Internal Audit Update

January 2021

Contents

Internal Audit Reports Recently Issued

Since the last Internal Audit Update report in November 2020, Internal Audit has completed six 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
Provision of Homeless Accommodation	Low ●	0	2	5
Recruitment & Retention	High ●	0	0	2
Ysgol Pendref	Medium ●	0	0	6
Ethical Culture	Medium ●	0	0	3
Queen's Buildings	Low ●	0	2	2
Data Protection & Freedom of Information	Medium ●	0	0	3

Provision of Homeless Accommodation – December 2020

Low Assurance ●   Number of Risk Issues: 2 Major ●   5 Moderate ●

This review focussed on the provision of emergency (bed & breakfasts, hotels, caravans, etc.) and temporary leased accommodation, and the long term solutions that will be put in place to minimise their use. We carried out a review of Homelessness between January – March 2020, prior to the Covid-19 lockdown that has greatly impacted the Community Support Services (CSS) and has substantially increased the demand for temporary and emergency accommodation.

Strategically, there has previously been a lack of clear direction and a co-ordinated approach to address the prolonged use of temporary and emergency accommodation and progress has been slow in creating more permanent solutions to minimise the use of this type of accommodation. The Strategic Housing & Homelessness Group (SHHG) and

cross-service management team now provides a more cohesive steer, together with a corporate action plan, which has prompted better engagement across services to explore alternative solutions.

There are effective governance arrangements in place, including: terms of reference for the SHHG, and elected members are monitoring progress through the Partnership Scrutiny Committee meetings.

There has been a considerable improvement to reduce the amount of paper used by the team and ensure that key information is recorded. However, some key information is not being recorded effectively or efficiently.

Sample testing of the accommodation process was positive overall: documented agreements were in place with the landlord for leased accommodation; landlords were paid as agreed; and there was a signed agreement with the citizen when allocating emergency or temporary leased accommodation. There is also adequate separation of duties with setting up and amending properties and occupations on the Open Housing system.

A summary of the issues raised is listed below:

- Citizens are staying in emergency and temporary accommodation for lengthy periods.
- Insufficient monitoring of: the suitability of accommodation, compliance with the Housing Act (Wales) 2014 and to evidence why support is being provided to the citizen.
- Lack of documented guidance for key processes e.g. assessment process, allocation of temporary and emergency accommodation, charging and payments and arrears.
- While staff discuss with their supervisors where there is a personal interest, declaration of interest forms are not routinely completed.
- Lack of evidence to demonstrate that adequate action is being taken to secure alternative accommodation, sufficient checks are being carried out on the citizen or that the person has a genuine homeless need.

- Where there is a shortfall between the occupation charge and benefits available, the council usually covers the difference. While discretion can be applied based on individual circumstances, there is little evidence of efforts taken to minimise the shortfall.
- Lack of regular monitoring of occupation accounts will result in outstanding debts not being recovered promptly.

Overall, while considerable action has been undertaken recently to make improvements, because of the significance of the risks being raised, we provide a low assurance rating. Further details of the issues raised together with the agreed actions identified to address them are available in the audit report, see Appendix 2.

Recruitment & Retention – December 2020

High Assurance ●   Number of Risk Issues: 2 Moderate ●

This review focused on Human Resources' (HR) role in the recruitment and retention of staff within the council, specifically: policies and procedures relating to recruitment and retention of staff; compliance e.g. DBS checks, qualification, reference and right to work in the UK; retention procedures, measures and initiatives; advertising and marketing to fill vacant posts; and monitoring of filled/unfilled vacancies.

The overall opinion following the review is that HR has a recruitment policy in place that is updated regularly and HR business partners provide support and advice to managers around the recruitment of staff. Although there is no formal retention strategy or plan, HR have an Organisation Development Specialist whose role is to work with managers to look at solutions to recruit into difficult to fill vacancies/vacancies with a high turnover. This may include a review of the pay and benefits currently being offered to staff to see if they remain attractive.

We raised two moderate risk issues as follows:

- Absence of interview scoring sheets could leave the council open to challenge over its appointments.
- Lack of retention strategy could result in the council not effectively targeting key service areas that are struggling to retain/recruit staff e.g. social care workers.

