

Appendix 2 - Recent Internal Audit Reports

Audit Report	Audit Opinion	Issues Raised			Comments
		Critical Risk (Red)	Major Risk (Amber)	Moderate Risk (Yellow)	
Financial Services Assurance Testing 2013-14	Medium	0	0	0	
Strategic HR	Medium	0	1	6	Included as separate agenda item
Coroner Service	High	0	0	2	
National Fraud Initiative 2012-13	n/a	0	0	0	Information report - no formal opinion issued
Financial Services 2013/14	Medium	0	0	9	
Denbigh High School	Medium	0	0	5	
Customer Services - Complaints and Standards	Medium	0	0	7	
Project Management - Overview Report 2013/14	Medium	0	0	7	
Project Evaluation - Three County Procurement	n/a	0	0	0	Stage review only. Work continuing into 2014/15
North Wales Commissioning Hub	Medium	0	0	5	
Cessation of Employment	Medium	0	0	1	
Constitutional Arrangements - S151 Officer Role	High	0	0	0	

Denbighshire Internal Audit Services

Caledfryn, Smithfield Road, Denbigh LL16 3RJ

Report to: Head of Finance & Assets

Report by: Samantha Davies, Trainee Auditor

Lisa Lovegrove, Senior Auditor

Date: 3 June 2014

Subject: Financial Services Assurance Testing 2013–14

Background Information:

This review provides additional assurance to cover Payroll and Creditor payments for the period 1 April 2013 – 31 March 2014 and supports our previous audit review of Financial Systems (report dated May 2014).

For this review, we used data interrogation software, Active Data for Excel, to assist our testing. We included additional testing of duplicate invoice payments to review the effectiveness of the data interrogation software used by the Payments Team. Appendix 1 summarises our test results and detailed results are available on request if required.





Audit Opinion:

The overall controls in place for payroll and creditors are working well, which reaffirms the results of the review we carried out in January 2014 (report dated May 2014). Our review confirms that payments and treatment of VAT invoices are correct and the controls in place to prevent duplicate payments are effective.

There were two occasions where the Payment Team received late notification of employees leaving the Council's employment. We will feed this information into our current review of "Cessation of Employment".

Testing of employees in receipt of high overtime payments confirmed that the majority of the employees were still claiming overtime over their contracted hours, despite our advice to their managers following our review in January 2014. We will once again remind managers that overtime is a short-term solution to address temporary fluctuations in work demands and should not be used as a long-term solution, for health, safety and welfare reasons.

Based on the areas reviewed we give the following assurance: -

	High Assurance	Risks and controls well managed
	Medium Assurance	Risks identified but are containable at service level
	Low Assurance	Risks identified that require meeting with Corporate Director/Lead Member
	No Assurance	Significant risks identified that require member / officer case conference



Denbighshire Internal Audit Services
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Coroner Service

July 2014



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Purpose & Scope of Review

The purpose of this review is to give assurance for the Internal Audit Annual Report and Governance Framework that robust arrangements are in place for the new Coroner Service that our Council leads on.

The scope of the review includes:

- service standards
- financial arrangements
- partnership arrangements
- compliance with legislation
- service continuity

Audit Opinion





The Coroner Service has excellent arrangements in place to ensure that it delivers a high level of service in accordance with relevant legislation. It comprises sound financial arrangements and good service continuity provisions.

Consistent compliments and praise from the recently bereaved prove testament to the consideration that the Coroner Service applies during investigations and inquest hearings. This includes offering to hold inquests at various Council locations throughout the four counties to suit the needs of family members, with the added benefit of reducing costs from not hiring court venues.

We raise two moderate risk issues where existing controls need tightening. These relate to paying invoices in line with the corporate system and formalising relationships with the organisations that the Coroner has regular dealings with.

Based on the scope of our review, we give high assurance for the governance, risk management and control framework in place.

Assurance Rating (Based on areas reviewed)

	High Assurance	Risks and controls well managed
	Medium Assurance	Risks identified but are containable at service level
	Low Assurance	Risks identified that require meeting with Corporate Director/Lead Member
	No Assurance	Significant risks identified that require member / officer case conference

Action Plan

Audit Review of: Coroners Service
Date: July 2014
Action Plan Owner: Head of Legal & Democratic Services

Corporate Risk/Issue Severity Key	
	Critical - Significant CET and Cabinet intervention
	Major - intervention by SLT and/or CET with Cabinet involvement
	Moderate - Containable at service level. Senior management and SLT may need to be kept informed

Risk/Issue No.	Risk/Issue	Action	Who	When
1.	Costs, fees and charges are paid using a manual payment requisition process; however, to prevent duplication of input and inefficiencies, these should only be used for ad-hoc payments to infrequently used suppliers. Invoice payments should be processed using the corporate system i.e. Proactis.	Proactis is now being used to make payments to BCUHB (Betsi Cadwaladr University Health Board) in relation to use of mortuaries. Discuss and explore other options available within Proactis that may be appropriate for other services used.	Coroner's PA, Admin. Assistant and Member Support & Development Manager Coroner's PA, Admin. Assistant and Member Support & Development Manager and member of Proactis Team	Immediate January 2015

Risk/ Issue No.	Risk/Issue	Action	Who	When
2.	<p>Service level agreements (or similar) have yet to be set up between the Coroner Service and the organisations it regularly deals with. This is to secure the provision of the best possible response to investigations. Partners include:</p> <ul style="list-style-type: none"> - Conwy CBC, Wrexham CBC and Flintshire CC; - Betsi Cadwaladr NHS Trust; - North Wales Police. 	<p>An SLA will be drafted and agreed by the four local authorities within the Coroner Area.</p> <p>An SLA was drafted in 2012 by BCUHB in relation to the services provided to the Coroner. Following a meeting between the Coroner and Member Support & Development Manager, amendments were made to the draft SLA and it was returned to BCUHB. No updated draft has been received to date.</p> <p>Mortuary Fees are due to be reviewed in November and this matter will form part of the SLA.</p> <p>Discussions are due to take place with North Wales Police in respect of an SLA, which will relate to Coroner's Officers and Police staff (securing the services of funeral directors)</p>	<p>Coroner/Member Support & Development Manager</p> <p>Coroner/ Member Support & Development Manager</p> <p>Coroner</p>	<p>September 2014</p> <p>November 2014</p> <p>September 2014</p>

Denbighshire Internal Audit Services

Caledfryn, Smithfield Road, Denbigh LL16 3RJ

Report to: Corporate Governance Committee
c.c. Senior Leadership Team and officers involved in the NFI exercise

Report By: Lisa Hodson, Senior Auditor

Date: July 2014

Subject: National Fraud Initiative (NFI) 2012–13

Introduction:

The purpose of this report is to inform elected members and senior management of the progress made with the NFI exercise of 2012/13.

Background Information:

The NFI is a data-matching exercise that is carried out every two years and helps to detect fraud and error. Participants submit their data securely to the Audit Commission who input it into their central database to be matched against the data of other local authorities and central government departments. This includes data for payroll, housing benefit, creditors, insurance and transport passes. The Audit Commission provides reports containing matches that specifically relate to the Council to investigate.

Internal Audit's role is to act as Key Contact for the NFI exercise. This involves planning, distributing matches to departments for investigation, and monitoring progress with the exercise. Departments have been analysing the matches since February 2013, and any matches that are of high priority that have not yet been investigated will be transferred to the 2014/15 NFI exercise. Analysis of these matches and any new reports will begin in January 2015.

Results:

We have summarised the progress with the 2012/13 NFI exercise below, but detailed results are provided in Appendix 1.

