

ANNUAL REPORT ON INTERNAL AUDIT ACTIVITY 2015/2016



(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 (PSIAS) or guidance”. Gloucestershire County Council’s Internal Audit function, which sits within Strategic Finance, carries out the work required to satisfy this legislative requirement and reports its findings and conclusions to management and to this Committee.

The standards define the way in which the Internal Audit Service should be established and undertakes its functions.

The standards also requires that an independent and objective opinion is given on the overall adequacy and effectiveness of the control environment, comprising risk management, control and governance, from the work undertaken by the Internal Audit Service.

Gloucestershire County Council’s Internal Audit function conforms to the International Standards for the Professional Practice of Internal Auditing.

(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 challenge, advising the organisation that satisfactory 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 PSIAS is that the Chief Internal Auditor should provide an annual report to those charged with governance, to support the Annual Governance Statement. The content of the report is prescribed by the PSIAS which specifically requires Internal Audit to:

- provide an opinion on the overall adequacy and effectiveness of the organisation’s internal control environment and disclose any qualifications to that opinion, together with the reasons for the qualification;

- compare the actual work undertaken with the planned work, and present a summary of the audit activity undertaken from which the opinion was derived, drawing attention to any issues of particular relevance;
- summarise the performance of the Internal Audit function against its performance measures and targets; and
- comment on compliance with the PSIAS.

When considering this report, the Committee may also wish to have regard to the quarterly interim Internal Audit progress reports presented to the Committee during 2015/2016 and the Annual Report on Risk Management Activity for 2015/2016.

(4) Internal Audit's Opinion on the Council's Internal Control Environment

In providing our opinion it should be noted that assurance can never be absolute. The most that Internal Audit can provide is a reasonable assurance that there are no major weaknesses in risk management arrangements, control processes and governance. The matters raised in this report, and our quarterly monitoring reports, are only those that were identified during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that may exist or represent all of the improvements required.

Chief Internal Auditor's Opinion

I am satisfied that, based on the internal audit activity undertaken during 2015/16 and management's actions taken in response to that activity, enhanced by the work of other external review agencies, sufficient evidence is available to allow me to draw a reasonable conclusion as to the adequacy and effectiveness of Gloucestershire County Council's overall internal control environment.

In my opinion, for the 12 months ended 31 March 2016, Gloucestershire County Council has a **satisfactory** overall control environment, to enable the achievement of the Council's outcomes and objectives.

This opinion will feed into the Annual Governance Statement which will be published alongside the Annual Statement of Accounts.

(4a) Scope of the Internal Audit Opinion

In arriving at our opinion, we have taken into account:

- The results of all internal audit activity undertaken during the year ended 31st March 2016 and whether our high and medium priority recommendations have been accepted by management and, if not, the consequent risk;
- The effects of any material changes in the organisation's risk profile, objectives or activities;

- Matters arising from internal audit quarterly progress reports or other assurance providers to the Audit and Governance Committee;
- Whether or not any limitations have been placed on the scope of internal audit activity; and
- Whether there have been any resource constraints imposed on internal audit which may have impacted on our ability to meet the full internal audit needs of the organisation.

(4b) Limitations to the scope of our activity

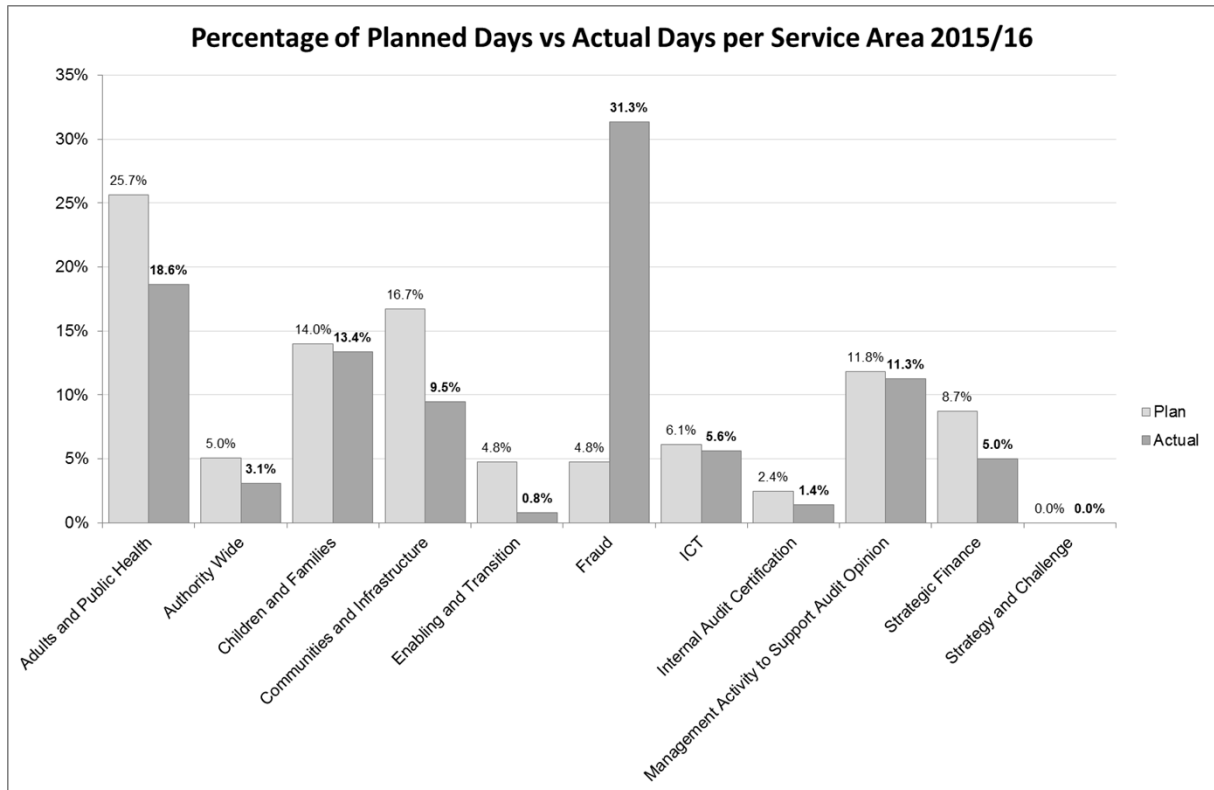
There have been no limitations to the scope of our activity or resource constraints imposed on internal audit which have impacted on our ability to meet the full internal audit needs of the Council. Whilst the core Internal Audit service is provided in-house, during 2015/2016, the Chief Internal Auditor has:

