



RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

MUNICIPAL YEAR 2020/21

AUDIT COMMITTEE 22nd March 2021	AGENDA ITEM NO. 6
REPORT OF THE DIRECTOR OF FINANCE & DIGITAL SERVICES	FINALISED AUDIT ASSIGNMENTS

Author: Mark Thomas (Head of Regional Internal Audit Service) & Lisa Cumpston (Group Audit Manager)

1. PURPOSE OF THE REPORT

- 1.1 This report provides Members with a summary of audit assignments completed between 19th January 2021 and 9th March 2021.

2. RECOMMENDATIONS

It is recommended that Members:

- 2.1 Seek clarity and explanation where there are areas of concern.
- 2.2 Identify further action to be taken where deemed necessary.

3. REASON FOR RECOMMENDATIONS

- 3.1 To help ensure that Audit Committee discharges its responsibilities in respect of reviewing the overall control environment in place across the Council.

4. BACKGROUND

- 4.1 The Audit Committee Terms of Reference (Point C) requires it to 'Review, scrutinise and issue reports and recommendations on the appropriateness of the Authority's risk management, internal control and corporate governance arrangements, and providing the opportunity for direct discussion with the auditor(s) on these'.

- 4.2 In line with this requirement **Appendix 1** provides a summary of the audit assignments completed between 19th January 2021 and 9th March 2021. Members will note that the summary provides for each assignment: the Introduction, Scope & Objectives, Auditor's stated opinion and a summary of all recommendations made for each audit review completed to final report stage within the stated period.
- 4.3 To help ensure Audit Committee effectively discharges the responsibility as set out in its Terms of Reference (and replicated at point 4.1 above), Members may wish to consider the principles noted below in addition to their own lines of enquiry:
- Are the conclusions made by Internal Audit reasonable / backed up by the findings reported?
 - Are the recommendations made by Internal Audit likely to support the necessary improvement in internal control?
- 4.4 Members will note that 3 audit assignments have been finalised in the period and are set out in Table 1 below.

Table 1 – finalised audit assignments

<p>CHIEF EXECUTIVE</p> <ul style="list-style-type: none">• Benefits (Including Covid Related Risks)• Digitalisation (Including Covid Related Risks)• Creditors (Including Covid Relates Risks)

5. EQUALITY AND DIVERSITY IMPLICATIONS

- 5.1 There are no equality and diversity implications as a result of the recommendations set out in the report.

6. CONSULTATION

- 6.1 There are no consultation implications as a result of the recommendations set out in the report.

7. FINANCIAL IMPLICATION(S)

- 7.1 There are no financial implications as a result of the recommendations set out in the report.

8. LEGAL IMPLICATIONS OR LEGISLATION CONSIDERED

- 8.1 The provision of regular information in respect of the Council's Internal Audit Service supports the Council in demonstrating compliance with the Accounts and Audit (Wales) (Amendment) Regulations 2018.
- 8.2 Regulation 7 (Internal Audit) of Part 3 of the 2018 Regulations directs that: *“A relevant body must maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control.”*

9. LINKS TO CORPORATE AND NATIONAL PRIORITIES AND THE WELL-BEING OF FUTURE GENERATIONS ACT

THE COUNCIL'S CORPORATE PLAN PRIORITIES

- 9.1 The work of Internal Audit aims to support the delivery of the priorities contained within the Council's Corporate Plan 2020-2024 'Making a Difference', in particular 'Living Within Our Means' through ensuring that appropriate internal controls are in place to effectively manage resources.

WELL-BEING OF FUTURE GENERATIONS ACT

- 9.2 The Sustainable Development Principles, in particular Prevention, can be applied to the systematic reviews undertaken in order to provide assurance that risks to the achievement of objectives are being managed.

10. CONCLUSION

- 10.1 The regular provision of all summarised audit assignments to Audit Committee throughout the year is aimed at assisting Members in evaluating the effectiveness of Internal Audit work across all Council systems and services.
- 10.2 In doing so, it informs Members knowledge of the overall control environment of the Council.

Other Information:-

Relevant Scrutiny Committee

Not applicable.

Contact Officer – Mark Thomas



LOCAL GOVERNMENT ACT 1972

AS AMENDED BY

THE LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

AUDIT COMMITTEE

22nd March 2021

FINALISED AUDIT ASSIGNMENTS

REPORT OF THE DIRECTOR OF FINANCE & DIGITAL SERVICES

Author: Mark Thomas (Head of Regional Internal Audit Service) & Lisa Cumpston
(Group Audit Manager)

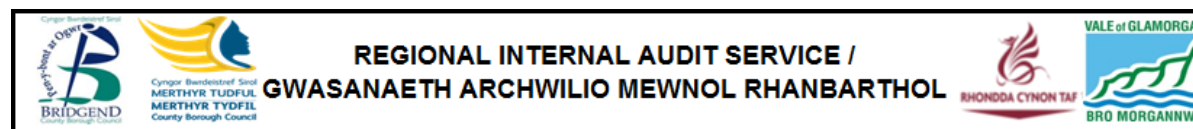
Item: 6

Background Papers

None.

