

Internal Audit Activity Progress Report

2020-2021



(1) Introduction

All local authorities must make proper provision for internal audit in line with the 1972 Local Government Act (S151) and the Accounts and Audit Regulations 2015. The latter states that a relevant authority “must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”. The Internal Audit Service is provided by Audit Risk Assurance under a Shared Service agreement between Gloucester City Council, Stroud District Council and Gloucestershire County Council and carries out the work required to satisfy this legislative requirement and reports its findings and conclusions to management and to this Committee.

The guidance accompanying the Regulations recognises the Public Sector Internal Audit Standards 2017 (PSIAS) as representing “proper internal audit practices”. The standards define the way in which the Internal Audit Service should be established and undertake its functions.

(2) Responsibilities

Management are responsible for establishing and maintaining appropriate risk management processes, control systems (financial and non financial) and governance arrangements.

Internal Audit plays a key role in providing independent assurance and advising the organisation that these arrangements are in place and operating effectively.

Internal Audit is not the only source of assurance for the Council. There are a range of external audit and inspection agencies as well as management processes which also provide assurance and these are set out in the Council’s Code of Corporate Governance and its Annual Governance Statement.

(3) Purpose of this Report

One of the key requirements of the standards is that the Chief Internal Auditor should provide progress reports on internal audit activity to those charged with governance. This report summarises:

- The progress against the 2020/21 Internal Audit Plan, including the assurance opinions on the effectiveness of risk management and control processes;
- The outcomes of the Internal Audit activity during the period July and August 2020; and
- Special investigations/counter fraud activity.

(4) Progress against the 2020/21 Internal Audit Plan, including the assurance opinions on risk and control

