Wolverhampton City Council

OPEN INFORMATION ITEM

Audit Committee

Date **24 September 2012**

Originating Service Group(s)	**DELIVERY**
Contact Officer(s)/	**P FARROW** **R MORGAN**
Telephone Number(s)	**4460** **5612**
Title/Subject Matter	**PAYMENT TRANSPARENCY**

SUMMARY

That the contents of the recent internal audit report on Payment Transparency be received and noted.

1. PURPOSE AND BACKGROUND

1.1 As part of the wider transparency agenda, internal audit have reviewed the Council's compliance with the Code of Recommended Practice issued by the Secretary of State for Communities and Local Government and associated guidance, regarding the publication of all payments over £500, to ensure the Council meets the obligations placed upon it.

2. DETAILS

2.1 The conclusions of the internal audit review were that:

- Spending data was published in accordance with the Code of Recommended Practice, spending over £500 was published on a regular monthly basis and all reasonable steps were taken to ensure its accuracy prior to publication.

- Public access to recorded information is readily available, ensuring the Council is able to meet fundamental public interest obligations.

- The publication of spending over £500 along with other mechanisms, such as Freedom of Information requests, budget consultations, and the publication of accounts provides a means to create an environment for public engagement and participation. Ultimately, success will continue to depend upon the Council's support and commitment to, and the public's use and awareness of, open data.

The review found two areas where further action was required:

- There was a need to ensure that requests for further information on payments over £500 as published on the Council's website, are responded to in a timely manner, as a 'mystery shopper' request for further information on a payment, undertaken as part of the audit review, was not responded to.

- The Council should consider whether it wishes to continue to pay an outside supplier to publish its payments over £500, or to bring it in-house.

A copy of the internal audit report accompanies this report for Members reference.

3. FINANCIAL IMPLICATIONS

3.1 There are no direct financial implications arising from this report as Members are requested only to note the contents of the internal audit report on Payment Transparency. That report did recommend that future arrangements for the publication of spending data be reviewed. This is currently done by an outside supplier at a cost of £0.031M for two years, with the contract running to the 31 March 2013. Savings may be achievedby bringing this service in-house. [GE/06082012/T]

4. LEGAL IMPLICATIONS

4.1 There are no direct legal implications arising from this report. [MW/06082012R]

5. EQUAL OPPORTUNITIES IMPLICATIONS

5.1 There are no direct equal opportunities implications arising from this report.

6. **ENVIRONMENTAL IMPLICATIONS**

6.1   There are no direct environmental implications arising from this report.

7. **SCHEDULE OF BACKGROUND PAPERS**

- DCLG code of recommended practice for local authorities on data transparency.
- Payment Transparency - internal audit report

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Delivery

Payment Transparency

Date Issued: 26th July 2012

Report distribution:

Pat Main - Assistant Director, Corporate Services
Simon Lunn - Head of Operational Finance

Contents:

1   Introduction

This audit was undertaken to provide an assurance as to progress made on the application of local transparency in respect of the publication of expenditure data, gauge public interest and assess the value in opening up the spending data to satisfy 'Armchair Auditors' whilst minimising the burden placed on the Council of publishing data during a time when budget savings are required.

1.1   Scope and objectives of audit work

The objective of our audit was to deliver reasonable assurance on the adequacy and application of the risk management and internal control system. The control system is put in place to ensure that risks to the achievement of the council's objectives in this area are managed effectively.

Limitations to the scope of the audit:	This review focussed upon the publication of £500 + spending data and further information requests from "Armchair Auditors".
	The Council's performance in responding to general Freedom of Information requests have been subject to a separate audit undertaken by the Information Commissioner's Office and an action plan has been put in place to address their recommendations.

Our audit considered the Council's objectives for the area under review and the potential risks to the achievement of those objectives.

