PROGRESS REPORT ON INTERNAL AUDIT ACTIVITY

November 2023

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 2023/24 (Appendix A);

      ii.   The outcomes of the 2023/24 Internal Audit activity delivered up to mid-October 2023; 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 officers of the Council are responsible for establishing and maintaining appropriate risk management processes, control systems (financial and non-financial) and governance arrangements.

2.   Summary of 2023-24 Internal Audit work delivered up to mid-October 2023

2.1   The following Assurance criteria are applied to Internal Audit reports:

      i.   <u>Substantial assurance</u> – all key controls are in place and working effectively with no exceptions or reservations. The Council has a low exposure to business risk;

      ii.   <u>Acceptable assurance</u> – 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.   <u>Limited assurance</u> – not all key controls are in place or are working effectively. The Council has a medium to high exposure to business risk; and

      iv.   <u>No assurance</u> – 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: Health and Safety Follow Up (Service Area: Communities)

    i.   The audit followed up the implementation of one outstanding recommendation made from the 2018-19 audit. An initial follow-up was completed in April 2022 where it was confirmed that two recommendations were implemented.

    ii.   The outstanding recommendation was high priority and related to the Property and Commissioning Manager providing clarity to building managers on where the division of responsibilities lay regarding premise related health and safety issues.

    iii.   A corporate project was in place to implement the Techforge system as a buildings database, including health and safety responsibilities for the Council, partners and tenants. However, as a result of the cyber incident and a lack of resources, the project has been paused and the recommendation remains open.

2.3   Audit Activity: Assurance Mapping (Service Area: Council Wide)

    i.   Assurance Level for this report: An assurance level was not required for this activity as this was a consultancy assignment.

2.4   Objectives - The key objectives of this review were to:

    i.   Provide advice and guidance on developing the risk assurance map; and

    ii.   Report on how to build upon the outcome of this assignment and complete the assurance map, including procedural guidance to be added to the risk management procedures.

2.5   A risk assurance map will give senior officers and Members a visual representation of where the Council receives assurances from for the achievement of their key objectives. The risk assurance map would highlight both gaps and duplications in the assurance framework for the Council using the three lines of defence model.

2.6   Deliverables - The deliverables from this activity were:

    i.   A Risk Assurance Map template - with Strategic Risks and scoring. These need to be developed by the Council to populate with the assurance for each risk;

    ii.   Assurance Mapping Guidance – detailed guidance on how to complete and maintain the assurance map; and

    iii.   Assurance Mapping report – a report detailing the next steps the Council needs to take to complete the assurance mapping.

2.7   Audit Activity: Guildhall Galvanise Project Grant (Service Area: Culture)

    i.   ARA completed an audit of the Guildhall Galvanise project on 8th February 2023. An additional audit report was issued on 20th February 2023 with the objective of getting the outstanding balance of grant paid. ARA was then requested by Arts

Council to make further amendments to the report in September 2023 so that the Council could receive any grant balance due.

2.8　The amendments made to the report were the following;

    i.　Adding the Arts Council project number;

    ii.　Revised the wording regarding expenditure and income (but not the amount);

    iii.　Added the name of the ARA accountant, including qualifications, who completed the audit work; and

    iv.　Added the name of the Head of ARA who completed review and approval of the report.

2.9　**Audit Activity: Leavers Process – Off-Boarding (Service Area: Council Wide)**

    i.　Assurance Level for this report: Acceptable.

    ii.　Recommendations arising from this review have been prioritised as:

High Priority:	1
Medium Priority:	2
Low Priority:	1
Rejected:	0

2.10　**Scope** - This audit reviewed whether the Council used a consistent and formal process for the off-boarding of leavers. This was to ensure that final salary payments made were accurate, Council assets were returned, and access rights were removed to ensure the integrity of systems and data.

2.11　**Key Findings**

    i.　The process for the return of IT assets was not being consistently followed. Instances were identified whereby a laptop was passed to another member of staff instead of being returned to IT to be wiped prior to re-issue. There was another instance where evidence was not available to support a laptop having been returned. A review of the asset register identified a leaver still listed on the asset register with equipment allocated to them.

    Risk: Loss of Council assets. Potential risk of loss of data integrity through unauthorised use.

    Recommendation: Managers should be reminded of their responsibilities in ensuring that Council assets are returned to IT when an employee leaves as part of the wider leaver process.

ii.   Custodians were reliant on the return of an ID card to facilitate the removal of access rights to a Council building. There was no log kept for ID cards issued and returned to identify outstanding and yet to be returned cards.

Risk: ID cards retained by a leaver could be used inappropriately, including impersonating a current employee. Potential unauthorised access to a Council building.