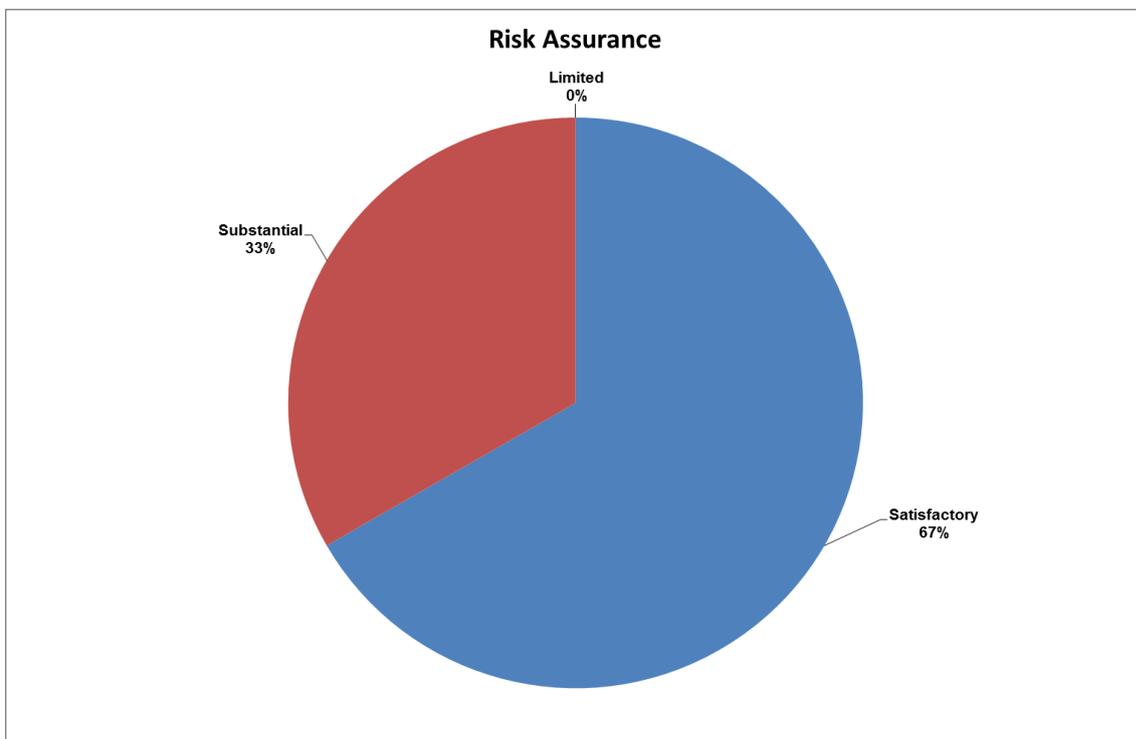
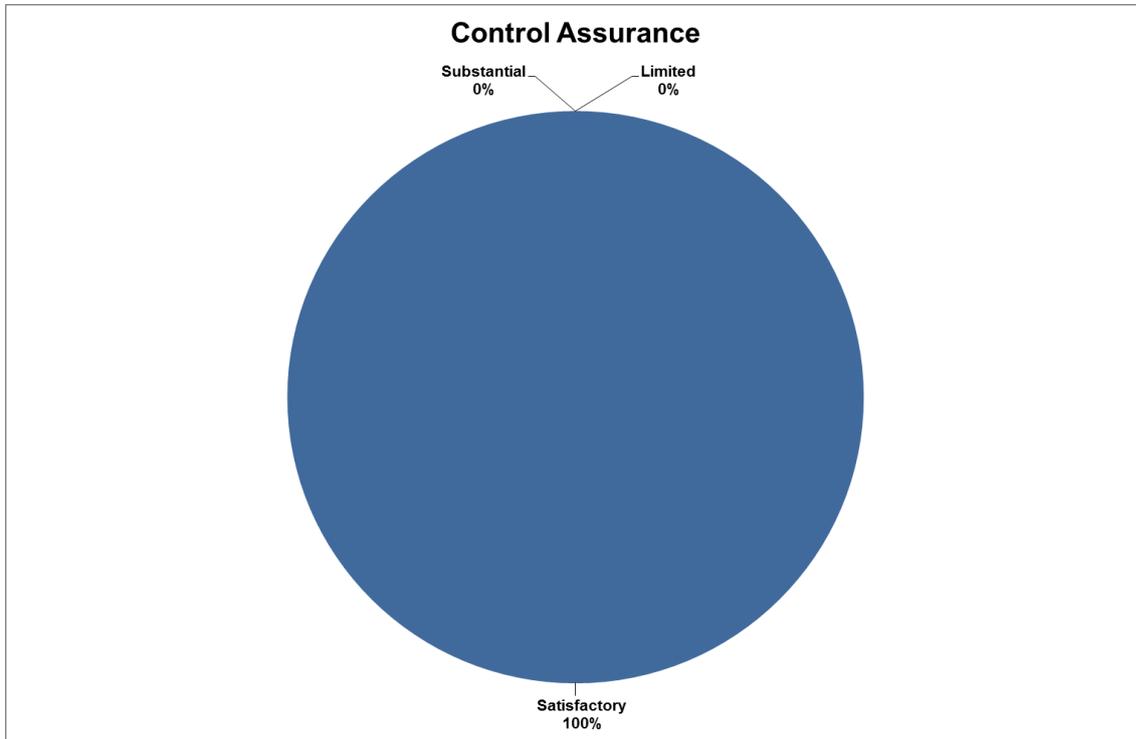
The schedule provided at **Attachment 1** provides the summary of 2020/21 audits which have not previously been reported to the Audit and Governance Committee.

The schedule provided at **Attachment 2** contains a list of all of the 2020/21 Internal Audit Plan activity undertaken during the financial year to date, which includes, where relevant, the assurance opinions on the effectiveness of risk management arrangements and control processes in place to manage those risks and the dates where a summary of the activities outcomes has been presented to the Audit and Governance Committee. Explanations of the meaning of these opinions are shown in the below table.

Assurance Levels	Risk Identification Maturity	Control Environment
Substantial	<p>Risk Managed Service area fully aware of the risks relating to the area under review and the impact that these may have on service delivery, other service areas, finance, reputation, legal, the environment, client/customer/partners, and staff. All key risks are accurately reported and monitored in line with the Council's Risk Management Strategy.</p>	<ul style="list-style-type: none"> • System Adequacy – Robust framework of controls ensures that there is a high likelihood of objectives being achieved • Control Application – Controls are applied continuously or with minor lapses
Satisfactory	<p>Risk Aware Service area has an awareness of the risks relating to the area under review and the impact that these may have on service delivery, other service areas, finance, reputation, legal, the environment, client/customer/partners, and staff, however some key risks are not being accurately reported and monitored in line with the Council's Risk Management Strategy.</p>	<ul style="list-style-type: none"> • System Adequacy – Sufficient framework of key controls for objectives to be achieved but, control framework could be stronger • Control Application – Controls are applied but with some lapses
Limited	<p>Risk Naïve Due to an absence of accurate and regular reporting and monitoring of the key risks in line with the Council's Risk Management Strategy, the service area has not demonstrated an satisfactory awareness of the risks relating to the area under review and the impact that these may have on service delivery, other service areas, finance, reputation, legal, the environment, client/customer/partners and staff.</p>	<ul style="list-style-type: none"> • System Adequacy – Risk of objectives not being achieved due to the absence of key internal controls • Control Application – Significant breakdown in the application of control

