



PROGRESS REPORT ON INTERNAL AUDIT ACTIVITY

JANUARY 2023

1. Introduction

- 1.1 The Council's Internal Audit service is provided by Audit Risk Assurance (ARA) under a Shared Service agreement between Gloucestershire County Council, Stroud District Council and Gloucester City Council.
- 1.2 ARA provide these services in accordance with the Public Sector Internal Audit Standards 2017 (PSIAS) which represent the "proper Internal Audit practices". The standards define the way in which the Internal Audit service should be established and undertake its operations.
- 1.3 In accordance with the PSIAS, the Head of ARA is required to regularly provide progress reports on Internal Audit activity to management and the Audit and Governance Committee. This report summarises:
 - i. The progress against the Internal Audit Plan 2022-23;
 - ii. The outcomes of the 2022-23 Internal Audit activity delivered up to mid December 2022; and
 - iii. Special investigations and counter fraud activity.
- 1.4 Internal Audit plays a key role in providing independent assurance and advice to the Council that these arrangements are in place and operating effectively. However, it should be emphasised that management are responsible for establishing and maintaining appropriate risk management processes, control systems (financial and non-financial) and governance arrangements.

2. Summary of 2022-23 Internal Audit work delivered up to mid December 2022

- 2.1 The following Assurance criteria are applied to Internal Audit reports:
 - i. Substantial assurance – all key controls are in place and working effectively with no exceptions or reservations. The Council has a low exposure to business risk;
 - ii. Acceptable assurance – all key controls are in place and working but there are some reservations in connection with the operational effectiveness of some key controls. The Council has a low to medium exposure to business risk;
 - iii. Limited assurance – not all key controls are in place or are working effectively. The Council has a medium to high exposure to business risk; and
 - iv. No assurance – no key controls are in place, or no key controls are working effectively. The Council has a high exposure to business risk.

Summary of Acceptable Assurance Opinions

2.2 Audit Activity: End User Device Management (Service Area: Corporate Resources)

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

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

2.3 **Scope** – End User Device Management is necessary to protect business data and networks. It includes installing and updating operating systems and application patches, managing user accounts, managing IT assets, and maintaining up to date security. This audit reviewed the procedures and controls in place regarding End User Device Management.

2.4 Key Findings

- i. An ICT Equipment Policy and Software Management Policy are in place which outline the management of end user device assets, both hardware and software;
- ii. The Council does not currently have the proactive ability to detect what end user devices are active on the network;

Risk: Risk of unidentified devices exposing the wider IT network to threats;

Recommendation: Monthly scanning of the network should be undertaken to ensure that asset inventory matches deployed assets on the network, with unknown assets investigated as a priority.

- iii. Asset management information, including those of end user devices, is split between manual records and configuration information held on Microsoft System Centre Configuration Manager;

Risk: Inability to identify and manage all devices connected to the IT network leading to exposure to threats;

Recommendation: End user device asset management should be centralised under a single repository to ensure full oversight of end user devices.

- iv. There is no comprehensive endpoint patching confirmation process in place. This results in the inability to confirm that all devices have been fully patched;

Risk: Insecure devices connected to the Council's network;

Recommendation: Comprehensive endpoint patching compliance reporting should be developed to allow the IT team to have oversight of the current patch compliance of the end user device estate.

- v. There is no policy requirement for staff who are leaving the Council to reimburse the cost of any IT assets that cannot be returned;

Risk: Lost or damaged items have to be replaced at the Council's cost resulting in unplanned expenditure;

Recommendation: The Council should consider developing a policy that requires staff to reimburse the Council for the replacement cost of lost or damaged assets.

- vi. Some IT devices are not recorded on the IT asset register resulting in the inability to account for all IT assets;

Risk: Failure to account for all IT assets resulting in the potential loss of IT assets;

Recommendation: All IT assets should be asset tagged and recorded on the IT asset register.

- vii. The Council's current Microsoft E5 licensing permits remote imaging and booting of devices to help resolve and clear common issues with updates not applying to end user devices. This removes the requirement for users to attend the Council offices to have their devices rebuilt or re-imaged;

Risk: Failure to leverage the full functionality of the Microsoft E5 licencing resulting in inefficient work practices;

Recommendation: The functionality of Microsoft E5 licensing should be utilised to enable the remote rebuild and imaging of devices.

