

Swindon Internal Audit Services
Chief Executive's

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CAPITA Contract Management

Report status: Final

Report date: 10th September 2009

Report Reference: BT / CAPITA / Simon Phillips

Auditor: Simon Phillips, Senior Auditor

Issued by: Nick Hobbs, Head of Internal Audit

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Report distribution:

Draft for discussion issued 22nd April 2009:

Sue Mendham	Partnership Manager
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Draft issued 22nd May 2009:

Hitesh Patel	Group Director – Business Transformation
Matt Gott	Director of Partnership, Policy and Communications
Sue Mendham	Partnership Manager

Final issued: 10th September 2009

Gavin Jones	Chief Executive
Hitesh Patel	Group Director – Business Transformation
Matt Gott	Director of Partnership, Policy and Communications
Stephen Taylor	Director of Law and Democratic Services
Sue Mendham	Partnership Manager
Kirsty Cole	Corporate Finance Manager
Councillor Keith Williams	Lead Member
Councillor Michael Dickinson	Chair: Audit Committee

1 Executive Summary

The partnership has made some significant achievements in the first two years of operation, including the transfer of nine services to Capita, delivery of £8.5m capital projects and the approval of five business cases to help transform Council services.

Cabinet have approved a formal governance structure for the Partnership. SBC client managers have been appointed to monitor delivery of the transferred services to Capita. The auditor has reviewed these client monitoring arrangements and has identified the following key issues:

The Council acting as a strong client

It is not always possible to evidence that the Council has acted as a strong client where issues needed to be resolved:

- Audit Commission guidance (For Better, For Worse) suggests that a Partnership should be managed like a contract, to ensure that contractual requirements are delivered. The Pricing and Performance model in the contract allows for this type of management, with performance reported monthly against key indicators, with the option to apply financial penalties to the partner where performance targets are not met.
- As part of the Pricing and Performance mechanism, the Council can exercise discretion in determining whether or not to apply service credits for performance failures. As such, deductions are not necessarily made automatically in the month(s) following a Performance Shortfall. The Council should consider a number of factors (e.g. subsequent remedial action taken since the failure) when making its decision regarding whether to apply service credits or not. However, there are several instances where service credits have not been applied for performance failures and the decision making process to not apply the credit has not always been clearly documented.
- There have been prolonged performance issues with some services that have not always been resolved on a timely basis. In the case of the Benefits Service, continued performance failures against contractual targets have not been clearly escalated to the Partnership Executive for resolution, where service performance has not increased to contracted levels. In the absence of this, the management trail of decisions and action taken on the client side to resolve the issues is also not clear. Key performance issues relating to Benefits were not resolved in time for the Audit Commission inspection of the service.
- Key Performance Indicators are produced to measure performance of all transferred services. However, there are significant wider contractual obligations in the service output specifications that must also be delivered by Capita. There is not a consistent method of monitoring whether the partner is delivering these wider obligations. A regular process of review needs to be introduced by SBC Service Heads to ensure that the Council is receiving services to the levels contained in the output specifications. Where reviews have been undertaken they have identified that Capita are not delivering certain services completely to the output specification (e.g. Revenues) and also that some output specifications (e.g. Human Resources) require review to ensure they remain relevant to current service requirements. It is understood from the SBC Partnership Manager that there have been issues with engagement on both sides of the partnership that

have prevented contractual obligations being completely fulfilled, including a lack of engagement/support from retained SBC managers.

- It was also found that, in some areas, the client is spending time carrying out activities that should be managed by Capita. The Council needs to resolve these issues, through escalation if necessary and then benchmark the client function to determine if it is under, or over, resourced.
- There is currently little validation of KPIs reported by the partner, but there is evidence of this taking place in Revenues and Benefits and Customer Services. There are three KPIs that are still not being reported, two years into the contract date, due to ongoing issues with management information. SLAs and performance information for Council managers who receive services from Capita, such as the Business Support service, are in progress of being produced. 25 out of 36 are completely signed off. It is understood that the remaining 11 SLAs are close to being completed.

Transformational activity generated by the partnership

- The initial programme of transformation projects in the Partnership Agreement have largely been delivered, including the implementation of the One Stop Shop, Customer Relationship Management system and voice-over IP telephony. However, the speed of additional transformational activity generated through the Partnership has not been at the anticipated pace. Only five business cases submitted by Capita have been formally approved in the two years the Partnership has been operating. Other business cases that were proposed have not been taken forward. The Council needs to define its expectations and the role it expects Capita to take in the Council's ongoing transformation programme, including defining the required level of business case development and thought leadership Capita should bring to the current transformation programme.

Engagement

- It is not clear that there has been an adequate level of engagement between Capita and the Council over the life of the contract to date, especially in the planning of service delivery changes that have an impact on Capita e.g. Connecting People Connecting places and SCS decoupling. Officers have suggested that the Council is not engaging adequately with Capita to enable transformational change in services, for example in the ICT service.

The Auditor obtained reports on the implementation of similar strategic Capita partnerships in Southampton and Blackburn with Darwen Councils and noted that these Authorities have experienced very similar issues in contract/relationship management and service delivery. They have had similar experiences in terms of the Partnership driving wider organisational transformation.

As such, many of the issues identified in this audit are to be expected at this stage of the Partnership, especially as the Council has never entered into a service delivery relationship of this nature before and has not had to exercise this level of client capability before.

It should be noted that the client has already identified many of the issues identified in this audit and the client has been working to address these. Further recommendations have been made to assist the client in working through these issues.

2 Introduction

- 2.1 The review was carried out as part of the Internal Audit planned work for the year 2008/09 in order to provide assurance to the Group Director of Business Transformation that the contract management arrangements for the Capita Partnership are robust and efficient.
- 2.2 In 2007, the Council entered into a 10 year strategic Partnership with Capita, to enable rapid and sustainable transformation of Council services, in response to a series of poor inspection results. The contract required Capita to jointly implement a significant contractual transformation programme and to produce additional Business Cases to identify opportunities for transformational change across the Council. The Partner has been contracted to enable a guaranteed level of savings to the Council through business case development over the life of the contract, to the value of £9m. The majority of savings are due to be enabled from 2009/10 onwards, with savings on Facilities Management, Cleaning and Security due in 2008/09.
- 2.3 The arrangement has involved the transfer of nine services to Capita, to achieve financial and process efficiencies and improvements to service delivery. The following services have transferred to Capita to date:
- Customer Services & Business Support (i.e. Admin)
 - IT Services
 - HR/Payroll Services
 - Finance Administration
 - Technical Design & Facilities Management
 - Revenues & Benefits (transferred December 2007 - an earlier transfer than had been intended, after an early termination was agreed with the previous contractor)
 - Print and Design - the Hub (transferred 2008/09, new business case, not part of original contract transfer)
 - Learning and Development (transferred 2008/09, new business case, not part of original contract transfer)
- 2.4 The transferred services must be delivered to the output specifications contained in the contract documentation, which also specifies key and local performance indicators and targets. There is a Pricing and Performance mechanism within the contract documentation to govern achievement of performance targets. Failure to meet Key Performance Indicator targets can result in a service credit (financial penalty) being applied to the Partner, after discussion and approval by the Partnership Executive Board. The Council has the final determination in the decision to apply the service credit. KPIs and volumes can be revised throughout the life of the contract and are currently being reviewed to agree volumes, KPIs and service credit weightings for 2009/10.

