

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

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# **Internal Audit Follow Up Carbon Reduction Commitment**

July 2013



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## Purpose & Scope of Review

In January 2013, we issued a report providing assurance on the Council's compliance with the Environment Agency's Carbon Reduction Commitment (CRC) as well as other carbon reduction processes and initiatives undertaken.

We were able to provide medium assurance for this review. We raised four moderate issues/risks in our report and have now followed up the action plan included within our report to ensure that the agreed improvements have been made.

## 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

After we issued our final report, it was identified that the Council did not qualify for the CRC scheme and had in fact registered in error. Following consultation and formal notification from the Environment Agency, the Council's participation in the CRC scheme has now ended.

When the Council registered for phase 1 of the scheme in 2008, the energy consumption at the Nova Centre was included in its total consumption figure, even though it is independently leased and operated by Clwyd Leisure Ltd. This was because Clwyd Leisure Ltd utilised Council energy supply contracts as a tenant. However, the Principal Energy Manager queried with the Environment Agency whether the Nova Centre should be included in the Council's consumption total, as the Council has no control over its energy usage and Clwyd Leisure is a counterparty to the supply contract i.e. it pays its own energy bills.

Following investigation, the Environment Agency confirmed that the Nova Centre should in fact have been excluded from the Council's qualification total when it registered for the CRC scheme. This would have removed 540MWh from the qualification total taking the Council below the qualification threshold of 6,000MWh. Therefore, the Council has registered for the scheme in error and has purchased allowances for 2011/12 of £152,316, which it should now be able to claim back. The Principal Energy Manager is currently awaiting confirmation from the Environment Agency as to how the Council can reclaim the allowances purchased.

As a result, some of the issues raised as part of our original review in relation to compliance with the CRC are no longer applicable. Two issues are still valid and our review found that one of these has been fully completed and the second is in progress. We are confident that the service will be able to complete the remaining action within the revised timescale and, as a result, we have changed our assurance rating to 'High'.

In addition, we encourage the service to proactively pursue reimbursement of the allowances already paid for 2011/12 to ensure that the Council does not miss the opportunity of appropriate recompense. We will review progress in this area during our next follow up review.

# Action Plan Progress

**Audit Review of:** Carbon Reduction Commitment

**Date:** July 2013

**Action Plan Owner:** Property Manager

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

Risk/Issue No.	Risk/Issue - January 2013	Action Agreed Responsibility & Timescale	Current Status	Further Action Needed
1.	<p>The Principal Energy Manager has not reviewed the risk register for the CRC scheme since our last review, despite an issue being raised with a target completion date of December 2011.</p> <p>As a result, the risk identified during our last review remains unresolved, i.e. that all risks affecting the Council's compliance with the CRC Scheme may not have been identified, or inappropriate actions may be shown to mitigate the risk as:</p> <ul style="list-style-type: none"> <li>the former Sustainable Assets Manager did not obtain the corporate risk management guidance for completing the CRC risk register, and the corporate risk register template was not used;</li> <li>key employees within the CRC Team were not involved in the preparation of the CRC risk register to ensure that all risks and mitigating actions were identified;</li> <li>the CRC risk register is not monitored and reviewed regularly; and</li> <li>if necessary, risks affecting the CRC scheme have not been fed into the service risk register for Finance and Assets.</li> </ul>	<p>A meeting has been arranged with the Corporate Improvement Team to discuss the need to include the CRC in the service and corporate risk register.</p> <p><b>Principal Energy Manager</b> March 2013</p>	<p>As the Council will no longer be participating in the CRC scheme, this issue is no longer applicable.</p>	<p>No longer applicable</p>

Risk/ Issue No.	Risk/Issue - January 2013	Action Agreed Responsibility & Timescale	Current Status	Further Action Needed
	<p>Following the conclusion of our review, the Property Manager queried the requirement for a departmental risk register of this nature, following discussions with the Corporate Improvement Team. Clarification on this matter should be sought to ensure that appropriate actions are taken and the risks to the CRC scheme are effectively managed.</p>			
2.	<p>There is a lack of documented business continuity and succession planning within the Energy Team, particularly in relation to the Energy Manager's role:</p> <ul style="list-style-type: none"> <li>• While there is a CRC manual within the Evidence Pack, it simply details a hierarchy of reports rather than key CRC processes.</li> <li>• There is no document defining what each member of the Energy Team's role is within the CRC.</li> <li>• While the Energy Officer is now the designated secondary contact for CRC, the Environment Agency records have not been updated to reflect this.</li> </ul> <p>In the absence of key members of staff, there is a risk of poor service delivery, late submission of the annual CRC report and inaccurate reporting leading to financial penalties, increased scrutiny, and potential reputation damage to the Council.</p>	<p>An electronic version of the manual detailing the CRC processes has been saved to the X drive.  <b>Principal Energy Manager</b>  January 2013 <i>(Confirmed by IA)</i></p> <p>A new draft document has been written defining what each member of the Energy Team's role is within the CRC. File name "CRC, staff processes"  <b>Principal Energy Manager</b>  January 2013 <i>(Confirmed by IA)</i></p> <p>The Environment Agency records have been updated to reflect the current staff roles. If key members of staff are not available for any reason 'I Profits' has the authority to submit the annual report. This process is included in the draft document referred to above.  <b>Principal Energy Manager</b>  January 2013</p>	As above	No longer applicable

