



# **PROGRESS REPORT ON INTERNAL AUDIT ACTIVITY**

## **March 2024**

## 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-December 2023 following the previous Committee in November 2023.
  - iii. The number of recommendations that remain open from 2022-23 and 2023-24 to date (Appendix B); and
  - iv. 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-February 2024

- 2.1 Table 1 below summarises the audits delivered up to mid-February 2024, since the previous Committee in January 2024.

Audit	Assurance Level	Supporting Paragraph
Housing Benefits & Council Tax Reduction	Acceptable	2.3
Section 106 Follow Up	N/A	2.4
Employee Wellbeing and Retention	N/A	2.5

**Table 1 – Summary of audits delivered.**

- 2.2 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.

### 2.3 **Audit Activity: Housing Benefits & Council Tax Reduction**

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

High Priority:	1
Medium Priority:	5
Low Priority:	3
Rejected:	0

2.3.1 **Scope:** This audit reviewed the adequacy and effectiveness of the current procedures and controls in place regarding Housing Benefits and Council Tax Support.

#### 2.3.2 **Key Findings:**

- i. The Benefits Team were not performing reviews of existing claims to confirm their eligibility at the time of the audit. More specifically;
  - The last review of the housing benefits claim eligibility was done in December 2021 based on the risk assessment provided by the Department for Work and Pensions (DWP). Since then, the DWP sent new assessments which were not actioned (last received in July 2023) at the start of the audit.
  - ARA identified several housing benefit claims for the same addresses but was not able to confirm that these related to House of Multiple Occupancy (HMO). These claims are not associated with a unique property reference number (UPRN) and are not reviewed to ensure they are not duplicates.
  - We acknowledge management awareness of this issue. Where different claimants are using the same UPRN, there is a risk that fraud, duplication, and unauthorised payments could occur especially where claimants' eligibility for benefits are not regularly reviewed.

**Risk:** Payments may continue to be made to ineligible claimants resulting in financial loss to the Council.

**Recommendation:** The Benefits Manager should:

- i. Review the high-risk claims highlighted by the DWP and implement a regular review based on the age of the claims to ensure these are still valid.
- ii. Assign a unique reference for each room within a HMO and implement a regular review of the duplicate claims for the same addresses and same UPRN. This is to ensure that existing controls are enhanced.

- ii. The National Fraud Initiative matching exercise has not been undertaken since the last financial year. This was attributed to out-of-date records arising from the cyber-attacks experienced by the function. As a mitigation ARA noted that an exemption approval was sought from the S151 Officer at the time and a dedicated fraud Officer role is in place to prevent fraud and investigate allegations.

**Risk:** The absence of NFI matching process poses a potential risk of fraudulent activities going undetected.

**Recommendation:** The Benefits Manager should conduct the NFI matching exercise for housing benefit (HB) and council tax support (CTS) records as soon as practical to assist in highlighting any fraudulent claims.

- iii. No business impact assessment has been undertaken for the Revenue and Benefits function to identify the key systems and processes to ensure the continuity of its operations.

**Risk:** This poses a risk of inability to manage the impact of unexpected events should they occur.

**Recommendation:** The Service Delivery Manager – Revenues and Benefits should undertake a Business Impact Assessment on the operations of HB and CTS that will be used to design a Business Continuity Plan.

- iv. On a daily basis, quality assurance checks are independently carried out on the various types of claims processed. The outcome of these checks is recorded and where applicable followed up with the respective assessor. We were informed that the Benefits Manager reviews the quality assurance checks spreadsheet to identify any patterns regarding errors or ongoing issues to be rectified. There are, however, no formalised oversight arrangements in place to provide management with the requisite assurance of the effectiveness of this process and to demonstrate corrective actions being taken. Furthermore, there is a documented process covering the selection of a sample of output for quality assurance checks. The sample is selected randomly. There is a likelihood of certain unusual processes not being selected for quality checks.

**Risk:** Issues arising from quality assurance checks may not be addressed and lessons learned not captured. There is a risk that certain outputs may not be subject to quality assurance checks.

**Recommendation:** Oversight arrangements over the quality assurance checks processes should be evidenced including demonstration of corrective measures being taken. In addition, the sample selected for quality assurance checks should account for any unusual and infrequent processes undertaken.

