Carlisle City Council
Report to Audit Committee

Report details

Meeting Date:	8 December 2022
Portfolio:	Finance, Governance and Resources
Key Decision:	Not applicable
Policy and Budget Framework	YES
Public / Private	Public
Title:	Internal Audit Report – Corporate Internal Controls
Report of:	Corporate Director Finance & Resources
Report Number:	RD.46/22

Purpose / Summary:

This report supplements the report considered on Internal Audit Progress 2022/23 and considers the risk-based Internal Audit review of Corporate Internal Controls.

Recommendations:

The Committee is requested to

    (i)   receive the final audit report outlined in paragraph 1.1;

Tracking

Executive:	Not applicable
Scrutiny:	Not applicable
Council:	Not applicable

1. Background

1.1. An audit of Corporate Internal Controls was undertaken by Internal Audit in line with the agreed Internal Audit plan for 2022/23. The audit (Appendix A) provides substantial assurances and includes 1 medium-graded recommendation.

2. Risks

2.1 Findings from the individual audits will be used to update risk scores within the audit universe. All audit recommendations will be retained on the register of outstanding recommendations until Internal Audit is satisfied the risk exposure is being managed.

3. Consultation

3.1 Not applicable

4. Conclusion and reasons for recommendations

4.1 The Committee is requested to

i) receive the final audit report outlined in paragraph 1.1

5. Contribution to the Carlisle Plan Priorities

5.1 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 details:

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Appendices attached to report:

- **Internal Audit Report – Corporate Internal Controls– Appendix A**

Note: in compliance with section 100d of the Local Government Act 1972 the report has been prepared in part from the following papers:

- None

Corporate Implications:

Legal - In accordance with the terms of reference of the Audit Committee, Members must consider summaries of specific internal audit reports. This report fulfils that requirement

Property Services - None

Finance – Contained within report

Equality - None

Information Governance- None

Audit of Corporate Internal Controls (Appraisals, E-Learning & Intranet)

Audit Report Distribution

Client Lead:	Workforce Development Manager
Chief Officer:	Chief Executive Deputy Chief Executive Corporate Director of Governance & Regulatory Services Corporate Director of Finance & Resources Corporate Director of Economic Development
Others:	Head of Policy & Performance
Audit Committee:	The Audit Committee, which is due to be held on 8th December 2022 will receive a copy of this report.

Note: Audit reports should not be circulated wider than the above distribution without the consent of the Designated Head of Internal Audit.

1.0   Background

1.1.   This report summarises the findings from the audit of Corporate Controls (Appraisals, E-Learning & Intranet). This was an internal audit review included in the 2022/23 risk-based audit plan agreed by the Audit Committee on 23rd March 2022.

1.2.   Due to the number of recommendations being made in internal audit reviews relating to limited uptake of annual appraisals and mandatory e-learning it was agreed that an annual audit of the associated processes would add greater value being conducted at a corporate level. Due to Internal Audit concerns about intranet content, this was also included within the scope of the review.

2.0   Audit Approach

Audit Objectives and Methodology

2.1   Compliance with the mandatory Public Sector Internal Audit Standards requires that internal audit activity evaluates the exposures to risks relating to the organisation's governance, operations and information systems.

2.2   A risk-based audit approach has been applied which aligns to the five key audit control objectives (see section 4). Detailed findings and recommendations are reported within section 5 of this report.

Audit Scope and Limitations.

2.3   The Client Lead for this review was the Workforce Development Manager and the agreed scope was to provide independent assurance over management's arrangements for ensuring effective governance, risk management and internal controls of the following risks:

- Failure to achieve business objectives due to insufficient embedding of agreed corporate governance controls.

2.4   There were no instances whereby the audit work undertaken was impaired by the availability of information.

3.0   Assurance Opinion

3.1   Each audit review is given an assurance opinion intended to assist Members and Officers in their assessment of the overall governance, risk management and internal control frameworks in place. There are 4 levels of assurance opinion which may be applied (See **Appendix C** for definitions).

3.2   From the areas examined and tested as part of this audit review, we consider the current controls operating within Corporate Internal Controls (Appraisals, E-Learning & Intranet) provide **substantial assurance**.

Note: as audit work is restricted by the areas identified in the Audit Scope and is primarily sample based, full coverage of the system and complete assurance cannot be given to an audit area.

