

## APPENDIX 3: Executive Summaries of audits finalised since last update to AARC.

### Implementation of new Finance System - Phase 3 2020/21

Opinion: Green	
Total: 4	Priority 1 = 0 Priority 2 = 4
Current Status:	
Implemented	3
Due not yet actioned	0
Partially complete	0
Not yet Due	1

The Council has implemented a new finance system from April 2021. Internal Audit have supported this major programme by reviewing the design of the future internal control framework prior to go-live. Future internal audit activity is planned for 2021/22 following implementation of the system to provide assurance on effectiveness of the operation of the key financial systems/processes.

#### Overall Conclusion

Our overall conclusion is Green. This is based on the scope of the work undertaken relating to the consideration of the implementation of key system controls.

Throughout the project, Internal Audit have observed strong project management. Issues arising during the course of the project have been identified on a timely basis and there has been a robust process for raising and resolving the issues arising either with the supplier or with colleagues across the Council.

Our key findings at phase 3, are reported below. Issues raised during Internal Audit's previous discussions on the project and in year reports that we have issued, have either been satisfactorily resolved by the Project Team or will be resolved through the management actions agreed. (9 management actions agreed at phase 2 – all 9 management actions have been implemented)

#### Key Findings

Due to changes in the way in which the new system operates in terms of approval levels and substitution arrangements, there is a need to confirm that the current Scheme of Financial Delegation is appropriate and that the policy on substitution arrangements is clear. Once the required approval and substitution processes have been clarified, there will be a need for clear communication to staff over the way in which this will work in the new system, as it will be different from what some had been used to under the old system.

The testing phase of the project has included detailed review of segregation of duties controls. Steps are included in the testing which allow the Project Team to monitor, review and validate the results of this testing. Additional detail will be included in the

Testing Report to the Board over the specific assurance that the testing is able to provide on this key area of system control.

Due to the December staffing re-structure, the current system build is in the process of being reviewed and updated to ensure that cost centres and workflow structures reflect the new structure. This is currently being tested with a view to the new structure being fully updated within the system in time for go live.

## Discretionary Housing Payments and Homeless Prevention Hardship Fund 2020/21

Overall conclusion on the system of internal control being maintained	<b>G</b>
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RISK AREAS	AREA CONCLUSION	No of Priority 1 Management Actions	No of Priority 2 Management Actions
<b>A: Policies &amp; Procedures</b>	<b>G</b>	<b>0</b>	<b>1</b>
<b>B: Applications</b>	<b>G</b>	<b>0</b>	<b>1</b>
<b>C: Payments</b>	<b>G</b>	<b>0</b>	<b>0</b>
<b>D: Management Information and Budget Monitoring</b>	<b>A</b>	<b>0</b>	<b>3</b>
		<b>0</b>	<b>5</b>

Opinion: Green	
Total: 5	Priority 1 = 0 Priority 2 = 5
Current Status:	
Implemented	0
Due not yet actioned	0
Partially complete	0
Not yet Due	5

Discretionary Housing Payments, with a Government allocated budget of £382,842 for 2020/21, and the Homeless Prevention Hardship Fund, with a budget of £20,000 for 2020/21 and funded by the Government's Flexible Homeless Support Grant, are managed by two separate teams within Cherwell District Council, with different processes for assessing eligibility and awarding payments. Despite the split in activities, the audit found the two areas to be working closely to ensure residents are supported effectively and the funds are being used appropriately. Excellent examples were also noted on the Homeless Prevention Hardship Fund side, in which Cherwell District Council worked with other organisations such as Oxfordshire County Council's Children's Social Care Services or local charities, to share costs and support both individuals and families to secure appropriate and safe housing. Policies and procedures available to staff for both Discretionary Housing Payments and the Homeless Prevention Hardship Fund were found to be thorough and accessible, clearly setting out roles and responsibilities and enabling a consistent approach to use of the two funds. Guidance available to the public on Discretionary Housing Payments was also found to be clear, accessible and up to date, although it

was noted the version of the application form available on the Council website has not been updated to reflect recent changes to the form.

