Internal Audit Update

January 2020

Contents

Internal Audit Reports Recently Issued

Since the last Internal Audit Update report, Internal Audit has completed seven reviews and a full copy of each report has been circulated to members of the committee. The assurance given and number of issues raised for each review is summarised below:

Area of work	Assurance Level	Critical Issues	Major Issues	Moderate Issues
Payment card industry – data security standards (PCI DSS)	Low ●	0	2	3
General data protection regulations (GDPR) in Schools	Medium ●	0	1	3
Traffic Regulation Orders	Medium ●	0	0	3
Single Access Route to Housing (SARTH)	Medium ●	0	0	2
Waste & Recycling Proposal	Not applicable ●	0	1	4
Housing Tenancy	Low ●	0	2	1
Office Accommodation	Medium ●	0		

Payment Card Industry Data Security Standards (PCI DSS) – November 2019

Low Assurance ●   Number of Risk Issues: 2 Major ●   3 Moderate ●

As this is a 'low assurance' report, the full report is shown on the committee's agenda separately.

General Data Protection Regulations (GDPR) in Schools – October 2019

Medium Assurance ●   Number of Risk Issues: 1 Major ●   3 Moderate ●

This themed audit tested a sample of five schools to review their arrangements for GDPR in light of the change in legislation which came into force on 25 May 2018. The review focused on: governance and accountability, training and awareness, information asset register, data sharing and privacy impact assessments, direct marketing, data security

breaches and security of personal data. We did not cover freedom of information or subject access requests as this will be reviewed separately at a later date.

Head teachers are the named data controllers for their respective schools and all schools have a service level agreement with the council which includes the employment of a Deputy Data Protection Officer to support schools with complying with the Data Protection Act 2018.

Overall, the review concluded that there were good information governance arrangements in place and schools have the relevant policies and procedures in place. Not all policies have been updated to reflect changes in legislation and some are not accessible via each school's website.

Awareness of the data protection breach process has improved so schools know what to do in such circumstances. There have been 10 reported cases between November 2018 and July 2019, two of which were reported to the Information Commissioners Office which concluded that further investigation was not required. Currently, there is no formal mechanism for schools to report periodically to members as it the case for the council's services through the Senior Information Responsible Officer's (SIRO) report to Corporate Governance and Audit Committee.

School staff are required to complete data protection e-learning training module and, as at July 2019, 75% of school-based staff had completed the training. It is not mandatory for school governors to complete the data protection training; corporate services have provided training sessions for governors but these were not well attended. This issue was raised within our review of School Governance and actions have already been agreed to address the matter of governor training.

An information asset register has been collated to understand data flows and minimise the risk of data braches occurring. However, there have been delays in rolling it out to schools due to IT issues. This was being addressed at the time of our review.

Schools have good arrangements for data security including: restricting access to sensitive data, locking laptops when not in use, disposing paper documents using confidential waste bins, use of unique usernames and passwords and protocols for taking work off-site.

However, schools were not routinely reviewing data held to delete data which was no longer required. This is in line with the data protection principle.

Four issues were raised and agreed actions with separate action plans agreed with the specific schools we visited as part of the review. The issues are summarised below:

- Some schools do not have up to date policies and procedures in place to align with the requirements of the Data Protection Act 2018
- Some school based staff have not completed the mandatory data protection training.
- Schools did not have access to the Information Asset Register
- Some schools do not carry out routine data cleansing exercises to ensure data is retained for the required period.

Traffic Regulation Orders – November 2019

Medium Assurance ●   Number of Risk Issues: 3 Moderate ●

A Traffic Regulations Order (TRO) is a legal order that allows the highway authority to regulate speed, movement and parking of vehicles as per the Road Traffic Regulation Orders Act 1984. TROs are used to help traffic flow, control traffic, improve road safety, preserve and improve the character or amenity of an area, or prevent serious road and bridge damage.

The review focused on: compliance with legislation, delegations and procedures, process for TROs, assessment and prioritisation, decision making, and system records.

Our review concludes that the TRO process is complying with the relevant legislation. We carried out a process mapping exercise to assist our review as the team does not have written procedures or guidance documents.

The team currently operate in a reactive way i.e. once a request for a TRO is received rather than proactively reviewing areas to implement TROs to alleviate traffic issues. Although this method ensures there is a level of backing for the TRO, it can lead to requests being of a low priority to the council and the backlog of TRO requests stood at approximately 90 at the time of our review. We suggest updating the TRO request forms to

channel requests and ensure that key information is included upfront including evidence of local residents and business in support of the request to save time and resource down the line.