Risk/ Issue No.	Risk/Issue - January 2013	Action Agreed Responsibility & Timescale	Current Status	Further Action Needed
3.	<p>Our review has identified a number of issues in relation to general communication, housekeeping and clarity of information in relation to the CRC and other carbon reduction processes:</p> <ul style="list-style-type: none"> <li>The CRC Evidence Pack has not been kept up to date, particularly in relation to key roles and responsibilities and special events. Further, general file management of CRC information is disorganised.</li> <li>There has been a lapse in communication following the recent restructure in Finance, leading to confusion over financial responsibilities for the CRC.</li> <li>There is uncertainty within the Energy Team as to why there is a difference between the CRC annual report figure and the Digital Energy final year figures for tonnes of CO2 emissions.</li> <li>The turnover figure for the Council reported in the CRC annual report 2011/12 is based on unaudited accounts when the Environment Agency specifies that only audited figures should be used.</li> <li>It is unclear how an uplift figure of £1,932 for estimated meter readings was reached. While the amount is generated when the annual report is submitted, the Energy Team could not provide confirmation from the EA that this is the correct figure.</li> <li>There have been errors made in calculating the correct carbon reduction figure for 2011/12, resulting in an inaccurate figure being reported to management.</li> </ul>	<p>The evidence pack is now up to date. This is held on the X drive along with all other relevant data. The meter changes records are held with the Digital Energy system. <b>Principal Energy Manager</b> March 2013</p> <p>Finance has confirmed roles. Confirmation of roles prior to CRC submission is now built into procedures <b>Principal Management Accountant</b> Nov 2012 (<i>Confirmed by IA</i>)</p> <p>The difference is due to the estimated readings uplift imposed by the Environment Agency. <b>Energy Officer</b></p> <p>The audited figure has been sent to the Environment Agency and they have acknowledged the figure and explanation. There were no issues. <b>Energy Officer</b> January 2013 (<i>Confirmed by IA</i>)</p> <p>The Environment Agency was emailed to clarify how the difference in the CO2 emissions is calculated. Response awaited. <b>Energy Officer</b> March 2013</p> <p>Figures have been checked and</p>	<p>As the Council will no longer be participating in the CRC scheme, the various issues in relation to general communication, housekeeping and clarity of information of CRC processes are no longer applicable.</p> <p>In relation to the issue regarding errors made in calculating the carbon reduction figure for 2011/12 (an activity not specific to the CRC scheme) the Principal Energy Manager has developed a spreadsheet that automatically calculates the total reduction figure. We are satisfied that this should help to mitigate against miscalculating the figure in future and that the action is complete.</p>	No longer applicable

Risk/ Issue No.	Risk/Issue - January 2013	Action Agreed Responsibility & Timescale	Current Status	Further Action Needed
	<ul style="list-style-type: none"> <li>The annual carbon reduction target is unclear, with various figures being cited during the course of our review and an incorrect figure detailed in the Sustainable Energy Policy.</li> </ul> <p>There is a risk of inaccurate reporting and performance monitoring, as well as inaccurate or incomplete CRC records. This could potentially lead to financial penalties for non compliance (as detailed in the Background/Context section of this report), scrutiny from the Environment Agency, and adverse publicity.</p>	<p>confirmed. Process for checking all figures for publication / report to be implemented.  <b>Principal Energy Manager</b>  March 2013</p> <p>The carbon reduction figure has been confirmed to be 4%pa. The Energy Policy has been updated to reflect this.  <b>Principal Energy Manager</b>  January 2013 (<i>Confirmed by IA</i>)</p>		None
4.	<p>It is unclear how the Council will be able to repay some of the Salix loans it has taken out for energy efficiency projects over the defined loan period, based on the anticipated savings calculated.</p> <p>There is a risk that if the project does not deliver the anticipated savings, the Council will have to make up the shortfall from the corporate budget.</p>	<p>All Salix projects are vetted by Salix to ensure that they are satisfied that the savings will be made. The Finance Manager signs these off. Maximum anticipated payback for all proposals is 4yrs. This allows a 2yr contingency period within the 6yr payback period for the loan.  <b>Principal Energy Manager</b>  (This is the case for the majority of projects initiated)</p> <p>Files will be brought up to date to show savings made so far.  <b>Principal Energy Manager</b>  March 2013</p>	<p>The Principal Energy Manager confirmed that files have been updated to show all Salix projects that the Council has undertaken, along with consumption totals, monthly breakdowns and costs for each. However, records do not show savings made so far compared with the original cost of the loan.</p>	<p>Expand records to include savings to date compared against the original loan amount.</p> <p>This will enable effective monitoring to ensure that the loan is repaid by the savings made within the designated period, as planned.  <b>Revised timescale – September 2013</b></p>



**Report to:** Head of Finance & Assets

**Report By:** Lisa Thomas, Senior Auditor  
Irene Griffiths, Audit Assistant

**Date:** 20 June 2013

**Subject:** Financial Systems Assurance Testing 2012/13

### **Introduction**

This review provides additional assurance to cover Payroll and Creditor payments for the period April 2012 – March 2013 and supports our previous audit review of Financial Systems (report dated May 2013).

