

Internal Audit Activity Progress Report

2019-2020



(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 2019/20 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 November 2019 to December 2019; and
- Special investigations/counter fraud activity.

(4) Progress against the 2019/20 Internal Audit Plan, including the assurance opinions on risk and control

The schedule provided at **Attachment 1** provides the summary of 2019/20 audits which have not previously been reported to the Audit and Governance Committee.

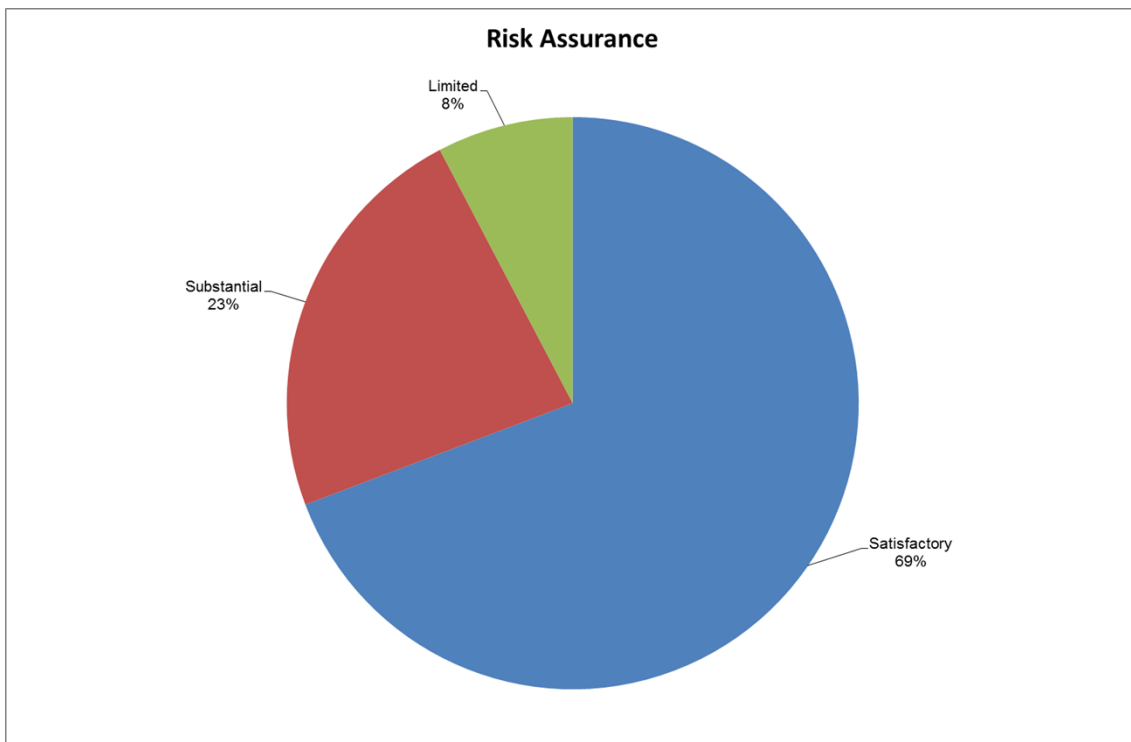
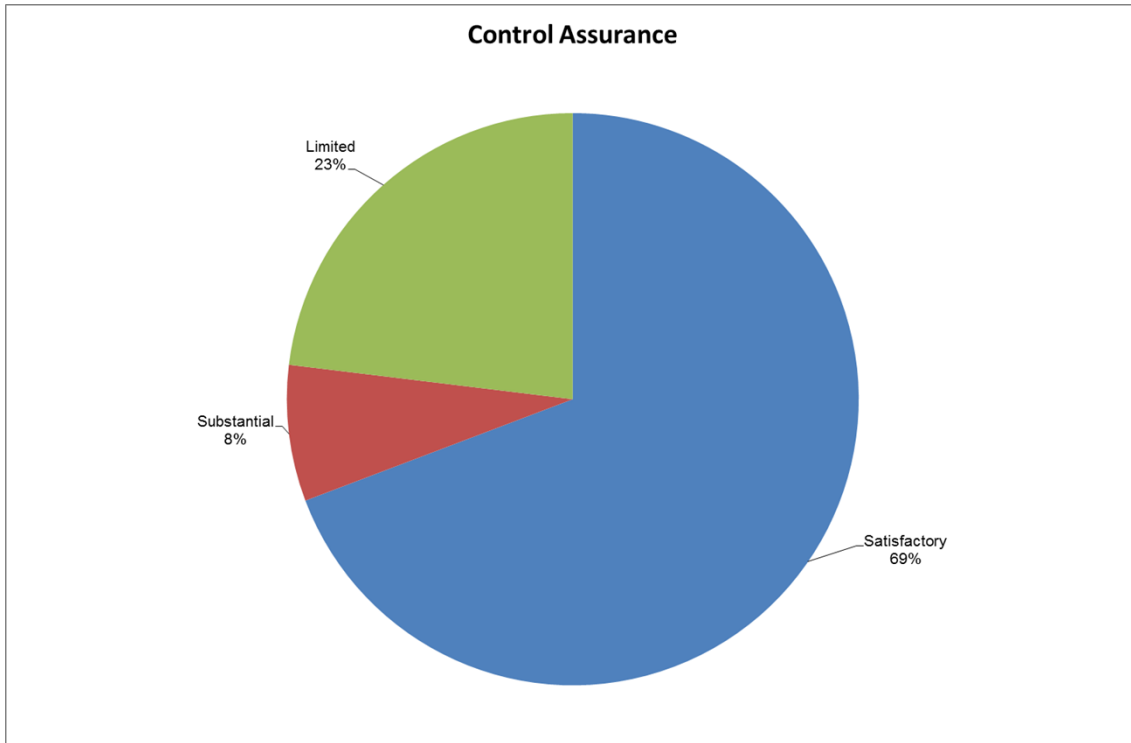
| Assurance Levels | Risk Identification Maturity | Control Environment |
|---------------------|--|---|
| Substantial | <p>Risk Managed Service area fully aware of the risks relating to the area under review and the impact that these may have on service delivery, other service areas, finance, reputation, 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,</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 |

