visits and 90% of upper and lower medium risk visits. At the time of the audit the high risk visits were complete and upper medium risk visits were approaching completion. Lower medium risk visits, whilst making good progress, have been de-prioritised due to resource pressures.
16. Information recorded on the GEF is input to Uniform following visits. Information was found to be missing from Uniform in three instances and contained incorrect or partial information in a further ten instances; seven had been updated correctly. The remaining ten visits did not require any input as they were programmed for later in the year.
17. The legislation governing Trading Standards Officers (TSOs) visits is subject to regular change and update. The data fields on the GEF and in Uniform are not consistent, thus causing difficulties when inputting GEF information into Uniform, especially when admin staff are required to update Uniform and do not have the technical knowledge to interpret entries.
18. Under section 70 of the 1985 Weights and Measures Act the Council has a statutory requirement to report the level of local weights and measures enforcement work conducted over a twelve month period to the Secretary of State. As information in Uniform is missing or incorrect, reports generated do not reflect the correct figures for this statutory return. Consequently it is submitted with a declaration stating information is inaccurate. There have been no repercussions to date regarding submissions however the service is failing in its duty to provide accurate information.

Action Plan 1

19. Documentation had not been scanned into the document management system for seven of the twenty visits undertaken to open premises. This documentation is required to evidence that a visit has taken place or to enable review by a TSO or Trading Standards Manager (TSM).

Action Plan 2

20. There is very little secondary review of data input to the Uniform system by admin staff either by a TSO or TSM. There is a risk that data input errors will not be identified and corrected and that possible training requirements will not be identified. This has already been identified by the TSM and is included within the Trading Standards Improvement Plan. In addition to the errors highlighted at paragraph 16 our audit also identified:

- one complaint which should have been recorded as a business advice request
- one potential criminal case which had failed to be input to the system
- two complaints without closing dates
- two complaints with no clear final outcomes stated.

Action Plan 3

21. The Council's website contains a wealth of information for consumers and businesses including advice leaflets from internal and external parties with links to other relevant organisations for further information.

Licences are issued in accordance with legislation and approved policy and guidelines

22. There is a process in place for Trading Standards to issue licences, certificates, registrations and approvals for petroleum, fireworks and explosives, and animal feed use premises which is operating well but not formally documented. This is referenced in the action plan raised at paragraph 27.

23. The paperwork for the issuing of four petroleum certificates issued within the western half of the Council area were selected for review and all were found to have been issued with valid certificates with appropriate documentation filed to support the applications. The register of licences is maintained in two spreadsheets (East and West) which are in different formats. Additionally, supporting documentation continues to be retained in hard copy in the east whereas the west has moved to electronic storage where practical. We have not raised this as an action point as it is considered a housekeeping issue.

The Council undertakes its discretionary duties in relation to Trading Standards in accordance with legislation and approved policy and guidelines.

24. There are processes in place to provide clients with personal debt recovery action plans and debt arrangement schemes. The debt counselling guidance was reviewed and found to be comprehensive, covering the entire process from first contact/enquiry, through interview stages, decision, reviews and closure.
25. There is a robust process in place to ensure breaches of debt collection requirements are reported to relevant enforcement bodies however this process is not formally documented. This is referenced in the action plan raised at paragraph 27.

Governance arrangements are in place and are consistent with approved policies and guidelines.

26. Networking arrangements are in place with either the Regulatory Services Manager (RSM), TSM or occasionally other members of the team attending quarterly meetings of the Serious Organised Crime Group in Helensburgh along with Police, Immigration and Customs. Intelligence received from these meetings provides valuable insight into planning work on particular elements such as doorstep crime and telephone scams. The TSM also attends The Petroleum Enforcement Liaison group meetings as the national representative from Scotland, meetings of the Society of Chief Officers of Trading Standards in Scotland and various members of staff attend West of Scotland Liaison Group meetings.
27. A lack of up-to-date documented procedures was a common issue identified across a wide range of work areas. Admin staff have created some guidance notes to use as an aide memoire when carrying out duties; however, without the technical knowledge of management and officers, there is a risk that these notes may lead to misinterpretation and inaccurate recording of information in Uniform. Other processes where a lack of documented procedures was identified were:
 - complaints management
 - issuing licences, certificates, registrations and approvals for petroleum, fireworks and explosives, and animal feed use premises.

