



PROGRESS REPORT ON INTERNAL AUDIT ACTIVITY NOVEMBER 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 October 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 October 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: Recycling Commodities and Credits (Service Area: Communities / Place)**

- i. Assurance Level for this report: Acceptable Assurance; and
- ii. Recommendations arising from this review have been prioritised as:

High Priority:	3
Medium Priority:	4
Low Priority:	0
Rejected:	0

2.3 **Scope** – This audit reviewed the procedures and controls in place regarding recycling commodities and credits to ensure that income was correctly calculated, received and maximised. A review of the management assurance framework also formed part of the audit.

2.4 The audit work was originally delivered in quarter three 2021-22, however review completion was impacted by the Council cyber incident. Further work was required during quarters one and two of 2022-23 to fully conclude the audit. ARA would like to thank managers and officers for their positive support and engagement across the extended period of the audit.

2.5 **Key Findings**

- i. The Council procured a new contract from 1st April 2022 for the management and sale of its recycling commodities, which has had a positive impact on revenue. Current expectations are that the Council should generate £1m in revenue for the 2022-23 financial year;
- ii. The Waste, Recycling and Environment Manager confirmed that the transfer of the waste management and recycling services from the previous contractor to Ubico was performed smoothly with no significant issues;
- iii. The Council has not documented its waste management strategy to:
 - a. Support its aim of being carbon neutral by 2045 for the City as a whole;
 - b. Achieve the Government and the Council's recycling rate objectives; and
 - c. Document the future shape and direction of its waste management service;

Risk: Increase in waste to the incinerator resulting in the non-achievement of the Council's green objectives and adverse climate change. Adverse media and public relations resulting from non-achievement of recycling targets;

Recommendation: The Council should document its waste management strategy. This should detail its aims and objectives for the service to achieve the Government's residual waste target and support the Council's commitment to carbon neutrality by 2045.

- iv. The Council and all other Gloucestershire authorities street and road sweepings are sent to Javelin Park for incineration rather than being sent for recycling. The Waste, Recycling and Environment Manager has confirmed that this has been highlighted to Gloucestershire County Council (as the Waste Disposal Authority), but without a successful conclusion;

Risk: Recycling targets are not achieved resulting in adverse publicity and increase in climate change;

Recommendation: Senior management should continue to engage with Gloucestershire County Council for consideration of a contract to recycle street and road sweepings for all Gloucestershire councils.

- v. High level checks undertaken by Internal Audit of the waste management provider and Gloucestershire County Council reported recycling and residual waste information highlighted the following:
 - a. The waste management provider incorrectly calculated and reported the percentage of recycling;
 - b. Some small differences in the weight of green waste reported; and
 - c. Difference of residual waste to the incinerator of approximately 20 tonnes per month, but for August it was approximately 200 tonnes;

Risk: Incorrect waste information is provided to Gloucester City Council resulting in incorrect management decisions and loss of income;

Recommendation: Undertake checks to confirm the accuracy of recycling and residual waste information provided by the waste management provider and Gloucestershire County Council.

- vi. Other areas identified for action related to checks on Gloucestershire County Council fourth quarter incentive payment scheme calculations, procedural manual guidance, performance measures and property asset improvements to the depot;
- vii. Management responded positively to the recommendations raised. One High priority (bullet point v.) and one Medium priority (bullet point vi. depot improvements) recommendation have been implemented during the course of the audit;
- viii. Internal Audit identified additional operational risks to the service not on the risk register, which the Waste, Recycling and Environment Manager accepted. Update of the risk register was then actioned during this review.

2.6 **Audit Activity: High Street Heritage Action Zone (Service Area: Place)**

- 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

2.7 **Scope** – The project is centred on the Westgate Street area of Gloucester. Grants are available from Historic England and the City Council to support improvements to the quality of heritage buildings. The aim of the audit was to complete an appraisal of the Council's arrangements regarding the control environment for the Historic England and City Council grant.

2.8 **Key Findings**

- i. The project's processes, supporting documentation and controls were reviewed. The use of the grant complies with Historic England's guidance;
- ii. A project operational risk register is in place and includes nine risks. The Cathedral Quarter Project Manager is the risk register owner and responsible for its monitoring. The risk register is reviewed every six months and is scheduled for review during October 2022;
- iii. Grant application submission, vetting and approval is a key process with the objective of ensuring that grants are awarded in compliance with the guidance from Historic England;
- iv. A sample of four grant applications was chosen from a total population of nine. Audit review confirmed that all four applications had received a compliant vetting and approval process, with appropriate supporting documentation retained by the Council;
- v. Eligible expenditure for grant is certified and claimed by the applicants' professional adviser retrospectively on a monthly or quarterly basis. Having segregation of duties in place within the process, reduces the risk of financial fraud when approving grants for restoration work in Westgate Street;
- vi. A sample of grants totalling £340,823 was chosen to assess evidence of segregation of duties within the grant payment process. The results confirmed that the payment processing controls were operating in line with the required procedure and guidance;
- vii. Up to date financial grant monitoring records are kept by the Cathedral Quarter Project Manager. The Council monitoring records align to those used by Historic England and consistently profile the expected financial grant due in 2022-23;

viii. Enquiries into the procedures used for grant recipient site visits established that photographs were taken of progress made. No documented assessment of works inspected or actions required takes place;

Risk: Agreed actions may not be taken forward, impacting project delivery;

Recommendation: Introduce a site inspection visit template which can capture all the relevant findings and actions required. Completed site visit templates can also be used as a follow up monitoring control to update progress. Management have confirmed this recommendation has now been implemented.

ix. Fortnightly meetings take place with officers from Historic England. Enquiries established that these meetings are not currently recorded in meeting minutes. Project progress can be enhanced and provide transparency to monitoring controls, where meeting minutes are documented;

Risk: Lack of transparency for the project monitoring controls;

Recommendation: Introduce a procedure to take minutes of all meetings with Historic England and document the actions to be taken by both parties with relevant timescales. Management have confirmed this recommendation has now been implemented.

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 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 due to take place in September 2022. This has now been postponed until October 2022.

3.6 The outcomes on the two remaining Covid-19 grant cases will be reported to Audit Committee on their completion.

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 7th 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
- 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 13th to 19th 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.

3.17 The ARA CFT will be providing IFAW materials to the Council's communications teams and other targeted services.

