

Denbighshire Internal Audit Services

Caledfryn, Smithfield Road, Denbigh, LL16 3RJ

Report to: Head of Finance & Assets
Head of Strategic HR
Head of Legal & Democratic Services

Report By: Head of Internal Audit Services

Date: 23 October 2013

Subject: Settlement Agreements

Introduction

When carrying out an analysis of salary payments for 2012/13 as part of our financial assurance testing, we identified six payments as 'settlement agreements'. We looked at these in more depth to ensure that the Council has acted reasonably and to confirm, through seeking evidence, that it was correct and appropriate to consider a 'settlement agreement'.

Our work involved analysing case files provided by Legal Services and considering the overall process to ensure that:

- the Council has a formal policy/code of practice and procedures for dealing with 'settlement agreements';
- such agreements are formally considered and approved, based on a robust business case;
- relevant advice is sought in all cases; and
- all settlements made during 2012/13 were reasonable and valid.

Audit Opinion

The Council needs to formalise its arrangements for dealing with 'settlement agreements', particularly as they become higher profile and subject to Freedom of Information requests. There is no formal policy or code of practice for dealing with cases and there are no formal procedures to follow to ensure consistency, fairness and openness and to provide an approved business case for each agreement. Although we realise that each case is different, the Council is open to challenge and damage to its reputation.

While we have no reason to doubt the validity of any of the six payments we reviewed, one of the files contained very little information and we were unable to form an opinion on that case based on the evidence we have seen. Through previous discussion in Education Services, we were already aware of this particular case, so we have not pursued it further, as we know the reasons behind the agreement.

We have raised three major issues in the following action plan that need to be discussed and agreed between Legal & Democratic, Strategic HR and Finance & Assets services and implemented before the Council enters into further negotiation of any 'settlement agreements'.

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Action Plan

Audit Review of: Settlement Agreements
Date: 23 October 2013
Action Plan Owner: Head of Strategic Human Resources

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

Risk/ Issue No.	Risk/Issue	Action	Who	When
1.	The Council does not have a formal policy/code of practice or procedures for dealing with 'settlement agreements' to ensure that it deals with them fairly and consistently and can provide evidence to the public and external auditors that decisions are based on a robust process.	Develop policy and process for settlement agreements	HR Services Manager	30 November 2013
2.	Settlement agreements usually involve substantial sums of money but have no formally approved business case. As these are key financial and employee-based decisions, the Head of Finance & Assets and Head of Strategic HR should formally approve a business case that provides background evidence, legal advice and financial information. The business case should be included on the legal case file as part of the evidence.	To be included in the above policy and processes	HR Services Manager	30 November 2013
3.	Case files do not always include robust evidence. As 'settlement agreements' become higher profile and are subject to Freedom of Information requests, it is important to have robust information and evidence to support each agreement. Case files may also be inspected by our external auditors as part of their final accounts audit.	To be included in the above policy and processes	HR Services Manager	30 November 2013

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

Deputy for Finance Service (under Court of Protection)

September 2013



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Purpose & Scope of Review

We recently undertook a review of the Deputy for Finance service (under the Court of Protection) at the request of the Head of Adult & Business Services.

The scope of our work included a review of several functions undertaken by this service, to provide assurance that a robust control framework is in place when administering financial affairs for clients under a court order under the Mental Capacity Act 2005.

Assurance Rating

(Based on areas reviewed)

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

Audit Opinion

The Client Finance Unit provides an excellent service to all the clients it supports. Financial management and administration is maintained to a high standard and the team undertakes all activities in the 'interests of the client' as required by the Mental Capacity Act 2005.

Many of the clients are resident in community living projects under the Learning Disability (LD) service. It is essential for both services to work cohesively to deliver support to the clients but historically this has not always been the case. LD employees need to be fully engaged with the work of the Client Finance Unit and there is scope to improve communications to help minimise the risk of income loss to clients and the Council.

The Finance Manager proactively promotes the work of the team through training and networking within the Council and externally. She has instigated several initiatives to maximise income due to clients and the Council.

The on-line banking system used by the team is secure and accessed daily to ensure that the client accounts are up to date and complete. The stability of access via a modem could be improved by exploring the option for internet access to the system.

There is scope to modernise some of the working practises of this service and other parts of Adult & Business Services. On occasions, usually in a crisis situation, high-value cash payments are made to clients. There is a risk to members of staff and vulnerable clients when handling large amounts of cash so the service should explore more secure ways of transferring money to clients.