(4a) Summary of Internal Audit Assurance Opinions on Risk and Control

The pie charts provided below show the summary of the risk and control assurance opinions provided within each category of opinion i.e. substantial, satisfactory and limited in relation to the 2020/21 audit activity undertaken up to August 2020.



(4b) Limited Control Assurance Opinions

Where audit activities record that a limited assurance opinion on control has been provided, the Audit and Governance Committee may request Senior Management attendance at the next meeting of the Committee to provide an update as to their actions taken to address the risks and associated recommendations identified by Internal Audit.

(4c) Audit Activity where a Limited Assurance Opinion has been provided on Control

During the period July and August 2020, no limited assurance opinions on control have been provided on completed audits from the 2020/21 Internal Audit Plan.

(4d) Satisfactory Control Assurance Opinions

Where audit activities record that a satisfactory assurance opinion on control has been provided, where recommendations have been made to reflect some improvements in control, the Committee can take assurance that improvement actions have been agreed with management to address these.

(4e) Internal Audit Recommendations

During the period July and August 2020 Internal Audit made, in total, **8** recommendations to improve the control environment, **1** of these being a high priority recommendation and **7** being medium priority recommendations (**100%** accepted by management).

The Committee can take assurance that all high priority recommendations will remain under review by Internal Audit, by obtaining regular management updates, until the required action has been fully completed.

(4f) Risk Assurance Opinions

During the period July and August 2020, no limited assurance opinions on risk have been provided on completed audits from the 2020/21 Internal Audit Plan.

Where a limited assurance opinion is given, the Shared Service Senior Risk Management Advisor will be provided with the Internal Audit report(s) to enable the prioritisation of risk management support.

(4g) Internal Audit Plan 2020/21 Refresh – Covid 19

Covid 19 has placed significant pressures on Council services and has impacted (and continues to impact) the Council's priorities, objectives and risk environment.

Due to this changing position and to ensure that the Risk Based Internal Audit Plan meets the assurance needs of the Council, the Internal Audit Plan 2020/21 will be reviewed and refreshed in consultation with Senior Management Team. This will include consideration of newly identified activities, current activities that should be prioritised within 2020/21 and activity deferrals/cancellations (due to risk).

The revised Internal Audit Plan 2020/21 will be presented to Audit and Governance Committee for review and approval on 14th September 2020.

This will include reflection of the new activities completed by ARA since the outcome of the pandemic. For example and as reflected within the Internal Audit Progress Report, to date within 2020/21 ARA has provided:

- Non-audit related administration support to:
 - Revenues and Benefit services in the processing of Business Grants; and
 - Housing services in the collation of the Housing Benefit payments (claimed for 'Rough Sleepers' place in safe accommodation) that will be reclaimed by the County Council.
- Counter fraud team support and action in regard to identified Business Support grant irregularities.

Completed Internal Audit Activity during the period July and August 2020

Summary of Satisfactory Assurance Opinions on Control

Service Area: Council Wide

Audit Activity: Safeguarding

Background

Safeguarding means protecting people's health, wellbeing and human rights and enabling them to live free from harm, abuse or neglect. The Council has a statutory responsibility and a duty of care under the Children Act 2004 and the Care Act 2014, to refer issues relating to Safeguarding to Gloucestershire County Council Social Care Service and other partner agencies.

Scope

This audit reviewed the effectiveness of the arrangements established by the Council to fulfil its responsibility for Safeguarding.

Risk Assurance – Satisfactory

Control Assurance – Satisfactory

Key Findings

Safeguarding Policy

Internal Audit read and evaluated the Policy, and this is judged to be comprehensive in its coverage. Salient key points being:

- Section seven and eight of the Policy provide staff with clear guidance for the procedure to follow in the event they have a Safeguarding concern;
- Referrals to the County Council Social Care teams are recorded using a Multi-Agency Service Request Form;
- Training will be provided on induction and on an on-going basis appropriate to an individual's role; and
- The Policy is accessible on the Council's Intranet (GlosNet) for staff to use.