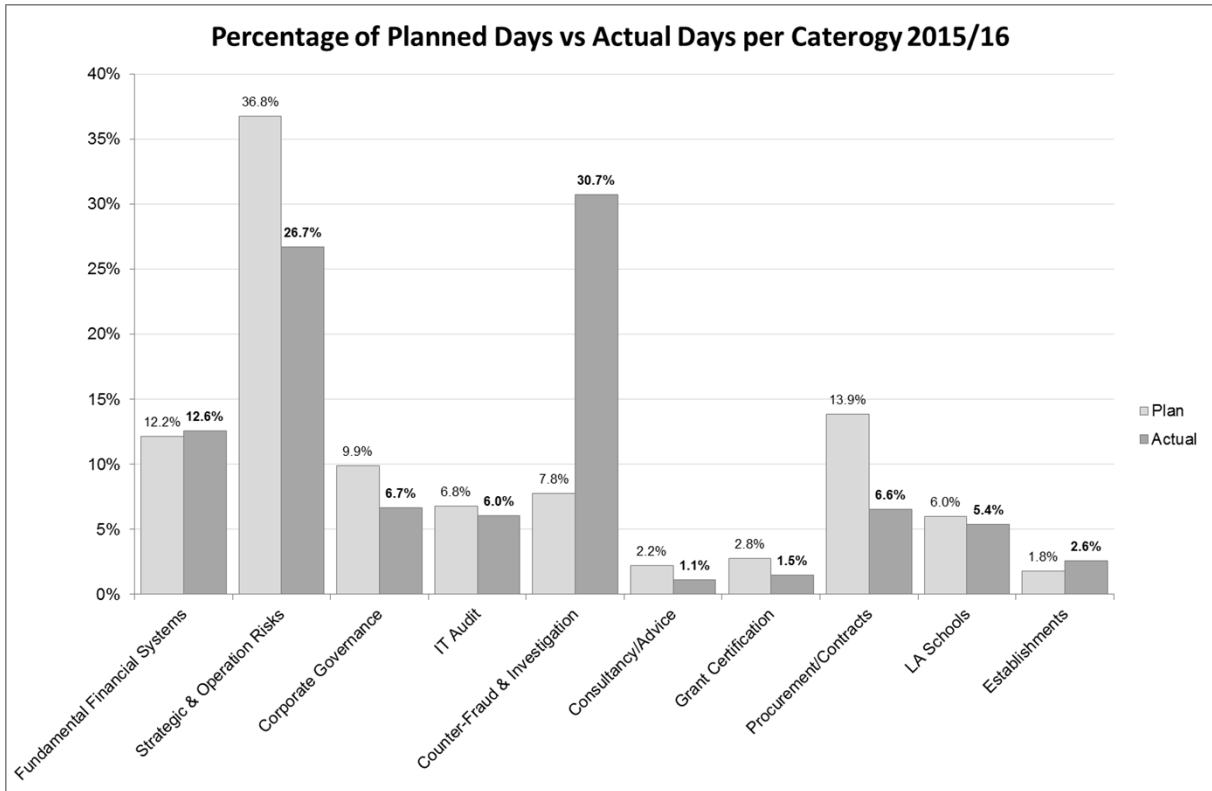
- Developed and implemented a Shared Internal Audit and Risk Management Service with Gloucester City Council and Stroud District Council, which became effective from 1st June 2015;
- Commissioned external specialist ICT audit via Warwickshire County Council's Internal Audit Framework Agreement;
- Set up joint working arrangements in relation to Internal Audit, Risk Management and Insurance Services, with the Chief Internal Auditor at Warwickshire County Council;
- Entered into a Service Level Agreement with Gloucestershire NHS Counter Fraud Service to provide support with investigations and the National Fraud Initiative analysis; and
- Worked with Gloucestershire's Counter Fraud Hub to review the options available to the Shared Service in respect of Counter Fraud support.

(5) Summary of Internal Audit Activity undertaken compared to that planned

The underlying principle to the 2015/2016 plan is risk and as such, audit resources were directed to areas which represented 'in year risk'. Since the original risk based plan was approved in April 2015 by the Committee, a number of additional audit activities have proved necessary and some of the planned audits were no longer required. Variations to the plan are required if the plan is to adequately reflect the ongoing changing risk profile of the Council. The net effect is that although the work undertaken was slightly different to that originally planned we are able to report that we achieved **86%** of the overall revised plan. This reflects that resources were redirected as a result of the increase in special investigations and irregularity work, i.e. 15 new referrals during 2015/16 and continuing to work on 10 referrals brought forward from 2015/15.

The pie charts below summarise the percentages of planned audits per service area, i.e. Adults, Communities and Infrastructure etc. and category of activity, i.e. fundamental financial systems, governance etc, compared with the percentage of actual audits completed.





(6) Summary of Internal Audit Activity undertaken which informed our opinion

The schedule provided at **Appendix 1** provides the summary of 2015/16 audits which have not previously been reported to the Audit and Governance Committee, including, very importantly, one limited assurance audit opinion on control.

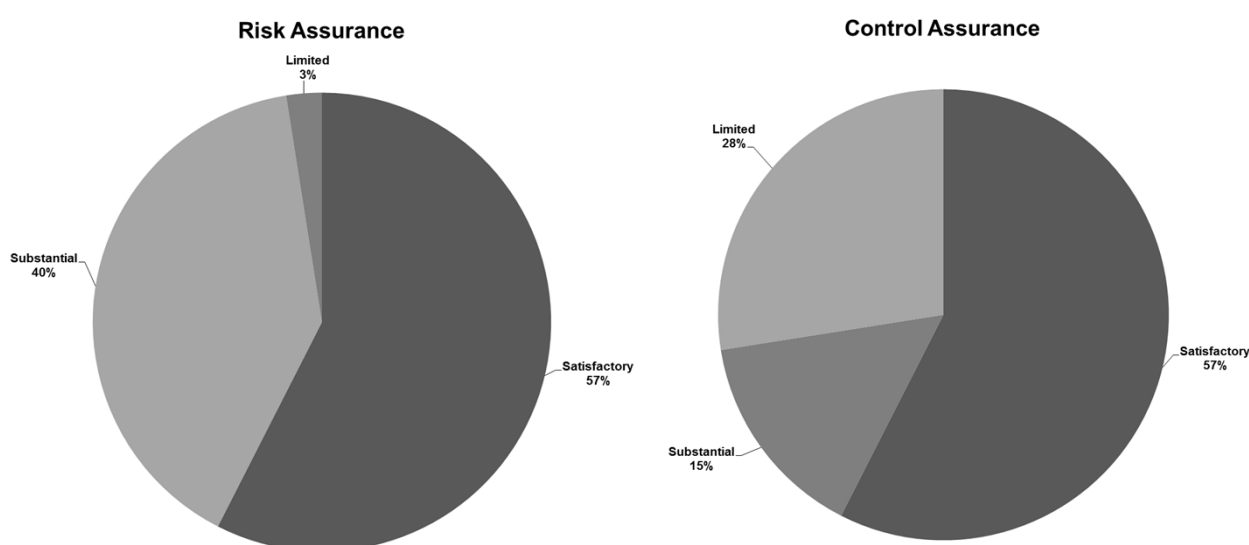
The schedule provided at **Appendix 2** contains a list of all of the audit activity undertaken during 2015/2016, which includes, where relevant, the assurance opinions on the effectiveness of risk management arrangements and control processes in place to manage those risks and the dates where a summary of the activities outcomes has been presented to the Audit and Governance Committee. Explanations of the meaning of these opinions are shown below.