Ysgol Pendref – December 2020

Medium Assurance 🟡   Number of Risk Issues: 6 Moderate 🟡

This review was carried out in February – March 2020, with the Covid-19 pandemic causing a delay to finalising the report. The school completed a Control Risk Self-Assessment prior to the review, which was used to inform our scope and testing to focus on perceived areas of weakness or potential risk to the school.

Significant improvements have been made since the new head teacher and chair of governors have been appointed and governance arrangements have improved. However, there is still work to be done around governance, policies and procedures and financial controls, which are key elements to ensure an effectively run school.

Three designated safeguarding officers are in place and have been approved by the board of governors; however, only two have completed the safeguarding level 3 training. We confirmed that evidence of staff, volunteers and governors' DBS (Data Barring Service) check is kept by the school.

Financial controls are in place with ParentPay (cashless school payment system) used to collect school dinners and the Proactis system is used to purchase goods and services.

A statistical return/PLASC return is updated annually and a copy is kept at the school. The summary return is authorised by the head teacher and updated on SIMS accordingly.

Site security including fire safety and health and safety assessments are in place,

Six moderate risk issues were raised, see below, with actions agreed to address them:

- A number of issues relating to the Governing Body structure, including governor vacancies and governance arrangements.
- Not all statutory policies have been produced and approved by the governing body.
- The school's financial and budgetary controls need to be rigorously monitored.
- The school does not have a lettings policy approved to cover use of the premises by external parties.
- The school does not maintain a register of its assets.
- While governors sign a declaration of interest form, staff do not.

Ethical Culture – January 2021

Medium Assurance ●   Number of Risk Issues: 3 Moderate ●

The purpose of the review is to evaluate the design, implementation and effectiveness of the organisation's ethics-related objectives, programmes and activities. This is in accordance with the requirements of the Public Sector Internal Audit Standards (PSIAS) and will inform the Internal Audit Annual Report and the Annual Governance Statement.

The review focused on the following areas: governance and accountability; training and awareness of members and staff of ethical culture; structure, recruitment & communications; processes; and compliance and monitoring.

Testing comprised the use of: a staff survey (1,070 out of approximately 4,200 staff responded); member survey (17 out of 47 responded); discussions with service performance officers and school representatives; and documentary review e.g. standards committee agenda and minutes.

The review outcome was positive overall, for instance:

- The council uses various methods of communication to promote and raise awareness of ethical culture and behaviour to staff and members.
- The council uses various indicators and measures for monitoring ethical culture and behaviour include training and development, sickness absence and performance appraisals. Additional opportunities could be explored to strengthen monitoring of staff awareness of ethical behaviour and culture, such as incorporating questions into the bi-annual staff survey or conducting a separate staff survey on ethical culture
- The National Fraud Initiative (NFI) system is used as a monitoring mechanism, which the Internal Audit team coordinates, and this includes reviewing matches for potential conflicts of interests in procurement and accounts payable.
- Members are regularly making declaration of interests during committee meetings
- There were positive results from the ethical culture survey we carried out demonstrating the awareness of members of corporate processes for making declarations of interests and raising an ethical concern, which is as a result of continuous monitoring and promotion of the members' code of conduct by officers.

We raised three moderate risk issues, as follows:

- Survey results indicated a general lack of awareness by staff of corporate policies, procedures and guidance relating to ethical working. The roll-out of e-learning modules is in progress which will aid in improving awareness.
- Survey responses indicated that some staff felt that concerns raised would not be treated confidentially. Further work is required to improve staff confidence in the whistle blowing process
- Not all staff are declaring personal and business interests or when in receipt of gifts and hospitality. There is no robust mechanism to enable them to do this. The current code of conduct would benefit from a review to ensure it is relevant and clear to staff what their responsibility is and provide guidelines on the methods for recording a conflict of interest to ensure all the relevant information is received

We also highlighted that there is no formal process to monitor contractors' compliance with an agreed contract. This has recently been raised as an issue in our Contract Management review with an agreed action already identified.

Queen's Buildings – January 2021

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

The scope for this review covered the following areas: roles and responsibilities and governance arrangements; finance and grant funding; and project delivery and risk management.