- 2.5 Swindon Borough Council has retained a client side to manage the transferred services, which consists of a Partnership Manager (reporting to the Director of Partnerships, Performance and Communications), a Finance lead (Group Finance Manager – Corporate), and a Head of Service for each of the transferred services, known as the Partnership Team. A Senior Procurement Officer is now in place to support the Partnership Manager working specifically on Change Controls and the partnership to review contract obligations with SBC service heads to determine whether contract obligations are being delivered and support the development of revised specifications.
- 2.6 Three tiers of joint Partnership Board govern the Partnership. The Strategic Partnership Board is the custodian of the Partnership, giving strategic direction to officers, setting targets for growth and business cases, receiving and ratifying an annual report and resolving escalated issues. This is attended at Chief Executive /Lead Member level by the Council and Chief Operating Officer/Partnership Director level, by Capita.
- 2.7 The Partnership Executive has a largely tactical role which includes agreeing priorities for the Partnership officers to deliver, ensuring that appropriate risk management is in place and ensuring resources are aligned. This board also has a monitoring role, i.e. against KPIs and programme delivery. It receives the monthly report on KPI achievement and discusses and approves the application of service credits for not meeting agreed KPI targets. The Executive's membership is restricted to corporate partnership attendance at Group Director, Director and Head of Service level for Swindon Borough Council and Partnership Director level, at Capita.
- 2.8 The Service Delivery Board (SDB) is an operational board, consisting of all SBC and Capita service heads. Their role is to enable cross service working in the Partnership, co-ordinate service improvement and improve perception of the Partnership. This Board discusses and agrees remedial action to resolve performance issues oversees key project implementation and helps to share learning across the Partnership.
- 2.9 The Partnership has achieved much in the 2 years it has been operational and these successes are outlined within the Secure Procedures section of this report. However, the Partnership has acknowledged that there have been challenges in service delivery and pace of transformation, particularly in ICT, Customer Services, Business Support and the Revenues and Benefits Service. There are now recovery/improvement plans in place for Customer Services, Business Support and Revenues. The Customer Services plan has been incorporated into the retained section's business plan, and actions are in progress.
- 2.10 The Auditor obtained reports on the implementation of similar strategic partnerships in Southampton and Blackburn with Darwen Councils and noted that these Authorities have experienced very similar issues in contract/relationship management and delivery of service. They have had similar experiences in terms of the Partnership driving wider organisational transformation.
- 2.11 As such, many of the issues identified in this audit are to be expected at this stage of the Partnership, especially as the Council has never entered into a

service delivery relationship of this nature before and has not had to exercise this level of client capability before.

3 **Approach**

- 3.1 This report brings together the findings of two audits included in the plan for 2008/09 i.e. CAPITA Contract Management and CAPITA delivery.
- 3.2 Managers determine the extent of internal control in their systems and are responsible for providing an environment that ensures that resources are properly applied, value for money is secured, fraud and other losses prevented, and the Council's Financial Regulations are complied with.
- 3.3 Internal Audit, as a service to the Directorate and the Council as a whole, contributes to internal control by examining and evaluating its adequacy and effectiveness. The auditor's responsibility is to form an independent opinion, based on the audit work undertaken, on the reliability of the systems of internal control reviewed and report this to the Group Director of Business Transformation and to other relevant Managers.
- 3.4 In accordance with best practice, a risk-based approach was adopted which involved the structured evaluation of the contract management arrangements for the strategic Partnership.
- 3.5 The appropriate SBC managers and senior staff were consulted during the course of the review and testing of documentation and processing procedures took place within all departments.

4 **Objectives and Conclusions**

- 4.1 The key objectives of the review were agreed in advance with the Group Director: Business Transformation. The auditor's conclusions at the end of the review against each of these objectives are detailed below:

<u>Control objectives</u>	<u>Audit conclusion</u>
Effective governance arrangements are in place: partnership roles, responsibilities and accountability are clear, documented and communicated. There is a clear and appropriate decision-making process.	Control objective substantially achieved. There is a formal joint governance/decision making structure for the Partnership that has been approved by Cabinet. A more effective model for joint governance of Partnership projects is starting to emerge, as the Partnership matures. However, roles for client management of some Business Support functions are currently unclear.

Control objectives

Audit conclusion

Effective governance arrangements are in place: performance is measured against set standards and reported at appropriate levels on a timely basis. Non-performance is promptly identified and action taken to address it.

Control objective not achieved. There is a formal Pricing and Performance Mechanism that identifies Key Performance Indicators (KPIs) and targets for transferred services, which are reported on a monthly basis. However, in some cases there has not been effective escalation of persistent service delivery issues through the approved governance structure.

Issues arising in the Benefits and Property Services have not been resolved on a timely basis. In the case of the Property service, ways of working on the Council and Partner side require review and revision.

Contract reviews have commenced in some areas to determine whether non-KPI related contractual requirements are being delivered by Capita, and the Council, but these have not yet been completed across all service areas.

Reviews that have been carried out have identified non-delivery of obligations by Capita (e.g. Revenues) and the Council and that some output specifications may not remain relevant to current service requirements (e.g. Human Resources).

Although KPI reports are produced monthly by Capita, there has been persistent unavailability of certain indicators in Customer Services, Business Support, Revenues and Benefits services, issues with three indicators are currently in the process of being resolved, two years into the contractual relationship.

There is very little evidence of the client validating performance information reported by Capita, with the exception of the Revenues, Benefits and Customer Services service, due to a lack of resource.

Effective governance arrangements are in place: regarding the identification and development of business cases to assist in the transformation of the Council.

Control objective not achieved. Transformational business case development has been slow to date and the Council now needs to define the role and expectations it has of Capita in contributing to the Council's transformation agenda.

Control objectives

Audit conclusion

Effective processes for budget management exist.

Control objective substantially achieved. There is an annual exercise to calculate the expected service charge, that takes into account any of the changes in the service charge that have occurred during the year. Budgets are then set up to cover the cost of the expected charge.

Change Control requests that are approved should be accompanied with a valid cost centre that has adequate budgetary provision to accommodate the identified change in contract costs.

All contract payments made are in line with contract terms and conditions and are substantiated by adequate documentation.

Control objective substantially achieved. The invoice for the annual service charge element from the contract was tested and was confirmed as complying with the contract terms and conditions.

Other invoices that are submitted by Capita are generally supported by supporting documentation, e.g. Change Control documents confirming the charges being claimed. However, a spreadsheet is not held by the Council that is used to calculate the expected cost of invoice that is submitted for the approved Change Controls with financial implications, so that the cost being claimed can be easily verified. 2 Change Control items reviewed did not specify a profile for payments against milestones for the year and could not therefore be confirmed as accurate.

Risks relating to the contract are identified in a risk register and are regularly updated/monitored by senior managers/Members.

Control objective not achieved. A Partnership risk register exists, but has not been reviewed on a quarterly basis by the Partnership Team and does not contain some key Partnership risks. The register is also not produced jointly, to allow joint identification of risk and allocation of mitigation actions to the most appropriate party.

There is not a consistent risk management method being used by service owners to assess and record Partnership risks and mitigating actions at a Partnership level. This has been identified as a wider issue across many Council departments during the 08/09 Risk Management audit.

Although evidence has been provided of some service areas having risk registers that capture Partnership service risks, these are usually not produced and reviewed jointly with Capita.

4 Overall Opinion

- 4.1 **Materiality and impact: High.** The strategic Partnership is key to ensuring that the Council achieves its vision and a number of the 50 promises outlined in the Swindon 2010 document. The project's budgeted cost over the next ten years is approximately £140m. Effective governance and monitoring arrangements are required to ensure that the benefits of transferring services to a private sector Partner are realised. The strategic partnership is therefore considered high in materiality and would have a high impact on the Council should there be breakdown in the agreement.
- 4.2 **Opinion on system controls: Significant improvements required:** The auditor completing the review concluded that existing procedures need to be improved to ensure that they are fully reliable. A number of significant recommendations have been made to improve missing or failing controls.
- 4.3 **Overall assessment of risk:** The combination of the **high** impact of the system, along with the opinion on the system controls gives an overall risk assessment to the Council as being **of concern**:

		MATERIALITY AND IMPACT		
SYSTEM CONTROL		High	Medium	Low
1	High standard	Minimal	Minimal	Minimal
2	Satisfactory	Moderate	Minimal	Minimal
3	Significant Improvements required	Of Concern	Moderate	Minimal
4	Fundamental weaknesses identified	Significant	Of Concern	Moderate

- 4.4 The following key recommendations should be implemented in order to achieve the improvements required:
- 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.

4.5 All of the matters arising are detailed in the action plan, together with suitable recommendations, together with an indication as to whether the matters arising are of a high, medium or low priority. The action plan provides a checklist of the findings of the review, potential consequences, and identifies officers responsible for implementing the recommendations and appropriate time-scales.

4.6 Management's response to the audit recommendations is included as Appendix B.

5 Secure Procedures

5.1 It was noted that the following secure procedures are now an integral part of the Capita Contract Management arrangements:

- The contract Governance structure is documented and in line with Audit Commission suggested best practice.
- A client has been appointed for each transferred service. Most services have regular, minuted contract monitoring meetings.
- There is ongoing client capability development work to develop trust/Partnership behaviours and client management capability.