| | | |
|--|-------------------------------------|--|
| | client/customer/partners and staff. | |
|--|-------------------------------------|--|

The schedule provided at **Attachment 2** contains a list of all of the 2019/20 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.

(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 2019/20 audit activity undertaken up to December 2019.



(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 November 2019 to December 2019, one audit review has been provided with a limited assurance opinion on control which relates to the Building Control Shared Service.

It is important to note that whilst a limited assurance opinion has been provided, management have responded positively to the recommendations made and have provided assurance to Internal Audit (through management response to the recommendations raised within the report and verbal assurance) that a plan of action has been prepared to address the issues identified by this review.

In addition, where a limited assurance opinion is given, a follow up audit is undertaken to provide assurance that the agreed actions have been implemented by management.

(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 November 2019 to December 2019 Internal Audit made, in total, **15** recommendations to improve the control environment, **5** of these being high priority recommendations i.e. **10** 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 November to December 2019, one limited assurance opinion on risk has been provided on completed audits from the 2019/20 Internal Audit Plan. This relates to Building Control Shared Service.

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.

Completed Internal Audit Activity during the period November 2019 to December 2019

Summary of Limited Assurance Opinions on Control

| | |
|------------------------|---|
| Service Area: | Place |
| Audit Activity: | Building Control Shared Service (Gloucestershire Building Control Partnership) |

Background

Stroud District Council (SDC) and Gloucester City Council provide a shared building control service known as the Gloucestershire Building Control Partnership (GBCP). The GBCP was established on 1st July 2015 under a Section 101 Agreement, with staff being employed by SDC acting as the host authority. The Building Control function comprises:

- Plan vetting and inspection of applications, which is a statutory council function in direct competition with the private sector. The financial arrangements for this service are separate from the authority's general fund and the financial accounts are known as the 'trading' account; and
- Enforcement of Building Regulations and legislation, whose financial arrangements are borne by an authority and are known as the 'non-trading' account.

