

REPORT TO POLICY AND RESOURCES COMMITTEE – 11 JUNE 2015

INTERNAL AUDIT REPORTS

1. Recommendation

- 1.1 **The Committee is requested to discuss and comment on the issues raised within this report.**

2. Discussion

- 2.1 This report advises the Committee of the results of completed audits (paragraphs 2.4 and 2.5), and of progress with implementing agreed recommendations (paragraph 2.6 and Appendices A and B).
- 2.2 Appropriate officers agreed the factual accuracy of the Internal Audit reports prior to issue and action has been agreed to address the issues identified.
- 2.3 The Head of Finance and the Monitoring Officer within Business Services have been consulted and any comments made have been incorporated into this report.
- 2.4 Software Licensing and Support (Internal Audit Report 1540 – April 2015)**
- 2.4.1 Financial Regulations require that appropriate technical or professional advice has been taken from the Head of ICT before any expenditure on IT software and hardware may be incurred. During 2013/14, £1.6 million was spent on computer software with £2.4 million forecast in 2014/15. The identification, management and control of computer hardware equipment and software assets in the Council within corporate and curricular environments is governed by the ICT Asset Management Policy.
- 2.4.2 The objective of this audit was to ensure that software licenses are being adequately managed and monitored while computer software and ongoing support is being procured in accordance with Council policy and that value for money is being obtained.
- 2.4.3 Following a previous audit of this area a review was undertaken by ICT of the licencing arrangements for twenty six business systems which, if not licenced correctly, would present the biggest risk to the organisation. Two Services were unable to provide licences for two systems. In order to address this, ICT has agreed to contact the suppliers directly to obtain copies and thereafter confirm that the Council is complying with the licence requirements.
- 2.4.4 Subsequently the review of business systems licencing was extended to the remaining business systems. At the time that this audit was concluded, ICT were still awaiting details of around thirty licences from Services. In order to

improve this, Services will be requested to provide licence details, and annual costs when they renew support and maintenance arrangements during 2015/16. ICT and Finance have agreed to consider the possibility of all software budgets being transferred to ICT, which would allow for greater control over licence agreements and the payments made. Commercial and Procurement Services has also agreed to ensure that the Corporate Contract Register is updated and that the whereabouts of contract documents are recorded.

- 2.4.5 An audit of the control of unlicensed software in 2011 identified that the Council lacked a comprehensive register of owned software installed on desk tops using the corporate network. Whilst a list has now been produced and copies of the supporting licence documentation is available, the asset numbers on which the software is loaded is not detailed and a reconciliation between the list and actual software being run has not been carried out. For the curricular network the list of software is incomplete.
- 2.4.6 The incompleteness of the reconciliation between the corporate software asset register and actual software deployed means that the Service has no assurance over licence usage. To address this, ICT are in the process of introducing Microsoft Configuration Manager and an IT Service Management Tool known locally as 'FRED' which is expected to be operational by September 2015. The incompleteness of the curricular asset register will be addressed as part of an IT change programme within schools.
- 2.4.7 The procurement of software was found to be operating well and, based on the sample tested, in accordance with Financial Regulations.

2.5 Attendance Management (Internal Audit Report 1547 – May 2015)

- 2.5.1 The Council's Attendance Management policy has been developed to provide support and assistance to managers and employees in managing ill health, and thereby to reduce incidences of absence.
- 2.5.2 The objective of this audit was to ensure application of the attendance management policy by managers and to determine if it is having a positive effect on absence. Absence data is used internally for application of the policy and for management information, and reported externally as a performance indicator. Statistics suggest a relatively stable trend within the last year, and a small reduction in days lost to absence over the last few years. There are multiple factors which impact on absence, therefore it is not possible to conclude whether or not the Attendance Management policy is having the required positive impact on the Council's absence levels.
- 2.5.3 Although HR&OD sets the policy and procedures, it is incumbent on Service management to ensure these are applied. A sample of absences was reviewed with Services and although managers were aware of the policy requirements this revealed inconsistencies in their application, including updating absence records, monitoring absence levels and holding attendance

counselling meetings. A lack of continuity was also evident in some cases where line managers had changed between periods of employee absence. Line managers should be aware that the management of attendance is an integral aspect of their role, and that it is up to Services to ensure adherence to the policy. HR&OD does not consider it has a role in policing the effective implementation of the policy and will therefore raise these issues with the Strategic Leadership Team.