- v. There are controls in place regarding changes to claimants' bank account details which requires request in writing, system checks to confirm new account number and sort codes are in agreement. This is further controlled from the banks' authentication checks. However, in view of the risk of fraud in this area of activity and the lack of segregation in this task, controls could be further enhanced by the

production of oversight reports for managerial and independent review as and when claimants' bank account changes occur.

**Risk:** Unauthorised changes to claimants' bank accounts could occur leading to fraudulent activities.

**Recommendation:** The Benefits Manager should check independently that claimants' bank account changes are authenticated adequately.

- vi. A draft risk register for Revenues and Benefits is currently being developed and being discussed with the Head of Finance and Resources. ARA reviewed the draft document and identified some improvements in the areas of identifying controls and assigning ownerships for all risks.

**Risk:** Risks may not be adequately managed.

**Recommendation:** The Service Delivery Manager – Revenues and Benefits should ensure all risks captured in the risk register have mitigating controls and are assigned to risk owners for their management.

## 2.4 Section 106 Follow Up (Service Area: Communities)

2.4.1 The audit followed up the implementation of the 11 recommendations made from the 2022-23 audit.

2.4.2 Five recommendations (one high and four medium) have been implemented and therefore closed. The remaining six recommendations that remain open are as follows;

- i. One high recommendation related to (i) the use of Exacom instead of spreadsheets and (ii) the update of information in the system for the operating of S106 agreements. It was confirmed that Exacom has been nominated the priority system for the administration of S106 agreements. The new process involving all the relevant teams has been communicated. Work has also been undertaken to update the S106 agreements in Exacom and all the live operating agreements are now all managed through Exacom. However, the reconciliation between Exacom and the general ledger has not been completed yet, which means the recommendation has only been partially implemented and therefore remains open.
- ii. One high recommendation related to the need for quarterly reconciliations between Exacom, Uniform and the general ledger. ARA understand that a reconciliation with Uniform is at this stage less relevant as it contains basic information. However, ARA was not able to evidence that the regular reconciliations between Exacom and the general ledger have taken place. Therefore, this recommendation remains open, and ARA will continue monitoring the progress of the work undertaken.
- iii. One high recommendation related to the developer contributions calculations and figures (including the monitoring fee). All the live agreements are now all managed through Exacom, and further work is being progressed to ensure the accuracy of the data and the information for the historical agreements. Management have prioritised live agreements against historical ones as the latter represent a lower

risk. As the reconciliation between Exacom and the general ledger has not been completed at the time of this review, ARA could not confirm the accuracy of the data in Exacom. The fee schedule for S106 agreements for 2024/2025 is included the fees and charges book, which has been presented to the Overview & Scrutiny committee on 22<sup>nd</sup> January 2024 and to Cabinet on 7<sup>th</sup> February 2024. It is yet to be agreed as part of the budgeting cycle at budget Council (February 2024). ARA was advised that there has been no previous opportunity to get it approved. This recommendation is partially implemented and remains therefore open and will continue to be monitored.

- iv. One high recommendation related to the implementation of (i) a S106 quarterly reporting to management, (ii) a review of developer contributions spend to confirm deadlines are being met and (iii) a half yearly reporting to the Planning Committee.
  - a. Quarterly reports on the status and position of all operating S106 agreements are still to be implemented. The S106 monitoring report has been added to the Senior Management Team (SMT) forward plan for 20<sup>th</sup> February 2023 and then quarterly thereafter;
  - b. An update on S106 audit recommendations was provided at the November 2023 Audit and Governance Committee by the S151 officer including the five agreements identified in the initial report. At the time of this review:
    - One agreement was not reviewed as deemed immaterial;
    - For one agreement, evidence was received that all the remaining funds had been spent and there were no further funds available;
    - For one agreement, ARA was advised that all the remaining funds had been spent and there were no further funds available but management was not able to provide supporting evidence to confirm this;
    - For one agreement, the remaining funds were committed, which was discussed in Cabinet in February 2019, which complied with the terms of the agreement; and
    - For one agreement the remaining funds had been allocated to part of the project but with no deadline. On this particular agreement, OneLegal confirmed that “a sensible approach would be to say that the money should be spent within 10 years of payment, although this is not a requirement as there is no repayment clause”, giving October 2026 as the earliest possible expiry date.
  - c. In addition, the original audit report also identified developer’s contributions for three S106 agreements totalling approximately £85k for affordable homes received in 2018. These contributions have not yet been spent as no suitable schemes have been identified. Based on the 10-year precedent we understand that time to use the funds has not elapsed yet.
  - d. The unpaid contribution highlighted in the audit report (£75k) is subject to the Council recovery process. ARA was provided the evidence that the developer had been since added on the Land and Charges register.

