

Internal Audit Update

July 2020

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Internal Audit Reports Recently Issued

Since the last Internal Audit Update report in January 2020, 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
Contract Management	Low ●	0	4	2
15 Minute Care Calls	Medium ●	0	0	4
Revenues & Benefits: - Partnership Arrangements - Business Rates - Council Tax - Benefits	Medium ●	0	1	5
Performance Management	High ●	0	0	2
Bank Reconciliations	High ●	0	0	0
Payroll	High ●	0	0	0
Housing Rents	High ●	0	0	2

Contract Management – January 2020

Low Assurance ● Number of Risk Issues: 4 Major ● 2 Moderate ●

See separate agenda item.

15 Minute Care Calls – March 2020

Medium Assurance ● Number of Risk Issues: 4 Moderate ●

This review was requested by the Head of Community Support Services to evaluate the appropriateness of 15 minute care calls. We undertook an assessment of the adequacy of

selected aspects of the control framework and conducted testing to confirm its operation in practice.

The review identified that the majority of the 15 minute care calls were part of a larger package of care and were appropriate for the duties required in the time allocated; for example, checking that a citizen had taken their medication or have prepared a meal for themselves. Generally, feedback from a sample of providers and citizens (or next of kin) was positive and indicated that the allocated duration of calls were appropriate and met the needs of the citizens.

We identified gaps in the information recorded on the PARIS system, which is fundamental in ensuring the citizens' needs are recorded, reviewed and care plans are consented by the citizens.

Supporting documentation was held on the PARIS system and at the citizens' home, which includes the agreed care plan. Individual agreements are in place as confirmation of agreed care plans, which are retained by the Financial Assessment Officers (FAO) team who monitor invoices received as part of the process. The agreements are in paper format, but work is progressing to make the process more electronic.

Feedback from a sample of providers indicate that providers are moving away from 15 minute care calls towards 30 minute care calls due to the time constraints and costs for providers. This will increase the financial pressure on the service and the council due to associated increasing costs as well as longer calls for citizens that may not be suitable

At the time of the review, there were approximately 30 citizens who were not in receipt of a care plan. This is due to a shortage of domiciliary care providers which is part of a national issue. This issue has also been raised by Care Inspectorate Wales (CIW) in a recent review of 'Inspection of Older Adult Services.

Within CSS as a whole, there is effective and regular monitoring of customer services and performance (which encompasses domiciliary care), which includes: complaints and compliments, areas for improvement and areas working well (using sources such as C360 and the services' 'your say' function).

Monitoring of the approved providers is carried out by the Contracts Monitoring team, which involves a thorough review of the providers' policies and procedures, training of staff and supporting documentation for the care of the citizens.

Revenues & Benefits – March 2020

Medium Assurance ● Number of Risk Issues: 1 Major ● 4 Moderate ●

This review forms part of our annual financial assurance work for the S151 Officer. The scope included: Partnership arrangements with Civica; Business Rates; Council Tax; Benefits. As part of our proactive counter fraud measures, this year's review concentrated on the controls to prevent and deter fraud.

In September 2019, Cabinet approved an extension to the contract for a further three years to March 2025, and a change control form is in place to authorise the extension of the contract term.

Governance arrangements over the Civica partnership continues to operate well and remains unchanged since our previous review. A minor improvement to strengthen the governance arrangements with Civica is to ensure that terms of reference for the boards are reviewed at least annually.

Operationally, performance is high with all but two Key Performance Indicators (KPIs) being rated as 'green' at the conclusion of our review. As predicted, performance within Benefits has recently been impacted with the migration to Universal Credit, but these KPIs are closely monitored by the Operational Board.

System access controls need to be improved within the Academy system (used by Business Rates, Council Tax and Benefits staff). There are a number of previous employees who have left the Council or Civica who have not had their access removed; however, they their network access had been revoked. Similarly, within Civica, system access is added to but not removed as staff transfer between the various revenues and benefits functions. This creates a risk that system controls may not ensure appropriate separation of duties and prevent fraud.

Civica staff complete a declaration of interest form annually, but not all employees have completed it.

Independent quality assurance checks are carried out regularly across all three areas within Revenues and Benefits. However, benefits staff are able to amend council tax accounts where they have been made aware of a change of address or personal circumstances without any independent checks.

The council is also not carrying out checks that it legally should be as part of the Civica partnership. With a new head of service in post, the previous decision taken to now perform integrity checks should be revisited with the advice of legal to ensure it is appropriate.

Daily reconciliations of business rates, council tax and benefits are carried out by a Civica employee independent of the process and any variances are investigated. An independent reconciliation is carried out monthly by Finance as well as during the end of year process for closing down financial accounts. Suspense accounts are independently reviewed weekly.