The Queen's Buildings redevelopment is a large and ambitious project that encompasses three phases and is in an early stage of development. The project has already been through a number of significant changes within its lifecycle, particularly as some of the key officers involved in the project have either left the council, or are no longer involved in the project. This included the Head of Finance, Corporate Director (Economic & Community Ambition), and several changes within the project executive role. Despite these changes, it has followed corporate project management guidance in terms of the roles and responsibilities with a designated project manager, project executive and a separate project board. The project board meets regularly and is well attended.

The project also feeds into the Rhyl Regeneration Programme Board as part of a wider remit to regenerate the town centre. Although the project has been discussed with the programme board, there is a lack of evidence to support that the project board has sufficiently referred key issues to them.

Both Cabinet and the Strategic Investment Group (SIG) approved the original business case to support the Queen's Buildings redevelopment for Phases 1 and 2, on the understanding that it was to be externally funded with the council providing funding initially so that elements of the work could proceed in order to obtain grant funding. Cabinet have been regularly briefed; during the outset of the Covid-19 pandemic it was unable to make a formal approval to confirm that the council will now bear this cost. Future planned costs to complete Phase 1 would double those originally envisaged and there is now a requirement to secure future funding. In September 2020, Cabinet approved the request for £1.5 million additional funding which will assist in meeting some of the funding shortfall. Robust scrutiny should have been put in place from the beginning of the project, to ensure that estimated costings were reasonable going forward, although some additional costs were unforeseen.

A revised business case was taken to Cabinet in September 2020, but the minutes do not demonstrate approval. The council will also need to consider its priorities post-COVID-19 for future phases of the project as these may be different.

Contract Procedure Rules (CPRs) have not been adhered to and there has also been a lack of internal legal involvement with respect to certain legal advice obtained for this project without Legal Service's oversight.

Key project management information is accessible and up-to-date, regular highlight reports are prepared detailing the overall status of the project, along with any risks or issues, particularly around the financing aspect. However, there is no change log maintained.

While the benefits of the project are detailed in both the original and revised business cases, it has not been explored how these will be measured and there is no mechanism to share good practice or lessons learnt from the project.

While there were some positive aspects within our review, because of the procurement concerns and the significant funding issue, we provide a low assurance rating overall. The full report is available, see appendix 3.

Data Protection & Freedom of Information – January 2021

Medium Assurance ●   Number of Risk Issues: 3 Moderate ●

This review of Data Protection and Freedom of Information (FOI) included changes in working arrangements where the majority of staff are now working from home due to the Covid-19 pandemic as per Welsh Government guidance. Our review focussed on the following areas: exemptions and redactions; recording mechanisms for Subject Access Requests, FOI requests and Environmental Information Requests; communication mechanisms and training; monitoring and performance; complaints/internal review; and data protection and home working.

There are clear and comprehensive policies and procedures in place, which are accessible to all staff in services and schools as well as the general public. Policies include the Data Protection policy, Freedom of Information (FOI) policy and Subject Access Requests. The FOI policy has not been reviewed since April 2013. Policies also need to be updated using the revised corporate policy template to meet new website accessibility regulations.

Designated Information Management Officers (IMO) within services coordinate a response to the information request, which is quality controlled by a senior officer before sending to the Access to Information team or directly to the requestor. Training and support is provided to IMOs through Information Workshops, annual conferences and newsletters.

There is an effective mechanism in place for monitoring performance in relation to access to information requests received for corporate services, which are recorded regularly. Performance monitoring enables the Access to Information team to identify services who require additional support and training. Performance monitoring does not currently include school information nor is it captured or reported corporately i.e. to Corporate Governance & Audit Committee as is the case for council services.

An escalation process is in place for complex FOI requests and complaints. While infrequent, delays in responding to access to information requests can occur due to services not always providing the information to the team within agreed timescales as well as a lack of resources within Legal Services to provide advice and guidance on complex requests and complaints.

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Since March 2020, the majority of staff are working from home due to Covid-19 in keeping with Welsh Government guidance. Although managers have been proactive in advising staff to lock laptops and keeping documents locked away etc. there has been an increase in data protection breaches; one of which was reported to the ICO. Sample testing involving a survey of staff and line managers confirmed that the overall awareness of data security processes and how to report and address data protection breaches was good. The Information Governance Group Action Plan shows that refresher training is planned to enhance staff awareness of data protection to prevent further data protection breaches.