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 services, finance, reputation, legal, the environment client/customer/partners, and staff. All key risks are accurately reported and monitored in line with the Corporate 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 services, 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 Corporate 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 accurately and regularly reporting and monitoring of the key risks in line with the Corporate Risk Management Strategy, the service area has not demonstrated an adequate awareness of the risks relating to the area under review and the impact that these may have on service delivery, other services, finance, reputation, legal, the environment, client/customer/partners and staff.</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

(6a) 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. It is pleasing to report that the Council is showing that **72%** of the activities reviewed have received a **substantial (15%)** or **satisfactory (57%)** opinion on control. Whilst **28%** of the opinions on control are limited, this maybe related to transformational change, continued focusing our activity on the key risks of the Council and specific requests from Directors, who are asking for areas to be reviewed where issues have arising or where independent assurance is required.

Risk and Control Opinions 2015/16



(6b) Limited Control Assurance Opinions

Where audit activity record that a limited assurance opinion on control has been provided, the Audit and Governance Committee may request Senior Management attendance to 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.

(6c) Audit Activity where a Limited Assurance Opinion has been provided on Control

During 2015/2016, ten limited opinions on control were provided. These related to:

Audited Service Area	Date reported to Audit and Governance Committee
Provision of Care and Support – Extra Care Housing Schemes	25 th September 2015

Gloucestershire Music Service	25 th September 2015
Exempt Limited Assurance Report	25 th September 2015 and 22 nd January 2016
External Care Recovery Plan – Deaths and Discharges	22 nd January 2016
BSC Payroll / Pensions	22 nd January 2016
Capital – Virements and Delegated Powers	15 th April 2016
Active Together – Healthy Together and Childrens Activity Fund	15 th April 2016
Financial Assessment and Benefits Team Limited Assurance follow up	15 th April 2016
Exempt Limited Assurance Report	15 th April 2016
Client Contributions Adult Social Care	24 th June 2016

(6d) Satisfactory Control Assurance Opinions

Where audit activity record that a satisfactory assurance opinion on control has been provided where recommendations have been made to reflect some improvements in control, the Audit and Governance Committee and CoMT can take assurance that improvement actions have been agreed with management to address these.

(6e) Internal Audit recommendations made to enhance the control environment

Year	Total No. of high priority recs.	% of high priority recs. accepted by management	Total No. of medium priority recs.	% of medium priority recs. accepted by management	Total No. of recs. made
2013/14	67	100	91	100	158
2014/15	74	100	129	100	203
2015/16	89	100	121	100	210

The Audit and Governance Committee and CoMT 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.

(6f) Risk Assurance Opinions

There was one audit where a limited assurance opinion was given on risk during 2015/2016, this related to:

Audited Service Area	Date reported to Audit and Governance Committee
BSC Payroll / Pensions	22 nd January 2016

Where limited assurance opinions on risk are provided, the relevant reports are given to the Risk Champions to ensure that the risks highlighted by Internal Audit are placed on the relevant risk registers. The monitoring of the implementation of the recommendations is then owned by the relevant manager and helps to further embed risk management into the day to day management, risk monitoring and reporting processes.

In addition, Corporate Risk Management Team is provided with the Internal Audit reports where a limited assurance opinion is provided, to enable their prioritisation of risk management support, if deemed appropriate.

(6g) Internal Audit's Review of Risk Management

During 2015/2016, **97%** of the audited areas rated the effectiveness of risk management arrangements as **substantial (40%) or satisfactory (57%)** with **3%** obtaining a limited assurance opinion. This evidences that risk management continues to be further embedded into the Council's business activities.

Internal Audit also undertake, on a rotational basis, specific reviews purely on the effectiveness of risk management arrangements, operating across all service areas, looking at the Strategic and Operational Performance/Business Plans and associated Risk Registers, to ensure that actions recorded to mitigate risks are in place and operating as intended.

The risk management arrangements operating within the residual waste project is currently being reviewed and outcomes will be reported to the Committee during 2016/17.

The assurance statements obtained from all Directors and Service Heads across the Council (when formulating the Annual Governance Statement (AGS)), provided reasonable assurance that the majority of management fully apply the Council's risk management strategy and principles within their service areas. This together with our own assessment, supported by the external assessments and recognition received for numerous risk management initiatives over past years, have led Internal Audit to conclude that the risk management arrangements within the authority are effective.

(6h) Gloucestershire County Council's Corporate Governance Arrangements

The Council is required by the Accounts and Audit Regulations 2015 to prepare and publish an Annual Governance Statement (AGS). The AGS is signed by the Leader, Chief Executive and the Chief Financial Officer and must accompany the Annual Statement of Accounts. In England, the CIPFA/SOLACE framework 'Delivering Good Governance in Local Government 2012 is defined as 'proper practices' status by the DCLG.

Gloucestershire County Council's governance framework reflects the CIPFA/SOLACE key principles and has been summarised within a Local Code of Corporate Governance 2015/2016. This local code comprises the Council's systems and processes, culture and values for the direction and control of the Authority and its activities through which it accounts to, engages with and leads the community.

Members/Statutory Officers /Directors/Heads of Service Assurance Process 2015/16

A governance assurance process has been implemented to provide a framework for the annual assessment of the effectiveness of the governance arrangements operating within the Council.

This includes a Lead Cabinet Member overview and oversight and challenge by the Council's Statutory Officers i.e. The Chief Executive, Monitoring Officer and Chief Financial Officer. The 'three lines of defence risk assurance model' has also been introduced which helps Members and Senior Management to understand where assurances are being obtained from and identify potential gaps in assurance. This assurance process is a significant contributor to the formulation of the AGS and any associated improvement areas. Full details of the framework can be found within the Council's Annual Governance Statement 2015/2016.

The above process has therefore led Internal Audit to conclude that robust governance arrangements operate within the authority.

(7) Summary of additional Internal Audit Activity

(7a) Special Investigations/Counter Fraud Activities

The Counter Fraud Team within Internal Audit (IA) received 15 new referrals in 2015/16, and also continued to work on 10 cases referred in 2014/15. Eight of these were completed within 2015/16 and all have been previously reported on. All field work has been completed on the two remaining cases but further sanctions have been required and this is still in progress. In addition IA continued to be involved in counter fraud work concerning staff travel, following-up irregularities with management as they arise. We have previously reported work undertaken to date within 2015/16 in this area, and arrangements have been made to recover in excess of £12k from employees where overpayments have been made. Staff have subsequently received disciplinary sanctions as a result.

The service areas of cases referred to Internal Audit within 2015/16 were categorised as follows:

Adults (5), Children& Families (5), Core Council Cluster (3) Communities (2)

Referrals in 2015/16

Seven of the cases received in 2015/16 have been closed, five of which have previously been reported to the Audit and Governance Committee. Of the other two referrals now closed one was related to a school concerning allegations about the previous Headteacher not accounting for enterprise sales income. This was substantiated but was difficult to quantify given that no records existed. It was ensured that current procedures and processes addressed any gaps in controls to ensure assets and funds of the school were safeguarded for the future. The other case resulted in two members of staff resigning one immediately prior to a disciplinary hearing and the other at the beginning of the investigation during an initial interview. Many of the cases referred to Internal Audit involve intricate detail and Police referral. This invariably results in a delay before the investigation can be classed as closed and reported to the Audit and Governance Committee.

National Fraud Initiative (NFI)

Internal Audit continues to support the National Fraud Initiative (NFI) which is a biennial data matching exercise administered by the Cabinet Office. The latest matches relate to data collected in October 2014, although an additional flexible matching report has been obtained relating to pensions during 2015. In addition to previously reported findings relating to 12 cases of overpayment of pension of £18,748, this further report has identified a further 18 cases where the Council was unaware that the pensioner had died and their death not reported to us. To date this has identified a further £8,460 of overpayment which is in the process of being recovered.

