

Carlisle City Council

Report to Audit Committee

Report details

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| Meeting Date: | 10 December 2021 |
| 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: | RD59/21 |

Purpose / Summary:

This report supplements the report considered on Internal Audit Progress 2021/22 and considers the 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 (covering appraisals, e-learning and the intranet) was undertaken by Internal Audit in line with the agreed Internal Audit plan for 2021/22. The audit (Appendix A) provides reasonable assurances and includes 3 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:

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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)

Draft Report Issued: 11 November 2021

Director Draft Issued: 12 November 2021

Final Report Issued: 23 November 2021



Audit Report Distribution

| | |
|-------------------------|---|
| Client Lead: | Workforce Development Manager |
| Chief Officer: | Chief Executive Deputy Chief Executive Corporate Director Governance & Regulatory Services Corporate Director Finance & Resources Corporate Director Economic Development |
| Others: | Head of Policy and Performance Infrastructure & Service Desk Manager |
| Audit Committee: | The Audit Committee, which is due to be held on 10 th December 2021 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 Internal Controls (Appraisals, E-Learning, Intranet). This was an internal audit review included in the 2021/22 risk-based audit plan agreed by the Audit Committee on 15th March 2021.
- 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 (though it is noted there has been significant progress made relating to compliance with mandatory training prior to this audit) it was agreed that an 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.
- 1.3 Internal Audit propose performing a brief annual audit of corporate controls, which will add value to the annual audit opinion, good governance principles and annual governance statement. Internal Audit will also review whether further central controls could be included in any annual corporate 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 provide **Reasonable 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) | - | 2 |
| 2. Regulatory - compliance with laws, regulations, policies, procedures and contracts (see section 5.2) | - | 1 |
| 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 | - | 3 |

- 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 has been provided to managers, who are expected to complete appraisals by January 2022.

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.

A bench-marking exercise with other authorities would provide further assurances that the Council has suitable training in place and that compliance levels are suitable. Additionally, the current coding structure to allocate mandatory modules would benefit from a review and update.

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.

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 improvement.

Comment from Deputy Chief Executive

Well done to the Organisational Development Team for managing and maintaining an effective and robust approach to e-learning and appraisals. These three medium graded recommendations will assist the team and Council to further improve our work in this area.

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 recently reviewed and updated to address the following
- Limited development requests or requests for training information being provided to Organisational Development.
 - 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 at 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 and the record of completion were both up to date and access controlled.
- 5.1.5** Guidance is concise and appropriate. It is advised that guidance documentation includes relevant meta-data, particular a review date to ensure timely updates are performed.
- 5.1.6** Organisational Development also arranged additional training for managers and staff to attend in relation to the appraisal process, only a small number of managers attended.
- 5.1.7** The Council utilises the software provider Skillsgate 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.
- 5.1.9** Given the proposed Local Government Reorganisation a benchmarking exercise would also be beneficial to ensure a consistent approach is adopted by the new authority. It is advised that a benchmarking exercise with other Cumbrian authorities should be carried out of mandatory e-learning to provide assurances that the Council's current process is complete and effective.
- 5.1.10** Modules are compiled by Skillsgate and reviewed by a responsible/experienced officer within the Council to tailor content to include specific City Council information. Skillsgate also update modules on a regular basis. Ad-hoc checking of modules by Council officers also takes place, with Organisational Development approaching responsible officers when they identify relevant changes (such as the new Attendance Management Policy); however, there is no routine process to check modules are up to date on a regular basis. Internal Audit has previously raised concerns that the current cyber-security training module is out of date.

Recommendation 1 – A process should be established to ensure responsible officers check all course content on a regular basis (annually) to verify it is still up to date and relevant.

- 5.1.11** Regular updates are issued reminding staff to complete mandatory e-learning, including automatic e-mails from Skillsgate and regular reminders from Organisational Development. Additionally, completion of e-learning has been incorporated into the new appraisal process and Organisational Development have provided briefings and guidance to Managers on how to monitor completion of mandatory training.
- 5.1.12** Employees are assigned a code within Skillsgate based on their role, which will assign appropriate modules (for example, only managers are required to undertake attendance management training). A review of coding application indicated the process is generally appropriate, but some minor issues were noted:
- A number of the coding categories are identical and a ratification exercise should be carried out to reduce the number in place.
 - It is not clear why certain positions are assigned training on professional boundaries, whereas other positions that would be expected to undertake this course have not been assigned the training.
 - Not all officers with network access have been given access to cyber-security training (this is essential for any officer with network access).