- Six housing benefit frauds and eleven errors totalling £74,661 are in the process of being recovered. Errors occurred due to the customer not informing us of a change of circumstance or through administrative errors. We will review this area in more detail during our financial assurance audit of Rhyl-based systems in August 2014.
- Progress with investigating Blue Badge matches has been poor, but the department is now taking action to rectify this.
- The creditor payments team has existing controls to detect fraud and errors within the system, i.e. Fiscal Technologies Duplicate Payment Finder. Therefore, we sample checked NFI matches and confirmed that these controls are working effectively.
- There were six errors relating to VAT totalling £1,512. Five of these errors occurred in the processing of energy invoices, where either VAT was not accounted for, or there had been an input error. A risk/issue in relation to VAT checks was raised recently in our financial review of Ruthin-based systems.
- All 2,813 NFI referrals for Concessionary Travel Passes were investigated, but this has resulted in the identification of 2,782 errors. This appears to be due to the Council not being notified where the customer is deceased so its systems can be updated. From July 2014, the department will be notified of deaths through the national 'Tell us once' campaign.

Conclusions:

The NFI exercise has highlighted where some departments have not taken sufficient action in investigating matches, which may result in frauds going undetected and errors being missed. For the forthcoming 2014/15 NFI exercise, we will report to the relevant head of service where progress with reviewing matches is slow.

While there is a considerable resource required for investigating the matches, six fraudulent activities within Housing Benefits have been identified, and where errors are identified, controls are being put in place to prevent them happening again.

Council Tax data that has been matched to information contained on the Electoral Register is currently being investigated to identify individuals claiming Single Person Discount (SPD) when they are not the sole occupant, or where there is an occupant who is approaching 18 years of age that would make the SPD invalid.

Denbighshire Internal Audit Services
Caledfryn, Smithfield Road, Denbigh LL16 3RJ

Financial Services 2013/14

May 2014



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Purpose & Scope of Review

We undertook this review during February 2014 to give financial and corporate governance assurance on the following functions:

- Payroll
- Purchasing and creditor payments
- Purchasing cards
- Budgetary control
- Treasury management
- Bank reconciliation

Assurance Rating (Based on areas reviewed)

	High Assurance	Risks and controls well managed
	Medium Assurance	Risks identified but are containable at service level
	Low Assurance	Risks identified that require meeting with Corporate Director/Lead Member
	No Assurance	Significant risks identified that require member / officer case conference

Audit Opinion

Our review of financial systems has highlighted that it is well managed, but there are some areas where controls put in place to address issues raised in previous audit reports have not been embedded, so we have repeated them in this report's Action Plan.

The Payments Section's service delivery for both payroll and creditor payments continues to be of a high standard; however, some of the areas where further improvement is needed are outside of the control of the Payments Section, as follows:

- While there has been some improvement, overpayments to previous employees continue to be a problem. We will review this as part of our planned Cessation of Employment audit to identify where the problem occurs in the leavers' process.
- Similarly, during the same audit we will also look at the removal of system access for security purposes, as system administrators are not always alerted to staffing changes.
- There is insufficient monitoring of the hours worked by employees to ensure that the Council complies with the Working Time Regulations.

The 'Centralisation of Invoices' project is progressing well, and a project team is in place to assist with the implementation of a new payroll solution but this will benefit from being treated as a corporate project to allow for adequate monitoring and to prevent any unnecessary delays in implementation.

The Insurance & Risk Manager continues to administer the purchasing card process effectively, but some finance officers need to be more vigilant in carrying out sufficient checks to ensure that payments are legitimate and reasonable.

With increasing budgetary pressures and challenges facing the Council, there are effective arrangements and processes in place to identify where significant savings can be made within the Council, which are well communicated to senior managers and elected members.

Both the treasury management and bank reconciliation processes continue to be well managed.

Action Plan

Audit Review of: Financial Services 2013/14

Date: May 2014

Action Plan Owner: Head of Finance & Assets

Corporate Risk/Issue Severity Key

	Critical – Significant CET and Cabinet intervention
	Major – intervention by SLT and/or CET with Cabinet involvement
	Moderate – Containable at service level. Senior management and SLT may need to be kept informed

Risk/Issue No.	Risk/Issue	Action	Who	When
1.	The implementation of the new payroll solution and the submission and payment of overtime and travel claims are not being treated as a corporate project. By not adopting a structured methodology that clearly defines roles and responsibilities and enables corporate oversight and review, there is a risk that both projects will fail to realise their perceived benefits or be significantly delayed in implementation.	<p>This is a corporate project and is now recorded as such on Verto. The basic outline of the project has been input, but is being updated in more detail as the project develops – e.g. the development of the risk register and detailed technical appraisals, etc. Regular project team meetings are taking place and actions are developing. The Payroll/HR integration project should be completed by the end of the year.</p> <p>The travel input (via Proactis) has been developed as a concept. A presentation will be given to SLT in June. The project is being input into the Verto system.</p>	Chief Accountant	December 2014
2.	There is a documented procedural manual for the Payroll team but this needs updating to assist with business continuity and succession planning arrangements. This would ensure that employees are clear of their responsibilities and adopt a consistent approach to any significant changes in the process.	We will update the payroll procedural manual to reflect our current processes.	Payments Manager	January 2015

Risk/ Issue No.	Risk/Issue	Action	Who	When
3.	<p>Responsibility of HR As the hours worked by employees, particularly those of casual/relief staff, are not always monitored, there is a risk that Working Time Regulations are not being complied with.</p>	<p>Payroll can produce a report upon request that will show all employees with contractual hours over 38 per week (over a number of posts). The report can also identify employees from the above list with relief contracts and provide a total of relief pay. The two datasets can then be combined and together will provide an indication as to whether Working Time Regulations are being complied with, which can be followed-up if necessary.</p> <p>HR will monitor these reports every quarter to ensure that the Council complies with Working Time Regulations.</p>	<p>Payments Manager</p> <p>HR Services Manager</p>	<p>Report will be ready by the end of May 2014. The first report will cover Quarter 1 2014/15 in July.</p> <p>October 2014</p>
4.	<p>Proactis system administrators have a high level of access for viewing and amending the system but there is little monitoring of their work. A lack of system control increases the risk of inaccurate data and unauthorised transactions that could lead to budget over-spends, fines incurred for non-compliance with legislation or regulations and an increased risk of fraud and misappropriation.</p>	<p>By definition, system administrators must have access at a high level across the system. There are occasional instances where payments and orders that have been raised and authorised in service departments have to be authorised within the Systems Team. A report can be set up to allow the Chief Accountant to review such instances on a periodic basis. There are also legitimate orders and payments raised within the Systems Team (with proper controls around ensuring segregation of duty); however, as an additional control, a report can be created for the Chief Accountant to review that shows all orders raised and payments approved within the Systems Team.</p>	<p>Chief Accountant (to run and review reports on a quarterly basis).</p>	<p>June 2014</p>

Risk/ Issue No.	Risk/Issue	Action	Who	When
5.	<p>Services are mostly unaware of correct purchasing procedures and are processing duplicate invoices and an excessive amount of standalone invoices i.e. where an official order has not been raised at the time of purchase. This affects budget monitoring, checking accuracy of goods and services received, and authorisation of commitments. If not addressed, this could cause significant delays when invoice processing is carried out centrally.</p> <p>The Chief Accountant, as part of his review of Financial Regulations, should ensure that these are well publicised (e.g. intranet, awareness sessions).</p>	<p>These are basic controls that services should be aware of. The Central Invoice Registration (CIR) project will enforce use of orders for most payments, although there will be agreed exceptions.</p> <p>The procedures will be publicised as part of the communications strategy (first staff mail shot went out on 15th April) and will be reflected in the revised Financial Regulations.</p>	Chief Accountant	<p>CIR project mail shots will be issued between April-June 2014.</p> <p>Draft revised Financial Regulations will be issued for consultation by the end of July 2014</p>