For this review, we used data interrogation software, Active Data for Excel, to assist our testing. Appendix 1 summarises our test results and detailed results are available on request if required.

### **Audit Opinion**

Overall, test results for Payroll and Creditor payments were very positive, which supports our previous audit and concludes that this function is well controlled.

In January 2013, we confirmed that the Creditors team's continuous monitoring of payments ensures that they are accurate and any irregularities identified were promptly addressed. Therefore, our additional review of Creditor payments focused on 'VAT overpaid' and we found the Council's treatment of VAT in this respect was satisfactory.





Our testing of Payroll confirms that late notification of leavers is still a concern and we wait to see if the agreed action from our previous audit review will successfully address this matter, i.e. reminding schools that late notifications of leavers can lead to overpayments and HR revising their leaver process so that Payroll is notified immediately.

Although overtime is rarely used, we are concerned that there are a few examples where ineffective overtime management could lead to misuse and fail to ensure that it complies with the Working Time Regulations. We identified four employees who did not comply with the Regulations, two of which we highlighted during our previous year's review. Despite notifying the relevant line manager and HR representative, some employees continue to work hours above the maximum set by the Regulations i.e. average of 48 hours per week. We have contacted the relevant line managers, HR representatives and Finance Officers and all were aware of this issue and either agreed to take steps to address the

excessive use of overtime or explained that it was due to exceptional circumstances.

### Assurance Rating

Based on the areas reviewed (including test results from February 2013)

	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***

***Caledfryn, Smithfield Road, Denbigh, LL16 3RJ***

**Report to:** Head of Adult & Business Services

**Report By:** Lisa Thomas, Senior Auditor

**Date:** 14 August 2013

**Subject:** New Work Connections Exit Strategy

### **Introduction & Background Information:**

We carried out this review of partnership governance arrangements to support our work for the corporate governance framework. The scope of our review focused on the New Work Connections (NWC) exit strategy, as the grant funding it relies upon is due to finish on 28 February 2014.

Denbighshire County Council is the lead authority for NWC, which it delivers in partnership with three other North Wales Councils (Anglesey, Conwy and Gwynedd). Its aim is to reduce the significant levels of economic inactivity and improve employment levels among the most disadvantaged groups.

The Welsh European Funding Office (WEFO) administers the European Social Fund (ESF) on behalf of the European Commission, and requires each project to have a robust exit strategy from the start of the project. An exit strategy is meant to describe how the benefits of the project will continue after the grant support ends and also detail any on-going commitments. WEFO guidance states that an exit strategy is beneficial from the outset of the project and must be considered regularly along with continuation planning.

### **Audit Opinion**

The NWC project has considered its future options and communicated these to key parties, such as NWSSIC (North Wales Social Services Improvement Collaborative made up of six Directors of Social Services), the Council's Modernisation Board, Partnership Scrutiny, Regional Partnership Board and WEFO. The Exit Strategy (February 2013) captures this evaluation and it is now clear that winding down is the only feasible option available; however, the exit

strategy has not been revisited to formalise a clear plan on how this will be carried out successfully. (See Moderate Risk/Issue 1.)

In the absence of a formal plan, we recognise that informal arrangements are in place and it is clear that the team is striving to achieve its remaining targets as well as arranging for the project closure. Relevant stakeholders (i.e. project staff, other organisations and current project participants) have been briefed and made aware of when the project is due to end; however, there has yet to be clarification of closure timescales e.g. when new referrals will no longer be accepted and what this will mean for all concerned, particularly the current participants.

At this stage, all referrals are considered by a multi-disciplinary panel and referrals needing intensive levels of support over a long period are no longer accepted. As time goes on, the eligibility criteria will tighten. The NWC Local Manager has distributed a Continuation Plan template for the project's caseworkers to complete for each individual who is still receiving support. We suggest that a combined action plan is formed using these to enable responsibilities and timescales to be assigned to each task in order to minimise the future impact on Adult Social Services. (See Moderate Risk/Issue 2.)

The Local Manager has been in contact with the project's two external contracts i.e. Hafal and the North Wales Women's Centre, to encourage them to develop their own exit strategies as they will shortly lose some, or all, of their funding. The Service Manager has obtained HR and legal advice and is satisfied that these contracts ending will cause minimal impact to the Council.

The biggest cost to the Council is likely to be the loss of the 30 or so individuals that work directly on the project. This has a financial impact and potentially affects the Council's service provision:

- The redundancy costs have been estimated at £80k but, as employees find alternative employment over the next few months, this figure is likely to reduce. A portion of the redundancy cost will be met by the grant but, as this is capped at £450 for each individual, the Social Services budget will suffer the impact, as this cost had not been planned for. The service manager is working with HR to make the transition as smooth as possible for the individuals concerned.
- Given that the project activity must end in February 2014, the biggest legacy it offers to the Council is the good practice it has developed. Project staff are already starting to leave and taking their knowledge and good practice with them. Although it is recognised that efforts are required to capture and integrate this within existing services as much as possible, it is unclear how this will be achieved at this stage as it is not captured within the exit strategy or other such plans (links with Moderate Risk/Issue 1).