Scope

The detailed audit objectives were to provide assurance that:

- There is effective governance, risk management and monitoring arrangements in place to confirm that the partnership is being managed effectively and that it achieves its main aims and objectives;
- The fees have been correctly determined, approved and comply with regulations;
- The costs of the service are correctly determined / calculated and apportioned to the partners; and

- Recommendations raised in the 2016-17 audit review have been implemented or there is an approved action plan to show how and when they will be implemented.

Risk Assurance – Limited

Control Assurance – Limited

Key Findings

- The GBCP has maintained and consolidated its market share (approximately 76% for the period 2016-17 to 2018-19) of building control application numbers and the number of customer complaints is at low levels (under 10 per year representing less than 1% of applications) providing some indication that the day to day operational performance of the shared service is being managed satisfactorily.
- Since the formation of the GBCP it has, year on year, made a surplus which as at 31st March 2019 represents a balance on the 'trading' account reserve account of £224,000. However, this financial position is not in accordance with the overriding objective of the Building (Local Authority Charges) Regulations 2010 Statutory Instrument No. 404 (Building Regulations) and The Chartered Institute of Public Finance and Accountancy (CIPFA) guidance which states that income and costs should achieve a 'break even' position normally over a rolling period of three to five years.
- Budget projections for 2019-20 and 2020-21 recently performed by GBCP and host partner Finance function indicates there will be a significant reduction in the 2018-19 reserve account surplus.
- The review of the Section 101 Agreement against the actual operation and management of the GBCP highlighted non-compliance with the key documented terms and commitments. The main area of non-compliance was the absence of the regular quarterly Shared Service Board meetings (only one confirmed meeting since the previous audit in 2016-17 to July 2019) to jointly and effectively manage the financial position, risks and performance of the shared service.
- The regulations require that a financial statement (setting out the costs, income and any surplus or deficit position) is published at the end of each financial year. However, Internal Audit identified that since its

formation the GBCP has not made this information available to the public.

- Other issues identified by Internal Audit related to the lack of regular completion of timesheets by officers, inappropriate cost apportionment method, no independent oversight of the monthly income reconciliation and incomplete income debt recovery processes.

Conclusion

There is a governance framework, as detailed in the Section 101 Agreement, however it is not operating fully as intended. On a day to day operational basis the GBCP has functioned satisfactorily in that its market share has remained stable, complaints concerning the service are at low levels and the 'trading' account is not in a deficit position.

Similar findings were identified by Internal Audit in its previous review in 2016/17 and five medium priority recommendations were raised, which at the time were agreed for implementation by management. Generally the 2016/17 recommendations have not been or have only been partially implemented, therefore the recommendations have been reiterated and refocused with their importance increased under this latest review.

Consequently, going forward it is important for the partners to honour their obligations to jointly manage and monitor risks, performance and financial position of the shared service and ensure compliance with the Section 101 Agreement and Building Regulations.

Management Actions

Internal Audit has raised four high and five medium priority recommendations to strengthen the governance arrangements and ensure compliance with the Section 101 Agreement and Building Regulations. Implementation of the recommendations have been fully agreed by management.

Summary of Satisfactory Assurance Opinions on Control

Service Area: Council wide

Audit Activity: Governance review of Assurance Statements – 2018/19

Background

The Accounts and Audit Regulations 2015 requires the Council to publish an Annual Governance Statement (AGS) to report publicly on the extent to which they comply with their Local Code of Corporate Governance.

The Council's governance assurance framework is reviewed and updated annually and is consistent with the seven core principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) guidance.

Evidence to support the AGS is drawn from several sources (external inspections, internal and external audit reports, finance, performance and risk management reports), however, one very important source of evidence, is the Assurance Statements completed by service managers.

Scope

To determine the robustness of the governance, internal control and risk management arrangements as detailed within a sample of the assurance statements. The review was limited to the AGS for 2018/19 formally published by the Council in July 2019.