Risk/ Issue No.	Risk/Issue	Action	Who	When
6.	Insufficient checks are carried out on the VAT registration numbers of suppliers to ensure that they are legitimate and that the correct VAT rate has been claimed for purchases made.	<p>We have been running some VAT exception reports using the AP Forensics software but these are not useful because they produce pages and pages of basic checks without actually revealing any errors. Our VAT specialist has advised the following monthly checks would be a better use of time as these are the checks that HMRC will expect to see:</p> <p>1. VAT Checks</p> <p>a. Creditors Invoices We have a process for checking a sample of invoices on a monthly basis to ensure that we are claiming VAT based on valid VAT invoices. This process has not been implemented for a little while but it will be re-instated now.</p> <p>b. Debtors Invoices We intend to check a sample of debtors invoices where no VAT has been charged to ensure that this is correct.</p> <p>c. Invoices raised after the 60 day limit We receive a monthly list of invoices that have been raised late (after the 60 day limit). We need to follow up cases like this with the services that are raising invoices late.</p> <p>2. VAT Training The central registration of invoices will help with VAT checks, as there will be greater control centrally and we intend to arrange some VAT training for the Creditors team. They are best placed to check the VAT registration number of suppliers. The VAT training will also help the Creditors team to apply the correct VAT indicators once all invoices are processed centrally.</p>	Technical Accountant	Revised procedures now in place. Further training will be arranged specifically for Creditors Team to coincide with the implementation of the Central Invoice Registration project. Training will be completed by the end of September 2014.

Risk/ Issue No.	Risk/Issue	Action	Who	When
7.	<p>Insufficient guidance is available to employees on what alternative payment methods can be used within the Council (i.e. other than BACs or purchasing cards) and the circumstances under which they could be used.</p> <p>By not being proactive in raising awareness of what is permitted, there is a risk that payment methods are not approved, leading to unauthorised transactions, particularly if there is a lack of corporate oversight and review.</p>	<p>There are no alternatives to BACS or credit card. The Council has established accounts to allow the use of online auction sites in specific circumstances. Initial research suggests there is little demand for such facilities (e.g. the disposal of surplus technology and furniture is covered by corporate arrangements). However, a review is being completed to ascertain whether there is a need to develop such facilities, taking account of the likely cost, risks and benefits of doing so. The policy around the use of such facilities will be included in the revised Financial Regulations.</p>	<p>Chief Accountant and Business & Risk Manager</p>	<p>July 2014</p>
8.	<p>Not all finance officers are carrying out checks of purchasing card payments, and there is inconsistency to the extent of these checks. This could lead to error, poor value for money, financial loss and/or fraud going undetected.</p>	<p>Instructions have been issued to all finance officers reminding them of the need to complete the checks as required. Spot checks will be carried out throughout the year to ensure that checks and reconciliations are being completed consistently.</p>	<p>Chief Accountant and Finance & Assurance Managers</p>	<p>New procedures and instructions were issued in April 2014. Spot checks will be in July 2014.</p>
9.	<p>The review of documented budgetary control procedures is not yet complete. The development of procedures for both finance officers and new budget holders should help to reduce the risk of disruption to service delivery, particularly if key officers were unexpectedly absent for a prolonged period.</p>	<p>Elements have been completed and will be fully completed by the end of October 2014.</p>	<p>Chief Accountant and Finance & Assurance Managers</p>	<p>October 2014</p>

Denbighshire Internal Audit Services
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Denbigh High School

May 2014



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Purpose & Scope of Review

We carried out a review of Denbigh High School in January 2014 as part of the Welsh Government's assurance requirement for secondary schools. Our review focused on the following areas:

- Governance
- Financial planning and budget monitoring
- Purchasing and payment processes
- Income collection & security (including lettings)
- School Fund management
- Health and safety and security
- External contractors/visitors
- ICT and information security

Assurance Rating (Based on areas reviewed)

	High Assurance	Risks and controls well managed
	Medium Assurance	Risks identified but are containable at service level
	Low Assurance	Risks identified that require meeting with Corporate Director/Lead Member
	No Assurance	Significant risks identified that require member / officer case conference

Audit Opinion

Overall, the School has good governance arrangements in place; however there are a few areas that do not comply with the Government of Maintained Schools (Wales) Regulations 2005. The School and the Customers & Education Support service are currently addressing these.

Since our last review of this School, a new Finance Manager has been appointed and the School is managing its budget more effectively. A Recovery Plan was originally put in place, as the School was projecting a significant budget deficit but it is now projecting a surplus for the next two financial years. A deficit is then forecast for 2016/17 but the School is already taking action to address this. There are good procedures in place to ensure business and financial management continuity in the Financial Manager's absence.

Some improvements are needed to the School's purchasing arrangements. A significant number of invoices were not paid within 30 days, exposing the Council to late payment charges from suppliers. A large number of invoices are also being raised without a purchase order, which increases the risk of unauthorised purchases and makes monitoring of the budget more difficult.

The successful introduction of the Parent Pay system has led to a reduction in cash and cheques held on site. Other income collected is managed well, with independent checks and regular banking.

We identified some weaknesses within the administration of the School Fund, including certificates not being submitted to us for checking. Improvements in this area will minimise the risk of unauthorised transactions.

Good security controls are in place for visitors and the School operates its own CCTV system; however, there is a lack of training on the system and data retention requirements that could put the School at risk of breaching the Data Protection Act. A lack of building security, with some external doors being left open all day, poses a safety risk to the pupils and members staff.

ICT controls are good, with regular password changes and back up procedures in place. Overall the School has improved since our last review, with the results of our latest review being mainly positive, with only a few issues that the School needs to address.

Action Plan

Audit Review of: Denbigh High School
Date: May 2014
Action Plan Owner: Mr Simeon Molloy – Head Teacher

Corporate Risk/Issue Severity Key

	Critical – Significant CET and Cabinet intervention
	Major – intervention by SLT and/or CET with Cabinet involvement
	Moderate – Containable at service level. Senior management and SLT may need to be kept informed

Risk/ Issue No.	Risk/Issue	Action	Who	When
1.	The School is processing too many stand-alone invoices, which increases the risk of unauthorised purchases and makes budget monitoring more difficult	We have put annual purchase order commitments for suppliers, such as Canda Copying, examination boards, Waster Collection etc. so that Invoices we receive will “chip away” at the order and will not be processed as stand-alone.	Proactis Admin Officer Business Manager Finance Manager	April 2014
2.	The School has processed several invoices that have not been paid within 30 days, exposing the Council to potential claims for interest charges under the Late Payments Act.	The New Central Invoice Registration (CIR) process that will be introduced by Council soon will ensure that all invoices will be paid promptly. The School will action any exceptions/queries that the Creditors team refer to it within 48 hours, unless received in the Easter/Christmas/Summer holidays.	Proactis Admin Officer Business Manager Finance Manager	CIR due to be implemented in the summer 2014.
3.	The administration of the School Fund needs to be improved so that: <ul style="list-style-type: none"> Internal Audit promptly receives School Fund certificates each year; the Governing Body appoints an Auditor who is independent of the School and the Governing Body; and income transferred to the delegated budget is easily identifiable. 	A new auditor has been found and is ready to audit the account – we are just awaiting approval from the Finance Committee. A separate sheet is to be set-up evidencing funds transferred from the School Fund into the delegated budget.	Business Manager	Summer 2014

Risk/ Issue No.	Risk/Issue	Action	Who	When
4.	The safety of pupils and employees could be compromised, as there are several external doors to the School building left open during the day.	All external doors to have maglocks checked and repaired where necessary. Timers to be checked.	Business Manager Caretaker Building Services	All doors now locked apart from Science Exit Door which is faulty. Temporary repair due May half-term and new door scheduled to be fitted during the summer.
5.	The ICT technician has not received any training on the operation of the CCTV system and is unaware of implications regarding the retention of data on the system.	Request made with ADT to train the ICT Technician on the operation of the CCTV system. Assistant Head Teacher in charge of data to explain procedure with regard to retention of data.	ICT Technician Business Manager Assistant Head Teacher	By 30 June 2014

Denbighshire Internal Audit Services
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Customer Services – Complaints and Standards

May 2014



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Purpose & Scope of Review

We undertook a review of the Council's Corporate Complaints Process during February/March 2014 to give assurance on the following areas:

- Governance arrangements
- Policies and procedures
- Monitoring and reporting

In addition, we reviewed progress against key objectives within the Council's Modernisation priority in relation to Customer Service Standards being implemented across all services.