Consideration should also be given to reducing the amount of manual records held to alleviate the problem of secure storage space. The service would benefit by using the corporate electronic records management system (EDRMS) and should be prioritised appropriately as part of the corporate project when it progresses into Social Services.

Overall, we provide assurance that the Client Finance Unit manages its risks well and has an established control framework for financial administration for clients. Our overall rating reflects the need for change to ensure continuous development on a bigger scale, for example looking for alternatives to cash payments to maximise the safety of clients and employees.

Action Plan

Audit Review of: Deputy for Finance (under Court of Protection)

Date: September 2013

Action Plan Owner: Head of Adult & Business Services

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

Risk/Issue No.	Risk/Issue	Action	Who	When
1.	<p>There is a need to clarify the roles and responsibilities of the Client Services Officer or Team Leader (Learning Disabilities) and the Client Finance Unit when supporting clients in a community living project to mitigate previous problems and to make the support services more effective and efficient through a joined up approach.</p> <p>Communication channels could be improved through regular dialogue between both services. The opportunity to meet as a group may help engage LD employees in understanding the implications of some of their actions that could lead to a financial loss for the client or Council.</p> <p>This issue relates to new and existing clients.</p>	<p>Formally meet with the LD Service to agree a plan for improving communication channels including the attendance of LD employees at planned training/information seminars.</p> <p>Protocol to be drawn up between CSO & Deputy around who does what concerning finances/forms in community living projects so guidelines are clear and in writing.</p> <p>Update of financial guidelines for all, including agencies and a need to understand the financial process for billing within Social Services around support and Additional Housing Service Charges.</p>	<p>Craig Macleod, Alaw Pierce, Alan Roberts, Kathryn Whitfield, Coleen Campbell</p> <p>Colleen Campbell & Alan Roberts</p> <p>CSOs and their Manager</p>	<p>30 September 2013</p> <p>Agreement in place by 31 October 2013</p> <p>31 March 2014</p>

Risk/ Issue No.	Risk/Issue	Action	Who	When
2.	<p>There is no need for the Office Manager (Social Services, Russell House) to keep a separate petty cash account for the Client Finance Unit to make cash payments to a small number of clients who have a court order but live independently in the community.</p> <p>The process is inefficient and an added administrative task, which is only a means to an end, i.e. to move funds from one bank account to another.</p>	Office Manager to close account and to obtain money every 4 or 8 weeks direct from Finance Manager	Chris Moorcroft, Office Manager (who runs the account)	5 September 2013 (after discussion with Finance Manager on 13.8.13).
3.	The service would benefit from modernisation through implementation of an electronic document records management system (EDRMS). This will serve multiple purposes i.e. to remove the current storage problem in respect of manual records, to consider options for storing electronic financial records indefinitely and to modernise the way the service is delivered, which aligns with the Council's modernisation agenda.	<p>In the short term, contact the Revenues Manager to explore the possibility of using a room used by his team for printing/storage that would provide additional secure storage for manual records.</p> <p>Contact the Principal IT Security Officer who is leading on the corporate EDRMS project to request inclusion of this service.</p> <p>Agree scheduling for EDRMS as part of the corporate project to roll out this system.</p>	<p>Colleen Campbell</p> <p>Tony Ward</p>	<p>30 September 2013</p> <p>2014/2015 (date TBC after contact with IT Officer)</p>

Risk/ Issue No.	Risk/Issue	Action	Who	When
4.	<p>The current holding arrangements for the Client Finance Unit's petty cash account are inadequate. Two options exist - to improve the level of security by using a safe or to reduce the imprest to a level that can be stored in the lockable cash tin (the latter being the preferred option).</p> <p>Additionally, looking to modernise the way that Adult Services supports its clients through funding, there is a need to consider how the service is able to meet the demand of impromptu and high value requests for cash through alternative methods that are more secure and safer for the employees and clients involved.</p>	<p>To reduce the amount held to £1k</p> <p>Project to be included within Adult and Business Services Business Plan for 2014/2015</p>	<p>Colleen Campbell</p> <p>Phil Gilroy</p>	<p>Done on 16 August 2013</p> <p>Project included with Plan by 30 April 2014</p>

Denbighshire Internal Audit Services
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Ysgol Brynhyfryd

October 2013



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Purpose & Scope of Review

We carried out a review of Ysgol Brynhyfryd, Ruthin in October 2013 as part of the Welsh Government assurance requirement for secondary schools. Our review focused on the following areas:

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

Assurance Rating

(Based on areas reviewed)

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

Audit Opinion

Overall, the School has good governance arrangements, complying with the Government of Maintained Schools (Wales) Regulations 2005. Although there are two recently appointed governors who have not had Disclosure Barring Service (DBS) or Criminal Records Bureau (CRB) checks, the School is currently addressing this.