Officer to contact: Mark Thomas

Appendix 1 - Summary of audit assignments completed between 19th January 2021 and 9th March 2021



CHIEF EXECUTIVE

AUDIT NAME: BENEFITS (INCLUDING COVID RELATED RISKS)

DATE FINAL REPORT WAS ISSUED: 22/01/2021

INTRODUCTION

Children and young people whose parents/carers have met the school meal eligibility criteria are entitled to receive free school meals in maintained schools in Wales. In addition, from 1st April 2019 transitional protection measures were also put in place to ensure that no child would lose entitlement to free school meals during the rollout of Universal Credit under the UK Government's Welfare Reform agenda. Responsibility for the administration of the free school meals process within the Council lies with the Revenues and Benefits Section within Human Resources.

Urgent decisions were made in March 2020 in relation to how Council services would need to operate in light of the COVID-19 pandemic, and the potential impact on the population and the decisions made by the UK and Welsh Government to minimise its spread.

In response to the pandemic all schools were closed for statutory education with effect from 21st March 2020, and a temporary packed lunch system introduced to ensure that all eligible pupils continued to receive a free school meal. The Council's emergency provision of free school meals was subsequently changed with effect from 6th April 2020 with cash payments introduced for eligible parents by bank transfer, thereby replacing the packed lunch system that was temporarily introduced.

Over 9,000 weekly payments were made to eligible parents/carers during the initial lockdown period April 2020 – August 2020 (including school holidays), with schools reopening for statutory education in September 2020. Parents/carers are required to use the money received online (in lieu of a free school meal) to purchase food items for their children. The entitlement for this period for free school meals within Rhondda Cynon Taf is £3.90 per day – equating to £19.50 per week, and can be reclaimed by the Council via the Welsh Government Hardship Fund.

SCOPE & OBJECTIVES

In accordance with the Interim Risk Based Internal Audit Plan for the financial year 2020/21 as agreed by Audit Committee, a review of the key controls within the system was undertaken.

Internal Audit testing was undertaken remotely using video conferencing (e.g. Microsoft Teams) and digital solutions as a basis for meetings and sharing documentation.

The primary purpose of the review was to provide management with an opinion on the adequacy and effectiveness of the internal control systems within Benefits in respect of payments made by bank transfer to eligible parents in lieu of a free school meal.

The specific objectives of the review are to ensure that:

- A process is in place to ensure that all eligible pupils have been identified and contacted by the Council;
- Payments are only made in respect of eligible pupils;
- Appropriate reconciliation procedures are in place;
- New claims are dealt with appropriately and in a timely manner;
- Non-claimants are identified to ensure there is no increased safeguarding risk to children who may already be vulnerable;
- Costs incurred are effectively recovered from Welsh Government in line with the Hardship Fund Claim process.

AUDIT OPINION

The overall control environment in respect of the Free School Meal process for online payments to eligible parents is considered to be effective with opportunity for improvement.

Identification, Eligibility & New Claimants

A process was introduced at the start of the pandemic to issue all existing parents/carers in respect of a FSM with a letter containing a unique reference number. This would enable them to submit an application to the Council and provide their bank account details in a secure environment to allow for the receipt of an online payment.

A sample of new applications made for FSM online payments during lockdown was also selected (225 applications) to confirm that all payments had been made to eligible parents/carers. All applications examined were found to have been processed accurately to eligible applicants and were awarded within appropriate timescales.

Some occasions were however identified whereby incomplete information was provided on the application by applicants during the online process. There are currently no mandatory fields to complete, which can result in a delay in the process as administrative staff are required to contact the applicants and request the information required to proceed with the application. Of the 225 new applications sampled, this was the case in 21 applications and could have been avoided if the application form required the completion of these fields, at the point of submission. However, Internal Audit confirm that these 21 new claims were subsequently processed within appropriate timescales, even though there was a slight delay in obtaining the required information.

Non-claimants

Non-claimants were also examined as part of the rollout of the FSM online payment process. It is acknowledged that a weekly report produced by the Benefits Section identifies any families who are in receipt of Benefits but have failed to submit an application for FSM. These families are then contacted and advised

of the process to ensure that vulnerable children receive their eligible entitlement.

