

# Gloucester City Council

<b>Meeting:</b>	<b>Audit &amp; Governance Committee</b>	<b>Date:</b>	<b>21 September 2015</b>
<b>Subject:</b>	<b>Internal Audit Plan 2015/16 – Monitoring Report</b>		
<b>Report Of:</b>	<b>Audit, Risk &amp; Assurance Manager</b>		
<b>Wards Affected:</b>	<b>Not applicable</b>		
<b>Key Decision:</b>	<b>No</b>	<b>Budget/Policy Framework:</b>	<b>No</b>
<b>Contact Officer:</b>	<b>Terry Rodway, Audit, Risk &amp; Assurance Manager</b>		
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<b>Appendices:</b>	<b>1: List of the audits completed as part of the 2015/16 Internal Audit Plan : April 2015 – August 2015</b>		

## FOR GENERAL RELEASE

### 1.0 Purpose of Report

- 1.1 To inform Members of the audits completed as part of the agreed Internal Audit Plan 2015/16.

### 2.0 Recommendations

- 2.1 Audit & Governance Committee is asked to **RESOLVE** that Members endorse the audit work undertaken to date, and the assurance given on the adequacy of internal controls operating in the systems audited.

### 3.0 Background and Key Issues

- 3.1 At the Audit & Governance Committee meeting held on 16<sup>th</sup> March 2015, Members approved the Internal Audit Plan 2015/16. In accordance with the Public Sector Internal Audit Standards, this report details the outcomes of internal audit work carried out in accordance with the approved Plan.
- 3.2 This report includes details of the audits completed during the period April 2015 to August 2015. The performance monitoring information is based on the number of completed audits vs. the number of planned audits (i.e. an output measure). The indicator for the 5 month period April to August 2015 is 80% (8 out of 10 planned audits completed) compared to a target of 90% (9 out of 10 planned audits completed).
- 3.3 Details of the audits completed, together with the overall conclusion reached on each audit, have been provided in **Appendix 1**. This should provide

Members with a view on the adequacy of the controls operating within each area audited.

#### **4.0 Results from Follow-Up Audits**

4.1 It has previously been agreed that Members would be notified of all 'Rank 1 Fundamental' recommendations that have not been fully implemented within the agreed timescale. There were none identified during the period covered by this report.

#### **5.0 NFI Data Matching Exercise**

5.1 On a cyclical basis the Audit Commission has undertaken a data-matching exercise known as the National Fraud Initiative (NFI). Data from a wide range of public sector organisations is matched, with the primary intention of discovering cases of fraud. Organisations from which data is collected for matching purposes include:

- Local authorities
- NHS bodies
- Police authorities
- Central Government departments and agencies

#### **5.2 Data types used in the matching exercise include:**

- Housing Benefit
- Payroll
- Creditor payments
- Housing rents
- Licensing
- Insurance claims

5.3 The latest NFI exercise produced a total of 31 'High Quality' reports for GCC, of which 14 related to Housing Benefit matches. A 'High Quality' report includes data matches with matching National Insurance Numbers, or the same name, date of birth, and address.

#### **5.4 Report details:-**

- 14 reports related to Housing Benefit – the matches included examples of claimants who are on the payroll of different organisations; claimants in receipt of benefits from more than one authority; claimants who may be ineligible for Housing Benefit as they are in receipt of a student loan, claimants in receipt of a pension, and, claimants who are a licence holder. These matches are currently being investigated by a Civica Investigations Officer.
- 4 reports related to Housing Tenancies – the matches included individuals who appeared to be resident at two different addresses. The cases were investigated by Internal Audit. In the majority of cases there was a short period of overlap between two tenancies for which

valid reasons were provided. For the remaining cases, testing identified that these were a result of an incorrect National Insurance Number being recorded within the housing system for which assurances have been provided that actions have now been taken to rectify these inaccuracies.