A clear record of outstanding and completed TROs was not available for our review. Orders are prioritised as low, medium or high, but there is no formal methodology for this assessment or audit trail to show the rationale for the prioritisation level awarded.

Draft notices are published in the local press in accordance with legislative requirements, but details are not included on the council's website. Draft notices are shared with statutory consultees such as North Wales Police for approval or comment. This is coordinated by Legal Services.

The council fully complies with the public consultation stage, allowing sufficient time for any objectors to contact the council.

If one or more objections are received, this can prolong the TRO as the Traffic Team responds to each individual objector and must complete a delegated decision report and wellbeing impact assessment in order to get approval to proceed. We suggest consulting with local residents and businesses at an earlier stage to gauge the level of support so that the council can decide if it is in its interest to proceed with the draft TRO or combining TROs where there are more than one in the same geographical area.

Also, there is an opportunity to align the current scheme of delegations to the approach taken with planning application i.e. three or less objections are delegated to the Head of Planning & Public Protection for approval. It is vital that the local member(s) are still consulted and members have the opportunity to 'call in' any TRO request for a delegated decision should they require it.

Testing confirmed that all TROs were completed within the requisite two year period.

The three issues raised are summarised below:

- No comprehensive written procedures or guidance to direct staff to take appropriate and consistent action to process and manage TROs.
- No clear or consistent methodology for prioritising TRO requests.

- TRO process is time-consuming leading to a back log of requests. There is an opportunity to revise the process to make it more efficient.

Single Access Route to Housing (SARTH) – September 2019

Medium Assurance ●   Number of Risk Issues: 2 Moderate ●

SARTH is a partnership arrangement between Conwy County Borough Council, Flintshire County Council, Denbighshire County Council and the registered social landlords (RSLs) that cover these areas. Its aim was to provide a common, efficient and accessible route to a range of affordable housing options by having a single housing waiting list and allocation policy. However, a single housing waiting list has not been implemented, and instead Conwy and Flintshire maintain their own waiting list. Denbighshire's housing waiting list has been managed by Flintshire since April 2017 following a tender process and runs until 2022. Flintshire run a triage service so customers contact them directly (rather than Denbighshire) with any housing queries and process housing applications via a secure SARTH portal.

Our review concludes that the partnership arrangements are working well, both regionally and separately with Flintshire, for the management of Denbighshire's waiting list.

The regional SARTH partnership does not have a documented partnership agreement as per the requirements of Financial Regulations. A Wales Accord on the Sharing Personal Information (WASPI) and Data Impact Assessment was being drafted by the time our review was coming to an end.

Lack of partnership agreement has caused implications such as uncertainty around how funds for the regional partnership should be used. While there are good governance arrangements in place for the regional and Flintshire partnership, these are not robust as there are no document terms of reference to ensure all members are clear of their roles and responsibilities.

Contract arrangements with Flintshire are robust with the contract subject to annual review, performance monitoring with weekly reports and monthly meetings between Denbighshire and Flintshire to go through any matters of concern.

Sample testing gave positive results overall.

In conclusion, the main risk issues are with the wider SARTH partnership. Operationally, the review found that the service provided to customers was well managed. Two moderate risk issues were raised as follows:

- While the SARTH partnership is working well overall, current arrangements need to be more robust to ensure that the partnership continues to add value for partners and provides and effective service to customers.
- The process for notifying of a property let is inefficient, could cause errors, and there is a risk that key officers might not be informed.

Waste & Recycling Proposal – September 2019

Assurance not applicable ●   Number of Risk Issues: 1 Major ●   4 Moderate ●

This review focused on the Waste & Recycling Proposal as the project was in early development. The scope comprised of the following: business case and options appraisal, risk register, project plan, communication strategy and commissioning, procurement and contract management. This was an interim review and a further review will take place as the project progresses.

The council's proposal for residual waste and recycling is to help it meet its next target set by Welsh Government (WG) which is to recycle/re-use 64% of municipal waste by 2019-20 and 70% by 2024-25. Recycling performance had plateaued in recent years with the co-mingled collection, so the council sought to evaluate costs and effectiveness in changing the model to 'kerbside sort' to align with the WG's "Waste Collection Blueprint" as research states that collecting dry recycling material separately offers better quality material for recycling.

Our review concluded that, overall, the council is taking a reasonable approach to developing its proposal for reducing residual waste and improving the quality and take-up of recycling. The project is very complex with many uncertainties and potential risks which could affect the project from delivering its intended aims in terms of cost, quality and time. This was reflected in the project's delivery status which, at the time of our review, was showing as "At Risk".

