

APPENDIX 2 – Executive Summaries of reports finalised since last report to September 2020 committee.

Finance System Implementation – Phase 2 ICT Risks (part 2)

Opinion: n/a	Management Letter Issued: 21/12/20
Total:	Priority 1 = 0 Priority 2 = 4
Current Status:	In Progress
Implemented	0
Due not yet actioned	0
Partially complete	0
Not yet Due	4

The Council have now procured a new finance system, which will replace the existing council's finance system from April 2021. Internal Audit is supporting this major programme by reviewing at key stages, the design of the internal control framework. This reports on the work Internal Audit have completed at build stage – phase 2, specifically on the following ICT risk areas:

- Logical Access Security
- User Access Rights
- System Audit Trails

(Previously reviewed ICT risk areas: Data Migration & Cloud Hosting, included in report to September AARC)

Overall Conclusion

The majority of users will access the new system using a web browser, utilising Single Sign-On (SSO) along with Multi-Factor Authentication (MFA). However, there are a small number of users who will need to access the system via a desktop client, and they will login using a local username and password. SSO and MFA will not be used for these users because of technical reasons and cost. The local password policy for desktop users has yet to be agreed but will likely be based on corporate standards which require a minimum 10-character password that does not expire. The new system allows complex passwords to be configured and an account lockout policy to be set, which locks accounts after a specified number of failed logins. These should both be used to further secure the login process for desktop users.

User access levels to menus, workflows and data control have been mapped based on roles that exist within the current finance system for creditors, debtors, general ledger and bank reconciliation. Once access levels have been agreed, they should be formally approved to confirm that they are correct and valid and to also provide a baseline for managing user access going forward. Some testing of user access has been performed during Integrated Systems Testing and we recommend that further specific testing around segregation of duties, authorisations etc is included as part of User Acceptance Testing.

There is a transaction level audit trail in the new system, although we could not find any configurable options for managing the audit trail within the system administration menus. It is therefore not possible to confirm if the audit trail logs changes to system configurations or system security and what level of reporting is available. These areas should all be confirmed prior to the system going live.

Disabled Facilities Grants Processes 2020/21

Overall conclusion on the system of internal control being maintained

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RISK AREAS	AREA CONCLUSION	No of Priority 1 Management Actions	No of Priority 2 Management Actions
A: Policies & Procedures	A	0	2
B: Applications	A	0	2
C: Provision of Works	R	0	4
D: Recovery of Funding	G	0	1
E: Management Information	A	0	3
		0	12

Opinion: n/a	Report Issued: 07/01/21
Total: 12	Priority 1 = 0 Priority 2 = 12
Current Status:	In Progress
Implemented	0
Due not yet actioned	0
Partially complete	0
Not yet Due	12

The Government's budget for the Disabled Facilities Grant, intended to fund the provision of adaptations to disabled persons' homes, has continued to increase over recent years, with Cherwell's allocation rising from £457k in 2015/16 to £1.093m in 2020/21. In 2015/16, CDC agreed a 5-year annual funding commitment from their own budget, topping up the Government's allocation by £375k per year in order to meet demand, however in light of the significant increases to the Government's allocation, this top up was paused from 2018/19. Although large underspends have been reported year-on-year, there has been good progress in managing these, following extension of the Grants Team's capacity and introduction of various discretionary grants. Underspend has therefore decreased from £749k in 2018/19 to £497k in 2019/20. Initial forecasts for 2020/21 projected expenditure to remain at a similar level to the previous year, therefore using up carried forward funding, however due to the significantly reduced activity as a result of Covid-19, an underspend of £490k is now forecast.

In order to utilise the funding to meet growing demand and maximise opportunities to support people in their homes, the audit noted good use of several discretionary grants, introduced to speed up adaptations and ensure clients are supported in the best way possible. These are kept under regular review to ensure they are meeting clients' needs in the best way possible, with the Extended Minor Works Grant recently increased from £5k to £10k to allow an increased number of cases to be put

through a discretionary grant route rather than the slower and more complex mandatory DFG route.

The audit noted the dedicated work of the team to ensure clients' needs are met as effectively as possible, particularly during the ongoing pandemic, having managed staffing vacancies and implementation of a new IT system. Annual figures submitted to the Government show that for 2019/20, a total of 194 grants were completed, successfully helping clients remain independent in their own homes and reducing pressure on social care services and hospitals.

The audit did, however, identify several areas of weakness within the DFG administration and management process, including a lack of team guidance, instances of non-compliance with the Contract Procedure Rules, and, currently, very little financial or performance reporting.

Appropriately authorised policies exist for each type of Disabled Facilities Grant, however the main DFG Policy is dated 2010, with sample testing identifying a number of areas where processes detailed in the policy are not reflective of what is happening in practice. Aside from one flowchart there are also no procedure or process notes within the team, leading to a number of inconsistencies in processes noted during testing, and a risk that grant conditions or Council policies are not complied with. The absence of up to date and complete policies and guidance was acknowledged by the team during the audit, with a 'Disabled Adaptations Policy' being drafted to replace the 2010 DFG Policy, and the intention to produce team guidance in the near future.