- 2 reports related to Payroll – the matches included individuals paid by GCC via the payroll and the creditors system, employees with more than one post on the payroll, and, individuals paid by two organisations. All cases were investigated by Internal Audit and no evidence of fraud identified.
- 10 reports related to Creditors – the matches included duplicate creditor details, possible duplicate payments to the same creditor, and, possible VAT overpayments. Testing on a sample basis was carried out by Internal Audit with no evidence of fraud identified.
- 1 report related to Licences - the match identified an individual who may not have been entitled to a licence because of their immigration status. Confirmation was received from the Home Office that the individual had an 'unrestricted right to work in the UK'.

5.5 Following the abolition of the Audit Commission, the Cabinet Office NFI Team is continuing to operate the NFI data matching service.

## **6.0 Alternative Options Considered**

6.1 No other options have been considered as the purpose of the report is to inform the Committee of the audit work undertaken to date, and the assurance given on the adequacy of internal controls operating in the systems audited.

## **7.0 Reasons for Recommendations**

7.1 The Public Sector Internal Audit Standards state that the Audit, Risk & Assurance Manager should report on the outcomes of internal audit work, in sufficient detail, to allow the Committee to understand what assurance it can take from that work and/or what unresolved risks or issues it needs to address.

7.2 The Standards also require the Audit, Risk & Assurance Manager to communicate the impact of resource limitations on the Internal Audit Plan to senior management and the Audit & Governance Committee.

## **8.0 Future Work and Conclusions**

8.1 The role of the Audit & Assurance service is to examine, evaluate and report upon the adequacy of internal controls. Where weaknesses have been identified, recommendations have been made to improve the level of control.

## **9.0 Financial Implications**

- 9.1 By providing assurance on the correct operation of controls across the Council the Internal Audit function serves as a management tool to minimise financial risk where possible.
- 9.2 If data matching on housing benefits uncovers any examples of overpayments the Council will look to recover any overpayments.

(Financial Services have been consulted in the preparation this report).

## **10.0 Legal Implications**

- 10.1 Legal services will assist officers to address the Limited and Unsatisfactory levels of assurance indicated in the audits, particularly:
- Community Support Grants- reviewing the Service Level Agreements and grant conditions;
  - Licences- Fees and Charges;
  - Choice Based Lettings- Data Protection and information security issues

(One Legal have been consulted in the preparation this report).

## **11.0 Risk & Opportunity Management Implications**

- 11.1 Delays in response to acceptance/implementation of audit recommendations lead to weaknesses continuing to exist in systems, which has the potential for fraud and error to occur.

## **12.0 People Impact Assessment (PIA):**

- 12.1 A requirement of the Accounts & Audit Regulations 2011 is for the Council to undertake an adequate and effective internal audit of its accounting records and of its system of internal control. The internal audit service is delivered by the in house team. Equality in service delivery is demonstrated by the team being subject to, and complying with, the Council's equality policies.
- 12.2 The PIA Screening Stage was completed and did not identify any potential or actual negative impact, therefore a full PIA was not required.

## **13.0 Other Corporate Implications**

### Community Safety

- 13.1 There are no community safety implications arising out of the recommendations in this report.

### Sustainability

- 13.2 There are no sustainability implications arising out of the recommendations in this report.