The next data matching exercise will be based on data submitted October 2016.

Purchase Card Review

Included within the Authority Wide category during 2014/15 was a purchase card review requested by the Statutory Officers i.e. the Chief Executive Officer, Monitoring Officer and Chief Financial Officer. No fraud was identified as a result of this review; however, a number of procedural and best value issues arose. These included, for example:

- Lack of evidence of purchase authorisation;
- Poor journey planning, resulting in additional costs to the Authority;
- Poor VAT recovery; and
- Non compliance with procurement processes, such as using existing contracts for ICT equipment and office supplies.

New forms, processes and transparency reporting should address many of the issues raised.

As a result of this review, VAT recovery has significantly increased with £9,084.32 being reclaimed in 2015/16.

Adults – Direct Payments

We have also seen a number of Direct Payment (DP) referrals within 2015/16. Increasing awareness and diligence within Adults and especially Learning Disabilities has led to an increase in challenge. In addition, Internal Audit provided support, as appropriate, to the Direct Payment Champions Group advising on risk and control as part of the development and implementation of revised systems and processes.

Monitoring and Review

The Audit and Governance Committee and CoMT can take assurance that the Statutory Officers, comprising the Chief Executive, Monitoring Officer and Chief Financial Officer are regularly fully briefed on all such fraud and irregularity activity, they challenge, monitor management actions and progress to date and approve all police referrals.

(8) Internal Audit Effectiveness

The Accounts and Audit Regulations 2015 require '*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*'. This process is also part of the wider annual review of the effectiveness of the internal control system, and significantly contributes towards the overall controls assurance gathering processes and ultimately the publication of the Annual Governance Statement.

The Accounts and Audit Regulations 2015 also state that internal audit should conform to the Public Sector Internal Audit Standards (PSIAS) 2013.

Public Sector Internal Audit Standards (PSIAS)

These standards have four key objectives:

- Define the nature of internal auditing within the UK public sector;
- Set basic principles for carrying out internal audit in the UK public sector;
- Establish a framework for providing internal audit services, which add value to the organisation, leading to improved organisational processes and operations; and
- Establish the basis for the evaluation of internal audit performance and to drive improvement planning.

The Internal Audit Charter and the Audit and Governance Committee's Terms of Reference have both been amended to reflect the requirements of the standards.

External Assessment of the effectiveness of Internal Audit

An external assessment of the effectiveness of internal audit and conformance to the PSIAS was undertaken week commencing 18th May 2015 by the Chartered Institute of Internal Auditors and the outcome was reported to the Audit and Governance Committee and CoMT in June 2016.

It was noted that there were 56 fundamental principles to achieve with more than 150 points of recommended practice in the International Professional Practices Framework (IPPF).

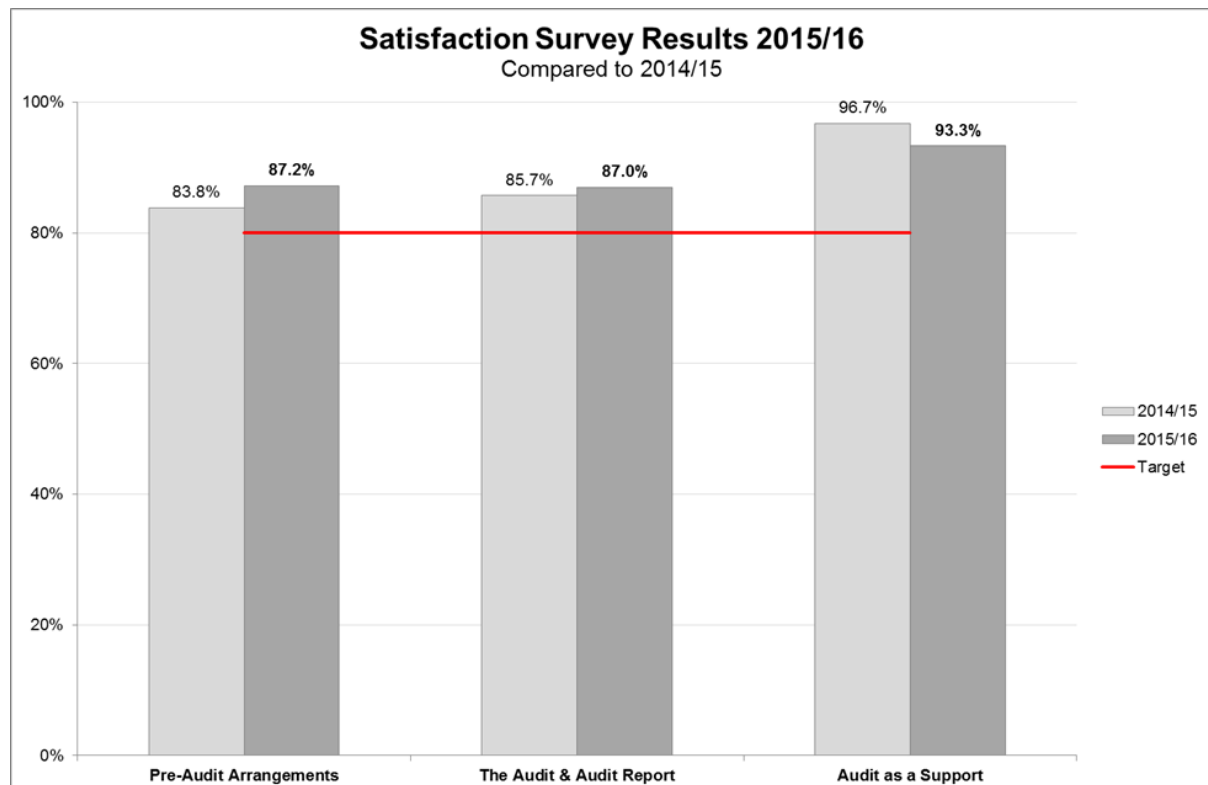
This assessment confirmed that GCC's internal audit function conformed to all of the 56 principles. The assessor stated that this was an excellent performance given the breadth of the IPPF and the challenges facing the function.

Internal Assessment - Customer Satisfaction Survey results 2015/16

At the close of each audit review a customer satisfaction questionnaire is sent out to the Director, Service Manager or nominated officer. The aim of the questionnaire is to gauge satisfaction of the service provided such as timeliness, quality and professionalism.

Customers are asked to rate the service between excellent, good, fair and poor.

A target of 80% was set where overall, audit was assessed as good or better. The latest results as summarised below, shows that the target has been exceeded, with the score of **93.3%** reflecting Internal Audit as being a positive support to their service.



