

Appendix 1

Internal Audit Monitoring Report ~ Detail

Audit	Assurance
Environmental and Sustainability Management	Satisfactory
<p>Objective This first audit review of environmental and sustainability management was prompted by an initial request from the Audit Committee for assurance on the council's management of its own environmental impact and sustainability objectives. It is important to note that sustainability is an integral part of each of the Council's main objectives, as stated in the Corporate Strategy, and is broader than environmental protection and climate change adaptation.</p> <p>To carry out this review we have asked the question, "what is practicable and achievable given real resource constraints, competing demands and current expectations"? Delivering sustainability involves the whole council but in reality attention is focused on the responsibilities of a few. Most of the key officers are members of the officer led internal Carbon Reduction Group. The council also facilitates the LSP Low Carbon Partnership with members from the private, voluntary and public sectors.</p> <p>At the heart of progress is partnership working; minimising inputs through economies of scale and controlling outputs and impacts across a wider range of activity. The main driver for most public sector organisations now is savings. Initiatives to achieve savings and protect core services <u>should</u> also be sustainable, both financially and in the broader sense. This is being tested as we speak by the proposed transition of the Council to become a Commissioning Authority, rather than assuming direct service provision. Our review will take account of a Commissioning approach, as well as recent messages from central government on the expectations for sustainability and tackling climate change.</p>	<p>Result</p> <p>The Council has a proactive and well informed approach to managing its environmental and sustainability objectives. Most success has been achieved at operational level; increasing recycling rates for the borough, reducing internal electricity consumption and introducing sustainable maintenance of parks and open spaces. Given these successes and the continuing drive for efficiency and sustainable solutions it makes sense to embed sustainable thinking at service level. This can be done by including responsibility for sustainability in job descriptions, appraisal processes and putting sustainable criteria at the centre of commissioning decisions and contract management.</p> <p>Higher level and broader strategies, such as the Climate Change Strategy and Green Space Strategy represent important statements which commit the council to pursuing sustainability objectives. At the time they were written they were a significant catalyst for innovation, but are now proving less successful at driving improvements at service level; either because they do not have identifiable benefits which can be tracked or monitored, the pace of change, new technology and national and international commitments have overtaken original plans or the current spending cuts have forced reprioritisation at local level.</p> <p>Despite this, the council is in a good position to maintain and improve on successes to date. Commissioning in particular is a huge opportunity to set consistent and good practise standards for developing sustainable solutions to deliver services.</p>

Performance Management	Satisfactory
<p>Objective</p> <p>The objective of the audit was to carryout an overview of the performance reporting arrangements and to assess the data quality controls in place for the generation and then reporting of performance information; to include performance indicators and planned outcomes to ensure:</p> <ul style="list-style-type: none"> • The accuracy of data is sufficient for its intended purpose • The validity of data is sufficient to ensure compliance with relevant requirements including the correct application of any rules and definitions • The data is reliable in order to report a stable and consistent result that reflects real changes rather than variations in data collection • The data is collected in a timely manner and reported within a reasonable time frame • The data collected is relevant for the purposes for which it is used • The data collected is complete for a specified requirement <p>Follow-up:</p> <ul style="list-style-type: none"> • That recommendations agreed with management from the previous audit have been implemented <p>NOTE:</p> <p>Since the completion of the field work for this audit review we are aware of the changes to national performance reporting being implemented by the coalition government; the sweeping away of the national performance indication framework. As a result greater emphasis will be placed on the development of local indications that reflect the measurement of the services delivery based on outcomes</p>	<p>Result</p> <p>The primary risk identified is that procedures for compilation of the indicators do not clearly allow for verification on the accuracy of the data provided. Internal Audit understands that reliance is placed on the Service Manager to ensure the figures reported are correct. However Internal Audit testing identified that 4 out of the 12 indicators sampled could not be re-performed to the reported figures. The reasons for the variances are as follows:</p> <ul style="list-style-type: none"> • 2 of the reported figures were incorrect due to poor data quality in terms of accuracy and reliability (CAST16 and WC14) • 1 was due to third party interpretation of CBC data and therefore out of CBC control (NI195a-d) • 1 was not completed due to uncertainty around its compilation (NI159) <p>The fundamental control, that of internal check, which should ensure the accuracy of the performance indicator report; this did not occur hence the variances identified for PI CAST16 & WC14. For some areas tested where the data and the indicator calculation was correct, internal check had not operated and therefore had an error occurred this may not have been detected.</p> <p>Management Response</p> <p>We welcome Internal Audit's views on the ways in which the council collects and reports on performance indicators.</p> <p>We acknowledge that there are issues with sign-off processes and we will explore this with the Hi-Tec who manage the TEN software.</p> <p>However, in a way, this report is already out of date due to:</p> <ul style="list-style-type: none"> • The introduction of the council's new TEN system which has simplified our approach to collecting and reporting information. • The new coalition government's announcement to remove statutory reporting on the national indicator set.

meeting local need.

