

**Internal Audit reports identifying significant risk or 'of concern' –  
CAPITA Contract Management**

**AUDIT COMMITTEE**

Date: 22<sup>nd</sup> September 2009

**Author: Head of Internal Audit**

**Wards Affected: None**

**Purpose**

Members requested that at least one individual audit report be presented to each meeting of the Committee. This report should be one that has been classified as being of 'significant risk' or 'of concern', if one had been issued since the previous meeting of the Committee. If not, then a report would be selected in liaison with the Chair of the Audit Committee.

The Chair of the Audit Committee requested that the Internal Audit on CAPITA contract management be presented to the committee once it had been finalised.

**Recommendation**

- It is recommended that the contents of the report be noted.

**1 Reasons**

- 1.1 The Council's Audit Committee has a strategic role to ensure that the Council's assurance framework is operating effectively. To this end it should seek assurance that key areas that contribute to this framework are operating properly.
- 1.2 Internal Audit's terms of reference require that at least one individual audit report be submitted to each meeting of the Committee.
- 1.3 The Chair of the Audit Committee requested that the Internal Audit on CAPITA contract management be presented to the committee once it had been finalised.

**2 Detail**

- 2.1 A copy of the report following the internal audit review of the arrangements for the management of the CAPITA contract is attached as Appendix 1. The report was finalised early in September 2009 and an overall risk assessment of 'Of Concern' was given.
- 2.2 The key recommendations made in the report to achieve the improvements required include:

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- The reviews that are being carried out to determine whether the Council is receiving all required aspects of service delivery from Capita (as per the output contract specifications) should be completed as soon as is practically possible. Risk assessments should take place to prioritise the most important areas for review. A regular, standardised process of reviewing delivery of non-KPI contract obligations should be introduced for SBC service owners.
  - There should be consistent escalation of prolonged service delivery performance failures to Service Delivery Board, Partnership Executive and Strategic Partnership Board, if necessary. Partnership Executive should identify, scrutinise and challenge prolonged underperformance of services and call-in officers from Capita and the Council to explain failures and actions being implemented to resolve performance issues, on a monthly basis, where underperformance persists.
  - The Council should define its expectations and the role it expects Capita to take in the Council's ongoing transformation programme. This should include defining its expectations in the expected level of business case development and the 'thought leadership' Capita should bring to the ongoing transformation programme.
  - All issues preventing the reporting of KPIs and other relevant management information should be identified and resolved, or the levying of financial penalties on the Partner should be considered.
  - Sufficient client resource should be identified to validate performance information reported by Capita.
  - A spreadsheet should be produced that calculates the expected amount of the Change Control invoice that is submitted by Capita each month and the invoice should be compared to the spreadsheet to ensure the correct value is being claimed.
  - The Partnership risk register should be produced jointly with Capita. There should be joint identification of Partnership risks and an agreed allocation of risks and mitigation actions between partners. The register should be presented at every Service Delivery Board and Partnership Executive for regular review and updating.
  - A common method for producing risk registers should be agreed by the Partnership. Joint service level risk registers should be produced in conjunction with Capita service leads and mitigation actions should be agreed and allocated between parties to manage identified risks.
- 2.3 A full, point by point, management response is included in the report along with an overall summary response.
- 2.4 The audit report and management update are submitted for Members consideration. The Group Director: Business Transformation and the

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Partnership Manager will be at the Audit Committee to answer any questions Members may have.

### **Alternative Options**

Not Applicable

#### **Risk Management**

##### *Financial and Procurement Implications*

There are no direct financial implications arising from this report however the detailed audit report address the suitability of internal controls within the systems examined.

##### *Legal/Human Rights Implications*

Internal Audit is a statutory requirement of the Accounts and Audit Regulations 2006. The Internal Audit service also provides assurance to the Director of Finance regarding the requirements of Section 151 of the Local Government Act 1972.

##### *Links to Corporate Plans and Policies (in particular to Swindon 2010 Promises)*

Internal Control, Audit Committee and the Statement on Internal Control all feature significantly in the CPA Use of Resources Assessment. Effective systems of internal control within the Council will help to ensure that the objectives set out in the Corporate Plan and Swindon 2010 are achieved.

### **Consultees**

The Director of Finance (Section 151 Officer) and the Director of Law and Democratic Services (Monitoring Officer) are consulted on all reports.

Group Director: Business Transformation

Partnership Manager

Various other officers – as listed in the attached audit report (see page 13)

### **Appendices / Background papers**

Appendix 1 – Internal Audit Report: CAPITA Contract Management

### **Key Decision/Decision in Forward Plan**

Not Applicable