

Progress report on Internal Audit Activity 2021-2022



(1) Introduction

All Councils 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 or guidance'.

The Council's Internal Audit service is provided by Audit Risk Assurance (ARA) under a Shared Service agreement between Gloucestershire County Council, Gloucester City Council and Stroud District Council. ARA carries out the work required to satisfy this legislative requirement and reports its findings and conclusions to management and to this Committee.

The guidance accompanying the Regulations recognises the Public Sector Internal Audit Standards 2017 (PSIAS) as representing 'proper Internal Audit practices'. The standards define the way in which the Internal Audit service should be established and undertake its operations.

The Internal Audit service is delivered in conformance with 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 advising the organisation that these 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. 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 standards is that the Head of ARA should provide progress reports on Internal Audit activity to those charged with governance. This report summarises:

- I. The progress against the 2021/22 Internal Audit Plan, including the assurance opinions on the effectiveness of risk management and control processes;
- II. The outcomes of the 2021/22 Internal Audit activity delivered up to August 2021; and
- III. Special investigations/counter fraud activity.

(4) Progress against the 2021/22 Internal Audit Plan, including the assurance opinions on risk and control

The schedule provided at **Appendix 1** provides the summary of 2021/22 audits which have not previously been reported to the Audit and Governance Committee.

The schedule provided at **Appendix 2** contains a list of all of the 2021/22 Internal Audit activity undertaken during the financial year to date. This 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 activity outcomes have been presented to the Audit and Governance Committee. Explanations of the meaning of these opinions are shown below.

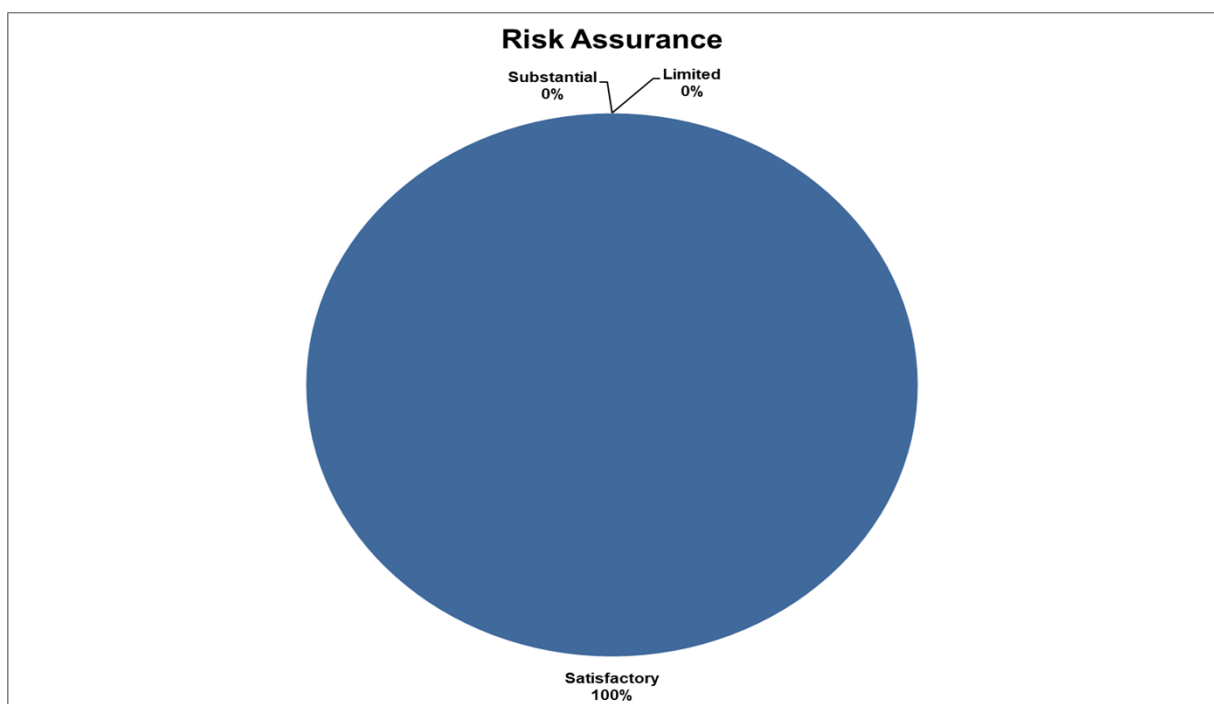
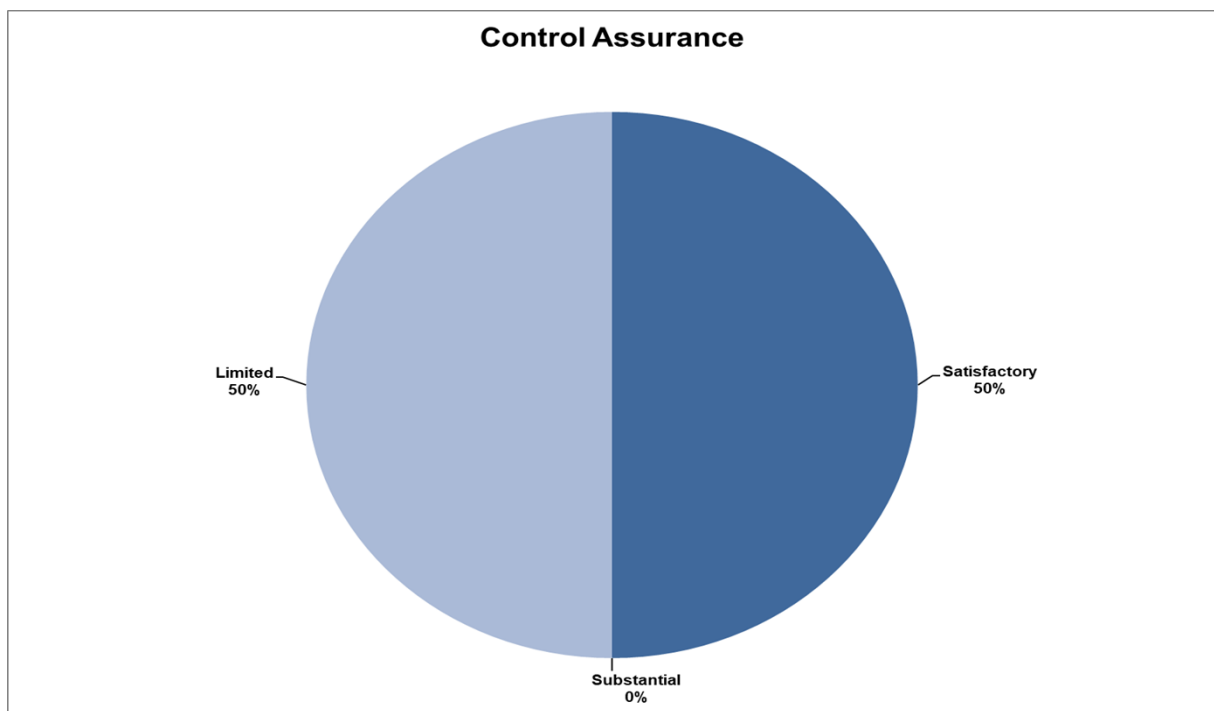
Assurance Levels	Risk Identification Maturity	Control Environment
Substantial	<p>Risk Managed Service area fully aware of the risks relating to the area under review and the impact that these may have on service delivery, other service areas, finance, reputation, legal, the environment, customer/partners, 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 service areas, finance, reputation, legal, the environment, 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 accurate and regular reporting and monitoring of the key risks in line with the Corporate Risk Management Strategy, the service area has not demonstrated a satisfactory awareness of the risks relating to the area under review and the impact that these may have on service delivery, other service areas, finance, reputation, legal, the environment, 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.

(4a) Summary of Internal Audit Assurance Opinions on Risk and Control

The below pie charts show the summary of the risk and control assurance opinions provided on the 2021/22 Internal Audit activity undertaken up to August 2021.

Two 2021/22 Internal Audit activities undertaken within this period have resulted in assurance opinions. These are reflected within the below pie charts.