For the business rate process:

- there is a good separation of duties throughout, with system controls preventing staff from carrying out both elements of a transaction, e.g. raising and approving a refund or a credit;
- regular independent checks are also carried out within the process, particularly where accounts have been suppressed to confirm that the suppression is appropriate and is still required;
- positive results were obtained from our testing to confirm that any relief was appropriately applied, and there were valid reasons for any refunds or credits being raised; and
- the occupancy list is reconciled weekly with information provided by the Valuation Office Agency (VOA).

There have been some legislative changes since our last review of Council Tax, particularly with the additional premium for empty and second homes where robust checks

are being carried out to confirm that the main residence is recorded correctly. For other elements of the process:

- there is a good separation of duties with in-built system controls, and amendments to the system parameters are restricted to three employees;
- no checks are carried out on duplicate Unique Property Reference Numbers (UPRNs) and our testing highlighted a duplicate UPRN. Council Tax will now run a weekly report to check for duplicates, and have raised the duplicate UPRN that we identified with the Geographic Information System (GIS) Mapping Team to resolve;
- mostly positive results were obtained from our testing (of a sample of 25) with the exception of three cases: a property with an exemption that should have ended and a 150% premium added; a debt was sent for write off in error; and a refund was cancelled incorrectly. However, we are confident that these would have been identified as part of other independent checks, so we are not raising an issue; and
- the validity of the single person discounts are checked retrospectively as part of the National Fraud Exercise (NFI). Staff could carry out more proactive checks when the application is initially received e.g. using NFI's Appcheck.

Other key areas of our review identified the following:

- there is a lack of security in relation to the key that accesses the post room, and only one person is involved in the post opening process;
- During our review, a new platform for the system was being tested that will enable electronic changes of circumstances notifications to be submitted;
- There is no independent monitoring of document suppressions or deletions as had been the case previously;
- Our testing identified instances where the quality of data could be improved:
 - Review the use of temporary benefit reference numbers;
 - incomplete or inaccurate data in the payment reference field;
 - update creditor name and address of claimants so it matches the benefit system; and
- There are good controls to prevent duplicate claims. A banking wizard is also used to validate bank account details and staff carry out checks to confirm proof of identity.

All Civica staff must complete annual mandatory training on General Data Protection Regulations (GDPR) and data sharing, information security, bribery and corruption, fraud and money laundering.

There is some scope to increase fraud prevention intelligence with neighbouring councils to ensure that there are robust controls in place to prevent fraud within the revenues and benefits function. Civica staff also need to be made aware of the council's policy on money laundering.

Our overall rating is medium assurance. While there are mostly positive results we have raised six areas for improvement across the three functions reviewed, which we consider can be resolved by either Civica or the council.

Performance Management – March 2020

Medium Assurance ●

Number of Risk Issues: 2 Moderate ●

The scope of the review included: the council's performance management process; accountability; data quality; reporting mechanisms; performance scrutiny; and the performance management system. We conducted this review by testing a sample of performance indicators and interviewing performance managers within each service.

Overall, we conclude that the performance management framework within the council is managed well and appropriate support is available. Key arrangements included:

- The council's performance management strategy, 'Guide to Improving Services for our Communities', gives detailed guidance on ensuring adequate measures and controls are in place to monitor performance.
- Senior managers have responsibility for monitoring the service's overall performance as detailed in each heads of services' job descriptions and included as part of an objective within their annual appraisals.
- Strategic planning & performance officers are responsible for monitoring service performance and this is listed in their job descriptions.
- Each service has their own objectives and performance measures, outside what is detailed in the corporate plan. There is a robust process in place to determine key

indicators and each service has ownership of its plan through the respective management teams.

- service plans are monitored operationally and are escalated if there are any risks or weaknesses in performance. Wales Audit Office and Care Inspectorate Wales' recent review of safeguarding highlighted an instance where underperformance with one of the safeguarding measures had not been escalated to members for review and scrutiny. This particular matter has since been addressed through performance scrutiny committee.
- performance information relating to the corporate plan is reported within quarterly and annual performance reports. These performance reports are included and discussed at SLT (quarterly), Performance Scrutiny (quarterly) and Service Challenge (annually).
- Service Performance Challenges (attended by senior managers, representatives of Scrutiny and Cabinet, as well as the Wales Audit Office Performance Lead Officer) are held once a year, with the service plan's performance report and service risk register informing the challenge.

In line with the Local Government (Wales) Measure 2011 service plans are focused on continual improvement and therefore do not necessarily capture business as usual items. For this reason, some services feel that their service plans do not fully reflect the department's focus as some key performance measures/activities are not captured due to them being classed as business as usual. The Draft Local Government & Elections (Wales) Bill could change the existing performance regime as it proposes that performance is reviewed using a self-assessment approach with a peer review. The draft bill has only recently been released and Members and Officers are considering its implications.