In terms of applications, sample testing across both Discretionary Housing Payments and the Homeless Prevention Hardship Fund found applications had been assessed accurately and payments awarded appropriately, with evidence to support both eligibility and the amount paid available in all cases. Applicants had been notified promptly of the outcome of their applications, and review of Academy accounts confirmed those supported by the limited Homeless Prevention Hardship Fund would not have been eligible for support under the Discretionary Housing Payment scheme.

The audit also reviewed a number of appeals against Discretionary Housing Payment decisions, finding all had been reviewed appropriately, promptly, and independent of the officer who made the initial decision. Where the outcome of the appeal had been in favour of the resident, this was found to be as a result of the resident providing additional evidence to demonstrate eligibility or financial hardship, rather than the original decision being overturned. Discretionary Housing Payment overpayments were also found to be well managed. Rather than the Council carrying out reviews to confirm ongoing eligibility, responsibility is placed on claimants to notify the Council of any changes that may affect their entitlement. This is clearly communicated to them throughout the application and award process in an effort to reduce overpayments. Sample testing of five overpayments that had occurred found recovery had been carried out appropriately in all cases.

All Homeless Prevention Hardship Fund applications are individually authorised in line with established sign off limits, as demonstrated during sample testing, meaning all payments are quality assured to ensure use of the fund is appropriate. However it was noted that on the Discretionary Housing Payments side, while delegation of the administration of Discretionary Housing Payments to one officer has allowed a fair and consistent approach to the assessment of applications, there is currently no quality checking process in place to provide assurance over the accuracy and integrity of decisions and payments made.

While appropriate budget monitoring processes were found to be in place for each of the housing support funds, issues were noted with the Government data returns for Discretionary Housing Payments, which are required at several points throughout the year. Data returns are split into two; mandatory returns providing figures on expenditure and the number of residents supported, and voluntary returns providing information on the circumstances under which payments were awarded. While it could be demonstrated that both sets of returns had been completed and, in the case of the mandatory returns, Section 151 Officer authorisation obtained, it was found that expenditure figures reported at each point in the year did not reconcile across the two returns.

## Revenue & Benefits Internal Audit Report 2020/21

Overall conclusion on the system of internal control being maintained	A
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RISK AREAS	AREA CONCLUSION	No of Priority 1 Management Actions	No of Priority 2 Management Actions
A: Policies & Procedures	G	0	2
B: Revenues (Council Tax & Business Rates)	A	0	3
C: Benefits / Payments	G	0	1
D: Debt Recovery	R	0	1
E: Management Information & Quality Assurance	A	0	2
		0	9

Opinion: Amber	
Total: 9	Priority 1 = 0 Priority 2 = 9
Current Status:	
Implemented	0
Due not yet actioned	0
Partially complete	0
Not yet Due	9

This audit of Revenue & Benefits was carried out over the second half of 2020/21, with sample testing focusing on work carried out in 2020. It is therefore acknowledged that as a result of Covid-19, CSN Resources, who are responsible for delivering a Revenue and Benefits service to Cherwell District Council and South Northants Council, has been under immense pressure over this period. Despite this they have ensured local businesses and residents are supported as effectively as possible via the administration of various Government schemes, including Business Grants and Test and Trace Self Isolation Support Payments, whilst also experiencing an increase in applications for financial support via Housing Benefit, Council Tax Reduction, and Business Rates relief.

It is acknowledged that this has additionally been a time of uncertainty over the future of CSN Resources due to the establishment of a unitary structure in Northamptonshire, the novation of CSN from South Northants Council to West Northants Council and the lack of clarity of direction the new council wishes to take. There have been multiple vacancies across the service from Officer level to Team Leader, meaning over the past year resource has been re-allocated to meet demand in priority areas. As a result of this limited capacity, some controls that are reportedly usually in place have not been actioned regularly, as identified in this report.

### Policies & Procedures

A review of policies, procedures, and guidance available to both the team and the public confirmed that overall, guidance is clear, accessible, up to date, and that responsibilities are clearly defined and understood. However, one area, the approval and processing of card refunds, was found not to be covered by current guidance. It

was also found that while fraud awareness training has been provided to staff, the team could benefit from financial safeguarding training, in order to be aware of, and know how to report, indicators of safeguarding concerns such as financial abuse.