Objective	Potential Risks
Transparency – Follow the Code of Recommended Practice issued by the Secretary of State for Communities and Local Government and associated guidance to ensure the Council meets the obligations placed upon it. Accountability – Meet the fundamental public interest in being able to see how public money is being spent, to demonstrate how value for money has been achieved or highlight inefficiency. Participation – Create an environment for 'armchair auditors' to flourish and encourage public engagement in the decision making process thereby generating greater trust; understanding of the decision making process and better decisions.	• Failure to encourage and support the development and implementation of the Government's transparency agenda that is consistent with and promotes good information rights practice. • Failure to comply with the transparency agenda/information rights regime resulting in criticism and potential sanctions by the Information Commissioner's Office. • The publication of data is not undertaken on a timely basis and is of little value to users for analytical purposes. • Failure to address public access to information that is in the public interest. • Public criticism by user groups exposing the Council to bad publicity and potential reputational damage. • Loss of confidence and trust from our citizens, customers, partners and other stakeholders in the Council's ability to provide good quality information upon which sound decisions and judgements can be made

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2 Executive summary

2.1 Overall conclusion

The third line of defence:

Taking account of the issues identified in this report, in our opinion the controls within the system, as currently laid down and operating, provide **satisfactory** assurance that risks material to the achievement of the council's objectives for the system are adequately managed and controlled.

Definitions for the levels of assurance that can be given:

	Level	System Adequacy	Control Application
positive opinions	Substantial Assurance	Robust framework of controls ensures objectives are likely to be achieved.	Controls are applied continuously or with minor lapses.
	Satisfactory Assurance	Sufficient framework of key controls for objectives to be achieved but, control framework could be stronger.	Controls are applied but with some lapses.
negative opinion	Limited Assurance	Risk of objectives not being achieved due to the absence of key internal controls.	Significant breakdown in the application of controls.

2.2 Evaluation of the adequacy and application of controls

Based on the evidence obtained, we have concluded that the adequacy and effectiveness of the risk management and control environment is adequate. However, one amber and one green recommendation were made in relation to:

- The need to ensure that requests for further information on payments over £500 as published on the Council's website, are responded to in a timely manner.

- Whether the Council should continue to pay an outside supplier to publish its payments over £500, or to bring it in-house.

2.3	Examples of good practice here at Wolverhampton

- Spending data is published in accordance with the Code of Recommended Practice, issued by the Secretary of State for Communities and Local Government, and associated guidance. Spending over £500 is published on a regular monthly basis and all reasonable steps are taken to ensure its accuracy prior to publication.

- The Council provides a number of mechanisms to encourage, support and promote openness and transparency. The publication of all spending over £500 and the annual accounts forms part of the principal local checks on regularity and propriety as required by and stated in "Department for Communities and Local Government Accounting Officer System Statement for Local Government, March 2012".

- Public access to recorded information is readily available ensuring the Council is able to meet fundamental public interest obligations.

- The publication of spending over £500 along with other mechanisms, such as Freedom of Information requests, budget consultations, and the publication of accounts provides a means to create an environment for public engagement and participation. Ultimately, success will depend upon the Council's support and commitment to, and the public's use and awareness of, open data.

2.4	Acknowledgement

A number of staff gave their time and co-operation during the course of this review. We would like to record our thanks to all of the individuals concerned.

3	Issues arising

3.1 The publication of data

The Raw data (made available using a machine-readable spreadsheet that can be easily reprocessed, in the most common format, Comma Separated Value [CSV]) along with other analytical data, accessible on the "Spotlightonspend" website, complies with the minimum data set as stipulated by the transparency guidance. Spotlightonspend is a managed service provided by Spikes Cavell that facilitates the publication of spend and related information to the general public through the Council's own website. However, there are some issues associated with the use of Spotlightonspend as follows:

- Spikes Cavell use their own unique *"universal taxonomy"* classification system to classify spending in a meaningful way. This classification system, specific to the public sector, facilitates the classification of suppliers of goods and services to enable the comparison of spend data across the public sector so that, for example, a local authority could be meaningfully compared to a hospital trust. The table below shows the number of public bodies listed by Spikes Cavell using Spotlightonspend, and as can be seen there has been a significant reduction in the number of those that initially used this company to publish their data:

