



# **PROGRESS REPORT ON INTERNAL AUDIT ACTIVITY**

## **SEPTEMBER 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 Internal Audit 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 August 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 August 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: Contain Outbreak Management Fund (COMF) – Grant Certification (Service Area: Policy and Resources)**

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

**2.3 Scope** – The Test and Trace COMF Surge Funding Grant Determination Number (No.) 31/5518 was issued on 14<sup>th</sup> April 2021. This awarded £191,799.01 to Gloucester City Council (the Council). The grant purpose was for use ‘towards expenditure lawfully incurred or to be incurred in relation to the mitigation against and management of local outbreaks of coronavirus (Covid-19)’.

**2.4** This audit reviewed whether the conditions of the grant determination had been complied with for the period 30<sup>th</sup> June 2020 to 30<sup>th</sup> June 2022.

**2.5 Key Findings**

- i. The records supplied by the Accountancy Manager confirmed that a total of £191,799.01 was received in April 2021. The Senior Management Team then monitored expenditure against the grant determination and agreed use of the funds. The COMF monitoring spreadsheet of recorded spend for the period totalled £135,245.17;
- ii. Internal Audit tested six lines of expenditure totalling £102,757 (76%). Appropriate supporting evidence was obtained for the sample and confirmed compliance with the grant determination requirements;
- iii. A cyber incident impacted the Council’s access to the electronic General Ledger for the period December 2021 to the point of audit (July 2022). The Council ensured that appropriate alternate supporting documents and records were maintained during this period for the grant, which enabled Internal Audit verification of the relevant grant expenditure. The Accountancy Manager confirmed that the General Ledger is due to be updated retrospectively;
- iv. The United Kingdom Health Security Agency (UKHSA) confirmed that underspent funds should be carried forward into 2022-23 and continue to be spent on Covid-19 related activities. Due to the cyber incident affecting the General Ledger position, it was not possible for Internal Audit to verify the carry forward balance of the grant to the financial system. The £56,553.84 balance was agreed to the Council’s alternate supporting records. The Accountancy Manager has also confirmed the remaining balance is committed for expenditure during 2022-23;
- v. Based on discussions with officers and a review of records maintained by the Council, Internal Audit gained appropriate assurance that the conditions of the grant determination had been met. As such, a declaration confirming £135,245.17 of grant expenditure covering the period 30<sup>th</sup> June 2020 to 30<sup>th</sup> June 2022 was signed and submitted to the UKHSA.

- 2.6 Audit Activity: Protect and Vaccinate 2021-22 – Grant Certification (Service Area: Policy and Resources)**
- i. Assurance Level for this report: An assurance level was not provided for this activity; and
  - ii. No recommendations arose from this review.
- 2.7 Scope** – The Protect and Vaccinate Grant Determination No. 31/5912 was issued on 31<sup>st</sup> January 2022. This awarded £57,861 to Gloucester City Council. The grant purpose was to enable councils to ‘provide safe accommodation for as many people rough sleeping as possible’ and ‘support them to get their Covid-19 vaccinations’.
- 2.8** The grant funding was ringfenced for the purposes of protecting and vaccinating rough sleepers in response to the Covid-19 Omicron variant. The grant determination stated that the funding ‘must be spent by 31<sup>st</sup> March 2022.’
- 2.9** This audit reviewed whether the conditions of the grant determination had been complied with.
- 2.10 Key Findings**
- i. The records supplied by the Accountancy Manager confirmed a total of £57,861 was received in February 2022 and no expenditure was allocated against the grant for 2021-22;
  - ii. The Department for Levelling Up, Housing and Communities (DLUHC) confirmed that unspent funds should be repaid to the funding body;
  - iii. Based on discussions with officers and a review of records maintained by the Council, Internal Audit gained appropriate assurance that the conditions of the grant determination had been met. As such, the Protect and Vaccinate 2021-22 Final Spend Declaration was signed and submitted to the DLUHC;
  - iv. The Council has now repaid the £57,861 unspent grant to DLUHC.
- 2.11 Audit Activity: Gloucestershire Airport Limited (Ltd) – Follow Up (Service Area: Policy and Resources)**
- i. Assurance Level for this report: Acceptable Assurance; and
  - ii. Recommendations arising from this review have been prioritised as:
- |                  |   |
|------------------|---|
| High Priority:   | 0 |
| Medium Priority: | 2 |
| Low Priority:    | 0 |
| Rejected:        | 0 |
- 2.12 Scope** – Gloucestershire Airport Ltd (the Airport) is jointly owned by Gloucester City Council and Cheltenham Borough Council.