Enquiries confirmed that a change in the Operational Lead for Safeguarding is due to be made. This will require updating in the Policy.

Safeguarding risk is recognised, appropriately documented and monitored

The 2020/21 Community Wellbeing Service Plan includes the key aim to “embed the ethos of Safeguarding within the Council”. The service plan also correctly recognises that other public sector organisations can help the Council to fulfil its responsibilities and achieve early identification of Safeguarding risk of children and vulnerable adults which can be referred to the County Council Social Care teams.

Disclosure Barring Service (DBS) Policy

Inspection of the DBS Policy, confirms:

- The staff role (un-supervised, advice and guidance which is completed regularly) where a DBS check is required; and
- The definition of regulated activity involving children is shown; however this is incomplete for vulnerable adults.

A walkthrough test was completed for a new member of staff, with the objective of confirming the actual procedure used to assess compliance with the Policy. Results confirmed that the staff role did not require a DBS check, and therefore is in compliance with the Policy.

Safeguard training for staff

Enquiries verified that e-learning Safeguarding modules are available for new and existing staff to complete. However, evidence reviewed highlighted that no overarching monitoring record was available to confirm staff completion of Safeguarding training.

Staff awareness of Modern Slavery and the signs to look out for were included in appropriate training delivered to Environmental Health and Community Wellbeing in 2019 and prior to Covid 19 was scheduled for the Housing Team in May 2020.

Internal Audit completed enquiries with Environmental Health and Housing staff most likely to have contact with members of the public, where cases of Safeguarding may arise. The results for a sample of five staff showed that:

- Staff were aware of the Safeguarding Policy; and
- They were clear in understanding the right procedure to apply within the Policy, if they have a Safeguarding concern.

Corporate Oversight

A Safeguarding Officer Group (SOG) has been formed with staff representatives from nine service areas. The SOG's terms of reference correctly draws attention to the Council's Safeguarding responsibilities under the Children Act and Care Act.

The SOG currently meets every six months, although the terms of reference frequency suggests meeting quarterly.

Internal Audit can confirm minutes for the last meeting held on 22nd October 2019 were of a good standard and listed various actions for the responsibility of the Community Wellbeing Manager to complete. Evidence was unavailable to confirm the allocated actions had been completed at the point of audit. It is noted that further SOG meetings have occurred since the point of audit.

Reporting and Monitoring Safeguarding concerns

The Safeguarding Policy details the process to refer concern referrals to the County Council's Safeguarding teams. A test to assess compliance with the Safeguarding Policy was completed. Audit review of supporting documentation for a recent Safeguarding concern, confirms that the correct procedures and controls were used to refer the case to the County Council's Social Care teams.

Referrals should be discussed with the Operational Lead for Safeguarding and recorded on a spreadsheet maintained by the Community Wellbeing service. A review of the records highlighted that the spreadsheet was incomplete with the last referral recorded as 12th June 2018.

Raising the profile of Safeguarding

Guidance is readily available on the Council's Intranet to enable staff to follow the correct process for the risk of Safeguarding. Key documents available are: The Council's Safeguarding Policy; The Domestic Abuse Policy; The Disclosure Barring Service Policy; and IT Links for the generic procedure to facilitate referral of Safeguarding concerns.

In addition, good practice was noted through including staff representation from a key partner Civica (responsible for the back-office functions for Revenues and Benefits) on the Council's Safeguarding Officers Group.

However, a visual inspection of the Council's offices found that there was minimal visual evidence to raise the profile of Safeguarding or its active promotion.

Conclusion

This audit review found good evidence that there is a managerial and staff willingness to embrace Safeguarding and appropriate training in its approach to providing services to the public.

Management Actions

Five recommendations have been raised with the objective of improving the existing control environment for Safeguarding – including Safeguarding Policy and DBS Policy update and roll out (including profile raising); review and update of the Council's Safeguarding training needs and maintenance of training records; and maintenance of an up to date record of Safeguarding referrals to support Council reporting and monitoring (second line of defence).

Management have responded positively to the Internal Audit findings and have completed an action plan to address the areas requiring improvement.