It is noted that the majority of ARA activity delivered to August 2021 has not generated an assurance opinion, due to being a grant review/certification and/or resource support activity. The outcomes from these areas are not included in the pie charts.



(4b) Limited Control Assurance Opinions

Where audit activity records 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.

(4c) Audit Activity where a Limited Assurance Opinion has been provided on Control

During the 2021/22 period up to August 2021, one limited assurance opinion on control has been provided on completed audits from the Internal Audit Plan. This relates to the Traffic Signal - Asset Management and Replacement internal audit.

It is important to note that whilst limited assurance opinions have been provided, management have responded positively to the recommendations made and actions are being taken to address them.

In addition, where a limited assurance opinion is given, a follow up audit is undertaken to provide assurance that the agreed actions have been implemented by management.

(4d) Satisfactory Control Assurance Opinions

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

(4e) Internal Audit Recommendations

During the 2021/22 period to August 2021 Internal Audit have made **15** recommendations in total to improve the control environment. **4** of the recommendations are High priority recommendations and **11** are Medium priority recommendations. **100%** of Internal Audit recommendations have been accepted by management.

No formal Internal Audit recommendations have been raised by the ARA grant certification/review or resource support activity completed to date. The **15** recommendations made within this period come from the two 2021/22 Internal Audit activities that resulted in assurance opinions – the General Corporate Complaints Process internal audit and the Traffic Signal - Asset Management and Replacement internal audit.

The Committee 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.

(4f) Risk Assurance Opinions

During the 2021/22 period to August 2021, no limited assurance opinions on risk have been provided on completed audits from the Internal Audit Plan.

Where a limited assurance opinion is given, the Council's Senior Risk Management Advisor is provided with the Internal Audit report(s) to enable the prioritisation of risk management support.

(4g) Activity Completion Rate

In line with prior year, the ARA target is to complete and achieve 85% of the Annual Internal Audit Plan. This target includes appropriate consideration of any Plan changes within the year.

During the 2021/22 period to August 2021 ARA is able to report a **28%** outturn, which will increase as the year progresses. For example, **Appendix 2** details 24 activities as in progress/draft report issued as at August 2021.

It is forecast that the 85% target will be achieved by the point of the Annual Report on Internal Audit Activity 2021/22.

(5) ARA Activity Breadth – 2021/22 Internal Audit Plan and Other

Members approved the Internal Audit Plan 2021/22 at the 25th March 2021 Audit and Governance Committee meeting.

The approved Internal Audit Plan 2021/22 contains a breadth of ARA activity across the Council's Department and Service areas. Activity types include:

- I. Internal audit;
- II. Counter fraud activity and fraud / irregularity case review;
- III. Consultancy review / advice;
- IV. Grant certification / review;
- V. Data analytics review; and
- VI. Resource support for priority areas.

All the above activity types generate an ARA outcome or conclusion, however only the internal audit activity stream will result in assurance opinions on risk and control.

When compared to prior years, the Internal Audit Plan 2021/22 includes a higher level of non assurance opinion activity. This is due to the following factors:

- I. An increased level of grants certification / review requirements, as a result of receipt of Covid-19 relevant grant funding streams by the Council;

- II. Roll out of the ARA Data Analytics Strategy, increasing the number of specific data analytics review activities;
- III. The changing risks and needs of the Council, evident through the Internal Audit Plan 2021/22 planning and consultation process. This has resulted in increased consultancy review / advice activities to enable agile and added value outcomes from ARA work; and
- IV. Appropriate application of PSIAS requirements, which supports consideration and delivery of consultancy review within Internal Audit Plans.

The above weighting of ARA activity will impact Internal Audit Progress Report **section 4** and **Appendix 2** contents. The quarterly profile of ARA activity (including consideration of grant certification deadlines) will also impact the volume of activity reported to Committee per Internal Audit Progress Report.

Any update to the Internal Audit Plan 2021/22 content will be reported to Audit and Governance Committee through the Internal Audit Progress Reports. New activities to date within 2021/22 include four additional grants requiring Internal Audit certification by specified deadlines. The new grant activities are confirmed through **Appendix 2**.

Appendix 1 and **Appendix 2** also reflect any wider non-Plan activities completed by ARA, to ensure Audit and Governance Committee awareness. An example is:

- I. The ongoing work by ARA to build a commercial service offer to Academies, including the completion of an Academy pilot internal audit. The commercial offer will ensure appropriate consideration of income generation, service experience, resilience and capacity with the underlying understanding that the Academies activity should not negatively impact the level or quality of ARA service delivery to our current partners.

Completed 2021/22 Internal Audit Activity delivered up to August 2021

Summary of Limited Assurance Opinions on Control

Service Area: Economy, Environment and Infrastructure

Audit Activity: Traffic Signal Asset Management

Background

The Council has 184 signalised junctions and 200 signalised crossings incorporating thousands of individual signal units across the County. As roads get busier and people need to move around the county efficiently and effectively, there is a need to ensure that the traffic signals provide for this by being well maintained and replaced when necessary.

There are also non-signalised junctions that may be better managed if they have a traffic signal and also infrastructure developments within the County that may require signalling to be installed.

The above requires a robust approach to existing asset maintenance and also the need to be aware of all developments in advance. There has been an increase in signals in the last few years and signals are not normally, if ever, decommissioned. This results in an ever-increasing traffic signal asset infrastructure to be managed. Austerity budgets in previous years have resulted in underinvestment in assets which are now ageing and also reduced management and staffing capacity.

Scope

This audit reviewed and evaluated the adequacy and effectiveness of the asset management and replacement programme put in place by the Council to ensure this critical part of the Highways infrastructure remains fit for purpose. The audit specifically examined and evaluated the following:

- I. Objective One – Traffic signal assets are documented, locations known, and condition surveys of existing stock are regularly undertaken;
- II. Objective Two – An inspection, maintenance and replacement programme / plan is in place and being adhered to with resources adequate to undertake the tasks;
- III. Objective Three – Traffic signal maintenance (revenue) budgets and capital funding are maintained and adequate; and
- IV. Objective Four – There are adequate and appropriate staff resources and IT systems to support the operation and overall management of the traffic signals infrastructure. Third party expertise is obtained as required.

Risk Assurance – Satisfactory

Control Assurance – Limited

Key Findings

Asset Management

Traffic signals are uniquely identified and recorded in a bespoke asset management system. Signals are appropriately categorised for their respective management and administration purposes. All locations are known. The information provided to review was comprehensive with no gaps, omissions or obvious anomalies identified.

Fault Reporting and Remediation

Based on audit enquiries and testing it can be confirmed that faulty signals are attended and fixed within the established Key Performance Indicators (KPIs), and information from fault visits is fed back into the traffic signals system in a timely manner.

Signal Inspection, Maintenance, Repair and Replacement

An inspection process (condition survey) is in place. This is created at the start of each year and monitored throughout the year. The inspection programme is in place and information from these surveys is reported back in a timely manner.

Resources are in place, both internal and external to undertake the inspections, however the inspection process was behind schedule by approximately two months (in November 2020, at the time of the main audit field work) and this was being informally monitored. At the end of this audit process (March 2021) the inspection programme was reported as being two weeks behind.

There is no evidence of any clear formal reporting to management including what corrective actions are / were being taken to get the inspection programme back on track. Any concerns regarding inspections are given to the Contract Manager at Telent during the Maintenance Meetings. It was also clear from the evidence provided that, up until November 2020, there were only two people undertaking inspections across the County.

A data migration between systems was taking place during the course of the audit that the traffic signals team suggested may help to bring the inspections programme back on track.