In addition, the following positive comments have been received from our customers:

- ❑ *'I am very grateful that we have been able to correct the factual inaccuracies and to re-word the management response into a more acceptable style. I am also grateful to you for doing the audit since there are obviously serious issues which need to be addressed'.*
- ❑ *'The Audit was successful in that the revised policies, procedures and appointments put in place have secured significant additional income to the County Council, as well as ensure a more robust way of securing and monitoring Section 106s'.*
- ❑ *'As a member of staff in a jointly funded position, but employed by the NHS, the County Council structures and governance arrangements can be daunting as there is an assumption I know the set up given I am in a lead commissioner role. Working with the auditor was refreshing because she didn't assume I had this knowledge and talked me through the whole process in a most helpful and professional manner'.*
- ❑ *'The report was very thorough and enabled us to look again at our processes and procedures to ensure they are clear and allow new staff to pick them up and follow. This is particularly helpful because we have had a change in staffing'.*
- ❑ *'As always the auditor's input is sound as she understands the constraints of the operational business and balances the risks well'.*
- ❑ *'Both auditors were supremely professional and courteous with obvious deep rooted experience in this area. Always clear about exactly what they needed to look at. I have no recommendations about improving its effectiveness. Audits should be completed like this. I know my job very well but their recommendations have been taken on board and actioned'.*
- ❑ *'I found the auditor was very approachable - she explained the process and agreed overall objectives. Initial recommendations were reviewed and subsequently amended to improve the current process'.*
- ❑ *'Thanks for your time in auditing the team; it has been helpful and gives an objective view of the developments we've made so far and where our focus needs to be going forward'.*
- ❑ *'The auditor was supportive and helpful. She took the time to listen and to understand the work that we do and how the processes have developed'.*

Lessons Learned from customer feedback and actions taken by Internal Audit

The Chief Internal Auditor reviews all client feedback survey forms and where a less than good rating has been provided by the client, a discussion is held with the both the relevant auditor and the manager to establish the rationale behind the rating and where appropriate actions are taken to address any issues highlighted.

Over the years, improvement areas include, shorter, more focused internal audit reports, enhanced opening meetings i.e. to provide more information on the role of internal audit, the audit process and approach, ensure we fully consider the risk and the subsequent proportionality of the recommended controls to manage them, provide where possible more indication of when audit reviews will take place and a timelier turnaround of these reviews.

Completed Internal Audit Activity during the period April – June 2016

Summary of Limited Assurance Opinions on Control

Service Area: Adult Services

Audit Activity: Client Contributions

Background

Gloucestershire County Council's Adult Social Care relies on people who use services making a financial contribution to the cost of providing them, (if they are able to afford to do so).

The Financial Assessments and Benefits (FAB) Team ensure that any financial contributions required from service users for residential and non-residential Social Care services are calculated fairly and in accordance with the Council's policy and Government guidelines. The Team also help to maximise income for individuals, and maximise charging revenue for the Council by providing advice and practical assistance to all service users, their partners and carers, to ensure that they are in receipt of their full welfare benefit entitlement.

Scope

The focus of this review was to determine whether financial assessments are accurately and promptly completed in order that any financial charges can, where appropriate, be applied.

Risk Assurance – Satisfactory

Control Assurance – Limited

Key findings

Policy/Guidance

- The FAB Policy and Procedural Guide needs to be further refreshed, to reflect the requirements of the Care Act 2014 in respect of the provision of independent financial information and advice. In addition, further detailed guidance/flowcharts should be produced to aid consistency and understanding of the FAB processes/application of benefit entitlements.
- The information that is held on the FAB Team's shared drive is cleansed to ensure that any obsolete guidance is archived and that the current guidance is catalogued into folders for ease of reference.

Financial Assessment Form

- Section six of the Financial Assessment Form should be revised to provide for the ability to record the address of the property to be considered as part of the financial assessment, should this be different to the address stated within section one.

ERIC/ContrOCC (IT Finance Module)

- Consideration is given to either amending ERIC (the Council's electronic social care record) or ensuring that within ContrOCC the address of the property that is to be considered as part of the financial assessment, i.e. when a deferred payment or property disregard is agreed can be recorded within a dedicated area, rather than within a general notes text box. This amendment should aid the retrieval of this information going forward as required for management information.

Paying for Care/Independent Financial Advice

- Further consideration is given to the timing of the promotion of setting up a direct debit mandate within the customer journey/pathway in order to ensure, where appropriate this method of collection is utilised to the optimum.
- During the financial assessment greater focus should be given to:
 - Explaining the billing process to the service user or their representatives and how a direct debit mandate form can be set up; and
 - Informing all individuals of how they can access independent financial advice in line with the requirements of the Care Act.

Recording

- Visiting officers need to be more diligent when completing the Financial Assessment Form to ensure that the information recorded is an accurate record of the details gathered/examined.

Quality Assurance Process

- The FAB Team does have a system in place for undertaking quality checks to ensure that assessments are completed accurately. A full time visiting officer is expected to undertake five visits a day, four days a week, therefore on average a visiting officer should conduct approximately 80 visits a month.
- Quality checks are limited as these are undertaken on a sample basis, the sample size is approximately 6% i.e. five assessments, per visiting officer, per month of the proposed target of completed assessments undertaken by each of the visiting officers and primarily relate to financial assessments that have been undertaken on site visits. As copies of the prime financial documents are not routinely collected/retained to support the financial assessment, the effectiveness of these checks are limited further, for it is not possible to validate the service user's capital as part of the quality check.
- Going forward, in order to strengthen the control environment of the quality assurance process, management should consider the options available for gathering copies of prime financial documents, alongside the cost/benefits in order for these to be available for review during the quality assurance process, albeit that the retention period may be short in order to comply with the requirements of the Data Protection Act. Should the Service decide that they do not want to change the quality assurance process, i.e. the Service is willing to accept the associated risks this should be formally documented and signed-off at an appropriate level.

Accuracy of Assessments

- From a sample of seven completed financial assessments reviewed during the audit, all calculations had been completed accurately with the exception of one service user, where Internal Audit identified that there has been a catalogue of errors made during the financial assessment process alongside failings in respect of the actions taken following an earlier safeguarding alert concerning financial abuse.

In this instance, it is evident that the governance/communications between service areas and other organisations/agencies should be reviewed and as appropriate strengthened to ensure, going forward, that there are robust procedures in place to safeguard vulnerable adults who have been subject to financial abuse and where appropriate, any other residents.

- In addition, should the final calculation of the client contribution have been subject to an independent quality check, the outcome of the assessment and subsequent actions taken, including the request for authorisation to write-off a debt in the name of the service user for a period of non-payment of the service user's client contribution, could have been avoided.
- For the period 1st April 2015-1st March 2016, over £2m of deprivation of assets has been identified by the team. In light of the financial abuse case the FAB Team Manager is now reviewing circa 65 cases, giving due consideration as to whether there are any further actions that should be taken in respect of these individuals and whether they may have been subject to any financial abuse that should have triggered a safeguarding alert.

Reviews

- From the information available from ERIC, Internal Audit established that as at December 2015, 36% of service users who were in receipt of a chargeable service have been assessed as a "nil" or "negative" charge in respect of the client contribution that would be due.¹ Currently the FAB Team do not undertake an annual review for these service users although a global uplift is applied to align with the pension/benefit increases as determined by the Department for Works and Pensions.
- Internal Audit is unable to quantify, should these service users be re-assessed, whether there would be a sufficient number of service users who have had a material change in their financial circumstances to significantly shift the level of the current % of "nil" or "negative" client contribution to a chargeable amount; however from a selection of ten cases with a "nil" contribution, it is possible that 30% of these could have changed to a positive charge. In light of the above, coupled with changes to the benefits system and the continued pressure that is being placed upon the external care budget, management should consider the inherent risks, alongside the cost/benefits of reviewing these cases on a periodic basis.