- viii. The Council's service desk knowledge base is currently lacking in content and requires expansion if it is to be used to streamline query resolution;

Risk: Failure to maximise service desk efficiency due to the current limited knowledge base;

Recommendation: Knowledge based articles should be developed from problem resolutions and current projects. This should include saving of project knowledge base information and known fixes for the most prominent and likely service desk queries.

2.5 **Audit Activity: Police and Criminal Evidence Act (1984) (PACE) Protocol (Service Area: Children's Services)**

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

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

2.6 **Scope** – In line with the Police and Criminal Evidence Act 1984 (PACE) children and young people, when denied bail, should be found suitable accommodation outside of overnight police custody. Gloucestershire County Council (GCC) works alongside partner agencies, including the Police and NHS, to ensure that children and young people are safeguarded in this way.

2.7 A protocol (dated February 2019) exists to define the relationship and responsibilities of GCC, the Police and Prospects' Youth Support Team (YST - a commissioned provider). The aim of the protocol is to ensure that the partner agencies act in accordance with PACE regarding young people in custody. Internal Audit have reviewed the effectiveness of the GCC processes and involvement within the wider transfer process.

2.8 Key Findings

- i. Internal Audit reviewed the protocol (dated February 2019) that sets out the relationship and responsibilities of GCC, the Police and Prospects' YST. It confirmed that where a young person was denied bail, they should be found a bed outside of Police custody prior to being escorted to court the following morning;
- ii. The protocol does not include operational details as to how the transfers should be undertaken, particularly from a GCC perspective. There are no specific instructions as to what information should be recorded on Liquidlogic (Children's case management system) to capture the detail of each individual case. Internal Audit's review of a sample of cases identified this as an area for improvement as very little information was captured on Liquidlogic;
- iii. Internal Audit identified 12 cases where young people had been denied bail across Quarters one to three of 2021-22. The cases included complex arrests where multiple young people had been denied bail at the same time. Of the 12 cases, records identified that only one young person had been transferred to a PACE bed during that time;

Risk: Non-compliance with legislation. Young people at risk of harm due to PACE bed unavailability;

Recommendation: GCC to work with partners to determine whether there is a trend for the offences committed by under 18's to result in arrests of groups of youths. GCC should then ensure there is robust and adequate capacity to meet the anticipated levels of demand, including secure provision should this be needed. This is to ensure when Gloucestershire Police request beds for more than a single individual, this can be adequately provided.

- iv. Eight of the 12 cases were tested, to review whether evidence was available to support the process requirements and decisions regarding PACE bed requests from the Police.

Due in part to the Police contact being made through phone calls, it was not always possible to review evidence of the decision-making process and rationale behind these decisions;

Risk: Lack of audit trail. Inability to evidence compliance with legislation and the PACE Protocol and procedures;

Recommendation: Staff involved in PACE transfers from Police custody should ensure that all relevant and required information is recorded on Liquidlogic. This should become a central repository for all the details relating to the case so as not to lose vital information that may be required at a later date. This should include, where applicable, the reason behind a bed not being provided, namely due to a Police decision or the unavailability of suitable Council accommodation.

- v. Internal Audit attended a Custody Group meeting between the Police, GCC and the YST on 10th May 2022. The group meeting was designed to review transfer requests under the protocol from the previous quarter (Quarter four of 2021-22 in this case). Discussions were held around each of the cases for the selected time period but there were instances where specific detail was not easily recalled which created some uncertainty. However, the Custody Group did identify areas where there were lessons to be learnt and discussed how the process could be improved;

Risk: Lack of detail relating to cases as time passes. Lost opportunity to ensure lessons learnt from PACE request cases can be put into action in a timely manner;

Recommendation: Appropriate professionals should meet as soon as feasible after each instance of a transfer request under the joint protocol to ensure improved review and recall of details relating to the case. These details should be recorded and fed back to the Custody Group for their review. This will allow for lessons learnt and any process improvements to be identified and implemented more effectively.