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Total number of public bodies	Total number of local authorities	Number of local authorities with current raw data	Number of local authorities ceasing submission of data	
42	38	8	March 2010	19
			March 2011	7
			September 2011	1
			December 2011	2
			No submission	1

Only one other local authority that uses Spotlightonspend is part of the CIPFA Nearest Neighbours group for Wolverhampton. The CIPFA Nearest Neighbours (NN) model allows a comparative analysis with similar local authorities. Effectively the only local authority it is reasonable to compare our spend against, based on the NN model, is Rotherham Borough Council.

- The guidance recommends that data is made available in two formats. Primarily, CSV as machine readable for easier reuse and analysis, and portable document formats (pdf) for those who want to read the data easily. Spotlightonspend only provides the raw data in CSV file format. However, it could be argued that it achieves an easy to read format by the visibility of the spending data on its online platform with additional analysis being made available via an overview of spending and key facts and figures. The data is also accessible via data.gov.uk that provides a means of linking data to further develop its usage.

- Expense area descriptions differ between the website and raw data downloads making comparisons with other non-Spikes Cavell data sets difficult to fully analyse as significant effort is required to improve the original raw financial data.

- In general terms it is difficult to make effective comparisons whilst the guidance does not set out specific data standards for classifying spending in a meaningful way for the general public. This is made more difficult by variances in public sector financial management systems. The Council has followed best practice guidelines but whilst other local authorities use a diverse means of classifying spending it would be difficult for Armchair Auditors to make meaningful in depth comparisons without potentially having an in depth knowledge of CIPFA's accounting code of practice and other coding systems.

A monthly breakdown of the Council's statistical data for spending data **page views**, that represents the number of hits per session, **unique users**, that represents the number of unique Personal Computers accessing the data and **new unique users**, that represents previously unregistered Personal Computers accessing the data is shown in the table below:

Month	Page Views	Unique Users	New Unique Users
February 2011	939	482	224
March 2011	172	107	54
April 2011	82	35	21
May 2011	59	41	23
June 2011	58	40	23
July 2011	70	37	28

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August 2011	96	42	26
September 2011	79	46	31
October 2011	69	48	34
November 2011	78	48	28
December 2011	27	17	11
January 2012	101	51	38
February 2012	76	28	18
March 2012	73	30	23
April 2012	88	33	22
May 2012	48	26	19

The initial peak in demand during February and March 2011 can be explained by the fact that councils were called upon to provide financial transparency by publishing spending information over £500 online by January 2011. Post March 2011, monthly demand averages out as 72 page views; 37 unique users and 25 new unique users.

Page views have generated little in the way of requests for information via the 'spend' mailbox available on the Council's website. A review of activity, from the time spending data was made available in January 2011 to date, has shown only seven requests that required a response. The last of these requests was made in March 2011.

External requests for information are largely made by the TaxPayers' Alliance and the Express & Star newspaper and the publication of the spending data also generated some internal queries.

There is very little evidence from the 'spend' mailbox of the publication of spending data generating many Freedom of Information requests. The 'spend' mailbox contained only one such request.

Due to the limited usage of the 'spend' mailbox the Council's database of FOI requests for the period January 2011 to February 2012 was reviewed to establish the extent to which the publication of spending data via Spikes Cavell generated specific FOI requests. In general terms the review provided little evidence that the publication of spending data generates any great interest. Rather than ask questions about spending with specific suppliers, requests for information tend to focus on wider budgetary and funding issues and Council expenditure and expenses.

These findings correlate with those reported in the paper produced by the Constitution Unit, University of Central London 'Town Hall Transparency?' issued in December 2011. The report states that the "Use of the £500 spending data to date has been uneven. Some authorities have had a great deal of interest from the local press and some virtually none. Also, that it does not appear to have had an impact on FOI request numbers".