One potential reason why there may be a discord between parents/carers in receipt of Benefits but not a FSM, is that the FSM online application is a separate entity/application form and is not currently linked to the online Housing Benefits application form, hence it is possible to inadvertently miss the FSM application in error. This is not an issue for the manual application form which can also be completed.

Reconciliation Procedures/Processes

Discussions with staff within Benefits and Education Finance and examination of supporting documentation confirmed that there are robust practices in place to ensure the appropriate awarding and payment of Free School Meals. There is also continual use of computer systems and discussions between departments to ensure adequate reconciliations are in place.

Costs Reclaimed

The Head of Finance, Education & Financial Reporting has confirmed that all additional costs incurred have been recovered from Welsh Government in line with the Hardship Fund Claim process. The claim for the period April to August 2020 amounted to approximately £3.8 million, which was accurately agreed to the Council Financials system as part of the audit process.

Implementation of the recommendations included in the report will further enhance the internal controls already in place.

No High Priority Recommendations Made

SUMMARY OF RECOMMENDATIONS:			
REPORT REF. & PRIORITY	FINDING	RECOMMENDATION	IMPLEMENTATION DATE
5.1.1 Medium	<p>Discussions with the Senior Team Leader established that applications for Free School Meals (FSM) are accepted both manually, and electronically via the Council's website.</p> <p>Further discussions identified that when an applicant completes a manual application for Housing Benefits, the application for FSM forms part of this application.</p> <p>However, when an applicant applies online, the FSM application is not linked to the Housing Benefit application form.</p> <p>As a consequence, applicants who apply online for Housing Benefit may not complete the separate application for FSM, resulting in either a non-application for FSM or a delay in the applicant becoming aware of the requirement of a separate application.</p>	<p>Management should consult with the current software supplier to determine if the online Housing Benefits applications can include the Free School Meals element, in line with the manual application form process.</p>	31 March 2021
5.1.2 Medium	<p>Discussions with the Free School Meals Benefits Assistant and a review of supporting information identified that on occasion, applicants do not fully complete all elements of the online applicant form e.g. no National Insurance Numbers, no bank details etc.</p> <p>It was also established that there are no mandatory fields on the online application forms.</p> <p>From a sample of 225 new FSM applications received between April and August 2020, it was found that incomplete information was received for 21 applicants, whereby either their National Insurance Number or bank account details were not provided at the time of application.</p>	<p>Management should determine which information is required mandatory for applicants to complete, and to ensure that all information required is provided at the time of application these fields should be made mandatory on the online applications.</p> <p>This would help remove any delays in the application process, reduce staff time obtaining missing information, and ensure no undue delays in the receipt of Free School Meals to applicants.</p>	31 March 2021

AUDIT NAME: DIGITALISATION (INCLUDING COVID RELATED RISKS)

DATE FINAL REPORT WAS ISSUED: 09/02/2021

INTRODUCTION

The Council is heavily reliant on its ICT infrastructure to deliver its business. Maintenance of this infrastructure is critical to the Council's ability to function, and in the event of a 'disaster' the ability to promptly and comprehensively reinstate systems is essential.

Urgent decisions were made in March 2020 in relation to how Council services would need to operate in light of the COVID-19 pandemic, and the potential impact on the population and the decisions made by the UK and Welsh Government to minimise its spread.

Emergency arrangements were put into place to ensure the continuation of Council services with the ICT Service transforming how the Council works in a short period, with over 3,000 staff across the Council working from home using ICT equipment issued by the Council, as numerous offices and buildings were closed.

SCOPE & OBJECTIVES

In accordance with the Interim Risk Based Internal Audit Plan for the financial year 2020/21 as agreed by Audit Committee, a review of the key controls within the system was undertaken.

Internal Audit testing was undertaken remotely using video conferencing (e.g. Microsoft Teams) and digital solutions as a basis for meetings and sharing documentation.

The primary purpose of the review is to provide management with an opinion on the adequacy and effectiveness of the internal control system in respect of business continuity of the Council's ICT systems.

The specific objectives of the review are to ensure that:

- ICT Business Continuity / Back Up Procedures
- The Council has a formal Disaster Recovery Framework in place and it can be demonstrated that back-up and recovery plans have been identified, monitored and tested.
- ICT Service Availability / Accessibility (Post Covid-19 Lockdown)
- Staff are able to remote access from home and the system is appropriate and meets staff requirements.
- Key Systems are accessible to staff allowing them to fulfil their roles and duties.
- Key Infrastructure has been updated during the period to ensure its continued ability to support remote working throughout the pandemic.
- Key Infrastructure is regularly monitored to ensure that systems remain available and operational to Council staff.
- Control & Distribution of ICT Equipment (Post Covid-19 Lockdown)

- Adequate processes and arrangements are in place for the storage, inventory and distribution of equipment to ensure that identified Council staff have the appropriate hardware and knowledge to undertake their normal duties from home.