Conclusion

The FAB Team does have a control framework in place to monitor whether financial assessments are accurately and promptly completed however this could be strengthened further. In particular, it is paramount that detailed guidance is available to promote consistency in the application of agreed processes and decision making and that the service has an effective quality assurance process in place, in order to safeguard against preventing errors/inaccuracies in the calculation of the client contribution.

In the wider context, the service also plays a vital role in respect of fulfilling some of the Council's statutory duties and corporate aims, i.e. compliance with the Care Act; income collection/debt management. It is therefore important to ensure that focus is being given to these contributory elements where appropriate, during the financial assessment process.

¹ These figures provide a high level overview and do not exclude services such as Continuing Health Care funding, or Mental Health services which could reduce the figure stated to approximately 29%.

Management Actions

Management have responded positively to the recommendations made in respect of the above issues identified.

Whilst Internal Audit will include a follow up review within the 2017/2018 internal audit plan, it is recommended that senior management attend the next meeting of the Audit and Governance Committee and is requested to provide an update on the action taken in relation to each recommendation made.

Summary of Satisfactory Assurance Opinions on Control

Service Area: Children and Families

Audit Activity: Adult Education Service – Follow-Up

Background

During 2014/15 the Operations Director: Education, Learning and Libraries commissioned Internal Audit to undertake a review of the HR, payroll and financial procedures of the Adult Education Service. The findings resulted in limited assurance being given for both risk management and the control environment. As a result, a follow-up audit was undertaken to provide assurance that the necessary improvements have been made.

Scope

The objective of the follow-up audit was to review the evidence in place to provide assurance that the agreed recommendations have been implemented. However, since the original audit took place, the Adult Education Service has been restructured into Commissioning and Direct Delivery with a new Adult Learning Manager being appointed for Direct Delivery in September 2015. As the recommendations related mainly to what is now Direct Delivery, it was agreed with the Head of Extended Learning that this is where the focus of the follow-up audit would be.

Risk Assurance – Substantial

Control Assurance – Satisfactory

Key findings

The original audit resulted in recommendations being made in the following areas: Staff recruitment (Roles and responsibilities for undertaking recruitment checks when employing tutors; staff contracts of employment; the format of paper-based staff expenses claims and the mileage rate applied; SAP records showing occupied and vacant positions); Delegated authority for approving expenditure; the collection, recording and banking of cash; the reconciliation of cash and credit income due and received; Gifts for staff; and Journals and associated supporting documentation.

Significant improvements have been made in the area of staff recruitment, both for the tutors and for those staff that are employed by GCC within Direct Delivery of the Adult Education Service and sound documentary evidence was in place for the majority of the above areas that were reviewed. However, the review identified further improvement areas and these are noted below:

- Amending SAP records and the Statement of Particulars for the recent appointment of one member of staff to accurately reflect the status of her position;
- The paper-based staff expenses claim form used by agency staff has been amended. However, if a contract is awarded to a new staff agency, a claims system will be implemented that will enable the tutors to make efficient, accurate and consistent claims that are appropriately authorised; and
- A system will be put in place to ensure that all income received is reconciled to the income that is expected by referring to course registration details, the charging policy and actual attendance records.

Management Actions

Management have responded positively to the recommendations made in respect of the issues identified.

Service Area: Strategic Finance

Audit Activity: Debtor Write-Offs

Background

An aged debt report is produced on a monthly basis, detailing debts owing to Gloucestershire County Council, which are broken down into individual cost centres, as well as how long the debt has been outstanding. Although every effort should be made to recover a debt, if payment is not received then consideration should be given to making a provision for bad debt and ultimately writing off the debt.

As at 31st December 2015 the total amount of outstanding debt was almost £9.3 million, which included £1.5m which had been outstanding for between 181 and 365 days and £2.5m which had been outstanding for more than 365 days. Between April and October 2015, 308 debts totalling £92,347 were written off.

Scope

This audit reviewed compliance with the current system for writing off debts. It also reviewed long-outstanding debts to establish what the rationale is for not putting the debts forward for write-off.

Risk Assurance – Satisfactory

Control Assurance – Satisfactory

Key findings

The write-off procedures are part of the Corporate Debt Policy and at the time of the audit there was no published debt policy available to staff. The write-off procedures have recently been revised and the updated threshold/authorisation levels published on Staffnet. The audit was undertaken, and testing carried out, in accordance with the previous write-off procedures.

A sample of 39 debts which had been written off between April and October 2015 was reviewed. Of these, two did not have a write-off request form and three had not been correctly authorised but the remainder had all been processed correctly. This meant that of the sample write-offs tested, 87% were compliant with the system in place at the time of the testing.

All adult social care debts are currently being reviewed, with a plan to write off debts where it is no longer viable to chase the outstanding amounts.

Budget monitoring meetings are held between Budget Holders of high risk budgets and Strategic Finance staff, where debts are discussed as part of these meetings, however the possibility of writing off debts, including the possibility of allocating a bad debt provision is not always discussed.

Three recommendations were made as a result of this audit:

- Publish the Corporate Debt Policy and communicate this to staff;
- Ensure all files have a correctly authorised write-off form before they are processed; and
- Continue to provide information on debts to all Budget Holders and any advice or recommendations made at budget monitoring meetings with regard to the write-off of debt should be followed up.

Management Actions

Management have responded positively to the recommendations made.

Service Area: ICT

Audit Activity: ICT Strategy (undertaken by Internal Audit's commissioned ICT auditors)

Background

Following significant changes to the management and support of the Council's ICT infrastructure and also the transformation programme, this review was undertaken to give assurance that the ICT Strategy adequately reflects the direction of travel and that all drivers for change have been/are being met. This audit was established as part of the initial assessment of audit needs in 2014/15, however the review was postponed until 2015/16 to allow for the changes to bed in.

Scope

The scope of this review encompassed:

- ICT structure, resources and delivery priorities are aligned to the organisation's business objectives and deliverables; and
- ICT Strategy / roadmap support the Strategic Commissioning Plan and Delivery Plan.

Risk Assurance – Substantial

Control Assurance – Satisfactory

Key findings

The strategy document was prepared under the previous management arrangement and so is perhaps in need of refreshing to reflect this and other changes, although this is not unduly hindering the delivery programme.

The audit work confirmed that the strategy content and deliverables have not changed significantly despite the change of service provider and are still appropriate to the business. The visions within the strategy are still relevant and the projects to deliver these appear to be still valid and are being managed. The key driver in the strategy is to help the Council to meet its objectives and to help departments to meet their plans and goals. In terms of delivery, the ICT team has been re-organised to help with this.

The Acting ICT Strategic Lead has asked the ICT Partner (Sopra Steria) to produce a schedule of projects for ongoing prioritisation and to ensure that there is a process for managing these through the early stages and to the decision point and beyond. This should ensure that nothing is missed and that a mechanism for project management is in place as appropriate.