Recommendation 1

The Council has entered into a two year agreement, ending on 31 March 2013, for the use of Spikes Cavell's services. The agreement covers an annual subscription, and preparation of annual and monthly spend data, to be published on Spotlightonspend, for £31,226. However, as most local authorities now publish their spending data on their own websites, the Council should review the use of the Spotlightonspend online platform, in order to assess whether it delivers value for money, taking account of:

- The significant reduction in use of Spotlightonspend by other local authorities thereby potentially limiting its comparative and analytical value;

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- The low number of enquiries and demand for spending data;

- The value of the agreement compared with resources required to administer the publication of spending data in-house.

- Minimising the risk of inadvertent breaches of data protection legislation via the use of Spikes Cavell's redaction algorithms;

- An evaluation of the use of 'further desirable information' to describe spending for comparative purposes to assess how meaningful it is to the general public ;

- Other online platforms for the publication of spending data, including the use of Valueworks; and

- The on-going development of Central Government Policy in respect of open data and transparency.

Although, any decision should be weighed up against a number of benefits the use of Spikes Cavell does bring (and as referred to elsewhere in this report), including the level of assurance it provides to the Council on the quality of the data published, that sensitive data is redacted where appropriate, that the requirements of the Code of Recommended Practice are fully met and that it reduces the amount of time required from Council officers in preparing the data.

3.2 'Mystery shopper' exercise on the published data

In order to independently assess that responses to queries submitted to the Council's 'Spend' mailbox were made on a timely basis a 'mystery customer' exercise was undertaken. Clarification was sought in respect of a payment of £1,044.69 made to Butlins Holidays on the February payment listing and was submitted on Sunday 15 April 2012 at 10pm in the evening.

The information request was identified by the Council from the 'Spend' mailbox, on the first working day. While an internal response was provided by Operational Finance on the same day the request was identified, there then followed a number of emails between various departments regarding clarification of the details of the payment, who should respond and if it should be dealt with as a Freedom of Information request. This led to confusion between departments as to who was to formally respond to the Armchair Auditor, and as a result of this no response was issued, thereby missing the time limit of 20 working days for responding to the query as a Freedom of Information request. A response was later issued, once the non-response had been queried by Audit Services.

Recommendation 2

As the 'Spend' mailbox is used very infrequently for these types of enquiry, future requests for information should be routed through the Council's 'Contact us – Freedom of Information'. This would ensure that all requests for further information for payments over £500 are logged, followed up, responded to in a timely manner and monitored via a single point of contact for the customer.

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3 Agreed actions

Priority rating for issues identified		
Red – Action is imperative to ensure that the objectives for the area under review are met.	**Amber** – requires action to avoid exposure to significant risks in achieving the objectives for the area under review.	**Green** – action is advised to enhance risk, control or operational efficiency.

No	Issues arising	Priority	Suggested/Agreed action	Responsibility	Target date
3.1	The Council should review the continued use of the Spotlightonspend online platform, including whether or not this information could be produced internally or through an alternative route. Such a review should take into account both the positives and negatives of the current arrangement as indicated in this report.	**Green**	This will be discussed with the Assistant Director, Corporate Services, in order to establish if we would want to change the way in which we provide the transparency information, and whether it could be seen as a saving.	Head of Operational Finance	September 2012
3.2	As the 'Spend' mailbox is used very infrequently for these types of enquiry, future requests for information should be routed through the Council's 'Contact us – Freedom of Information'. This would ensure that all requests for further information for payments over £500 are logged, followed up, responded to in a timely manner and monitored via a single point of contact for the customer.	**Amber**	This will be discussed with the Assistant Director, Corporate Services.	Head of Operational Finance	September 2012

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Limitations inherent to the internal auditor's work

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- Internal control systems, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgement in decision making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

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- It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance for the prevention and detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

- Internal audit endeavours to plan audit work so that it has a reasonable expectation of detecting significant control weakness and if detected, will carry out additional work directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected.

- Accordingly, these examinations by internal auditors should not be relied upon solely to disclose fraud, defalcations or other irregularities which may exist.