Risk Assurance – Satisfactory

Control Assurance – Satisfactory

Key Findings

- The compilation of the AGS is facilitated by the Head of Audit Risk Assurance on behalf of the Senior Management Team. Emails are sent out early January to service managers together with a document which details examples of compliance against each governance principle. Service managers are then required to complete and send their statement to their Head of Service to enable the composite statement to be compiled. The composite statement once completed is signed off by (1) Head of Service (2) Corporate Director and (3) Managing Director.
- From the review of the completed statements for 2018/19 the following observations are made:
 - The level of detail recorded by service managers varies with some demonstrating best practice through considering the requirements for

each Governance Principle and responding accordingly with appropriate example of systems that ensure compliance. In contrast others have adopted a more generic approach where they have recorded similar responses against each principle some of which were not relevant.

- Several statements refer to corporate policies being updated and held on the staff intranet. Whilst this is a correct statement the narrative is then not expanded to describe how they gain appropriate assurance that the policies are being complied with within their area.

- Of the nine significant control issues recorded in the assurance statements (completed by service managers) only one control issue was subsequently acknowledged within the Head of Service composite statement.

- The reasons for a change in direction of travel between years from 'partial to fully compliant' were not always present and identifiable.

Conclusion

The current process has been used for several years and generally mirrors the process adopted by many local authorities. The process is intended to capture the governance issues identified by service managers for their areas of responsibility and mostly this has been completed satisfactorily for the 2018/19 period.

Whilst no formal recommendations are made by this review, Internal Audit considers that in order to ensure this process does not develop into an annual tick box style review (of the Council's governance arrangements) it would benefit from:

- A refresh and reinvigoration exercise led by the Senior Management Team, clearly communicating why this is important and to provide directions on the minimum expectations;

- Enhanced level of challenge/scrutiny where generic statements are made by service managers and the specific actions taken by them when confirming compliance are not detailed;

- Ensuring that all non-compliance highlighted by a service manager is recorded in the heads of service composite statement to demonstrate

and enable meaningful review/consideration by the Corporate Director(s)/Managing Director; and

- Considering how widespread non-compliance with corporate policies (identified by third party assurance providers e.g. Internal Audit) are subsequently captured, recorded and monitored under this process.

Management Actions

The Head of Audit Risk Assurance has met with the Head of Policy and Resources to consider the findings and where appropriate implement initiatives / changes to the process for the 2019/20 governance review.

Service Area: Council Wide

Audit Activity: Network Access Controls Limited Assurance Follow Up

Background

Network access control is primarily a solution with the key objectives of creating and managing identity and access management; ensuring that security policy is followed, and removing, preventing and mitigating security risks to the entire network environment.

The original Network Access Controls internal audit was completed in 2017/18 and the final report issued on 17th August 2018. The audit resulted in a satisfactory assurance opinion for risk identification maturity and a limited assurance opinion for control environment. Five audit recommendations were raised (one High and four Medium priority) and accepted by management.

The Network Access Controls follow up review is to provide assurance that the agreed actions from the 2017/18 Network Access Controls internal audit have been appropriately implemented and that the original levels of assurance can be revised and reported to the Audit and Governance Committee.

Scope

The scope of this follow up review was to extract the recommendations and agreed management actions from the 2017/18 Network Access Controls internal audit

report and undertake appropriate audit review and testing to verify their implementation.

Risk Assurance – Substantial

Control Assurance – Satisfactory

Key Findings

Audit testing identified that extensive work had been undertaken to address the findings from the original internal audit report.

Discussion with relevant officers and review of Active Directory settings and content as at 28th October 2019 confirmed:

- Robust password and account lockout policies have been invoked on the Council's Active Directory domain including a minimum password age of two days to mitigate reuses of weak logon credentials;
- Passwords have been assigned to all live Active Directory user accounts; and
- Password expiry has been set on all Active Directory user accounts.

A standardised procedure has been implemented from January 2019 to ensure leaver Active Directory accounts are disabled and/or removed in a timely manner. Human Resources provide ICT with a monthly list of all leavers. The ICT team then disable the leaver accounts and proceed to recover any Council laptops or smartphones. Audit sample testing of 20 Council leavers for August and September 2019 confirmed that all sampled Active Directory accounts had been disabled.

The total number of Active Directory accounts has reduced from 1854 in April 2018 to 1173 as at October 2019.

Audit review of Active Directory Information (AD Info) data run in October 2019 confirmed that no live network user accounts had last logon dates in excess of seven months. Discussion with the Civica Service Delivery Director confirmed an ICT led periodic review is in place to identify inactive accounts and confirm that those present on the network are appropriate (e.g. where officers are on maternity leave/sick leave/other).