AUDIT OPINION

The overall control environment in respect of the Council's Digitalisation arrangements are considered to be effective with opportunity for improvement.

ICT Business Continuity / Back Up Procedures

There is a single Disaster Recovery Plan in place, which identifies, monitors and tests back-up and recovery plans to ensure business continuity of the Council's IT systems. The Disaster Recovery Plan was presented to and agreed by the Council's Senior Leadership Team (SLT) in May 2019. At this meeting, the Service Director - Digital & ICT also made a presentation to SLT whereby the business critical systems were identified and the priority of their restoration agreed.

ICT Service Availability / Accessibility (Post Covid-19 Lockdown)

Since March 2020 and in response to the Covid-19 pandemic, Council staff have been able to remote access systems from home, with these systems deemed appropriate and meeting staff requirements. Key infrastructure has been updated during the period to ensure its continued ability to support remote working and ensure critical systems remain operational for the Council's business. For example, Citrix Netscaler, O365, IP Softphones etc. have been updated/installed. These updates/installations have ensured staff have access to Council systems and provides them with the remote functionality to undertake their jobs to the best of their ability during this exceptional period.

Monitoring/Testing

Daily checks are undertaken in respect of the various servers/applications/systems to ensure that they are online and working appropriately. An email notification is subsequently forwarded to the appropriate designated Officer as confirmation of the check and to highlight any potential problems. While this process was found to be working appropriately some inconsistencies were identified in respect of when these checks take place, and to whom the email notification is sent.

Control & Distribution of ICT Equipment (Post Covid-19 Lockdown)

Between March and November 2020 over 3,000 items of ICT equipment were distributed to Council staff to allow them to work remotely from home, including laptops, monitors, mobile phones etc.

An electronic inventory was introduced allowing ICT to monitor and control the equipment distributed to each member of staff, with the item, asset number and date of issue recorded. A review of this inventory confirmed that in the main it was appropriate, although there were some minor anomalies in respect of incomplete information.

Implementation of the recommendations included in the report will further enhance the internal controls already in place.

No High Priority Recommendations Made

SUMMARY OF RECOMMENDATIONS

REPORT REF. & PRIORITY	FINDING	RECOMMENDATION	IMPLEMENTATION DATE
<p>5.1.1 Medium</p>	<p>Discussions with the ICT Service Manager, Operational Support identified that on a daily basis, checks are undertaken of various servers/applications/systems to ensure that they are online and working appropriately. When these checks have been completed, staff are required to notify appropriate officers of any issues and confirm if they are all working appropriately.</p> <p>Examination of the daily email notification logs for the period April to October 2020, confirmed that in the main they were being consistently applied. However, the following issues were identified:</p> <ul style="list-style-type: none"> • There is no set email distribution protocol/list in place. Depending on who undertakes the daily test, there are variances in respect of to whom a subsequent email notification (of any issues) is sent. • There is inconsistency as to which servers/applications/systems are tested and checked on weekends. 	<p>Management should determine a consistent email distribution list to be used by all staff in respect of testing and monitoring servers/ applications/systems availabilities and any issues arising.</p> <p>Additionally, Management should determine which servers/ applications/systems are to be tested and checked on weekends and that these are consistently adhered to by staff.</p>	<p>31 March 2021</p>
<p>5.1.2 Low</p>	<p>To ensure that staff were able to undertake their roles remotely following the Covid lockdown, between March and November 2020 over 3,000 items of ICT equipment were provided to staff. These items included Irgels, laptops, monitors, mobile phones etc.</p> <p>Discussions with the ICT Service Manager, Operational Support confirmed an electronic inventory was put into place allowing ICT to monitor the equipment that was distributed to each member of staff,</p>	<p>Management should ensure that full details for the distribution of ICT equipment are recorded on the inventory.</p>	<p>31 March 2021</p>

	<p>with the item, asset number and date of issue recorded.</p> <p>Examination of this inventory confirmed that in the main it was appropriate, although there were some anomalies in regards to incomplete information recorded on the inventory e.g. no asset number, no username, information in the wrong column etc.</p> <p>Additionally, there were 196 items issued whereby no date of issue was recorded.</p>		
--	----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--	--

AUDIT NAME: CREDITORS (INCLUDING COVID RELATED RISKS)

DATE FINAL REPORT WAS ISSUED: 01/03/2021

INTRODUCTION

The Council's Creditors system is a core financial system with creditor accounts responsible for generating payments over £376m between 1st April 2020 and 31st January 2021 in relation to 272,195 transactions. Creditor payments are made through Civica Financials.