- 2.5.4 Absences are not all being recorded timeously, which can impact on application of the policy and on performance data. HR&OD will remind managers to ensure absence data is recorded promptly.
- 2.5.5 Where employees reach certain trigger points regarding the number of absences within a set period, a system is in place to email managers to remind them to take relevant action under the policy. These emails are not all reaching the relevant managers, and are not always being passed on correctly in such cases. HR&OD will ensure trigger notifications all have an up to date named recipient within each Service, and will remind these managers of the need to review and act upon these emails promptly, cascading them to relevant line management as appropriate for further action. There will be a requirement to investigate how Absence trigger reports will work in the new payroll system and this work is ongoing.
- 2.5.6 Performance information is required to meet nationally agreed criteria in order to facilitate its use for benchmarking. Due to the way absences are recorded on the current payroll system, manual intervention is required to meet these. There is ambiguity in some of the criteria, which the Service will seek to clarify before 2014/15 data is published. For future years it is anticipated that the new payroll system will be able to report this data more readily.

2.6 Progress with agreed recommendations

- 2.6.1 Appendices A and B show progress made by Services with completing agreed Internal Audit recommendations. Where these have not been completed by their original due date, reasons are provided along with the grading applied to the recommendation in the original Internal Audit report. An explanation of the gradings used is shown at appendix C.
- 2.6.2 Where it has been confirmed that all actions contained in reports issued before April 2015 have been fully completed, these reports are no longer shown.

3. Equalities, Staffing and Financial Implications

- 3.1 An equality impact assessment is not required because the reason for this report is for Committee to discuss and comment on the findings of Internal Audit work and there will be no differential impact, as a result of this report, on people with protected characteristics.

- 3.2 There are no staffing or financial implications arising directly from this report other than those implicit in the tightening of internal controls recommended in the Internal Audit reports.

CHIEF INTERNAL AUDITOR

Report prepared by David Hughes, Chief Internal Auditor.
22 May 2015.

APPENDIX A

POSITION WITH AGREED RECOMMENDATIONS AS AT 22 MAY 2015

SUMMARY

The following table provides a summary of progress being made by Services with completing agreed recommendations. On 23 April 2015, the Committee was advised that, as at 7 April 2015, there were 12 recommendations which were due to have been completed by 28 February 2015 which were not fully complete. This has reduced to 9. The total not fully complete which had an original due date of before 30 April 2015 is 14. Full details relating to progress, on a report by report basis, are shown in appendix B.

SERVICE	Recommendations							Grading of Overdue Recommendations		
	Agreed in reports shown in Appendix B	Due for completion by 28.02.15	Confirmed complete by Service	New in March and April 2015	Confirmed and complete by Service	Not fully complete by original due date of 30.04.15	Major	Significant	Important	
Cross Service	34	21	18	14 (i)	9 (i)	8	0	7	1	
Business Services:										
Customer, Comm & Improvement	18	3	3	7	7	0	0	0	0	
Finance	17	3	3	0	0	0	0	0	0	
HR & OD	66	58	53	4 (i)	4 (i)	5	0	5	0	
ICT	6	0	0	0	0	0	0	0	0	
Legal and Governance	23	14	13	6	6	1	0	0	1	
Total	164	99	90	31	26	14	0	12	2	

(i) Includes 1 recommendation due and implemented in reports issued before April 2015 which are no longer shown in Appendix B.

APPENDIX B

POSITION WITH AGREED RECOMMENDATIONS AS AT 22 MAY 2015

Report Number	Report Title	Date Issued	Agreed in Report	Number of Recommendations			Grading of overdue recommendations
				Due for implementation by 30.04.15	Confirmed Implemented by Service	Not implemented by original due date	

CROSS SERVICE

1428	Corporate Contracts	July 2014	12	12	9	3	1 Significant 2 Important
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As reported previously, the two overdue recommendations (**graded “important within audited area”**) were due to be implemented by the end of July 2014 and relate to incorporating a permanent link to corporate contracts on the Arcadia home page and ensuring that the list of contracted suppliers on Arcadia is updated promptly following changes. The Service was working on these and intended having them completed by the end of September 2014. This has now been incorporated in the PACE project and will be progressed in line with the Arcadia project. Arcadia will be moving to a holding platform in November 2014 and it is not considered advisable to incorporate a permanent link to contracts just now. In view of this, the recommendations have been rescheduled for June 2015.

A further recommendation (**graded “significant within audited area”**) was due to be implemented by the end of April 2015. It relates to the Service ensuring that comprehensive data is available to confirm actual procurement savings made and how these have been achieved. The Service has advised that this cannot be actioned in full with the systems that are currently available and that they will advise on how this can be achieved, and the investment required in order to do this, by the end of July 2015.

1442	Partnership and Joint Working Governance	February 2014	9	9	7	2	2 Significant
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The overdue recommendations (**graded “significant within audited area”**) were due to be implemented by the end of April 2015 and relate to Legal and Governance and reporting this to the Policy and Resources Committee, and thereafter complying with the requirements of the Code. The reviewed Code will now be reported to the Policy and Resources Committee in September 2015.

