



Carlisle City Council

Report to Audit Committee

Report details

Meeting Date:	17 March 2023
Portfolio:	Finance, Governance and Resources
Key Decision:	Not applicable
Policy and Budget Framework	YES
Public / Private	Public
Title:	Internal Audit Report – Neighbourhood Services (Culture) Follow-Up
Report of:	Corporate Director Finance & Resources
Report Number:	RD.72/22

Purpose / Summary:

This report supplements the report considered on Internal Audit Progress 2022/23 and considers the risk-based Internal Audit review of Neighbourhood Services (Culture) Follow-Up.

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. A follow-up audit of Neighbourhood Services (Culture) was undertaken by Internal Audit in line with the agreed Internal Audit plan for 2022/23. The audit (Appendix 1) provides reasonable assurances (increased from partial) and includes 2 medium-graded recommendations.

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:

Contact Officer: Michael Roper

Ext: 7520

Appendices attached to report:

- **Internal Audit Report – Neighbourhood Services (Culture) Follow-Up– Appendix 1**

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 follow up of Neighbourhood Services (Culture)

Draft Report Issued: 27th January 2023

Director Draft Issued: 7th February 2023

Final Report Issued: 21st February 2023



Audit Report Distribution

Client Lead:	Head of Neighbourhoods
Chief Officer:	Deputy Chief Executive Chief Executive
Others:	HR Manager Workforce Development Manager
Audit Committee	The Audit Committee, which is due to be held on 16 th March 2023 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 a follow up audit of Neighbourhood Services (Culture). 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. The original audit was carried out in November 2021, resulting in a conclusion of partial assurance and 7 recommendations (including 1 high). A management action plan was completed detailing agreed actions, responsible manager and implementation dates to address the recommendations (Appendix A). This follow-up report provides an update on progress made against this action plan.

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.
- 2.3 The Client Lead was asked to provide an update on progress made implementing the agreed actions. Internal Audit then undertook testing as necessary to confirm that actions have been fully implemented and that controls are working as intended to mitigate risk

Audit Scope and Limitations.

- 2.4 The original scope was to provide independent assurance over management's arrangements for ensuring effective governance, risk management and internal controls of the following risk areas:
 - Cultural issues impacting on ability to deliver business objectives
- 2.5 It is the responsibility of management to monitor the effectiveness of internal controls to ensure they continue to operate effectively.
- 2.6 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 D** for definitions).

- 3.2 Where the findings of the follow up confirm that actions have been successfully implemented and controls are working effectively, the internal audit assurance opinion may be revised from that provided by the original audit.
- 3.3 From the areas examined and tested as part of this follow up review, we consider the current controls operating within Neighbourhood Services (Culture) provide **reasonable assurance** (revised from partial 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 E**.
- 4.2 The previous audit included 7 recommendations (See Appendix A) of which:
- 2 agreed actions have been successfully implemented.
 - 2 agreed actions have been partially implemented.
 - 3 agreed actions have not been implemented.
- 4.3 Audit recommendations arising from this audit review are summarised below:

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

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

4.5 **Findings Summary:**

Results of the recent (September 2022) pulse staff survey are favourable, demonstrating a positive level of job satisfaction within Neighbourhood Services.

Although some of the agreed management actions detailed in the original audit have not been implemented, management have pursued alternative arrangements which appear to have had a positive effect.

Management actions taken include:

- holding focus groups between management, staff and Union Representatives to review and work through issues raised in the original survey
- reviews of individual rounds to address perceived inequity
- increase in drivers' salary
- improved notice boards

An arrangement to maintain positive staff job satisfaction would be beneficial.

It is noted that although the recent pulse survey results are positive, grievances and disciplinaries have been significant, confirming long-term management is required to address the identified concerns.

Monitoring the level, efficiency, effectiveness and timeliness of grievances and disciplinaries will enable informed decisions to be taken on corrective action.

Comment from the Deputy Chief Executive:

This follow up review of Neighbourhood Services (culture) is welcome and has highlighted some areas of work where the Council could make more progress on maintaining and developing an inclusive and well motivated culture in these services.

We will continue to work on activities that support our staff and pay attention to the culture and well being of our workforce.

5.0 Audit Findings & Recommendations

5.1 Progress overview

5.1.1 Results of the recent (September 2022) pulse staff survey are favourable, demonstrating a positive level of job satisfaction within Neighbourhood Services. It is noted that the questions in the original survey (July 2021) are not directly comparable to the latest survey, increasing the difficulty in drawing firm conclusions on direction of travel.