A strategic forum to monitor strategy content and further develop ICT strategic content has only recently started, this being the ICT Governance Board. Recommendations were made that the terms of reference of the group and its membership should be confirmed and management have informed Internal audit that this was agreed at its meeting in February 2016. A further recommendation suggested that the ICT Governance Board should review the strategy and content (and the associated roadmap for delivery) to ensure it remains appropriate and properly prioritised. Internal audit are informed that it was agreed at the March meeting that the ICT Strategy will be comprehensively reviewed and the findings reported back to a future Board meeting when complete.

The ICT Strategy is/should be a Council wide document, whereas there is a significant proportion of IT delivered from outside of the ICT/Sopra Steria function (e.g. SAP/Capgemini) and others. Just under 30% of the whole Council ICT budget is allocated to and spent by business areas other than the ICT Service and via Sopra Steria. A recommendation was made that the ICT provided from outside the ICT/Sopra Steria framework should be brought together into the strategic framework for monitoring and that this may be a role for the ICF Programme Board. A draft paper entitled 'Shadow ICT at GCC' written by the Interim ICT Manager is to be considered by the Board; target date July 2016.

Conclusion

The strategy document could benefit from being re-evaluated and brought up to date to reflect the present and prevailing circumstances, i.e. the change of provider, and any other significant changes. However, this has not stopped or hindered the progress of the key projects being identified, which are still part of the business transformation projects and are currently being worked on and reported. From our evaluation, the content remains appropriate.

Management Actions

Management have responded positively to the recommendations made.

Service Area: Strategy and Challenge

Audit Activity: Internet Usage - Misuse

Background

The use of the internet is encouraged where it supports the aims and objectives of Gloucestershire County Council. However, the Council has an Internet Acceptable Use Policy which needs to be adhered to.

Scope

To review compliance with the Council's Internet Acceptable Use Policy.

Risk Assurance – Substantial

Control Assurance – Satisfactory

Key findings

Employees wishing to establish an internet account and gain access to the Internet are required to complete an application form (for authorisation by their line manager) and to submit this to ICT Application Support Team. By signing the Internet Declaration Section of the application form, the employee confirms:

- *“I have read the County Council’s Internet Acceptable Use Policy. I fully understand my responsibilities in relation to this Policy and agree to abide by them. I realise that the County Council records the Internet address of any site that I visit and keeps a record of any network activity in which I transmit or receive any kind of file. I understand that a breach of the rules laid down in the Internet Acceptable Use Policy could lead to disciplinary action. Acknowledging the above, I request Internet Access as a necessary part of my daily work”*

The analysis tool used by Internal Audit i.e. Websense helped to identify the top users of the internet (in general) for July, Sept and October 2015; and the top users under the following categories: shopping, facebook, travel and news and media.

From this initial analysis a sample of 12 users were selected for further analysis in order to evaluate whether a significant breach of the Council's Internet Acceptable Use Policy may have occurred and if this was the case to be escalated to the user's line manager.

Conclusion

The vast majority of the activity was work related or where this activity was not work related this had been kept to a minimum thus warranting no further action to be taken. However, the internet activity by five users did represent a potential breach of the policy which warranted being brought to the attention of the user's line manager. Following further analysis, this has subsequently resulted in informal warnings being given to three employees due to excessive misuse of this facility during work time. Internal Audit concluded that management should consider issuing a generic communication to all users of the internet reminding them of the conditions on which access to the internet has been granted.

Management Actions

Management have responded positively to the recommendation made.

Summary of Substantial Assurance Opinions on Control

Service Area:	Adult Services
Audit Activity:	Client Affairs Follow-up
Background	
<p>During 2013-14, Internal Audit conducted a review of the Council's arrangements for the management of client's affairs (vulnerable clients who are at risk of financial abuse and have been assessed as lacking the mental capacity to manage their own financial affairs).</p> <p>The findings emanating from the 2013-14 review resulted in a limited assurance opinion being given in respect of the adequacy of the control environment for the mitigation/management of the Service's inherent risks that could impact upon the achievement of the Service's objectives. Internal Audit made a number of recommendations aimed at strengthening the risk management, governance and control environment.</p>	
Scope	
<p>The objective of the audit was to determine whether the agreed management actions to address the recommendations emanating from the review had now been fully implemented, thus ensuring that there are now effective systems and processes in place for the management of client's affairs and to ensure that these are properly safeguarded, recorded and accounted for, on receipt and return and which protects the interests of both the client and the employee.</p>	
Risk Assurance – Substantial	
Control Assurance – Substantial	
Key findings	
<p>It was pleasing to note that actions had been undertaken to implement all of the agreed management responses emanating from the previous Internal Audit report. As a result of the existing systems and processes being sufficiently strengthened since the previous audit, the opinion given on the control environment has increased from limited to substantial. In addition, the opinion on risk identification has also increased, changing from adequate to substantial, this is highly commendable.</p> <p>Whilst currently working well, it is imperative that management continue to review the team's capacity to effectively manage existing clients, in order to keep the referrals awaiting allocation to a minimum, therefore ensuring that all client safeguarding concerns are covered and that the Council does not incur costs that might have been avoided if a court order had been in place.</p>	

Service Area:	Strategy and Challenge
Audit Activity:	Corporate Complaints – Ombudsman Involvement
Background	
<p>If GCC fails to satisfy someone who has been through all the stages of the appropriate GCC complaints process, then the complainant is advised of their right to take the matter to the Local Government Ombudsman (LGO).</p>	

Once the Ombudsman has completed an investigation a decision is also required about whether there has been maladministration and injustice. In these cases the Ombudsman will recommend suitable ways to resolve the matter, which could include an apology, changes to the service, financial redress or in the most serious cases, a public report which has to be considered by the County Council.

Scope

The objective of the audit was to review a sample of complaints that have been upheld by the Ombudsman to ensure that any recommended corrective action has been taken and/or lessons learned implemented by the service areas.

Risk Assurance – Substantial

Control Assurance – Substantial

Key findings

A sample of four complaints that had been upheld by the Ombudsman was selected for testing. Of these, the Ombudsman had made 14 recommendations in total. Evidence of implementation was seen for 13 of the recommendations. The outstanding evidence was in relation to an apology which the service area said would have been made but there was no formal evidence of a written apology being sent.

For three of the four cases, the Ombudsman had requested notification once the actions had been completed. This was fully provided for one case (after a chase letter from the Ombudsman), partially provided for another case and not provided for the third case. Legal Services has agreed to revise the way in which they record Ombudsman complaints to incorporate the following information:

- What the agreed recommendations were as per the final decision letter;
- Whether notification has been received from the service areas that the actions have been completed; and
- Whether notification has been sent to the Ombudsman that the agreed actions have been completed.

In addition to the Ombudsman's recommendations, the service areas also identified some lessons learned for two of the cases and evidence of implementation was seen for both of the cases.

Management Actions

Management have responded positively to the minor enhancements proposed.

Summary of Consulting Activity and/or support provided where no opinions are provided

Service Area: Adult Services

Audit Activity: Adult Social Care – Probity Checks/Consultancy

The demand for external care services for adults within Gloucestershire over recent years has placed significant pressure upon the Council's Adult Services external care budget.

Since 2009, Internal Audit has conducted a series of independent reviews within this area, and ongoing work is now being undertaken to support a project which is being led by the Head of Financial Management that targets potential high risk areas. A series of probity checks are to be undertaken upon key financial administration areas to check that payments are accurate and valid and that income due is being collected effectively.