Due to the various risks and uncertainties at this stage of the project, an audit assurance rating cannot effectively be given. The project is being managed well at this stage given the circumstances, and we will revisit the project again as it progresses. We raised five risk issues, some of which are corporate and outside of the project's direct control, that need to be addressed. Some of the risks raised are forward looking and therefore require attention in future phases of the project:

- In recent years, the council's waste management initiatives have mainly been reactive to financial pressure rather than demonstrating a clear commitment to the Welsh Government's ambition for zero waste. Service agreed to develop a waste management delivery plan which demonstrates due regard for the waste management hierarchy.
- The council does not have an acquisition and disposal policy to ensure that a formal process is followed and to demonstrate value for money.
- Strong contract management and gateway reviews will be required to deliver the construction of a Waste Transfer Facility given the risks associated. A financial contingency to cover risks materialising need to be tightly controlled and held separately to the project budget so that authorisation (e.g. by the project board) is required before its release.
- Co-options collect waste on behalf of the council with no formal agreement. There is little performance management to demonstrate that the council is managing the waste collected by its partner in line with legislative requirements.
- Project requires a robust communication strategy to set out how the council will engage with its various stakeholders.

Housing Tenancy – November 2019			
Low Assurance ●	Number of Risk Issues:	2 Major ●	1 Moderate ●

As this is a 'low assurance' report, the full report is shown on the committee's agenda separately.

Office Accommodation – January 2020

Medium Assurance ●   Number of Risk Issues: 4 Moderate ●

This review looked at the three main office buildings (County Hall, Ruthin; Caledfryn, Denbigh and Russell House, Rhyl) and focused on:

- Asset management strategy, asset management group
- Action plan and targets for carbon reduction and energy efficiency
- Engagement & communication with members and staff
- Monitoring and performance measures
- Water use and waste management

Occupancy of the three main office buildings is monitored and the Asset Management Group oversee that the council maximises the use of its office space. County Hall has significant spare capacity and work is ongoing to see how this space can be used. The Asset Management Group meet regularly to discuss and make decisions regarding the property portfolio.

A Project Officer – Energy Conservation assesses all buildings' (not just offices) energy usage and carbon emissions. The monitoring of energy consumption is manual and time consuming to administer and could lead to input errors. The council has an IT system (Techforge) with the capability to collect and collate this information electronically, but an upgrade is required to address compatibility issues.

There are a number of proposed energy efficiency projects and the associated benefits are on course to achieve reduced emissions. The council has also signed up to green energy for all electricity supply from October 2019.

Water usage is monitored through six monthly bills which shows changes from the water meter readings – any spikes are investigated.

Recycling facilities are available in all offices but the level of recycling carried out varies due to the different waste collection contracts in operation. The facilities management team are looking to consolidate these contracts into one which demands best practise in terms of recycling. The current waste collection contracts do not gather information to enable monitoring of the waste stream at each building. It is anticipated that this will be

built into the requirements for the new contract so that the tonnage of general waste and recyclable waste collected can be monitored.

A case study in Russell House revealed that savings and carbon emissions reductions could be achieved when staff are encouraged to switch off lights and turn off docking stations when no longer in use, and to leave thermostats as they have been set.

Corporately, a Climate and Ecological Emergency Task and Finish Group has been recently formed, and this includes a work stream to raise staff awareness to encourage staff behaviour change.

Four medium risk issues were raised as follows:

- Staff behaviour change required to reduce energy consumption and water usage and increase recycling.
- The amount of waste collected from office buildings is not monitored to establish if recycling levels are increasing.
- Amendments required to the Techforge system so that energy information can be uploaded automatically, doing away with manual input which could lead to errors and is an inefficient use of the project officer's time.
- Performance indicators relating to energy consumption are not being kept up-to-date.

Progress in Delivering the Internal Audit Assurance 2019-20

The following table shows a summary of Internal Audit's work to date for this year. This table will be added to during the year as more projects commence.

Where projects have been completed since 1 April 2019, the table provides assurance ratings and number of issues raised for the completed reviews.