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Progress in Delivering the Internal Audit Assurance

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

- Denbighshire Leisure Limited
- ICT Capacity and Resilience
- Risk Management – corporate risks not covered by other audits.

In light of the coronavirus pandemic, the internal audit team continues to support and advise services regarding changes to arrangements that the Council is having to implement at pace to respond to the pandemic. We continue to carry out audits remotely and make progress with the highest priority areas within the 2020/21 plan of work (agreed in July 2020) with good engagement from services; however, the pace and progression of audits continues to be impacted.

The table below provides an update on progress against the Audit Plan for 2020/21 with a number of projects being put on hold and some which can no longer be carried out this financial year. This is partly due to the pandemic but also due to the temporary reduction in audit resource, as reported in November 2020. We have successfully appointed a Senior Auditor for a 12 month temporary contract (to backfill for the Senior Auditor seconded to the Test Trace Protect team) and had confirmation that the resources available to the Chief Internal Auditor will not be reduced; therefore, recruitment into the vacant Auditor post will be initiated shortly.

The Audit Plan will remain under review, as will the utilisation of available internal audit resource, in the context of the Council's ongoing response to the Covid-19 pandemic and to ensure that we continue to focus our work on areas of greatest risk to the Council. Any high priority areas which we are unable to complete in 2020/21 will be carried forward to next year's Audit Plan (2021/22).

The Chief Internal Auditor also needs to make an assessment whether sufficient assurance work will be carried out during the year to enable her to form an Annual Opinion on governance, risk management and internal control arrangements without any scope limitations. CIPFA has recently released guidance for providing an Annual Opinion with Scope Limitations which will be used should it be required.

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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
Provision of Homeless Accommodation	Complete	Low ●	0	2	5	
Deprivation of Liberty Safeguards	On hold	-	-	-	-	2021-22. Awaiting revised Welsh Government guidance
Education Improvement Grant	No longer required	-	-	-	-	Grant terms and condition no longer require audit.
Pupil Improvement Grant	Complete	High ●	0	0	1	Annual grant certification
Financial Management System 2019-20	Complete	Not applicable ●	-	-	-	Project at an early stage so unable to give an assurance rating.
Treasury Management 2019-20	Complete	High ●	0	0	3	
Accounts Payable 2019-20	Complete	High ●	0	0	0	
Direct Payments for Children	Complete	Low ●	0	4	2	
Recruitment & Retention	Complete	High ●	0	0	2	
Health & Safety Enforcement	Complete	High ●	0	0	4	
Schools audit: Ysgol Pendref	Complete	Medium ●	0	0	6	
School Audit: Ysgol Bro Cinmeirch	Closing Meeting	-				Delayed due to Covid-19
Supply Chain Risk	Closing meeting	-	-	-	-	
Housing Support Grant	Complete	High ●	0	0	0	
Rhyl Regeneration Programme	Final Draft	-	-	-	-	
Project Management: SC2	Closing meeting	-				Nearing completion
Project Management: Queens Market	Complete	Low ●	0	2	2	

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Area of work	Current status	Assurance level	Critical issues	Major issues	Moderate issues	Comment
Business Rates Grants	In progress	-	-	-	-	Advisory
Discretionary Business Grants	In progress					Advisory
Free School Meals Direct Payments	Complete	N/a	-	-	-	Advisory
Social Care Workers Bonus Payments	Complete	N/a	-	-	-	Advisory
Transport complaint	Complete	N/a				Advisory
Rhuddlan Town Council	Complete	N/a				External fee earning work
National Fraud Initiative	Ongoing	N/a	N/a	N/a	N/a	Commencing 2020-21 exercise
Revenues & Benefits 2020/21	Fieldwork					Focus on Covid impact
Capital Management	Fieldwork					
Financial Services 2020/21	Fieldwork					
Community Living Schemes	Fieldwork					Nearing completion
Data Protection & Freedom of Information	Complete	Medium ●	0	0	3	
Denbighshire Leisure Limited	Scoping					Q4
ICT Capacity & Resilience	Scoping					Q4
Commercial Waste	On hold					On hold
Blue Badges	Not started					2021/22
Ethical Culture	Final	Medium ●	0	0	3	
Risk Management	Not started					Q4
Adoption Service	On hold					Wrexham CBC (lead authority) with audit review planned
Highways Maintenance	Not started					
Community Safety	Not started					