Assurance Rating (Based on areas reviewed)

	High Assurance	Risks and controls well managed
	Medium Assurance	Risks identified but are containable at service level
	Low Assurance	Risks identified that require meeting with Corporate Director/Lead Member
	No Assurance	Significant risks identified that require member / officer case conference

Audit Opinion

Overall, the Council manages complaints effectively and its complaints policy and supplementary guidance complies in the main with the model set by the Public Services Ombudsman for Wales (PSOW). We identified some issues relating to staff training and awareness of complaints handling, which could compromise success and improvement in this area, but acknowledge that the Council is taking steps to address this by piloting a Customer Service qualification with some Streetscene (comprising of Public Realm and Highways) staff (working in partnership and delivered by Coleg Cambria).

The Council's governance arrangements around complaints management support the corporate priority of modernisation and improving services for our customers. Performance information demonstrates that the Council deals with the majority of its complaints within set timescales; however, in order to comply with PSOW guidance and be more effective in its oversight role, we consider that the Corporate Governance Committee should agree to receive periodic briefings of service improvements arising from responses to complaints.

There are some functionality issues with the Council's Customer Relationship Management (CRM) system that are causing inefficiencies in complaints monitoring and leading to inaccurate performance reporting. In addition, current use of the system does not support a proactive use of complaints data in learning lessons, to encourage service improvement and prevent repeat complaints.

The Council's website contains up to date information on how a customer can make a complaint but the process could be made simpler. Further, to ensure that residents without computer access have up to date complaints information, leaflets available in public spaces need to be made available and updated to reflect recent policy changes.

There is much work underway to foster a customer-focused approach across the Council through the implementation of Customer Service Standards and other initiatives. While there is evidence of good practice in certain service areas, further work is required to fully embed Customer Service Standards in the day-to-day culture of all Council services. We consider lessons learned from complaints will enhance this process; however, as detailed above, current practices make this difficult.

As a result of our review, we are able to provide a medium assurance rating of this area.

Action Plan

Audit Review of: Customer Services – Complaints and Standards

Date: May 2014

Action Plan Owner: Head of Customers and Education Support

Corporate Risk/Issue Severity Key

	Critical - Significant CET and Cabinet intervention
	Major - intervention by SLT and/or CET with Cabinet involvement
	Moderate - Containable at service level. Senior management and SLT may need to be kept informed

Risk/ Issue No.	Risk/Issue	Action	Who	When
1.	<p>The terms of reference of the Council's Corporate Governance Committee state that it should review corporate complaints data reports twice a year; however, in practice they are only reviewed annually.</p> <p>We consider this to be the responsibility of Democratic Services to address for the Corporate Governance Committee's Forward Work Plan.</p>	<p>The Corporate Customer Complaints Officer e-mailed the Chair of the Corporate Governance Committee on 24 March 2014, quoting the terms of reference for the Committee and asking when the next complaints report will be required.</p> <p>The Chair is to meet with the Head of Legal & Democratic Services and Head of Internal Audit to develop a new forward work plan for the Corporate Governance Committee.</p>	<p>Chair of Corporate Governance Committee / Head of Legal & Democratic Services / Head of Internal Audit</p>	<p>31 July 2014</p>

Risk/ Issue No.	Risk/Issue	Action	Who	When
2.	<p>Current reporting arrangements to members on complaints data does not comply with the Public Services Ombudsman for Wales' model policy, which states that the Board/Cabinet should <i>"receive reports on the number and type of complaints received, their outcomes and any remedial action taken as a consequence"</i>. Presently reports to Performance Scrutiny Committee contain only statistical information on numbers of complaints handled and timescales for dealing with them.</p> <p>We consider it may be more appropriate for the Corporate Governance Committee to receive more detailed information in this area.</p>	<p>This forms part of the Service Challenge and is included in the Lead Member Framework used to challenge Heads of Service. General themes are raised at Performance Scrutiny Committee but specific complaints are not discussed, as this is a public forum. This was agreed by elected members.</p> <p>The Head of Internal Audit has subsequently discussed this issue with the Chair of Corporate Governance Committee and Head of Legal & Democratic Services. The new forward work plan for Corporate Governance Committee will include a report that shows service improvements arising from customer feedback. Performance Scrutiny will receive a statistical report that shows service performance in dealing with complaints. This will form part of the forward work plan discussions in Issue 1 above and will be presented to the chairs & Vice-chairs Group for discussion.</p>	<p>Chair of Corporate Governance Committee / Head of Legal & Democratic Services / Head of Internal Audit</p>	<p>31 July 2014</p>

Risk/ Issue No.	Risk/Issue	Action	Who	When
3.	<p>Improvements to staff training and awareness of complaints handling is required, as detailed later in our report, but summarised below:</p> <ul style="list-style-type: none"> Staff guidance on 'Your Voice' is not easy to find on the Council's intranet. Employees without computer access are not always aware of the customer complaints policy. There are inconsistencies in employees understanding of what is a complaint and a request for service. There is a lack of staff awareness of the Council's revised complaints process. The guidance template for the newly implemented service specific induction training does not include details of the service complaints representative. 	<p>The Customer Service Strategy outlines how information will be available for members of staff and customers via the internet.</p> <p>This is already available on the Council's intranet:</p> <ul style="list-style-type: none"> on the homepage under popular documents, under the document list on the Customers & Education Support service page, and found using the 'search documents' function, using 'Your Voice', 'complaints' 'compliments' and 'comments' as keywords. However, the ranking is determined by the intranet search facility and it is not currently as robust as it should/could be, so the Intranet Officer will contact Source, who are the system providers of the intranet, to find out whether the 'Your Voice - Complaints Policy' can be moved up the ranking so that the search box becomes more efficient <p>This is included in the Customer Service qualification we are currently piloting with Streetscene staff, and is included in the Induction & Refresher training template recently circulated. All service complaint officers were involved in the consultation process for the new revised process and are fully aware of the contents and are the point of contact for members of staff within their service.</p> <p>The guidance template has been updated and, in March 2014, the revised version was circulated to the organisation.</p>	<p>Head of Customers & Education Support</p> <p>Campaign/Accounts Management Officer</p> <p>Customer Service Business Partner</p> <p>Customer Service Business Partner</p>	<p>SLT - April 2014 MMC & Cabinet - May 2014 Published - June 2014</p> <p>June 2014</p> <p>Closure report submitted to SLT - June 2014</p> <p>Completed</p>

Risk/ Issue No.	Risk/Issue	Action	Who	When
4.	The method by which residents can log a complaint via the Council's website may be confusing, as there are several options available depending on the nature of the complaint and the service it affects.	On forward work programme for Webteam to review content to make more user-friendly.	Corporate Complaints Officer/Web Manager	30 June 2014
5.	The 'Your Voice' information leaflets currently available in public areas are out of date and do not reflect crucial changes to the complaints handling process. Further, some public areas do not have this information available as their leaflet stock has run out.	Design brief in progress. Awaiting approval by Destination, Marketing and Communication Lead Officer before sending out to tender. Once created and printed they will be made available at all the main public access points.	Corporate Complaints Officer	31 October 2014

