

Audit Committee

Agenda
Item:

A.9

Meeting Date: 14th April 2014
Portfolio: Finance, Governance and Resources
Key Decision: No
Within Policy and Budget Framework: Yes
Public

Title: Internal Audit Progress Report 2013-14 (No. 4)
Report of: Director of Resources
Report Number: RD01/14

Purpose / Summary:

This report summarises the work carried out by Internal Audit and details the progress made on delivery of the approved 2013-14 Audit Plan.

Recommendations:

Members are requested to:

- Receive this report and note the progress made against the agreed 2013/14 Audit Plan referred to in section 2.
- Note the position on the follow up of previous audit recommendations as outlined in section 3.
- Receive the completed audit reports referred to in section 4.

Tracking

Audit Committee	14 th April 2014
Overview and Scrutiny:	Not applicable
Council:	Not applicable

1 **BACKGROUND**

- 1.1 Management is responsible for the system of internal control and should put in place policies and procedures to ensure that systems are functioning correctly.
- 1.2 Internal Audit examine, appraise and report on the effectiveness of financial and other risk, governance and internal controls to enable it to provide an opinion on the adequacy of the control environment and report any significant control issues.
- 1.3 This report summarises the work carried out by Internal Audit and details the progress made on delivery of the approved Audit Plan during the fourth quarter period of 2013/14.

2 **AUDIT PERFORMANCE AGAINST THE 2013/14 AUDIT PLAN**

- 2.1 The 2013/14 Strategic and Annual Risk Based Audit Plans were presented to the Audit Committee on 15th April 2013 – report RD 06/13 refers.
- 2.2 To assist Members in monitoring the progress made against the agreed annual plan, **Appendix A** illustrates the current position of the Plan up to 21 March 2014. The position can be summarised as follows:

	Total Planned Days	Actual Days
Risk Based audits	202	199
Value for Money	20	0
Main Financial Systems	148	131
ICT audit	25	8
Fraud	25	15
Other	70	67
<i>Direct audit days</i>	<i>490</i>	<i>420</i>
Audit Management allocation	50	48
<u>Total Audit Days</u>	<u>540</u>	<u>468</u>

- 2.3. The Plan calls for 540 audit days – 468 days (87%) have been delivered. Time has been spent on the following areas:
- There are 3 audit reviews which have been finalised since the last report to Committee. These final reports are considered within section 4 of this report.

- There are 5 reports at draft stage; all audit fieldwork and testing has been completed and the draft reports have either been issued or are about to be issued. Further discussions with management will be required in the early part of 2014/15 in order to finalise these audit reports.
- There is 1 risk based review and 5 material audit reviews which are ongoing; these are all near completion and draft reports will be issued in early part of 2014/15 quarter 1.
- There are 2 other ongoing pieces of audit work – Recycling and E Forms – from which the work carried out to date will be carried forward to support the delivery the 2014/15 Plan.
- All the recommended data matches raised by the National Fraud Initiative (NFI) have now been examined and this work is now concluded. A summary report on the findings of the exercise has been prepared and this will be reported as part of the specific year end reporting on counter fraud arrangements.

2.4. Members are asked to note the progress made against the agreed Audit Plan.

3. FOLLOW-UP OF PREVIOUS AUDIT RECOMMENDATIONS

- 3.1. A report on the position of all follow ups of previous audit recommendations monitored via Covalent is attached as **Appendix B**. Attention is drawn to the colour coding used to highlight the progressive action taken against each audit recommendation.
- 3.2. In summary, a total of 89 recommendations have been monitored since April 2012. In this reporting period there are 9 where sufficient action has been reported and these recommendations are now closed. There are 22 'open' recommendations; 16 of which are 'in progress' and 6 where insufficient information has been provided to determine whether or not appropriate action has been taken to date. For those recommendations which have not had an adequate response, further enquiries with managers continue to be made.
- 3.3. Members are asked to note the position on the follow up of previous audit recommendations.

4. REVIEW OF COMPLETED AUDIT WORK

- 4.1. There are 3 audit reports to be considered by Members at this time. Guidance on the grading of audit recommendations, the audit follow up procedure and audit assurance ratings is attached as **Appendix C**.
- 4.2. The Management Summary and a copy of the Summary of Recommendations / Action Plan for each completed audit review listed below have been provided within **Appendices D-F**.

<u>Audit of:</u>	<u>Assurance Evaluation</u>	<u>Appendix</u>
Procurement	Reasonable	D
Organisational Development (Devolved Development and Training)	Reasonable	E
Customer Services	Partial	F

5. CONSULTATION

Not applicable

6. CONCLUSION AND REASONS FOR RECOMMENDATIONS

- 6.1. Good progress has been made in delivering the Audit Plan with the priority in quarter 4 being on completing the remaining material system reviews and the formal follow up audits of previous audits which were given lower level assurance.
- 6.2. The recommendations made in this report will enable Members to track the progress made on the delivery of the 2013/14 Audit Plan and gain assurance on the independent audit work undertaken in the period.

7. CONTRIBUTION TO THE CARLISLE PLAN PRIORITIES

- 7.1. To support the Council in maintaining an effective framework regarding governance, risk management and internal control which underpins the delivery the Council's corporate priorities and helps to ensure efficient use of Council resources.

Contact Officer: Gill Martin **Ext:** 7294
Audit Manager
(Cumbria Shared Internal Audit Service)

Appendices A-G attached to report:	Appendix A – 2013/14 Audit Plan Monitoring Update
	Appendix B – Follow Up of Previous Recommendations
	Appendix C – Grading of Audit Recommendations and Assurance Evaluations
	Appendix D – Audit of Procurement
	Appendix E – Audit of Organisational Development – Devolved Development and Training
	Appendix F – Audit of Customer Services

Note: in compliance with section 100d of the Local Government (Access to Information) Act 1985 the report has been prepared in part from the following papers:

- **None**

CORPORATE IMPLICATIONS/RISKS:

Chief Executive's – not applicable

Economic Development – not applicable

Governance – not applicable

Local Environment – not applicable

Resources – not applicable

AUDIT PLAN 2013/14

Directorate	Audit Area	Audit Days Allocated	Status	Assurance Evaluation	Audit Committee Date
<u>Risk Based Reviews</u>					
Community Engagement	Revenues Recovery (inc. Housing Benefit Overpayments)	25	Completed	Reasonable	24-Jan-14
Community Engagement	Customer Contact Centre	12	Completed	Partial	14-Apr-14
Community Engagement	Leisure Services Contract	10	In progress		
Community Engagement / Economic Development	Projects and Partnerships - Stewardship arrangements	20			
Governance	Electoral Payments	10	Completed	Substantial	24-Jan-14
Local Environment	Carlisle Cycle Way	10	Completed	Reasonable	26-Sep-13
Local Environment	Recycling Contracts	15	In progress		
Local Environment	'Clean up Carlisle' - Street Cleaning (education & enforcement)	15			
Resources	Procurement - Tendering and Contracting	30	Completed	Reasonable	14-Apr-14
Resources	External Funding - Compliance and Monitoring Arrangements	15	Completed	Substantial	24-Jan-14
Corporate	Records Management Arrangements	15	Completed	Partial	24-Jan-14
Corporate	Performance Management - Service Standards	10	Completed	Reasonable	24-Jan-14
Corporate	Organisational Development - Devolved Development and Training	15	Completed	Reasonable	14-Apr-14
		202			
<u>Value for Money and Efficiency Reviews</u>					
Corporate	Charging and Trading - income generation	20			
		20			
<u>Main Financial System Reviews</u>					
Community Engagement	Council Tax	12	In progress		
Community Engagement	Housing and Council Tax Benefits	20	Draft Issued		
Community Engagement	National Non Domestic Rates	12	Draft Issued		
Resources	Main Accounting System	20	Draft for review		
Resources	Fixed Assets	15	Completed	Substantial	26-Sep-13
Resources	Creditors	10	Draft for review		
Resources	Debtors	10	In progress		
Resources	Payroll	12	In progress		
Resources	Treasury Management	10	In progress		
Resources	Income Management	12	In progress		
Local Environment	Car Parking Income	15	Draft Issued		
		148			
<u>ICT Reviews</u>					

Resources - ICT Connect	Project Management	10	
Resources - ICT Connect	IT Developments - use of electronic forms	15	In progress
		25	
<u>Fraud</u>			
Corporate	National Fraud Initiative	15	Completed
Corporate	Counter Fraud Arrangements / Awareness	10	Ongoing
		25	
<u>Other Audit Work</u>			
Follow Up of Previous Recommendations		30	Ongoing
Contingency		40	Ongoing
		70	
<u>Audit Management</u>			
Advice, Meetings, Committee, Planning & Reporting		50	Ongoing
Total Audit Days 2013-14		540	