5.1.2 The following questions were answered most positively where either 'agree' or 'strongly agree' were selected:

- I am clear on what is expected of me in my job (90%)
- I take pride in doing a good job and delivering quality services for the people of Carlisle (92%)
- I enjoy working with my colleagues (88%)
- I know how to report safety issues (85%)

5.1.3 The following questions were answered most negatively where either 'disagree' or 'strongly disagree' were selected:

- Our organisation does a good job of communicating with staff (24%)
- I feel that the current work environment is positive, healthy and supportive (17%)
- I have good career opportunities (17%)
- I have noticed a positive change in culture in the last 6 months (22%)

The level of negativity for these questions is not significant when the overall response to each is considered. For example, if 22% of responders disagreed or strongly disagreed with the statement, 'I have noticed a positive change in culture in the last 6 months', this means that 78% of responders agreed, strongly agreed or were neutral.

5.1.4 Since the original audit a number of focus groups have been held with management, staff and Union Representatives to review and work through issues raised in the original survey. In addition to the focus groups, reviews of individual rounds (routes taken/ number of bins collected etc) have also taken place to address perceived inequity, where some staff were finishing work earlier than others.

- 5.1.5** Management indicated that that some drivers took advantage of the well-publicised private sector driver shortage to increase pay, then returned to the Council where it was felt that general working conditions are more favourable. Salaries of all HGV licence holders at the Council have been raised by £1k through the award of a market factor supplement, which will be reviewed after two years.
- 5.1.6** Further action has been taken to facilitate improved communication with staff. Notice boards now have dedicated space for Health and Safety, LGR and for sale/ wanted. 'Toolbox talks' continue to be delivered by supervisors prior to rounds.
- 5.1.7** Although some of the agreed management actions detailed in the original audit have not been implemented, engagement with staff through focus groups and round reviews appears to have had a positive effect on the level of job satisfaction. It is advised that management may wish to consider if that positive effect may be at least partly due to the well documented Hawthorne Effect (Elton Mayo) where an increase in performance was noted when staff were noticed, watched and paid attention to by researchers or supervisors.
- 5.1.8** It is noted there has been a significant level of staff grievances and disciplinaries within the service. In response, management have arranged specialist HR support to be based at Boustead's Depot in the short-term. It is envisaged that this will resolve staffing issues in an effective and timely manner, helping to prevent escalation to a formal grievance or disciplinary process in the future.

5.2 Recommendation 1 – Devise a Relationship Management Strategy

- 5.2.1** The previous recommendation detailed that a relationship management strategy should be devised, focusing on improving relationships and understanding between management, operational staff and union representatives. Implementation of the strategy would benefit from an external mediator with the appropriate skills and knowledge to support the exercise.
- 5.2.2** Management agreed actions to:
- source an independent, or external support to develop the strategy
 - develop a strategy through discussion with a mixed group of officers, staff and union reps.
 - seek feedback through consultation with the wider team.

5.2.3 The relationship management strategy recommended in the original audit has not been developed. At the time of the Audit (January 2023) management indicated that they had been waiting for the results of the recent pulse survey (September 2022) to decide on next steps to take.

5.2.4 It is recommended that management put an arrangement in place to maintain positive staff job satisfaction in the future. As part of that process, It is advised that management decide whether a relationship management strategy should now be developed.

Recommendation 1 – Put an arrangement in place to maintain positive staff job satisfaction.

5.3 Recommendation 2 – Monitor ongoing success of the Relationship Management Strategy

5.3.1 The previous recommendation detailed that a process should be put in place to monitor the ongoing success of the relationship strategy. The strategy should be revised in accordance with the outcome of ongoing monitoring.

5.3.2 The agreed management action was to develop the process through ongoing discussion with a mixed group of officers, staff and union reps.

5.3.3 As detailed in 5.2.3, a Relationship Management Strategy has not been developed. It is advised that if a Strategy is developed, a process should be put in place to monitor the ongoing success.

5.4 Recommendation 3 – Relationship Management Strategy to include a charter of acceptable behaviour

5.4.1 The previous recommendation detailed that the Relationship Management Strategy should include a charter of acceptable behaviour between management, operational staff and union representatives. The charter should be subject to suitable consultation from all three stakeholders and agreed by all parties.

5.4.2 The agreed management action was to develop the charter through ongoing discussion with a mixed group of officers, staff and union reps.

