

Cotswold District Council

Report of Internal Audit Activity

Summary of work completed since January 2020

July 2020

Contents

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Appendix C – Executive Summary of Finalised Audit Assignments

Summary of Audit Assignments Finalised since the last Internal Audit update to this Committee

Audit Assignments finalised since the last Meeting of the Board:

- Summary of Audit Findings and High Priority Service Findings

2019/20 – Revenues and Benefits (Housing Benefit and Council Tax Support) – Substantial Assurance**Background**

The Revenues and Benefits service area are responsible for the day to day processing, collection and arrears management and application of any discounts and reliefs of Council Tax and NNDR as well as Housing Benefit and Council Tax support schemes.

Housing Benefit is a means-tested benefit which is administered on behalf of the Department of Works and Pensions (DWP). New claimants who meet the criteria for Universal Credit or existing recipients of Universal Credit are not able to claim Housing Benefit.

Local authorities are entitled to make an annual claim for the refund of the housing benefit subsidy from Central Government. The claim should be submitted by 30th April and it is then required to be independently audited by 30th November each year.

Council tax support helps people on low income to pay their council tax. The scheme is approved locally for working age customers and nationally for pension age customers.

The Revenues and Benefits service constantly handle personal information and are therefore required to comply with the regulations set out in the Data Protection Act 2018 which incorporates the General Data Protection Regulations (GDPR).

Audit Conclusion / Findings

The Revenues & Benefits team generate daily reports to ensure that the Housing Benefit and Council Tax Support system agrees with the Council Tax system. This enables any identified discrepancies to be addressed promptly. Monthly reconciliation of Housing Benefit payments to the General Ledger is undertaken by the Business Partner Accountant. We were also provided with the 2018/19 year end reconciliation.

Evidence supported that exception reports are generated and reviewed daily and that claims processing targets are monitored weekly.

Weekly performance reports are generated and are available to the Business Manager to inform management decisions.

We provided a 'Reasonable' assurance opinion on the Subsidy Claim process in June 2019.

Finally, we can confirm that the two recommendations from the 2018/19 audit have been implemented.

Revenues and Benefit Service:

Our review found that quality assurance processes were satisfactory. We were advised that quality checks are undertaken on 20% of all claims. Additional checks are undertaken on work completed by trainees and officers returning to work after a long absence to ensure that accuracy is maintained and that any training needs are addressed.

Key performance indicators (KPI) including overpayments are monitored weekly and are reported to the JMT (Joint Management Team) on a quarterly basis. We were advised that KPIs were currently being agreed for the new financial year.

We were advised there are adequate cover arrangements to ensure that key tasks will not be disrupted in the event of officer absence or system failure, however, the service Business Continuity Plan (BCP) is not up to date in terms of current contact details and remote working arrangements. A recommendation has been made to update the BCP and to review it annually.

Data Protection (GDPR) education has been provided to the Revenues and Benefits staff, and processes are in place to ensure compliance with these regulations.

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2019/20 – Systems Admin – Follow Up of 2018/19 Audit**Background**

Seven recommendations were made in the 2018/19 review of Systems Admin to put controls in place or strengthen existing controls. Due to the number of recommendations made, the 2019/20 audit has concentrated on following-up these recommendations and documenting progress made.

Three of the recommendations are complete and therefore can be closed. At the time of testing three of the recommendations have not been actioned by the implementation date, and therefore we have agreed to extend this date to ensure the recommendations can be fully actioned and one has not commenced as it will be incorporated into a larger piece of work (Data Audit).

A further Follow-Up will be planned to be undertaken once the revised target dates have been reached for the outstanding recommendations.

To summarise, three of the recommendations are complete and therefore can be closed. The other three recommendations are almost complete; therefore, we have extended the target implementation dates to allow for the recommendations to be fully implemented.

2019/20 Payroll – Reasonable Assurance**Background**

Publica HR and Payroll Teams provide a centralised function for Publica employees and those of the Member Councils.

The scope of this review covers the Member Councils and Publica.

Employees' salaries are paid on the 20th of each month. Therefore, processes require all the necessary payroll changes to be in place, verified and authorised to ensure that employees are paid on time.

The HR and Payroll systems and the General Ledger systems are all part of the same integrated system – Agresso Business World (ABW).

Audit Conclusion / Findings

Testing was carried out on a sample of starters, leavers and payroll variations. The information recorded on ABW was compared to

physical source documentation held within personnel files for each test to ensure accuracy and verification of data. Records were also checked to ensure that any changes were made in a timely manner.