APPENDIX B

Summary of Audit Recommendations - Monitoring Report (April 2012 to April 2014)

RED - Overdue
Amber - In progress
Green - Actioned

	Current Position 1 April 2014	Previous Position Jan-2014
Overall total number of recommendations	89	42
Total number of open actions - other	6	13
Total number of open actions - in progress	16	6
Total number of closed actions	67	23

Date of Final Report	Audit of:	Directorate	Recommendation	Grade	Agreed action	Responsible Officer	Action completed by	Progress Update as at 1st April 2014	Revised Action complete by date
19/12/2012	Tullie House - Management of Assets	Resources	R1 - Financial Services must liaise with Tullie House management to a) implement a valuation process that is robust & will maintain the requirements of the Collection Loan Agreement & this should be reflected in the Collections database b) Ensure that the insurance valuation of the Collection is brought up to date.	B	To be considered as part of the Insurance Tender renewal process that will hopefully see a new Fine Arts policy added to the insurance schedule. As part of this revised valuations will be undertaken, either formal valuations or desk top exercise.	Financial Services Manager, Chief Accountant	01/05/2013	The Fine Arts policy for the Tullie House collections formed part of the 2013/14 Insurance tender and was effective from 1st May 2013. External valuers have been appointed to revalue the TH collections to reflect any revised valuations in 2013/14 accounts. These will also be used to inform the 2014/15 Insurance premium renewal.	30/04/2014

04/09/2012	Data Quality	Chief Executives Team	R6 All partners should be required to sign a 'data quality statement' to ensure that they comply with the same quality standards as the Authority. This requirement should be incorporated into both the revised Data Quality Policy and the Partnership Protocols in detail.	B	Partners will sign a data quality statement and this requirement will be incorporated into the Data Quality Policy and strengthened within the Partnership Protocols.	Policy & Communications Manager / Development & Support Manager	31/03/2013	Management response updated 01/04/14. Signatures will be gathered during quarter 1 2014/15 data collection.	01/06/2014
04/09/2012	Data Quality	Chief Executives Team	R7 The risks associated with the availability of Authority data should be considered carefully and suitable mitigating actions applied to each. These should then be included within the relevant risk register(s) where appropriate.	B	Consider forming a data quality risk register or incorporating risks into existing registers.	Policy & Communications Manager	31/01/2013	Management response updated 01/04/14. Risk registers will be reviewed in quarter 1 and any appropriate data quality risks will be added.	01/06/2014

04/09/2012	Data Quality	Chief Executives Team	R10 The data quality checking measures should be centrally monitored via the completion of assurance statements from a senior officer, that declares that they are satisfied that the data quality is of the highest level achievable and also take ownership for data quality in accordance with the policy.	B	Assurance statements will be produced by a senior officer (TBC) stating their satisfaction with data quality.	Policy & Communications Manager	31/01/2013	Management response updated 01/04/14. This will be incorporated into 2013/14 end of year sign off service standards; including data quality, actual data and method statements.	31/05/2014
30/08/2012	Development Control/Management	Economic Development	R2 Applications from City Council employees should be formally recorded in Acolaid under a specific reference for statistical and transparency purposes.	C	New City Council Employee field to be set up in Acolaid and employees recorded	Planning Manager/LLPG -Accolaid Development Officer/Technical Officer(s)	01/10/2012	*Management Response Overdue	
25/03/2013	Systems Administration	ICT	R3 - MASS system administration support should be widened in line with the legislation of the new in-house database.	C	MASS is being phased out and replaced by new internal property database (PAD) which is being developed at the	Property Manager	30/04/2013	*Management Response Overdue	

					moment.				
25/03/2013	Systems Administration	ICT	R7 - The Customer Services Manager should contact ictCONNECT to identify the possibility of strengthening and prompting users to regularly change their passwords.	C	A changes request for the system has been put into the software supplier to strengthen the password provision. This is not possible currently.	Customer Services Manager	31/03/2014	Response updated 31/03/14. Management still to follow up.	31/05/2014
25/03/2013	Systems Administration	ICT	R8 System administrators should liaise with ict CONNECT with regards to developing system application logs for all corporate systems to ensure that all failed password attempts are logged correctly and highlighted to the System Administrators.	C	All corporate systems will be investigated a suitable system will be implemented to record failed password attempts where applicable. Reports will then be distributed to system administrators.	Applications & Information Manager	01/04/2014	*Management Response Overdue	

25/03/2013	Systems Administration	ICT	<p>R13 Key improvements to the use and contents of the corporate leavers form are required:</p> <p>(a) The corporate leavers form required updating to incorporate all corporate systems and the system administrator contact for each.</p> <p>(b) The corporate leavers form should be utilised by all. Information held on the form regarding individuals IT access should be disseminated by Service Support (Personnel) to the appropriate system administrators without delay.</p> <p>System administrators should ensure that staff are removed / suspended from all applicable corporate systems.</p>	B	An electronic intelligent form will be investigated and designed for use by relevant officers who would have the ability to inform system administrators in order that they can remove users from corporate systems.	Applications & Information Manager	01/04/2014	*Management Response Overdue	
------------	------------------------	-----	--	---	--	------------------------------------	------------	------------------------------	--

09/01/2014	Records Management	Chief Executives Team	<p>R2 - A project group should be set up to ensure there is a defined and systematic approach to the implementation of a proper records management system within the Council.</p> <p>The project group should give consideration to the following improvements regarding the retention schedules to provide a full trail, including:</p> <ul style="list-style-type: none"> - Details of preparer and date prepared; and, - Details of reviewer and date reviewed <p>The project group should give appropriate regard to related risk exposure as part of its remit and within the set up arrangements and</p>	B	<p>A Records Management Project has been scored and a business case will be brought to the Corporate Programme Board on 9th January 2014. Following on from the above a Project Board/Lead will be appointed. The project brief will include the recommendation requirement to include full audit trail relating to the retention schedules as recommended. The risks associated with the new Records Management Project will be captured and managed within the Project Risk Register.</p>	Policy & Communications Manager	Feb-14	<p>Management Response received 01/04/14. Project was approved by the Corporate Programme Board. A project plan is being developed to capture the issues covered in the recommendation. The first stage of the project will be reviewed July 2014.</p>	01/07/2014
------------	--------------------	-----------------------	--	---	---	---------------------------------	--------	--	------------

			administration of the records data management system implementation of the records management process.						
09/01/2014	Records Management	Chief Executives Team	R3 - Guidance notes and procedures detailing responsibilities, requirements and expectations should be prepared, accessible and communicated to relevant officers; and provision of training, assistance and advice in records management should be available to officers who have responsibilities in operational administration within this area.	B	The Corporate Information Officer and Policy & Communications Manager have completed a 'Records Management' 1 day training course. This will be utilised in preparing the guidance notes and procedures and communicated through the Project Team. This will be included in the project plan deliverables. Training and ongoing professional development will be dealt with in the draft Project Plan. Advice is available on request, the first batch of retention schedules have been	Policy & Communications Manager	Feb-14	Management Response received 01/04/14. Guidance and procedures will be dealt with in stage 1 of the Records Management Project.	01/07/2014

					developed under the guidance of the Corporate Information Officer. This will be included in the project plan deliverables.				
09/01/2014	Records Management	Chief Executives Team	R4 - The Constitution should provide clearer direction on the Council's arrangements in place for the retention of records.	B	Coverage on the retention of records within the Constitution (Appendix F - Financial Procedure Rules) will be revisited. General reference to the corporate arrangements for retention of records will remain within the Constitution. Specific guidance on record types and the statutory/recommended retention periods will now be maintained elsewhere, as it is at this level where the project team will establish the detailed guidance required in order to meet the requirements of the Records Management Policy.	Financial Services Manager & Policy Team	Mar-14	Management Response Received 26.3.14. The retention document contained in the FPR's was amended to reflect the requirements of other contracts, partnerships, agreements and other grant related certification claims. This was formally approved by Council on 4th March 2014. Further work may be required by the Project Team once the Records Management Policy has been finalised.	Ongoing.