To address the risk of insecure or unnecessary Windows network services, Alien Vault internal vulnerability scanning software recently has been acquired for

deployment on the Council server estate. At the point of audit follow up review (November 2019), ICT have obtained additional technical support to correctly configure and analyse Alien Vault vulnerability scanning software in order to fully deliver this internal control.

Conclusion

The 2017/18 Network Access Controls internal audit report made a total of five audit recommendations (one High Priority and four Medium Priority). Audit follow up review and testing have confirmed that four recommendations have been fully implemented and one partially implemented.

The partially implemented recommendation (recommendation 5 Medium Priority - relevant to the review and prompt disablement of unnecessary services across the Window domain, which is to be delivered through the configuration and analysis of Alien Vault vulnerability scanning software) is targeted by ICT for full implementation by 2019/20 year end.

Management Actions

No new recommendations have been raised by the follow up internal audit report.

Service Area: Communities

Audit Activity: Licensing: Animal Activity

Background

The Animal Welfare (Licensing of Activities Involving Animals) (England) Regulations 2018 were made by the Secretary of State under section 13 of the Animal Welfare Act 2006 to establish a new licensing regime to control the following licensable activities:

- Selling animals as pets;
- Providing or arranging for the provision of boarding for cats or dogs;
- Hiring out horses;
- Breeding dogs; and
- Keeping or training animals for exhibition.

The consequence of the regulations is that, subject to qualifying criteria, any person wishing to carry out any of licensable activities in England must obtain a licence from their local authority. Depending on the risk rating calculated, licences can be issued for one, two or three years and during the 12 months from October 2018, the Council granted 22 licences.

Scope

The overarching objective was to review the fee-setting arrangements, administration and monitoring of compliance with legislated requirements for the granting of a licence relating to animal activity. In particular to provide assurance that:

- New applications and subsequent renewals are managed in accordance with the regulations; and
- Fees are paid in advance of issue or renewal of a licence and are correctly coded and receipted in the Council's General Ledger.

Risk Assurance – Satisfactory

Control Assurance – Satisfactory

Key Findings

- The Council has utilised Department for Environment, Food and Rural Affairs (DEFRA) guidance to provide clear and accessible information on its website to support applicants who wish to apply for a licence. Applicants can readily download the relevant application form along with a pre-inspection information sheet.
- To provide an appropriate audit trail, any relevant data pertaining to an application and is recorded in the Uniform database system, with supporting documentation deposited in Anite (electronic document storage facility).
- A schedule of proposed fees and charges were calculated (in consultation with the Finance Team) and agreed by the Licensing and Enforcement Committee of 14th March 2019 and apply to the period 1st April 2019 to 31st March 2020. The fees are designed to cover the cost of administering and enforcing the new regulations and for collecting

data to submit an annual return to DEFRA. Internal Audit can confirm that the correct fees are being charged and received from the applicant.

- The Council's Scheme of Delegation, delegates authority to undertake the non-executive function to Head of Communities in determining applications for the grant, renewal, variation or transfer of a licence. However, Internal Audit identified that in practice the decision to award a licence is being determined by officers who do not have the required delegated authority.

Conclusion

The introduction of the Regulations presented a significant challenge and it evident that officers are committed to ensuring the requirements of the regulations are met and to provide appropriate support to applicants throughout the process whilst ensuring that the welfare of animals remains paramount.

During the first 12 months any investigation into un-licenced operations has been carried out on a reactive basis (in response to complaints) but as the application process and related procedures become further embedded, this may present an opportunity for proactive enquiries to be made into potentially licensable activities.

Whilst the control framework has considered the requirements of the regulations, it should be further enhanced by:

- Changing practice to ensure that the decision to award a licence is undertaken and documented in compliance with the Council's Scheme of Delegation;
- To prepare procedural guidance notes detailing how applications will be processed from end to end and to establish/set out the overarching minimum standards, performance measures and quality assurance process to be applied; and
- Reviewing the procedures and application/legal declaration forms used to process franchised host arrangements ensuring a consistent approach is applied.