4.0   Summary of Recommendations, Audit Findings and Report Distribution

4.1   There are two levels of audit recommendation; the definition for each level is explained in **Appendix D**. Audit recommendations arising from this audit review are summarised below:

Control Objective	High	Medium
1. **Management** - achievement of the organisation's strategic objectives achieved (see section 5.1)	-	1
2. **Regulatory** - compliance with laws, regulations, policies, procedures and contracts (see section 5.2)	-	-
3. **Information -** reliability and integrity of financial and operational information (N/A)	-	-
4. **Security** - safeguarding of assets (N/A)	-	-
5. **Value** – effectiveness and efficiency of operations and programmes (N/A)	-	-
Total Number of Recommendations	**-**	**1**

4.2   Management response to the recommendations, including agreed actions, responsible manager and date of implementation are summarised in Appendix A. Advisory comments to improve efficiency and/or effectiveness of existing controls and process are summarised in Appendix B for management information.

4.3   **Findings Summary (good practice / areas for improvement):**
An appropriate and concise appraisal process is established. Recent updates to the process have been introduced to ensure more one to one appraisals are performed and that completion of appraisals is monitored. Suitable guidance and training have been provided to managers, who were expected to complete appraisals by January 2022.

At the time of the audit testing 41% of officer appraisals had been undertaken, this is an improvement since the previous audit; however, it is apparent that not all managers have bought into the process. It is assumed that additional pressures around Local Government Re-Organisation has impacted the completion rate.

The Council has a robust e-learning system in place, that ensures all officers receive appropriate mandatory training, including key risk areas such as information governance and cyber security.

Compliance with mandatory training is relatively high; however, there is a need to analysis further and identify those areas of the Council where improved engagement is required.

All three recommendations from the previous audit have been actioned.

Historically there has been limited progress in engaging Members in e-learning modules. However, further initiatives from Organisational Development have improved engagement, though as with officers there is still room for further improvements.

The new intranet on SharePoint was launched to officers on 01/06/2022, content continues to grow as services upload their relevant data.

Comment from the Deputy Chief Executive

It is good to see the dedicated work of the OD Team reflected in this report and the findings / recommendation. Progress has been made on the previous recommendations and the team have good controls in place to ensure officers and members have access to excellent organisational support for learning and development.

5.0   Audit Findings & Recommendations

5.1   Management – Achievement of the organisation's strategic objectives

5.1.1 The City Council has an established appraisal process for all employees. Following a corporate survey and consultation exercise with relevant stakeholders the process has been reviewed and updated to address the following:

- Limited development requests or requests for training information being provided to Organisational Development (OD).
- Limited one to one appraisals being delivered rather than team appraisals, meaning staff may not have an opportunity to fully engage in the appraisal process.

5.1.2 The process was also reviewed and streamlined. Proposed changes were reported to both SMT and the Transformation Board prior to approval.

5.1.3 Changes to the process were presented to managers in October 2021's management briefing, followed by a corporate communication providing guidance and instructions on how to follow the new process. Managers have been asked to conduct appraisals between October 2021 and January 2022. Where appraisals have already been recently performed managers have been asked to revisit and ensure all new requirements have been covered.

5.1.4 Guidance is also available to Managers within a dedicated SharePoint site, which includes a record of appraisals undertaken that managers are required to complete. Access to the SharePoint site and the record of completion were both up to date and access controlled.

5.1.5 Guidance is concise and appropriate. The appraisal guidance does not contain the relevant meta-data, particular author, version control and a review date to ensure timely updates are performed.

5.1.6 OD also arranged additional training for managers and staff to attend in relation to the appraisal process, only a small number of managers attended. However, eLearning via Skillgate provides appraisal training and links are available on the SharePoint site to the relevant Skillgate modules.

5.1.7 The Council utilises the web-based software Skillgate to deliver a programme of mandatory e-learning for all Council officers with a network account. Those officers without an account also have the option to access the facility using their private e-mail accounts, while mitigating controls are in place to ensure officers without access receive

key training on relevant areas (such as information governance) through alternative channels such as toolbox talks.

5.1.8 There are currently up to sixteen mandatory courses for officers (depending on position). These were determined by an initial consultation and ongoing review of the risk environment and appear reasonable. In addition, two new declarations were sent out to officers in May 2022.

5.1.9 Modules are compiled by Skillgate and a process has been implemented so that these are regularly reviewed by a responsible/experienced officer within the Council to tailor content to include specific City Council information. Skillgate also update modules on a regular basis.