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 30.04.15	Confirmed Implemented by Service	Not implemented by original due date	

CROSS SERVICE (continued)

1511	Temporary Contracts	September 2014	8	8	7	1	1 Significant
<p>As reported previously, the overdue recommendation (graded "significant within audited area") was due to be implemented by HR&OD by October 2014 and related to exploring the option of automatically generating termination notifications through the replacement payroll system. This has been delayed until the new Payroll system is implemented, which is now scheduled for September 2015.</p>							
1532	Business Transformation	February 2015	5	5	3	2	2 Significant
<p>The overdue recommendations (graded "significant within audited area") were due to be implemented by the end of April 2015.</p> <p>The first relates to setting and adhering to a timetable to review the continuing relevance of Business Transformation Projects and ensuring that refreshed business cases are developed. Refreshed business cases for each project will be discussed by the Business Transformation Board in August 2015.</p> <p>The second relates to confirming the approved structure for the Core Recruitment Team and ensuring that staffing levels do not exceed the approved establishment. The Service is currently working on this and will respond to Internal Audit before the end of May 2015.</p>							

BUSINESS SERVICES – Customer Communication and Improvement

1523	Council Plan	January 2015	18	10	10	0	0
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Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 30.04.15	Confirmed Implemented by Service	Not implemented by original due date	

BUSINESS SERVICES – Finance

1450	Revenues and Benefits System	July 2014	8	3	3	0	0
1522	Corporate Arrears Recovery System	March 2015	7	0	0	0	0
1536	Web-Based and Telephone Payments	March 2015	2	0	0	0	0

BUSINESS SERVICES – HR&OD

1401	Payroll System	November 2013	11	9	9	0	0
1418	Pool Vehicles	October 2013	6	6	5	1	1 Significant

As reported previously, the final recommendation (**graded “significant within audited area”**) was due to be implemented in March 2014 and relates to putting an action plan in place to deliver increased usage of pool and hire vehicles, and therefore, greater savings. This was then going to be combined with an “invest to save” request that was to be made in May 2014. The Service then advised that this would be done by the end of September 2014 and then that a report was to be considered by Strategic Leadership Team in November 2014 regarding the options. The report was then to be considered by SLT in February 2015, but will now be incorporated into a wider package of measures designed to generate budget savings.

Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 30.04.15	Confirmed Implemented by Service	Not implemented by original due date	

BUSINESS SERVICES – HR&OD (continued)

1437	Working Time Regulations	May 2014	14	12	11	1	1 Significant
<p>As reported previously, the overdue recommendation (graded "significant within audited area") was due to be implemented by the end of October 2014. Along with eight others, this was to be satisfied through the approval of a revised policy by the Policy and Resources Committee in March 2015. The recommendation relates to identifying Service contacts who will take responsibility for ensuring that Working Time Regulations compliance monitoring is carried out. Although the revised Policy emphasises manager responsibility, the Service contacts will not be identified until May 2015.</p>							
1444	Relocation Expenses	July 2014	23	23	20	3	3 Significant
<p>The three overdue recommendations (graded "significant within audited area") were due to be implemented by the end of August 2014 and January 2015. They relate to ensuring that certain expenses have been treated correctly for tax purposes and HMRC being advised of payments which were not originally treated correctly, seeking advice on how to proceed. The Service has advised that these matters will now be dealt with in the annual P11D return following the end of the 2014/15 financial year.</p>							
1526	Overtime	January 2015	12	11	11	0	0

BUSINESS SERVICES – ICT

1540	Software Licensing and Support	April 2015	6	0	0	0	0
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Report Number	Report Title	Date Issued	Number of Recommendations				Grading of overdue recommendations
			Agreed in Report	Due for implementation by 30.04.15	Confirmed Implemented by Service	Not implemented by original due date	

BUSINESS SERVICES – Legal and Governance

1448	Developer Contributions	August 2013	23	20	19	1	1 Important
<p>As reported previously, the overdue recommendation (graded “important within audited area”) was due to be implemented by the end of December 2014 and relates to reviewing and implementing measures to ensure security of Developer Obligation records. Although measures have been agreed, they have not been fully implemented. The Service has stated that, due to resource issues, it will take until December 2015 to complete the required work.</p>							

APPENDIX C

Grading of Recommendations

GRADE	DEFINITION
Major at a Corporate Level	The absence of, or failure to comply with, an appropriate internal control which could result in, for example, a material financial loss, or loss of reputation, to the Council.
Major at a Service Level / within audited area	<p>The absence of, or failure to comply with, an appropriate internal control which could result in, for example, a material financial loss to the Service/area audited.</p> <p>Financial Regulations have been consistently breached.</p>
Significant within audited area	<p>Addressing this issue will enhance internal controls.</p> <p>An element of control is missing or only partial in nature.</p> <p>The existence of the weakness identified has an impact on a system's adequacy and effectiveness.</p> <p>Financial Regulations have been breached.</p>
Important within audited area	Although the element of internal control is satisfactory, a control weakness was identified, the existence of the weakness, taken independently or with other findings does not impair the overall system of internal control.