2.9 **Audit Activity: Young Carer Assessment (Service Area: Children's Services)**

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

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

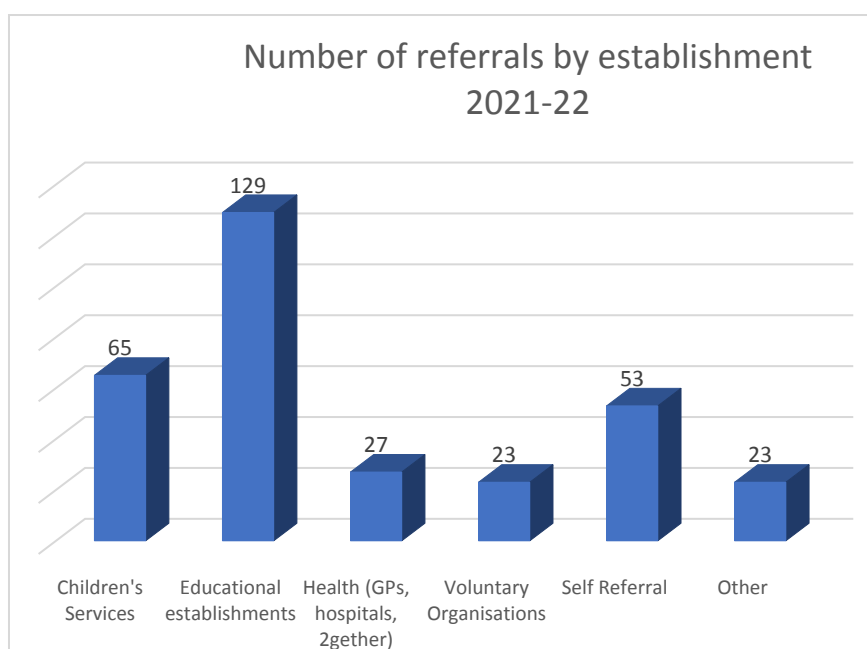
- 2.10 In April 2019, the charity Gloucestershire Young Carers (GYC) were awarded the contract to run the Young Carers Support Services. GYC deliver young carer assessments as part of the contract.

- 2.11 **Scope** – This audit reviewed whether young carers known to the Council are referred by officers to GYC in line with Government regulations.

In addition, that GYC undertake the initial assessment in line with Government regulations and the monitoring of contract key performance indicators is robust.

2.12 Key Findings

- i. The Council provides a comprehensive Family Information Service website that offers information and guidance on local and national support for families. This includes support for young carers including services such as GYC, the Sibs Charity and The Children's Society;
- ii. Internal Audit reviewed processes, paperwork, and held meetings with Council officers and GYC. This found that they met Government expectations for referral and assessment of young carers;
- iii. In 2021-22 GYC reported six establishment types had referred young carers to them:



- iv. Internal Audit found that Adult Social Care Services (ASC) had not referred any young carers to GYC in 2021-22. Young carers should be identified during adult social care assessments. The Head of Adult Social Care Operations stated that the majority of clients that ASC work with are elderly and it is unlikely that children reside in those households. The Head of Adult Social Care Operations will be arranging for GYC to attend team meetings to support the Social Workers in making referrals;

Risk: Reputational damage, hardship or injury to young carers or cared for if support is not provided in an appropriate and timely manner;

Recommendation: ASC should consider direct referrals to GYC. The referral should be documented in the adult social care assessment, and GYC to correctly identify ASC on their system as the referrer. Target date December 2022.

- v. The contract with GYC states that they will attend quarterly contract management meetings and supply the Council with a quarterly performance report. Internal Audit reviewed the quarterly contract management meeting minutes for 2021 quarters three and four and 2022 quarter one and saw evidence of challenge and questioning by officers. Reported key performance indicators (KPIs) and quality indicators are thorough, however targets have not been agreed so it would be difficult for officers to assess how GYC are performing;

Risk: Failure to effectively monitor contract performance. Reputational damage if contract performance is poor. Risk of hardship or injury to the young carer or cared for person if services are untimely or of poor quality;

Recommendation: Agree targets for KPIs that will support officers in ensuring that GYC performance meets expectations. Target date January 2023.