Due to the lack of supporting evidence provided regarding one of the five agreements that were initially reviewed and the quarterly reporting arrangements not yet fully established, this recommendation remains open and will continue to be monitored.

- v. One medium recommendation related to (i) the accuracy of the Land and Charges register and (ii) the implementation of a quarterly reconciliation between the Land charges system and Exacom. ARA received the evidence that there is a record in the Land and Charges register for the five agreements identified in the initial report. However, the reconciliation between the Land charges system and Exacom to ensure completeness and accuracy is yet to take place. Therefore, the recommendation remains open.
- vi. One medium recommendation related to the monitoring fees which should be recorded on the Council's Fees and Charges schedule and subject to annual review and approval by Members. As noted in point iii above, ARA received the fee schedule for S106 agreements for 2024/2025. It is yet to be agreed as part of the budgeting cycle at budget Council (February 2024), with no prior opportunity for approval. Therefore, the recommendation remains open until the fee schedule is approved by the Council.

## 2.5 **Consultancy Audit Activity: Employee Wellbeing and Retention (Service Area: Transformation and Commissioning)**

A consultancy review of the employee wellbeing initiatives was undertaken. The purpose of the consultancy review was to review the procedures and controls in place to mitigate the risks of employees' wellbeing being negatively impacted and the result on retention.

**Scope** – There are several factors that can impact on employee wellbeing, which can vary depending on each employee. Internal Audit explored the different wellbeing 'levers' on employees and identified the following areas that could be impacted whilst at work;

- i. Mental health;
- ii. Physical health;
- iii. Level of employee engagement; and
- iv. Incentives (remuneration and available benefits).

### 2.5.1 **Key Findings:**

There are several initiatives in place at the Council to promote and support the wellbeing of its employees, namely;

#### Mental Health

- i. An Employee Assistance Programme (EAP) is available to all Council staff and their family on a 24/7 basis. It is managed by an external provider, which is accessible by phone, online and mobile application and provides a range of support including financial, stress and relationship advice. The provider responds within 24 hours as per the Service Level Agreement. For the period September 2022 to August 2023 EAP received 257 calls from Council employees. Gloucestershire County Council (GCC) Occupational Health (OH) manages the contract to ensure a high level of service.

- ii. Employees also have direct access to GCC OH. For the period September 2022 to September 2023, 19 management referrals were submitted from the Council via the OH Portal, which resulted in 36 referral appointments.
- iii. An employee wellbeing group is also in place and first aid mental health officers are being trained.
- iv. From the staff annual survey, it is understood that there is a reduction in people who found the mental health and wellbeing information useful. Management should consider raising awareness and periodically communicating to staff all the services available, (including those listed above), to promote mental health support.