Overall, testing results were satisfactory. One finding has been made relating to inconsistency of pre-employment checks during the onboarding process for starters. Instances were identified during testing where full references had not been obtained, and also identified that standard pre-employment checks were not applied to employees where TUPE transfers applied (nor was assurance gained from the previous employing organisation that these checks had been carried out previously).

In the 2019/20 Safer Recruitment audit, a suggestion was made to consider using third-party checks (e.g. BPSS or similar) for all employees. Currently, they are used only for employees working within specific teams or with access to certain systems/information. These third-party checks can verify right to work, employment history and can include a basic criminal record check. A recommendation has been made in this report to implement this within the recruitment process, to mitigate fraud and safeguarding risk and to encourage best practice.

Recommendations from the 2018/19 Payroll Audit were also followed-up as part of this review. Of four recommendations made, one has been completed and three are still in progress. The target implementation date of these recommendations has been amended to June 2020 and will be followed-up again at this time. Further information on the progress made to date can be found within the body of the report.

| Priority | Recommendation | Management Response | Due Date |
|----------|---|--|---------------------------------|
| 2 | We recommend that all new starters are subject to a BPSS (or similar) check regardless of the role to which they are being recruited. This will ensure that consistent checks of right to work, employment history and basic criminal record checks are carried out on all employees. | A piece of work has been carried out to re-write the pre-employment check process. The HR and Recruitment Teams are also working towards the implementation of an Application Tracking System (ATS), subject to approval at Publica and the Councils, which would help to mitigate the risks identified. The ATS would not allow for progression in the recruitment and onboarding process without specific criteria being fulfilled first (e.g. obtaining references, ID checks etc). | 30 th September 2020 |

2019/20 Treasury Management and Bank Reconciliation – Substantial Assurance**Background**

As part of the 2019/20 Internal Audit plan, a review was carried out to provide our partners and clients assurance over the adequacy of procedures and controls in respect of Treasury Management and Bank Reconciliations.

CIPFA defines Treasury Management (TM) as "the management of the organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks." The importance of Treasury Management to an organisation is evident from the CIPFA definition, and as such is included in each year's internal audit plan for review.

Bank reconciliation is one of the primary key financial controls to detect fraud and error, and as such it is very important to provide assurance that this fundamental control is being undertaken correctly and on a regular basis. Consequently, bank reconciliation is also included in each year's internal audit plan for review.

Audit Conclusion / Findings

We are pleased to offer Substantial Assurance for Treasury Management and Bank Reconciliation.

Records of investments and diversification were reviewed regarding Treasury Management investments, which were found to be in line with the approved strategies of the authorities. There is an appropriate level of segregation of duty in respect on making investment payments, treasury information is accurately recorded, and updated regularly which allows detailed forecasting.

Bank reconciliations are conducted on a monthly basis for each Council. Any imbalances, as part of the process, are investigated and corrected prior to posting to the ledger. Bank reconciliations are reviewed by an independent officer prior to completion and posting.

2019/20 – Revenues and Benefits (Council Tax and NNDR) – Reasonable Assurance**Background**

The Revenues and Benefits service area are responsible for the day to day processing, collection and application of any discounts and reliefs of Council Tax (CT) and National Non-Domestic Rates (NNDR) as well as Housing Benefit and Council Tax Support schemes.

CT is a local property tax to help fund local public services and is payable on all residential properties regardless of whether they are rented or owned. Discounts and exemptions are available under certain circumstances, including but not limited to discounts for students, single person occupation and unoccupied properties.

NNDR is also a tax collected to contribute towards the cost of local services and is payable on National Non-Domestic properties. Reliefs and discounts are available under certain circumstances, including unoccupied or partly occupied properties, small business rate relief and charity occupied properties.

The Revenues and Benefits service area constantly handle personal information and are therefore required to comply with the regulations set out in the Data Protection Act 2018 which incorporates the General Data Protection Regulations (GDPR).

Audit Conclusion / Findings

Council Tax (CT) and National Non-Domestic Rates (NNDR) discounts and exemptions can be applied to accounts in certain circumstances. Testing found that where this is applicable, evidence and appropriate notes to support the discounts given were documented in the CT and NNDR system. We were advised that account reviews where exemptions and discounts had been granted were ceased a few years ago but that the service is now recommencing this work. We can confirm the Counter Fraud Unit have been engaged to review Single Persons Discount (SPD) accounts as part of the NFI (National Fraud Initiative) data match process, work is ongoing at CDC.

Daily checks are undertaken of the cash receipt load files into the CT and NNDR system. Evidence supported that the CT and NNDR systems are reconciled to the General Ledger on a monthly basis.

