

AUDIT MONITORING REPORT: Sept - Oct 2013

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1.0 INTERNAL AUDIT WORK COMPLETED IN PERIOD SEPT TO OCT 2013

1.1 This report summarises findings from 7 final reports issued in September and October 2013. As the last full Internal Audit monitoring report to this Committee on 25 September covered the 5 month period from 1 April – 31 August 2013 this report is just a summary of final reports issued since then. The usual full report for the nine months to 31 December 2013 will be presented to this Committee at its next meeting (30 January 2014).

2013/14 - final reports issued in period

- Performance management
- Members Allowances
- Comments, Compliments & Complaints system
- Treasury management
- Civica Comino DIPS system
- Travel & subsistence
- Disabled Facilities Grants (DFGs)

1.2 Assurance on System Controls

The overall evaluation of the system controls is set out below together with a summary of audit conclusions and any key recommendations. Key recommendations (Priority 1 and 2) are now shown beneath the relevant audit rather than in a separate appendix for ease of reference. Assurance levels for audits completed this quarter are mainly reasonable with one substantial and one partial assurance.

1.2.1 Performance Management

Partial assurance

This audit reviewed the Council's revised performance management arrangements and the implementation of the new Performance Management Framework.

Performance reports are a standing item on the Corporate Leadership Team agenda and are formally considered by the Executive on a quarterly basis in terms of progress against the Council Plan. Most targets set had been achieved or bettered for the year 2012/13 and where this was not the case, explanations were provided and 2013/14 service plan targets adjusted accordingly.

Reporting was reasonably comprehensive and timely but audit testing identified that not all aspects of progress on one project were included. This was because aspects of one project had been superseded by a new Customer Services Strategy. From a

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governance viewpoint it is important that changes to projects are approved and reported – in this case via the Change Programme Board.

The Council manages its performance via the Covalent system which holds all relevant performance data and is accessible to managers to review performance and update progress. The Covalent system is the main repository for performance information which is used to compile performance reports for management and the Executive so it is important that it is maintained with complete, accurate and up-to-date information. A number of areas for improvement were identified to ensure that the system accurately reflects information in approved service plans and that progress against targets is monitored on a regular and timely basis. Controls over Covalent also need to be improved so that if managers leave the council their objectives are properly transferred and that if objectives are cancelled, these should be approved.

A major control weakness is that accountable managers have not provided authorised pro-formas to Policy & Performance explaining how Key Performance Indicators (KPIs) will be calculated; data sources for the required information and what the target and baseline are. Less than a quarter of KPIs were supported by this important documentation. Even though pro-formas were unavailable it was possible to check a sample of KPIs for data quality and calculations were found to be accurate. However, there are some areas where improvements could be made. These related to:

- Enter the target for the Performance Indicator on Covalent;
- Ensure PIs on hard copy service plans are all included on Covalent;
- Supporting documents to show how figures have been calculated should be uploaded onto Covalent.

The new Performance Management Framework (PMF) requires Heads of Service to review performance each month with their managers and document these meetings but this is not happening in practice. Meetings were not always taking place and where they did, few were being documented. The requirement to record outcomes of performance meetings has now been removed from the PMF but it is important that regular meetings do continue to take place.

Service Plans had been appropriately approved on a timely basis and all Service Plans could be located on Covalent. All milestones, projects and PIs relating to the Service Plans were checked to see if they had been regularly updated on Covalent and this is an area where improvements could be made, especially in terms of quality of notes on progress. Some Managers had fully updated Covalent and this could be used as an example of best practice.

Clarity and consistency is needed in the way the Copeland Partnership Plan (CPP) is performance managed via Covalent. The CPP does not currently identify how often CPP PIs need to be updated. There were also inconsistencies between the CPP and

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performance information on Covalent. This was discussed with the Performance Team and Covalent will be amended.

Recommendations

Changes to projects overseen by the Change Programme Board should be approved and reported.

Agreed – Reports are updated on a regular basis.