The Creditor (Payments) function forms part of the Pensions, Procurement and Transactional Services area, and is the responsibility of the Payroll & Payments Service Manager, who is supported day to day by the Team Leader (Payments).

Urgent decisions were made in March 2020 in relation to how Council services would need to operate in light of the COVID-19 pandemic, and the potential impact on the population and the decisions made by the UK and Welsh Government to minimise its spread.

Emergency arrangements were put into place to ensure the continuation of Council services and over 3,000 employees across the Council working from home using ICT equipment issued by the Council. Remote arrangements for accessing many systems, including the Council's Creditor accounts were put in place as numerous offices and building were closed.

SCOPE & OBJECTIVES

In accordance with the Interim Risk Based Internal Audit Plan for the financial year 2020/21 as agreed by Audit Committee, a review of the key controls within the system was undertaken.

Internal Audit testing was undertaken remotely using video conferencing (e.g. Microsoft Teams) and digital solutions as a basis for meetings and sharing documentation.

The primary purpose of the review is to provide management with an opinion on the adequacy and effectiveness of the internal control systems operating.

The specific objectives of the review were to ensure that Post Lockdown:-

- Invoices from suppliers are paid promptly and accurately;
- Payments are only made to eligible suppliers;
- The process in place for creating, amending and management of creditor accounts is robust and the Council's procedures for the verification of supplier bank account details is followed;
- There are robust controls surrounding electronic authorisation processes and retention of supporting evidence;
- All staff are aware of the procedures to be followed in respect of current remote working arrangements.

AUDIT OPINION

The overall control environment in respect of the Creditors system (Post Lockdown) is considered to be effective with opportunity for improvement.

Invoices are paid promptly and accurately.

A sample of 20 invoices was selected for examination and each invoice was checked to ensure it had been promptly and accurately paid. This review can confirm that all 20 invoices examined had been accurately processed on the Creditors system on a timely basis.

Payments are only made to eligible suppliers.

To create a new supplier on the Creditors system, a New Creditor Creation Form or full details from an RCT employee needs to be submitted to the Creditors team. For the sample of 10 newly created creditors examined it was established that the request had been correctly submitted, the details of the new creditor had been correctly entered into the Creditors system and each creditor had been set up and verified by two appropriate officers.

Creation, amendment & management of creditor accounts

Each day a report is produced which highlights all bank account amendments made the previous day by the Creditors section following the receipt of a bank details form/ pro-forma being completed (where applicable). A sample of 10 bank account amendments were examined and all had been correctly requested/amended on the system, appropriate evidence had been saved on the system and each had been set up and verified by two appropriate officers.

Electronic authorisation processes & retention of supporting evidence.

All invoices are either physically sent to the Creditors team where they are scanned and saved electronically upon receipt or they are submitted electronically to the Creditors Team for payment. For the 20 invoices sampled, it was established that all had been appropriately authorised and retained electronically on the Creditors system.

Guidance Notes: Remote Working Arrangements.

All staff in the Creditors section have comprehensive procedure notes to follow, however Post Lockdown no new guidance / procedure notes have been developed for the Team to reflect the slight variations in working practices. However, it should be noted as highlighted in 4.2 to 4.5, that audit testing of the changes in working practices has been undertaken and no issues have been identified.

The implementation of the recommendations made within this report will enable Management to enhance the overall control environment further.

No High Priority Recommendations Made

SUMMARY OF RECOMMENDATIONS

REPORT REF. & PRIORITY	FINDING	RECOMMENDATION	IMPLEMENTATION DATE
5.1.1 Low	Guidance notes for Creditors staff have been developed both in house and by Civica the system provider. Since lockdown (March 2020) Creditors staff have mainly worked	Procedure notes should be enhanced to reflect any changes that have been necessary as a result of remote working and shared with all officers which reflect the changes to working practices since	31 July 2021

	<p>remotely, working practices have adapted but no guidance notes have been developed / issued to staff to reflect these changes.</p> <p>For example, the technique used for budget holders to authorise / submit invoices has altered, along with the process introduced by Creditors staff to ensure the invoice can be processed.</p> <p>Note - It is also acknowledged that audit testing of the changes in working practices has been undertaken and no issues have been identified.</p>	lockdown commenced (March 2020).	
--	-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	----------------------------------	--