### Physical Health

- v. Two “health clinics” sessions were run for Council employees in March 2023, which included a practitioner conducting health checks and providing guidance on lifestyle habits. These sessions were attended by 11 employees from a wide range of departments. Periodic or annual health clinics should be considered, with promotional activities undertaken to encourage employee attendance.
- vi. Control of Noise at Work Regulations and the Control of Vibration at Work Regulations were both introduced to the UK in 2005. These regulations set out employers’ legal responsibilities and the steps that need to be taken to keep employees safe from the risks of noise and vibration at work. The Council have performed several assessments to comply with the regulations, namely at the Guildhall (noise) and at the Crematorium (vibrations). Specific equipment has been provided to employees at those venues. However, it was noted that;
  - a. The Cultural Services Safety Officer has assessed the health and safety risks for venue-based staff (for example at Guildhall). One of the mitigating actions for those risks is the provision of a series of training sessions to staff. Although a list of possible training sessions was identified in May 2023, there has been no approval of which training should be provided. This may be due to the lack of clarity as to which of the three available budgets should be utilised. The lack of training and awareness sessions can impact staff wellbeing as it affects their ability to carry out their jobs effectively. To support the training, management should confirm the appropriate budget to utilise.
  - b. In addition, the contract of the current full time Cultural Services Safety Officer expires at the end of 2023. To ensure the continuity of operations, it would be beneficial if management (Culture) have handover procedures documented, including the key residual health and safety risks for the Council. Once the Cultural Services Safety Officer contract expires, management may wish to formalise the health and safety roles and responsibilities at the venues and confirm that resources allocated to health and safety remain adequate.
  - c. Employees at the Robinswood Hill Country Park are exposed to vibrations and noise. The Council should confirm with the Wildlife Trust, where the rangers are seconded, that an assessment has or will be conducted to confirm compliance with the regulations.



### Level of Engagement

- vii. Annually staff surveys are conducted to assess the level of engagement of the Council's employees. The last survey was completed in March 2023 and the results were presented in June and September 2023 to the Senior Management Team (SMT), including the areas of attention. An employee forum attended by "change champions" is in place to discuss the actions to implement to address the key issues, such as:
  - a. Promoting health training opportunities and exploring the creating of mental health champions, which is in place in some other Councils.
  - b. Organising lunch and learn sessions on how they deal with difficult calls (relevant to the Revenues & Benefits Teams and the Customer Service Teams).

ARA suggest that the implementation of these actions continue to be monitored as well as considering the following training sessions: self-defence session (how to diffuse difficult situations), and trauma management, which had been delivered pre-Covid to Officers.

- viii. The annual survey, highlighted the following wellbeing area for attention: "The results included increased concerns with bullying, harassment, victimisation, discrimination with respondents (24%) stating that Members were involved." Members have all signed the Declaration of Acceptance of Office. However, raising awareness regarding these concerns in the Group Leader Committee meeting and other forums attended by Members, is an opportunity to share and reflect on staff survey results. This could include determining any further actions required to manage and ease staff concerns, for example 'You said – we did' approach.
- ix. Exit interviews and questionnaires are offered to employees to understand the reasons for leaving and analysing possible trends. Those trends are reported to the SMT for action to improve retention. Based on a sample review of exit interviews, it was noted that 70% of leavers did not provide their feedback and the reason for doing so was not available. The current process is highly manual including the booking of the exit meeting and the email sent with the link to the exit survey. The response rate may increase with a more automated workflow triggered as soon as the employee submits their resignation.

### Incentives

- x. Remuneration may play a part in employee wellbeing and the perception of insufficient financial reward can have a negative impact and ultimately make retention more challenging. Gloucestershire County Council is in the process of performing regular benchmark exercises on certain key roles (for example Legal Services and Social Care), where it is recognised that recruitment is a challenge. Gloucester City Council Management may wish to consider implementing the same benchmarking exercise if recruitment in some key roles is considered as an issue. This benchmarking exercise should also include other relevant benefits (flexi-time, annual leave, etc).

- xi. Available benefits are in line with market practice and include cycle to work scheme, childcare vouchers, holiday purchase among others. These benefits are available on the intranet and included in the new joiner induction pack. From discussions with a sample of ex-Tupe employees that joined the Council in December 2022 (approximately 50 staff), they have not participated in the Council's new joiner induction process. This could result in an incomplete knowledge of the benefits and incentives available. Question and answer sessions and welcome meetings were organised when those employees joined the Council. Consideration should be given to relaunching and communicating all available incentives to ensure all incentives and benefits are known, including how to access them.
- xii. The Policy & Reward Team at Gloucestershire County Council do not regularly benchmark against other local authorities. However, there is a process of scheduling benchmarking work on benefits, comparing the Council's benefits to on what is offered to Tewksbury, Cheltenham and to some other South-West Councils. Opportunities could also be explored across wider Local Authority networks.
- xiii. A workforce strategy was agreed in September 2023, and due to this being recently approved the development of an action plan is in its infancy to clearly state how the strategy will be delivered. Management may wish to monitor the timely progress in developing an action plan to support the delivery of this strategy.