09/01/2014	Records Management	Chief Executives Team	R5 - A log should be kept to show when information has been destroyed.	B	A 'Disposal Log' will be developed as part of the suite of templates.	Corporate Information Officer	Jan-14	Management response Received 01/04/14. Templates for staff are being developed as part of the Records Management Policy. The policy has just finished staff consultation, including a draft disposal log template. Guidance on how to use the templates will also be produced.	31/07/2014
06/06/2013	IT Service Desk	ICT	R1 The current lack of formally documented procedures needs to be addressed in order to support the implementation of ITIL governance and possible application for ISO2000 accreditation. This should be addressed at two levels:	B	Full documentation to be created supported by business process maps to address recommendation.	Lead ICT Officer	31/03/2014	Response updated 31/03/14. Management still to follow up.	31/03/2014
06/06/2013	IT Service Desk	ICT	R2 The SLA should track to the Information Technology Infrastructure Library specifications.	B	Create an SLA for the service desk function.	Lead ICT Officer	31/03/2014	*Management Response Overdue	

06/06/2013	IT Service Desk	ICT	R5 The service should sign off and implement a formally documented change management process.	B	Formal changes management to be implemented.	Lead ICT Officer	31/03/2014	*Management Response Overdue	
03/01/2014 - Reasonable	Revenues Recovery	Resources	R1 - Management should set a realistic timescale to complete and agree the recovery alignment processes across the shared service so that the approach to recovery is consistent across the districts and maximise the potential for recovery. Once this process is complete, a unified procedure manual should be developed and circulated throughout the relevant staff in the shared service.	B	Agreed	Revenues Manager	31/03/2014	Management response received 26th March 2014. A new fully aligned Service Level Agreement with the Bailiffs for Council Tax and NNDR recovery has now been written and is in the process of being agreed. Implementation expected 6th April 2014 to align with updated regulations (Taking Control of Goods Regulations). This will be available to all recovery staff and brings together best practice in dealing with bailiff administration.	06/04/2014

03/01/2014 - Reasonable	Revenues Recovery	Resources	R2 - The HBOP procedure manual requires updating to show that there is now only 14 days between invoice and first reminder stage. If it is also decided after the trail period that the additional letter also be adopted as common practice then this procedure must also be incorporated into the manual.	C	Agreed	Benefits Manager	31/03/2014	Management response received 26/03/14. Due to staff availability, this matter will be addressed during April 2014.	30/04/2014
03/01/2014 - Reasonable	Revenues Recovery	Resources	R6 - Management should remind officers of the importance of ensuring that overpayment notifications with the classification 'other' should be manually adjusted to reflect the reason for the overpayment.	C	Agreed	Benefits Manager	30/01/2014	Management response received 26/03/14. Due to staff availability, this matter will be addressed during April 2014.	30/04/2014

21/10/2013	Performance Service Standards	Chief Executives Office	R3 The technical notes should be reviewed and updated for various. The technical note should be approved by the department manager assigned responsible for it. The "assignee" responsible for collating the source data should input the service standards results on Covalent.	B	New technical notes are being written to include measures, data etc. These notes will be signed off by the Service Manager and Director.	Policy & Communications Manager	30/11/2013	Management response received 01/04/14. Some technical notes have been produced and are awaiting Director sign off. Changes to the way users access Covalent from April 2014 will be incorporated into the final note.	01/06/2014
21/10/2013	Performance Service Standards	Chief Executives Office	R4 The service standards data on Covalent should be independently validated prior to reporting to the Policy Team and evidence should be documented.	C	Guidance on Data Quality will be given to 'assignees' and officer providing validation. Validation will be recorded prior to submission.	Policy & Communications Manager	30/11/2013	Management response received 01/04/14. Assignees and validation officers will be made aware of the revised Data Quality Policy once the implications of the changes to Covalent (as mentioned in R4) are fully understood and necessary revised processes implemented.	01/06/2014

21/10/2013	Performance Service Standards	Chief Executives Team	R5 Performance Service Standard results should be formally signed off by a responsible manager or Director prior to reporting and publishing.	C	Process map will be updated to reflect the mail 'signing off'.	Policy & Communications Manager	06/11/2013	Management response received 01/04/14. Process map will be updated to reflect the outcome of R4. Sign off manager to be listed in R3.	01/06/2014
------------	-------------------------------	-----------------------	---	---	--	---------------------------------	------------	---	------------

Summary of Audit Recommendations - Monitoring Report - Closed Actions since last Audit Committee

Date of Final Report	Audit of:	Directorate	Recommendation	Grade	Agreed Action	Responsible Officer	Action completed by	Action taken	Action completed date
04/09/2012	Data Quality	Chief Executives Team	R15 A designated trained officer should be given ultimate responsibility for managing records retention and providing guidance within the Authority.	B	A designated officer will be given responsibility for managing records and providing guidance.	Policy & Communications Manager	31/03/2013	Responsibility lies with Policy & Communications Manager. Changes are being made to role within the team to help deliver on all these recommendations.	31/03/2013
25/03/2013	Systems Administration	ICT	R2 - A weeding process in line with the Authority data retention and data protection policies should be undertaken for aged records in Local Environment from 2003 onwards.	B	Systems & Development Officer to set in place data retention policy in line with legislation and to co-ordinate the weeding process.	Systems & Development Officer	30/09/2013	Management Response received 05/02/14. A draft corporate policy now exists and retention guidelines are now being considered along with FLARE functionality.	05/02/2014

25/03/2013	Systems Administration	ICT	R5 Defined roles and responsibilities should be identified for staff with regards to the processing and parameter changes within the Flare system. Staff with data processing and system administration duties should be issued with separate passwords.	B	A defined structure of Users, Super Users and Administrators to be put in place by the Systems & Development Officer in consultation with Local Environment Service Managers. Separate password to be issued to the Technical Clerks.	Systems & Development Officer	30/09/2013	Management Response received 05/02/14. Separate user passwords for Technical Officers / defined user structure are being addressed alongside System Admin duties and responsibilities.	05/02/2014
25/03/2013	Systems Administration	ICT	R10 Staff should be requested to sign a declaration form before using each system regarding proper system use and control of data. This should be retained for reference and aid data protection purposes.	B	Agreed. Retention period should be established and the use of e-forms.	Corporate Information Officer	31/03/2013	Call logged with DIS helpdesk to add data protection/confidentiality text to login screen on all computers is now complete. Staff have to read / accept to a Data Protection and Confidentiality Statement at log in before the user can access Council systems.	31/03/2014

25/03/2013	Systems Administration	ICT	R12 The Zeus system should be updated to end all leavers from the authority upon receipt of the leavers form.	C	Currently Service Support (Personnel & Payroll) informs the flexi administrator of leavers on a monthly basis. Look at the possibility of including the flexi administrator in the Trent Leaver Workflow.	Service Support Team Leader	30/09/2013	Leavers are noted on Zeus but have to be left on the system in order to produce retrospective reports. The Flexi Administrator will be included in the workflow for starters and leavers once the Council moves onto its new payroll/HR system in April 2014.	01/04/2014
25/03/2013	Systems Administration	ICT	R14 Numerous issued were highlighted from the FLARE Extended Systems Development visit which need addressed.	C	Systems & Development Officer to investigate and coordinate actions.	Systems & Development Officer	30/09/2013	Management Response received 05/02/14 - highlighted FLARE issues are being addressed alongside system functionality developments.	05/02/2014
03/01/2014 - Reasonable	Revenues Recovery	Resources	R4 - The shared service composite procedural notes for revenues recovery should be updated to include the provision that all trainee / new recovery staff must consult a line manager prior to making any payment arrangement.	C	Agreed	Revenues Manager	30/06/2014	Procedure notes have been updated. These now state that any new staff need to agree the setting of payment arrangements with their line manager, who then needs to check any arrangements until the new member of staff is fully trained.	04/02/2014

09/01/2014	Records Management	Chief Executives Team	R1 - The Code of Practice FOI Section 46 should be adopted by the Council in line with recommended practice. Resources should be concentrated on establishing an Authority-wide Records Management Policy. This policy should comply with the requirements of relevant legislation and also embrace recommended practice.	A	A draft Records Management Policy will be ready for consultation in January 2014.	Policy & Communications Manager	Jan-14	Consultation on the draft Records Management Policy took place between January and March with staff. The new policy provides templates for records management in line with the Code of Practice. The policy forms part of the developing framework for authority-wide records management. The Corporate Programme Board approved a project that will take the framework forward, ensuring that the policy is implemented and deals with emerging issues.	Feb-14
09/01/2014	Records Management	Chief Executives Team	R6 - Proper arrangements for the current or recent records of a local authority should involve the skilled supervision of their management by an appropriately trained member of staff who should be referred to (by post) within the Records Management Policy and within the associated job description.	B	The critical roles of: Senior Information Risk Owner (SIRO) and Information Asset Owners (IAO's). Corporate Information Officer will be clarified within the Records Management Policy. These roles will have overall ownership for managing information risk.	Policy & Communications Manager	Jan-14	These roles are identified in the new policy.	Feb-14

Grading of Audit Recommendations and Assurance Evaluations**(1) Audit Recommendations**

Each audit recommendation arising from an audit review is allocated a grade in line with the perceived level of risk. The grading system is outlined below:

GRADE	LEVEL OF RISK
A	Lack of or failure to comply with a key control leading to a fundamental weakness and /or non-compliance to statutory requirements and/or unnecessary exposure of risk to the Authority as a whole (e.g. reputation, financial etc).
B	Lack of or failure to comply with a system control leading to a significant system weakness.
C	Lack of or failure to comply with any other control leading to system weakness.