Managers should update Covalent regularly as stated in the Performance Management Framework. In particular the following should be completed:

- **If no progress has been made this should be clearly stated.**
- **Any objectives/milestones/PIs cancelled on the Covalent System should record a reasonable explanation. Head of Service should be made aware of any cancellation.**
- **Ensure that information recorded on Covalent matches that which is recorded on the approved hard copy Service Plans.**
- **All objectives/milestones/PIs should state whether they are on target or not.**
- **Managers must state reasons for underperformance, the consequences of this and what action will be taken to rectify the situation.**
- **All PI targets should be included in the designated area of Covalent.**
- **Progress notes to support the PI information recorded on Covalent should be completed on a timely basis by the Officer responsible.**
- **There is the facility to upload documentation/evidence used in calculating the PI onto Covalent. This facility should be used to provide an audit trail.**

Agreed – Update given to CLT & LMG regarding requirements.

Heads of Service should ensure that when an officer leaves the authority that all of their responsibilities are properly transferred to another officer (including ownership of actions/objectives on Covalent).

Agreed – All Heads of Service should identify before people leave their performance management responsibilities and these should be transferred to another person in a timely manner.

For Corporate PIs managers should complete the pro forma provided and return a signed copy to Policy & Performance. The pro forma should include:-

- **A description of the indicator;**
- **How it will be calculated; and**
- **What the target and baseline is.**

This will be completed by all relevant managers & Performance & Transformation Officer by the end of September 2013.

In line with the Performance Management Framework, all Heads of Service should ensure that they discuss Service Plan progress with responsible managers on a regular basis.

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Agreed – This is part of the Performance Management Framework and is and will continue to be conducted on a regular basis as part of the DMTs and one to ones.

1.2.2 Members Allowances***Reasonable assurance***

The Members' Allowances and Expenses system is well established and records are maintained effectively, with suitable controls being in place. The Scheme of Member Allowances still requires minor amendments to bring it in line with The Local Authorities (Members' Allowances) (England) Regulations 2003. The scheme also needs amending to reflect the recommendations made by the Independent Remuneration Panel (as part of their reviews of the Members' Allowances). Action on these points was agreed following the previous audit but still require implementation.

The publication of the Independent Remuneration Panel's recommendations and the Scheme of Member Allowances are also required to meet the requirements of The Local Authorities (Members' Allowances) (England) Regulations 2003.

Actions relating to claims made in relation to attending third party meetings and the Scheme of Member Allowances Travel and Subsistence allowance for travel by bicycle or other non-motorised form of transport, as per The Local Authorities (Members' Allowances) (England) Regulations 2003 also remain outstanding.

Some minor calculation errors were identified in 2 Members June payments and these were been brought to the attention of the Payroll Officer and were the result of human error. However, the miscalculations had not been identified during the management check process, as any manual calculations should have been checked and verified as correct prior to the pay run.

Recommendations

The Scheme of Member Allowances 2013/14 is reviewed with regard to the recommendations re Dependant Carer's Allowance made by The Independent Remuneration Panel's Review of Members' Allowances 2012-15 (March 2012).

The Members' Allowances Scheme paragraph 8.1 Claims and Payments should be revised to also include claims for the Dependents' Carers' Allowance, as per The Local Authorities (Members' Allowances) (England) Regulations 2003 – Claims and Payments 14.(1).

The rate of Dependents' Carers' Allowance should be increased to 100% in line with the Independent Remuneration Panel's recommendation in the interim review of Members' Allowances, March 2006.

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The Mayor's and Deputy Mayor's allowances should be included in the Members' Allowances Scheme as per the recommendation of the Independent Remuneration Panel's review of Members' allowances 2008-09.

A reminder is issued to Managers that, if a meeting they organise is to be subject to claims for travel and subsistence by Members, then a record of attendance should be taken and passed to Member Services.

For all recommendations above, the Democratic Services Manager will review and amend Members Allowances Scheme by 31 October 2013.

A notice should be published in one or more newspapers circulating in the Copeland area detailing the recommendations of the Independent Remuneration Panel (IRP), in line with The Local Authorities (Members' Allowances) (England) Regulations 2003 - Publicity for recommendations of panels, paragraph 22 (1) b.