The NNDR liability reconciliation does not balance for CDC. We identified this in previous year's reviews and recommended the system fault be addressed with the system provider, Northgate. We were advised this had been resolved however, testing identified the system imbalance still exists. We understand the Revenues & Benefits service is in the process of procuring a new system to be used across all partner Councils, we suggest system controls are addressed to resolve this issue.

As part of the annual billing process, reconciliation of the CT and NNDR bills issued by the mailing companies to that expected on the CT and NNDR system should be undertaken which ensures bills are issued as required. Our testing identified this control was not operating as expected. A recommendation has been made accordingly.

Our review of closed accounts (at 8th January 2020) for CDC identified credit balances on accounts that had been closed as far back as 1993 and in some years the credit values are significant. 32 accounts were closed between 1993 – 2018 and show a total credit value of £159,794. Although the individual values may be deemed immaterial, there is a risk that the Council's Statement of Accounts are inaccurate as income is being overstated, therefore these accounts must be reviewed, and appropriate action taken.

Exception reports are regularly run and found to be actioned appropriately, however, testing could not evidence that the suspense accounts are cleared regularly. This was identified and a recommendation made in last year’s review. We will follow this up in due course.

Our follow up of the 4 recommendations made in our 2018/19 audit can confirm that one recommendation has been fully addressed and another which we understand will be addressed when the new system is procured. We have revised the target implementation dates for the recommendations relating to clearing the suspense account and for reviewing of accounts in credit as discussed above.

Revenues and Benefits Service

Evidence supported weekly performance reports are reviewed by the Revenues Manager and are available to the Business Manager to inform management decisions across the whole service.

We can confirm that Data Protection (GDPR) education has been provided to the Revenues and Benefits staff, and processes are in place to ensure compliance with this regulation.

A service business continuity plan is in place, although it needs review/update. A recommendation has been made in the Housing Benefit & Council Tax Support report.

| Priority | Recommendation | Management Response | Due Date |
|----------|---|--|-----------------------------|
| 2 | Periodic review (quarterly) of accounts in credit should be undertaken and action taken to return monies that are not due to the Council. These actions must be documented on customer accounts to provide an audit trail. Where monies are unable to be refunded, appropriate accounting actions must be undertaken to remove the credit value from the CT / NDR system. | Putting into place a periodic report of credit accounts to be followed up by Revenues Officers | 31 st March 2020 |

2019/20 – Health and Safety (Fire Risk Assessments) – Reasonable Assurance

Background

In 2004 fire and rescue services attended over 33,400 fires in non-domestic buildings in England and Wales, which killed 38 people and injured over 1,300 (HM Government, 2006). The cost of these fires was estimated at £2.5 billion. In a 2009 presentation given to the Chief Fire Officers Association from the Association of British Insurers, it was reported the incidence of fires and fire deaths was decreasing; however the cost of fires on businesses was increasing. In 2018 South Oxfordshire District Council offices were demolished following an arson attack in 2015.

The Regulatory Reform (Fire Safety) Order 2005 covers general fire precautions and other fire safety duties which are needed to protect persons in the case of a fire in, or around, most premises. The Order requires organisations to implement fire precautions where necessary, which are reasonable and practical. This is done through carrying out fire risk assessments. Organisations that employ five or more employees must record the significant findings of the assessment. Risks assessments and any preventative/protective measures must be carried out by a person with enough training and experience to implement these measures properly. These assessments must be reviewed when necessary.

Audit Conclusion / Findings

The Regulatory Reform (Fire Safety) Order 2005 (the Order) requires organisations to complete fire risk assessments to identify and mitigate risks to fire safety. Our review found that fire risk assessments have been completed for all buildings that the Council has responsibility for. In line with the Order, these assessments are up to date, have been completed by a qualified person and documented appropriately. The risk assessments identified a number of fire safety control weaknesses and offer potential remedial actions to mitigate the risks. These are presented within risk assessment documents in the form of an action plan.

Historically, completing the remedial actions has been undertaken by Property Services officers based at each Council’s main offices. These officers have developed individual methods for monitoring progress for the completion of and any outstanding remedial actions. At the time of this review the Building Services Officer & Joint Operations Manager was aligning the monitoring process across the three councils, to allow all remedial actions to be monitored during Health & Safety and Property Services catch-up meetings.