As their new outcome based target achievement and indicators are developed it will be important that internal audit has opportunity to review aim, measurement, definition, data availability gathering and analysis and the calculation, monitoring and reporting arrangements.

The latter announcement in particular now gives us a relative free rein to use/devise meaningful indicators that are easy and cheap to collect. It is likely that the council will stop using 5-6 of the indicators you looked at due to the complexity of collecting the data.

This work has already started and a report on this will go to SLT on 9 Nov with a view to having new indicators in place for the 2011-12 corporate strategy.

Internal Audit Comment

We accept management's response and agree that the demise of the national indicator set has resulted in changes in the way the council reports its performance externally. However the issues highlighted in terms of data quality and monitoring performance are valid and important points to take forward. Most significantly, the council is proposing to establish itself as a strategic commissioning authority. Much more reliance will be placed on robust performance data to support sound decision making about how services will be provided. Therefore new local indicators will need to ensure that they are fit for purpose, accurate and reliable. It should be the responsibility of the current service provider to produce the data to required data quality standards and for strategic commissioners and their support teams to use the data effectively to make decisions and monitor outcomes. This will be the focus of future audit work....

In terms of addressing the recommendations in the action plan, there may be an opportunity to incorporate these as specifics within the annual assurance statement so that data quality and performance management is an integral part of the process.

Procurement	Satisfactory
<p>Objective</p> <p>The objective of the audit was to assess controls in place for Procurement to ensure:</p> <ul style="list-style-type: none"> • The adequacy and effectiveness of internal controls operating in respect of Procurement; • that the processes met the requirements of internal policy, procedural standards and targets; and • that the processes met external codes of practice, professional good practice and statutory regulations as applicable. <p>Management Response</p> <p>All recommendations accepted and agreed</p>	<p>Results</p> <p>Officers responsible for purchasing across the Council are not aware of Procurement team activity (i.e. setting up corporate contracts). As a result, the Procurement team is not being kept informed of relevant procurement activity across the Council. For example, the Public Protection team have just purchased new uniforms, while the Procurement Manager is in the process of placing a corporate contract for uniforms. If the Procurement Manager had been aware of the Public Protection team's need for uniforms, their requirements could have been included in the specification for the contract, and it might have saved the Council some money. If the Procurement team is not made aware of procurement activity across the Council, the full benefits of category management will not be realised.</p> <p>Contract monitoring is the responsibility of contract owners; guidance is provided by the Procurement team and via the intranet. However, it appears to be conducted on an informal basis (for example, the catering contract for the Town Hall and Pump Rooms, and the Leisure@ gym replacement contract). If contract monitoring and performance management became more formalised and were conducted more thoroughly, it could help the Council identify areas where further savings could be achieved.</p> <p>In some instances, Terms and Conditions for contracts under £10,000 are not being attached to Purchase Orders and sent to suppliers. This leaves the Council in a weakened position when challenging suppliers if the goods/services provided do not meet the Council's requirements.</p> <p>There are discrepancies between budget figures produced by the Finance team and actual spend figures (based on figures from suppliers) produced by the Procurement team. Procurement and Finance teams should continue to work together to ensure all spending is captured, and prevent unrealistic savings targets being set.</p> <p>The Procurement team will be key to the Commissioning project; this is likely to stretch their resources and could have an impact on the team's ability to achieve savings targets placed on them.</p>