A notice will be published of the next IRP review in April 2015.

The Payroll Officer arranges for a standard report to be set up which will identify duplicate meeting dates submitted by individual Members. These could then be checked and validated.

A standard report may not be possible but an Excel data extract would provide the necessary details for analysis. For action by Dec 2013.

The monthly management checks of Payroll must ensure that all manual calculations are correct and noted as such, prior to the pay run.

Assigned to Head of People Resources for action by November 2013.

1.2.3 Comments, Compliments & Complaints System

Reasonable assurance

This audit reviewed the operation of the new Comments, Compliments and Complaints system which was introduced in November 2012. The procedure has been written after consultation with managers and incorporates Local Government Ombudsman's (LGO) guidance and has been approved by the Corporate Leadership Team and Executive.

Details of the new procedure have been effectively communicated internally and to the public. Information was included in the staff Team Brief (October 2012) and briefings were given to the Leadership and Management Group (October 2012) and Members (November 2012). The procedure is also available on the Council's intranet and a summarised version on the external internet.

The procedure has clear roles and responsibilities assigned and specific deadlines for responding to complainants. Departmental Complaint Champions received initial training in October 2012 and follow-up training is currently being planned. The purpose of the new procedure is to cut down the overall timescale for resolving complaints to 35 working days and timescales have been established for each stage in the process.

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Originally the Customer Relationship Manager (CRM) system was to be used for recording and monitoring purposes and to enable Copeland Direct officers to deal with any subsequent enquiries from the complainant re the status of their complaint. A recent departmental review of the new procedure (June 2013) has streamlined the process to reduce the duplication of data entry which had previously been required – details were being entered on the CRM system, Covalent and a paper based monitoring record.

In 2013/14 the number of complaints and comments has increased and this has increased the workload of the Customer Relations Officer (CRO) who only works part-time. Covalent will now be used as the main monitoring system and Stage 1 comments, compliments or complaints will be recorded and monitored on Covalent (details will be back-dated to 1st April 2013). This will remove the duplication of data entry and allow for suitable monitoring and reporting to be carried out. Documentation relating to the comment/complaint will also be linked to the Covalent record to provide a full trail of correspondence. The Customer Services Officers will record the initial contact on CRM for their own monitoring purposes, but the CRO will use Covalent to record, update and monitor the complaint/comment.

During the audit review it has been found that the CRM system did not provide adequate reporting facilities to allow for any trend analysis. The system could report on the number of complaints received but no further detailed analysis. This is due to the restricted nature of how the data is recorded on the system, as the use of basic text fields to record the data does not allow for flexible reporting. This issue has been resolved by the use of Covalent as the sole recording and monitoring system.

Several data quality issues have also been identified during the review – discrepancies between the dates complaints were recorded on CRM and the migrated dates on Covalent, amendments on Covalent to the system generated target dates and records on CRM and Covalent not being updated in a timely manner.

Reporting of complaints, comments and compliments should be made on a regular basis with sufficient detail to enable an understanding of the issues and identification of any trends. One report had been received by CLT but this mainly concerned changes to the process rather than activity data and analysis.

Recommendations

That the Comments, Compliments and Complaints procedure is updated to reflect current working practices.

CRO to update procedure to reflect the use of Covalent at Stage 1.

Care must be taken by Officers to record the correct open, closed and target dates to ensure data quality.

Agreed.

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Covalent records must be updated by Officers on a timely basis to ensure the accuracy of analytical reporting.

Agreed – internal target time set of three days to log on to Covalent from receipt.

A review of the CRM “8001 Complaints” records is undertaken to update the status of the complaints to ensure they have all been correctly dealt with (8001 type complaints are those which are not anonymous and where a response can be provided to the complainant).

Completed – the work ran in parallel with the audit. All cases dealt with or are in flight within timescales.

In line with the Comments, Compliments and Complaints procedure monitoring reports and feedback should be regularly reported to the Corporate and Leadership Team, the Overview and Scrutiny Committee and published on the Intranet.