### Staffing & Trade Union

13.3 There are no staffing and trade union implications arising out of the recommendations in this report.

#### **Background Documents:**

Internal Audit Plan 2015/16  
Public Sector Internal Audit Standards

**Appendix 1: List of the audits completed as part of the 2015/16 Internal Audit Plan**

Audit	Comments	Level of Assurance
Council Tax Opening Debit	<p><u>Audit Objective</u> The objective of the audit was to ensure the following controls are in place and operating effectively:-</p> <ul style="list-style-type: none"> <li>• The Council Tax Base has been correctly calculated;</li> <li>• Charges for each band have been correctly apportioned;</li> <li>• Charges have been appropriately authorised</li> <li>• Charges have been accurately input into the billing system</li> </ul> <p><u>Period of Audit</u> The audit covered the setting of the charges for the 2015/16 financial year.</p> <p><u>Audit Opinion</u> On the basis of the work carried out during this audit review, the audit opinion is that there is a <b>Good</b> level of assurance on the adequacy and operating effectiveness of controls in place for all areas covered by the audit.</p>	Good
Non-Domestic Rates Opening Debit	<p><u>Audit Objective</u> The objective of the audit was to ensure the following controls are in place and operating effectively:-</p> <ul style="list-style-type: none"> <li>• Appropriate notifications have been received advising of the NDR multipliers and transitional relief rates for the current financial year;</li> <li>• The advised NDR multipliers and transitional relief rates have been accurately input into the billing system.</li> </ul> <p><u>Audit Opinion</u> On the basis of the work carried out during this audit review, the audit opinion is that there is a <b>Good</b> level of assurance on the adequacy and operating effectiveness of controls in place for all areas covered by the audit.</p> <p><u>Period of Audit</u> The audit covered the setting of the charges for the 2015/16 financial year.</p>	Good

Audit	Comments	Level of Assurance
Disabled Facility Grants	<p><u>Audit Objective</u> The objective of the audit was to ensure the following controls are in place and operating effectively:-</p> <ul style="list-style-type: none"> <li>• Clear and up to date guidelines are available and followed for the award of each type of grant available.</li> <li>• Appropriate documentation exists in respect of each grant application.</li> <li>• Where applicable, agreed contributions have been received from applicants and any such payments are monitored.</li> <li>• Officers involved with grant applications have declared any interest as per Council policy.</li> </ul> <p><u>Period of Audit</u> The period of the audit covered transactions undertaken between April 2014 and May 2015.</p> <p><u>Audit Opinion</u> On the basis of the work carried out during this audit review, the audit opinion is that there is a <b>Good</b> level of assurance on the adequacy and operating effectiveness of controls in place for all areas covered by the audit.</p>	Good
Members Allowances	<p><u>Audit Objective</u> The objective of the audit was to ensure the following controls are in place and operating effectively:-</p> <ul style="list-style-type: none"> <li>• The Members Allowance Scheme is appropriately updated and approved;</li> <li>• Payments to Members are in line with the current Scheme, in correct amounts and at the proper frequencies;</li> <li>• Travelling and subsistence claim payments are made only for proper duties, for correct amounts and in a timely manner;</li> <li>• Members' Allowances are published on the Council website and the published data is complete, accurate &amp; up to date;</li> <li>• Budgetary responsibility is assigned for Members' Allowances and satisfactory budgetary control is exercised</li> </ul> <p><u>Period of Audit</u> The period of the audit covered the period April 2015 to July 2015.</p>	Satisfactory

Audit	Comments	Level of Assurance
	<p><u>Audit Opinion</u>  On the basis of the work carried out during this audit review, and the number and classification of recommendations identified through audit testing the audit opinion is that there is a <b>Satisfactory</b> level of assurance on the adequacy and operating effectiveness of controls in place for all areas covered by the audit.</p> <p>The main areas of weakness identified, for which three Rank 2 'Medium Priority' recommendations have been made, relate to:-</p> <ul style="list-style-type: none"> <li>• Relevant Members should be notified where incorrect Annual Allowance Statements have been issued – to confirm the identified discrepancy;</li> <li>• The identified expenses overpayment should be corrected through payroll;</li> <li>• Payroll should be re-notified of the dependents care expenses claim process, to prevent further duplicate claim payments. In addition, dependents care expenses processed within June 2015 should be reviewed to ensure that payment duplication has not occurred.</li> </ul> <p>The recommendations made as a result of this audit have been agreed by management with the latest implementation date for the Rank 2 recommendations being August 2015.</p>	
Community Support Grants	<p><u>Audit Objective</u>  The objective of the audit was to ensure the following controls are in place and operating effectively:-</p> <ul style="list-style-type: none"> <li>• There is an up to date strategy in place for the Community Support Grants scheme;</li> <li>• Suitable guidance is available to assist with making grant applications;</li> <li>• Eligibility criteria has been set and is verified;</li> <li>• The assessment process can be readily demonstrated;</li> <li>• Payments are in line with the grant awards;</li> <li>• Expected performance is defined and monitored;</li> <li>• Budgets are monitored.</li> </ul> <p><u>Period of Audit</u>  The period of audit covered awards made for the 2014-15 and 2015-16 financial years</p>	Good/ Satisfactory/ Limited