- vi. Although the monitoring of contract KPIs is acceptable, there is no validation process such as 'dip testing' to verify KPI and statistical return accuracy;

Risk: Failure to effectively monitor contract performance. Reputational damage if contract performance is poor. Risk of hardship or injury to the young carer or cared for person if services are untimely or of poor quality;

Recommendation: Consider implementing a verification process to ensure that reported KPIs and statistical data are accurate. Target date January 2023.

2.13 **Audit Activity: Energy from Waste (Service Area: Economy, Environment and Infrastructure)**

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

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

2.14 Gloucestershire County Council (GCC) awarded a contract in February 2013 to Urbaser Balfour Beatty (UBB) for the treatment of household residual waste that remains after residents have reduced, reused and recycled as much as possible.

2.15 **Scope** - This audit evaluated the level of compliance with the Council's Contract Management Framework (CMF); and verified that payments made to UBB are in accordance with the contract terms and conditions.

2.16 **Key Findings**

- i. Internal Audit tested payments made to the Contractor for May, June and July 2022. These were in line with the contract;

- ii. The Contract Manager and Senior Contracts Officer demonstrated to Internal Audit how they verify that the data received from the Contractor is accurate. In addition, Internal Audit reviewed the data and reports, and carried out outlier data analysis;
- iii. GCC's CMF clearly outlines the requirements and expectations for managing GCC's contracts, including detailed officer roles, skills and responsibilities. The audit found that it has not been reviewed or updated since 2014;

Risk: Support guidance is not up to date or reflects modern day contract management expectations;

Recommendation: Consider reviewing GCC's CMF guidance. The Interim Head of Strategic Procurement has now actioned the recommendation.

- iv. Internal Audit reviewed GCC's management of the contract with UBB against the CMF's seven 'Contract Management Responsibilities' expectations and found:
 - a. **Maintain appropriate governance:** There is a designated Contract Manager. Monthly meetings between officers and the Contractor are held with reporting and discussion noted in minutes. An annual report is submitted to the Executive Director for Economy, Environment and Infrastructure. However, Members do not receive reports to ensure they are kept informed of the Contractor's performance;

Risk: Poor governance oversight of Contractor performance;

Recommendation: Discuss and agree best approach to providing an annual report to a member Committee or appropriate members.
 - b. **Skills and knowledge:** There are appropriate skills and knowledge within the contracts team;
 - c. **Managing operational relationship:** The Contract Manager has daily contact with the Contractor with regular visits to the site. Supplier performance is monitored as part of the monthly Contractor reports and contract meetings. There is a GCC Waste Management Risk Register with 18 strategic risks;
 - d. **Managing internal stakeholders:** Safeguarding, complaints and compliments are reported monthly by the Contractor, then reviewed and discussed with the Contract Manager. The Executive Director for Economy, Environment and Infrastructure receives regular verbal updates and an annual report;
 - e. **Managing supplier performance:** The contract's Key Performance Indicator (KPI) targets were set to optimise recycling and maximise recovery of Contract Waste. Each month these KPIs are measured and reported by the Contractor and reviewed by the Contract Manager and Head of Environment and Waste;
 - f. **Contract management:** Internal Audit sighted evidence of a sound control environment in areas such as contract administration, management of contract expenditure and contract variations; and

- g. **Delivering continuous improvement:** The Contractor has environmental targets which the Contract Manager monitors. An annual heat offtake report is undertaken by UBB to explore opportunities for heat offtake locally, with the aim of improving environmental credentials. This year's climate change annual update to cabinet (scheduled for January 2023) will include carbon emissions from the processing of household waste at the EfW. These have been calculated using Department for Business, Energy and Industrial Strategy published indices that allow a comparison of different waste treatment systems;

Risk: Ineffective improvements in Contractors social values that affect Climate Change;

Recommendation: Continue to develop a sound process for the monitoring of the site's CO2 emissions.

2.17 **Audit Activity: West Cheltenham Transport Improvement Scheme (WCTIS) (Service Area: Economy, Environment and Infrastructure)**

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

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

- 2.18 **Scope** - This audit reviewed the procedures and controls in place regarding the accuracy and timeliness of cost reporting of WCTIS.