5.4.3 A charter of acceptable behaviour has not been developed. Management decided there was sufficient existing documentation in place such as the '3 C's', Employee and Management Competency Standards and Code of Conduct.

5.5 Recommendation 4 – Review current routes to improve equality between workloads

5.5.1 The previous recommendation detailed review of current routes to improve equality between workloads.

5.5.2 The agreed management action was for a mixed group of officers and representatives from unions and staff to be established to review round performance information and develop options to re-balance rounds. The first meeting took place in January 2022. The aim was to see some immediate action in the short-term and / or develop options for the medium term.

5.5.3 Officers, staff and union reps have met regularly to discuss the round review. Ideas and suggestions were invited and changes to a number of rounds were actioned. It is advised that round equity is subject to regular management review.

5.5.4 To further demonstrate fairness, it is also advised that where team changes are made, management record and retain evidence of staff involved.

5.6 Recommendation 5 – Management to create a communication strategy

5.6.1 The previous recommendation detailed that management should create a communication strategy to focus on improving the consistency and completeness of information provided to operational staff (the process should include consultation with staff).

5.6.2 Management agreed actions to:

- develop a strategy through discussion with a mixed group of officers, staff and union representatives
- seek feedback and consultation with the wider team.

- 5.6.3** A communication strategy has not been developed. At the time of the Audit (January 2023), management indicated that they had been waiting for the results of the recent pulse survey (September 2022) to decide on next steps to take.
- 5.6.4** It is advised that management should decide if a communication strategy should form part of the process detailed in 5.2.3.

5.7 Recommendation 6 – Approach to grievances and disciplinaries to be reviewed

- 5.7.1** The previous recommendation detailed that the approach to grievances and disciplinaries should be reviewed to ensure it is timely and efficient.
- 5.7.2** The agreed management action stated that the HR team is now fully resourced and the new team recognises the importance and commitment to ensuring a proactive and timely approach to case management.
- 5.7.3** Anecdotal evidence provided by a key Union rep indicated that improvements to case management have been made, although data is not currently available to confirm timeliness and efficiency.
- 5.7.4** Management have established, specialist HR support based at Boustead's Depot. It is envisaged that professional mediation will help prevent escalation of staff and management disagreements to a formal process.
- 5.7.5** It is recommended that management (including the Corporate Director) are regularly updated on the number of grievances and disciplinaries within Neighbourhood Services along with the time taken to resolve individual cases. This will allow informed decisions to be taken on the efficiency, effectiveness and timeliness of the approach to case resolution.

Recommendation 2 – Management (including the Corporate Director) to be regularly updated on the number of investigations, grievances and disciplinaries, along with the time taken to resolve individual cases.

5.8 Recommendation 7 – Consistent approach taken to handling grievances, complaints and queries

- 5.8.1** The previous recommendation detailed that Union Representatives should work with Human Resources and Health and Safety to ensure a consistent approach is taken to handling grievances, complaints and queries.
- 5.8.2** The agreed management action stated that HR & Payroll Management is working with colleagues and Union Representatives to draft a short protocol which sets out how various issues should be approached and what the expected process is for managing those issues. This will be reviewed on a regular basis at CJC to support continuation of issue resolution being managed in partnership.
- 5.8.3** A draft flow-chart protocol has been developed with Union Representatives and will be reviewed at the next Corporate Joint Consultative information meeting on 3rd March. The Head of Human Resources intends to send an email to the Trade Union representatives confirming the discussion outcome.

Appendix A – Original Management Action Plan

Summary of Recommendations and agreed actions						
Recommendations	Priority	Risk Exposure	Agreed Action	Responsible Manager	Implementation Date	Actioned
Recommendation 1 - A relationship management plan should be devised, focusing on improving relationships and understanding between management, operational staff and union representatives. Implementation of the strategy would benefit from an external mediator with the appropriate skills and knowledge to support the exercise.	H	Loss of staff due to absence or vacating posts / low moral resulting in poor service delivery.	Sourcing of independent, or external, support to develop the strategy. Strategy to be developed through discussion with mixed group of officers, staff and union reps. This will involve seeking feedback, consulting with the wider team.	Neighbourhood Services Manager	01 April 2022	In part
Recommendation 2 - A process should be put in place to monitor the ongoing success of the relationship management plan. The plan should be	M	Loss of staff due to absence or vacating posts / low moral resulting in poor service delivery.	This will be developed through the ongoing discussions above.	Neighbourhood Services Manager	31 March 2023	No