Service Area: Communities

Audit Activity: Voluntary and Community Sector (VCS) Grants – Covid 19

Background

As part of its response to the Covid 19 pandemic, Gloucestershire County Council through its Community Resilience Fund awarded the City Council (the Council) £50k. The purpose of the fund was to aid local VCS groups who were supporting vulnerable people during the Covid-19 pandemic. The City Council increased the funds available by a further £30k. The funding was distributed by way of grants to cover additional costs the agencies and groups may incur due to increased activity or functions that they had insufficient resources to meet.

Scope

The audit objective was to review:

- The systems and process developed and operated by the Council to ensure the award of the funds (the Grants) complied with the broad criteria specified by the County Council, including instances where 'local discretion' was applied;
- The balance between the application of control principles when assessing grant applications, awarding grants, protecting public funds, securing the most effective outcomes, and the urgency to ensure benefit to the organisations supporting those in need; and
- The processes operating to ensure the use of the grants by agencies and groups met the award criteria and supported outcome commitments.

Risk Assurance – Substantial

Control Assurance – Satisfactory

Key Findings

The Council had a key role in supporting communities in their localised response to the Covid 19 pandemic. Providing funds swiftly to help get support to those in need was particularly important in the early stages of the virus and therefore the Council moved quickly to award the funding it had obtained from the Community Resilience Fund. Grant applications were sought, and funding awards made before the formal guidance (the criteria) was obtained for the County Council. However, it was clear from the processes adopted that the funding principles stipulated by the County Council were followed and although the recommended formal application form was not used the key information the form intended to gather was sought and was then used in the assessment and award process.

A record of grant applications has been maintained, this summarises the intended use and reasoning for award or rejection. Internal Audit has reviewed both the intended use of funds and the reasoning for acceptance or rejection.

Each of the grant awards met an element of the criteria set and fall within the overarching aim of the fund. The rejected applications have been recorded with reasoning.

The grant application assessment process has involved service officers and the relevant Cabinet Member, and evidence shows overview by the Senior Management Team and Group Leaders. Internal Audit sought to review the assessment criteria that considered one grant application against another. Internal Audit have been advised that, as time was of the essence, there was no predetermined evaluation process. The assessment and award process were based on the Council's awareness of the community organisations and their support mechanisms, existing funding sources, along with information gained from local communities, Ward Councillors, and updates through the Street Champions network. This information was used to consider how grant awards would aid specific gaps within community organisations or community need.

Community organisations were made aware of the availability of the grant funding through the voluntary sector networks. Applications were received by email and where required additional supporting information was obtained. Internal Audit has reviewed additional information requests which demonstrate a challenge process operated where required. Although the documented evidence in support of the evaluation process is limited the breadth of views and factors considered offers assurance that maximising effectiveness of funds was paramount.

Grant allocations as at 31st August 2020 were £77k out of the £80k budget. Organisations awarded grants have been asked to provide evidence this was used as intended and resulted in the desired outcomes. At the time of the internal audit review, officers were beginning to obtain the evidence that showed the funding had supported the delivery of both direct and indirect benefits to local communities. Initial feedback was positive.

For the funds awarded by the County Council (the commissioner) Internal Audit obtained confirmation from the commissioning officer that, at the date of the audit, there had been no issues with the allocation of the Community Resilience Fund by the City Council.

Conclusion

The primary risk has been the need to support community organisations in their response to the Covid 19 pandemic and the grant award processes applied was designed to meet that challenge. Although formalised and structured processes are not fully present; control principles, transparency and the effective use of consultation/local knowledge are evident, supporting the requirement to secure the effective use of public funds, this is being further confirmed by the use and outcomes feedback from funded organisations.

The audit opinion reflects the Council risk awareness and its control arrangements in response. Although no recommendations have been made the Council will no doubt undertake a post coronavirus review. It is suggested the emergency grant funding process and control arrangements be included within that review.

Management Actions

None required.

Service Area: Policy and Resources

Audit Activity: Freedom of Information (FOI) Requests

Background

The Freedom of Information Act 2000 (FOIA) provides members of the public access to information that is held by local authorities.

It does this in two ways:

- The Council is obliged to publish certain information about its activities; and
- Members of the public are entitled to request information from the Council.

Scope

This audit reviewed the effectiveness of the control environment for handling FOI requests to ensure that the Council is able to fulfil its legal obligations.