- The Partnership produces an annual report for stakeholders.
- The Pricing and Performance mechanism is clear and enables the Council to manage delivery of transferred services in a similar way to a contract, in line with Audit Commission guidance.
- There has been a formal report to the Scrutiny Committee on the Partnership and the Committee will now receive explanation of all KPI failures.
- There is a meeting of the SBC Partnership Team before each joint Service Delivery Board, where issues can be raised in an open forum for discussion.
- The Revenues and Benefits service use SLAs, and Service Standard documents to clearly specify what is required from the contractor in terms of service delivery. 25 other SLAs are currently signed off in Business Administration, with the remaining 11 close to completion.
- Service review meetings are held, where wider Council departments can flag issues with service delivery directly to Capita and SBC service leads and actions are agreed, documented and monitored to resolve issues.
- The Customer Services and Business Support enhancement project has a sound model of governance, including an SBC Sponsor and SBC Officers making up part of the joint project board. There was highlight reporting to SBC officers and the project status was also highlighted in the monthly programme report to Partnership Executive. Similar arrangements are also in place for IT projects.
- Revenues and Benefits (and some Customer Services and Business Support) PIs are reported to Members through the Benefits Monitoring Group.
- Open book arrangements are in place to review expenditure of the Partner on the contract and year-end profit/loss of the contract.
- There is a formal Change Control process that builds flexibility into the contractual arrangements.
- A strategy for 2009/10 is being developed for the Partnership and it is understood this will be supported by cascaded objectives and monitoring.
- A process of regular contract reviews has started and is being facilitated by the Senior Procurement Officer.
- A joint risk register has been developed for the ICT service.
- The partnership has made some significant achievements in the first two years of operation, including the transfer of nine services to Capita and the approval of five business cases to help transform Council services. A one-stop shop and a contact centre branded as the Swindon Direct service have been established. The contact centre has received Customer Contact Association accreditation and there have been other achievements, such as the introduction of Voice over IP telephony systems to the Council. Other achievements, such as the implementation of new HRIS, CRM and EDRMS systems.
- There is evidence of strong financial challenge by the client to business cases to ensure that financial benefits are maximised.

- Commercial negotiations have revised profit share arrangements and other aspects of the financial model of the contract in the Council's favour.

7 Acknowledgement

7.1 Internal Audit would like to acknowledge and thank the following Officers who contributed to the review:

Hitesh Patel	Group Director - Business Transformation
Sue Mendham	Partnership Manager
Isobel Wood	Former Business Manager: Business Transformation
Nicola Houwayek	Head of HR Policy & Strategy
David Titcombe	Head of ICT
Rob Fyfe	IT Business Partner
Shirely Entwistle	Director of Customer Services, Revenues & Benefits
Andrea Pritchard	Head of Benefits
Kirsty Cole	Group Finance Manager - Corporate
Carole Smith	Senior Accounting Technician
John Spence	Capital Accountant
Gary Jefferies	Senior Accounting Officer
Andy Stevens	Head of Revenues
David Williams	Former Director of Property and Assets
Nic Newland	Head of Design & Construction
Jack Markiweiz	Director Human Resources & Change
Ray Pendleton	Head of Learning & Development
Gavin Calthrop	Head of Communications
Leon Barrett	Former Interim Head of Customer Services
Kirsty Cole	Group Finance Manager - Corporate
Robert Hillier	Senior Procurement Officer
Stephen Taylor	Director of Law & Democratic Services
Mark Hopkins	PMO Manager
Pam Debenham	Former Interim Head of Business Support

Section 6: Action Plan

The purpose of this action plan is to provide a summary of the matters arising during the audit of the Capita Contract Management Arrangements, together with the recommendations to mitigate risks, the manager's response to the recommendations, along with the officer responsible and timescale for implementation. In order for you to identify the most significant matters arising, which affect the reliance that can be placed on the controls reviewed, the recommendations have been prioritised.

Ref.	Matters Arising from Review	Risk	Recommendations	Priority	Responsible Officer and Timescale
1	Governance of the Partnership at a strategic and operational level				
1.1	<p>The draft 2009/10 Partnership strategy has identified challenging outcomes to be delivered by the Partnership for the year ahead, including growing the Partnership, improving service delivery in areas where significant improvements are required and bringing further innovation, capacity and capability to the Council.</p> <p>The Partnership Executive currently has a largely tactical role, and has previously not focussed sufficiently on all the themes/outcomes that are contained in the 2009/10 strategy, focusing more on service delivery issues (e.g. discussion of application of service credits and receiving updates on the status of Change Controls). The Strategic Partnership Board is a high level board that meets twice a year and essentially sets the strategic direction for Partnership.</p> <p>Consequently, the Partnership Executive does not currently demonstrate it is undertaking the strategic focus that will be required to manage and monitor the delivery of the key Partnership outcomes and themes contained in the 2009/10 strategy, but has the potential to develop into this role.</p>	<p>Strategic Partnership objectives are successfully delivered.</p> <p>Council improvement / transformation is not achieved.</p> <p>Loss of income to the Council through reduced receipt of gain share for new business.</p>	<p>The role of the Partnership Executive should be reviewed and developed to ensure that it governs and monitors the achievement of the 2009/10 strategic themes/outcomes for the Partnership.</p> <p>The key themes/outcomes in the 2009/10 Partnership Strategy should become standard agenda items for the Partnership Executive board. Progress against achievement of the outcomes should be reported periodically to the board, so that issues can be identified and resolved, as required.</p>	High	<p>Interim Capita Partnership Service Delivery Lead Director & SBC Partnership Manager</p> <p>January 2010</p>

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Ref.	Matters Arising from Review	Risk	Recommendations	Priority	Responsible Officer and Timescale
1	Governance of the Partnership at a strategic and operational level				
1.2	<p>There are several key issues facing the Partnership that require strategic direction, for example the Swindon Commercial Services decoupling and the potential effect it will have on contract volumes, PCT integration and merging of admin teams and the wider council move to locality based working through CP2, that may require complete reconfiguration of Partner provided services.</p> <p>From the minutes of the various Partnership Boards, it is not possible to identify that these specific issues are being discussed at a board/senior management level. It is not evident that clear direction has been given from the Strategic Partnership Board (SPB) to officers on how to deal with these issues or that issues arising are being discussed and resolved on an ongoing basis at the Partnership Executive.</p> <p>The SBC Partnership Manager has stated that discussions have taken place at SPB meetings and activity is beginning to take place to address these issues. However, this has not been minuted and it is therefore not evident that these issues are being directed and governed at a strategic level.</p> <p>It is understood that Council officers who are on project boards for these projects are now providing information to the SBC Partnership Team, to help capture issues arising that affect the Partnership.</p>	Officers do not make decisions in line with the Strategic Partnership Board/ Partnership requirements and impacts adversely on service delivery and the success of the partnership.	<p>The Strategic Partnership Board and Partnership Executive should ensure that minuted direction is given to officers on key strategic issues affecting the Partnership, e.g. SCS decoupling, CP2 and PCT integration.</p> <p>Formal processes for capturing Partnership issues arising from the SCS decoupling, Street Smart, PCT integration and CP2 projects should be implemented, with periodic, formal reporting to Partnership Executive on these projects status, implications to the Partnership and proposed actions to resolve any issues arising.</p> <p>All significant strategic issues facing the Partnership should be identified in the forthcoming 2009/10 Partnership Strategy, along with any required actions to be undertaken by the Partnership to manage these issues.</p>	High	<p>Group Director Business Transformation/ Capita Strategic Partnership Director</p> <p>November 2009</p> <p>SBC Partnership Manager/ Interim Capita Partnership Service Delivery Lead Director</p> <p>September 2009</p>