Where audit recommendations are arising from an audit review, a Summary of Audit Recommendations is attached to the audit report in the form of an Action Plan. This Action Plan is required to be completed by the lead client officer and provide details of proposed action to be taken to address the recommendation, the timescales for implementation and name of the responsible officer.

Internal Audit follow up all audit recommendations 6 months after the issue of the final report, with the exception of the material system reviews which are followed up as part of the next annual audit. When it is considered that insufficient or no action taken has been taken to address audit recommendations and there is no good reason to support the lack of action, the matter is reported to the Audit Committee.

(2) Audit Assurance Evaluations

Audit assurance evaluations are applied to each review to assist Members and officers in an assessment of the overall level of control and potential impact of any identified weaknesses. Internal Audit's assessment of internal control forms part of the annual assessment of the system of control, which is now a statutory requirement. The assurance evaluation given to an audit area can be influenced by a number of factors including stability of systems, number of significant recommendations made and impact of not applying audit recommendations, non adherence to procedures etc. The levels of assurance are:

Level	Evaluation
Substantial	Very high level of assurance can be given on the system/s of control in operation, based on the audit findings.
Reasonable	Whilst there is a reasonable system of control in operation, there are weaknesses that may put the system objectives at risk.
Partial	Significant weakness/es have been identified in parts of the system of internal control which put the system objectives at risk.
Limited / None	Fundamental weaknesses have been identified in the system of internal control resulting in the control environment being unacceptably weak and expose the system objectives to a high degree of risk.



CUMBRIA SHARED INTERNAL AUDIT SERVICES

INTERNAL AUDIT REPORT

**FOR:
RESOURCES DIRECTORATE**

**ON:
TENDERING & CONTRACTING PROCEDURES**

Audit Contact: Paula Norris, Senior Auditor

Draft Report Issued: 28th August 2013

Revised Draft Issued: 4th March 2014

Final Report Issued: 1st April 2014

Section 1 – Management Summary

1. REASON FOR THE AUDIT

- 1.1. This audit is a follow up of the recommendations arising from the previous audit of Tendering and Contracting which was undertaken in June 2012.
- 1.2. A number of issues were identified as part of this previous audit and the review was given a Partial assurance rating. In line with agreed audit practice, audits which have resulted in partial or limited assurance are subject to formal audit follow up procedures to ensure that all recommendations have been actioned to a satisfactory level.

2. BACKGROUND INFORMATION

- 2.1. Public procurement is the acquisition of goods, services and works by public authorities. Transactions of this nature are public undertakings which are governed by UK and EU Law. It is essential that procurement practices and procedures are well developed and adhered to alongside improvements in the public procurement system which may result in a direct benefit to the Council and the local economy as significant levels of Council expenditure is incurred in this area.
- 2.2. The tendering process for Carlisle City Council is laid down in the Constitution, with the majority of the process dictated by Procurement and Contract Law. The Procurement Team leads on such matters and works closely with the Legal Services and various contract managers. All parties are responsible for the correct application of corporate procurement guidance.
- 2.3. A Framework Agreement sets out the terms, specifically relating to price, quality and quantity; under which individual contracts and call-offs can be made, as well as providing for mini competitions for the duration of the agreement. The duration of the agreement is usually a maximum of four years. Typically framework agreements are used where particular products or services are known to be needed, but the extent of requirement or frequency is unknown.
- 2.4. Since May 2008, Carlisle City Council has established and/or arranged to buy into 48 separate frameworks; a number of which have now expired due to the 4 year restriction on the duration of a framework agreement to enable fair market opportunity and best value.

3. SCOPE & OBJECTIVES

- 3.1. Audit testing and verification have been carried out to form an opinion over the effectiveness of systems and controls in place relating to the risks identified. The key objectives for review were to ensure that:
 - Effective action has been taken to successfully implement the 13 recommendations arising from the previous audit review undertaken in June 2012 - these recommendations concern the areas of
 - The Contracts Register,
 - Tender Procedures, and
 - Evaluating and Awarding Contracts;
 - Sound arrangements are in place to create and apply framework agreements and these are actively managed to help support the Council's value for money achievements.
- 3.2. Detailed findings are shown in Section 2 of this report - Matters Arising and Appendix B – Follow Up Schedule of Previous Recommendations.

Section 1 – Management Summary

- 3.3. The scope and testing undertaken as part of this review reflects inherent risks specific to Tendering and Contracting and those which have been raised through the Council's corporate risk management arrangements. Where applicable, other emerging risks have also been included in the scope and testing undertaken.

4. RECOMMENDATIONS AND STATEMENT OF ASSURANCE

- 4.1. Recommendations arising from this audit review have been allocated a grade in line with the perceived level of risk. The grading system is outlined below:

GRADE	LEVEL OF RISK
A	Lack of, or failure to comply with, a key control leading to a *fundamental weakness as a result of non-compliance to statutory requirements and/or unnecessary exposure of risk to the Authority as a whole (e.g. reputation, financial etc).
B	Lack of, or failure to comply with, a key control leading to a significant system weakness.
C	Lack of, or failure to comply with, any other control, leading to system weakness.

- 4.2. Audit assurance levels are applied to each review to assist Members and Officers in an assessment of the overall level of control and potential impact of any identified weaknesses. The assurance levels are:

Level	Evaluation
Substantial	Very high level of assurance can be given on the system/s of control in operation, based on the audit findings.
Reasonable	Whilst there is a reasonable system of control in operation, there are weaknesses that may put the system objectives at risk.
Partial	Significant weakness/es have been identified in parts of the system of internal control which put the system objectives at risk.
Limited / None	Fundamental weaknesses have been identified in the system of internal control resulting in the control environment being unacceptably weak and expose the system objectives to a high degree of risk.

5. EVALUATION AND RECOMMENDATIONS ARISING

- 5.1. From the areas examined and tested as part of this audit review, we consider the current controls operating within Tendering and Contracting Procedures provide **reasonable** assurance.

Report Ref	Control Area	Evaluation	Recommendations		
			A	B	C
7.1	Procurement General	Reasonable	-	2	-
7.1	Contract Register/Central Contract Monitoring.	Reasonable	-	2	1
7.2	Tendering Procedures	Reasonable	-	1	1
7.3	Evaluating Processes and Awarding Contracts	Substantial	-	-	-
7.4	Framework Agreements	Reasonable	-	-	3
Overall Evaluation / No. of Recommendations		Reasonable	-	5	5

6. KEY FINDINGS ARISING FROM THE AUDIT REVIEW

- 6.1. The **reasonable** assurance level given to an audit area can be influenced by a number of factors including the stability of systems, number of significant recommendations made, impact of not applying audit recommendations, non adherence to procedures etc.
- 6.2. *Areas of good practice noted:*
- Procurement/Legal and Contract Managing staff each have a high level of expertise in their field which would benefit even further from ensuring that they work together to achieve the maximum benefits especially on the financial monitoring side.
 - The Procurement Team offer a good, informative training and advisory service on all elements of procurement which is accessible if needed.
- 6.3. A number of opportunities to further enhance controls have been identified; these matters are detailed in Section 2 – Matters Arising and summarised in the Action Plan which is attached as Appendix C.
- 6.4. The key issues arising from this review are:
- There remains some issues surrounding the purpose of the contracts register that require addressing. Primarily related to the financial information held within the document and how information 'flows' through from the contract managers to the central contract monitoring function within the Procurement Team. The process requires complete 'buy in' from all stakeholders therefore it is extremely important that the highlighted weaknesses are addressed.
 - The outcome of testing those recommendations surrounding electronic tendering procedures suggests that although the recommendations from the 2012/13 report were agreed in principle and work undertaken in the implementation of such is not entirely sufficient for Internal Audit to confirm as being complete therefore additional work is required.
 - The issue identified in the 2012/13 audit regarding the cancellation and reissue of a tender process appeared to be a relatively uncommon occurrence. No evidence was found to confirm that there was a continuing issue in the time between reviews, however the majority of the contracts tendered have been revenue contracts. It was highlighted however that the conditions surrounding the tendering of capital works are more specialised (called conformance specifications) and it is more likely that this is an area which would benefit from direct input in the initial tendering stages (i.e. input onto Chest).
 - There are areas surrounding both the use and the monitoring of framework agreements that the Council would benefit from improving. There needs to be a mechanism to monitor the Council's use of Framework Agreements. The benefit of using some existing frameworks should be reviewed, especially those that have not been utilised, with a view to again testing the market and evaluating whether these are indeed the best value for money and/or most practical method of procurement. This will assist in confirming that the resources concentrated in establishing in-house frameworks and maintaining host owned frameworks is of value.