Next year, additional European funding is likely to become available with the roll-out of the ESF Programme for 2014-2020. Although the Council is unable to financially support NWC activity until then, it should look to maintain the structure and foundations of the project where possible to prevent repeating unnecessary work when the next round of funding becomes available. This is a key lesson to be learned from the previous transition between Work Connections and New Work Connections, when much time was lost in setting up the project again.

However, we acknowledge that the delays were outside of the Council's control and much work was undertaken to achieve the level of funding finally awarded to the four Councils from Convergence. The Service Manager confirmed that the process was complex and lengthy and pursued with a minimum of delay. (Links with Moderate Risk/Issue 1)

The project team has organised an event to celebrate the successes of the project and the achievements of its participants. Given the recent poor publicity surrounding the Welsh Government's termination of the Genesis 2 project and the effect this had on the individuals in receipt of support, the Council should make sure that current participants are supported to minimise their frustrations and the potential impact that the project closure may have on them. (Links with Moderate Risk/Issue 2)

The project team, with support from the European Funding Claims team, is aware of WEFO guidance, particularly surrounding document retention. It is envisaged that grant funding will continue for three months after the project has ended to enable the core project team members to finalise such administrative matters.

Based on our work 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:** New Work Connections - Exit Strategy  
**Date:** August 2013  
**Action Plan Owner:** Phil Gilroy - Head of Adult & Business Services

Corporate Risk/Issue Severity Key	
	<b>Critical</b> – Significant CET and Cabinet intervention
	<b>Major</b> – intervention by SLT and/or CET with Cabinet involvement
	<b>Moderate</b> – 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 Exit Strategy (February 2013) has not been updated to show how the project will be closed down over the coming months. Without a clear strategy and plan, key risks could materialise, such as:</p> <ul style="list-style-type: none"> <li>• damage to reputation if participants' support is stopped abruptly;</li> <li>• additional strain on budgets from unforeseen redundancy costs and need to provide continued support to the project's participants; and</li> <li>• wasting time and effort by not preparing for the additional funding that is expected next year (although this is unlikely to materialise within Denbighshire) .</li> </ul>	Update NWC Exit Strategy to include detail of retention of documents, process regarding referrals over final months and proposals regarding support for participants who are still registered with the project in February 2014.	Local Manager	September 2013
		Monitor staffing situation throughout the project and ensure, through various options, that we have sufficient employees over final months to enable the project to meet remaining targets required by funders.	Local Manager in liaison with Strategic HR	Continuously throughout remaining months
		Liaise with Strategic HR to ensure that DCC employees are provided with appropriate support and advice regarding their employment post February 2014 and that redundancy arrangements are in hand.	Service Manager, Regional Manager & Local Manager	August 2014 (already underway)

Risk/ Issue No.	Risk/Issue	Action	Who	When
		Create individual continuation strategies for all participants in the Learning Disability Service who will continue to need support once the project closes.	NWC Job Finders	August/September 2013
		Go through individual continuation plans in supervision with all Job Finding staff and create a 'red/amber/green' style risk register to identify the number of participants for whom DCC Social Services has a statutory responsibility and who will continue to require support from Adult Services.	Learning Disability Team Managers	October 2013
		Develop links between the above register and day centre review and report to Social Services Modernisation Board.	Learning Disability Service Manager & Head of Service	November 2013 (TBC)
		Create individual continuation/exit strategies for all participants who will continue to need support once the project closes.	Case Workers in all elements	From now until November 2013
2.	There has yet to be clarification of the project's closure timescales (e.g. when new referrals will no longer be accepted) and what this will mean for all concerned, particularly the current participants. Without a clear action plan for winding down support to existing participants, showing clear responsibilities and timescales, timely ending of support may not be achievable. If handled poorly, this could cause additional service pressures for existing Social Services teams and potential reputation damage to the Council.	Continue to negotiate for funding to continue with at least some aspects of the project with external sources of funding e.g. DfES & WEFO.	Regional Manager	From now until December 2013
		Develop an action plan that fully addresses these issues in relation to both winding down support to existing participants and reducing acceptance of new referrals to all elements of the projects. This will take into account the staffing levels and support needs of those referred.	Local Manager	September/October 2013

**Report to:** Leighton Rees (Head of Children & Family Services)

**Report By:** Brenda M Steed (Audit Manager)

**Date:** July 2013

**Subject:** Fostering Service

### **Introduction:**

The Fostering Service regularly makes payments to foster carers and external providers that have a high overall value. As a result, the Head of Children & Family Services asked us to undertake a review of this area to give assurance that there is an effective internal control framework and robust and transparent processes.

Our scope of work included a review of the 'Payment for Skills' scheme applied to in-house foster carers and the process used to procure independent fostering placements from external providers. Our review did not consider the matching exercise followed after a referral is received or a decision to place.





### **Audit Opinion:**

We provide assurance that the Payment for Skills scheme is well managed. The CSSIW (Care & Social Services Inspectorate Wales) inspection report in December 2012 cited various examples of satisfaction relating to several functions it reviewed within the service.

The placement of children with independent fostering providers works well, particularly in respect of the social care element, but the procurement route followed is informal and currently does not comply with the Council's Contract Procedure Rules.