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Ref.	Matters Arising from Review	Risk	Recommendations	Priority	Responsible Officer and Timescale
2	Roles and Responsibilities				
2.1	<p>It is not clear whether all output specifications that were produced during the final stage of the contract negotiations are still relevant and are an effective mechanism to manage Capita service delivery against.</p> <p>Issues include:</p> <ul style="list-style-type: none"> The Head of HR and Change has stated that the original output specification was a “wish list” and requires review and updating to make it relevant to current service delivery needs. The ICT output specification requires the Head of ICT to complete a balanced scorecard to measure the performance of the Capita IT service. However, this process has proved ineffective and has stalled, as useful information on performance and delivery would be better obtained from wider managers in the Council, who directly receive the services from the partner. Service Level Agreements for the Business Support services are in the process of being drafted and have not been comprehensively approved by client departments. 25 out of 36 have been completed and signed off, with the remaining 11 close to finalisation. Both parties have identified that output specifications are open to interpretation and specifications therefore require revisiting in some cases for clarification. 	<p>Service delivery is not in line with Council requirements, which may change over time.</p> <p>Service issues with the ICT service are not raised by wider council managers.</p> <p>Service standards for transferred services are not communicated and are not achieved.</p>	<p>As part of the proposed quarterly contract review process, service owners should review output specifications for relevance, as well as ensuring that contractual obligations are being delivered.</p> <p>Recommendations relating to the specific issues raised are:</p> <ul style="list-style-type: none"> The HR specification should be reviewed to ensure that it is an accurate reflection of services required by the client. A Change Control notice should be produced to implement required changes, with regard to any financial implications of proposed changes to the output specification. The ICT balanced scorecard should be reintroduced and provided to wider Council clients receiving the ICT service to complete, with any actions arising being followed up by the Head of ICT. Business Support SLAs should be completed and approved for all retained Council services where they are not currently in place. Management information to demonstrate that service standards are being met should be developed and issued regularly to retained SBC managers. 	High	<p>Senior Procurement Officer</p> <p>January 2010</p> <p>HR Practice Manager</p> <p>January 2010</p> <p>Head of ICT</p> <p>April 2010</p> <p>Interim Capita Partnership Service Delivery Lead Director</p> <p>September 2009 (for SLA completion)</p>

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Ref.	Matters Arising from Review	Risk	Recommendations	Priority	Responsible Officer and Timescale
2	Roles and Responsibilities				
2.2	<p>It is not clear that there has always been an adequate level of engagement between Capita and the wider Council over the life of the contract to date.</p> <p>For example, Change Control notices reviewed during the audit highlighted that retained Council departments have sometimes planned and implemented service developments without considering the implication on Capita services or researching costs they would incur from the Partnership when planning service changes.</p> <p>The Council has often requested Change Controls without giving the Partner enough notice to plan service delivery changes and examples were found where changes had to be implemented before Change Control Notices (CCNs) had been approved.</p>	<p>Council does not take account of impact service planning has on the Partnership.</p> <p>The Partnership requires re-configuration due to wider Council service planning and is not involved in required service design</p> <p>Council does not understand the role of the Partner and does not unlock the full value from transferred services</p>	<p>The SBC Partnership Team should continue to work to develop engagement between the wider Council and the Partnership.</p> <p>An engagement model should be developed for this purpose, that ensures that timely notification and direction is given to Capita, via the SBC partnership Heads of Service from relevant retained service managers, whenever a change is being planned that will impact on the Partnership.</p> <p>This should especially take place where the Council are planning changes to its services that will have an impact on the Partner. SBC managers must ensure that the implications of their service plans on the Partnership are identified and communicated to the Partner at the earliest opportunity. CCNs should be submitted to the Partner in enough time for them to plan delivery of required changes, having been properly costed and budget agreed.</p>	High	<p>Internal Communications Manager (in conjunction with SBC Partnership Manager and Interim Capita Partnership Service Delivery Lead Director)</p> <p>January 2010</p>

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Ref.	Matters Arising from Review	Risk	Recommendations	Priority	Responsible Officer and Timescale
2	Roles and Responsibilities				
2.3	<p>There is confusion over the role of retained Council officers in the governance of aspects of the Business Support Service.</p> <p>Client side responsibility for this service has been assigned to the Head of Business Support and the Director of Customer Services, Revenues and Benefits, who undertake the role of the client managers for the service.</p> <p>However, the Director of Law and Corporate Governance was previously responsible for mail room services. This officer still holds a budget for this service and has stated that it is not clear who is responsible the governance of this service.</p> <p>A similar example has also been given for the responsibility for client management of the Print Service, that was also previously the Director of Law and Corporate Governance.</p>	Client management responsibilities are unclear and accountability for service delivery is not clear.	Formal direction should be given on client management responsibility for the Post and Print and Design services and budgets for delivery should be transferred to the relevant service area, if necessary.	Medium	<p>Group Director Business Transformation</p> <p>November 2009</p>

Ref.	Matters Arising from Review	Risk	Recommendations	Priority	Responsible Officer and Timescale
3	Contract Management				
3.1	<p>The Audit Commission January 2008 report titled ‘For Better For Worse - Value for money in strategic service-delivery partnerships’ (SSPs) recommends the following:</p> <ul style="list-style-type: none"> ➤ That to realise all the benefits of SSPs, Councils must undertake effective traditional contract management with significant investment in time and resources. ➤ For large or multi-functional SSPs, Councils should expect to invest at least 3 per cent of the contract value to resource client-side management. ➤ Councils should manage SSPs first and foremost as contractual relationships ensuring that the responsibilities of each party are clear and enforced, and that contract management is undertaken effectively. <p>The current Council arrangements (including level of client resource), however, do not encourage this level of contract management. Instead, high levels of trust are being shown to the contractor at a very early stage of the agreement.</p>	<p>KPIs are not met. Contractual obligations are not delivered.</p>	<p>A review of the contract management arrangements should be conducted to ensure the appropriate level of monitoring is in place and that all Client staff are aware of their responsibilities and that adequate resources are in place to fulfil these roles (i.e. through a benchmarking exercise).</p> <p>This review should also consider the level of trust currently shown to the contractor. It is audit’s view that trust doesn’t happen overnight and there needs to be at least a lead in period of detailed monitoring and management until everyone is happy that they are clear on what is expected and this is being delivered to the required standards.</p> <p>A consistent model for SBC service owner contract management should be developed and rolled out across the transferred services. This should include:</p> <ul style="list-style-type: none"> frequency, standard agenda and minuting of contract management meetings frequency and nature of non KPI contract obligation delivery reviews validation methodology of KPIs, escalation methodology for unresolved performance issues processes for monitoring and reporting on Capita service improvement plans. 	High	<p>SBC Partnership Manager September 2009</p> <p>Senior Procurement Officer December 2009</p>

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Ref.	Matters Arising from Review	Risk	Recommendations	Priority	Responsible Officer and Timescale
3	Contract Management				
3.2	<p>The Partnership governance arrangements do not specify a formal methodology for client management of specific projects being delivered through the Partnership. There have been issues with Partnership project delivery in the past, including delays in milestone achievement, premature sign off of projects as complete and untimely resolution of snagging items.</p> <p>However, project governance arrangements can be seen to have improved greatly in the last year. In line with improvements suggested in the September 2008 Partnership report to Cabinet, SBC project sponsors and SBC Officers are being appointed to joint Project Teams/Boards to contribute to project management and monitoring. Formal links are developing between the Capita Programme Office and the Council's PMO, for project monitoring purposes.</p> <p>There are examples of good practice in joint project management that would benefit from being formalised into a Partnership project management model, so that practice can be standardised across projects.</p>	<p>Opportunities to improve project delivery are not taken.</p>	<p>Arrangements for project management should be documented in Partnership governance arrangements, including the role of the PMO.</p> <p>The Council and Partner should develop a formal retention policy to govern the project sign off stage, retaining a percentage of the project cost until all snags are resolved.</p>	Medium	<p>SBC Partnership Manager</p> <p>March 2010</p>