Agreed – complaints on CLT / IE/ FE agenda for October / November covering full performance from April to September.

1.2.4 Treasury Management

Substantial assurance

This audit provides assurance that the Council’s Treasury Management policy (covering loans and investments) clearly defines the policies and objectives for its treasury management activities and the activities comply with the policy with adequate segregation of duties, cash flow forecasting, fraud prevention, and reconciliation of Treasury Management records to TOTAL financial management system.

At the date of the audit, the Council had £40.8 million of investments and £5 million in outstanding loans. Individual investment transactions can be up to £5-7.5 million with third party counterparties. Consequently, it is of great importance that there are good controls in the system.

Key policies and procedures were in place and in line with the CIPFA Code of Practice for Treasury Management (TM) at the time of the audit and these had been approved by the Executive and Full Council. TM activity is reported quarterly to the Executive and an annual report is also made to the Full Council.

The TM Strategy, due to the current economic uncertainty, dictates that “the Council’s investment priorities will be security first, liquidity second, then return” and that “surplus monies are invested in low risk counterparties or instruments commensurate with the Council’s low risk appetite, providing adequate liquidity initially before considering investment return”.

In the current economic climate and with the guidance provided on credit ratings, the approved counterparty list for investments has necessarily had to be restricted to

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the most secure institutions. Revisions to the approved counterparty list are regularly provided by Sector (TM advisors) and, due to the economic uncertainty, part-nationalised banks have been used for short term investments.

Due to the afore mentioned restrictions Call Off and Money Market Fund accounts have also been used for more flexible short-term investments, as these allow investments to be made without a set term period being applied. Daily rates of interest are gained on the principal amount invested for the period of investment.

As at the date of the audit, the draft Treasury Management Manual (August 2013 v2.1) included the majority of the requirements of the revised CIPFA Code of Practice for Treasury Management (issued December 2009) but will need updating and completing. This remains an outstanding recommendation (see below). Delays to the completion of the manual have been due to a departmental re-structure and the final accounts process.

Sector have been appointed as the Council's TM advisors and they have provided training to TM staff and Members on TM, money laundering and risk management. They also provide advice on current counterparties for investments.

No new loans have been taken out by the Council during 2013/14. There remains 1 long-term loan from FMS Wertmanagement AOR. This loan is for £5 million and was for 40 years, maturing in January 2042. The status of the loan is regularly reviewed by the Council's TM advisors and the Council have been advised to continue with the loan at present due to the penalties which would be imposed if it were to be re-paid early.

Adequate fraud prevention and detection controls are in place to mitigate the risk of misappropriation of funds.

All investment transactions tested were found to be in order and within the various investment limits for the different counterparties used; however, 4 single transactions were above the £5 million limit Single Investment Transaction Limit in the TM Strategy. However, approval had been gained from the Section 151 Officer prior to these investments being made.

Recommendations

No new recommendations were made as a result of this review. However, there remains one previous recommendation outstanding:

The Draft Treasury Management Manual needs to be completed (in particular for changes in job roles) and then approved by the Head of Corporate Resources.

The recommendation shows as 85% implemented on the Covalent performance management system and a note was last added on 12/09/13 stating "The bulk of the work on this project has now been completed. A quality review needs to take place prior to HoS approval. Estimated completion date October 2013".

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1.2.5 Civica Comino DIPS System

Reasonable assurance

The Revenues and Benefits Shared Service (RBSS) comprises Copeland Borough Council, Allerdale Borough Council and Carlisle City Council. The RBSS uses Civica Comino, which replaced Anite as the document image processing system (DIPS) during 2011, to scan and record a variety of benefit related documentation including Housing and Council Tax benefit claim forms and other documents submitted by claimants to support their application. All documentation relating to council tax and non-domestic rates administration is also held electronically in the CIVCA system.

The objective of this review is to provide the Council and RBSS with an independent assessment of the effectiveness of the configuration, security and data retention of the Civica Comino application.