Work undertaken by the Network Manager (Network & Traffic Management) has highlighted that there is now a significant asset replacement backlog (on an assumed asset life span of 15 to 20 years). At the present level of funding, this will not catch up and funding in excess of current levels is required to replace the assets within their life expectancy. Currently the traffic signal and pedestrian crossing stock is around 70% life expired on the above assumed life span. It is suggested by the Network Manager (Network & Traffic Management) that the capital cost of upgrading all life expired units immediately would be circa £37m. The internal review has concluded that funding at current levels would see the life expired stock increase to 80% by 2026/27 (five years). In order to maintain at 70%, then an estimated £3m per annum is required over the five years, whereas to improve the position to 60% then circa £5m per annum over five years would be required. There is also an inconsistency in the assumed life of traffic signals assets between Highways and Finance (see detail in next section Budget Monitoring) which would, if adopted in Highways, take a number of signals out of the equation and reduce the required future capital funding requirements.

The capital budget for the year 2020/21 was increased from circa £995k to £2.2m, but was reduced to circa £1.3m in 2021/22. Internal Audit enquiries revealed that there is no evidence of any detailed internal assessment, evaluation or appraisal work being undertaken that would identify, for example, which assets are life-expired but working perfectly well and therefore do not need replacement. No clear breakdown of life-expired assets by age or junction type was provided. Also, there is no evidence that a detailed financial appraisal and ongoing monitoring is taking place on an individual asset level that would identify those assets that are still viable or those that are requiring significant maintenance costs and at what point an asset becomes uneconomical to repair and maintain. Asset 'sweating' is a way of extending useful life and deriving better value for money but needs to be supported by evidence and data. The report produced following the internal review was part of the Medium-Term Financial Strategy (MTFS) funding bid. Internal Audit's concern is that this is a bid for funds that is not fully evaluated or properly costed. It is also based on an assumed life expectancy replacement timeline that is at odds with the policy adopted in Finance; (see Budget Monitoring).

It is known that the annual maintenance budget is circa £335k and this has not changed significantly for some years. Internal Audit enquiries did not result in any findings of any serious breakdowns/accidents or other such risks/liabilities resulting from poorly maintained or regularly failing traffic signals stock. At the time of this report being finalised, the asset inventory was being moved from one system to another which may improve the kind of management information available, but this is not confirmed.

Budget Monitoring

Both revenue (for planned and emergency repairs) and capital (for asset replacement) budgets are in place. Outturn positions are being reported and monitored. The capital budget was increased from circa £1m to £2.2m in 2020/21 as it was recognised by the Lead Commissioner that the traffic signal asset replacement programme had been under funded in previous years. Whilst the budget management and reporting process is in place and working, the capital budget provision is known to be inadequate to meet end of life replacement targets (as outlined above), but this is not necessarily a fundamental problem.

There is an inconsistency in respect of the expected asset life between Finance and the operational area – in that the asset life expectancy in Highways is 15 to 20 years (which is accepted industry standard), whereas the traffic signals asset is being written down over 25 years in the Council's balance sheet resulting in the potential for an asset to be held at a value on the balance sheet for up to ten years after it is considered to be life expired within Highways.

IT and Contract Management

Staff resources and IT systems within the Council to support the operation and overall management of the traffic signals infrastructure are considered adequate for the purpose. Contracts are in place with third parties to provide expertise as required. Activity information is informally produced but formal management reporting to the Lead Commissioner is absent. There was one informal arrangement identified that could be formalised.

Conclusion

It can be reasonably concluded from the audit testing and verification work undertaken that the systems and processes for recording asset data are in place. It is noted that this key system was being changed and data migrated during the audit which may have hindered the extraction of quality management information or analysis.

There is a well understood and properly operating system of financial management and control for both capital and revenue expenditure; these budgets and spend to date, along with out-turn projections are reported and closely monitored. However, the capital budget is being reported internally as inadequate to meet end of life replacement expectations but there is no evidence of the extent of the real problem. Replacing traffic signal assets that are working well simply because they are at, approaching, or beyond a theoretical end of life, may be inappropriate. There is also a disparity in respect of the expected or assumed asset life between Finance and the operational area.

Staff resources within the Council and the IT systems used to administer the activity in-house are reasonable. External specialists have been appointed to provide the field expertise as required, both for repairs and for inspections. From Internal Audit testing and the evidence provided, it is considered that the processes in place for fault reporting and remediation are adequate and working as intended and within the parameters of the KPIs.

The inspection process was not operating as expected at the time of the audit, although the position improved during the course of our work. It was not clear from evidence provided whether or how the performance of the contractor is being challenged, what remedial actions were being taken, or whether any performance penalties were appropriate and had been imposed. Formal management reporting to the Lead Commissioner that would provide a clear picture of the issues and with progress from period to period is absent.

The issues around the inspection programme (as at the audit field work date) may hinder the accurate assessment of the current condition of traffic signals. The lack of formal management reporting could result in poor decision making around asset replacement, repair, and end of life.

Management Actions

Four High priority and one Medium rated actions were agreed with management, relating to the following themes: strengthening of the contract management process, to include assessment against contracted service levels; alignment of traffic signal life expectancy between Highways and Finance; detailed investigation analyses on key areas for the asset data sets, to support quality management information provision and decisions; re-evaluation of the level of life expired signal equipment and the capital cost of replacement, to ensure an equitable funding solution can be agreed; and introduction of a formal Lead Commissioner management report summarising the monthly contractor performance position.

Three of the above actions were confirmed as completed during the course of the audit. The latest implementation date for the remaining two recommendations is March 2022.

Summary of Satisfactory Assurance Opinions on Control

Service Area: Corporate Resources

Audit Activity: General Corporate Complaints Process

Background

Gloucestershire County Council has three statutory customer complaints processes for Adults, Children and all other complaints (known as General Corporate Complaints).

Complaints may be dealt with by the business area, may be coordinated through the Complaints Team or may be specific complaints relating to the Adults and Childrens' services.

Complaints that have been dealt with through the Council's complaints procedures but where the complainant is dissatisfied with the response, may be escalated through the complaints procedure to a line manager or to an independent member of the senior management team for review.

If the complainant is still dissatisfied with the Council's response after this escalation process they are able to refer the complaint to the Ombudsman for review. If the Ombudsman finds against the authority this has to be reported to Council.

This review focused on General Corporate Complaints that have been coordinated through the Complaints Team.

Scope

The key objective of the audit was to determine if the General Corporate Complaints process is joined up and to confirm that complaints are processed in accordance with the Customer Complaints Policy, specifically if complaints are appropriately escalated and reported.

The audit considered the following areas:

- I. Review of the Council's General Corporate Complaints processes to ensure that General Corporate Complaints are processed, managed, reported and monitored in accordance with the defined procedure;
- II. Review of the timescales that General Corporate Complaints cases take from initial raising to completion of the process;
- III. Assessment of the impact of the Covid 19 pandemic on the number of General Corporate Complaints compared to previous financial years;
- IV. Consideration of the processes in place for signposting recurring complaints to other areas of the organisation; and
- V. Testing included a sample of General Corporate Complaints cases relating to the 2019/20 and 2020/21 financial years.

The scope of the audit did not include complaints relating to the Adults or Childrens' services, Freedom of Information, Data Protection, Environmental Information Regulations legislation, complaints relating to Organisations with whom the Council has a commercial agreement to provide goods or services or complaints relating to the Conduct of County Councillors or Directors.

Risk Assurance – Satisfactory

Control Assurance – Satisfactory

Key Findings

The Complaints Team which is managed by the Complaints Manager comprises of three Complaints and Feedback Officers and a Customer Feedback Assistant.

The Council has a Corporate Complaints Policy which sets out a three-stage process for managing complaints:

- I. Stage 1 - Obtaining all the relevant information about the complainant and their complaint, so that the team can deal with it quickly and efficiently. The complaint is then passed to the relevant team manager to be dealt with;
- II. Stage 2 - If the customer remains unhappy with the complaint response at Stage 1, they can request escalation to Stage 2 within 20 working days of receiving the response. Once their request for a Stage 2 investigation has been received, a Complaints Manager will consider the request and aim to send their decision within 10 working days; and
- III. Stage 3 - Once the complaints procedure has been exhausted, if the customer remains unhappy, they do have the right to contact the Local Government and Social Care Ombudsman.

The Complaints and Feedback Officers manage the complaints process on a day-to-day basis, however the Complaints Manager is the only person who can consider and approve complaints to stage 2 of the process which represents effective segregation of duties. The responses to complaints are dealt with by the relevant service department and copies of the response correspondence to the complainant are provided to the Complaints Team.