Audit	Comments	Level of Assurance
	<p><u>Audit Opinion</u>  On the basis of the work carried out during this audit review, and the number and classification of recommendations identified through audit testing the audit opinion is that there is a <b>Good</b> level of assurance on the adequacy and operating effectiveness of controls in place for 'strategy and guidance'; there is a <b>Satisfactory</b> level of assurance on the adequacy and operating effectiveness of controls in place for 'eligibility', 'payments', 'monitoring of grant conditions', and 'budget monitoring'. There is a <b>Limited</b> level of assurance on the adequacy and operating effectiveness of controls in place for 'assessment and award process'.</p> <p>The main areas of weakness identified, for which ten Rank 2 'Medium Priority' recommendations have been made, relate to:-</p> <ul style="list-style-type: none"> <li>• Consideration should be given to verifying an applicant's compliance with all elements of the Community Grants eligibility criteria during the assessment process in order to ensure that awards are only made to eligible applications.</li> <li>• Documentation demonstrating compliance with the 'Eligibility' criteria is to be retained and stored in a way that facilitates ease of retrieval.</li> <li>• Award notification letters require proofing prior to issue in order to ensure that they are an accurate representation of the award decision.</li> <li>• Actions are required to ensure that all records are an accurate reflection of the award values.</li> <li>• Documentation demonstrating compliance with the 'Assessment' criteria should be retained and stored in a location which facilitates ease of retrieval.</li> <li>• The Service Level Agreements require review and proofing prior to issue in order to ensure that they are an accurate representation of the agreement.</li> <li>• Actions are required to ensure that payments are requested from the correct cost centre and account code.</li> <li>• The grant conditions document is to be reviewed and updated as required prior to the next round of Community Grant applications.</li> <li>• Consideration should be given to tailoring the monitoring of SLA's based upon the award value and the risk of non-achievement of targets.</li> <li>• The Youth Grant Budget will require review and</li> </ul>	

Audit	Comments	Level of Assurance
	<p>amendment as required to ensure that the 2014-15 payment allocation error does not adversely affect the 2014-16 two year budget.</p> <p>The recommendations made as a result of this audit have been agreed by management with the latest implementation date being October 2015.</p>	
Licences	<p><u>Audit Objective</u> The objective of the audit was to ensure the following controls are in place and operating effectively:-</p> <ul style="list-style-type: none"> <li>• Guidance – Confirm that guidance has been compiled to assist with the completion and processing of licence applications and that it is in accord with regulatory provision</li> <li>• Fees – Confirm the fees applicable to the current licences and that set process for calculating and agreeing these fees has been applied.</li> <li>• Applications – Confirm that applications have been handled, processed, and issued in line with current process.</li> <li>• Income – Confirm that income has been appropriately accounted for from receipt through to banking, with receipts being provided as required.</li> <li>• Processing times – Confirm that processing times are being adhered to</li> <li>• Complaints – Confirm that complaints are dealt with in a timely and appropriate manner and to establish whether entries within the complaints module in Uniform are linked to the Licences module for ease of reference.</li> <li>• Declaration of interests – Confirm that Officers are declaring any financial or relationship interests which could be seen as conflicting with Council interests</li> </ul> <p><u>Period of Audit</u> The period of the audit covered activity relating to the 2014/15 and 2015/16 financial years</p> <p><u>Audit Opinion</u> On the basis of the work carried out during this audit review, and the number and classification of recommendations identified through audit testing the audit opinion is that there is a <b>Good</b> level of assurance on the adequacy and operating effectiveness of controls in place for all areas covered by the audit except for the controls relating to 'Declaration of</p>	Good/ Satisfactory/ Limited