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Ref.	Matters Arising from Review	Risk	Recommendations	Priority	Responsible Officer and Timescale
3	Contract Management				
3.3	<p>The Head of ICT has stated that he does not have the resource to check the number of PC's replaced by Capita, that are charged to the Council each month as part of the PC replacement programme. This charge can be in excess of £100k each month, depending on the number of PCs claimed.</p> <p>The value of the supply is approximately £400k per annum, which is £6m over the life of the contract.</p>	The Council pays for PCs that have not actually been replaced.	A process of validation should be introduced to confirm the number of PC's replaced by Capita that are charged to the Council each month as part of the PC replacement programme, i.e. Capita providing signed evidence from SBC staff that PCs have been replaced to the Council and this being verified against invoices received.	High	Head of ICT April 2010
3.4	<p>Open book accounting arrangements are in place to review the financial position of the Partnership at year end and also to review Capita spend against their budgets for projects that they are delivering.</p> <p>However, there is not a formal annual (or more frequent) appraisal of the financial position of the Capita group, to ensure its ongoing financial stability, although this was carried out prior to contract sign up.</p> <p>This has been identified as a wider issue for the Council in other audits, i.e. a lack ongoing vetting of suppliers in key aspects (e.g. financial stability) once contracts have been awarded.</p>	<p>Overall financial position of the Partner is not known in the current economic crisis.</p> <p>Partner goes into administration and Council has to find alternative provision without contingency plans.</p>	A formal financial appraisal of the Capita Group should be carried out on a sufficiently frequent basis.	Medium	Group Finance Manager - Corporate/ Senior Procurement Officer April 2010

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Ref.	Matters Arising from Review	Risk	Recommendations	Priority	Responsible Officer and Timescale
4	Service Delivery and Performance Indicators				
4.1	<p>The output specifications for services include KPIs to be delivered by the contractor and also wider contractual obligations that are not necessarily supported by performance measures/indicators.</p> <p>A contract review process has been started, where the Senior Procurement Officer has met with SBC Service Leads to review service delivery and assess whether Capita are delivering against their contractual obligations for each of the transferred services. It is intended that this will become a regular review process.</p> <p>The HR service review was the only completed exercise that could be reviewed during the audit, it is understood the results have not yet been shared with the Head of HR, so action planning to resolve issues has not yet taken place.</p> <p>Customer Services, Business Support and Revenues and Benefits reviews have been carried out by the departments themselves and plans produced as a result of specific issues being identified with delivery. The Customer Services plan has been incorporated into the retained side's business plan and is in progress of being implemented.</p> <p>Output specifications for some services, such as ICT, have started to be reviewed, but are so complex that the review process will take some time, so it is not currently clear whether the Partner is meeting all required contractual obligations in these areas.</p> <p>The focus of the partnership has been on delivery of the transformation programme and transfer of services. Now these projects are largely complete, the partnership can focus on reviewing output specifications and delivery.</p>	<p>Focus is on delivery of KPIs and other contract obligations are not met by the Partner</p> <p>The Council does not know if the overall required level of service is being delivered.</p> <p>The Council pays for services that are not received.</p>	<p>Contract obligation reviews should be completed as soon as is practically possible.</p> <p>Actions required to address any contractual non-compliance should feed into forthcoming service improvement plans, so this can be monitored and non-resolution of issues escalated on a timely basis to Service Delivery Board/Partnership Executive.</p> <p>If actions are not implemented, they should be escalated through the Partnership boards for resolution.</p> <p>A regular, standardised process of non-KPI contract obligation monitoring should be introduced for SBC service owners. For example, completion of a checklist of key non-KPI obligations every quarter to identify any non delivery by Capita, with formal action planning to resolve any issues as required.</p> <p>Service owners should consider whether introduction of additional PIs would help them measure non-KPI contractual obligations.</p>	High	<p>Senior Procurement Officer</p> <p>September 2009</p>

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Ref.	Matters Arising from Review	Risk	Recommendations	Priority	Responsible Officer and Timescale
4	Service Delivery and Performance Indicators				
4.2	<p>Not all significant service delivery failures that require redress by Capita can be captured through the KPI monitoring.</p> <p>For example, a failure in the Benefits service, where the Local Authority Error rate may be too high at year-end, would cost the Council £250k in lost HB subsidy.</p> <p>It is also understood that slippage in delivery of the capital programme may mean that schools will not be complete by the required completion date, with the Council therefore incurring costs of mobile rental.</p> <p>The Partnership Manager has advised that the clause for negligence could potentially be invoked in these sort of cases, to reclaim the costs incurred, if the fault can be attributed to Capita. Claims up to £35m can be made over the life of the contract under this clause.</p>	<p>Partner behaviour is not influenced by standard price and performance mechanism.</p> <p>Threat of KPI failures does not drive level of service delivery.</p>	<p>The Council should review Partnership activities to identify key risk areas of service delivery failure that are not currently captured by KPIs (e.g the HB subsidy claim issue) to ensure that the action is taken where necessary to address issues, or whether if any damages are relevant to be pursued under the negligence clause and if this is legally viable.</p> <p>Incentives, or the use of alternative contractual remedies (e.g. negligence clause) should be explored and notified to Capita, to encourage the required level of service performance in these key risk areas.</p> <p>A decision should be taken on whether to invoke the negligence clause for the HB subsidy claim in 2008/09, if this issue arises.</p>	Medium	<p>SBC Partnership Manager</p> <p>November 2009</p>

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Ref.	Matters Arising from Review	Risk	Recommendations	Priority	Responsible Officer and Timescale
4	Service Delivery and Performance Indicators				
4.3	<p>Every transferred service to Capita has KPIs specified in the Price and Performance mechanism. These are reported to the SBC Partnership Team and Partnership Executive each month in a performance report from Capita. The report identifies KPI failures and also actions that have been implemented by Capita to address the failure.</p> <p>However, not all KPIs have been reported throughout the year, including some within Customer Services, Business Support and the Benefits Services. It is understood some of these KPIs required transformation projects to have been completed before performance could be reported, but performance was not reported in line with agreed deadlines.</p> <p>Council Tax and NNDR Annual PIs are not reported on an interim basis to the Partnership Executive, but are reported on a monthly basis the Council's Members Monitoring Group.</p>	<p>Performance is not known.</p> <p>Service paid for is not received by the Council.</p> <p>National indicators are not reported/cann ot be validated, criticism from External Audit</p>	<p>All issues preventing the reporting of KPIs and other relevant management information should be resolved, or financial penalties should be considered to be levied, on the Partner.</p> <p>If issues are not resolved they should be escalated to Partnership Executive.</p> <p>Annual performance measures should be reported on an exception or quarterly basis to the Partnership Executive, to identify the trend in performance as the year progresses and identify action to address non-performance.</p>	High	<p>Interim Capita Partnership Service Delivery Lead Director and Head of Benefits</p> <p>November 2009</p>

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Ref.	Matters Arising from Review	Risk	Recommendations	Priority	Responsible Officer and Timescale
4	Service Delivery and Performance Indicators				
4.4	<p>Most KPIs focus on volume targets/process outputs, rather than measuring quality in service delivery.</p> <p>To remedy this, a Partnership scorecard that measures quality, relationships and other softer aspects of the Partnership, has now been implemented, after an unsuccessful first attempt.</p> <p>This could be supported by additional quality monitoring measures (e.g. service standard documents used in the Revenues service) that will allow quality in service delivery to be assessed in greater detail and would supplement KPI monitoring. This would help give a holistic view of service performance. However, service standard documents that are currently in use are not part of the contract documentation and are therefore not enforceable, which is also true for SLAs that are in use.</p>	<p>Quality of service provision is not achieved and KPIs performance does not reflect level of service provision.</p>	<p>The findings from the Partnership scorecard should be used to identify opportunities to improve quality, behaviours and relationship in the Partnership and service provision.</p> <p>Consideration should also be given to implementing the “Service Standard” review process currently used in the Revenues service.</p> <p>Service standards and SLAs should be formalised in Change Control Notices, cost permitting.</p> <p>Service owners should consider whether introduction of additional PIs would help them measure non-KPI contractual obligations.</p>	Medium	<p>Interim Capita Partnership Service Delivery Lead Director & Internal Communications Manager</p> <p>January 2010</p> <p>Senior Procurement Manager</p> <p>December 2009</p>