The following projects have not yet commenced but are scheduled for the coming months:

- Homelessness
- Health & Safety Enforcement
- Individual School Audits
- Housing Rents

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Area of work	Days to date	Likely outturn days	Current status	Assurance level	Critical issues	Major issues	Moderate issues
AONB Grant	3	3	Complete	Grant certification	0	0	0
Office Accommodation	23	24	Final	Medium 🟡	0	0	4
Payment Card Industry – Data Security Standard	28	28	Final	Low 🟠	0	2	2
15 Minute Care Calls	22	24	Draft	-	-	-	-
Homelessness	5	25	Scoping	-	-	-	-
GDPR in Schools	29	29	Final	Medium 🟡			
Contract Management	36	37	Draft	-	-	-	-
Deprivation of Liberty Safeguards	2	20	Scoping	-	-	-	-
Education Improvement Grant	5	5	Complete	High 🟢	0	0	0
Pupil Improvement Grant	4	4	Complete	High 🟢	0	0	0
Revenues & Benefits 2019-20	47	48	Draft	-	-	-	-
Financial Services 2019-20	22	40	Fieldwork	-	-	-	-
Direct Payments for Children	25	30	Draft	-	-	-	-
Traffic Regulation Orders	14	14	Final	Medium 🟡	0	0	3
Recruitment & Retention	23	25	Closing	-	-	-	-
Health & Safety Enforcement	2	15	Scoping	-	-	-	-
Schools audit	2	20	Scoping	-	-	-	-
Housing Maintenance	2	3	Advisory	-	-	-	-
Housing Rents	1	20	Scoping	-	-	-	-
Section 106	2	2	Complete	Low 🟠	0	2	2
Performance Management	15	20	Draft	-	-	-	-
Single Access Route to Housing (SARTH)	23	23	Final	Medium 🟡	0	0	2
Revenues & Benefits 2018-19	3	3	Complete	Medium 🟡	0	0	10
School Governance	2	2	Complete	Medium 🟡	0	0	6
Grants Management	0	0	Complete	Medium 🟡	0	0	1

Area of work	Days to date	Likely outturn days	Current status	Assurance level	Critical issues	Major issues	Moderate issues
School Fund Management	4	5	Fieldwork	-	-	-	-
Bridges & Structures	1	1	Complete	Medium ●	0	0	4
Waste Management	6	6	Final	Not applicable ●	0	1	4
Legal Services Collaboration	12	12	Complete	Medium ●	0	0	4
Programme & Project Management	6	6	Complete	Medium ●	0	0	3
Financial Services 2018-19	10	10	Complete	High ●	0	0	5
Direct Payments for Adults	32	32	Complete	Low ●	0	3	2
GDPR	19	19	Complete	Medium ●	0	1	4
Cyber Security	10	10	Complete	Medium ●	0	0	2
Former North Wales Hospital	3	3	Complete	Advisory ●	0	0	1
National Fraud Initiative	16	40	Ongoing	N/a	N/a	N/a	N/a
Housing Tenancy	28	28	Final	Low ●	0	2	1
General Fraud Enquiries	37	90	Ongoing	N/a	N/a	N/a	N/a
Follow up audits	41	50	Ongoing	N/a	N/a	N/a	N/a
Management of follow ups	6	10	Ongoing	N/a	N/a	N/a	N/a
School fund admin & audits	19	40	Ongoing	N/a	N/a	N/a	N/a
Corporate Governance Framework	11	20	Ongoing	N/a	N/a	N/a	N/a
Corporate Working Groups	16	30	Ongoing	N/a	N/a	N/a	N/a
Consultancy & Corporate Areas	13	45	Ongoing	N/a	N/a	N/a	N/a
Team Meetings /1:1s	63	80	Ongoing	N/a	N/a	N/a	N/a
Management	30	40	Ongoing	N/a	N/a	N/a	N/a
Training & Development	70	85	Ongoing	N/a	N/a	N/a	N/a
Total	**793**	**1,156**	**N/a**	**N/a**	**0**	**11**	**56**

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Progress with Improvement Actions 2019-20

Responsibility to resolve issues and manage agreed actions lies with management. The International Internal Audit Standards require internal audit to monitor what is happening to the results of audit engagements to ensure that actions have been implemented effectively or that management has accepted the risk of not taking action. The table below summarises progress as at the end of December 2019. The progress and current status of the actions showing as overdue is detailed in a separate Appendix report.

Service	Actions raised	Actions due	Actions completed	%	Actions past due date	%
Business Improvement & Modernisation	12	7	5	71	2	29
Community Support Services	20	14	6	43	8	57
Communities & Customers	25	1	1	100	0	0
Education & Children's Services	27	24	16	67	8	33
Facilities, Assets & Housing*	9	8	7	88	1	13
Finance & Property Services	33	22	17	77	5	23
Highways, Facilities & Environmental Services	21	14	6	43	8	57
Legal, HR & Democratic Services	43	34	7	21	27	79
Planning, Public Protection & Countryside Services	25	19	12	63	7	37
Total	**215**	**143**	**77**	**54**	**66**	**46**

* Some internal audit actions are still shown under the Facilities, Assets & Housing Service on Verto, but continue to be updated by the relevant officers.