### **Revenues**

Sample testing of both new Council Tax and new Business Rate accounts found applications had been dealt with promptly and accurately, and review of a sample of weekly reports from the Valuation Office showed changes to Council Tax bandings and businesses' rateable values have been actioned and reconciled to Academy promptly.

Council Tax discounts were also reviewed, noting errors in charging in five cases out of the 25 sampled. Three of these were a result of the wrong dates being applied to the accounts, resulting in two residents being overcharged and one being undercharged. In the other two cases, incorrect discounts had been applied. All five of these issues were put down to human error when queried, with four now corrected on Academy (with refunds/credits issued where necessary), and the final case being followed up with the resident. Similar issues were also noted with the sample testing of relief applied to Business Rates.

A system error was also identified in which notification letters sent to 28 residents following Council Tax discounts being awarded did not include any information relating to the discount. The templates have now been fixed by the Systems Team who were previously unaware of the issue.

While sample testing of Council Tax and Business Rates refunds found refunded values had been calculated accurately and returned via the correct method, delays of up to three months were noted between Officers notifying the resident or business that a refund was due, and requesting that refund on the system.

### **Benefits**

In relation to Benefits, sample testing of both new Housing Benefit applications and change in circumstances found the majority of cases had been processed accurately and promptly. Exceptions were noted in four cases however, one of which was an officer error resulting in an overpayment of Housing Benefit. This is now under recovery via a benefit deduction. The other exceptions were due to typos or established processes not being followed in full.

Other testing related to Benefits confirmed the adequacy of controls in place to process and reconcile payments, and reviewed the positive progress made against the Housing Benefit Subsidy Improvement Plan. Sample testing of Housing Benefit appeals found all had been dealt with appropriately.

### **Debt Recovery**

The audit did not undertake sample testing of Council Tax and Business Rates debt recovery (due to Covid-19 meaning Courts were closed for the majority of 2020), instead confirming appropriate controls are in place to identify both new and defaulted debt, and to ensure any payments made are coded to the correct account.

Testing was carried out on Housing Benefit Overpayments (HBOPs). Due to Covid-19, HBOP recovery was suspended from March to August 2020, and CSN Resources' two HBOP Officers, who are responsible for both Cherwell District Council and South Northants Council overpayments, were partially reassigned to

other areas throughout the year, reducing capacity to manage HBOPs. Acknowledging this, testing still identified weak controls in place to effectively monitor and follow up on outstanding debt, and various issues were found with the accuracy and timeliness of write offs.

From sample testing of 20 outstanding overpayments and 10 write offs, inaccuracies were found with the recovery statuses assigned to the debts. While weekly status reports would usually pick up on some of the issues identified, it was reported that due to capacity issues, these have not been run since October 2020. It was noted that in the cases sampled where the debt status appears as though recovery is active, the debt would not show up on the status reports and would therefore not be picked up by Officers. It was reported there are exception reports that can focus on particular problem areas however these have also not been run recently or routinely due to the increased workload as a result of Covid.

Communication with claimants regarding their overpayments was also found to be inconsistent. In three of the cases sampled, claimants were deemed no longer liable for their debt (either as a result of appeal or reassessment), however no evidence could be provided to Internal Audit to confirm the individual claimants had been informed of this.

Weaknesses were found with the timeliness and appropriateness of HBOP write offs. While no write offs have been processed in the past year due to Covid, a control weakness in the reconciliation and sign off process for write offs found cases put for write off dating back to 2017 which were not written off until January 2020 as, while the write off request form was completed, the case had not been coded for write off on Academy, meaning it was not picked up on the batch reports run to identify pending write offs. There are more recent examples, with write off forms for two claimants completed in the past 3 months, but the cases not coded for write off on Academy, meaning they will not be picked up when the next Academy write off report is run.

Further analysis carried out on all outstanding Housing Benefit Overpayments found multiple debts that, in line with best practice and the Council's Write Off Procedures, should be put forward for write off. This includes 196 claimants with debt that is uneconomical to recover (i.e. below £100 per claimant), only 5 have been put forward for write off.