Recommendation 2 – A review of the coding structure and assignment of modules within Skillsgate should be undertaken to maximise efficient and consistent allocation of modules.

- 5.1.13** Historically all Members were given access to Skillsgate. However, due to limited usage Members were given the option of rescinding the account to save Council the additional license costs.
- 5.1.14** Organisational Development 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.
- 5.1.15** 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 70% members accessing a short training video provided by Organisational Development.
- 5.1.16** The Council has an intranet in place which includes access to key documents (such as policies), links to corporate systems and other useful information.
- 5.1.17** The Council has recognised the intranet is out of date and contains irrelevant and out of date information and has previously started projects to replace the current system. Due to vacancies within ICT Services this project was put on hold.
- 5.1.18** However, a project has recently been approved and initial steps have been taken to review content for the new site including embedding appropriate records management controls to prevent duplicate and out of date information appearing on the new intranet. Responsibility for keeping the intranet up to date has been appropriately assigned.
- 5.1.19** The project is in its early stages/ Progress will be reviewed in more detail during the next review of Corporate Internal Controls (Q1 2021/22).

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

- 5.2.1** Completion of appraisals is to be 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 the end of October, 62 appraisals have been delivered. While this only represents a small portion of the Council's workforce, it should be noted that managers have until January 2022 to complete. It is noted the majority of the Council's Senior Management Team have delivered their appraisals, setting a positive example and allowing the appraisal process to be delivered down the management chain.
- 5.2.3** Several reminders have been issued by Organisational Development regarding completion of appraisals. The completeness of the new process will be assessed as part of the next annual review of corporate internal controls (Q1 2022/23).
- 5.2.4** Consideration is being given to including a KPI to measure take up of appraisals. Internal Audit support this approach as it will ensure progress is monitored at a senior level within the authority (as part of the established Performance reporting framework).
- 5.2.5** Completion of mandatory e-learning modules is recorded within Skillsgate, 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%). Completion rates for mandatory training should be considered as part of the advised benchmarking exercise (5.1.9).
- 5.2.6** There is still a significant minority of Council officers that have not completed training. Further analysis undertaken identifies that while the majority of non-compliance relates to individuals recently registered for new or refresher training, there are still officers who have not undertaken mandatory training over a significant time period (up to 3 years).
- 5.2.7** Responsibility for completing training rests with employee's line managers, but it is clear that some managers do not ensure staff complete training on a timely basis.

Recommendation 3 – Regular analysis of non-compliance with mandatory training should be undertaken to identify areas of the Council that are not engaging with the mandatory training programme.

5.2.8 Skillsgate 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.

Appendix A – Management Action Plan

| Summary of Recommendations and agreed actions | | | | | |
|--|----------|--|--|-------------------------------|---------------------|
| Recommendations | Priority | Risk Exposure | Agreed Action | Responsible Manager | Implementation Date |
| Recommendation 1 – A process should be established to ensure responsible officers check all course content on a regular basis (annually) to verify it is still up to date and relevant. | M | Training out of date and does not cover latest requirements (including legal or legislative changes) | Process to be put in place to check compliance of regulatory modules with appropriate lead officer | Workforce Development Manager | February 2022 |
| Recommendation 2 – A review of the coding structure and assignment of modules within Skillsgate should be undertaken to maximise efficient and consistent allocation of modules. | M | Officers do not get assigned relevant training. | OD to review current structure for ease of use, accuracy and efficient use. | Workforce Development Manager | January 2022 |
| Recommendation 3 – Regular analysis of non compliance with mandatory training should be undertaken to identify areas of the Council that are not engaging with the mandatory training programme. | M | Officers exposed to risks due to not undertaking mandatory training. | OD currently provide reports to SMT these will be delivered more frequently (quarterly) with additional request for support highlighting risk. Reports to be shared with HR advisor to include within their regular meetings with managers. | Workforce Development Manager | January 2022 |

Appendix B – Advisory Comments

| Ref | Advisory Comment |
|-------|---|
| 5.1.5 | It is advised that guidance documentation includes relevant meta-data, particular a review date to ensure timely updates are performed. |
| 5.1.9 | It is advised that a benchmarking exercise with other Cumbrian authorities should be carried out of mandatory e-learning to provide assurances that the Council's current process is complete and effective. |
| 5.2.4 | Consideration is being given to including a KPI to measure take up of appraisals. Internal Audit support this approach as it will ensure progress is monitored at a senior level within the authority (as part of the established Performance reporting framework). |

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. | <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 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).