Performance is below target overall with three services in particular experiencing difficulties in addressing actions by their due date. While progress is being made to address most of their actions, Legal, HR & Democratic Services has completed only 7 out of the 34 actions which are due and the Chief Internal Audit has raised this with the Head of Service.

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Progress with Counter Fraud Work

Counter fraud work carried out since the last internal audit update includes:

1. Providing advice on counter fraud to officers on request;
2. Review of data matches from the National Fraud Initiative (NFI) exercise 2018-19 continues to progress well. Monies identified as wrongfully paid are in the process of recovery.
3. Wales Audit Office review of Local Government counter fraud arrangements was reported to the Public Accounts Committee in July 2019. This highlights the lack of counter fraud arrangements across Local Authorities since the transfer of Benefit Fraud teams to the Department of Work and Pensions' Single Fraud Investigation Service (SFIS). The second phase of the audit has recently commenced.
4. Long outstanding voluntary school fund certificates are all up-to-date apart from Blessed Edward Jones's school funds which we are awaiting documents to enable us to complete the audit. Blessed Edward Jones School has since closed and we are now liaising with staff at Christ the Word School for the information required. Education Support maintain regular contact with schools to prompt them to maintain up-to-date certificates.
5. Housing Tenancy audit completed highlighting improvement necessary to detect potential errors and fraud such as unauthorised subletting or undeclared lodgers. Housing Services are due to commence Tenancy Audits to ensure that tenancies are appropriate and in line with the tenancy agreements. Further information is contained in the Internal Audit reported as a separated agenda item to the Corporate Governance & Audit Committee.

Referrals 2019/20

No allegations have been referred to Internal Audit this year. One whistleblowing concern has been raised which features as part of the Committee's Annual Whistleblowing Report (separate agenda item).

Internal Audit Performance Standards

The table below shows Internal Audit's performance to date for 2019/20.

Performance Measure	Target	Current Performance
Send a scoping document before the start of every audit	100%	100%
Issue draft report within 10 days of the closing meeting	Average days less than 10	6.5 days
Issue final report within 5 days after agreeing the draft report and action plan	Average days less than 5	2.2 days
Percentage of audit agreed actions that have been implemented by services	75%	54%

Current performance is within the set target apart from the measure relating to the number of internal audit actions implemented by management. This measure is reliant on management taking appropriate action within the agreed timescales.

The completion rate by service is summarised in the table on page 16 and a list of overdue actions is included as a separate appendix report. The Chief Internal Audit has contacted Heads of Services and/or their management team and raised their awareness of current performance with implementing internal audit improvement actions so that relevant action can be taken.

CIPFA Practical Guidance for Audit Committees – Update

The Welsh Chief Auditors Group hosted an Audit Committee Chairs Network and the Chair and Chief Internal Auditor attended its first meeting in October 2019. It comprised a briefing on the role of audit committees from the Wales Audit Office and CIPFA representative with contributions from various Chief Auditors from Council's across Wales. The event gave an opportunity for the Committee Chairs to network with their counterparts from other Council's across Wales and touched on emerging legislation, Local Government & Elections (Wales) Bill, which may have implications on this committee.

Finance facilitated training for members and staff on Treasury Management delivered by Arlingclose Ltd on the 20 November 2019. The Democratic Services Manager is coordinating training with CIPFA on "How to be a more effective audit committee" to be held on 13 March 2020.

Appendix 1 – Assurance Level Definition

Assurance Level	Definition	Management Intervention
High Assurance ●	Risks and controls well managed and objectives being achieved	Minimal action required, easily addressed by line management
Medium Assurance ●	Minor weaknesses in management of risks and/or controls but no risk to achievement of objectives.	Management action required and containable at service level. Senior management and SLT may need to be kept informed.
Low Assurance ●	Significant weaknesses in management of risks and/or controls that put achievement of objectives at risk.	Management action required with intervention by SLT.
No Assurance ●	Fundamental weaknesses in management of risks and/or controls that will lead to failure to achieve objectives.	Significant action required in a number of areas. Required immediate attention from SLT.

Risk Issue Category	Definition
Critical ●	Significant issues to be brought to the attention of SLT, Cabinet Lead Members and Corporate Governance and Audit Committee.
Major ●	Corporate, strategic and/or cross-service issues potentially requiring wider discussion at SLT.
Moderate ●	Operational issues that are containable at service level.