Recommendation: A monthly list of leavers from HR should be provided to the Custodians to facilitate the prompt removal of building access by the team. The Custodians should maintain a log of issued and destroyed cards to better manage access rights to Council buildings.

iii.   The leavers checklist available on the staff intranet page was part of an outdated process which had changed significantly in part due to the changes in arrangements including Civica no longer having any involvement with the Council IT.

Risk: Loss of Council assets. Potential risk of loss of data integrity through unauthorised use.

Recommendation: The leavers checklist available on the staff intranet page should be amended or removed to reflect the updated arrangements regarding leavers for the Council. This should then be communicated to managers for awareness.

iv.   HR were sending a list of leavers to the Appointments and People Sourcing Team within the Business Service Centre (BSC) at Gloucestershire County Council on a monthly basis. It was confirmed that ID cards are now administered internally by the Council. Therefore, the Appointments and People Sourcing Team are no longer required to receive leaver information as they are not responsible for administering ID cards.

Risk: Unnecessary process.

Recommendation: HR should cease sending leaver information relating to Council to the Appointments and People Sourcing Team at Gloucestershire County Council. This information should be sent to the Custodians at the Council to facilitate their reconciliation of the leavers and outstanding ID badges.

3.   Recommendation Monitoring - Open Audit Recommendations

i.   For all recommendations, updates are requested from action owners following the agreed implementation date, to establish progress in implementing the recommendations. For any recommendations that continue to be progressed, further updates are obtained based on any revised implementation dates.

ii.   Table 1 below summarises the current open recommendations from 2022-23 and 2023-24 (to date) per audit and risk priority. Full details of all the open recommendations can be seen at Appendix B.

Ref.	Audit Activity	Total No. of Open Recommendations	Risk Priority		
			High	Medium	Low
1.	Gloucestershire Airport	2	0	2	0
2.	Health & Safety Limited Assurance 2nd Follow Up	1	1	0	0
3.	Recycling Commodities	2	1	1	0
4.	Community Infrastructure Levy (CIL) and Section 106	8	4	4	0
5.	Housing Strategy	1	1	0	0
6.	Procurement	5	3	2	0
	Total	**19**	**10**	**9**	**0**

Table 1 – Open Recommendations

4. Counter Fraud Update – Summary of Counter Fraud Activities

Current Year Counter Fraud Activities

4.1 To date in 2023-24 there have been five new referrals made to the ARA Counter Fraud Team (CFT).

4.2 After initial triage by the CFT, four of the referrals were converted to cases. Of the four, one has now been closed as has the remaining referral.

4.3 The closed case was around internal controls and the perceived application of those existing controls. The investigation established that the correct procedures had been followed however, communications and decision-making records needed to be improved for transparency. Actions to address this have already been implemented.

4.4 The closed referral was a request to undertake financial searches to assist the Council with a case being investigated under the Housing Act 2004 and the offences and supplementary provisions of Part 2 of the Act and Rent Repayment Orders.

4.5 The remaining three cases are ongoing and will be reported to the Committee on their completion.

4.6 Not all investigations (for example conduct, non-compliance and ethics issues) can have an assessed value attached to them or result in the recovery of monies. CFT investigations, analytics and consultative work may add value in other ways such as providing assurance to members and residents, reducing Council vulnerabilities and mitigating risk.

4.7 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.

4.8   In addition to the above, counter fraud advice and alerts are routinely provided outside of the creation of referrals and cases.

National Fraud Initiative (NFI)

4.9   The CFT continues to support the NFI which is a biennial data matching exercise administered by the Cabinet Office. The data matching reports for the 2022-23 exercise have been released for review.

4.10   Council Tax and Electoral data is due to be uploaded between 30th November 2023 and no later than 19th January 2024. The CFT will continue to liaise with the relevant teams to ensure that the set deadlines are met.

4.11   Full details of the NFI timetables can be found using the link available on GOV.UK website – www.gov.uk/government/publications/national-fraud-initiative-timetables.

4.12   Examples of NFI data sets uploaded to NFI includes housing, insurance, payroll, creditors, council tax, electoral register and licences for market trader or operator, taxi drivers and personal licences to supply alcohol.

4.13   Not all matches are investigated. Where possible, all recommended or high fraud risk matches are reviewed by either the CFT or the appropriate service area within the Council.

National Anti-Fraud Network (NAFN)

4.14   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.

4.15   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.

4.16   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

4.17   The Council continues to register as a supporter of the annual International Fraud Awareness Week -12-18 November 2023. The aim of the week is to raise awareness of fraud prevention through education and campaigns.

4.18   During the week the CFT will be sharing fraud awareness messages and information on the latest fraud trends and scams together with advice on how to prevent becoming a victim.