The application is hosted at Allerdale House where satisfactory backup and disaster recovery arrangements are in place. Allerdale House is vulnerable to flooding and there is a risk that a major flood could result in a significant disaster and prolonged downtime of the site. However, the built-in network resilience and recent implementation of server virtualisation technology mitigates the risk of significant disruption. The application is fully supported by the vendor with an annual maintenance contract in place. All changes are tested before being installed on the live system.

There are adequate controls in place to manage and maintain user access. However, user rights documentation was only produced during the audit. Whilst no issues with segregation of duties were observed, the RBSS must ensure that user rights documentation is regularly reviewed and kept up to date with any changes or additions to security profiles. Any amendments to profiles or the implementation of new profiles should be assessed to ensure that they do not violate segregation of duties principles.

Copies of original documentation are stored securely within the RBSS and access is restricted to authorised officers. Document batches are reviewed monthly and documents over six months old are removed and destroyed.

Currently, all scanned information is retained on the application. The shared service is considering archiving some of this information. To ensure compliance with Data Protection principles, the Council must ensure that data is not retained longer than required and data is only archived where there is a business requirement. The Council should also ensure that access to data archived or stored offline (e.g. outside of the application) is restricted.

Recommendations

The RBSS should ensure that all data, held electronically (including archived) or physically, is only retained as long as there is a business need to do so.

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The existing arrangements for data retention are to be reviewed to determine actions required to comply with the recommendation. Implementing the actions identified will be scheduled subject to workload and appropriate IT support.

The RBSS should ensure that retention schedules are consistent across all 3 Councils. All staff involved with the handling of data (whether electronic or physical) should be aware of data protection and retention requirements.

The proposed retention period outlined of 6 previous years and current year data is to be considered for adoption by the Shared Service Joint Operational Board.

1.2.6 Travel and Subsistence***Reasonable assurance***

This audit reviewed the controls over travel and subsistence claims which are made using the MCal system with payments subsequently being made via the Sage payroll system. MCal is set up to record all journeys for both essential and casual car users and record any subsistence claims. The audit concluded that the system is robust and well maintained. Some minor issues were identified as set out below.

Some examples were identified where travel and subsistence procedures and guidance were not followed in relation to timely claims (new employee who was unaware of need to claim monthly); need to deduct home to work mileage; reasonableness of mileage claimed (difficult to check in some cases as journey details vague); and consideration of public transport for out of county journeys in excess of 120 miles. Staff and Managers need to be reminded of their responsibilities under the current travel and subsistence procedures and guidance.

Receipts were available to support claims although there was one instance where no receipt was retained. In such cases it would be best practice to note the reason for this if a payment is made.

A reminder is issued to managers that, in line with the Travel and Subsistence Claims Guidance, checks should be carried out at least annually that employees undertaking regular business journeys hold the appropriate insurance cover for business travel and /or that employees hold a valid driving licence if their job role requires the use of Council vehicles.

Currently it is not possible to see from the MCal system whether staff are deducting appropriate home to work mileage from travel claims (as required by the Council's travel policy). The possibility of incorporating a new field into the MCal system which details home to work mileage deductions was suggested but following discussion with management it was confirmed that it is not possible to amend MCal so reliance will need to be placed on individual managers checking this.

Recommendations

There should be documentary evidence placed on file which provides evidence of any queries and their outcomes for completeness of records.

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Not agreed – insufficient staff resources to do this.

Staff and Managers are reminded of their responsibilities under the current travel and subsistence procedures and guidance. Training should be incorporated into the induction process.

Staff reminded via Team Brief August 2013 & will be included in Induction Programme.

A reminder is issued to managers that, in line with the Travel and Subsistence Claims Guidance, checks should be carried out at least annually that employees undertaking regular business journeys hold the appropriate insurance cover for business travel and /or that employees hold a valid driving licence if their job role requires the use of Council vehicles.

Staff reminded of Policies & Procedures via Team Brief August 2013.