Testing a sample of performance indicators shows that not all are kept up to date on the performance management system, Verto. Reasons provided include: new indicators, not yet received the information from external providers or indicators reported on annually. We highlighted that if indicators are no longer relevant, they should be archived for clarity of reporting.

Source data supporting the performance result is taken from various databases such as PARIS. There is a reliance on external providers to supply some data, therefore there is less control over its accuracy and such data is not always checked or monitored by the recipient service.

There is minimal risk to the management of the council's performance directly linked to the actions resulting from this audit. Consistency of support and structure vary across different services and there may be opportunities for efficiencies which is being picked up as part of the corporate support services review. While we have raised three issues where improvements can be made, we have given a high assurance rating overall.

Bank Reconciliations – June 2020

High Assurance ● Number of Risk Issues: N/a

This review forms part of our annual financial assurance work for the S151 Officer.

The overall opinion following the review, is there are good systems and procedures in place. Our testing confirms that suitable processes continue to be in place to ensure the bank reconciliation is completed, checked and signed off within the agreed timescale. No risk issues were raised.

Payroll – June 2020

High Assurance ● Number of Risk Issues: N/a

This review forms part of our annual financial assurance work for the S151 Officer. The scope included: policies and procedures; testing of new starters, leavers deductions and transfers; data and system security controls; reconciliation procedures; and recent changes.

Since last year's review, there has been one change, with all casual staff timesheets now being received electronically via the timesheet e-mail account. The time sheet e-mail account was introduced in 2017, and from April 2019 all timesheets have been received electronically. All casual staff payments and overtime claims are recorded on an electronic timesheets that is authorised by the relevant line manager and then forward to the payroll

e-mail account. Only authorised managers can submit timesheets and this provides payroll with proof that the line manager has seen the timesheet and approved the hours worked.

New starters are set up on iTrent by HR and an employee number is generated, which payroll use to set up the new starter. All deductions and transfers are processed by two members of the payroll team and then an edit report is run and checked by the Senior Payments & Support Officer. However, the issue around leaver forms not being completed correctly has still not been resolved.

At the time of the review, there were three actions outstanding from previous years' reviews. One of the actions has now been fully completed and the other two actions have still not been fully implemented.

The overall assurance we are providing is high, as there are appropriate controls and procedures in place for the operation of the Payroll Management Function, with an adequate level of separation of duty in place.

Housing Rents – June 2020

High Assurance ●

Number of Risk Issues: 2 Moderate ●

The purpose of this review is to provide annual assurance for the Section 151 Officer. The main focus of the scope was to review the impact of the welfare reform changes and impact on recovery and arrears management.

We concluded that housing rents is well managed overall, with a few areas of weakness to be addressed. We are mindful that there has been some impact to processes, due to the ongoing implementation of the Open Housing (OPEN) system and because of staffing issues. A recent restructure, to enable staff to become more multi-skilled within the income process, needs time to embed but will strengthen business continuity arrangements.

Universal Credit (UC) has affected the levels of rent arrears particularly during the transitional period transferring from housing benefit to UC. However, the impact of Universal Credit continues to be closely monitored by the team, and current rent arrears are in line with what was forecasted. When benchmarked against other local authorities

and housing associations, the team compare well in the areas of current and former tenant arrears.

The rent calculation is carried out annually and in line with Welsh Government guidelines. Income is collected and allocated to the tenants' accounts promptly, and the income reconciliation process continues to be well managed.

The housing rents section is looking to purchase new rent arrears software, which analyses patterns of income received to help target non-receipt of income more quickly. While ICT have been involved in the process from the onset, the team has not carried out a full tendering process in line with Contract Procedure Rules (CPRs).

Bad debts were not written off for financial year 2018/19 due mainly to staffing issues and the implementation of the OPEN system. The write off procedures need to be strengthened to detail timescales for the frequency of write offs in line with Financial Regulations. However, at the conclusion of our review, debts that could potentially be written off were being reviewed and we will monitor the regularity of write offs in our next review.

Access to the OPEN housing tenant management system is administered by ICT and, during our audit, the Business Systems Officer carried out a piece of work to standardise the access levels for each role. Such exercises should be performed routinely. The Senior Business Systems officer disables accounts when he is advised that access is no longer required.

Before rent accounts can be classed as 'restricted', staff must advise their team leader of any connection to a tenant. The 'restricted' status limits who can view and deal with accounts where staff are renting council properties, or where staff have a close family member who is a tenant. However, staff are not asked to complete a declaration of interest form so there may be an inconsistency where system restrictions are applied.