Risk/ Issue No.	Risk/Issue	Action	Who	When
6.	<p>Functionality issues with the CRM system are preventing proper administration and monitoring of complaints and lead to misleading performance reports on the number of complaints handled. These include:</p> <ul style="list-style-type: none"> complaints statistics reports have to be manually compiled, as the CRM system does not have the facility to extract this information automatically; the audit trail of a complaint from the initial point of contact to its final conclusion cannot be held on CRM and relies on the Complaints Officers knowledge to trace any Ombudsman's decision and resultant time and trouble payments made; and the system does not bring complaint details from Stage 1 through to the Stage 2, but records them; therefore if a complaint progresses to Stage 2, it is recorded twice, resulting in overinflated complaints totals. 	<p>We agree. Currently developing a Business Case for a new CRM/Customer Portal</p> <p>As above</p> <p>All information relating to customer complaints is saved onto a shared drive, using a defined filing structure, owned and only accessible to Customer Services staff. Should any information be required during any absences incurred by the Corporate Complaints Officer, planned or unplanned, peers / colleagues will be able to find and provide the relevant information.</p> <p>EDRMS is being rolled out in Customer Services in June at which time all complaint documentation will be transferred to the system and accessed by authorised personnel only.</p> <p>Manual intervention will remove the double counting element of the totals reported.</p>	<p>Head of Customers & Education Support</p> <p>Corporate Complaints Officer</p> <p>Corporate Complaints Officer</p> <p>Corporate Complaints Officer</p>	<p>31 October 2014</p> <p>Completed</p> <p>September 2014</p> <p>Completed</p>

Risk/ Issue No.	Risk/Issue	Action	Who	When
7.	<p>Current arrangements to promote lessons learned and service improvement to prevent repeat complaints need to be improved. While there is a facility on the CRM system to record this information, it is rarely used and, when it is, the information is often not sufficient to help learn lessons.</p>	<p>This currently forms part of the Service Challenge and Lead Member Framework where services are challenged on the analysis of their complaints, compliments and feedback and using this information to redesign to improve services.</p> <p>The Corporate Complaint Officer is currently setting up a pilot involving workshops for service complaint officers. The agenda will include a discussion around analysing feedback submitted by customers using Your Voice; identifying actions, capturing lessons learned and implementing service improvements as a result. The workshop will be a directional session to enable services to undertake this independently and as a 'business as usual' process in future.</p> <p>A complaint analysis report will be submitted to Performance Scrutiny Committee in November 2014.</p> <p>An Ombudsman report is produced annually and was last circulated to Senior Leadership Team for lessons learned in Autumn 2013</p>	<p>Corporate Complaints Officer</p> <p>Head of Customers & Education Support</p>	<p>31 August 2014</p> <p>30 November 2014</p>

Denbighshire Internal Audit Services

Caledfryn, Smithfield Road, Denbigh LL16 3RJ

Report By: Lisa Lovegrove, Senior Auditor

Date: 26 June 2014

Subject: Project Management Overview

Introduction:

This report gives an overview of the results from our recent review of three sample projects. This is to give evidence for the Council's governance arrangements for 2013/14.

We selected the sample projects as they were forecasting a cost increase and delay to completion and/or they were categorised as "at risk" in the Corporate Project Management Register. The projects chosen were:

- Rhyl Foryd Harbour Bridge;
- West Rhyl Housing Improvement; and
- Ysgol Twm o'r Nant.

Our reviews covered identified weaknesses, governance arrangements, risk management and the overall management of the projects.

Audit Opinion:

Overall, the Council's project management arrangements have much improved over recent years, consisting of better governance and oversight, internal controls and risk management.





Examples of the key developments that have contributed to this are:

- establishing a Corporate Programme Office to manage the large capital projects and business transformation programmes that will deliver the Council's objectives. It also offers support and guidance to project managers within various Council services;

- formation of a Stage Review Group consisting of key service representatives to assess business cases for robustness before they are sent to the Strategic Investment Group for approval;
- implementing a project management application “Verto” to enable all services to input project details, simplify reporting requirements and facilitate corporate oversight of progress; and
- training all relevant staff in the PRINCE2 project management methodology, including a qualification at either foundation or practitioner level. This globally recognised qualification is the industry standard for project management and provides a benchmark of capability.

It is clear that the Council application of the project management methodology is progressing in the right direction; however, our review of a sample of projects that were on-going showed that some aspects have yet to properly embed. We have combined the issues that we found that have a corporate element in an action plan for the Corporate Programme Office to consider what actions will further promote an effective framework for managing projects and reduce the risks that are often associated with them, such as unnecessary overspends and delays.

Based on the areas reviewed, we give the following assurance rating:

	High Assurance	Risks and controls well managed
	Medium Assurance	Risks identified but are containable at service level
	Low Assurance	Risks identified that require meeting with Corporate Director/Lead Member
	No Assurance	Significant risks identified that require member / officer case conference

Action Plan

Audit Review of: Project Management Overview
Date: June 2014
Action Plan Owner: Corporate Programme Office Manager

Corporate Risk/Issue Severity Key	
	Critical - Significant CET and Cabinet intervention
	Major - intervention by SLT and/or CET with Cabinet involvement
	Moderate - Containable at service level. Senior management and SLT may need to be kept informed

Risk/Issue No.	Risk/Issue	Action	Who	When
1.	<p>Despite the medium to large size of the Ysgol Twm o'r Nant project, a project board has not been established. Where programme boards decide to do away with this requirement, we would expect the board to agree how key decisions, monitoring and oversight will take place along with setting project tolerances from the project's outset.</p> <p>There is little corporate guidance for programme board members to explain the different requirements for project board composition to correspond with the various project sizes and complexities.</p>	<p>Prepare and communicate guidance for programme boards to include clarification on their role in the absence of project boards. Given the nature of the Schools / Education Programme Board, it would be cumbersome to expect each project to have individual boards with the same stakeholders on each board.</p> <p>Steering groups are in place at local level; however, key decisions are made at programme board level.</p>	Corporate Programme Office Manager / Head of Customers & Education Support	31 August 2014

Risk/ Issue No.	Risk/Issue	Action	Who	When
2.	<p>There was a lack of systematic review and challenge at the start of the Rhyl Foryd Harbour Bridge project to ensure that it remained realistic, viable and affordable.</p> <p>The Council lacked the necessary skills and experience to effectively challenge a project of this nature, size and complexity. Arrangements should be available to ensure that, where appropriate, independent specialist advice is available.</p>	<p>Additional controls have already been introduced for challenging business cases i.e. Stage Review Group. This project would not have progressed in the same way in current control climate.</p> <p>The Corporate Programme Office (CPO) is refining the Stage Review Group process to establish an escalation process, should the Group feel that it is unable to scrutinise a particular element of the proposal, which may include seeking independent specialist advice.</p> <p>The CPO is considering the benefit of applying the principles of the 5 case business model, which the Welsh Government applies to some of their funding streams.</p>	Stage Review Group	30 September 2014
3.	<p>Suitable resource i.e. the right people with the right experience is needed to be able to challenge the contractor to manage costs to ensure that what is delivered meets the required benefits and outcomes. (Rhyl Foryd Harbour Bridge project)</p>	<p>Project sponsors and the Stage Review Group to assess the scope of the project and the demand that this places on resources to ensure that staffing arrangements are sufficient in terms of experience and knowledge and capacity.</p>	SLT and CPO (Stage Review Group)	Commenced, and on-going
4.	<p>The need for contingency funding was identified early for this project on the recommendation of the Head of Finance & Assets. However, a clear mechanism is needed to ensure that sufficient contingency is made available where projects are of a complex nature, particularly where there is a significant risk that unforeseen circumstances or known risks could materialise and escalate costs. (Rhyl Foryd Harbour Bridge project)</p>	<p>Stage Review Group and Strategic Investment Group (SIG) to review project costs and contingencies for reasonableness.</p>	Corporate Programme Office & Strategic Investment Group	Commenced, expect it to embed by December 2014