Risk Assurance – Satisfactory

Control Assurance – Satisfactory

Key Findings

General

- When a request is received by the Council, emails are sent to the requestor confirming the receipt of the request and noting the 20 working day deadline for the response which is in line with the requirements of the FOIA.
- The request for information is sent to the service area for completion. Service areas are responsible for applying exemptions where appropriate. Once the information is completed, this is sent back to the Business Support Officer (the Council's central point for FOI co-ordination).
- Procedure notes are in place detailing the process for the recording of FOI requests within the management system, including listing the department, category and the date when the request was received.

Internal Reviews

- It is best practice for each public authority to have a procedure in place for dealing with disputes on its handling of requests for information. Authorities should distinguish between a request for an internal review, which seeks to challenge either the outcome or the process of the handling of the initial response, and a general complaint, which should be handled as general correspondence.

- Inspection of the internal review procedure confirmed that it is completed by an independent officer who is not involved with primary service provision, namely the Head of Policy and Resources. It was noted that the review letter template includes details of the information requestor's rights to apply to the Information Commissioner's Office for an appeal where they believe it is applicable.

Publication Scheme

- Section 19 of the FOIA requires all public authorities to adopt and maintain a publication scheme.
- Internal Audit confirmed that the Council has followed the ICOs approved model publication scheme. However, a review of the documents contained within the publication scheme found that not all documents were up-to-date.
- The FOI Code of Practice also states, public authorities with over 100 Full Time Equivalent (FTE) employees should, as a matter of best practice, publish details of their performance on handling requests for information under the Act. Internal Audit identified that this information is not published by the Council.

Internal Audit review of FOI requests

- A sample of 15 FOI requests was selected to assess if, (a) the response was made within 20 working days as required by the FOIA, (b) supporting documentation for the request and response had been retained so that any further challenges can be responded to and (c) authorisation for release of information requested was completed by a senior member of staff.
- Audit testing confirmed that:
 - 10 out of 15 FOIs had been responded to within the 20 day deadline, three had been responded to outside of the 20 day deadline and two requests had not been answered. Of these two, one response was with legal services for advice; however, the other was received by the Council in July 2019 and had not been responded to as at March 2020. In this example, the individual due to respond had been out of work for a period and therefore unable to respond. The delay in completing the FOI was not escalated and therefore the request for information was not picked up by anyone else.
 - Reminders are sent to service areas throughout the 20 day deadline for FOI responses (days 9,15,18,19 and 20). However, there is not a formal escalation process in place to ensure the FOI responses are completed within the deadline, with reminders often sent to the same officer.
 - Performance monitoring for the completion of FOI requests (for both the Council as a whole and individual service areas) is in place and completed quarterly.

This has proved effective to ensure the Council continuously meets the target of 80% compliance with the statutory deadline, however an escalation process would help identify FOI requests that have not been responded to before the deadline, further improving compliance.

- Supporting documents / information for all 15 information requests had been retained and was available within the request management system.
- A process is not in place to review FOI requests to verify that the request is valid as per Section 8 of the FOIA. In one instance a request was responded to that would not be considered a valid as the requestor's name was not provided.
- There is not a formal approval process in place to confirm the information can be provided prior to issuing the response. Therefore, it could not be confirmed if appropriate authorisation had been given to release the information.

Conclusion

Internal Audit findings show the Freedom of Information process has a number of effective controls to support compliance with the Act. However, there is opportunity to enhance these controls and audit recommendations have been made to ensure the process identifies and rectifies any non-compliance. In particular, that the Council:

- Establish escalation and monitoring processes to ensure appropriate oversight to identify when individual FOI requests have not met the statutory deadline;
- Introduce a formal approval process within the new request management system (timing for implementation under review at the point of audit) to ensure that information released to the public is appropriate and accurate; and
- Introduce a procedure to publish the Council's performance on handling requests for information and update the information contained within the publication scheme.

Management Actions

Management have responded positively to the Internal Audit findings and have agreed to review existing processes.

Summary of Consulting Activity and/or Support where no opinions are Provided

Service Area: Policy and Resources

Audit Activity: Turnover Certificate for Blackfriars Priory 2019/20

Background

In 2012 the Council entered into a lease with English Heritage for the use of the Blackfriars Priory site. The Council's objectives for the venue were to open it as a visitor attraction, provide educational visits, develop an events programme, run and facilitate workshops and develop a meetings and conference trade. There is now also a developed service as a wedding venue. The lease rental is calculated as a percentage of Gross Turnover, as defined in the lease agreement. Each year, the Council is required to provide English Heritage with a "Turnover Certificate", signed by a professionally competent auditor, certifying the amount of Gross Turnover for the relevant year.