There may be an opportunity to use the Regional Commissioning Hub to source this service in the future but the risk needs to be managed well so that the service and Hub work together and the benefits from pooling skills and experience are realised.

Based on our work 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:** Fostering Service  
**Date:** July 2013  
**Action Plan Owner:** Head of Children & Family Services

Corporate Risk/Issue Severity Key	
	<b>Critical</b> – Significant CET and Cabinet intervention
	<b>Major</b> – intervention by SLT and/or CET with Cabinet involvement
	<b>Moderate</b> – 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 current process followed to procure services from independent fostering providers is informal. Evidence is not retained to confirm that it complies with the Council's Contract Procedure Rules and some legal documents used, e.g. placement agreements, may be out of date in respect of terms and conditions.</p> <p>If the current arrangement were to continue, it would be advisable to take guidance from the Strategic Procurement Unit.</p>	<p>Ensure validity of current documents.</p> <p>Align procedure with Council's Contract Procedure Rules.</p>	Rhiain Morrle	October 2013
2.	<p>There may be an opportunity to use the Regional Hub in sourcing services from independent providers in the future. This presents an opportunity for the service to address the procurement issues raised above and to benefit from taking a more commercial approach.</p> <p>In managing the risk, there will need to be clear roles and responsibilities agreed between the service and the Hub but still promoting a more cohesive approach across teams. This will help to ensure that the service gains from the best use of skills in their respective fields, i.e. procurement and social care aspects.</p>	<p>Confirm referral route to Hub for all placement requests involving independent providers and residential placements.</p> <p>Confirm Placement and Commissioning Officers role in matching of child to placement.</p> <p>Adjust internal Fostering Procedure to reflect above.</p>	Rhiain Morrle, Penny Moran, John Williams	September 2013

***Denbighshire Internal Audit Services***  
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# **Housing Services**

## **(Rents & Welfare Reform)**

June 2013



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## Purpose & Scope of Review

We undertook a review of Housing Services to provide financial assurance on housing rents and determine whether they are effectively managing the welfare reform changes.

We agreed a scope to cover:

- strategic management – strategic planning and performance management;
- customer service;
- housing rents – policies and procedures, rent calculation, rent collection and payment, arrears management; and
- welfare reform changes – particularly focusing on the impact of the bedroom tax.

## 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

Despite the significant changes that are occurring within Housing Services, employees are working to improve the service they provide to their customers. They demonstrate this through, for example, working collaboratively with other local organisations to develop a joint waiting list and allocations policy, and making the housing application process more efficient. However, the service acknowledges that further improvement is needed to communicate with their customers and understand their expectations.

Although the service has identified areas for improvement, there have been delays in implementation due to the staffing restructure. This has hindered preparation of some key strategies and means that policies and procedures may not reflect changes resulting from the Welfare Reform Act.

Customer service has been improved by improving complaints handling. Customers have a wide variety of methods through which to contact the Council and to pay their rent, although the service does encourage direct debit payments, as this is the most cost-effective and reliable payment method.

Financial controls are generally good, although regular income reconciliations were not carried out for 2012/13, which means that a fundamental financial control is missing. The service could also benefit from reviewing its debt collection procedures to make sure that it is using the most cost-effective option by not employing debt collection agencies or bailiffs. This review should feed into a corporate review of a debt collection strategy. The service is, though, performing well in its arrears collection and is in the 2<sup>nd</sup> quartile in its benchmarking group, but needs to make sure that the welfare reform changes do not have a significant impact on arrears levels.

Other welfare reform impacts are being proactively assessed to ensure customer understanding and develop data on the potential 'bedroom tax' impact but the service's work is hampered by data sharing restrictions with other departments and the Department of Work and Pensions and a lack of base data and system functionality in some areas.

# Action Plan

**Audit Review of:** Housing Services (Rents & Welfare Reform)  
**Date:** June 2013  
**Action Plan Owner:** Peter McHugh, Head of Housing & Community Development

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

Risk/ Issue No.	Risk/Issue	Action	Who	When
1.	The restructuring of Housing Services has delayed its strategic development and on-going improvements. These include not implementing service improvement recommendations identified both internally and from an external assessment in Summer 2011. This may mean that employees are unclear of their roles and responsibilities, and that the service is not operating as effectively and efficiently as it could.	Migration to Capita Open Housing is planned to take place by March 2014. This will potentially include the procurement of additional modules to enhance system functionality. A project team has been established to develop these new systems, with the project being facilitated by an additional corporate resource.	Peter McHugh (Head of Housing and Community Development)	April 2014 (Subject to agreed implementation plan with Capita)
		Recruit Income Management Team Leader. This person will be responsible for ensuring consistency in service delivery and compliance with income management.	Steve Collins (Senior Officer Neighbourhoods)	September 2013
		Development of integrated training programme for all Community Housing staff.	Community Housing Senior Management team	September 2013
		Develop Financial Inclusion and Income Management Plan for 2014-17.	Sarah Mylchreest (Senior Officer Neighbourhood Development)	September 2013
		Community Housing team to achieve 'One star' in compliance with HQN report. In addition, we carry out quarterly reporting on performance.	Simon Kaye (Community Housing Manager)	March 2014 (quarterly meetings are ongoing)