The Council's website includes a page for Complaints and Feedback under the Council and Democracy header page. The Complaints and Feedback page, which sets out details for all complaints includes a link to a Complaints about Corporate issues page with relevant policies.

The Council records all comments, compliments, complaints and signposts onto a Corporate Complaints Tracking spreadsheet with all appropriate headings to record and monitor all data outcomes, which is an effective controlling tool for the management of the complaints process. This is in accordance with best practice in relation to complaints management.

The Council's Strategic Risk Register does not identify any specific risks relating to General Corporate Complaints. However, there are direct relevant links through both

corporate governance and information governance risk themes.

The Council's Unacceptable Customer Behaviour Policy was created in October 2017 and was due for review in October 2019, however this has not been undertaken at the point of audit.

Testing of the 2020/21 Corporate Complaints Tracker spreadsheet revealed that out of the 82 complaints, 22 related to 'Staff Attitude'. The majority of which was made up of three for Highways, Network and Traffic Management, seven for Highways Development Management, eight for Waste and three for Libraries.

Whenever complaints have been upheld and areas of learning have been identified by service departments, the Complaints Team do not receive evidence from those departments as confirmation of the actions/learning have actually been implemented to give closure of the complaint.

Audit testing revealed that acknowledgments are not always sent to complainants in a timely manner in accordance with the Corporate Complaints Policy.

Testing also revealed that for stage 1 complaints, responses to the complainants are not always being completed within 20 working days of the receipt of the complaint in accordance with the Corporate Complaints Policy. It was also noted that where service departments cannot achieve the target timescale, very little evidence was recorded where requests for extension of time was being sought with the complainant. It is good practice to keep the complainant informed with regular contact even if there is justifiable reason that no action has been taken within set target timescales.

Conclusion

The review identified there are appropriate arrangements in place for the General Corporate Complaints process. No High priority recommendations have been identified. However, 10 Medium priority recommendations have been made to improve the process and current arrangements in place.

The recommendation themes included Unacceptable Customer Behaviour Policy review and update; behaviours discussions/training within identified 'Staff Attitude' complaint service areas; improvement to the complaint response timescale prompts to services; central regular monitoring of complaint response timescale non-compliance to include rationale for timescale non-achievement; and re-consideration of Customer Satisfaction Surveys for the area. The remaining recommendations related to housekeeping arrangements.

Management Actions

Internal Audit has been advised that five of the management actions have already been completed and the other five are on track to complete according to the agreed timescales. The latest recommendation implementation date is November 2021.

Summary of Consulting Activity, Grant Certification/Review and/or Support Delivered where no Opinions are provided

Service Area: Adult Services - Grant Certification

Audit Activity: Covid 19 Test and Trace Service Support

Background

On 10th June 2020 a letter was issued by the Department for Health and Social Care stating the allocation of the Local Authority Covid 19 Test and Trace Service Support Grant for 2020/21: No 31/5075.

The grant allocation for Gloucestershire County Council for the year was £2,221,773.

Scope

The Grant Determination (2020/21): No 31/5075 states that the purpose of the Local Authority Covid 19 Test and Trace Service Support Grant is to provide support to councils in England towards expenditure lawfully incurred or to be incurred in relation to the mitigation against and management of local outbreaks of Covid 19.

The Chief Executive the Head of ARA are required to sign and return to Department for Health and Social Care a declaration in the following terms:

‘To the best of our knowledge and belief, and having carried out appropriate investigations and checks, in our opinion, in all significant respects, the conditions attached to the Local Authority Test and Trace Service Support Grant Determination 2020/21: No 31/5075 have been complied with’.

The audit scope was to provide assurance that the conditions of the grant determination have been complied with.

Key Findings

- I. The expenditure for the Local Authority Covid 19 Test and Trace Service Support Grant is monitored by the Principal Finance Officer. The audit trail supplied by the Principal Finance Officer confirms that £796,079 of the Test and Trace Service Support Grant for 2020/21 was expended.
- II. £300,000 was allocated and paid to the six district councils within 2020/21: Gloucester, Stroud, Tewkesbury, Forest of Dean, Cheltenham and the Cotswolds. This funding was provided to enable each Council to recruit an Environmental Health Officer and this expenditure approach/type is permissible based on the grant conditions.
- III. Internal Audit has reviewed a sample of transactions covering 92% of the remaining grant expenditure for 2020/21. Audit testing confirmed that the sampled expenditure was in accordance with the grant conditions.

Conclusion

Based on discussions with officers and a review of records maintained by the

Council, Internal Audit has gained appropriate assurance that the conditions of the grant determination have been met. As such, the declaration has been signed and submitted to the Department for Health and Social Care.

£1,425,694 has been carried forward into 2021/22.

Management Actions

No management actions required.

Service Area: Adult Services - Grant Certification

Audit Activity: Blue Badge Grant

Background

In January 2020 the Department for Transport (DfT) advised local authorities of an allocation of funding specifically for Blue Badge New Implementation Criteria. As part of this funding, this grant was to provide revenue funding to support increased Blue Badge applications. This was inline with the Government awareness drive to highlight that not all disabilities are visible or require a wheelchair. Gloucestershire County Council received an allocation of £20,302 in 2019/20.

The relevant Grant Determinations confirm the grant 'may be used only for the purposes that a revenue receipt may be used for in accordance with regulations made under section 11 of the Local Government Act 2003.'

Scope

The Chief Executive and Head of ARA are required to return to the DfT a declaration by 31st July 2021 in the following terms:

'To the best of our knowledge and belief, and having carried out appropriate investigations and checks, in our opinion, in all significant respects, the conditions attached to Local Transport Revenue Block Funding (Blue Badge New Criteria Implementation) specific grant determination 2019/20 No.31/3936 have been complied with'

The audit scope was to provide assurance that, in all significant respects the conditions of the Grant Determinations have been complied with. The period under audit review was 2020/21, with consideration of relevant Internal Audit findings from prior year.

Key Findings

- I. The Council received Blue Badge New Criteria Implementation grant funding of £20,302 in 2019/20. In 2019/20 a total of £9,845 was spent from this grant.
- II. The remaining balance of £10,457 was carried forward into 2020/21 and was the focus of this audit review.

- III. Internal Audit discussed with the Blue Badge team how the funding had been used. The team confirmed that the expenditure had been used to cover staff expenditure in relation to Blue Badge applications from those with hidden disabilities and also the partial costs of Expert Assessors for these applications.
- IV. The breakdown of the costs was as follows:
- £10,318 was charged to Expert Assessors and administration time. Internal Audit reviewed the Quarter four invoice from the NHS for the services for the Expert Assessor and confirmed this was in accordance with the grant determination.
 - A further £1,081 was spent against a 10% charge time for the team leader and lead finance officer where they were involved in the process. Internal Audit completed a reasonableness check of the salary costs quoted against SAP (the Council's financial management system) and confirmed these appeared reasonable.
- V. A total of 267 Hidden disability badge applications were processed in 2020/21. In total, there were costs calculated to £11,399 for hidden disability applications against the remaining grant funding of £10,457. The expenditure amount in excess of the grant (£942) was funded directly from the Blue Badge service budget.

Conclusion

Based on discussions with officers and a review of records maintained by the Council, Internal Audit has gained assurance that the conditions of the Grant Determination have been fulfilled and as such the declaration has been signed and submitted to the DfT.

It is also confirmed that this funding has now been fully expended and therefore will not require further review by Internal Audit.

Management Actions

No management actions required.

Service Area: Adult Services - Grant Certification

Audit Activity: Community Capacity Grant

Background

In December 2012 the Department of Health (DoH) advised local authorities of their allocations under the Adults' Personal Social Services grant for 2013/14 and 2014/15. As part of this allocation, the Community Capacity (Capital) Grant provides capital funding to support development in personalisation, reform and efficiency.