Service Area: Adult Services

Audit Activity: Safeguarding Adults

Background

During 2014-15, the Gloucestershire Safeguarding Adults Board (GSAB) carried out an adult case review into sexual assaults and financial abuse committed against vulnerable adults in a supported living home in Gloucestershire. This resulted in a series of recommendations being made to strengthen the way in which local professionals and agencies work together to safeguard adults at risk.

Scope

The role of Internal Audit was to provide professional risk and control advice and support as required for the development of systems and processes that provide for a robust assurance framework for monitoring the implementation and effectiveness of the recommendations emanating from the recent Adult Case Review of Home X.

Key findings

The GSAB has put in place an assurance framework for monitoring the progress made against these recommendations and had not found the need to seek additional support from Internal Audit during 2015/16.

Internal Audit has however held meetings with both the Independent Chair of the Gloucestershire Safeguarding Adults Board and the Council's Head of Safeguarding Adults to obtain a position statement. The Independent Chair stated that he was satisfied that there was an adequate assurance framework in place to monitor the progress made against the recommendations emanating from the review. And the Head of Safeguarding Adults provided Internal Audit with the following documents to support the position statement:

- A copy of a briefing paper that was presented to GSAB on 25th November 2015. The paper explained the actions taken and improvements made following the case review;

- A copy of the GSAB Strategic Plan 2015-2018. This includes a reference to the Home X recommendations under “Ensure learning from Safeguarding Case Reviews is shared and put in place”;
- A copy of the GSAB Risk Register (as at November 2015). This records entries for further mitigating actions in respect of Home X;
- A copy of the minutes of the GSAB meeting held on 25th November, 2015. These evidence that each of the 12 recommendations made was discussed by the Board and an agreement was reached to:
 - Close 7 of the recommendations;
 - Seek updates from the Emergency Duty Team, Building Better Lives and the Care Quality Commission; and
 - For Recommendation 2, to add actions to the GSAB Risk Register and close.

Service Area: Adult Services

Audit Activity: Re-commissioning Brandon Trust - Consultancy

Planning for the re-commissioning of the Brandon Trust contract is a commissioning priority to support the delivery of the Building Better Lives Policy 2014-2024. In order that the Council’s future commissioning intentions are realised it has been agreed that the current contract will be terminated in 2016.

Internal Audit have supported the project working group, providing professional risk and control advice, support and challenge as the new contractual arrangements have been commissioned.

Service Area: Authority Wide

Audit Activity: Contract Management Framework Implementation Group - Consultancy

As a commissioning organisation 70% of the Council’s income flows back out to external third party service providers and it is anticipated that this will increase further in the forthcoming years.

Within its Commercial Vision the Council has set out its intention to develop a robust framework for the effective governance of commissioning, procurement and contract management arrangements.

Internal Audit has been actively involved in supporting the project working group, providing professional risk and control advice, support and challenge as the new arrangements are being developed for the contract management framework.

Service Area: Authority Wide

Audit Activity: Electronic Call Monitoring - Consultancy

Learning disability services are delivered in partnership with the Clinical Commissioning Group. The partnership currently spends circa £21 million per year on Learning Disability supported living care which is being delivered by approximately 64 service providers.

The Council is implementing an electronic call monitoring system that can provide a transparent view to both the Council and Providers of the delivery of the services commissioned.

Internal Audit has been actively involved in supporting the project working group, providing professional risk and control advice, support and challenge as the new arrangements are being developed to ensure that these include robust systems and processes for effective contract monitoring.

Service Area: Communities

Audit Activity: Highways and Transportation Services Contract - Consultancy

In December 2013, the Council awarded a managed services contract to AMEY for the provision of a number of highways and transportation services from April 2014. The client (in consultation with AMEY) has been working together to explore the feasibility of providing an interface with the contractor's works ordering system and the Council's SAP system to automate the invoicing and payment process. During the period, Internal Audit has attended meetings of the project group to provide challenge and control advice on this initiative.

Service Area: Authority Wide

Audit Activity: Staff Mileage Claims - Consultancy

During 2015/16 Internal Audit provided consultancy support to the lead officer for the Meeting the Challenge 2: Staff Business Travel Work-stream which aims to promote the use of alternative modes of transport other than personal vehicles. This involved Internal Audit undertaking detailed analysis on the claims submitted by service areas where the total value of the claims had not reduced when compared to the previous year. The analysis highlighted where alternative and less expensive means of travel could have been considered by the individual with the conclusions drawn then being discussed with the Service Manager thus encouraging increased challenge and promoting a change of culture going forward.

Local Government Transparency Code 2015

Introduction

This Code is issued to meet the Government's desire to place more power into citizens' hands to increase democratic accountability and make it easier for local people to contribute to the local decision making process and help shape public services. Transparency is the foundation of local accountability and the key that gives people the tools and information they need to enable them to play a bigger role in society. The availability of data can also open new markets for local business, the voluntary and community sectors and social enterprises to run services or manage public assets.

Detecting and preventing fraud (taken from Annex B of code)

Tackling fraud is an integral part of ensuring that tax-payers money is used to protect resources for frontline services. The cost of fraud to local government is estimated at £2.1 billion a year. This is money that can be better used to support the delivery of front line services and make savings for local tax payers.

A culture of transparency should strengthen counter-fraud controls. The Code makes it clear that fraud can thrive where decisions are not open to scrutiny and details of spending, contracts and service provision are hidden from view. Greater transparency, and the provisions in this Code, can help combat fraud.

Local authorities must annually publish the following information about their counter fraud work ² (as detailed for GCC) in the table below:

Council wide fraud and irregularity activity relating to 2015/2016 including Internal Audit (IA) activity

Question	GCC Response
Number of occasions they use powers under the Prevention of Social Housing Fraud (Power to Require Information) (England) Regulations 2014, or similar powers.	N/A
Total number (absolute and full time equivalent) of employees undertaking investigations and prosecutions of fraud.	1.67FTE (IA only) Inc. NFI
Total number (absolute and full time equivalent) of professionally accredited counter fraud specialists.	2.45FTE (IA only)
Total amount spent by the authority on the investigation and prosecution of fraud.	IA = £65,351 Other service areas (Blue Badge) = £14,462
Total number of fraud cases investigated, including 43 blue badge fraud (inc. b/fwd. cases).	54

² (The definition of fraud is as set out by the Audit Commission in Protecting the Public Purse).

In addition to the above, it is recommended that local authorities should go further than the minimum publication requirements set out above (as detailed for GCC) in the table below.

Question	GCC Response
Total number of cases of irregularity investigated. (Both IA and other service areas inc. b/fwd. cases. Includes 30 pension cases identified through NFI)	47
Total number of occasions on which a) fraud and b) irregularity was identified.	a) 54 b) 47
Total monetary value of a) the fraud and b) the irregularity that was detected.	Some cases are still being quantified/value of fraud evaluated; some values have not been provided. A number of cases investigated resulted in financial loss avoidance.
Total monetary value of a) the fraud (inc. blue badge costs awarded but exc. fines) and b) the irregularity that was recovered	a) £18,286 b) £13,055

Full details about the code and its requirements can be found at:
<http://www.local.gov.uk/practitioners-guides-to-publishing-data>