Sample testing of 24 adaptations found the assessment part of the process to be generally compliant with expected processes, including the consideration of discretionary grants to allow a more flexible approach, and completion of financial means-tests where applicable. Timeliness of approving completed applications was also found to be within the *Housing Grants, Construction and Regeneration Act's* requirement of 6 months, with it demonstrable that 'urgent priority' cases were being treated as such. While some delays were noted in getting to the 'completed application' stage, the reasons for the delay could be found in Case Manager, with a number due to required planning permission, and others due to delays in clients sending required information.

Instances of non-compliance with the Contract Procedure Rules (CPRs) were also identified during audit testing. 5 adaptations from the sample required 3 quotes in order to be compliant with the CPRs, however all had only obtained 2 quotes, and of the 10 requiring 2 quotes, only 3 were compliant. This issue was also noted during the 2018/19 internal audit of Capital Programme Management, where it was agreed that competitive quotes should be obtained by CDC, or reasons why quotes were not sought should be clearly recorded and subject to approval. Little progress has been made in implementing the agreed action, with the team stating they recognise the need to be compliant, but that flexibility is required in order to deliver their service to a particularly vulnerable client group under sometimes urgent circumstances. Further issues were also noted in terms of contractor use, with analysis of payment records showing over-reliance on one particular contractor, having been awarded 43% of Extended Minor Works Grant adaptations over the past 18 months. While the team maintain the contractor is used because a good working relationship has been developed and quality of work established, over-reliance on one contractor increases the risk performance issues should the contractor become unavailable. It is noted a framework is being developed for the Minor Works element of housing adaptations, which will reduce the risks associated with over reliance on one contractor.

Audit testing found payments to contractors were made promptly and accurately and Housing Improvement Agency (HIA) fees charged appropriately in the majority of

cases. While 50% of cases sampled experienced additional payments when compared to the contractor's original quote, these additions were documented and confirmed as appropriate on Case Manager, the HIA case management system, in all cases. Reconciliations between Case Manager, Civica, and the adaptation's Notice of Approval did however identify one case in which the client's assessed contribution of £356 had not been deducted from the contractor's invoice to CDC, in line with the established process, meaning the client had not paid their contribution. This had not been identified prior to the audit but is now being followed up by the team.

More widely relating to sample testing, the audit noted that despite Case Manager being introduced in April 2019, it is yet to be fully integrated into day to day administration and management of DFGs. Due to reported data integrity issues with financial data held in Case Manager, and a subsequent lack of reliance on reporting, spreadsheets recording finances were initially maintained in parallel with the system, creating additional work for the team. Recognising this, the team stopped using the spreadsheets and have been working to resolve the reporting issues, however the lack of reliance on Case Manager reports means there has been little formal management information or performance reporting developed, and no reconciliations between Civica and Case Manager. Instead, informal catch ups and 1:1s within the team have been used to monitor performance. As the majority of reporting issues have reportedly been resolved, the team hope to utilise system generated reporting going forward, the priority being financial reconciliations, for which a report is already being developed with Finance to allow regular reconciliations between the two systems. The five District Councils and Oxfordshire County Council have also been working to develop a draft set of key performance measures relating to the HIA contract, with a series of measures focusing on the timeliness of DFG adaptations.

Sample testing also identified a lack of consistency in the use of client accounts on Case Manager. Multiple instances were identified where supporting documentation had not been uploaded to Case Manager, examples included client and contractor letters, invoices, confirmation of HIA fees, and completion certificates. While the team were able to provide a number of the missing documents upon request, the majority of client and contractor letters could not be provided. Further testing found various client accounts that have not been kept up to date, including one where confirmation had been received in October 2019 the works would not be going ahead, but is still recorded as active on the system, and 2 where no progress or updates have been made for a number of months and have reportedly been missed by the team. The current lack of performance reporting means issues such as these are not being identified and addressed promptly. It was also noted that in order for the HIA contract key performance measures to be meaningful and accurate, reliance is placed upon the team to update each adaptation's case status promptly. It is therefore important that responsibilities and trigger points for changing the status are clearly communicated and known across the team.

A further offline system was noted in the recording of land charges, which are added to client's properties under certain circumstances to ensure recovery of part of their funding should they sell their property within 10 years of completion of the adaptation. Until very recently this information was recorded on a spreadsheet, as there was no reportable way to record it on clients' accounts. This has now been resolved with it now being possible to record this information on Case Manager, but further work is required to update all client records with their land charge information, to allow monitoring to be carried out in one central place and reduce reliance on offline systems. Sample testing also identified one case where the Local Land Charges Team had not been informed of the land charge requirement upon completion of the works. This had not been identified prior to the audit, however the team have now been informed.

Definition of Internal Audit RAG opinions:

Grading:	G	A	R
Overall conclusion on the system of internal control being maintained	There is a strong system of internal control in place and risks are being effectively managed. Some minor action may be required to improve controls.	There is generally a good system of internal control in place and the majority of risks are being effectively managed. However some action is required to improve controls.	The system of internal control is weak and risks are not being effectively managed. The system is open to the risk of significant error or abuse. Significant action is required to improve controls.