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Ref.	Matters Arising from Review	Risk	Recommendations	Priority	Responsible Officer and Timescale
4	Service Delivery and Performance Indicators				
4.5	<p>There is not always a clear management trail of the reasoning and decision not to apply a service credit for a KPI failure at the Partnership Executive. For example, ICT2 failed in May 2008 and this was reported at the June 2008 Partnership Executive. However, the decision is recorded in the minutes as “KPI 2 – failed but penalty not to be applied”. There is no clear statement of why this penalty will not applied – i.e. the reasoning behind the decision and whether this complies with the conditions specified in the contract for non-applications of service credits.</p> <p>Partnership Executive minutes provided to the auditor do not contain a discussion on the application of service credits to September 2008’s performance failures, where there were failures in ICT and Customer Services.</p> <p>There is a note in October 2008 Partnership Executive minutes that differing perceptions of the approach to measuring KPI performance and as a consequence there is a lack of confidence in the quality of some data. This was due to be brought to the following month’s meeting for resolution. The November 2008 minutes do not contain any minutes showing this was actioned and resolved.</p> <p>There is also not a management trail of discussions held between the SBC service owner and the Partnership Manager prior to the Partnership Executive meeting, to show what was discussed and agreed regarding the application of the credit, prior to the issue being taken to Partnership Executive for discussion.</p>	<p>There is no trail to justify non-application of service credits, when then Council is contractually entitled to do so.</p> <p>Decisions cannot be justified.</p>	<p>A clear audit trail of the decision to not apply a service credit for a performance failure should be maintained.</p> <p>This should include a standard form to record the recommended action by the SBC Service Head, after they have discussed the issues with their Capita opposite number.</p> <p>Partnership Executive minutes should clearly identify the reasoning behind the non-application of the service credit, and which Council officer approved the non application of the charge.</p> <p>September 2008 performance failures should be retrospectively discussed at the next Partnership Executive meeting and actions for application/non application of service credits should be obtained.</p> <p>The actions taken to resolve the differing perceptions of the approach to measuring KPI performance, raised in the October 2008 Partnership Executive minutes should be identified at the next Partnership Executive meeting.</p>	High	<p>SBC Partnership Manager</p> <p>May 2009</p> <p>Senior Procurement Officer</p> <p>November 2009</p> <p>SBC Partnership Manager</p> <p>June 2009</p> <p>SBC Partnership Manager</p> <p>October 2009</p>

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Ref.	Matters Arising from Review	Risk	Recommendations	Priority	Responsible Officer and Timescale
4	Service Delivery and Performance Indicators				
4.6	<p>The only service, included in the audit testing, that currently comprehensively validates performance information reported by the Partner is the Revenues and Benefits Service.</p> <p>It is understood that some service leads carry out anecdotal verification of performance reported, by asking other officers in the Council about their experiences with service delivery.</p> <p>There are issues with provision of information to validate Business Support PIs that requires escalation to ensure that problems that have been encountered by the client are resolved.</p>	Inaccurate performance information is reported by the Partner and cannot be used for effective client decision-making.	<p>Appropriate client resource should be identified to validate performance information reported by Capita.</p> <p>Non-provision of information to validate KPIs reported by Capita should be escalated to the Service Delivery/Partnership Executive, if information is not provided.</p>	High	<p>SBC Partnership Manager</p> <p>October 2009</p>

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Ref.	Matters Arising from Review	Risk	Recommendations	Priority	Responsible Officer and Timescale
4	Service Delivery and Performance Indicators				
4.7	<p>When a service transfers to Capita, performance is not formally required to be reported to the Partnership Executive for a period of three months. However, performance is still reported to the SBC service owner. Under the contract a “let” on the application of service credits for the initial period is agreed, whilst the service beds in and because in some cases, the service may not have been able to be base-lined adequately prior to transfer.</p> <p>Whilst the let on service credits is reasonable, issues with performance are not visible to the management boards and therefore boards cannot take action to ensure that a plan with milestones is produce to remedy performance issues (as per the pricing and performance mechanism) unless escalated by SBC staff during this period.</p> <p>There is a need for both parties to agree realistic PI targets, which may not be possible if it is not possible to verify performance levels prior to service transfer.</p>	Unsatisfactory performance is not identified and remedied at the earliest opportunity.	Performance should be reported to the Partnership Executive from the point of transfer of a new service.	Medium	<p>SBC Partnership Manager</p> <p>October 2009</p>
4.8	<p>A formal CCN was not produced to formalise changes made to the Benefits Service KPIs in summer 2008/09.</p> <p>As part of this change, a key KPI (provision of a 4 star Benefits Service), has been removed from the current submission to amend the KPIs.</p>	The partner is not contracted to provide an “excellent” Benefits service.	The CCN to formalise changes to the Benefits Service KPIs should be approved. Consideration should be given to re-including the requirement to achieve a certain level of performance as per Audit Commission inspection ratings.	Medium	<p>Head of Benefits</p> <p>October 2009</p>

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Ref.	Matters Arising from Review	Risk	Recommendations	Priority	Responsible Officer and Timescale
4	Service Delivery and Performance Indicators				
4.9	<p>The Partnership Executive agreed that Capita produce Service Improvement Plans (SIPs), to develop services in 2009. These SIPs have been produced and submitted to the Partnership Manager who has distributed them to SBC Service leads for information and comment.</p> <p>The plans have had variable input from SBC leads; for example, the Head of Design and Construction has stated he has not reviewed the document and will not be using it as part of his contract monitoring meetings, as he needs to focus on the delivery of the capital projects that Capita are working on.</p> <p>The content of plans varies significantly e.g. some plans have a detailed specification of what has worked well, what hasn't worked so well, what actions have been identified to improve any issues identified and what opportunities there are for further development with the service, with a time bound action plan identifying named officers to implement actions. Whilst other plans do not provide sufficient information for review, appraisal and then monitoring, e.g. there are no clear action plans and in one case the plan is just a Gantt chart of what projects are planned for the service (HR).</p>	Service Improvement plans do not address and resolve key service delivery issues.	<p>A consistent format for producing Service Improvement Plans should be agreed and plans should be produced in this format.</p> <p>An action plan that clearly identifies required actions, responsible officers and timescales should be included with the SIP.</p> <p>Progress against the action plan should be monitored by SBC service leads and reported by exception to the service delivery board, with unresolved issues being escalated to the Partnership Executive.</p> <p>SBC leads should input into the SIP plans with Capita and agree actions, dovetailing actions and requirements in service business plans where necessary. Action plans should be regularly updated when actions are complete and new actions should be added as issues are identified.</p> <p>SIPs should develop a more transformational plan for service development (e.g. a five year plan for ongoing medium term service developed, to ensure continuous improvement), once operational issues with services have been addressed.</p>	High	<p>SBC Partnership Manager</p> <p>January 2010</p> <p>Senior Procurement Officer</p> <p>November 2010</p>

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Ref.	Matters Arising from Review	Risk	Recommendations	Priority	Responsible Officer and Timescale
5	Escalation				
5.1	<p>There has not been consistent, visible escalation to the Partnership Executive and Strategic Partnership Board of persistent service delivery failures e.g. in the Benefits service in 2008/09.</p> <p>The Benefits Service has not met KPI targets for speed of processing since the transfer of the service in December 2007. Parties could not agree on a target for accuracy and this was not escalated. It is understood that the Director of Customer Services, Revenues and Benefits has raised service performance issues at various points in the year with the Group Director, Chief Executive and Cabinet Member, but this has not been clearly documented. As a result extensions on the non-application of service credits for KPI failures have been granted, at several points during the year.</p> <p>Although an improvement plan was submitted by Capita in August 2008 to address the performance issues, performance has still not improved to contracted levels. An inspection of the Benefits Service by the Audit Commission in October 2008 was highly critical of the contractor's performance and management by the client.</p> <p>There was little evidence of escalation of this persistent underperformance to the Service Delivery Board or Partnership Executive in 2008, where management action had not resolved performance issues to a satisfactory standard. However, this issue can be seen to have been addressed since January 2009, where Benefits Service improvement has been raised as a standing agenda item for the Partnership Executive.</p> <p>Issues with Capita and client side engagement with the Capital programme have been raised at the Partnership Team meetings, but have not been resolved on a timely basis. It is understood that a new protocol to address issues has just been approved.</p>	<p>Council does not receive contracted levels of service, leading to poor inspection results.</p> <p>Partner is not incentivised to improve performance.</p> <p>Transparency of management action taken to address issues is lost.</p>	<p>There should be consistent escalation of prolonged performance failures in service delivery to Service Delivery Board, Partnership Executive and Strategic Partnership Board. 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.</p> <p>Actions proposed should be reviewed at each subsequent meeting if the performance does not improve, to ensure close senior management and transparent scrutiny of improvement actions in under performing services.</p> <p>Officers should ensure that all service and project issues are escalated to the Strategic Partnership Board, where performance issues do not improve.</p> <p>The Partnership Executive should regularly monitor achievement against the new Benefits Improvement plan. Client managers at Councils that have experienced and resolved problems with Capita delivery of Benefits services (e.g. Blackburn) should be contacted to identify if any useful learning points can be identified and applied to the management of the Swindon service.</p>	High	<p>All SBC Client Leads</p> <p>September 2009</p>