Risk/ Issue No.	Risk/Issue	Action	Who	When
2.	There is a lack of business continuity and succession planning arrangements in place to cover the absence of the Senior Officer (Business Systems). Once the restructuring of Housing Services is complete, reviewing other key posts will ensure that there are effective arrangements in place to provide cover in absences and will provide an opportunity to develop employees.	Additional project management support to be delivered as part of migration to Capita Open Housing.	Jenny Elliott (Quality and Performance Manager)	May 2013
		Staffing succession planning/business continuity requirements to be addressed as part of Quality and Performance restructure review.		April 2014
3.	Policies and procedures within housing rents have not been reviewed recently, and may not be up-to-date to take account of welfare reform changes. Having a clear system in place to ensure that procedures are reviewed regularly and updated when required will mean that employees are clear of what is expected of them.	Agree programme to regularly review all Income Management policies and ensure that the procedures format is consistent. Members of staff will be informed of the changes when procedures are amended.	Steve Collins (Senior Officer Neighbourhoods)	September 2013
		Review Garage Arrears Procedure		August 2013
		Review Former Tenant Arrears Procedure		December 2013
		Review Current Tenant Arrears Rent Recovery Procedure		March 2014
4.	To assist the Council in developing the corporate debt strategy, it needs to have a clear understanding of the debt collection options used by departments. No cost-benefit analysis has been carried out within housing rents on debt collection or payment methods to demonstrate that the service they provide is cost effective and efficient.	<p>Review current payment methods to include analysis of transactional costs, and review the feasibility of including new payment methods.</p> <p>Undertake cost benefit analysis of debt collection options currently utilised by Housing Services.</p> <p>The Welfare Reforms Mitigation Officer met with the Head of Revenues and Benefits to develop a data sharing notice. We will also work to develop a corporate data sharing protocol as part of the corporate debt strategy meetings.</p>	Steve Collins (Senior Officer Neighbourhoods)	December 2013

Risk/ Issue No.	Risk/Issue	Action	Who	When
		Subject to agreed corporate data sharing processes being in place a Rents & Service Charge Assistant will contact other departments to ascertain if prospective tenants have any outstanding debts.	Rents & Service Charge Assistant	December 2013
5.	While records have been updated detailing all rent income received, regular income reconciliations were not carried out during the last financial year. Regular, independent reconciliations would confirm that all income collected is accounted for in full.	Commence programme of monthly rent reconciliations (rental income, housing benefit, rent debit and rent refunds).	Steve Collins (Senior Officer Neighbourhoods)	June 2013
		Training of a rent assistant to provide cover for carrying out income reconciliations when the Rent and Service Charges Assistant is unavailable.		September 2013
6.	While regular monitoring is carried out of rent arrears levels, the process needs to be robust to prevent debt levels from increasing as a result of welfare reform, which will lead to financial pressures for both the tenant and the Council. There could be inconsistencies in how debts are handled, and the number of tenants in arrears has increased in recent years.	We need to be clear in our policy where the housing rent officer can use their discretion. The Income Management Team Leader will independently monitor to ensure that there is consistency, and robustness in the rent arrears process, while giving due consideration to relevant personal circumstances.	Steve Collins (Senior Officer Neighbourhoods)	October 2013
		The number of tenants in arrears increasing – we will work proactively with tenants to reduce their outgoings and maximise their income through financial awareness training (10 weeks pilot to be undertaken).	Jane Parkinson (Welfare Mitigation Officer)	July 2013
		Analysis of debt collection options – linked with issue 4	Steve Collins (Senior Officer Neighbourhoods)	December 2013
		Rent arrears statements will be available online on new Capita system. Currently, every rent statement run costs us £5k to print and deliver statements, which we consider is not value for money.	Steve Collins (Senior Officer Neighbourhoods)	April 2014 (Subject to agreed implementation plan with Capita)

Risk/ Issue No.	Risk/Issue	Action	Who	When
7.	Recovery of former tenant arrears is not successful. There has been no analysis to determine whether it is cost effective to continue to chase these debts or to explore what other options are available. Increasing the robustness of the current tenants' arrears process may assist in recovering the debt before the tenant leaves the area.	Analysis of former tenant arrears to identify where recovery is not cost effective. We will also discuss with other local authorities to share good practice. The Former Tenants Arrears procedure will be updated to take account of any changes.	Steve Collins (Senior Officer Neighbourhoods)	December 2013
8.	Implementation of some of the welfare reform measures has been slow due to a staffing restructure and information not being readily available. This has delayed the development of the welfare reform strategy, and a lack of data sharing may mean that inaccurate tenant information is maintained.	Documented Financial Inclusion (2013-14) strategy in place. This strategy has an action plan detailing the work to develop tenants' financial awareness.	Sarah Mylchreest (Senior Officer Neighbourhood Development)	Complete (Internal Audit note: We will look at the implementation of the strategy's action plan during October 2013).
		Develop new monitoring arrangements for tenants affected by welfare reform changes as part of the implementation of Capita Open Housing	Steve Collins (Senior Officer Neighbourhoods)	April 2014 (Subject to agreed implementation plan with Capita)



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

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# **Countryside Operations**

July 2013



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## Purpose & Scope of Review



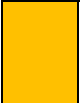
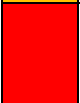
We undertook a review of Countryside Operations, as it is an area that we have not reviewed for several years and our last review focused only on Loggerheads Country Park rather than the whole service, which has a significant customer-facing role.