There have been some significant staffing changes since our last review. The staffing increase in the Finance team has proved beneficial through strengthening business continuity arrangements and means that a more proactive approach to budget monitoring is taken through members of staff being responsible for a particular budget area. The School manages its budget effectively through regular monitoring and, for the current year, has estimated a surplus. Although a deficit is projected for subsequent years, the School is already taking remedial action to address this.

Some improvements are needed to the School's purchasing procedures. There are a significant number of invoices not being paid within 30 days, exposing the Council to late payment charges from suppliers. The School is currently not complying with the Council's Contract Procedure Rules by not receiving quotations for work. This is particularly relevant when regularly using the same supplier, as the aggregate spend is exceeding the requirements for competition. Inviting competition will ensure that the School receives value for money. We also identified a high proportion of invoices that are being raised without a purchase order. This increases the risk of unauthorised purchasing and makes the monitoring of the budget difficult.

We have audited the School Fund for several years and the record keeping continues to be of a high standard and the Fund managed well overall.

There are good security arrangements in place for visitors. The School operates its own CCTV, which automatically deletes images, ensuring compliance with the requirements of the Data Protection Act and the Information Commissioner. Access to the School for pupils is regulated, with most external doors only opening at designated times; however, one is open at all times to accommodate 6th form pupils. Although low risk, the School should consider reviewing this area to ensure that the safety of the pupils and members of staff is not compromised.

ICT controls are good, with all systems used for school management protected through regular password changes and back-up procedures.

Overall, the results of our review are positive and, although we have raised three moderate issues, the School is currently addressing two of these.

Action Plan

Audit Review of: Ysgol Brynhyfryd, Ruthin
Date: October 2013
Action Plan Owner: Ms Eleri Jones - Headteacher

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

Risk/Issue No.	Risk/Issue	Action	Who	When
1.	The School is processing an excessive number of stand-alone invoices. Not raising a purchase order at the time goods or services are requested increases the risk of unauthorised purchases. Additionally, commitments are not being reflected in the budget, making budget monitoring more difficult.	The School will review all stand-alone invoices to identify regular contract payments and ensure that it raised official purchase orders in future. All members of staff will be reminded of the purchasing procedure, including the requirement to obtain an official purchase order number before requesting goods and/or services from suppliers. Training will also be provided to members of staff where necessary. Stand-alone invoices will continue to be monitored and addressed accordingly.	Finance Manager, Finance Officer and Admin Officer	By November 2013

Risk/ Issue No.	Risk/Issue	Action	Who	When
2.	The School is not following the Council's Contract Procedure Rules for aggregated supplier purchasing. The School may not therefore be achieving value for money and, if challenged, may be unable to demonstrate transparency and fairness through repeatedly requisitioning goods from the same suppliers.	The School will review its current supplier purchasing levels and, where applicable, obtain quotations for goods and/or services in accordance with the Council's Contract Procedure Rules. At the start of each financial year, the School will obtain quotations for goods and/or services that it is likely to purchase on a regular basis throughout the year e.g. stationery, printer inks, etc. The School will periodically review supplier aggregated purchasing levels throughout the financial year to ensure that it continues to comply with the rules.	Finance Manager, Business Manager and Finance Officer	By November 2013
3.	The School has processed a large number of invoices that have not been paid within 30 days. This exposes the Council to potential claims for interest charges under the Late Payments Act.	The School does not intentionally delay payment of invoices; however, it accepts that invoices have been paid late but this is largely as a result of not receiving the original invoice or because the invoice was in dispute. Dispute codes will now be used in these circumstances. Invoices received during the school summer holidays have been paid late as a result of invoices being sent to members of staff who work term time only. Invoices will now be passed to the Finance and Business Managers during the school holidays to avoid delays in payment.	Finance Manager, Business Manager, Finance Officer and Admin Officer	By October 2013