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Ref.	Matters Arising from Review	Risk	Recommendations	Priority	Responsible Officer and Timescale
5	Escalation				
5.2	<p>The Audit has identified some areas where the Council is carrying out tasks/resolving issues that should be managed by Capita. For example:</p> <ul style="list-style-type: none"> The Head of Design and Technical has stated that he has had to spend a lot of time chasing Capita for their required outputs in relation to Capita projects and resolving issues with design work received from Capita to ensure the required outputs are achieved and projects are delivered on time and to budget. The Head of Business Support has undertaken the Annual Satisfaction survey for Customer Services and reported the results to Capita, where Capita should have carried out this for KPI reporting purposes. In addition, the Benefits Client Team has been undertaking a 100% check on overpayments, due to concerns with the Partner's accuracy of processing. <p>The Council has a thin client. Using management resources in this way is therefore an issue where client resources are already scarce.</p>	Accountability for service delivery issues cannot be clearly allocated and root causes of problems cannot be identified and resolved.	<p>The Partnership Team should carry out a review of client management activity to ensure that SBC clients are not carrying out activities that Capita should be carrying out.</p> <p>Where SBC managers are currently carrying out tasks that should be managed/resolved by Capita; these issues should ceased to be managed by Council officers and escalated to the Partnership Executive and Strategic Partnership Board if necessary, to ensure that they are resolved.</p>	High	<p>SBC Partnership Manager</p> <p>October 2009</p>

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Ref.	Matters Arising from Review	Risk	Recommendations	Priority	Responsible Officer and Timescale
6	Business Cases				
6.1	<p>The Partnership Agreement states that the Council and Capita will work together to develop and sign off business cases to the value of £20m to generate savings over the first ten years of the contract period. To enable this, Capita provided a Performance and Change Team for the first 18 months of the contract, as part of the contract price.</p> <p>However, the speed of transformational activity generated through the Partnership has not been at the anticipated pace. Only 5 business cases submitted by Capita have been formally approved in the 2 years the Partnership has been operating. It is understood there have been issues with engagement on both sides of the Partnership that have led to proposed cases not being taken forward.</p> <p>Capita have identified £5m of savings through the approved business cases, against the £9m ten-year target. As such there are further savings that need to be generated through business case activity, including £230k of savings in 2009/10 to meet the £1m guaranteed savings target.</p> <p>Since summer 2008, the role of building the transformation programme has been driven primarily by the Council (at Corporate Board level) and a Council Business Change Team has been established to drive the change agenda. A transformation programme has been developed and agreed by Corporate Board. Capita have contributed to the development of this programme and are contributing to New Ways of Working and Transforming Services to Customers projects. However, the generation of new business cases by the Partnership has slowed and the role of the partners in the transformation agenda has changed.</p>	<p>Council does not maximise Capita expertise in transforming Council services/ICT infrastructure and generating cost savings</p> <p>Council does not receive the benefits expected from the contract</p>	<p>The Council should define its expectations and the role it expects Capita to take in the Council's ongoing transformation programme, including defining the required level of business case development and thought leadership Capita should bring to the ongoing transformation programme.</p> <p>The process to record all potential business cases should be re-introduced for the Partnership, and further potential business cases/projects for feasibility investigation should be identified and progressed, to help contribute to the Council's MTRP gap. To help achieve this the Partnership should continue to hold "opportunity pipeline" meetings, which have been reintroduced recently.</p> <p>A plan should be produced jointly between Capita and the Council to govern the transformational activity that will be undertaken by the Partnership over the next year.</p> <p>Progress against this plan, and development and approval of future business cases, should be reviewed by the Partnership Executive and Strategic Partnership Board on a regular basis, to ensure that transformation is enabled by the Partnership.</p>	High	<p>SBC Partnership Manager/ Group Finance Manager - Corporate</p> <p>August 2009</p>

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Ref.	Matters Arising from Review	Risk	Recommendations	Priority	Responsible Officer and Timescale
6	Business Cases				
6.2	<p>Business cases developed by Capita, and approved by the Council, contain many non-financial benefits that should be delivered at various stages the project's life cycle, for example, "providing a new platform for innovation" in the Print and Design service.</p> <p>However, a process is not currently in place to carry out periodic post implementation reviews of business cases to assess whether non-financial benefits from business cases/Change Controls are being delivered by Capita.</p>	Non-financial benefits of business cases are not realised.	Post implementation reviews of business cases should be periodically carried out. These should review whether non-financial benefits of business cases continue to be delivered throughout the life of the contract.	Medium	<p>SBC Partnership Manager/ Group Finance Manager - Corporate</p> <p>August 2009</p>

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Ref.	Matters Arising from Review	Risk	Recommendations	Priority	Responsible Officer and Timescale
7	Change Control Notices / Additional Work				
7.1	<p>The Council pays a monthly charge to Capita for Technical and Design Services and Facilities Maintenance work. This charge has been recently re-profiled to smooth out peaks and troughs in the quarterly reconciliation.</p> <p>However, the new profile of repayments is not documented on the Council side and the Group Finance Manager has stated that this profile may have been agreed verbally with the Capita Finance Director.</p> <p>The risk of being overcharged for the service is low, as there is a quarterly reconciliation between payments by the Council and actual costs incurred by Capita, which ensure the Council pays the fees incurred during the period.</p> <p>In addition, the PMO CCN did not have an agreed set of milestones with agreed amounts to be paid against each milestones licence once it has been reached.</p> <p>Capita have been invoicing the Council for items, with the Business Transformation Programme Director reviewing items claimed for and approving payment once claims were made in invoices.</p>	<p>Items are paid for by the Council that have not been delivered.</p> <p>Incorrect charges are raised and the reconciliation is complicated unnecessarily</p>	<p>Change Controls with a financial impact and changes to original contract profiling of payments should specify milestones that must be reached before payment is released, so that amounts claimed in stage invoices can be verified to contract documentation.</p>	Low	<p>Senior Procurement Officer</p> <p>March 2010</p>

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Ref.	Matters Arising from Review	Risk	Recommendations	Priority	Responsible Officer and Timescale
7	Change Control Notices / Additional Work				
7.2	<p>Audit testing and discussions with the Procurement Officer confirmed the following issues with the Change Control process:</p> <ul style="list-style-type: none"> Change controls examined by Internal Audit were not always signed by Council and Capita officers, to ensure that they are legally binding. There is no formal scheme of delegation published that defines who is authorised to sign change controls on behalf of the council. The signature that should be applied, is applied to a different document (CF6) to the one that actually specifies the change and cost implications in detail. Although documentation is a formal variation to the contract, change controls are not submitted to legal for review before they are agreed, to ensure that language used is not open to interpretation, etc. 	<p>Change controls are not enforceable</p> <p>Council does not receive the expected level of service</p>	<p>Change controls should always be signed by both the Council and Capita.</p> <p>A statement of officers that are authorised to sign off change controls should be produced.</p> <p>The document that is signed to approve the change control should also include the detailed specification of the change and cost implications (currently specified on the CF1).</p> <p>The possibility of submitting the change control documentation for key/strategic changes to Legal for review prior to approval should be considered.</p>	<p>High</p> <p>Low</p>	<p>Senior Procurement Officer</p> <p>October 2009</p> <p>January 2010</p>