Risk/ Issue No.	Risk/Issue	Action	Who	When
5.	<p>The project as it stands is not financially viable and will continue to financially impact the Council unless potential income sources are secured. The handover from the Project Manager to the eventual service manager will need to apply good change management. (Rhyl Foryd Harbour Bridge project)</p>	<p>See Risk 1 with regards to stronger challenge and assessment of initial business case by the Stage Review Group, which includes ensuring that there is sufficient evidence of the long-term financial viability of projects.</p>	<p>Corporate Programme Office Manager</p>	<p>December 2014</p>
6.	<p>Weak contract arrangements was a feature of all three projects reviewed:</p> <p>Rhyl Foryd Harbour Bridge: Weak contract arrangements and management of contractor relationships and performance has contributed to project costs escalating over budget and reducing the specification and quality of the final product. There is also a risk of dispute from other contractors over the way the Council has awarded the construction and maintenance contract.</p> <p>Ysgol Twm o'r Nant: The Council does not have a formal signed contract with the contractor, Wynne Construction Ltd. This contravenes the Council's Contract Procedure Rules. Without formally setting the Council's terms and conditions, the Council could face further delays and financial repercussions if any disputes arise (such as Legal costs).</p> <p>West Rhyl Housing Improvement: The Council does not yet have a formal signed contract for the Green Space work, despite awarding the tender in November 2013. This contravenes the Council's Contract Procedure Rules. The Council's terms and conditions were set out within the initial tender documents that the contractor has agreed to; however, the Council could be at risk of delays and financial repercussions if any disputes arise.</p>	<p>Project board or project sponsors to be reminded to call on procurement and legal advice to gain assurance where necessary.</p> <p>Legal Services is notified of upcoming projects and procurements using various methods to ensure that it is aware of what is happening. Once notified, the Deputy Monitoring Officer allocates complex contractual arrangements to capable, experienced solicitors; however, they are awaiting appointment of a contract solicitor to provide additional capacity (Legal Services have been unsuccessful at filling the post over the past 12 months). In the meantime, agency employees are assisting with this work.</p> <p>The new e-procurement system that will be rolled out shortly includes tasks assigned to Legal Services for:</p> <ul style="list-style-type: none"> a) drawing up the contracts with the successful bidder(s); b) issuing the contracts to the successful bidder(s); and c) arranging to have the contracts signed/sealed upon their return. <p>The process for construction -related</p>	<p>Corporate Programme Office Manager</p> <p>Deputy Monitoring Officer</p> <p>Acting Strategic Procurement Manager</p>	<p>31 August 2014</p> <p>In place. Vacancy advert for Contract Solicitor May 2014.</p> <p>September 2014</p>

Risk/ Issue No.	Risk/Issue	Action	Who	When
		procurement may differ, with Quantity Surveyors assuming the role of Legal for drawing up and issuing contracts. A workshop will be held to formulate the process to ensure that Legal input is obtained where necessary, and to monitor that contracts are sent out and signed copies returned.		
7.	<p>All three projects reviewed were not formally capturing lessons learned while the project was progressing:</p> <p>West Rhyl Housing Improvement: Lessons learned have only been informally captured to date. If this information is not captured and communicated effectively to other project managers across the Council, there is a risk that the same errors or pitfalls may be repeated unnecessarily.</p> <p>Ysgol Twm o'r Nant: Lessons learned are shared informally in Modernising Education but they are not formally captured to facilitate the project closedown nor communicated to help other projects within other services to reduce common pitfalls and errors:</p> <ul style="list-style-type: none"> • There is little prompt for lessons to be logged following identification of an issue. • Project Managers in different services are not made aware of lessons from similar projects. • Capturing lessons learned is left until the end of the project i.e. the project closedown stage. <p>Rhyl Foryd Harbour Bridge: Lessons learned have only been informally captured to date, and there is a risk that other projects will suffer the same or similar issues if this information is not captured and communicated effectively to other project managers across the Council.</p>	<p>This issue appears systemic across the portfolio. Proposals to improve this are:</p> <ul style="list-style-type: none"> • pursue Project Closure reports more rigorously, which includes lessons learned; and • provide guidance, training and support in undertaking post-implementation reviews on projects to enable easier capture of lessons for reporting and future use. 	Corporate Programme Office Manager	July to December 2014

Denbighshire Internal Audit Services

Caledfryn, Smithfield Road, Denbigh, LL16 3RJ

Report By: Lisa Lovegrove, Senior Auditor

Date: 8 April 2014

Subject: Project Evaluation – Three County Procurement

Introduction:

We carried out an evaluation of the Strategic Outline Case (SOC) and Outline Business Case (OBC) for the Three County Procurement Project to assess its effectiveness and feasibility for delivering value for money against the Regional Collaboration Fund bid. The Full Business Case (FBC) does not form part of the scope for this review as it is currently being developed.

This summary report provides the results of our review of the contents of the SOC and OBC against the Green Book guidance “Public Sector Business Cases Five Case Model” (2013). Where insufficient information was available in these documents, or following our request, we have recommended future actions to address this. These should be factored into the Full Business Case and monitored by the Project Board and Project Team.

Conclusion:

Based on our review of the two business cases (SOC and OBC) and other supporting evidence provided during our review, we are able to provide assurance that the necessary project management arrangements are in place to progress this project.

The SOC has been prepared to a good standard and in accordance with the Five Case Business Model. The OBC expands on the SOC, providing some additional information and evaluation; however, some sections did not provide the expected level of information for this level of business case i.e. elements of the Economic Case and Management Case were weak. We understand that time pressures linked to the grant funding has been the main cause for this, and the Project Team expects a more thorough evaluation will be included within the FBC. Therefore, until the FBC is completed (anticipated for April 2014), we are unable to determine whether the project is financially viable.

Recommended future actions:

- The Investment Options contained within the Strategic Case of the SOC and OBC need further development to make them 'SMART' i.e. specific, measurable, achievable, relevant and time-bound. Also, reference to a communication strategy should be presented within the Strategic Case as well as a statement concerning security and confidentiality.
- The Economic Case needs strengthening to evidence an economic appraisal for each short-listed option i.e. cost benefit analysis. Justification for the preferred option should also be elaborated upon to properly demonstrate how the proposed project will provide value for money.
- The Commercial Case should contain a change management plan, especially as change is recognised as a potential constraint and a significant risk to the project. In addition, although no large procurement activity is anticipated for this project, a procurement strategy should be outlined to cover existing and potential future procurement activity. For example, Bangor University tendering to deliver the FBC.
- The Financial Case should include capital/revenue requirements for all three years of the project to justify the grant funding and enable each Council to review their budgets if there is a perceived funding shortfall. Note, the SOC and OBC only covers Year 1. In the interim, an outline profile of anticipated spend has recently been developed for Year 2 (separate document entitled 'Schedule 1') until the FBC provides more accurate figures for Years 2 and 3.
- In the absence of a project plan within the SBC and OBC that details expected implementation activity and timescales, we expect that this will be available in the FBC. While waiting for the completion of the FBC, we are aware that the 'Schedule 1' document has recently set outline target dates for the project's second year.
- The Management Case includes a framework for benefits realisation; however, the OBC should include a benefits realisation plan/register for existing known benefits. Therefore, we would expect to see greater coverage of anticipated benefits within the FBC.
- The Management Case of the OBC should contain a change management strategy, framework and plan; however, this information is absent. Section 6.5 of the OBC should be updated to demonstrate that the project has robust arrangements in place for change management.
- The Management Case presents an outline of how risks are managed and mitigated; however, the risk scoring matrix shown is different to what has been used for the risk register. These should be consistent to prevent any confusion.
- The project's risk register highlights a few risks that could affect the future of the project. In light of this, the Contingency Plan should be elaborated on to cover the various scenarios that could affect the project's future delivery. For example, if one Council pulled out, or if grant funding is further reduced or pulled completely.