5.1.10 Regular updates are issued reminding staff to complete mandatory e-learning, including automatic e-mails from Skillgate and regular reminders from OD. Additionally, completion of e-learning has been incorporated into the new appraisal process and OD have provided briefings and guidance to Managers on how to monitor completion of mandatory training.

5.1.11 Employees are assigned a code within Skillgate based on their role, which will assign appropriate modules (for example, only managers are required to undertake attendance management training). Managers are responsible for selecting the relevant modules from a list of regulatory modules identified by OD. This coding structure and assignment of modules has been reviewed and streamlined since the previous audit review.

5.1.12 A review of coding application indicated the process is generally appropriate, but some minor issues were noted:
- It is not clear why certain positions are assigned training on professional boundaries (CCA3), whereas other positions that would be expected such as Project Managers, Building Surveyors, Auditors & Finance Officers have not been assigned the training even though it relates to avoiding corruption. This was highlighted in the previous audit and appears to have been missed from the refresh exercise.
- Not all officers with network access have been given access to cyber-security training (this is essential for any officer with network access).

Recommendation 1 – A review of the assignment of modules within Skillgate should be undertaken to maximise efficient and consistent allocation of modules.

5.1.13 A review of new starters identified that all new starter posts tested other than driver/loader are included in Skillgate. (These roles are not included in e-learning)

5.1.14 A review of new posts added to the City Council structure identified that not all new posts are included within Skillgate. New posts are only added once someone is in post as Skillgate charge for them.

5.1.15 Historically all Members were given access to Skillgate. However, due to limited usage Members were given the option of rescinding the account to save Council the additional license costs.

5.1.16 OD have continued to pursue alternative strategies to ensure Members receive appropriate training, including preparing presentations to give prior to Council meetings and short support videos.

5.1.17 There is an outstanding audit recommendation that all Members undertake cyber-security training, as Members are considered a high risk area due to the larger volume of external e-mails they receive. Internal Audit continue to advocate mandatory training is required in this area but note progress has been made with over 81% members accessing a short training video provided by OD.

5.1.18 The new intranet SharePoint site was launched to officers via email in the Staff & Members Briefing on 1 June 2022. The site is accessed via a link in the email or within Microsoft Teams. The new intranet will also default to the homepage for Microsoft Edge. Audit testing confirmed that all these links work.

5.1.19 The new intranet includes access to key documents (such as policies), links to corporate systems and other useful information. The content is increasing as departments upload their data.

5.1.20 Training sessions are available on the OD training page and additional work is in progress to create more training for users.

5.1.21 Feedback will be obtained from the Departmental Management Team (DMT) in October 2022 to establish what still needs to happen, department by department prior to the old intranet being switched off.

5.2 Regulatory – compliance with laws, regulations, policies, procedures and contracts

5.2.1 Completion of appraisals is monitored via completion of a spreadsheet within the appraisal SharePoint site. The spreadsheet was found to accurately reflect the Council's workforce and is updated based on starter and leaver information received by the department.

5.2.2 As at 19 July 2022, 279 appraisals have been delivered, this is an increase of 217 from the previous audit review of October 2021, so improvements have been made; however, there does remain a considerable number of appraisals outstanding. It is noted the majority of the Council's Senior Management Team have delivered their appraisals, setting a positive example. It is thought additional pressures from LGR will have had an impact on completion rates.

5.2.3 Some team appraisals are still to be undertaken, these include the refuse and gardening teams. The Development & Wellbeing Officer works with and supports these teams.

5.2.4 Several reminders to managers have been issued by OD regarding completion of appraisals and they have also had reminders at management briefings. The Senior Management Team (SMT) are also regularly updated on progress.

5.2.5 Once an appraisal has been completed the manager is required to advise OD of any training and development needs if any action / support is required by OD and they maintain a record of this. A copy of this was provided and was up to date. Managers received a reminder of this at the Management Briefing in May 2022.

5.2.6 E-learning modules are generally put together and updated by Skillgate. Council officers also review and update the modules to reflect Council specific elements.

5.2.7 Following on from the previous audit there is now routine and regular checking of course content to ensure they are up to date. Managers with relevant expertise have been asked to review the relevant Skillgate course content. This will now be completed on a regular basis and a timetable for the checking of course content is now maintained by OD.