1.2.7 Disabled Facilities Grants

Reasonable assurance

This audit was carried out to give assurance that the Council receives best value from the significant amounts spent on Disabled Facilities Grants (DFGs). DFGs are a statutory function and help meet the costs of adapting a home so that people can remain as independent as possible in a safe environment. Anyone who has permanent and substantial disability, regardless of age, and needs an adaption to their home can apply for a Disabled Facilities Grant.

The Maximum grant available per household is £30,000; however, Copeland Policy is that an extra £5,000 can be spent at the Manager's discretion and only for absolute essential works to be carried out. If the works are costed at more than this and the customer cannot make up the difference then the team have to look at alternatives, e.g. customer approach charitable organisations for funding.

To apply for a grant customers need to initially contact Cumbria County Council's Adult Social Care or Children's Services to request an assessment of need. For the sample checked all applicants were properly eligible and the approved works were in accordance with the eligibility criteria.

Customers can either stipulate their own preferred Contractor subject to the Council's agreement or choose a Contractor from the list of local contractors that has been compiled by the department. The legal and contractual relationship is between the applicant and the contractor/builder, and not the organisation.

Once completed (or during major works) inspections are carried out by Copeland Technical Officers. The customer and the Technical Officer both have to sign to confirm they are happy with the works prior to any payment being issued.

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Local performance indicators (PIs) are included in the annual service plan for the department. The two PIs for DFGs could be located on the Covalent Performance Management System, however, the system had not been updated as required by the Performance Management Framework. The need for regular updates is an agreed action in the Performance Management audit report so is not repeated here.

The annual report on customer satisfaction was presented to the Strategic Housing Panel. This is based on questionnaires and the majority of responses in the questionnaire were very good. It was noted that customers are not invited to highlight any areas where performance could be improved and it was agreed following the audit that this will be added to future questionnaires. This feedback will ensure that the service provided is appropriate and customer satisfaction remains positive.

DFGs form part of the Capital Programme which is agreed annually by the Full Council. The DFG budget for 2013/14 is £600,000 and this is partly funded by £266k from the Department for Communities and Local Government (DCLG). Monitoring takes place monthly and is reported to Executive on a quarterly basis. DCLG issue grant funding on an annual basis and for 2013/14 the Copeland allocation was increased by 1.8% on the previous year. Despite a relatively high demand for the service Copeland's allocation is amongst the lowest in comparison to other local authorities in Cumbria.

Currently DFG funding is paid as an unringfenced capital grant to the housing authority, which in the case of two tier areas is the District Council, e.g. Copeland. The upper tier, being the Welfare Authority, is responsible for the delivery of Social Care and is the accountable body for that funding. Under the Integration Transformation Fund (ITF), the Social Care budget will be pooled with the Health budget administered in most areas by the local Clinical Commissioning Group (CCG). The placing of the DFG budget into the ITF will at the moment bring the monies under the umbrella of Social Care and Health and take it away from the District Council. The potential situation, without changes to legislation, would leave District Councils with the mandatory duty to meet the need, but would be dependent on decisions of the upper tier and CCG as to the size of grant they may get. The Council is aware of this risk.

Copeland are required to submit an annual return to DCLG showing DFG works carried out in the previous year, the return is completed by Housing and was submitted by Finance prior to the 31/07/13 deadline. The return showed that the number of mandatory grants completed in 2012/13 was 95.

The value of assistance is restricted to an amount considered reasonable. Only essential works are funded and this is explained to the customer. From the sample checked the lowest quote was awarded the contract, however the customer can choose the higher quote and pay the difference if they choose to do so. The customer is required to sign to confirm their financial responsibility prior to any approval being issued by the Council.

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Recommendations

Ensure a formal agreement is in place between Copeland Borough Council and Two Castles Housing Association for the contribution towards Disabled Facilities Grants adaptations at Two Castles Properties.

Initial discussions have taken place with Two Castles. They have agreed to continue to make a £1,000 contribution for works carried out on their properties while funds allow however they are not prepared to formalise this at this time.

2.0 CONCLUSION AND RECOMMENDATION

2.1 It is recommended that Members note this report.

Background papers: None

Consultees: Corporate Leadership Team