Gloucestershire County Council received a Community Capacity (Capital) Grant allocation of £1,360,488 in 2013/14 and £1,387,970 in 2014/15. The relevant Grant Determinations confirm the grant 'may be used only for the purposes that a capital receipt may be used for in accordance with regulations made under section 11 of the Local Government Act 2003.'

Scope

The Chief Executive and Head of ARA are required to return to the DoH a declaration by 30th June 2021 in the following terms:

- I. 'To the best of our knowledge and belief, and having carried out appropriate investigations and checks, in our opinion, in all significant respects, the conditions attached to the Community Capacity Grant No 31/2219 have been and will be complied with'; and
- II. 'To the best of our knowledge and belief, and having carried out appropriate investigations and checks, in our opinion, in all significant respects, the conditions attached to the Community Capacity Grant No 31/2393 have been and will be complied with'.

The audit scope was to provide assurance that, in all significant respects the conditions of the Grant Determinations have been complied with. The period under audit review was 2020/21, with consideration of relevant Internal Audit findings from prior year.

Key Findings

- I. The Council received Community Capacity (Capital) Grant funding of £1,360,488 in 2013/14 and £1,387,970 in 2014/15.
- II. A total of £2,008,886 was brought forward into 2020/21.
- III. Internal Audit sample tested £166,775 of the general ledger confirmed £441,602 (37.8%) capital expenditure for 2020/21 Community Capacity Grants. All tested expenditure was found to be in accordance with the Community Capacity Grant Determinations.
- IV. Review of the general ledger confirmed that the remaining grant balance of £1,567,284 has been ring fenced and carried forward into 2021/22.

Conclusion

Based on discussions with officers and a review of records maintained by the Council, Internal Audit has gained assurance that the conditions of the Grant Determinations have been fulfilled for 2020/21 and as such the declaration has been signed and submitted to the DoH.

Management Actions

No management actions required.

Service Area: Children's Services - Grant Review**Audit Activity: Adoption Support Fund Assurance Statement****Background**

The Adoption Support Fund provides funding to councils and regional adoption agencies to pay for essential therapeutic services for eligible adoptive and special guardianship order families.

Funding is requested from the Department for Education (DfE) by Gloucestershire County Council on an application per child/family basis to provide therapy for children that are in the adoption process and also under special guardianship orders. Due to adoption not being administered directly by the Council, the approved funding received by Gloucestershire County Council is specifically for children who are under special guardianship orders.

Scope

Internal Audit were requested to complete a review of the Adoption Support Fund to enable sign off of an assurance statement, to be returned to the DfE confirming that the funding provided was used exclusively for the purposes set out by the applications agreed by the DfE. The deadline for assurance statement submission was 30th June 2021.

The audit scope was to provide assurance that, in all significant respects, the terms and conditions of the funding have been complied with. The period under Internal Audit review was 2020/21.

Key Findings

- I. There were 66 applications made to the DfE for therapeutic services for children under Special Guardianship Orders within 2020/21.
- II. The Council received £163,517 of agreed funding from the DfE to be used for therapeutic support for children.
- III. Internal Audit reviewed a sample of 5 of the 66 (8%) applications to confirm that applications for therapeutic support were made and agreements were received back from the DfE. No issues were identified through this sample testing.
- IV. Internal Audit tested 22 invoices covering £12,899 (11%) of the overall general ledger confirmed 2020/21 spend of £114,926, to confirm that the spend was in accordance with the terms and conditions of the funding. All tested expenditure was confirmed to be in accordance with the funding terms and conditions.
- V. The Assurance Statement confirms an identified underspend of £48,591 for 2020/21, which was discussed with Strategic Finance. This underspend was due to some relevant work not being undertaken in year due to Covid 19 restrictions. The underspend will require repayment to the DfE as no carry forward of funding is permissible.

- VI. Internal Audit have received a copy of the Annual Assurance Statement – Usage of Adoption Support Fund signed by the Head of Service for Permanence within Children’s Services confirming to the best of their knowledge that the funding has been used in accordance with the terms and conditions of the funding.

Conclusion

Based on discussions with officers and a review of records maintained by the Council, Internal Audit has gained assurance that the terms and conditions attached to the funding for the Adoption Support Fund have been complied with for the 2020/21 grant expenditure.

The confirmed underspend of £48,591 will require repayment to the DfE in line with the grant funding conditions.

Management Actions

No management actions required.

Service Area: Children’s Services - Grant Certification**Audit Activity: European Union (EU) Settlement Scheme****Background**

In September 2020 the Home Office wrote to Gloucestershire County Council to confirm the approval of a grant of up to £114,104. The grant was for delivering practical support to vulnerable or at-risk EU, EEA and Swiss citizens and their family members to help them make their EU Settlement Scheme application.

The funding was for the last six months of the financial year 2020/21, covering the period 1st October 2020 to 31st March 2021. It was broken down into two quarters; 1st October to 31st December 2020 and 1st January to 31st March 2021 (referred to as quarters three and four).

Scope

At the end of the funding period, the Council was required to submit an Outturn Statement signed by the Finance Officer to the Home Office, confirming that the information provided was correct and expenditure was only incurred for the purposes set out in the Grant Agreement. A certified Grant Claim Form and breakdown of costs was also required. The scope of the audit was to provide assurance that in all significant respects the grant conditions had been complied with.

Key Findings

- I. The Council’s Commissioning Manager for the Children and Families Hub (the Commissioning Manager) worked with three voluntary sector partners to deliver the support for which the grant funding had been provided.

- II. At the end of each quarter a return had to be sent to the Home Office stating the amount claimed for the period together with a breakdown of the spending. The return for quarter four also had to include a breakdown of the total spend for the year. This return had to be audited by an independent accountant before the funding would be released. The Home Office agreed that it could be reviewed and agreed by the Council's Internal Audit service.
- III. Evidence in the form of invoices, receipts and payslips were forwarded by the three partners to the Council to support their expenditure. Internal Audit reviewed all quarter three 2020/21 expenditure and a sample of quarter four 2020/21 expenditure for all three partners.
- IV. When reviewing the evidence, it was not possible to reconcile the amount claimed by one partner to the receipts, invoices and payslips provided. The partner confirmed that there had been an error in the calculation and the figure claimed was incorrect. As the grant money had already been received a credit note was provided, to be offset against their quarter four claim.
- V. Following Internal Audit's agreement of the final figures, and with the claim having been submitted to the Home Office, the same partner advised the Commissioning Manager that they had omitted to claim for some eligible employee expenditure. This applied to both quarters and subsequently an amended credit note was provided. The figures provided in respect of this claim were checked and agreed by the Internal Auditor. All queries with the other partners were resolved satisfactorily.
- VI. The quarter four figures on the expenditure spreadsheet were reviewed against the proposed quarter four return to the Home Office. Following advice from the Home Office, the under claim for quarter three and a credit note from one of the partners in respect of over claiming in quarter three were included in the quarter four claim. Notes were included on the claim form to explain the differences.
- VII. Errors were found by Internal Audit in the amounts claimed, due to a lack of internal controls. The invoices, receipts and salary information are not logged when they are received from the partners and no checks are undertaken on the evidence they provide to support their claims. The Commissioning Manager has confirmed that going forward the evidence will be logged and scrutinised when received and, when time permits, the quarter three and four evidence will be logged.
- VIII. Returns to the Home Office should be completed diligently and figures should be checked against the finance spreadsheet to ensure they agree.

Conclusion

There were a number of errors with regard to amounts claimed which did not match the evidence provided. The Internal Auditor was informed by the Commissioning Manager that stricter controls will be in place in future.

Based on discussions with officers and a review of records maintained by the Council, Internal Audit has gained assurance that the conditions of the Grant

Agreement have been fulfilled following rectification of the errors identified by Internal Audit and Grant Claim Form adjustment.

An adjusted total of £73,169 of grant expenditure was made in 2020/21 and the remaining balance has been brought forward into 2021/22.

Management Actions

Internal Audit and the Commissioning Manager have directly discussed opportunities for future improvements in Council control/review for the remaining grant spend. Positive feedback was received from the Commissioning Manager regards the Internal Audit advice provided.