Recommendations have been made around the timeliness of completing remedial actions and lack of reporting to Heads of Paid Service (Responsible Person). Furthermore, a suggestion has been made to commission the independent consultant used by Cotswold District Council and West Oxfordshire District Council to renew Forest of Dean District Council’s fire risk assessment.

| Priority | Recommendation | Management Response | Due Date |
|----------|--|---|---------------------------------|
| 2 | We recommend that officers should ensure all remedial actions identified in fire risk assessments are completed using a risk-based approach. | These remedial action requirements are in progress and will be completed in accordance with the noted time scale. | 30 th September 2020 |

2019/20 – Safer Recruitment – Reasonable Assurance

Background

Safer recruitment is the method of designing recruitment processes to deter unsuitable applicants from applying for roles with vulnerable groups, and to identify and reject them if they do. Safer recruitment processes should include things like:

- Informing candidates of the organisation's commitment to safeguarding
- Detail that candidates will undergo pre-employment checks and other checks - such as DBS - if appropriate to the role
- Carry out pre-employment checks
- Ensure staff receive appropriate training for their role

The traditional focus of Safer Recruitment is in education, social services and other sectors that have regular and direct contact with children. As a public facing organisation that provides front-line services to a wide range of groups across several districts, it is important that Publica also has robust safer recruitment practices in place.

Pre-employment checks play an important part of the recruitment process and enable the organisation not only to ensure they are recruiting the most suitable person for the role, but also allows the organisation to safeguard against any negative impact caused by the recruitment of that impact – e.g. potential reputational risk. There are key pieces of legislation surrounding the recruitment process and pre-employment checks, such as the Immigration, Asylum and Nationality Act 2006 which covers illegal working and right-to-work checks and the Rehabilitation of Offenders Act 1974 which regulates the disclosure of criminal records.

The Disclosure and Barring Service (DBS) promotes safer recruitment choices by processing DBS checks, and also maintains the adults' and children's Barred Lists and decides whether an individual should be included on one or both of these lists and barred from engaging in regulated activity. 'Regulated activity' is defined in the Safeguarding Vulnerable Groups Act 2006 and is work that a barred person is not permitted to do. There are 3 levels of DBS check – basic, standard and enhanced – and a gov.uk tool allows potential employers to check which level (if any) of DBS check is required for the role they are recruiting for.

HR Business Partners and the HR Recruitment Team support the recruiting manager through the initial vacancy, advertising and shortlisting process. Once the successful candidate is chosen after interview, the HR Team conduct the rest of the process including the pre-employment checks. Responsibilities of the recruiting manager and HR are recorded within flowcharts which set out the key steps and ensure compliance with the process.

Audit Conclusion / Findings

The recruitment and 'onboarding' process for new employees is effectively managed and administered by the Recruitment and HR Teams. Safer recruitment practices have been embedded into the recruitment process by ensuring that all necessary pre-employment checks are made before an employee commences with Publica; the standard pre-employment checks carried out by the HR Team are in line with legislation and good practice within the HR sector (Chartered Institute of Personnel and Development). Recruiting managers are asked to indicate at an early stage whether the post they are recruiting for requires a Baseline Personnel Security Standard (BPSS)

check or Disclosure and Barring Service (DBS) check is required for the post being advertised.

Some opportunities for improvement have been highlighted within the report around the DBS check procedure and three recommendations have been made to enhance the control environment and the procedures already in place.

Testing was carried out to ensure that where BPSS or DBS checks had been carried out, the information recorded was both relevant and consistent. The information was also reviewed to ensure that renewals had been processed for any DBS checks that required them (3 years from the initial check date). Testing found that inconsistent information relating to checks was recorded, resulting in a potential for DBS checks requiring renewal to be missed. We were advised that the process in place for checking the requirement to renew DBS checks quarterly had not been consistently applied due to resourcing and workload within the department. A priority 2 recommendation has therefore been made to ensure this procedure is carried out.

Although recruiting managers are prompted to indicate whether a BPSS or DBS check is required for a new post, this is not reflected in the form used when a current employee changes post within the organisation. A priority 3 recommendation has been made to amend the form to ensure that this prompt is made, reducing the resulting reputational or safeguarding risk should an unchecked individual be placed in a post that requires a BPSS or DBS check.

A priority 3 recommendation has also been made relating to the implementation of a DBS Policy or formalised guidance. Individual DBS policies exist at all of the Member Councils which require review and update, and these could then be used across Publica to promote consistency and aid HR Support Advisors.

| Priority | Recommendation | Management Response | Due Date |
|----------|--|---|----------|
| 2 | We recommend that DBS renewal dates are regularly monitored, and checks renewed in a timely manner. All DBS check details should be recorded within ABW to aid this process, including the original DBS check date, the DBS check renewal date and the DBS check reference number. | A process has been implemented to ensure that a report showing BPSS and DBS expiry dates is produced monthly from ABW in relation to DBS/BPSS checks and any required renewals are processed accordingly. | Complete |