In terms of appropriateness of write offs, one case was identified where a claimant, who had been making regular repayments, passed away, but no attempt was made to contact the executor of the estate, as set out in the Council's Write Off Policy. This case also highlighted an error in the application of the write off approval process, with the incorrect approval level sought, leaving part of the amount owed showing as recoverable on the system. A further case was identified in which the authorised write off was unnecessary as it was not an unrecoverable debt resulting from a Housing Benefit Overpayment.

## **Management Information & Quality Assurance**

The audit noted excellent results against the four key performance indicators in place across the Revenue & Benefits Service, despite the additional pressures experienced due to Covid. Review of the reporting methods used did, however, identify minor errors in the figures reported.

In terms of management information, it was noted that while reporting exists on Revenue collection and timeliness of Benefits processing, there is no monitoring or reporting on total outstanding debt levels for Council Tax, Business Rates, or Housing Benefit Overpayments, either corporately or within the Revenue & Benefits Service. While monthly updates are in place for HBOPs, this focuses on activity that month, with no information provided on overall overpayments outstanding.

The audit also reviewed the quality checking processes in place to provide assurance on the accuracy and integrity of claims processed. While quality checks, which involve sample checking a percentage of claims processed against set criteria, were found to be taking place and being followed up appropriately for the Entitlements Team, quality checking on the Revenues side has not taken place since October 2020 for Revenues Officers, and February 2020 for Housing Benefit Overpayment Officers. This was attributed to increased workload pressure as a result of Covid-19, with the Performance Officer usually responsible for carrying out these checks being involved in the grants work, and a number of the Revenue Officers having also been reassigned to business grants. Where quality checks have been carried out, these have been focused on new or temporary staff.

## Payroll 2020/21

Overall conclusion on the system of internal control being maintained	A
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RISK AREAS	AREA CONCLUSION	No of Priority 1 Management Actions	No of Priority 2 Management Actions
Policies, Procedures, Roles & Responsibilities	A	0	5
Starters and Leavers	G	0	0
Variations, Adjustments, Deductions & Additions to Pay	A	0	4
Payroll Control	G	0	0
Management Information	N/A	N/A	N/A
IT Controls	A	0	5
		0	14

Opinion: Amber	
Total: 14	Priority 1 = 0 Priority 2 = 14
Current Status:	
Implemented	3
Due not yet actioned	0
Partially complete	0
Not yet Due	11

The audit of Payroll identified strong arrangements in place to ensure the accuracy, timeliness, and legitimacy of payments. Starters and leavers were generally found to be processed promptly, with variations to pay also being applied accurately. The

audit also found effective controls in place to ensure the integrity of payment data prior to payment runs, as well as independent authorisation of the payment file.

Areas where the need for improvements were identified include policies and procedures, with a number of policies joint with South Northants Council, for which Cherwell no longer provide a payroll service (a full payroll service was provided for SNC until 31 March 2021 and so was in place at the time of audit testing), and having not been reviewed for up to nine years. Management information was not covered as part of the audit, although it was noted improvements could be made in some areas, such as reporting on overtime and monitoring of temporary contracts.

iTrent, the new HR and Payroll system, went live in February 2020, with a strategic review also carried out by Midland HR, the supplier of iTrent, to identify any improvements or amendments. The findings mainly relate to the HR side and are currently being worked through by management. A review of IT controls carried out as part of this audit has identified improvements for the areas of security and access.

### **Policies, Procedures, Roles & Responsibilities**

Review of all policies and procedures found appropriately authorised documents exist for key payroll processes, and guidance is available to staff and managers via the intranet. Roles and responsibilities were found to be clearly defined and established in relation to payroll processes. It was however noted that the policies, a number of which are joint between CDC and SNC, have not been reviewed in up to nine years. Several gaps in guidance were identified, including how managers should process leavers and how Payroll should arrange recovery of outstanding balances (e.g. training fees) or overpayments when an employee is leaving / has left the Council.

### **Starters and Leavers**

Sample testing of starters and leavers found processes are generally being completed promptly and accurately. The new starters sampled had been appropriately authorised, with initial salary payments correct in all cases. The majority of contracts had been issued on day one as a minimum, although one exception was noted in which the contract was issued nine days after the employee's start date.