Service Area: Economy, Environment and Infrastructure - Grant Certification

Audit Activity: Growth Hub

Background

The Department for Business, Energy and Industrial Strategy (BEIS) letter dated 7th April 2020 confirmed 'Growth Hub Funding to Local Enterprise Partnerships in 2020/21'. The grant offer letter offered £205,000 to Gloucestershire County Council (the Accountable Body) for the period 1st April 2020 to 31st March 2021. Grant offer acceptance was completed by the Council.

The grant is specifically for the giving of advice to business by GFirst Local Enterprise Partnership (GLEP) by supporting the further development of growth hubs, aligned to the Government's objective to simplify access to support for businesses (the Project).

Scope

The 7th April 2020 BEIS grant offer letter states that:

'Assurance is required that in the course of the Project the Accountable Body has expended the sums in respect of which Grant claims were made in undertaking the Project and that all the activities were completed by the Accountable Body by 31st March 2021 and paid for by 25th May 2021. For this purpose, a report from an accountant must follow the final claim for the Grant and be submitted to BEIS by no later than the 25th May 2021. The accountant's report must be submitted in the format specified in Schedule 2 and prepared by a professionally qualified member of the Accountable Body's own audit team. This person, if requested, must be able to provide a written statement declaring their independence. In exceptional circumstances, and with written consent from BEIS, the Accountable Body may use an independent accountant outside of their organisation who is qualified under the terms of Section 1211 of the Companies Acts 2006, to prepare and submit the report. Costs for the preparation of this auditor's report cannot be paid for using the Grant monies (see Ineligible Expenditure in Annex 1A).'

The Growth Hub Funding 2020/21 internal audit review was designed to meet the above BEIS requirements.

Key Findings

- I. The audit review was delivered and reviewed by professionally qualified members of the Accountable Body's own Internal Audit team inline with the conditions within the offer letter from the BEIS.
- II. The review confirmed that the 2020/21 year-end return and previously submitted claims for payment were in accordance with the BEIS offer letter and Schedule B criteria. Audit trail review confirmed agreement of all figures to the both the Council's and GLEP general ledgers. It was also confirmed that none of the costs were incurred before 1 April 2020.
- III. From the Growth Hub funding of £205,000, the GLEP incurred relevant expenditure of £207,825. The £2,825 expenditure in excess of £205,000 was funded directly by GLEP.
- IV. Internal Audit tested £10,908 of grant funding from the total £207,825 (5%) of expenditure incurred against the grant. Internal Audit were able to confirm that the sampled expenditure met the offer letter conditions set out by the BEIS.

Conclusion

The Growth Hub Funding to GLEP in 2020/21 – Accountant's Report was submitted to the BEIS on 21st May 2021 prior to the deadline of 25th May 2021.

Management Actions

Not applicable.

Service Area: Economy, Environment and Infrastructure - Grant Certification

Audit Activity: Supplemental Growth Hub

Background

Further to the initial Growth Hub Funding to Local Enterprise Partnerships (LEPs) in 2020/21 of £205,000, a letter dated 21st August 2020 confirmed that Supplemental Growth Hub Funding to LEPs in 2020/21 – Cluster Lead Role funding would be made available.

The grant offer letter offered £337,000 to Gloucestershire County Council (the Accountable Body) including £80,000 for the cluster lead role, for the period 1st April 2020 to 31st March 2021. This funding was in recognition of the short-term pressures faced by Growth Hubs as a result of Covid 19. An agreed percentage the Supplementary Grant was available for spend on activities and solutions to alleviate immediate pressures on businesses caused by Covid 19. Grant offer acceptance was completed by the Council.

Scope

The 21st August 2020 BEIS grant acceptance letter states that:

'Assurance is required that in the course of the Project the Accountable Body has expended the sums in respect of which Supplementary Grant claims were made in undertaking the Project and that all the activities were completed by the Accountable Body by 31st March 2021 and paid for by 25th May 2021. For this purpose, a report from an accountant must follow the final claim for the Supplementary Grant and be submitted to BEIS by no later than the 25th May 2021. The accountant's report must be submitted in the format specified in Schedule 2 and prepared by a professionally qualified member of the Accountable Body's own audit team. This person, if requested, must be able to provide a written statement declaring their independence. In exceptional circumstances, and with written consent from BEIS, the Accountable Body may use an independent accountant outside of their organisation who is qualified under the terms of Section 1211 of the Companies Acts 2006, to prepare and submit the report. Costs for the preparation of this auditor's report cannot be paid for using the Supplementary Grant monies (see Ineligible Expenditure in Schedule 1A).'

The Supplemental Growth Hub Funding 2020/21 internal audit review was designed to meet the above BEIS requirements.

Key Findings

- I. The audit review was delivered and reviewed by professionally qualified members of the Accountable Body's own Internal Audit team inline with the conditions within the offer letter from the BEIS.
- II. The review confirmed that the 2020/21 year-end return and previously submitted claims for payment were in accordance with the BEIS offer letters and Schedule B criteria. Audit trail review confirmed agreement of all figures to the both the Council's and GFirst LEP general ledgers. It was also confirmed that none of the costs were incurred before 1 April 2020.
- III. From the Supplemental Growth Hub funding of £337,000, the GFirst LEP incurred expenditure of £329,807. The £7,193 of underspend was noted in the return to the BEIS as per the grant letter, which stated that the BEIS are to be informed of any underspend as this will be need to be returned to the department.
- IV. Internal Audit tested £54,986 of grant funding from the total £329,807 (17%) of expenditure incurred against the grant. Internal Audit were able to confirm that the sampled expenditure met the offer letter conditions set out by the BEIS.

Conclusion

The Supplemental Growth Hub Funding to GFirst LEP in 2020/21 – Accountant's Report was submitted to the BEIS on 21st May 2021 prior to the deadline of 25th May 2021.

Management Actions

Not applicable.

Service Area: Economy, Environment and Infrastructure – Grant Certification
Audit Activity: Additional Highway Maintenance and Pothole and Challenge Fund Grant (covering two grant streams)

Background

On 13th November 2018 a letter was issued by the Department for Transport (DfT) stating that the Government was to allocate an additional £420 million in 2018/19 for the purpose of local highways maintenance including pothole repair, bridge maintenance and minor highways works. The Additional Highway Maintenance grant allocation for Gloucestershire County Council was £7,905,000. £2,256,381 of this funding was brought forward to the 2020/21 financial year.

On 11th September 2020 a letter was issued by the DfT stating that the Government was to allocate £1.7 billion in 2020/21 to improve journeys for cyclists, pedestrians and drivers across England through repairs to local roads. The Pothole and Challenge Fund grant allocation for Gloucestershire County Council was £12,667,000.

Scope

The audit scope was to provide assurance that, in all significant respects; the conditions of the relevant Grant Determinations had been complied with within the period under review by Internal Audit which was 2020/21.

Key Findings

- I. In 2020/21, none of the Additional Highways Maintenance grant or the Pothole and Challenge Fund grant was used by the Council.
- II. Strategic Finance confirmed and provided evidence from SAP (the Council's financial management system) that the £2,256,381 and £12,667,000 carry forward amounts were ring fenced and identifiable in the general ledger. Verbal and documentary assurance was provided that the amounts would be allocated to highways capital projects in 2021/22.
- III. The grant determination does not prohibit the carry forward of the grant and neither is it subject to repayment if not used within the received financial year. Therefore, the Council are acting within the grant determination funding instruction by carrying forward the grant and allocating it for use within future appropriate projects.

Conclusion

Based on discussions with officers and a review of records maintained by the Council, Internal Audit has gained appropriate assurance that the conditions of the grant determinations have been met. Therefore, the declarations were signed and submitted to the DfT.

Internal Audit can confirm appropriate funding has been carried forward to 2021/22.

Management Actions

No management actions were required.

Service Area: Economy, Environment and Infrastructure – Grant Certification

Audit Activity: A46 Coopers Hill Repairs Grant

Background

On 3rd August 2020 the Department for Transport (DfT) advised Gloucestershire County Council that £1.2 million would be made available through the Transport Infrastructure Investment Fund, of which the Highways Maintenance Challenge Fund is part. This funding was approved for the specific works of the A46 Coopers Hill repairs as per the full approval from the DfT for the project applied for by the Council.