The scope of our review covered the following areas:

- Strategic and risk management
- Project management
- Management of sites
- Customer service and complaints management
- Transport costs and fleet management

## 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

In 2011, the Council, along with its partners successfully achieved an extension to the Clwydian Range Area of Outstanding Natural Beauty (AONB), which effectively doubled the size of the designation. In addition, the implementation of the AONB management plan and subsequent interim statement ensures that the Council discharges its statutory duty in this area; however, the service needs to review and update its overall Countryside Strategy following recent changes to ensure that it is still relevant and appropriate for the future.

The Countryside Service has a proactive attitude to income generation, which assists with effectively managing its key risk of reduced grant aid and internal funding. However, we query whether this risk should continue to be included in the Service Risk Register, as it has now materialised and is therefore now an issue that the service is managing.

Several projects in the service are delivering positive outcomes; however, the Loggerheads Traffic Congestion project may be at risk of failing to deliver its objectives due to a lack of funds secured up front. We raise this, as the completed project should help to alleviate problems caused by parking on the A494 into Denbighshire.

Overall, income and stock controls at the Loggerheads Visitors Centre are well managed; however, a reliance on one person to carry out key tasks could compromise the effectiveness of these controls. It is also possible that the Council could be in breach of Data Protection legislation by retaining personal data on Flying Permit applications for longer than necessary and by not holding it securely. We also advise that terms and conditions of room hire at Loggerheads be provided to hirers to protect the Council from unnecessary loss and ensure that hirers are aware of their responsibilities.

The service is committed to enriching the customer experience, with a sense of 'quality' promoted at its sites. This is demonstrated by the fact that compliments made about the service within the last year significantly outnumbered complaints. It is possible though that the obvious success in this area could be undermined by the cleanliness of the toilets at Moel Famau, but we are aware that management is looking for an appropriate solution to this problem.

While our review has highlighted a few operational issues that the service needs to address, these do not negate the fact that the public receives a very good service. We are therefore able to provide Medium Assurance.

# Action Plan

**Audit Review of:** Countryside Operations  
**Date:** July 2013  
**Action Plan Owner:** Countryside Services Manager

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

Risk/Issue No.	Risk/Issue	Action	Who	When
1.	The Countryside Strategy has not been reviewed and updated for several years. This issue is particularly important following the recent extension to the AONB. This increases the risk that the service will not achieve its strategic objectives.	The Countryside Service recognises that the current Countryside Strategy is out of date and a review and rewrite is required. An inclusive methodology and plan will be drawn up later this year for the review. Implementation will take place during 2014. The focus will be on providing a strategic framework for the work of the Countryside Service as a whole. This is a major piece of work, possibly involving external partners and stakeholders and the timescales will reflect this.	Countryside Services Manager, Other relevant staff, Possible external facilitator /consultant.	Methodology and plan agreed by December 2013  New Strategy completed by December 2014
2.	As the risk of reduced grant aid and internal funding to the service has materialised and is being managed, the service should consider whether it should remain in the Highways and Environmental Services risk register. If it does, it needs to be re-assessed, as many of the mitigating actions do not seem relevant to the risk and the scoring is inappropriate.	We agree that the risk identified in the register- reduced grant aid – is no longer a risk but an actual issue, which is being actively managed.  Therefore it should be removed from the service risk register.	Head of Service, Countryside Services Manager.	As soon as appropriate and/or when the risk register is next reviewed

Risk/ Issue No.	Risk/Issue	Action	Who	When
3.	<p>There is no further funding secured at present for the Loggerheads Traffic Congestion project and, until funding is available, the works cannot continue. As a result, the problems caused by parking on the A494 remain. While parking restrictions now in place on the road should control this, it could have a knock-on effect on maintaining visitor numbers at Loggerheads Country Park.</p>	<p>We are actively seeking funding for the creation of the overspill car park; however, the issue of traffic congestion is not really an issue for the Countryside Service alone. It is a corporate issue, involving partnership working, both internally and externally.</p> <p>The project was started using the old project management methodology in 2009-10, with a business case supported by the Head of Service. It was a two stage project - purchase land (and achieve planning permission), then build the car park.</p> <p>There was no funding identified at the time but we assert that lack of funding is no reason to not submit a project into the methodology, particularly given the health and safety, and reputational risks that this project is addressing and the multiple partner involvement and public support.</p> <p>Stage 1 is almost complete and we are in a strong position to deliver stage 2 when funding becomes available. The project would not have reached its current position if we were required to secure all the funding before development of the project.</p> <p>However, the project will now be progressed within the Verto framework and officers will actively raise its profile within the Council.</p>	<p>Countryside Services Manager, Senior Countryside Officer – AONB.</p>	<p>During financial year 2013-14</p>