7. DETAILED FINDINGS & RECOMMENDATIONS

Follow up Schedule of Previous Audit Recommendations

Tendering and Contracting – final report issued in June 2012

Rec	Identified Issue	Recommendation	Grade	Date to be implemented	Agreed Action /Auditee Comment to Address the Recommendation	Control Action Taken	Has Effective Action Been Taken to Address the Recommendation?
R1	The Contracts Register does not fully reflect all contracts awarded.	Enhancements to existing practices are needed to help ensure that the central Contracts Register accurately reflects all contracts awarded by the Council. Contract Managers / Procurement Team to discuss placing the Register on a system whereby access can be shared to enable the information to be logged accurately and timely, although the sole responsibility for its maintenance resting with the Procurement Team.	B	01/12/12	It was agreed between the Resources and Governance directorates that all contracts and agreements are best retained by the Legal Document Storage System administered by the Service Support Team until the Electronic Document Management System (EDMS) is implemented.	Discussions with the Development & Support Manager established that the EDMS project has been delayed due to system compatibility issues, problems continue to arise however attempts are being made to resolve these. Therefore the inclusion of the Contracts Register on the EDMS system has not been progressed. There has been no other remedial action taken as yet to ensure that up to date contract expenditure is reflected in the Contract Register. This will be dependant on 'way forward' is decided. Legal Services continue to retain a filing list of contracts for schemes they have been involved in, but this does not include any specific procurement or expenditure details.	No, the issue of non supply of vital contract information from Contract Managers has not been wholly resolved.

APPENDIX B

R2	There is no financial information contained within the Contract Register.	The Contracts Register should include a final project cost against each scheme so that comparisons can be made between the bid price and the final cost.	C	01/09/12	The Contracts Register was to be expanded to include budgeted and final project costs and restricted access applied to the appropriate Finance and Staff Project/Contract Managers.	The Procurement Team expanded the Contracts Register to include the financial information that had been made available to them at the time. However, this is not operating as intended as the Procurement Officer has to pursue contract expenditure updates from Contract Managers in some areas as it is not readily offered as a matter of course.	No, whilst the format of the Contracts Register has been updated to allow the provision of financial information to be recorded, this requirement is not being provided by Contract Managers.
R3	The link between payments through the Creditors system to those assigned contracts shown on the Contracts Register was not included and	(a) The Contracts Register should show the cumulative spend to date, the variance, and also flag when the end date has been reached. This information would provide ongoing monitoring of costs incurred to the original awarded bid; highlight overspends and aid contract monitoring	D	01/12/12	The facility to provide ongoing cost data on a timely basis was to be looked at as part of the Contractorplus system replacement.	As above.	No.

APPENDIX B

	therefore not transparent and would not allow for centralised financial monitoring of delivery to the original awarded tender, thus enhancing procurement monitoring arrangements.	arrangements. (b) The Contracts Register allocates a unique contract reference to each assigned contract and this should be quoted against relevant payments going through the creditors system to allow for identification of contractual payments from other (regular) payments to the same contractor.			Measures were to be implemented and others specified to ensure that accurate and timely information is interfaced to the General Ledger which could then be extracted for inclusion in the Contracts Register		
R4	A forum for inter-directorate working needs to be established.	A Procurement Working Group should be established to continue to oversee and manage developments in this area and to monitor progress made towards the successful implementation of the recommendations summarised in the action plan.	B	01/07/12	The Chief Executive agreed to broaden the remit of the Project and Assurance Group (PAG) to incorporate developments in Procurement and Commissioning.	The Corporate Programme Board (CPB) replaced the Project Assurance Group (PAG) during the latter end of 2012/13. The CPB consists of the Chief Executive, previous PAG membership which includes representatives from each Directorate and ICT. Individual Contract Managers will be invited as necessary. The CPB's main objectives is to co-ordinate and oversee the programme of work that is delivering the Council's vision, key, and other related objectives and will report to O&S on a quarterly basis.	Not directly, this matter is addressed in the main report.
R5	Legal and Procurement advice was not always sought	(a) The revised procedures that were developed by Legal and Procurement were to be	B	01/01/13	Revised procedures were implemented and were to be included in the 2012/13	A programme of training was undertaken during 2012/13 and supplied in the main by the Development & Support	Yes. Revised procedures were agreed and supported by training to staff. The training was well attended by

APPENDIX B

	when arranging/entering into a contract.	developed with managers as part of the 2012 training programme.	B	01/01/13	Governance Training Programme.	Manager and an external trainer for one element of the Procurement Training.	relevant officers and the course detail was appropriate.
	(b) Any contract entered into with a value of more than £10,000 will require appropriate professional advice.				This will be incorporated into the training.	The courses offered included Procurement, Partnerships and Contract Management. Audit obtained lists of attendees and an overview of the course content. The courses were well attended and by a number of staff that are responsible for contracts.	
	Omissions to expected practice were highlighted and as such could have exposed the Council to unnecessary risk.	(c) A central point of contact should be established whereby the tendering, financial and legal process is readily available and properly coordinated.	B	01/01/13	The Procurement Unit are the recognised point of contact and this should be widely known in the Council. Directors were to ensure that a corporate approach is taken to procurement.	There is Contract Management guidance available on the Council Intranet which outlines good practice measures on how to manage contracts.	Yes, information regarding contract procurement is available on the intranet. A further enhancement to support the arrangements to ensure updates made to guidance notes are notified.
R6	Local businesses could appear to be 'pushed' out of the marketplace due to tender oversubscription.	Contract managers, in conjunction with the Development & Support Manager, were to consider each contract tender on an individual basis to evaluate a supplier audience and advertise as such. EU and UK procurement legislation were to be the first issue considered in	B	01/01/13	The Procurement Team adheres to EU and UK Public Procurement Regulations in all cases. Exceptions only occur where a Framework Agreement is available and the relevant lead officer requires a broader base or the inclusion of specific local	The Development and Support Manager reported that two pieces of legislation have superseded this recommendation; the Localism Act and the Social Value Act. The requisites of these acts will be applied when the appropriate individual contract arises.	Recommendation has been superseded by other events.

APPENDIX B

		all cases. The achievement of a fine balance between assisting to enhance the local economy and achieving best value is paramount in each decision.			suppliers. In such instances the tender is advertised openly across all suppliers/providers		
R7	As some contracts were being procured manually, it was viewed that the Constitution did not strongly reflect the Council's approach to electronic tendering as being the preferred means of future procurement.	Although there should be an option to be able to tender manually in exceptional circumstances, it should only be made available when it is impossible to do so electronically.	B	29/06/12	The Director of Governance stated that the direction given in the Constitution enabled the Council to carry out the most appropriate method of procurement that suited the particular circumstances. The preferred method of electronic procurement is a management choice and the Constitution enables such procurement to occur in a structured and controlled manner.	It was considered that the Constitution sufficiently addresses the tender procedures available and the Council's preferred tender approach.	Yes.
R8	The documentation on the Chest system is in 'Word' format. There was a possibility that the tender documents could be altered.	Consideration was to be given to presenting all tender documentation in a 'pdf' format as opposed to 'Word'.	C	01/09/12	Matter to be included in the 2012-14 Procurement Action Plan and discussed with members of the Cumbria Procurement Collaboration.	No action as yet has been taken and the Procurement Action Plan has yet to be completed.	Partly – PDF documents is not appropriate for all tender documents. The Procurement Officer is liaising with Digital and Information Services regarding this matter.
R9	The Procurement Team was listed as the first point	When tenders are published on the 'Chest', the Procurement Team should be named as the	C	01/01/13	These matters would be included in the training of all Contract/Project Managers and will be	Preliminary work has been done in this area but full action has not been implemented to date. It should be emphasised	Partly addressed but further action is needed. This matter is addressed in the main report.