The Council received payment in 2020/21 for the Challenge Fund Tranche 2B: A46 Coopers Hill Repairs Grant under the Grant Determination 2020/21: No 31/5072. The grant paid under this determination may be used only for the purposes that a capital receipt may be used for in accordance with regulations made under section 11 of the Local Government Act 2003.

Scope

The audit scope was to provide assurance that, in all significant respects; the conditions of the relevant Grant Determination have been complied with within the period under review by Internal Audit which was 2020/21.

Key Findings

- I. The Council received funding of £1,200,000 under the Local Transport Capital Block Funding (Highways Maintenance Challenge Fund) Specific Grant Determination (2020/21) No 31/5072 specifically for A46 Coopers Hill repairs.
- II. The spend is monitored by the Capital Accountant who confirmed (the verbal assurance and appropriate audit trail) that in 2020/21 £1,145,157 of the funding was spent on capital items and was accounted for as such in the Council's financial system.
- III. Internal Audit has reviewed a sample of 11 lines of expenditure with a total value of £203,345 (18%). Audit review confirmed that the sampled expenditure was in accordance with the relevant DfT grant conditions.
- IV. The records supplied by the Capital Accountant confirm that at the year-end £54,843 of the Challenge Fund Tranche 2B scheme: A46 Coopers Hill repairs grant for 2020/21 was unspent and has been carried forward into 2021/22.

Conclusion

Based on discussions with officers and a review of records maintained by the Council, Internal Audit has gained appropriate assurance that the conditions of the Grant Determination have been met for 2020/21. Therefore, the declaration was signed and submitted to the DfT.

Management Actions

No management actions were required.

Service Area: Economy, Environment and Infrastructure – Grant Certification

Audit Activity: EU Transition Business Readiness

Background

The Department for Business, Energy and Industrial Strategy (BEIS) letter dated 27th November 2020 advised of the offer for EU Transition Business Readiness grant funding. The grant offer of £181,050 to Gloucestershire County Council (the Accountable Body) for the period 1st November 2020 to 31st March 2021. Grant offer acceptance was completed by the Council.

The grant is specifically for the giving of advice to business by GFirst Local Enterprise Partnership (GLEP) to support businesses through the changes in trade relationships between the UK and the EU post Brexit.

Scope

The 27th November 2020 BEIS grant offer letter states under paragraph 20 that:

‘For this purpose, a report from an accountant must follow the final claim for the EU Transition Grant and be submitted to BEIS by no later than the 31st May 2021. The accountant’s report must be submitted in the format specified in Schedule 2 and prepared by a professionally qualified member of the Accountable Body’s own audit team. This person, if requested, must be able to provide a written statement declaring their independence. In exceptional circumstances, and with written consent from BEIS, the Accountable Body may use an independent accountant outside of their organisation who is qualified under the terms of Section 1211 of the Companies Acts 2006, to prepare and submit the report. Costs for the preparation of this auditor’s report cannot be paid for using the EU Transition Grant monies (see Ineligible Expenditure in Schedule 1A). An accountant’s report must be submitted in the format specified in by the BEIS and prepared by a professionally qualified member of the Accountable Body’s own audit team.’

The EU Transition Business Readiness funding 2020/21 Internal Audit review was designed to meet the above BEIS requirements.

Key Findings

- I. The Internal Audit was delivered and reviewed by professionally qualified members of the Accountable Body’s Internal Audit team inline with the conditions within the offer letter from the BEIS.

- II. The review confirmed that the 2020/21 year-end return and previously submitted claims for payment were in accordance with the BEIS offer letters and Schedule B criteria. Audit trail review confirmed agreement of all figures to the both the Council's and GLEP general ledgers. It was also confirmed that none of the costs were incurred prior to 1st November 2020, the start of the funding period.
- III. From the EU Transition Business Readiness funding of £181,050, the GLEP incurred expenditure of £144,768 which leaves an underspend of £36,282. The BEIS offer letter states that funding cannot be carry forward into the next financial year and, therefore, this underspend will require repayment back to the BEIS.
- IV. Internal Audit tested £31,670 of grant funding from the total £144,768 (22%) of expenditure incurred against the grant. Internal Audit was able to confirm that the sampled expenditure met the conditions set out by the BEIS in the offer letter.

Conclusion

The EU Transition Business Readiness funding to GLEP in 2020/21 – Accountant's Report was submitted to the BEIS on at 21st May 2021 prior to deadline of 31st May 2021.

Management Actions

No management actions were required.

Service Area: Economy, Environment and Infrastructure – Grant Certification

Audit Activity: National Productivity Investment Fund

Background

The Department for Transport (DfT) in 2017/18 advised Gloucestershire County Council that £2.696 million would be made available through the National Productivity Investment Fund (NPIF). This funding is part of the Local Transport Capital Block Funding, and was funded across two financial years starting in the first quarter of 2018/19. Gloucestershire County Council received allocations in 2018/19 and 2019/20 from the NPIF (Capital) grant.

Under the Grant Determination 2019/20: No 31/3689, the grant may be used only for the purposes that a capital receipt may be used for in accordance with regulations made under section 11 of the Local Government Act 2003.

The grant was required to be used for the purpose of works relating to the A38 Cross Keys roundabout capacity improvement and signalisation. An underspend of £31,789 from the previous financial years was brought forward into 2020/21.

Scope

The audit scope was to provide assurance that, in all significant respects; the conditions of the relevant Grant Determination have been complied with within the period under review by Internal Audit which was 2020/21.

Key Findings

- I. The Council carried forward funding of £31,789 into the financial year 2020/21.
- II. The expenditure for the NPIF grant is monitored by the Capital Accountant who has confirmed (through verbal assurance and appropriate audit trail) that in 2020/21 £31,789 of funding was used for capital expenditure and was accounted for as such in the Council's financial system.
- III. Eligible themes of capital expenditure by the Council within 2020/21 exceeded the 2020/21 grant amount. Internal Audit reviewed a sample of eight lines of eligible grant expenditure with a total value of £33,788 and confirmed that the sampled expenditure was in accordance with the relevant DfT grant conditions. A sample of three refunds/adjustments were also reviewed and confirmed.
- IV. The records supplied by the Capital Accountant confirm that at the year-end £31,789 of the NPIF Grant for 2020/21 was expended. There is no remaining grant funding.

Conclusion

Based on discussions with officers and a review of records maintained by the Council, Internal Audit has gained appropriate assurance that the conditions of the Grant Determination have been met. Therefore, the declaration has been signed and submitted to the DfT.

Internal Audit can confirm the NPIF (Capital) grant has now been fully utilised by the Council and there is no carry forward into 2021/22.

Management Actions

No management actions were required.

Service Area: Community Safety - Grant Certification**Audit Activity: Fire and Rescue Authorities Grant****Background**

The Department for Communities and Local Government (DCLG) has historically provided funding to local fire authorities to assist in the acquisition of replacement appliances and other capital-related projects. In this respect, the Council has received the following grant: Grant Determination: 2014/15 (No. 31/2322) £ 822,361.

Scope

This audit reviewed relevant grant expenditure incurred in 2020/21 to provide reasonable assurance to the Chief Executive that the conditions attached to the grant determination have been complied with to enable the 2020/21 annual declaration to be signed and submitted to the DCLG.

Key Findings

- I. The general ledger confirms that £124,000 grant funding was brought forward from 2019/20 and a total post audit amount of £53,556 was expended against the funding during 2020/21.
- II. The Internal Audit review confirmed that expenditure from grant No. 31/2322 during 2020/21 has been monitored by Strategic Finance and appropriate records maintained.
- III. Internal Audit sample tested 98% of the 2020/21 expenditure incurred against the grant. The sample testing confirmed that the expenditure was spent against breathing equipment for Gloucestershire Fire and Rescue Service.
- IV. Internal Audit testing identified an invoice for £807.30 that was not applicable to capital expenditure. Internal Audit confirmed with Strategic Finance that this cost would be transferred to a relevant revenue budget, which resulted in the adjusted expenditure figure of £53,556.
- V. Internal Audit confirmed that the remaining sampled grant expenditure was applicable to capital expenditure and in line with the grant determination.