5.2.8 Completion of mandatory e-learning modules is recorded within Skillgate, including completion of refresher training at set time periods (usually three years). Compliance with mandatory training is generally high with most modules showing completion rates above 80%. Only three modules showed lower than this. (71%, 75% and 79%)

5.2.9 While compliance levels are reasonably high, a review of the actual figures of non-completion indicate what could be considered as elements of non-compliance, for

example over 86 officers (13 are members) have not completed Data protection – Compliance training following GDPR and 61 (13 are members) have not completed cyber-security training, potentially exposing the Council to respective risks in these areas, as staff do not have the appropriate training. It should be noted that improvements have been made since the previous audit.

5.2.10 Responsibility for enforcing compliance has shifted to Managers and quarterly automatic reminder emails are now sent from Skillgate to those managers who are showing non-compliance in their teams. An update at management briefing, included how managers can review team progress against mandatory training.

5.2.11 OD do still perform some monitoring of compliance and issue reminders and managers are also now required to confirm all mandatory e-learning is up to date as part of the new appraisal process. OD now also completing quarterly reports to SMT and the first report, entitled 'Training Activity Report – 1st Quarter (January 2022 – March 2022) was issued on 5 May 2022.

5.2.12 Benchmarking was an advisory comment in the previous audit report however a decision was made not to complete this. Instead, OD has spoken to other people in similar roles / authorities and during North West Employers events and 80% completion rate for trainings appears to be good for non-Health & Safety requirements.

5.2.13 Skillgate also offers a wide range of other non-mandatory courses – these are communicated to staff via regular communication. Take up of non-mandatory courses is significant and it is clear officers utilise the training available.

5.2.14 In addition, Skillgate can be used to log 1:1 reports, and this has been highlighted to managers, however most managers prefer to use a different approach.

Appendix A – Management Action Plan

Summary of Recommendations and agreed actions					
Recommendations	**Priority**	**Risk Exposure**	**Agreed Action**	**Responsible Manager**	**Implementation Date**
Recommendation 1 - A review of the assignment of modules within Skillgate should be undertaken to maximise efficient and consistent allocation of modules.	M	Officers do not get assigned relevant training.	Managers are responsible for selecting the relevant modules from a list of regulatory identified by OD. The OD team will prompt selection of appropriate modules to ensure compliance. Changes have already been made to include those highlighted within this report.	Julie Kemp	Actioned - 09/22

Appendix B – Advisory Comments

Ref	Advisory Comment
5.1.5	It is advised that Appraisal guidance documentation should include meta-data, particularly author, version control, date of review and date of next review.

Appendix C - Audit Assurance Opinions

There are four levels of assurance used; these are defined as follows:

	Definition:	Rating Reason
Substantial	There is a sound system of internal control designed to achieve the system objectives and this minimises risk.	The control framework tested are suitable and complete are being consistently applied. Recommendations made relate to minor improvements or tightening of embedded control frameworks.
Reasonable	There is a reasonable system of internal control in place which should ensure system objectives are generally achieved. Some issues have been raised that may result in a degree of unacceptable risk exposure.	Generally good systems of internal control are found to be in place but there are some areas where controls are not effectively applied and/or not sufficiently embedded. Any high graded recommendations would only relate to a limited aspect of the control framework.
Partial	The system of internal control designed to achieve the system objectives is not sufficient. Some areas are satisfactory but there are an unacceptable number of weaknesses that have been identified. The level of non-compliance and / or weaknesses in the system of internal control puts achievement of system objectives at risk.	There is an unsatisfactory level of internal control in place. Controls are not being operated effectively and consistently; this is likely to be evidenced by a significant level of error being identified. High graded recommendations have been made that cover wide ranging aspects of the control environment.
Limited/None	Fundamental weaknesses have been identified in the system of internal control resulting in the control environment being unacceptably weak and this exposes the system objectives to an unacceptable level of risk.	Significant non-existence or non-compliance with basic controls which leaves the system open to error and/or abuse. Control is generally weak/does not exist.

Appendix D

Grading of Audit Recommendations

Audit recommendations are graded in terms of their priority and risk exposure if the issue identified was to remain unaddressed. There are two levels of audit recommendations; high and medium, the definitions of which are explained below.

	Definition:
High	Significant risk exposure identified arising from a fundamental weakness in the system of internal control
Medium	Some risk exposure identified from a weakness in the system of internal control

The implementation of agreed actions to Audit recommendations will be followed up at a later date (usually 6 months after the issue of the report).