Progress in Delivering the Internal Audit Assurance

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 2020, 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:

- Access to Information
- Capital Management
- Housing Support Grant

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Area of work	Current status	Assurance level	Critical issues	Major issues	Moderate issues	Comment
AONB Grant	Complete	Grant certification	0	0	0	Annual accounts audit
Homelessness	Closing meeting	-	-	-	-	On hold due to Covid-19
Deprivation of Liberty Safeguards	Scoping	-	-	-	-	Delayed due to Covid-19
Education Improvement Grant	Scoping	-	-	-	-	Annual grant certification
Pupil Improvement Grant	Scoping	-	-	-	-	Annual grant certification
Financial Management System 2019-20	Final Draft	-	-	-	-	Finalising report
Treasury Management 2019-20	Draft	-	-	-	-	Finalising report
Accounts Payable 2019-20	Draft	-	-	-	-	Finalising report
Direct Payments for Children	Draft	-	-	-	-	Delayed due to Covid-19
Recruitment & Retention	Draft	-	-	-	-	Delayed due to Covid-19
Health & Safety Enforcement	Closing Meeting	-	-	-	-	Delayed due to Covid-19
Schools audit: - Ysgol Pendref - Ysgol Bro Cinmeirch	Closing meeting	-	-	-	-	On hold due to Covid-19
Supply Chain Risk	Fieldwork	-	-	-	-	
Housing Support Grant	Fieldwork	-	-	-	-	
Rhyl Programme Management inc: - SC2 - Queens Market	Fieldwork	-	-	-	-	
Business Rates Grants	Testing	-	-	-	-	Advisory
Free School Meals Direct Payments	Testing	-	-	-	-	Advisory
Rhuddlan Town Council	Complete	N/a				External fee earning work
National Fraud Initiative	Ongoing	N/a	N/a	N/a	N/a	
General Fraud Enquiries	Ongoing	N/a	N/a	N/a	N/a	
Follow up audits	Ongoing	N/a	N/a	N/a	N/a	

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Area of work	Current status	Assurance level	Critical issues	Major issues	Moderate issues	Comment
Management of follow ups	Ongoing	N/a	N/a	N/a	N/a	
School fund admin & audits	Ongoing	N/a	N/a	N/a	N/a	
Corporate Governance Framework	Ongoing	N/a	N/a	N/a	N/a	
Corporate Working Groups	Ongoing	N/a	N/a	N/a	N/a	
Consultancy & Corporate Areas	Ongoing	N/a	N/a	N/a	N/a	
Team Meetings /1:1s	Ongoing	N/a	N/a	N/a	N/a	
Management	Ongoing	N/a	N/a	N/a	N/a	
Training & Development	Ongoing	N/a	N/a	N/a	N/a	

Progress with Improvement Actions 2020-21

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 June 2020. 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	15	12	11	92	1	8
Community Support Services	20	18	9	50	9	50
Communities & Customers	25	16	3	19	13	81
Education & Children's Services	27	24	22	92	2	8
Facilities, Assets & Housing*	9	9	8	89	1	8
Finance & Property Services	39	39	18	46	21	54
Highways, Facilities & Environmental Services	21	20	8	40	12	60
Legal, HR & Democratic Services	46	45	14	31	31	69
Planning, Public Protection & Countryside Services	25	25	15	60	10	40
Total	227	208	108	52	100	48

* 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. While progress is being made to address most of the issues raised some services are experiencing difficulties in fully implementing the required improvement. The coronavirus pandemic has cause some slippage against original agreed timescales. However there are a number of longstanding action, particularly affecting Legal, HR & Democratic Services and Finance and Property Services. Internal Audit will work with management to evaluate any blockages that may be hindering their completion..

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. Preparations for the NFI 2020-21 exercise are now underway.
3. Real time audit of Business Rates Grants and Free School Meal Direct Payments, highlighting potential duplicate or erroneous applications.
4. Wales Audit Office review of Local Government counter fraud arrangements was reported to the Public Accounts Committee in July 2019 highlighting a 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 been concluded and informal feedback received. Once finalised, this will be reported to Corporate Governance & Audit Committee.
5. 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.
6. Review of Strategy for the Prevention and Detection of Fraud, Corruption and Bribery is underway which will incorporate elements required from the recently published Fighting Fraud and Corruption Locally Strategy for Local Government.

Referrals 2020/21

No allegations have been referred to Internal Audit so far 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 2020/21.

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 days
Issue final report within 5 days after agreeing the draft report and action plan	Average days less than 5	2 days
Percentage of audit agreed actions that have been implemented by services	75%	52%

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 18 and a list of overdue actions is available on request. The coronavirus pandemic has caused slippage with some actions and Internal Audit will review long standing actions with the managers concerns to establish reasons affecting timely completion.

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. The next meeting was arranged for June 2020 has been suspended due to the coronavirus pandemic and will be rescheduled to a later date.

The training arranged with CIPFA on “How to be a more effective audit committee” has been put on hold temporarily due to the coronavirus pandemic.

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.