Conclusion

From sample review of the 2020/21 grant expenditure, Internal Audit was able to gain assurance that the expenditure has been appropriately classified as capital-related items, other than expenditure of £807.30 which was subsequently reallocated as revenue expenditure.

Consequently, Internal Audit is able to conclude that the conditions attached to the grant determination have been complied with within 2020/21.

A total of £70,444 has been carried forward into 2021/22 for the grant provided under determination 31/2322.

Management Actions

No management actions required.

Service Area: Children's Services**Audit Activity: Pilot - Academy internal audit****Background**

ARA undertakes internal audits at a sample of Local Authority Maintained Schools each year. The outcomes enable the Chief Financial Officer (S151) to sign an annual statement to the Department for Education confirming assurance over the standards of financial management and the regularity and propriety of spending within the schools audited.

Academies are not included in the above requirement as they are subject to separate legislation and external audit. Within that, Academies are required to have a programme of internal scrutiny to provide independent assurance to the board that the financial and non-financial controls and risk management procedures are operating effectively.

As a result, and with agreement from the ARA Shared Service Board, ARA has reviewed the potential to offer Internal Audit services to Academies. This exercise was initiated within 2020/21 and progressed within 2021/22. The confirmed objectives were to progress a pilot Academy internal audit and develop a traded Internal Audit service offer for Academies. Support from the Council's Traded Services team has been key to enable these actions.

Through discussion with the Traded Services Manager, one local Academy was identified where they agreed to procure Internal Audit services from ARA as a pilot audit.

Key Findings

The Academy pilot internal audit was successfully delivered within the 2020/21 academic year, through current ARA team resources. The focus of the audit was to review, evaluate and report on five key areas which had been selected by the Academy Trustees.

Audit outcomes have been reported to the Academy's Audit Committee and Resources Committee on 14th and 16th June 2021 respectively. Positive feedback has been received from the Academy regards the ARA approach and the outputs delivered.

Conclusion

The Academy pilot internal audit was a success and ARA has used the experience to inform the ongoing development of an initial commercial offer to Academies.

The commercial offer will ensure appropriate consideration of income generation, service experience, resilience and capacity with the underlying understanding that the Academies activity should not negatively impact the level or quality of ARA service delivery to our current partners.

Further update on this area will be presented Committee within 2021/22.

Service Area: Adult Services**Audit Activity: Premium for Care Providers (Supplier Relief)****Background**

In April 2020 the Cabinet Member for Adult Social Care Commissioning agreed to support care providers by making an uplift payment equivalent to 10% of the care commissioned under Gloucestershire County Council contracts. This was to be applied initially from 1st April 2020 to 31st May 2020, with subsequent decision made for ongoing payments monthly up to the end of September 2020. The Supplier Relief payment was to provide the care providers with short term financial support for the purpose of meeting additional costs due to Covid 19 and securing market capacity. The decision included the option for payments to continue if the pandemic continued.

Providers were required to submit monthly financial returns to Brokerage during the period, for review by Brokerage and Strategic Finance in order to continue to receive uplift payments. The initial value of uplift payments was in the order of £1.3m per month, although this subsequently reduced as not all providers submitted financial returns to enable uplift payments to continue.

The final Supplier Relief payment to care providers related to September 2020.

Scope and Delivery

ARA received a request to provide resource support to Strategic Finance, as part of the Council's wider review and scrutiny approach for care provider returns.

The ring-fenced area for ARA resource input required the checking of a sample of care provider returns for June 2020 (for those that received payments relating to July 2020) to ensure that the payments detailed on the return were appropriate, in line with Council criteria and supported by complete provider returns. Further explanations were requested from providers where appropriate.

ARA input was resource support only (equating to 30 days) and was not an internal audit.

ARA appreciated being able to support this exceptional effort by the Council.

Summary of Special Investigations/Counter Fraud Activities

Current Status

The ARA Counter Fraud Team (CFT) has received nine referrals in 2021/22 to date and continued to work on eight cases brought forward from prior years.

The service areas of the cases referred to Internal Audit within 2021/22 to date are categorised as follows: Adults (5); Childrens (1); Corporate (1); and Community Safety (2).

Four of the nine new referral cases have been closed. Of those four closed cases:

- I. One was in the Adults Social Care area. An investigation by the CFT quickly established that the concerns raised had already recently been identified and investigated by the relevant service. It was established that procedures to improve and strengthen the internal controls had been introduced and were being monitored using an action plan and no further intervention by the CFT was required.
- II. The second case was a whistleblowing call raising potential concerns at a school. The concerns were passed to the Monitoring Officer for consideration as they were outside of the CFT remit. It was subsequently agreed that the Education team would follow up the allegations with the school staff to resolve the concerns raised.
- III. The third case concerned a potential non-compliance with policy. Upon review the policy was found to be lacking clarity regarding the circumstances raised and required amendment to cover the situation that had arisen. No further involvement by the CFT was required.
- IV. The fourth case related to claims of nepotism in the appointment of staff to a support position. An investigation established that the correct recruitment process had been followed. Declarations of interest had been verbally declared, but not written, by both parties from the start and consideration of the line management had been taken into account. Other than not following Council procedures for declaring any potential interests no issues were identified.

The remaining five in year referral cases are still on going and will be reported to the Audit and Governance Committee on their completion.

In respect of the eight cases carried forward from previous years, five have now been closed and three remain ongoing. Of the five closed cases:

- I. The first closed case concerned the provision of Personal Assistant (PA) services procured in respect of a Direct Payment. There had been concerns raised about whether the PA invoices submitted were genuine. Additional information was supplied and although there were still some concerns the PA and the family continued to confirm the hours had been provided and there was insufficient information available to pursue the case any further.

- II. The second case closed and not previously reported involved alleged concerns at a school within the County. The investigation established that the allegations were not accurate in their detail and what was perceived to be an error was not so. However, the CFT felt that some of the historic school expenditure did appear on the high side and the Education team are undertaking a more detailed look at the school finances in general.
- III. The third closed case related to the behaviours of a specific contractor employed by the Council. The contractor was contacted and the staff were dealt with in accordance with the company's employment policy.
- IV. A fourth case came about as a result of an audit of the being undertaken by the CFT. The audit identified a number of issues, including poor systems and controls linked with the use of Council vehicles within the service area including errors and omissions associated with staff absence, expenses reporting and invoice payment control. As a result, disciplinary action was taken against two members of staff - one received a warning and the second resigned prior to the completion of the disciplinary. A third member of staff retired shortly after the start of the audit. The Head of Service has introduced a number of changes to working practices to monitor, manage and improve the service.
- V. The fifth closed related to a member of staff accessing a relative's record and potentially influencing the Council services received by that relative. The individual faced disciplinary action in respect of knowingly accessing family data on multiple occasions.

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.

Any fraud alerts received by Internal Audit from the National Anti-Fraud Network (NAFN) and other credible entities are passed onto the relevant service areas within the Council, to alert staff to the potential fraud.

National Fraud Initiative (NFI)

Internal Audit continues to support the NFI which is a biennial data matching exercise administered by the Cabinet Office. The data collections for the 2021/22 exercise were uploaded to the Cabinet Office between October and December 2020. The data matching reports resulting from the data upload were released from mid January 2021. The timetable can be found using the following link [GOV.UK](https://www.gov.uk).

Examples of data sets include insurance, payroll, creditors, pensions, blue badges and concessionary bus passes. Not all matches are investigated, but where possible all recommended matches are reviewed by either the appropriate service area or in some cases Internal Audit. Any irregularities identified will be reviewed by the CFT.

To date, only a small number of matches have been marked as reviewed, although some teams may be reviewing the matches offline and have yet to update the NFI site. The areas reviewed so far includes pensions, payroll to payroll and duplicate creditors. No specific issues have been reported as identified to date.