APPENDIX B

	<p>of contact when tenders are published. The Procurement Team does not have the technical knowledge required to assist with suppliers' queries.</p> <p>This could result in queries not being answered in the most time effective way.</p>	<p>main contact for system queries and the Contract Manager should be named as the main contact for any technical queries.</p> <p>All officers named on published advertisements should ensure that they make themselves available to answer queries when the tenders were first published.</p> <p>The Procurement Team should continue to ensure that satisfactory customer responses were monitored via the 'Chest' system to ensure that requests for information were not missed. (due to the 'offsite' nature of duties of the Contract Manager).</p>			<p>included in the 2012-14 Procurement Action Plan when complete.</p>	<p>that it is necessary for all queries to be registered electronically on the CHEST system and overseen by the Procurement Team.</p>		<p>No, this situation has not improved. This matter is addressed in the main report.</p>
R10	<p>Projects were being delayed due to waiting for contracts to be finalised.</p>	<p>Legal Services should establish/review all contracts over £10,000 prior to any contract being entered into.</p> <p>Contract managers, together with Legal Services, were to establish a deadline for the finalisation of the contract documents in the initial stages of a project so that the completion of</p>	B	01/01/13	<p>Contract Managers were to contact Legal Services to implement the action. The Procurement Team was to bring this to individual contract managers' attention when advising on such matters.</p>	None		

APPENDIX B

[illegible]

APPENDIX B

		This is a decision taken in agreement with both the Procurement Team and the Contract Manager.							
R13	The responses to tender advertisements can on occasion become unmanageable due to the number of applications and end up being detrimental to the contract award process.	The Building Surveying Manager and the Development & Support Manager should discuss and consider the benefits of Framework Agreements for building surveying works.	C	01/10/12	The Development & Support Manager commented that in a number of instances the response to a tender is fairly large due to the lack of work available in a number of business sectors. This was not something unique to Carlisle City Council or the County of Cumbria as a whole.	Building Facilities is currently in negotiations with Cumbria County Council regarding the option to 'tag on' to its 4 year framework agreement for Planned and Reactive Maintenance. As at the time of reporting, this was a work in progress.	Partly. The matter is addressed in the main report.		
R14	At the time of the review there was no agreed contract between the Council and the suppliers on the Training Initiative Framework.	That the contract for the Training Initiatives Framework be finalised and signed by all relevant parties without further delay.	B	01/01/13	This was agreed.	The Training Initiative framework concerned has now expired. The renewal exercise has now been completed and is currently in the process of being re-tendered as a 2 year (+1 optional) contract.	This audit recommendation has been superseded by the framework renewal.		

RESOURCES DIRECTORATE

Summary of Recommendations / Agreed Action Plan

Audit of Tendering and Contracting

SUMMARY OF RECOMMENDATIONS & ACTION PLAN

REF	ISSUE RAISED	RECOMMENDATION	GRADE	AGREED ACTION	RESPONSIBLE OFFICER	DATE ACTIONED BY
R1	In exceptional cases, contracts over £10,000 have been tendered for manually (as Contract Procedures allow). The details of which are not always provided to the Procurement Team within a reasonable timescale.	In circumstances where contracts require to be tendered manually, the Procurement Team and Legal Services should still be informed of the tendering process to ensure that the most cost efficient and effective tender option is followed and central procurement records are updated.	B	All staff involved in procurement activities will be reminded of their responsibilities. Procurement training was provided in March 2014 where responsibilities were explained	Financial Services & HR Manager	31 st May 2014
R2	Situations had arisen that meant that the tender process had to be cancelled and re-advertised which caused additional work. Although this issue has come somewhat to being resolved, there are still potential risks to consider when tendering for capital contracts (conformance specification required).	Contract Managers should liaise with the Procurement Team in the initial stages of arranging to tender a conformance specification in all cases.	B	See R1 above. Specification guidance notes are readily available on the intranet and training was provided in March 2014	Financial Services & HR Manager	31 st May 2014

APPENDIX C

R3	<p>Enhancements were required to ensure that the central Contracts Register accurately reflected all the contracts awarded. It was agreed that use of the new Electronic Document Management System (EDMS) would be a mantle on which to place this yet in hindsight the sharing of the responsibility for the maintenance of this register may cause confusion and inaccuracies unless there was total user 'buy in'. The benefits of this recommendation should be readdressed when the EDMS is operational.</p>	<p>To comply with the Transparency agenda, enhancements to existing practices are needed to help ensure that a central record is established that accurately reflects all contracts awarded by the Council.</p>	B	<p>Agreed that the EDMS is not the correct platform to be utilised.</p> <p>The current contracts register (access database) will require minor changes to conform to the new requirements of the DCLG's transparency agenda.</p>	<p>Financial Services & HR Manager</p>	<p>30th June 2014</p>
R4	<p>The link between payments through the Creditors system to those which relate to assigned contracts shown on the Contracts Register was not included and therefore not transparent and would not allow for centralised financial monitoring of delivery to the original awarded tender, thus enhancing procurement monitoring arrangements.</p>	<p>The Contracts Register allocates a unique contract reference to each assigned contract and this should be quoted against relevant payments going through the e-purchasing system to allow for identification of contractual payments from other (regular) payments to the same contractor.</p>	C	<p>The feasibility of this recommendation will be considered during the implementation of the e-purchasing system and any enhancements to the creditors system.</p> <p>Financial monitoring of contracts and projects rests with the relevant manager and the Main Accounting system is the management tool to monitor spend against budget.</p>	<p>Financial Services & HR Manager</p>	<p>31st October 2014</p>

APPENDIX C

R5	Information regarding contract procurement is available on the intranet, however legislation often changes. Relevant users are not automatically alerted to any changes although they are made.	Officers should ensure that all legislative and procedural procurement information is accurate, current and notified to the relevant audience.	B	Agreed	Financial Services & HR Manager/Legal Services Manager	On-going
R6	The documentation on the Chest system is in 'Word' format. There was a possibility that the tender documents could be altered. After the 2011-12 review it was realised that a fully 'pdf' option was not suitable either.	The tender specification documents on the Chest system should be in a format that they cannot be adjusted. It is realised that the Contractor return forms should be in a format that are easy to complete and return electronically. The Procurement Officer should liaise with DIS to explore the option of producing a suitable 'mix' of formats for publication on the Chest system.	C	Documentation on the Chest will be reviewed however electronic tendering requires documentation to be in a format that allows electronic return and as such, requires a generic format to facilitate the easy return of information. Where documents are provided for information only, this will be provided in a non-editable pdf format.	Financial Services & HR Manager	31 st May 2014
R7	The Procurement Action Plan is out of date. The 2012-14 version was to include a number of issues highlighted in the 2011-12 audit of Tendering and Contracting and until this document is updated, they will not be resolved.	The 2012-14 Procurement Action Plan should be finalised as soon as possible.	B	Agreed – draft action plan in place	Financial Services & HR Manager	31 st May 2014
R8	The standard of each framework arrangements supporting documentation differs with each framework arrangements 'host'.	Detailed information should be retained on each host organisation framework agreements to ensure that compliance to EU and contract legislation can be assured and that	C	Supporting documentation received from host organisations will be reviewed for completeness and to ensure compliance with the Council's own Contract Procedure	Financial Services & HR Manager	30 th June 2014

APPENDIX C

		value for money can be proven.		Rules		
R9	The use of framework agreements is not, and at present cannot be centrally monitored.	There needs to be a mechanism to monitor the Council's use of Framework Agreements. This will assist in confirming that the resources concentrated in establishing in-house frameworks and maintaining host owned frameworks is of value. Corporate 'buy-in' of frameworks and the benefits of the associated benefits and discounts are paramount in their effectiveness.	C	Use of framework agreements will continued to be reviewed and monitored to ensure compliance with the Council's own Contract Procedure Rules	Financial Services & HR Manager	30 th June 2014
R10	There are areas of supply within the Council that once identified, could be procured more efficiently.	The Procurement Team should undertake an exercise to identify the areas of supply where framework agreements could be implemented and utilised if they are the most effective method of procurement. These findings should be discussed and agreed with the relevant Directorates.	C	Agreed.	Financial Services & HR Manager	30 th June 2014



SHARED INTERNAL AUDIT SERVICE

INTERNAL AUDIT REPORT

**FOR:
CHIEF EXECUTIVE'S TEAM**

**ON:
DEVOLVED DEVELOPMENT & TRAINING**

Audit Contact: Pauline Connolly, Principal Auditor

Draft Report Issued: 14th January 2014

Final Report Issued: 31st March 2014

Section 1 – Management Summary

1. REASON FOR THE AUDIT

- 1.1. The audit of Devolved Development & Training was identified for review as part of the agreed Audit Plan for 2013/14.