Risk/ Issue No.	Risk/Issue	Action	Who	When
4.	Two officers who manage projects have not undertaken project management training. Training in the corporate methodology would increase the likelihood of projects being delivered as efficiently and effectively as possible.	Both officers will receive training in the DCC project management software, Verto during the forthcoming year.	Countryside Services Manager, Countryside Operations Manager and AONB Officer & Senior Countryside Officer – AONB.	By March 2014
5.	There is only one person involved in the income receipting and stock control processes at Loggerheads Visitors Centre. Without adequate controls to divide responsibilities in these areas, there is an increased likelihood that error or fraud could go undetected.	We will assess the risk and procedures relating to these controls and improve the processes to ensure division of responsibilities. The use of other employees on the same site is a likely solution.	Countryside Operations Manager and AONB Officer & Administration and Retail Officer.	By end July 2013
6.	It is possible that the Council is in breach of Data Protection legislation by retaining personal data on Flying Permit applications for longer than is needed and by not keeping hard copies secure. It is also advisable to update the forms with a Data Protection or Privacy Notice in line with the Information Commissioner's best practice. Further, this data is held both electronically and as hard copies, which is inefficient.	We will investigate this personal data issue and introduce a better procedure to secure data, avoid duplication and destroy files and forms that are no longer required or out of date.	Countryside Operations Manager and AONB Officer, Administration and Retail Officer & AONB Communications Officer.	By end October 2013

Risk/ Issue No.	Risk/Issue	Action	Who	When
7.	<p>Terms and Conditions for room hire at Loggerheads are not given at the time of booking, nor is confirmation obtained that certain hirers have appropriate public liability insurance if applicable i.e. when using their own equipment. The Council could be held liable in the event of an incident and unable to claim for any damages caused to the room.</p>	<p>Terms and conditions for the hire of this facility will be developed as soon as possible. Officers will investigate other room hire scenarios in the Council and use those standard term and conditions, adapting to local need.</p> <p>However, we take the view that having terms and conditions will probably not affect our public liability in the event of an accident. We would still have a statutory duty to observe health and safety responsibilities for instance. Nevertheless, we will develop some guidelines for hire of our facility at Loggerheads.</p>	<p>Countryside Operations Manager and AONB Officer &amp; Administration and Retail Officer.</p>	<p>By end August 2013</p>



## ***Denbighshire Internal Audit Services***

***Caledfryn, Smithfield Road, Denbigh LL16 3RJ***

**Report to: Jackie Walley (Head of Customers & Education Support)**

**Report By: Geraldine Sanders (Auditor)**

**Date: July 2013**

**Subject: Demarcation between the roles and responsibilities of  
Education Planning & Resources and Accountancy Services.**

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### **Introduction:**

The Head of Customers & Education Support asked us to review the roles and responsibilities of Education Planning & Resources and Accountancy Services, as set out in a table jointly drawn up by both services (see Appendix 1). The purpose of our review was to provide assurance that there are clearly defined and understood roles and responsibilities, appropriate separation of duties in all key functions, and provision of an efficient and effective support service without duplication.

Our scope did not include a review of the processes and procedures behind these roles and responsibilities.

### **Background Information:**

The Education Planning & Resources Manager was appointed on 1 November 2012. This was a new post created to manage the strategic, operational and financial planning processes for schools, including management of the funding formula regime, the traded services financial framework for schools, and the financial management support for the schools reorganisation and modernisation. The role is not involved with any central finance functions, i.e. responsibility is only from the point of delegation of funding to schools.

The Council has a statutory responsibility to ensure effective management of the school funding regime. The LMS Unit, which came under central financial services, previously undertook this role but focusing more on day-to day financial management rather than strategic financial planning in schools. The new structure has a clear direction to drive the funding policy, which includes challenging the effective allocation and use of resources in schools. The former Lifelong Learning Finance Manager was appointed to this new role bringing with her a range of knowledge and experience in this area.



## **Outcome of our Review:**

The Education Planning & Resource Manager has drawn up a table of the tasks she was responsible for in her previous role. She has worked with the Finance & Assurance Manager to determine how these tasks should be split between the two services based on their respective roles and responsibilities and in line with the support provided by Accountancy Services for all other Council services. It acknowledges varying factors determined by the LMS regulations for schools, which differ from the role of the Section 151 Officer, mainly in respect of delegated financial responsibility. The school funding formula is policy-driven and is governed by its own set of regulations.

Due consideration has also been given to ensure that communication is effective between both parties in delivering their services and to avoid any conflict of interest or duplication of effort in the tasks undertaken. To help this, the Finance and Assurance Manager attends the monthly Business & Finance network meetings within Education Support.

The Head of Finance & Assets has asked for one of the key work areas identified on the table regarding Commissioning and Procurement in Schools to be strengthened. This is in the process of being done and will be approved by the Chief Accountant.

## **Conclusion:**

Based on the work we have carried out, we can provide assurance that there is a clear separation of duties between the tasks undertaken by Education Planning & Resources and Accountancy Services and there is no encroachment on each service's roles and responsibilities. Education leads on the use of funding as per the formula and aligns to strategic priorities, whereas Accountancy Services is a support service that includes providing advice on financial and transactional information.

With the exception of the above request made by the Head of Finance & Assets, we have not identified any other actions required to strengthen these arrangements; however, its effectiveness will be seen over time.

Consequently, we also provide assurance that the creation of this post and the areas of work carried out by the Education Planning & Resources Manager do not weaken the corporate Accountancy Services structure. The service still retains the authority to intervene directly with a school if necessary, as stated in the Council's Scheme for financing schools.