Core Financial Audit – interim systems evaluation	High
<p>Objective</p> <p>The objective of the audit was to undertake an initial review of core financial systems:</p> <ul style="list-style-type: none"> • Treasury Management • Main Accounting System • Bank Reconciliation • Capital Accounting 	<p>Results</p> <p><i>Main Accounting System</i></p> <ul style="list-style-type: none"> • Action yet to be taken following recommendation from the previous audit: evidence of an accountancy check of new users and access permissions on the system. This was due to coincide with the planned implementation of ERP in April 2011, which has now been put back to April 2012. A decision should be made as to whether the check of new users and access permissions can wait until the implementation of ERP, or should be brought in now. <p><i>Bank Reconciliation</i></p> <ul style="list-style-type: none"> • The bank reconciliation is currently being completed 2 months after the end of the relevant accounting period (i.e. the reconciliation for June was completed at the end of August). Plans are in place to speed this process up by at least a month. • The bank reconciliation is a key financial control yet no reference is made to it in the Financial Rules. Consider adding a section on the bank reconciliation to the Rules, including how often it should be completed, how promptly it should be done and who should sign-off. The process should become more automated with the implementation of ERP, which should make it easier to complete on a regular basis. <p>Management Response</p> <p>All recommendations accepted and agreed</p>

Cemetery & Crematorium	Satisfactory
<p>Objective</p> <p>This audit was undertaken as part of the agreed audit plan for 2010/11.</p> <p>The objective of the review has been to provide management with independent assurance that adequate and effective internal controls are operating in respect of Cemetery and Crematorium procedures and practices and that processes meet the requirements of internal policy, statutory regulations and professional good practice.</p>	<p>Results</p> <p>On going project developments for the site and service in line with the business plan have been successfully delivered (e.g. the chapel area and changes to cremation times and services, a staffing restructure, a pricing restructure, development of a Jewish area) and others are in hand (e.g. the first major phase of full burials at Charlton Kings, the infrastructure is in place for a children's memorial garden, further car parking areas identified).</p> <p>At the review control procedures were generally found to be sound. Most procedures appear well managed with officers aware of their roles and responsibilities. Evidence was seen of the opportunity having been taken to review and strengthen procedures in response to an operational issue that arose earlier this year.</p> <p>Current major business risks include the need to replace the three cremators and this issue is in hand with tenders for replacement of them with two new ones currently being evaluated. Other major business risks identified relate to management arrangements needed to cover the imminent departure of the Bereavement Services Manager and the need to increase the number of staff trained with the certificate of competence for cremator operatives.</p> <p>Other comments and recommendations that have arisen from the results of testing undertaken during the course of the review are discussed in the key issues section below. None of these are significant enough to affect the satisfactory audit opinion given.</p>

KPMG Public Interest Report follow-up recommendations	Satisfactory
<p>Objectives</p> <p>To establish whether:</p> <ul style="list-style-type: none"> i) there is evidence that the Action Plan recommendations are being actioned in accordance with the agreed timetable and ii) that the Plan is being properly updated and reported <p>To establish whether the Audit Committee is taking on its agreed delegated responsibilities for monitoring and implementation of the Action Plans.</p> <p>To take a sample of recommendations and determine that where agreed action is required and they have are noted as completed/part completed, that the stated position is correct.</p> <p>To assess whether the CBC defined 'Recommended Actions' in the Action Plans have been agreed by KPMG and Members and that these properly deliver the additional control required</p>	<p>Results</p> <p>Our attendance at the Audit Committee meetings, supported by examination of the respective minutes, confirms that this group has properly undertaken its monitoring responsibilities and challenged actions and progress as they deemed appropriate. Such review meeting have taken place quarterly as originally required.</p> <p>We also note that, following a request from Audit, the Chief Executive's, Monitoring Report, which accompanied the Action Plan, submitted to the 29 September, Audit Committee, now includes a supporting comment on updatedness and appropriateness.</p> <p>We have also concluded that appropriate actions have been set by CBC for implementation against the KPMG recommendations made and that, in the main, implementation dates were well set and that these have been delivered within the Action Plan timescales.</p> <p>The only exception to this being, KPMG's, Recommendation 16 – which involves risk management and related training. At the time of our review, very little had been achieved in this area. We were advised by the HR – Learning & Development Manager, that from the HR point of view, this was partly due to budget restraints and staffing shortages, plus the need to liaise with the Assistant Chief Executive to obtain up to date CBC based, risk management information. We have established that risk management in CBC is currently undergoing some major changes, which have been necessary, in respect of simplification of risk registers, requirements for improved risk register data management and, it is recognised that the Risk Management Policy will have to be updated. We accept that it is difficult for HR to consider the risk management training message and explain related practices when the operational situation is fluid.</p>