2. BACKGROUND INFORMATION

- 2.1. Development and Training is an integral part of Carlisle City Council's operation to delivering its priorities and key objectives detailed in the 2013/16 Carlisle Plan.
- 2.2. The Council has a central budget to deliver and procure development and corporate training and has decentralised a budget to fund professional updates and tuition at directorates. For 2013/14 the total budget devolved to directorates for professional updates and tuition is £60,700.
- 2.3. Each directorate, with assistance and support from the Organisational Development team, is responsible for identifying their teams' development and training needs, delivering and procuring the training required.
- 2.4. The Council has a Member Training budget to fund their learning and development training. In 2013/14 the total budget for Member training is £14,300. This consists of £7,800 in "devolved" budgets to the Groups based on the number of members in each Group and a Member Learning Development Plan budget of £6,500. The 'devolved' budgets include one for the Executive of £3,200 (for Standing Conferences) and £4,600 divided between each of the 4 political parties; Conservative, Labour, Liberal Democrats and Independents.
- 2.5. Organisational Development Manager, supported by a team of staff, is responsible for the member groups' devolved training budget to assist and support in identifying and delivering member learning and development needs.

3. SCOPE & OBJECTIVES

- 3.1. Audit testing and verification have been carried out to form an opinion over the effectiveness of systems and controls in place relating to the risks identified. The key objectives for review were to ensure that:
- the devolved development & training budgets are aligned to the Carlisle Plan priorities and key objectives; and
 - there is a system in place for directorates and member groups to identify training requirements, to procure training in-house or external and document training outcomes.
- 3.2. Detailed findings are shown in Section 2 of this report - Matters Arising.
- 3.3. The scope and testing undertaken as part of this review reflects inherent risks specific to Devolved Development & Training and those which have been raised through the Council's corporate risk management arrangements. Where applicable, other emerging risks have also been included in the scope and testing undertaken.

4. RECOMMENDATIONS AND STATEMENT OF ASSURANCE

- 4.1. Recommendations arising from this audit review have been allocated a grade in line with the perceived level of risk. The grading system is outlined below:

Section 1 – Management Summary

GRADE	LEVEL OF RISK
A	Lack of, or failure to comply with, a key control leading to a *fundamental weakness as a result of non-compliance to statutory requirements and/or unnecessary exposure of risk to the Authority as a whole (e.g. reputation, financial etc).
B	Lack of, or failure to comply with, a key control leading to a significant system weakness.
C	Lack of, or failure to comply with, any other control, leading to system weakness.

- 4.2. Audit assurance levels are applied to each review to assist Members and Officers in an assessment of the overall level of control and potential impact of any identified weaknesses. The assurance levels are:

Level	Evaluation
Substantial	Very high level of assurance can be given on the system/s of control in operation, based on the audit findings.
Reasonable	Whilst there is a reasonable system of control in operation, there are weaknesses that may put the system objectives at risk.
Partial	Significant weakness/es have been identified in parts of the system of internal control which put the system objectives at risk.
Limited / None	Fundamental weaknesses have been identified in the system of internal control resulting in the control environment being unacceptably weak and expose the system objectives to a high degree of risk.

5. EVALUATION AND RECOMMENDATIONS ARISING

- 5.1. From the areas examined and tested as part of this audit review, we consider the current controls operating within Devolved Development and Training provide **Reasonable** assurance.

Report Ref	Control Area	Evaluation	Recommendations		
			A	B	C
7.1	The devolved development & training budgets are aligned to the Carlisle Plan priorities and key objectives.	Reasonable	0	3	1
7.2	There is a system in place for directorates and member groups to identify training requirements, to procure training in-house or external and document training outcomes.	Reasonable	0	0	0
Overall Evaluation / No. of Recommendations		Reasonable	0	3	1

6. KEY FINDINGS ARISING FROM THE AUDIT REVIEW

- 6.1. The reasonable assurance level given to an audit area can be influenced by a number of factors including the stability of systems, number of significant recommendations made, impact of not applying audit recommendations, non adherence to procedures etc.
- 6.2. *Area of good practice noted:*
- the use of the Member training request form template provides a clear audit trail to support the expenditure made.

Section 1 – Management Summary

- 6.3. A number of opportunities to further enhance controls have been identified; these matters are detailed in Section 2 – Matters Arising and summarised in the Action Plan which is attached as Appendix B.
- 6.4. Whilst the directorates' devolved development and training budgets are not of a significant value the findings detailed in this report do suggest there is a lack of managed budgets; inconsistent availability and use of these across the Council. The key issues arising from this review are:
- with the exception of a **"Training Budgets"** report to the Senior Management Team "SMT", in February 2010, that specifically reported on the outcome of a review of the allocation of the devolved training budget 0603 Professional Update and Tuition, there has been no review of the original arrangements introduced in 2006 which saw the 0603 Professional Update and Tuition budget devolved to directorates. While it is noted, not tested, that directorates' financial planning complies with the Financial Procedures Rules Internal Audit testing highlighted the directorates' planning to deliver training, in terms of completion of directorates' training plans and how these are linked to business need and aligned to budgets, and delivered could not be wholly evidenced;
 - the devolved training budget allocation is out of date and not aligned to the current organisation structure. It is noted that where there have been significant changes to directorates over the years through restructuring, there has been no corresponding changes have made to the allocation of the devolved training budgets. The **"Training Budgets"** report to SMT in 2010 noted the finding **"allocations are out of date"** and included a recommendation to improve this; however there is no evidence it had been implemented;
 - similarly, budget monitoring over the Professional Update and Tuition devolved training budgets could be improved upon as there has been consistent and significant under spends in these budgets over the latter two years; and
 - within directorates/services there is a lack of formality to document training needs/requirements through the completion of training requests.
- 6.5. Whilst this review only focussed on devolved development and training arrangements and budgets that are not of a significant value it did highlight across the Council concerns regarding the completion of training plans; how these should be linked to business need and used to assist in the Council achieving its priorities and objectives; and how these should be aligned to financial planning arrangements. Internal Audit has agreed to undertake a more in depth review of training arrangements in a review of Workforce Development and Training as part of the Audit Plan for 2014/15.

CHIEF EXECUTIVE'S TEAM

Audit of Devolved Development & Training (2013/14)

SUMMARY OF RECOMMENDATIONS & ACTION PLAN

REF	ISSUE RAISED	RECOMMENDATION	RISK IF NOT ACTIONED	GRADE	AGREED ACTION	RESPONSIBLE OFFICER	DATE TO BE FULLY ACTIONED BY
R1	<p>Internal Audit testing highlighted that the expected practice, in terms of how the directorates' plans to deliver training, in terms of completion of training plans and how these are linked to business need and aligned to budgets, and delivered could not be wholly evidenced.</p> <p>In addition audit testing highlighted a lack of evidence as to how training was initially identified, approved and received prior to invoice payments being made.</p>	<p>Guidance should be issued to directorates:</p> <ul style="list-style-type: none"> detailing how devolved development and training is planned, linked to business need through the use of the staff appraisal process to meet directorate/ corporate prioritise and objectives and aligned to budgets; and all training has a training request form approved by the relevant budget holder. 	<p>Directorates/corporate objectives may not be achieved.</p> <p>Budgets may not be used for the purposes intended.</p>	B	<p>A paper will be submitted to the Senior Management Team "SMT" to consider the use of devolved development training budgets.</p>	<p>Organisational Development Manager</p> <p>Financial Services HR Manager</p>	30 June 2014

APPENDIX B

R2	Internal Audit testing of the 2013/14 directorates/ services' 0603 devolved training budgets found inconsistencies in budget availability and its alignment with current service structures, corporate priorities and service objectives.	The allocation of the 0603 Professional Update and Tuition devolved training budget should be reviewed, assessed and updated in accordance with the Council's current organisation structure and the directorates/corporate priorities and objectives.	Individual and team collective training needs may not be met. Directorates/corporate objectives may not be achieved.	B	Agreed, allocations will be reviewed.	Financial Services and HR Manager	30 June 2014
R3	Internal Audit testing suggests budget monitoring over the 0603 Professional Update and Tuition Devolved Training budget could be improved. There have been consistent and significant under spend of this budget over the latter two years, leading to a risk of potential under spend in the current year budget and expenditure being incurred when no budget is available.	Budget monitoring report on the 0603 Professional Update and Tuition devolved training budgets should be produced and reviewed in accordance with the budget monitoring arrangements detailed in the Financial Procedures Rules. Guidance should be issued to budget holders to remind them of the need to ensure that expenditure is not incurred where no budget is available.	Budgets may not be used for the purposes intended.	B	Will continue to monitor the devolved development and training budgets through the budget monitoring process. The responsibility for these budgets lies with the directorates and the relevant budget holder.	Financial Services and HR Manager	30 June 2014
R4	A list of members' training needs is prepared as output from the member/	Organisational Development should review member groups	Budget allocations maybe set above what is required therefore may lead to	C	Organisational Development to work with the	Organisational Development Manager	30 June 2014