Denbighshire Internal Audit Services
Caledfryn, Smithfield Road, Denbigh, LL16 3RJ

North Wales Commissioning Hub

April 2014



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Purpose & Scope of Review

We undertook a review of the North Wales Commissioning Hub to seek assurance on the partnership arrangements for input to the Council's Annual Governance Statement.

The scope of our review was based on a generic programme of work for partnerships designed for use with other internal audit services in north and mid-Wales.

Assurance Rating

(Based on areas reviewed)

	High Assurance	Risks and controls well managed
	Medium Assurance	Risks identified but are containable at service level
	Low Assurance	Risks identified that require meeting with Corporate Director/Lead Member
	No Assurance	Significant risks identified that require member / officer case conference

Audit Opinion

The North Wales Commissioning Hub (NWCH) has been well structured and managed since its inception, through its project proposal, outline business case to the full business case, as approved by the Management Board. Each document was comprehensive in content and is subsequently reflected in the robust Partnership Agreement that all partners have signed.

The outline business case included several options for developing the Hub after consultation with stakeholders and partners. An option appraisal and evaluation led to the Hub being established in its current format. Some potential weaknesses identified during our review and linked to the Partnership Arrangement can be easily addressed through a supplementary memorandum of understanding or similar document.

Governance arrangements are effective and the Management Board scrutinises the Hub closely, fulfilling its Terms of Reference. Further improvements are being instigated by the introduction of the Hub Operational Group to ensure that both strategic and operational matters are dealt with by an appropriate body. A decision-making protocol will further enhance the transparency of any significant decisions made.

Risk management is clearly in place but adopting a formal methodology will help to ensure consistency in approach.

Developing a communication plan will inform all partners and stakeholders as to what they can expect to receive from the Hub, how often and by which method.

The Hub's Annual report provides positive feedback that operations during its first year have achieved the initial expected outcomes. Continued improvements are being made through several operational procedures and development of the Quality Monitoring Framework for contract monitoring. The local commissioning teams (outside of the Hub) will also benefit from having access to the results of this process via the system used to record the contract data and intelligence. Members of the Hub Team are conscientious in bringing new initiatives into its day-to-day activities but the capacity of the Team hinders the pace of progress in new areas.

We have raised five issues, which can be addressed at an operational level but will further enhance the robustness of the framework that the Hub currently operates under.

Action Plan

Audit Review of: North Wales Commissioning Hub
Date: April 2014
Action Plan Owner: Head of Adult & Business Services

Corporate Risk/Issue Severity Key	
	Critical – Significant CET and Cabinet intervention
	Major – intervention by SLT and/or CET with Cabinet involvement
	Moderate – Containable at service level. Senior management and SLT may need to be kept informed

Risk/Issue No.	Risk/Issue	Action	Who	When
1.	<p>There are some gaps in the Partnership Agreement and, although they may be deemed to be more operational as opposed to legal requirements, it would be beneficial to consider each area and the best way to capture it, e.g. in a memorandum of understanding between partners, as implied within the 'Management Case' section of the Full Business Case.</p> <p>The two areas are as follows:</p> <ul style="list-style-type: none"> • Approval of changes to the agreement • Conflict of interest (Board members and partners) <p>(See report for further detail)</p>	<p>Declarations of conflict of interest will be sought and recorded at each meeting of the Management Board</p> <p>The Management board will agree changes to the scope of NWCH and decisions clearly documented in the decision log (see below)</p>	<p>NWCH Chair</p> <p>NWCH Chair & NWCH Manager</p>	<p>April 2014</p> <p>As required</p>
2.	<p>The Partnership Agreement makes reference to the equality impact assessment and states that the Management Board will review this annually to ensure that it complies with the Equality Act 2010, but the Hub Manager confirmed that this has not been done to date.</p>	<p>The equality impact assessment will be reviewed by the Hub Operational Group (HOG) and presented to the Management Board for approval. This will be recorded in the decision log.</p> <p><i>The view of the Management Board is that, in future, agreements should only be required if there have been changes to the work of NWCH/Partnership agreement</i></p>	<p>HOG / Management Board</p>	<p>June 2014</p>

Risk/ Issue No.	Risk/Issue	Action	Who	When
3.	<p>Although meeting minutes capture Board decisions, the level of detail is brief and they may not demonstrate that specific factors such as risk management, equality impact assessment, diversity and safeguarding are being considered (although this may happen informally).</p> <p>A decision-making protocol may be a useful approach to provide greater transparency within the process.</p> <p>Additionally, target dates for completing proposed actions are not currently shown in the minutes to help ensure that they are not overlooked at subsequent meetings.</p>	<p>A decision log will be used to record decisions and action notes made at each Board meeting and will clearly document identified risks. In turn, identified risks will be captured in the risk log</p> <p>Action note format will be revised to include timescales</p>	<p>NWCH Manager</p> <p>NWCH Manager</p>	<p>June 2014</p> <p>April 2014</p>
4.	<p>The Hub does not have a communication plan to confirm the methods being used, how this will take place within the partnership and how it will take place with stakeholders, together with the frequency of communications.</p> <p>The Management Board does not have a forward work programme so that its members are fully aware of what they can expect to receive at each meeting.</p>	<p>A communication plan will be developed</p> <p>A forward work programme will be developed with / for the Management Board (as distinct from the NWCH work programme)</p>	<p>NWCH Manager with HOG</p> <p>Management Board</p>	<p>June 2014</p> <p>April 2014</p>
5.	<p>The Hub Manager confirmed that the methodology used to manage risks has remained unchanged since the Full Business case was drawn up. Although this may be acceptable, there is nothing documented to state how risk management is to be approached or the formal method to be adopted, e.g. that of the host authority, to ensure that risks are assessed and consistently scored, mitigating actions are monitored with future actions proposed, and the methodology is approved by the Board.</p>	<p>Current methodology will continue to be used but any changes to the risk matrix will be documented in the action notes and decision log of the Management Board</p>	<p>Management Board</p>	<p>April 2014</p>

Denbighshire Internal Audit Services

Caledfryn, Smithfield Road, Denbigh LL16 3RJ

Report to: See recipient list below

Report By: Nanette Williams, Auditor

Date: 14 July 2014

Subject: Cessation of Employment – Overpayments to School Leavers

Introduction:

We undertook an audit of Cessation of Employment during May and June 2014. The purpose of our review was to ascertain how well the Council manages its leavers' process for elected members and employees, including those who are made redundant, redeployed, are retiring, as well as those taking career breaks.

In addition, we sought to explore the reasons behind continuing overpayments made as a result of late notification of leavers, which has been a recurring issue in our annual Payroll audits. Late notification of changes that affect payroll, predominantly for leavers causes unnecessary and avoidable financial costs to the Council through overpayments, as well the recovery costs incurred through pursuing the debt.

We traced key dates for a sample of leavers who were overpaid to ascertain where the hold-up occurred, as well as discussing the process with line managers to determine possible reasons for any delays. The purpose of this report is to communicate the results of our sample testing in relation to schools specifically and includes an action plan to address the issue raised.