revised in accordance with the outcome of ongoing monitoring.						
Recommendation 3 - The relationship management plan should include a charter of acceptable behaviour between management, operational staff and union representatives. The charter should be subject to suitable consultation from all three stakeholders and agreed by all parties	M	Loss of staff due to absence or vacating posts / low moral resulting in poor service delivery.	Sourcing of independent, or external, support to develop the strategy. Strategy to be developed through discussion with mixed group of officers, staff and union reps. This will involve seeking feedback, consulting with the wider team.	Neighbourhood Services Manager	01 April 2022	No
Recommendation 4 - Current routes should be reviewed to improve equality between workloads.	M	Inequitable workloads	This will be developed through the ongoing discussions above.	Neighbourhood Services Manager	31 March 2023	Yes
Recommendation 5 - Management should create a communication plan to focus on improving the consistency and	M	Loss of staff due to absence or vacating posts / low moral resulting in poor service delivery.	Strategy to be developed through discussion with mixed group of officers, staff and union reps.	Neighbourhood Services Manager	30 April 2022	No

completeness of information provided to operational staff (the process should include consultation with staff)			This will involve seeking feedback, consulting with the wider team.			
Recommendation 6 – The approach to grievances and disciplinaries should be reviewed to ensure it is timely and efficient.	M	Additional stress due to inefficient investigations	The HR team is now fully resourced and the new team is recognises the importance of and is committed to ensuring a proactive and timely approach to case management.	HR & Payroll Manager	Complete	In part
Recommendation 7 – Union representatives should work with Human Resources and Health and Safety to ensure a consistent approach is taken to handling grievances, complaints and queries.	M	Inconsistent approach / additional workload for Union representatives.	The HR & Payroll Manager is working with colleagues and union representatives to draft a short protocol which sets out how various issues should be approached and what the expected process is for managing those issues. This will be reviewed on a regular basis at CJC to support continuation of issue resolution being managed in partnership	HR & Payroll Manager	15/12/2021	Yes

Appendix B – Management Action Plan

Summary of Recommendations and agreed actions					
Recommendations	Priority	Risk Exposure	Agreed Action	Responsible Manager	Implementation Date
Recommendation 1 – Put an arrangement in place to maintain positive staff job satisfaction.	M	Staff job satisfaction deteriorates, further increasing grievances and disciplinaries.	Regular meetings of mixed staff group to continue, to maintain positive momentum and to also support the organisation through change (LGR).	Operations Manager	31 March 2023, then ongoing
Recommendation 2 – Management (including the <u>Corporate Director</u>) to be regularly updated on the number of investigations, grievances and disciplinaries, along with the time taken to resolve individual cases.	M	Management are not able to make informed decisions on whether current strategies and processes are timely and effective.	Quarterly report to be produced summarising the number / status / progress of grievances, investigations and formal disciplinary processes. This can also include information about long-term sickness absence to give a clearer profile of the service.	HR / Head of Neighbourhoods	31 March for version 01, quarterly thereafter

Appendix C – Advisory Comments

Ref	Advisory Comment
5.1.7	Management may wish to consider if current survey results at least partly due to the well documented Hawthorne Effect (Elton Mayo) where an increase in performance was noted when staff were noticed, watched and paid attention to by researchers or supervisors.
5.2.3	As part of the process to maintain current levels of staff job satisfaction, management should decide whether a relationship management strategy should now be developed.
5.3.3	If a Relationship Management Strategy is developed, a process should be put in place to monitor ongoing success.
5.5.3	Round equity should be subject to regular management review.
5.5.4	Where team changes are made, management should record and retain evidence of staff involved.
5.6.4	As part of the process to maintain current levels of staff job satisfaction, management should decide if a communication strategy should be developed.

Appendix D - 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.	<p>The control framework tested are suitable and complete are being consistently applied.</p> <p>Recommendations made relate to minor improvements or tightening of embedded control frameworks.</p>
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.	<p>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.</p> <p>Any high graded recommendations would only relate to a limited aspect of the control framework.</p>
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.	<p>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.</p> <p>High graded recommendations have been made that cover wide ranging aspects of the control environment.</p>
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.	<p>Significant non-existence or non-compliance with basic controls which leaves the system open to error and/or abuse.</p> <p>Control is generally weak/does not exist.</p>

Appendix E

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 used; 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).