2.19 **Key Findings**

- i. Reliance is placed on the Team Lead for Highways Major Projects (the team lead) to oversee the project and undertake the budget monitoring and forecasting;

Risk: Single point of failure – there is a dependency on one officer. Lack of continuity in their absence could lead to error or over-payments;

Recommendation: Processes should be reviewed to ensure that for future contracts there is no single point of failure due to just one individual making all decisions. Target date: 30th November 2022.

- ii. Compensation Events (CE) are changes which can affect the cost of the project by resulting in an additional payment being made. They can also affect the time it will take to complete the project. The project manager's quantity surveyor initially assesses the CEs, to ensure they are fair and reasonable;
- iii. The authorisation limit for the project manager to agree CEs without prior discussion with the Council is £25,000. Anything above that amount must be

agreed by the Council and is forwarded to the team lead for approval. There is no upper limit on this authorisation;

Risk: Single point of failure. No ownership of contract by management;

Recommendation: An upper limit should be set for authorisation of CEs by the team lead. An appropriate figure would be £100,000. Any CEs above that should be approved at a more senior level. Target date: 30th November 2022.

- iv. Testing of 15 CEs with an individual value over £25,000 was undertaken to establish whether they had all been approved by the Council. Evidence of authorisation is not held centrally and could only be provided for 13 of the sample. The project management company uses Microsoft SharePoint to retain documents, but Council officers cannot access the site due to the firewall;

Risk: No evidence to support the approval of expenditure;

Recommendation: The Assistant Director: Highways and Infrastructure should contact the Council's ICT service to remove the block on SharePoint. Target date: 31st December 2022.

Summary of Consulting Activity, Grant Certification or Support Delivered where Assurance Opinions are not provided

2.20 Audit Activity: Grant Certification Summary (Service Areas: Adults Services and Economy, Environment and Infrastructure)

2.21 **Scope** – As part of the Internal Audit Plan 2022-23, the following individual grant certifications have been completed:

- i. The Disabled Facilities Grant - for the provision of adaptations to a disabled person's property to help them to live independently in their own homes;
- ii. Local Authority Bus Subsidy (Revenue) Grant;
- iii. A46 Coopers Hill (Highways Maintenance Challenge Fund); and
- iv. Local Transport Capital Block Funding – Traffic Signals.

2.22 Each audit reviewed whether the conditions of the relevant grant determinations had been complied with for 2021-22 funding and expenditure.

2.23 Key Findings

- i. Internal Audit review confirmed that expenditure during 2021-22 had been monitored by Strategic Finance and appropriate records maintained;
- ii. Internal Audit tested a sample of expenditure per grant, which was confirmed as in accordance with the grant conditions;

- iii. Internal Audit gained appropriate assurance that the conditions of the grant determinations had been met. No recommendations arose from the ARA review. Therefore, declarations were signed and submitted to the relevant Government Department.

2.24 Audit Activity: Community Testing Grant (Service Area: Adults Services)

- i. Assurance Level for this report: An assurance level was not required for this activity; and
- ii. Recommendations arising from this review have been prioritised as:

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

2.25 Scope – This audit reviewed whether the conditions of the grant determination had been complied with during 2021-22.

2.26 Key Findings

- i. During 2021-22, the Council claimed monthly expenditure incurred under the Community Testing grant. This totalled £872,800;
- ii. The expenditure under Community Testing was coded to the same cost centre as the Contain Outbreak Management Fund. This led to difficulties accounting for and auditing the two separate grant funds;

Risk: Unable to account for expenditure;

Recommendation: In future, expenditure for ring fenced grants should be coded to a unique cost centre or project code.

- iii. Internal Audit did, however, gain appropriate assurance that the conditions of the grant determination had been met. Therefore, the declaration was signed and submitted to the Department for Health and Social Care.

2.27 Audit Activity: Supporting Families - Claim One (Service Area: Children's Services)

- i. Assurance Level for this report: An assurance level was not required for this activity; and
- ii. No recommendations arose from this review.

2.28 Scope – Within the Supporting Families Programme there are six eligibility criteria areas: Education; Crime and anti-social behaviour; Worklessness or risk of financial

exclusion; Children who need help; Domestic Abuse; and Health. Within each of these areas there are various indicators to show achievement of eligibility.