Scope

To provide assurance that:

- In all significant respects, the Gross Turnover values for 2019/20 provided to English Heritage by Finance are accurate and in accordance with the requirements of the lease agreement; and
- A certificate confirming the Gross Turnover for the Turnover Period may be signed.

Risk Assurance – N/A (Certification)

Control Assurance – N/A (Certification)

Key Findings

- The Provisional Gross Turnover figure, prepared by Accountancy, for the financial year 2019/20 is £71,631.99.
- The Gross Turnover figure to be provided to English Heritage is based on the net balances for income account codes in use for Blackfriars.
- The Council completes journals at year end to transfer deposits or other items to the financial year to which they relate, in accordance with standard accounting practice. However, the lease agreement (clause 6.2) requires that deposits are included in Gross Turnover at the time of receipt. Therefore, an adjustment of £7,496.55 was made. The revised gross turnover figure is now calculated as £64,135.44.

Conclusion

The requirements of the lease agreement have been met with appropriate adjustments made for the accruals accounting in relation to deposits received. Internal Audit has therefore gained assurance that the requirements of the lease have been met with regard to the revised Gross Turnover Value of £64,135.44.

Management Actions

Not applicable.

Summary of Special Investigations/Counter Fraud Activities**Current Status**

As at 14th August 2020 there have been no new fraud/irregularity referrals received by Audit Risk Assurance (ARA) for investigation.

The Gloucester City Council Intelligent Client Officer (Revenues and Benefits) has provided the following update in regard to current internal counter fraud activity:

*'The Council have undertaken a great deal of post assurance checks with the **Business Support grants**. These are grants made available by the government to support businesses during the Coronavirus (Covid 19) pandemic.*

Companies House, Charity Commission, Open source data and spotlight checks have all been undertaken for those applicants which we are able to undertake this for.

Other post payment checks are ongoing on sole traders.

Some 'grants of concern' came to light during the checks and the ARA Counter Fraud Team (CFT) provided support by undertaking additional checks on nine of these grant payments. Five of the applications had issues but the businesses were able to provide evidence to support their eligibility to claim the grant payment and therefore no further action was required. In the sixth case, an individual eligible to claim the business support grant, had submitted two applications in respect of the same business (2x £10,000), both of which were paid out by the Council but the error was identified during the post payment checking process. The CFT successfully recovered the £10,000 over claim. In the seventh case the business has repaid all of the grants originally claimed (franchises). The final two cases remain ongoing.

We are in the process of preparing a spreadsheet to regularly update with the monthly risk.

LA Discretionary Grants – as these grants were within a fixed ‘application window’ we were able to run pre payment checks on all of these applicants.

Applicants were checked via spotlight and each eligible applicant was telephoned and asked a series of security questions prior to payments being made to mitigate the risk.

In addition we have shared fraud awareness alerts promptly and been risk aware to the national attempts to commit grant fraud, to ensure that we are not vulnerable to the threats.

We will be partaking in the Mortality Screening NFI program which is due to commence shortly.

And from the week commencing 7th August 2020 we will be undertaking a review of all properties listed in the City as ‘empty’. This will be conducted in the format of a paper exercise initially but should there be any areas of concern we will evolve the project to capture this.’

Any fraud alerts received by Internal Audit from National Anti-Fraud Network (NAFN) are passed onto the relevant service areas within the Council, to alert staff to the potential fraud.

National Fraud Initiative (NFI)

Internal Audit continues to support the NFI which is a biennial data matching exercise administered by the Cabinet Office. The 2020/21 data collections are due to be uploaded to the Cabinet Office during October 2020 with the data matching reports released between December 2020 and January 2021. The timetable can be found using the following link [GOV.UK](https://www.gov.uk).

Examples of data sets include housing, insurance, payroll, creditors, council tax, electoral register and licences for market trader/operator, taxi drivers and personal licences to supply alcohol. Not all matches are always investigated but where possible all recommended matches are reviewed by either Internal Audit or the appropriate service area within the Council.

The outcomes from the 2018/19 NFI exercise (the prior biennial data matching exercise) have been reported to the Committee previously.