



PROGRESS REPORT ON INTERNAL AUDIT ACTIVITY DECEMBER 2022

1. Introduction

- 1.1 The Council's Internal Audit service is provided by Audit Risk Assurance (ARA) under a Shared Service agreement between Gloucestershire County Council, Stroud District Council and Gloucester City Council.
- 1.2 ARA provides these services in accordance with the Public Sector Internal Audit Standards 2017 (PSIAS) which represent the "proper Internal Audit practices". The standards define the way in which the Internal Audit service should be established and undertake its operations.
- 1.3 In accordance with the PSIAS, the Head of ARA is required to regularly provide progress reports on Internal Audit activity to management and the Audit and Governance Committee. This report summarises:
- i. The progress against the Internal Audit Plan 2022-23;
 - ii. The outcomes of the 2022-23 Internal Audit activity delivered up to mid December 2022; and
 - iii. Special investigations and counter fraud activity.
- 1.4 Internal Audit plays a key role in providing independent assurance and advice to the Council that these arrangements are in place and operating effectively. However, it should be emphasised that management are responsible for establishing and maintaining appropriate risk management processes, control systems (financial and non-financial) and governance arrangements.

2. Summary of 2022-23 Internal Audit work delivered up to mid December 2022

- 2.1 The following Assurance criteria are applied to Internal Audit reports:
- i. Substantial assurance – all key controls are in place and working effectively with no exceptions or reservations. The Council has a low exposure to business risk;
 - ii. Acceptable assurance – all key controls are in place and working but there are some reservations in connection with the operational effectiveness of some key controls. The Council has a low to medium exposure to business risk;
 - iii. Limited assurance – not all key controls are in place or are working effectively. The Council has a medium to high exposure to business risk; and
 - iv. No assurance – no key controls are in place, or no key controls are working effectively. The Council has a high exposure to business risk.

2.2 **Audit Activity: Blackfriars Priory Turnover Certificate 2021-22 (Service Area: Culture)**

- i. Assurance Level for this report: An assurance level was not required for this activity; and
- ii. No recommendations arose from this review.

2.3 **Scope** – The Council is required to provide English Heritage with an annual Gross Turnover Certificate. This must be signed and certified by a professionally competent Auditor.

2.4 The aim of the audit was to provide assurance that, in all significant respects, the 2021-22 Gross Turnover values were accurate and in accordance with the lease agreement requirements.

2.5 **Key Findings**

- i. The Gross Turnover figure to be provided to English Heritage is based on the balances for income account codes in use for Blackfriars. The cyber incident had impacted the Council's access to the electronic General Ledger for the period December 2021 to the point of audit. The Council ensured that appropriate alternate supporting documents and records had been maintained during this period for Blackfriars income. This approach enabled Internal Audit verification of the 2021-22 Gross Turnover figure;
- ii. The Provisional Gross Turnover figure, prepared by the Accountancy Manager and supporting staff, for the financial year 2021-22 was £103,711.65;
- iii. Internal Audit reviewed £27,407.10 (26.4%) across 13 lines of income from the records provided by the Accountancy Manager;
- iv. Overall, audit sample testing identified that £767.95 needed to be added to the overall 2021-22 income for Blackfriars. Therefore, the updated Gross Turnover 2021-22 is £104,479.60;
- v. Lease agreement Schedule 2 (clause 6.2) requires that deposits are included as Gross Turnover at the time of receipt. They may be deducted from the Gross turnover only if and when repaid. Audit review confirmed that the updated 2021-22 Gross Turnover figure complied with this requirement;
- vi. Based on discussions with officers and review of Council records, Internal Audit gained appropriate assurance that the conditions of the lease agreement had been met. Therefore, the declaration was signed and submitted to English Heritage for the updated 2021-22 Gross Turnover amount of £104,479.60.

2.6 **Audit Activity: The Free Hospital Fund for Children – Statement of Accounts 2021-22 (Service Area: Policy and Resources)**

- i. Assurance Level for this report: An assurance level was not required for this activity; and
- ii. No recommendations arose from this review.

2.7 The Free Hospital Fund for Children (the Trust) provides grants to buy shoes and clothes for sick and suffering children and their siblings within Gloucestershire. Block commissioning grants are also provided to other organisations and charities for relevant projects.

2.8 The Trust works with Gloucestershire County Council and Gloucestershire Care Services (NHS) to process the fund grant applications. Gloucester City Council provides direct governance support to the Trust, for example through the provision of the Trust Clerk role.

2.9 **Scope** – The value of income received by the Trust for 2021-22 is below £25,000 and therefore does not fall within the Charity Commission's requirement for an annual independent examination. However, the Trustees wished to seek independent assurance in respect of the Annual Report and Accounts for the year ended 31st March 2022. This request was supported by Gloucester City Council and included within the 2022-23 Internal Audit Plan.