Audit	Comments	Level of Assurance
	<p>Interests' for which a <b>Satisfactory</b> level of assurance has been provided, and the controls relating to 'Fees' for which a <b>Limited</b>' level of assurance has been provided.</p> <p>The main areas of weakness identified, for which three Rank 2 'Medium Priority' recommendations have been made, relate to:-</p> <ul style="list-style-type: none"> <li>• The Fees &amp; Charges shown on the Licences &amp; Permits section of the GCC website require review and amendment in order to ensure that they are in line with the 2015/16 Fees &amp; Charges document and / or regulatory provision should there have been any amendments since the Fees &amp; Charges document was agreed;</li> <li>• Actions are required to ensure that all renewal forms advise the applicant of the correct value in line with the agreed charge within the 2015/16 Fees &amp; Charges document and / or regulatory provision should there have been any amendments since the Fees &amp; Charges document was agreed;</li> <li>• The identified instances where the 2015/16 Fees &amp; Charges document contains double entries for licences where the values are not aligned, are to be relayed to the team with clarification being provided as to which are the agreed current charges.</li> </ul> <p>The recommendations made as a result of this audit have been agreed by management with the latest implementation date being September 2015.</p>	
Choice Based Lettings (CBL)	<p><u>Audit Objective</u></p> <p>The objective of the audit was to ensure the following controls are in place and operating effectively:-</p> <ul style="list-style-type: none"> <li>• Duplicate applications are detected and cancelled;</li> <li>• Applications are processed by the appropriate local authority within the Gloucestershire Home-seeker scheme;</li> <li>• Applicants are correctly assessed and banded in accordance with the Gloucestershire Home-seeker Policy;</li> <li>• Suspended applications are monitored and appropriate action taken;</li> <li>• Applications 'awaiting decision' are allocated to the relevant officers, and this is monitored;</li> <li>• Letting decisions are made appropriately and</li> </ul>	Satisfactory/ Unsatisfactory

Audit	Comments	Level of Assurance
	<p>communicated to applicants;</p> <ul style="list-style-type: none"> <li>• Gloucestershire Home-seeker decision review requests are completed in line with the Gloucestershire Home-seeker Policy;</li> <li>• Access and privilege rights to the CBL system are appropriately restricted and designated;</li> <li>• Local scheme performance is monitored against the aims of the Policy and the Council.</li> </ul> <p><u>Period of Audit</u> The period of the audit covered a review of the processes and controls in place for the 2015/16 financial year up to the point of audit. The audit work was completed in July 2015.</p> <p><u>Audit Opinion</u> On the basis of the work carried out during this audit review, and the number and classification of recommendations identified through audit testing the audit opinion is that there is a <b>Satisfactory</b> level of assurance on the adequacy and operating effectiveness of controls in place for the 'Application and Decision process' and 'Performance Management', but an <b>Unsatisfactory</b> level of assurance has been provided on the adequacy and operating effectiveness of the controls relating to 'access and privilege rights'.</p> <p>The main areas of weakness identified, for which three Rank 1 'High Priority' recommendations, and eight Rank 2 'Medium Priority' recommendations have been made, relate to:-</p> <ul style="list-style-type: none"> <li>• CBL system access should be immediately disabled for the 8 leaver cases identified within the audit review;</li> <li>• The Homelessness &amp; Housing Advice Service Manager (H&amp;HASM) should ensure that strengthening of the CBL system user access controls is required by the Management Board and Operations Group when update of the CBL system is completed;</li> <li>• Until a new CBL system is procured, the H&amp;HASM should complete a regular review (e.g. monthly) of Gloucester system user accounts to ensure that users are appropriate current officers;</li> <li>• The H&amp;HASM should consider improvement of controls over new user set up – including a new user set up form requiring authorisation, to ensure</li> </ul>	