APPENDIX B

leader reviews however, there is no evidence such a list is prepared / linked to budget setting and no evidence to show how this aligns to the Carlisle Plan priorities and key service objectives.	devolved budget requirements and how these are aligned to the Carlisle City priorities and objectives.	inappropriate spending. Members' training needs may not be met. Carlisle corporate priorities and objectives may not be achieved.	Member Learning and Development Working Group (MLDWG) on these issues. Any changes to the way budgets are allocated would need to be approved by the MLDWG.	
---	--	---	---	--



CUMBRIA SHARED INTERNAL AUDIT SERVICE

INTERNAL AUDIT REPORT

**FOR:
CHIEF EXECUTIVE'S TEAM**

**ON:
CUSTOMER SERVICES**

Audit Contact: Principal Auditor (Pauline Connolly)

Draft Report Issued: 14 January 2014

Final Report Issued: 6 March 2014

Section 1 – Management Summary

1. REASON FOR THE AUDIT

- 1.1. The audit of Customer Services was identified for review as part of the agreed Audit Plan for 2013/14.

2. BACKGROUND INFORMATION

- 2.1. An audit review of Customer Services was last undertaken in March 2012. The final report, which was discussed with management in September 2012, contained 6 grade B recommendations and a restricted assurance. This final report was not progressed as it was felt by management that the service had moved on from this reported position. Due to the constantly changing and evolving nature of Customer Services and dealing with, amongst other things, new legislation and other in house service changes, a further audit review was requested later in 2013/14 to provide an up to date opinion on the service.

3. SCOPE & OBJECTIVES

- 3.1. Audit testing and verification have been carried out to form an opinion over the effectiveness of systems and controls in place relating to the risks identified. The key objectives for review were to ensure that:
- an approved Customer Service Strategy is in place and takes into account any future implications of Welfare Reforms etc;
 - Customer Services makes full use of all information technology available to provide an efficient, 'joined up' service for the public; and
 - the contracts for and dependence placed upon Customer Services activities have been documented and finalise with the external partners.
- 3.2. Detailed findings are shown in Section 2 of this report - Matters Arising.
- 3.3. The scope and testing undertaken as part of this review reflects the inherent risks specific to Customer Services and those which have been raised through the Council's corporate risk management arrangements. Where applicable, other emerging risks have also been included in the scope and testing undertaken.

4. RECOMMENDATIONS AND STATEMENT OF ASSURANCE

- 4.1. Recommendations arising from this audit review have been allocated a grade in line with the perceived level of risk. The grading system is outlined below:

GRADE	LEVEL OF RISK
A	Lack of, or failure to comply with, a key control leading to a *fundamental weakness as a result of non-compliance to statutory requirements and/or unnecessary exposure of risk to the Authority as a whole (e.g. reputation, financial etc).
B	Lack of, or failure to comply with, a key control leading to a significant system weakness.
C	Lack of, or failure to comply with, any other control, leading to system weakness.

- 4.2. Audit assurance levels are applied to each review to assist Members and Officers in an assessment of the overall level of control and potential impact of any identified weaknesses. The assurance levels are:

Section 1 – Management Summary

Level	Evaluation
Substantial	Very high level of assurance can be given on the system/s of control in operation, based on the audit findings.
Reasonable	Whilst there is a reasonable system of control in operation, there are weaknesses that may put the system objectives at risk.
Partial	Significant weakness/es have been identified in parts of the system of internal control which put the system objectives at risk.
Limited / None	Fundamental weaknesses have been identified in the system of internal control resulting in the control environment being unacceptably weak and expose the system objectives to a high degree of risk.

5. EVALUATION AND RECOMMENDATIONS ARISING

- 5.1. From the areas examined and tested as part of this audit review, we consider the current controls operating in relation to Customer Services Access Strategy and Partnership Arrangements to provide a **Substantial** assurance and the controls relating to Customer Services Online providing a **Partial** assurance.

Report Ref	Control Area	Evaluation	Recommendations		
			A	B	C
7.1	Customer Services Access Strategy	Substantial	0	0	0
7.2	Customer Services Online	Partial	0	3	0
7.3	Partnership Arrangements	Substantial	0	0	0
Overall Evaluation / No. of Recommendations			0	3	0

6. KEY FINDINGS ARISING FROM THE AUDIT REVIEW

- 6.1. The assurance level given to an audit area can be influenced by a number of factors including the stability of systems, number of significant recommendations made, impact of not applying audit recommendations, non adherence to procedures etc.
- 6.2. *Area of good practice noted:*
- very experienced and knowledgeable customer services staff; and
 - the Council's customer services department has good relationships with its partners and continually seeks further opportunities to collaborate and asset share.
- 6.3. A number of opportunities to further enhance controls have been identified and these are detailed in Section 2 – Matters Arising and summarised in the Action Plan which is attached as Appendix B.
- 6.4. The key issues arising from this review are concentrated within section 7.2. - Customer Services Online which highlight weaknesses relating to the lack of automation and completeness of customer request information held in and managed by the Customer Relationship Management "CRM" system and relevant back office systems. The issues raised in this area of the audit can be summarised as follows:
- There is no documented procedures defining the processes involved in managing customers' requests for services, the integration to back office services and how these are documented and controlled;
 - There is not always a complete audit trail on the CRM system and back office systems of service requests and the actions taken to complete and close customers' service requests.

Section 1 – Management Summary

This increases the potential risk of not achieving Customer Access Strategy objective 1 *“the customer experience will be of the highest possible standard”* in particular implementing the action *“All customer service requests, requests for information and advice to be co-ordinated through the customer contact centre and recorded on CRM in the first instance”*;

- Whilst there is some evidence that the frontline service of managing requests for services through the Contact Centre is integrated to the back office services, this is incomplete and there is insufficient evidence to demonstrate that a “joined up” service is provided from frontline to back office services. There is a need to define the procedures for managing the requests for services through the Contact Centre, requests received through the Council’s website, the integration to back office systems; the provision of an auditable trail of updates and closures on CRM. There is a need to ensure that when synchronising CRM to back office systems, exception reports are produced to identify missed and incomplete service requests which require action/correction.

CHIEF EXECUTIVE'S TEAM

Audit of Customer Services (2013/14)

SUMMARY OF RECOMMENDATIONS & ACTION PLAN

REF	ISSUE RAISED	RECOMMENDATION	RISK IF NOT ACTIONED	GRADE	AGREED ACTION	RESPONSIBLE OFFICER	DATE TO BE FULLY ACTIONED BY
R1	There is no documented procedures which define the processes involved in managing service requests, their successful integration to back office systems and how these are documented and controlled.	<p>A procedure should be prepared and issued that provides guidance to Customer Service staff on how service requests are documented and controlled that includes:</p> <ul style="list-style-type: none"> opening of service requests including those received via Council's websites; the integration and auditable trail of updates to/from back office services and; closing of service requests on CRM. 	<p>Non compliance with expected procedures.</p> <p>Customers' requests may not be actioned or delayed if unaware of expected procedures to follow.</p>	B	A matrix will be produced to document agreed service requests and how they are recorded and monitored. This will include where there is full integration between systems and if not, why not.	Customer Service Manager	March/ April 2014
R2	Internal Audit testing shows	The progress	Poor decisions are made and	B	A small restructure	Customer Services	March/

APPENDIX B

	that there is an audit trail of service requests sent from CRM to the back office systems, but this is not a two way process as there is insufficient / no evidence of updates from back office systems to CRM prior to or closing the service requests.	updates on customers' service requests should be recorded on CRM and supported information held within integrated back office systems.	insufficient resources are used when there is an incomplete audit trail. Customers' requests may not be actioned or delayed where there is incomplete or inconsistent information.		is being made within the Customer Services team to create a part time Development Officer post. One of the duties of the post will be to monitor and analyse recording and completion of service requests.	Manager	April 2014
R3	Internal Audit testing shows that although there is evidence of integration between Customer Service Contact Services and back office services, this is not streamlined and the data which is transferred between the CRM and relevant back office systems is not complete.	An exception report should be produced to identify any omission, abnormal data or unusual data exceptions when synchronising CRM to back office systems and requests via the Council's website. The report should be reviewed and where appropriate corrective action should be taken.	Customers' requests may not be actioned or delayed where there is incomplete or inconsistent information.	B	As above.	Customer Services Manager	March/ April 2014