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Area of work	Current status	Assurance level	Critical issues	Major issues	Moderate issues	Comment
Empty Homes	On Hold					
Housing Maintenance	Not started					
Equalities/ Wellbeing Impact Assessments	On Hold					New socio-economic duty
General Fraud Enquiries	Ongoing	N/a	N/a	N/a	N/a	
Follow up audits	Ongoing	N/a	N/a	N/a	N/a	
School fund 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	

As indicated previously, the following projects will no longer be completed in 2020/21. These areas will continue to be assessed and high priority areas will be carried forward to the Audit Plan for 2021/22:

- Community Mental Health Team – on hold until 2021/22 by request of BCUHB
- Deprivation of Liberty Safeguards (DOLS) – on hold until WG guidance released
- Adoption Service – on hold. Wrexham CBC (host authority) also plan to audit
- Youth Service – on hold
- Works in Defaults – no longer a priority
- Workforce Development – carry forward to 2021/22
- School Audits – on hold, carry forward to 2021/22
- Heritage Services – no longer a priority
- Additional Learning Needs – carry forward to 2021/22
- Empty Homes – no longer a priority
- Commercial Waste – on hold
- Exceptions and Exemptions with CPRs – on hold
- Equalities / Wellbeing and Impact Assessments – on hold

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. This has included the emergency Covid-19 related grants for businesses.
2. National Fraud Initiative (NFI) update:
    a. NFI exercise 2018-19 is complete and closing down any open cases. Monies identified as wrongfully paid are in the process of recovery.
    b. Data uploads from various IT systems have been carried out as required for the NFI 2020-21 exercise. Privacy notices have been checked and required Privacy Declaration complete. Coordinating the upload of data for a new data match on Covid business rates grants.
3. Education Support continue to prompt schools to maintain up-to-date school fund certificates. School fund certificates from Blessed Edward Jones's school funds are still outstanding for 2018-19 and 2019-20 and we are informed that these are now with an external auditor appointed by the school.
4. The Strategy for the Prevention and Detection of Fraud, Corruption and Bribery has been drafted and the Fraud Response Plan which accompanies the strategy has also been updated. Consultation with relevant officers has commenced which will continue over the coming weeks prior to the necessary approval being sought.

Referrals 2020/21

Three allegations relating to potential fraud have been referred to Internal Audit, one has been referred to the police. Two have been concluded with no fraud proven and recommendations made to strengthen existing controls.

Whistleblowing concerns are reported separately to Committee as part of the 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	7 days
Issue final report within 5 days after agreeing the draft report and action plan	Average days less than 5	8.5 days
Percentage of audit agreed actions that have been implemented by services	75%	61%

Performance relating to issuing the final report within an average of 5 days following agreement to the draft report has been adversely impacted by capacity shortage within the team. Performance has improved since our last report where final reports were issued an average of 11.5 days after agreeing the draft report.

The performance relating to the number of internal audit actions implemented was reported to committee in November 2020. The coronavirus pandemic has caused slippage with some actions. Internal Audit are currently prioritising the completing of assurance work and continue to follow up previous reviews awarded a low assurance to ensure that necessary improvements are being made.

CIPFA Practical Guidance for Audit Committees – Update

The Welsh Chief Auditors Group hosted an Audit Committee Chairs Network to provide briefing and development for the audit committee chairs of Welsh local authorities. The Chair and the Chief Internal Auditor attended the all-day remote meeting on 30 November 2020. Key matters covered during the session included: Audit Wales counter fraud work; Local Government and Elections (Wales) Bill and the implications for Governance & Audit Committees; and the Audit Committee's role in risk management, the Annual Governance Statement and Statement of Accounts.

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.

The Chief Internal Auditor proposes to coordinate another self-assessment against the CIPFA Practical Guidance for Audit Committees shortly.

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.