### 2.5.2 Conclusion

- xiv. Services and initiatives enhancing employee wellbeing and retention are in place at the Council, which is positive. Further opportunities exist for management to enhance the wellbeing 'offer' regarding mental health support, health and safety assessments, engagement and communication and incentives.

## 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 2 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	Date Report Issued	No. of Open Recommendations	Risk Priority		
				High	Medium	Low
1.	Health & Safety Limited Assurance 2 <sup>nd</sup> Follow Up	April 2022	1	1	0	0

2.	Gloucestershire Airport	June 2022	1	0	1	0
3.	Recycling Commodities	October 2022	1	1	0	0
4.	Section 106	December 2022	6	4	2	0
5.	Housing Strategy	June 2023	1	1	0	0
6.	Procurement	June 2023	2	2	0	0
7.	Leavers Process – Off-Boarding	October 2023	1	0	1	0
8.	Payroll	November 2023	3	3	0	0
9.	Agency Staff	November 2023	3	0	3	0
10	IR35 (Off-Payroll Working)	December 2023	3	0	3	0
11	Patch Management*	December 2023	5	1	4	0
	<b>Total</b>		<b>27</b>	<b>13</b>	<b>14</b>	<b>0</b>

**Table 2 – Open Recommendations**

\* Patch management has not been included in Appendix B due to being exempt by virtue of the Information Exemption Category. Managements target implementation for the recommendations is 31<sup>st</sup> March 2024, and we will request an update from management in April 2024 and provide an update at the July 2024 Committee meeting.

#### **4 Counter Fraud Update – Summary of Counter Fraud Activities**

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

- 4.5 To date in 2023-24 there have been seven new referrals made to the ARA Counter Fraud Team (CFT).
- 4.6 After initial triage by the CFT, four of the referrals were converted to cases. One case was reported as closed to the last Audit and Governance Committee (AGC). Three cases remain open and overviews of the findings will be reported to Committee on their closure.
- 4.7 In respect of the three remaining referrals, one was reported as closed to the last AGC. The two outstanding referrals are now in a position to be closed.
- i. One referral was a request from One Legal to support with the acquisition of information through the National Anti Fraud Network (NAFN). Searches, related to an ongoing investigation, were submitted and the findings provided back to One Legal. Referral closed as no further action required from the CFT.
  - ii. The second referral was related to claims of impropriety and failure to follow the Council’s contract rules in respect of the procurement process for the works at Wellington Parade Rose Garden. The CFT reviewed the procurement process and found no evidence to suggest that Council procedures had not been followed. The

Council's procurement and contract publication tool shows that six companies were approached in connection with submitting a quote for the work. These included local, national, and existing Council suppliers. Of these six only one supplier submitted a tender for the work. This company was offered the contract. In the absence of any further specific concerns, this referral will now be closed.

- 4.8 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.
- 4.9 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.
- 4.10 In addition to the above, counter fraud advice and alerts are routinely provided outside of the creation of referrals and cases.
- 4.11 Senior Management are currently reviewing and updating the Council's Whistle Blowing policy. The CFT are continuing to work with Officers to review and update the Whistle Blowing policy and reporting process. The new process will include a more streamlined way of reporting and monitoring referrals.

### **Recruitment**

- 4.12 The CFT is pleased to announce that they have recruited a new Principal Auditor Counter Fraud Specialist. The new team member is a name some will recognise as it is Alison Bell, currently the Council's Support & Service Development Manager, Revenues and Benefits. Alison is due to start work with the CFT in April 2024 and she brings with her a wealth of investigation experience and knowledge of the districts that will enhance the counter fraud service offered by ARA.

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

- 4.13 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.
- 4.14 Council Tax and Electoral data is due to be uploaded between 30<sup>th</sup> November 2023 and no later than 19<sup>th</sup> January 2024. The CFT will continue to liaise with the relevant teams to ensure that the set deadlines are met.
- 4.15 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](https://www.gov.uk/government/publications/national-fraud-initiative-timetables).
- 4.16 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.

- 4.17 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)**

- 4.18 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.
- 4.19 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.
- 4.20 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.