- 2.13 In 2017, an Airport governance review was completed by Cheltenham Borough Council and resulted in 27 actions to be taken forward by the Shareholder's Forum.
- 2.14 In February 2019, Internal Audit completed a follow up governance review. This considered whether an action plan had been developed, that it was progressing and appropriate monitoring and management arrangements were in place. The review resulted in a Satisfactory (Acceptable) Assurance and identified three recommendations for further action. Management agreed to contact the Airport and request their implementation.
- 2.15 The 2022 follow up audit reviewed the progress made on the three recommendations.

## 2.16 Key Findings

- i. The follow up audit confirmed that positive progress has been made to implement the three recommendations;
- ii. The Shareholder's Forum and Airport Board agenda, reports and minutes were clear to follow, informative and communicated the salient points which transpired from proceedings;
- iii. Audit trail confirmed improvement in the communication and documentation of governance themes and actions. Performance measures, performance management data, the allocation of lead contacts for actions and impact assessments were also confirmed as in place;
- iv. One of the original ARA recommendations has been fully implemented. Two of the original ARA recommendations have been mainly implemented and the outstanding themes carried forward for action, as described in v and vi below;
- v. Reviewed Shareholder's Forum audit trail did not identify a co-ordinated report on outstanding governance action plan items and the indicative timescales for their implementation. There was also a lack of reporting on the Airports plan for policy and procedure review, an action that would demonstrate effective governance principles;

**Risk:** Non delivery of required governance actions and reputational, political or financial risk;

**Recommendation:** The Airport should report the detail of any outstanding governance action plan issues with indicative timescales for implementation as part of the quarterly reporting to the Shareholder's Forum. Forum papers should also include the position and progress on policy and procedure review. Action to be requested by the Director of Policy and Resources. Target date 31<sup>st</sup> July 2022.

- vi. One of the key annual governance processes is for the Airport to complete a review of the Board's effectiveness. This action had not been completed at the point of audit follow up;

**Risk:** The Board's effectiveness is not regularly assessed, which may be a barrier to the Airport's business plans;

**Recommendation:** The Airport should undertake annual Board effectiveness reviews with the outcome being reported to Shareholders. Action to be requested by the Director of Policy and Resources. Target date 31<sup>st</sup> July 2022.

### **3. Counter Fraud Update – Summary of Counter Fraud Activities**

#### **Current Year Counter Fraud Activities**

- 3.1 To date in 2022-23 there have been no new irregularities referred to the ARA Counter Fraud Team (CFT).
- 3.2 The CFT continues to provide support and guidance to Council staff. For example, training sessions in respect of Interviews Under Caution, court file preparation and taking witness statements were provided to the Animal Welfare Team. The two sessions were completed in July 2022 and received positive feedback from the attendees.

#### **Previous Years' Referrals**

- 3.3 The CFT has continued to work on three Covid-19 grant cases carried forward from prior years and one non grant related case.
- 3.4 Following the receipt of new information, no further action was required on one of the three Covid-19 grant related cases and this was closed. The outcomes on the two remaining Covid-19 grant cases will be reported to Audit and Governance Committee on their completion.
- 3.5 The non Covid-19 grant case has recently been referred from the Magistrates Court to the Crown Court. The potential sentencing in respect of licensing (animal welfare) related issues is expected to take place in September 2022.
- 3.6 It should be noted that many of the cases referred to the CFT involve intricate detail and Police referral. This invariably results in a delay before the investigation can be classed as closed.

#### **National Fraud Initiative (NFI)**

- 3.7 Internal Audit continues to support the NFI which is a biennial data matching exercise administered by the Cabinet Office. The data collections for the 2022-23 exercise are due to be uploaded to the Cabinet Office from 7<sup>th</sup> October 2022. It is anticipated that the data matching reports will be released for review from January 2023 onwards.
- 3.8 The full NFI timetable can be found using the link available on GOV.UK – [www.gov.uk/government/publications/national-fraud-initiative-timetables](http://www.gov.uk/government/publications/national-fraud-initiative-timetables)
- 3.9 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.

- 3.10 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.
- 3.11 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)**

- 3.12 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.
- 3.13 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.
- 3.14 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.

### **International Fraud Awareness Week (IFAW)**

- 3.15 This year as in previous years, Gloucester City Council is signed up as a supporter of IFAW.
- 3.16 The week runs from 13<sup>th</sup> to 19<sup>th</sup> November 2022. The aim of IFAW is to raise awareness of different types of frauds and scams and how to prevent the Council falling victim to them. More information will be issued nearer the time.