- 2.29 Families need to meet at least two of the eligibility criteria areas to enable them to be included in the programme.
- 2.30 For a payment-by-result (PBR) claim to be made, the family needs to have either met all the relevant outcomes that relate to each criteria area they were experiencing, or to have found and maintained paid employment.
- 2.31 The Supporting Families Guidance indicates that Internal Audit should verify claims prior to them being submitted. This audit was to satisfy this requirement for the period July to September 2022.

2.32 **Key Findings**

- i. Internal Audit selected a sample of 20 of the PBR claims to test compliance against the criteria;
- ii. Appropriate evidence was available for all the cases tested. Evidence such as case notes were attached to the individual records supporting that the PBR had been achieved;
- iii. Internal Audit is satisfied that the process undertaken by the Supporting Families Team is in accordance with the requirements of the scheme for the period July to September 2022.

3. Counter Fraud Update – Summary of Counter Fraud Activities

Current Year Counter Fraud Activities

- 3.1 To date in 2022-23 there have been six new irregularities referred to the ARA Counter Fraud Team (CFT). Of which, two have been closed and reported to the Audit and Governance Committee.
- 3.2 The outcomes of the remaining four cases will be reported to the Audit and Governance Committee on their completion.
- 3.3 It should be noted that many of the cases referred to the CFT involve intricate detail and sometimes police referral. This invariably results in a delay before the investigation can be classed as closed.
- 3.4 The CFT continues to provide wider counter fraud support and guidance to Council staff where required. This often includes providing advice on how to strengthen internal controls to prevent fraud occurring.

Previous years' referrals closed case

- 3.5 The CFT has continued to work on two cases carried forward from prior year.

National Fraud Initiative (NFI)

- 3.6 Internal Audit continues to support the NFI which is a biennial data matching exercise administered by the Cabinet Office. The data collections for the 2022-23 exercise were uploaded to the Cabinet Office during October 2022. It is anticipated that the data matching reports will be released for review from January 2023 onwards.
- 3.7 The full NFI timetable can be found using the link available on GOV.UK – <https://www.gov.uk/government/publications/national-fraud-initiative-timetables>.
- 3.8 Examples of data sets include insurance, payroll, creditors and pensions.
- 3.9 Not all matches are always investigated but where possible all recommended matches are reviewed by either Internal Audit or the appropriate service area within the Council. To date, the review of the 2021-22 data matching exercise has identified errors leading to the recovery of £12,891.06 from a review of the Pension-to-Pension Gratuity to Department for Work and Pensions (DWP) Deceased matches.

National Anti-Fraud Network (NAFN)



- 3.10 NAFN is a public sector organisation which exists to support its members in protecting the public interest. It is one of the largest shared services in the country managed by, and for the benefit of its members. NAFN is currently hosted by Tameside Metropolitan Borough Council.

- 3.11 Membership is open to any organisation that has responsibility for managing public funds or assets. Use of NAFN services is voluntary, which ensures delivery of value for money. Currently, almost 90% of councils are members and there are a rapidly growing number of affiliated wider public sector bodies including social housing providers.
- 3.12 Many potential attempted frauds are intercepted. This is due to a combination of local knowledge together with credible national communications, including those from the NAFN. Fraud risk areas are swiftly cascaded to teams by the CFT for the purpose of prevention, for example national targeted frauds.

International Fraud Awareness Week (IFAW)

- 3.13 This year, as in previous years, Gloucestershire County Council is signed up as a supporter of IFAW.
- 3.14 The week ran from 13th to 19th November 2022. The aim of IFAW is to encourage proactive steps to minimise the impact of fraud by promoting anti-fraud awareness and education. By being a supporter of the event the Council is demonstrating its commitment to preventing and detecting fraud.
- 3.15 During IFAW a number of counter fraud awareness messages were shared with Council staff on different platforms. This included promotion and updates on Talksmart (the Council's weekly e mail communication to all staff) and Staffnet (the Council's intranet site). ARA staff email footers were also adapted to include links to information and guidance. Engagement and feedback from services have been positive.