Conclusion:

Our sample testing of overpayments indicates that the problem of late notification of leavers resulting in the overpayments lies predominantly with schools and in particular primary schools. A breakdown of our results is as follows:

- Between April 2013 and March 2014, approximately **£34,000** was paid to employees in error (including leavers and some current members of staff).

- Within this total, there were **32** overpayments made to former members of staff as a result of late notification of leavers. Of these, **69%** (22) related to employees leaving schools.
- Of the 22 overpayments **68%** (15) related to primary schools & **32%** (7) to secondary schools.
- On further examination into the specific source of the delays (e.g. HR, Payroll or the source department), we found that, in the majority of cases, the overpayment was the result of the school failing to notify HR promptly before the employee left. This indicates that, in the majority of cases, the overpayment was preventable.
- There may be a training issue with some schools, particularly primary schools in relation to the leaver process. Further, we acknowledge that, owing to resources within the smaller schools, and teaching commitments of some Head teachers, time to process leavers can be restricted.

Our review also identified some issues with the layout of the leavers' form that line managers must complete, which may have caused some confusion as to when to send the completed form to HR, and therefore may have perpetuated the issue. In addition, there were eight instances within our sample where HR further contributed to an overpayment by failing to instruct payroll quickly after receiving notification of the leaver, albeit late by the school/department. We will report these issues as part of our Strategic HR audit, which is currently underway.

While the issue of overpayments to leavers due to delays in notifying payroll has existed for several years, it is important that the Council takes action to address it. However, we consider that this can be done at service level and therefore can provide a medium assurance rating of this area. It is our opinion that the Customers and Education Support Service is best placed to action changes to rectify this problem.

Assurance Rating

(Based on areas reviewed)

	High Assurance	Risks and controls well managed
▶	Medium Assurance	Risks identified but are containable at service level
	Low Assurance	Risks identified that require meeting with Corporate Director/Lead Member
	No Assurance	Significant risks identified that require member / officer case conference

Action Plan

Audit Review of: Overpayments to School Leavers
Date: July 2014
Action Plan Owner: Head of Customers & Education Support

Corporate Risk/Issue Severity Key	
	Critical – Significant CET and Cabinet intervention
	Major – intervention by SLT and/or CET with Cabinet involvement
	Moderate – Containable at service level. Senior management and SLT may need to be kept informed

Risk/ Issue No.	Risk/Issue	Action	Who	When
1.	<p>Late notification of changes affecting payroll is still causing unnecessary and avoidable financial costs to the Council from overpayments to leavers.</p> <p>Our review shows that, during April 2013-Mar 2014, approximately £34,000 was paid to members of staff in error, with 31% originating from schools, predominantly primary schools failing to notify HR promptly when an employee leaves. While this represents an improvement from the total noted during our 2012/13 payroll review, it still highlights that several of these overpayments could have been avoided.</p>	<p>The School Funding Manager to write to schools reminding them of the correct process once he has been provided with the new leavers form by HR. Payroll was contacted but was not supportive of the possibility of charging schools for late notifications, as they felt that on many occasions it would be difficult to agree who was at fault, if schools claimed they have forwarded information to HR on time.</p>	<p>School Funding Manager</p>	<p>September 2014</p>

Denbighshire Internal Audit Services ***Caledfryn, Smithfield Road, Denbigh LL16 3RJ***

Report to: Head of Finance & Assets

Cc to: Chief Executive, Corporate Governance Committee

Report By: Nanette Williams, Auditor

Date: 1st April 2014

Subject: Role of the Section 151 Officer

Introduction

This review seeks to provide assurance for the Council's Corporate Governance Framework and self-assessment on whether the Council's Section 151 Officer role complies with the CIPFA's Statement on the role of the chief financial officer (CFO) in public service organisations.

As the organisation's most senior position charged with leading and directing financial strategy and operations, the CFO is responsible for ensuring that their organisation controls and manages money well and that strategic planning and decision making is supported by sound analysis. In the public service context, the CFO must also meet the demands of openness and accountability in decision making, balance competition for limited resources across a range of objectives, deliver value for money and safeguard taxpayer's money. Delivering these requires a range of personal qualities, as well as support from both the finance function and the organisation as a whole. It is these expectations, combined with the personal qualities and leadership skills needed for them to be met, that have shaped the CIPFA Statement.

The Statement sets out the five principles that define the core activities and behaviours that belong to the role of the CFO in public service organisations and the organisational arrangements needed to support them. For each principle the Statement sets out the governance arrangements required within an organisation to ensure that CFOs are able to operate effectively and perform their core duties. It also sets out the core responsibilities of the CFO role, as well as the leadership skills and technical expertise required of the individual officer.

Audit Opinion

We have based our opinion on discussions with the Head of Finance and Assets (Section 151 Officer), current governance arrangements within the Council and a review of key documentation. The table below sets out the 5 principles of the CIPFA Statement, as well as the 15 key elements underpinning these.





In the main, we are satisfied that the Council's current arrangements around the role of the Section 151 Officer comply with the requirements of the CIPFA Statement. Therefore, we award a high assurance rating.

The CFO in a public service organisation:		
Principle 1		
...is a key member of the Leadership Team, helping it to develop and implement strategy and to resource and deliver the organisation's strategic objectives sustainably and in the public interest.		
	Compliant (Y/N or Partly)	Comment
Key member of the Leadership Team	Yes	
Developing and implementing organisational strategy	Yes	
Helping resource and deliver organisational objectives	Yes	
Delivering the organisation's strategic objectives sustainably and in the public interest	Yes	
Principle 2		
...must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and alignment with the organisation's financial strategy.		
	Compliant (Y/N or Partly)	Comment
Responsibility for financial strategy	Yes	Note: Our review of the Head of Finance and Assets' job description showed that while it covers all of the key responsibilities of a CFO identified in the CIPFA Statement, it does not include up to date information regarding service structure and coverage.
Influencing decision-making	Yes	
Providing appropriate financial information for decision-makers	Yes	
Principle 3		
...must lead the promotion and delivery by the whole organisation of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively		
	Compliant (Y/N or Partly)	Comment
Promotion and delivery of good financial management	Yes	Note: recent Internal Audit reviews of key financial systems have not identified any significant risks or weaknesses in internal control.

Ensuring value for money	Partly	Recent Internal and External Audit reviews of Construction Procurement have identified weaknesses in the current procurement arrangements. As a result, the Council is unable to demonstrate that it is achieving value for money in this area. However, we acknowledge that work to address the issues raised is currently underway.
Safeguarding public money	Yes	
Assurance and scrutiny	Yes	
To deliver these responsibilities the CFO must:		
Principle 4		
...lead and direct a finance function that is resourced to be fit for purpose		
	Compliant (Y/N or Partly)	Comment
Meeting the finance needs of the business	Yes	Note: while the Finance and Assets Service has developed Customer Standards, they are largely focused on external customers of the Council Tax and Housing Benefit service, rather than internal customers of the Finance service. Nor has there been a review of the services provided by the Finance service from a customer focus perspective. The Head of Finance and Assets advised us that he is considering doing some work in this area; however, based on feedback received from other Heads of Service, he is confident that there are no significant issues arising.
Appropriately developed finance skills within the organisation	Yes	
Principle 5		
...be professionally qualified and suitably experienced		
	Compliant (Y/N or Partly)	Comment
Demonstrating professional and interpersonal skills	Yes	
Applying business and professional experience	Yes	

Assurance Rating

Based on the areas reviewed

	High Assurance	Risks and controls well managed
	Medium Assurance	Risks identified but are containable at service level
	Low Assurance	Risks identified that require meeting with Corporate Director/Lead Member
	No Assurance	Significant risks identified that require member / officer case conference