Audit	Comments	Level of Assurance
	<p>that only relevant authorised officers are given appropriate access within the CBL system and have signed up to relevant Data Protection/Information Security requirements;</p> <ul style="list-style-type: none"> <li>• The H&amp;HASM should raise at an appropriate Partnership level that new user set up and leaver de-registration controls should be considered for implementation Partnership wide, to reduce the risk of inappropriate release of GCC applicant data;</li> <li>• CBL assessing officers should be reminded that assessment and banding letters should be formally issued, following completion of assessment &amp; banding;</li> <li>• Training of Homelessness team officers should be completed to ensure that the Gloucestershire Home-seeker Policy criteria for application suspension, annual renewal and cancellation is understood and appropriately applied;</li> <li>• The H&amp;HASM should ensure that all stage 1 decision review requests are processed in line with the Gloucestershire Home-seeker Policy and Appeals Process guidance. Where the H&amp;HASM is aware that additional review time will be required (due to workload/backlog), the applicant should be contacted within the initial 14 days review criteria to be informed of the Council position and expected timing for decision;</li> <li>• CBL targets for housed applicants should be reviewed in line with the agreed criteria (and updated where required) to ensure that the target percentages are reasonable, based on current housing supply and demand within Gloucester, and able to support the goal of balanced communities. The review should be evidenced by appropriate, authorised audit trail;</li> <li>• The H&amp;HASM should ensure that data and document retention and destruction are considered by the Management Board and Operations Group when update of the CBL system is completed i.e. ensure that the system supports destruction of an applicant's core information and supporting documentation, where applicable and permitted, while maintaining key performance audit trail within the system;</li> <li>• At a service level, the Council's CBL data retention and destruction policy should be reviewed and updated to ensure that it is in line with regulatory and operational requirements.</li> </ul>	

Audit	Comments	Level of Assurance
	The recommendations made as a result of this audit have been agreed by management with the latest implementation date being October 2015, except for the recommendations relating to data retention, as management have stated that this is linked to the procurement of a new system which is due to be completed within 2015/16 for 2016/17 implementation.	

The report includes an audit opinion on the adequacy of controls in the area that has been audited, classified in accordance with the following descriptions:-

CONTROL LEVEL	DESCRIPTION
<b>Good</b>	Robust framework of controls – provides substantial assurance. A few minor recommendations (if any) i.e. Rank 3 (Low Priority).
<b>Satisfactory</b>	Sufficient framework of controls – provides satisfactory level of assurance – minimal risk. A few areas identified where changes would be beneficial. Recommendations mainly Rank 3 (Low Priority), but one or two Rank 2 (Medium Priority).
<b>Limited</b>	Some lapses in framework of controls – provides limited level of assurance. A number of areas identified for improvement. Mainly Rank 2 (Medium Priority) recommendations, but one or two Rank 1 (High Priority) recommendations.
<b>Unsatisfactory</b>	Significant breakdown in framework of controls – provides an unsatisfactory level of assurance. Unacceptable risks identified – fundamental changes required. A number of Rank 1 (High Priority) recommendations.

Ranking of Recommendations:-

RANK		DESCRIPTION
1	High Priority	Necessary due to statutory obligation, legal requirement, Council policy or major risk of loss or damage to Council assets, information or reputation, or, compliance with External Audit key control.
2	Medium Priority	Could cause limited loss of assets or information or adverse publicity or embarrassment. Necessary for sound internal control and confidence in the system to exist.
3	Low Priority	Current procedure is not best practice and could lead to minor in-efficiencies.