Management Actions

Management have responded positively to the audit findings and have confirmed the service has amended its practice to ensure immediate compliance with the Council's Scheme of Delegation. The remaining proposed actions will be completed (at the latest) by the end of March 2020.

Service Area: Policy and Resources

Audit Activity: IR35 (Off-payroll working through an intermediary)

Background

IR35 is tax legislation that is designed to combat tax avoidance by workers supplying their services to clients via an intermediary, such as a limited company, but who would be an employee if the intermediary was not used. Such workers are referred to as 'disguised employees' by Her Majesty's Revenue and Customs (HMRC).

The Council is responsible for determining IR35 status when procuring services and if the rules do apply must ensure that tax and Class 1 National Insurance Contributions are deducted at source. If any such persons are paid through agencies it remains the responsibility of the Council, as the client, to determine IR35 status and ensure that the agency is aware that tax and National Insurance must be deducted at source.

Scope

To review the systems, policies and procedures in place to ensure that new and existing off-payroll workers are identified, assessed and paid in accordance with IR35 requirements.

Risk Assurance – Satisfactory

Control Assurance – Satisfactory

Key Findings

Under the off-payroll working rules (referred to as IR35), the Council is required to determine the employment status of a worker to see if the rules apply and inform the person or organisation holding the contract with the worker (the fee-payer) of the determination. If the Council does not tell the fee-payer of the determination,

the Council is responsible for paying any tax and National Insurance Contributions due.

Internal Audit confirmed that suitable guidance was available to managers on the intranet that details the required process for mitigating the associated risk of IR35 across all engagements of workers. However, discussion with managers found that the IR35 requirements were not always fully understood and the current process for acquiring agency staff or consultants did not always involve consultation with representatives from HR and Finance prior to the engagement of the worker.

The Council has a contracted neutral vendor who facilitates the engagement of agency workers through various employment agencies. The Council intranet states, the use of the contracted neutral vendor allows for best value for money in obtaining agency staff (temporary staff, interims or consultants) and all agency staff must be procured using the contracted neutral vendor.

However, Internal Audit found that only two out of nine agency staff sampled had been sourced using the neutral vendor framework. Service area managers informed Internal Audit that this method had not been used due to it not having suitable workers for the required need.

Internal Audit sample tested across all engagement of potential IR35 workers to ensure that the process as required by the Council's guidance had been followed. The sample consisted of:

- Nine agency workers (two engaged from the Council's contracted neutral vendor framework and seven from other employment agencies);
- Three consultants engaged directly through their respective companies; and
- Two individuals engaged directly by the Council.

Internal Audit testing found:

- The appropriate process had been completed before the engagement of a worker in 11 out of 14 cases (78.57%).
In 10 out of the 11 cases an appropriate payment method was being used to pay the worker fully mitigating any risk associated with IR35. However, in one case, an inappropriate method of payment was being used that was not in accordance to the result of the HMRC IR35 check.

Both HR and Payroll are aware of this case and are working on establishing an appropriate method of payment;

- There was no evidence that the HMRC IR35 check had been completed to confirm the employment status of two out of 14 workers. In both cases, Internal Audit was unable to confirm that the payment method was correct and therefore the Council still maintains the risk of any unpaid tax and National Insurance Contributions. Internal Audit has notified HR of both cases; and
- In one case the HMRC IR35 check was completed after the worker had been paid. However, the results of the check confirmed that the payment method was appropriate for the worker.

From April 2020, the requirements in relation to IR35 for Public Authorities are due to change, extending the responsibilities of the Council. From this date the Council will be required to:

- Decide the employment status of a worker for every contract with an agency or worker;
- Pass the determination and the reasons for the determination to the worker and the person or organisation that is being contracted with. This is required whether the determination shows that the off payroll working rules will apply or not;
- Maintain detailed records of employment status determinations, including the reasons for the determination and fees paid; and
- Have processes in place to deal with any disagreements that arise from determinations.

Management has been made aware of the changes and the increased responsibilities of the Council.

Conclusion

Due to the current decentralised nature of engaging potential workers, service area managers are required to complete the IR35 checks and requirements.