In terms of leavers, 8/10 sampled had been processed promptly. For the two exceptions, leaver forms were completed by managers retrospectively, four and 20 days after the employee's leaving date. Neither of these delays resulted in overpayments, although the case with a four-day delay did result in an underpayment to the employee, who was a casual worker, as the holiday pay had not been calculated for the final month. A further underpayment was identified during testing, due to a casual employee's final month's pay not being pulled through after the employee moved to a permanent role. These had both been identified and corrected prior to the audit, and it was reported that as the underpayments were a result of weaknesses in the processing of casual employee leavers, additional checks have since been implemented.

With the exception of the case referred to above, annual leave calculations for leavers were found to be carried out correctly, and in the two cases where it was identified money was owed to the Council (e.g. training fees), details were included in the employees' resignation confirmation letters and the amounts were recovered in pay prior to the leaving dates.



## **Variations, Adjustments, Deductions & Additions to Pay**

Sample testing carried out as part of the audit found the majority of changes to pay to have been authorised and calculated correctly, with resulting payments made accurately. This included both voluntary and mandatory deductions, changes and updates to tax codes, implementation of the pay award, and various variations to pay, for example maternity leave, unpaid leave, and statutory sick pay.

The audit identified weaknesses with honorarium payments, with misunderstandings by managers in the completion of the contract change form for two of the requests sampled, resulting in the vacancy management process approving incorrect amounts or grades. In terms of payments made, both errors had been identified and corrected prior to the audit, one before the payment was made and one the following month, with a back payment to address the underpayment that had occurred. It was noted that the honorarium calculation corrected prior to payment had not been back through the approval process.

Instances were noted in which some employees claimed a high level of overtime throughout the 2020/21 financial year. While monthly overtime reports are shared with HR Business Partners, these only provide the data for that month, meaning total payments across the year is not readily accessible for monitoring and oversight.

It was highlighted to Audit that the monitoring of temporary contracts and temporary contract changes is currently a manual process, due to issues with workflows within iTrent preventing automated reporting on contracts and changes that are approaching their end dates.

## **Payroll Control**

The audit noted effective processes in place to ensure the accuracy and integrity of payment data prior the payment run. Error, warning, and variance reports are all reviewed by the Payroll Team as part of the monthly payroll checklist with any issues investigated and resolved. Duplicate checks are also carried out, along with visual sense checks, before being sent to the Payroll Manager for a final check. An independent review is then carried out by Finance, checking the BACS file, Gross to Net report, iTrent reports, and the BACS control account, and doing a final sense check of the figures before authorising the payment.

Once payroll has run, processes are in place to ensure the accuracy of the BACS run and investigate any errors or failed payments. Finance also carry out reconciliations between iTrent / payroll, Unit4, and the General Ledger.

Following the implementation of Unit4, new reports are being developed to enable reporting on salaries. At the time of audit testing this had not yet been rolled out, but it is intended managers will receive cost centre manager training and be able to run reports for their business area to allow oversight and monitoring of payroll costs.

## **IT Controls**

The new iTrent HR and Payroll system is a cloud-based solution. There is a Service Level Agreement with the supplier which covers roles and responsibilities, including taking regular backups of the system. The payroll system comes with an audit trail facility and testing confirmed that there is a comprehensive level of auditing in place. The following IT control weaknesses / risks were identified:

- Users on the internal network are authenticated to the system using single sign-on, i.e. based on their network login credentials, although it is possible to

get access to the system via a web portal. There is web portal access to the live, test and development environments. The web portals are accessible outside the corporate network but are not subject to multi-factor authentication, which presents an increased risk of unauthorised access;

- There are four users with system administrator level access, which is high given the small number of overall users within HR and Payroll and could mean that some have a higher level of access than they need (it has been reported that this will be addressed as part of the strategic review);
- It is not known if the password to the default system administrator account has been changed and hence there is a risk that it could be set with a default password, which could be used to gain unauthorised access;
- There is no policy for managing archived audit trail data, which could impact on free space within the database; and
- The Service Level Agreement has been signed on behalf of the Supplier but not the Council to confirm it agrees to all defined terms and service levels.

**Definition of Internal Audit RAG opinions:**

<b>Grading:</b>	<b>G</b>	<b>A</b>	<b>R</b>
<b>Overall conclusion on the system of internal control being maintained</b>	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.