Action Plan 4

Appendix 1 – Action Plan

| | No. | Finding | Risk | Agreed Action | Responsibility / Due Date |
|------|-----|--|---|--|---|
| High | 1 | <p>Arrangements to produce statutory Section 70 report and other non-statutory reports</p> <p>The data fields in Uniform and General Enforcement Form (GEF) should be reviewed and updated to ensure they are consistent and reflect current legislative and regulatory requirements.</p> | Information may be recorded incorrectly resulting in management information and statutory and non-statutory reporting being inaccurate. | <ol style="list-style-type: none"> 1. Liaise with other local authorities and the software provider (IDOX) to establish whether the system can produce the section 70 statutory return. 2. Should the system generated option be suitable, Uniform fields will be reviewed and thereafter updated where possible to generate the report. 3. Aide memoire to be prepared & used when inputting GEF data to Uniform. 4. Provide training to staff on new system and reporting requirements including procedure. 5. Introduce actions to generate the section 70 statutory report. 6. Audit procedure to be introduced to ensure accuracy of statutory returns. | <p>Trading Standards Manager</p> <p>Dates:</p> <ol style="list-style-type: none"> 1. 30 June 2018 2. 30 June 2018 3. 30 June 2018 4. 31 July 2018 5. 31 July 2018 6. 31 July 2018 |

| | No. | Finding | Risk | Agreed Action | Responsibility / Due Date |
|--------|-----|---|---|---|---|
| Medium | 2 | Document Management System Documentation had not been scanned into the document management system for seven of the twenty visits undertaken to open premises. | Trading Standards Officer (TSO) or Manager (TSM). May be unable to verify system input or evidence that a visit has been undertaken. | 1. Remind staff to attach documentation to document management system. 2. Retrain staff in use of document management system. 3. Ensure staff attach documentation to document management system when updating Uniform system. 4. TSM to implement audit procedures to ensure all visits in Uniform have attached paperwork in document management system. | Trading Standards Manager Date: 30 June 2018 (all actions) |
| Medium | 3 | Secondary Review of Data Input to Uniform There is no evidence of secondary review of data input to the Uniform system by admin staff. | Data input errors will not be identified and corrected resulting in unreliable reporting. Training requirements may not be identified. | 1. Information input by admin staff will be reviewed by TSO on a sample basis and noted in a review log. 2. TSM to review all input on a regular basis in accordance with internal monitoring plan. 3. New procedures to be implemented and training provided to staff on recording and use of Uniform. | Trading Standards Manager Dates: 1. 15 June 2018 2. 30 June 2018 3. 30 September 2018 |

| | No. | Finding | Risk | Agreed Action | Responsibility / Due Date |
|--------|-----|--|---|--|--|
| Medium | 4 | <p>Standard Operating Procedures</p> <p>There are very limited documented procedures for the majority of the areas of work within Trading Standards. Provision of step-by-step instructions would act as guidelines for employees to undertake work processes in a consistent manner in line with legal and regulatory requirements and best practice.</p> <p>Trading Standards should perform an exercise to identify all processes which would benefit from having documented procedures and then create a programme of work for them to be drafted and approved.</p> | Information is gathered and processed inconsistently or incorrectly resulting in non-compliance with legislative and regulatory requirements. | Standard operating procedures will be prepared and reviewed by management in accordance with the Trading Standards Improvement Plan. | <p>Trading Standards Manager</p> <p>Date: 31 December 2018</p> |

In order to assist management in using our reports a system of grading audit findings has been adopted to allow the significance of findings to be ascertained. The definitions of each classification are as follows:

| Grading | Definition |
|---------|--|
| High | A major observation on high level controls and other important internal controls or a significant matter relating to the critical success of the objectives of the system. The weakness may therefore give rise to loss or error. |
| Medium | Observations on less significant internal controls and/or improvements to the efficiency and effectiveness of controls which will assist in meeting the objectives of the system. The weakness is not necessarily substantial however the risk of error would be significantly reduced if corrective action was taken. |
| Low | Minor recommendations to improve the efficiency and effectiveness of controls or an isolated issue subsequently corrected. The weakness does not appear to significantly affect the ability of the system to meet its objectives. |

Appendix 2 – Audit Opinion

| Level of Assurance | Definition |
|---------------------|--|
| High | Internal control, governance and the management of risk are at a high standard. Only marginal elements of residual risk have been identified with these either being accepted or dealt with. A sound system of control designed to achieve the system objectives is in place and being applied consistently. |
| Substantial | Internal control, governance and the management of risk is sound. However, there are minor areas of weakness which put some system objectives at risk and specific elements of residual risk that are slightly above an acceptable level and need to be addressed within a reasonable timescale. |
| Reasonable | Internal control, governance and the management of risk are broadly reliable. However, whilst not displaying a general trend, there are a number of areas of concern which have been identified where elements of residual risk or weakness may put some of the system objectives at risk. |
| Limited | Internal control, governance and the management of risk are displaying a general trend of unacceptable residual risk above an acceptable level and placing system objectives at risk. Weakness must be addressed with a reasonable timescale with management allocating appropriate resources to the issues raised. |
| No Assurance | Internal control, governance and the management of risk is poor. Significant residual risk and/or significant non-compliance with basic controls exists leaving the system open to error, loss or abuse. Residual risk must be addressed immediately with management allocating appropriate resources to the issues. |