2.10 **Key Findings**

- i. The ARA review followed the guidance provided by the Charity Commission for the expected work of an independent examiner;
- ii. The draft Annual Report and Accounts for the year ended 31st March 2022 were reviewed by ARA. This identified a number of adjustments to be made to the document such as narrative updates and minor financial amendments, which were debriefed with the Trust Treasurer;
- iii. A final set of Annual Report and Accounts for the year ended 31st March 2022 were provided by the Trust Treasurer. Audit review confirmed that all ARA identified adjustments had been actioned through the final document and that:
 - a) The 2021-22 Annual Accounting Statements accurately reflected the transactions recorded in the accounting records;
 - b) The transactions in the accounting records were supported by an appropriate audit trail;
 - c) The accounting records and the accounting statements agreed to the sums held in the Trust's bank account;
 - d) The value of the investments held were supported by the most recent valuation provided by the CCLA Investment Management Limited; and

- e) The grants awarded followed the Trust's aims and the agreed award procedure;
- iv. ARA gained appropriate assurance that the final set of Trust Annual Report and Accounts for the year ended 31st March 2022 meet independent examination requirements;
- v. Discussion with the Trust Treasurer and review of supporting documents identified it is probable that Trust income received for future years will be above the £25,000 independent examination threshold. This position will be reviewed by the Trustees and include consideration of a formal annual independent examination, in line with the Charity Commission requirements.

3. Counter Fraud Update – Summary of Counter Fraud Activities

Current Year Counter Fraud Activities

- 3.1 To date in 2022-23 there has been one new referral made to the ARA Counter Fraud Team (CFT). The CFT is working with the relevant service area to progress the case.
- 3.2 It should be noted that many of the cases referred to the CFT involve intricate detail and, sometimes, Police referral. This invariably results in a delay before the investigation can be classed as closed and the summary outcome reported to Committee.
- 3.3 The CFT continues to provide support and guidance to Council staff where required. Training sessions in respect of Interviews Under Caution, court file preparation and taking witness statements have been provided to Council teams.

Previous Years' Referrals

- 3.4 The CFT has continued to work on two Covid-19 grant cases carried forward from prior years and one non grant related case.
- 3.5 The non-Covid-19 case has been referred from the Magistrates Court to the Crown Court. The potential sentencing in respect of licensing (animal welfare) related issues was originally due to take place in September 2022. Following the hearing on 24th November 2022, a Newton Hearing has been set for 1st June 2023 at Gloucester Crown Court. This is to clarify issues between prosecution and defence before sentencing can take place.
- 3.6 The outcomes on the two remaining Covid-19 grant cases will be reported on their completion to the Audit and Governance Committee.

National Fraud Initiative (NFI)

- 3.7 The CFT continues to support the NFI which is a biennial data matching exercise administered by the Cabinet Office. The window for uploading the data for the 2022-23 exercise has now closed. It is anticipated that the data matching reports will be released for review from January 2023 onwards.

- 3.8 Data upload was completed within the set deadlines. Discussions have been held with the Cabinet Office in respect of the December 2021 cyber incident's impact on Council NFI data. This included confirmation of the dates when information had been extracted from Council systems for each NFI data set.
- 3.9 The full NFI timetable can be found using the link available on GOV.UK website – www.gov.uk/government/publications/national-fraud-initiative-timetables.
- 3.10 Examples of NFI data sets include housing, insurance, payroll, creditors, council tax, electoral register and licences for market trader or operator, taxi drivers and personal licences to supply alcohol.
- 3.11 Not all matches are always investigated but, where possible, all recommended matches are reviewed by either the CFT or the appropriate service area within the Council.
- 3.12 To date, the review of the 2021-22 data matching exercise has identified errors leading to the recovery of £39,904. Identification of further savings of £2,322 has also occurred, due to delays in updating notifications of benefits changes in circumstances. This makes a total saving of £42,226 (of which £31,883 is Small Business Grant Fund related).

National Anti-Fraud Network (NAFN)

- 3.13 NAFN is a public sector organisation which exists to support its members in protecting the public interest. It is one of the largest shared services in the country managed by, and for the benefit of its members. NAFN is currently hosted by Tameside Metropolitan Borough Council.
- 3.14 Membership is open to any organisation that has responsibility for managing public funds or assets. Use of NAFN services is voluntary, which ensures delivery of value for money. Currently, almost 90% of councils are members and there are a rapidly growing number of affiliated wider public sector bodies including social housing providers.
- 3.15 Many potential attempted frauds are intercepted. This is due to a combination of local knowledge together with credible national communications, including those from the NAFN. Fraud risk areas are swiftly cascaded to teams by the CFT for the purpose of prevention, for example national targeted frauds.