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Ref.	Matters Arising from Review	Risk	Recommendations	Priority	Responsible Officer and Timescale
8	Invoicing				
8.1	<p>The Council uses a spreadsheet that calculates the expected amount of the Annual Service Charge from Capita each month and the invoice received is compared to the amount on the spreadsheet. This spreadsheet also calculates the expected pension charge, which represents the most significant element of the Capita invoices each month.</p> <p>There is not a similar spreadsheet that calculates what the expected charge for Change Control notices should be each month, in order to compare this to the Change Control invoice when it is received each month (approximate value of the invoice is £87k per month).</p> <p>Currently, the Accounts Assistant identifies new items appearing on the invoice each month and checks these items to approved Change Controls and with relevant Council Officers to confirm the charge is accurate and legitimate.</p> <p>The miscellaneous invoice processed in December 2008 does not have a certification grid stamp on the invoice and therefore is not authorised appropriately. The supporting journal, to journal the costs out to the relevant codes, is signed by the Group Finance Manager.</p>	<p>Invoices are not paid at the correct amount.</p> <p>Items are paid for by the Council that have not been delivered.</p>	<p>A spreadsheet should be produced that calculates the expected amount of the Change Control invoice each month and the invoice should be compared to the spreadsheet to ensure the correct value is being claimed.</p> <p>The spreadsheet should be kept up to date for all new Change Controls approved with a financial impact.</p> <p>All invoices should be stamped with a certification grid and signed by a relevant officer(s).</p>	Medium	<p>Group Finance Manager – Corporate</p> <p>September 2009</p>

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Ref.	Matters Arising from Review	Risk	Recommendations	Priority	Responsible Officer and Timescale
8	Invoicing				
8.2	<p>The supporting documentation for the technical and design service invoice reconciliation was reviewed to ensure that it provided adequate supporting information for the actual costs incurred in the period to be reconciled to the profile of costs in the contract documentation.</p> <p>A percentage completion of each scheme being undertaken is agreed by the SBC Head of Design and Construction. The fee agreed for the work is then multiplied by this percentage complete figure when the reconciliation is carried out to arrive at the charge for the period.</p> <p>The Head of Design and construction has stated that he does not feel he receives adequate performance information to confirm the status of schemes, for monitoring purposes. A regular report with a one line description of the status of each project is not produced, that would enable more effective monitoring.</p> <p>In addition, Capita do not include the cost centre for projects on the spreadsheet, meaning that the Senior Accounting Technician has to allocate the costs manually to SBC cost centres.</p>	<p>Costs claimed cannot be confirmed as accurate.</p> <p>Inefficient process.</p>	<p>Capita should be contacted to determine if supplementary information can be provided to allow the Head of Design and Construction to monitor the status of projects being undertaken more effectively. If the information is not provided, this should be escalated to the service delivery board for resolution.</p> <p>The spreadsheet produced by Capita to support the amount of fees claimed should show the total fee agreed for each job, to confirm the percentage fee claimed calculation as correct.</p> <p>A secondary arithmetical check should be carried out on the submitted document by Central Finance, to ensure that the total fees claimed is correct, as the list of individual fees is several pages long.</p>	Medium	<p>Senior Procurement Officer</p> <p>December 2009</p> <p>Group Finance Manager – Corporate</p> <p>September 2009</p>

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Ref.	Matters Arising from Review	Risk	Recommendations	Priority	Responsible Officer and Timescale
8	Invoicing				
8.3	<p>Contract activity in 2008/09 has required several virements to be actioned, e.g. the transfer of Library staff mid year. The virements now require actioning and building into future year's budget spreadsheets.</p> <p>A spreadsheet is maintained of current contract costs (i.e. to reflect changes brought about by Change Control notices) to identify the overall cost of the contract. This is monitored by the Group Finance Manager – Corporate to ensure that the contract remains affordable.</p> <p>There are amounts coded to service area cost centres using Capita holding account subjectives, that have no budgets. These codings of costs have not been carried out by Central Finance and require investigation and resolution before year end.</p>	Council budgets do not reflect agreed costs	<p>Virements arising from the Partnership should be actioned and updated in Central Finance budget spreadsheets for future years.</p> <p>Where costs have been coded by service areas to Capita holding account subjectives without budgets to support the charges;</p> <p>These codings should be investigated to determine if any of the costs relate to the contract and if there are any overspends relating to the contract that need to be resolved.</p>	Medium	<p>Group Finance Manager – Corporate</p> <p>September 2009</p>

Internal Audit Report – Capita Contract Management

Ref.	Matters Arising from Review	Risk	Recommendations	Priority	Responsible Officer and Timescale
9	Risk Management arrangements				
9.1	<p>There is a Partnership risk register that was provided to the Auditor in December 2008 that was identified as being updated in November 2008.</p> <p>There is supposed to be quarterly review of the register at the SBC Partnership team, but minutes do not reflect this discussion has taken place and that SBC service leads have formally fed into the risk register. There is also not much formal mention of risk and risk registers in the Partnership Executive minutes.</p> <p>The risk register has not yet been produced jointly with Capita, which would allow a joint identification of risks and subsequent allocation of risks and mitigating actions. The Partnership Manager has been attempting to do this and a risk register has been received from Capita, to enable this process. The Capita Risk Register has been distributed by the Partnership Manager to SBC service leads for comment, but to date a response has only been received from the Director of Customer Services, Revenues and Benefits.</p> <p>Some key risks were not included on the register, e.g. continued Revenues and Benefits performance failures and the recent inspection, barriers to growth of the Partnership and project management issues.</p>	Risks are not identified and managed by the most appropriate body/officer	<p>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.</p> <p>The register should be presented quarterly at service delivery board and Partnership Executive for regular review and updating. All key risks should be included on the registers and the Partnership register should link to joint service risk registers discussed in AP4.2.</p> <p>Mitigation action owners should be required to provide formal, documented updates on the status of mitigation actions to the Partnership Manager, to ensure that they are being operated effectively.</p> <p>The Council's Risk Manager should be engaged to help develop Partnership risk management arrangements.</p>	High	<p>SBC Partnership Manager</p> <p>November 2009</p>

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Ref.	Matters Arising from Review	Risk	Recommendations	Priority	Responsible Officer and Timescale
9	Risk Management arrangements				
9.2	<p>There are variable arrangements for production of service level risk registers for the Partnership. This is recognised as an issue that applies to risk registers in the wider Council, not just an issue that applies specifically to the Capita Partnership.</p> <p>Some risk registers (e.g. for the ICT service) have recently been produced jointly with the Capita Partner service heads.</p> <p>Other departments (e.g. Finance) do not have a formal risk register relating to the Partnership, but do record issues and agreed actions arising from management meetings.</p> <p>Other department's produce a register specifically for the outsourced service (e.g. HR payroll), but not a joint register.</p> <p>Some services, e.g. Learning and Development do not have a specific risk register for the service, relying on risks identified in the original PID for the project to transfer the service to Capita.</p> <p>The Auditor has requested risk registers from all service owners to ensure they are complete and up to date, but not all registers have been provided.</p>	<p>Risks are not identified and managed by the most appropriate party.</p> <p>Partner risks are not visible to the Council and cannot be planned for.</p>	<p>The Council's Risk Manager should be contacted to provide advice on developing a consistent model of producing risk registers at a service level, for transferred services, that is in line with partnership risk management best practice.</p> <p>It is recommended that 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.</p>	High	<p>SBC Partnership Manager</p> <p>November 2009</p>

Standard Audit Opinions

1. The audit opinion is based on two different criteria the first is the materiality of the system and it's impact on the Council if there was a system failure. This has been spilt into High, Medium or Low.
2. The second criteria, is the standard of control found within the system audited. This has been categorised into 4 different levels i.e. high; satisfactory; significant improvements required and, fundamental weakness. Each of these categories has a standard opinion (see below).

Standard Audit Opinions on System Control

Audit Opinion 1. *High Standard*

The auditor completing the review concluded the significant system controls are in place and operating effectively and only minor recommendations have been made.

Audit Opinion 2. *Satisfactory Standard*

The auditor completing the review concluded that most of the significant controls are in place and operating satisfactorily although some non-compliance was identified and therefore there is scope for improvement.

Audit Opinion 3. *Significant Improvements Required*

The auditor completing the review concluded that existing procedures needed to be improved to ensure that they are fully reliable. A number of significant recommendations have been made to improve missing or failing controls.

Audit Opinion 4. *Fundamental Weaknesses Identified*

The auditor completing the review concluded that the matters arising from the review are sufficiently significant to place doubt on the reliability of the procedures reviewed. Implementation of the recommendations made is a priority to ensure that reliance can be placed on the system.

3. The combination of these two factors gives an overall risk assessment to the Council of one of four scores i.e. significant, of concern, moderate or minimal (see section 4 of the main report).