The review has highlighted that, in some cases, the Council has not always fulfilled

its requirements under the IR35 legislation to fully mitigate the liability of unpaid tax and National Insurance Contributions.

Internal Audit have provided three recommendations to further strengthen the control environment concerning:

- Completing HMRC IR35 checks and procedures for the existing workers who have not had a check completed;
- Establishing a centralised process to ensure that the requirements of the off-payroll working rules are followed and the associated risk is mitigated; and
- Ensuring that processes, in line with the new off-payroll working requirements for Public Authorities, are in place by April 2020.

Management Actions

Management have responded positively to the audit findings.

Summary of Special Investigations/Counter Fraud Activities

Current Status

As at 20th December 2019 there have been four fraud/irregularity referrals received by Audit Risk Assurance (ARA) for investigation. Three of the cases are still ongoing and the outcomes will be reported to the Audit and Governance Committee once the investigations are complete.

The closed case involved cash handling irregularities. On completion of the Internal Audit investigation a disciplinary hearing was held and an individual has subsequently been dismissed.

The ARA Counter Fraud team currently comprises of 2.6 equivalent FTE's across all partners of which Gloucester City Council is one. The team is continuing to raise the profile of the service by actively engaging with Gloucester City staff. Posters, messages on the Council's intranet pages together with messages on social media platforms were used to promote International Fraud Awareness week (IFAW) 17th to 23rd November. In January 2020 the Counter Fraud team will be providing fraud awareness training sessions to Gloucester City Council managers. By raising the profile of the service it is expected that this will generate referrals from across the City Council.

The 2017-19 Anti Fraud Policy and Strategy (to become the Counter Fraud Policy and Strategy) together with the Fraud Risk Registers are have been reviewed and will be provided to the Audit and Governance Committee once completed. The 2016-19 CIPFA Fighting Fraud and Corruption Locally Strategy (the counter fraud and corruption strategy for local government) which is referred to in the policy and strategy has not yet been updated and ARA have been advised that this document is unlikely to be available before March 2020.

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 2018/19 data collections have been successfully uploaded to the Cabinet Office during October 2018 and the data matching reports were released on 31st January 2019 and the relevant staff at Gloucester City have been informed and any significant outcomes will be reported to the Committee. 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 investigated but where possible all recommended matches are reviewed by either Internal Audit or the appropriate service area.

Additional data (Recheck) in respect of Council Tax (CT) and Electoral Register (ER) data is due to be submitted by the Council submitted through the secure NFI web application, as soon as possible after 2 December 2019 and no later than 28 February 2020. The timetable can be found using the following link GOV.UK. Data uploaded after 28 February 2020 will be classed as officially late.

In addition to the information available on the NFI website, a report detailing the number of key matches, including the area within which they sit, together with the progress of actions undertaken to date to review the matches is being developed by ARA. This will be shared with the Monitoring Officer at regular intervals to provide an overview of progress and any key/significant outcomes to be easily identified.

ARA has been advised by the Policy and Resources Intelligent Client Officer that the Counter Fraud Unit (CFU) (procured via ARA) have been tasked with reviewing the NFI single person discount (SPD) matches. The majority of these matches are those between electoral register and those who receive a 25% discount from their Council Tax (CTAX) for being the single occupant of a property. The number of matches

was quite significant, speculatively this could be attributable to the fact that more people registered on the electoral in the lead up to the Brexit vote in 2017.

An initial overview of the matches was undertaken by the CFU and a number of 'legitimate' and exempted matches were identified and discounted. Letters then issued to all of the remaining people seeking clarification of their entitlement to the reduction in council tax by way of single person discount. A dedicated email address was created for this so people could respond by email if they chose to do so. This work has been transferred to the Revenues team to continue with the project and any bills will be amended as required. The NFI records have been updated accordingly and a summary of the findings will be provided to a future Audit and Governance Committee.

The Revenues team have completed the project to visit all homes in the city listed as unoccupied and the Council Tax records have been updated. This project also included those homes which are said to have been unoccupied for less than two years. This piece of work is still ongoing and the key outcomes/findings of the project will be reported to a future Audit and Governance Committee meeting once analysed.