



# PROGRESS REPORT ON INTERNAL AUDIT ACTIVITY

## APRIL 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-March 2023; and
  - iii. Special investigations and counter fraud activity.
- 1.4 Internal Audit plays a key role in providing independent assurance and advice to the Council that these arrangements are in place and operating effectively. However, it should be emphasised that management are responsible for establishing and maintaining appropriate risk management processes, control systems (financial and non-financial) and governance arrangements.
- 1.5 The following Assurance criteria are applied to Internal Audit reports:
  - i. Substantial assurance – all key controls are in place and working effectively with no exceptions or reservations. The Council has a low exposure to business risk;
  - ii. Acceptable assurance – all key controls are in place and working but there are some reservations in connection with the operational effectiveness of some key controls. The Council has a low to medium exposure to business risk;
  - iii. Limited assurance – not all key controls are in place or are working effectively. The Council has a medium to high exposure to business risk; and
  - iv. No assurance – no key controls are in place, or no key controls are working effectively. The Council has a high exposure to business risk.

## 2. Summary of 2022-23 Internal Audit work delivered up to mid-March 2023

Audit	Assurance Level	Supporting Paragraph
Flood Risk Management	Substantial	2.1
Public Service Network (PSN)	Substantial	2.2
IT Supplier Management	Substantial	2.3
Jadu E-Forms	Acceptable	2.4
Library Management Systems (Spydus)	Acceptable	2.5
Unregulated Placements - Follow Up (Service Area: Children's Services)	Acceptable	2.6
Unaccompanied Asylum Seeking Children (UASC)	Acceptable	2.7
Amenity Funds (Service Area: Adults)	Limited	2.8
Free Places for Two-Year-Olds (Service Area: Children's Services)	Limited	2.9
Financial Assessments; Deprivation of Assets	Limited	2.10
Other Audit Activity: - Grants within EEI - Biodiversity Net Gain Grant - Lost Sales, Fees and Charges 2021-22 - Grant	Grants Certified Advice provided Grant Certified	2.11 2.12 2.13

### 2.1 Activity Name – Flood Risk Management

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

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

2.1.1 **Scope** - As part of the agreed 2022-23 Internal Audit Plan, we have reviewed the procedures and controls in place with regard to the Council's Flood Risk Management arrangements and governance framework.

#### 2.1.2 Key Findings

- i. The English Severn and Wye Regional Flood and Coastal Committee minutes detail the purpose, statutory functions, and role of the Gloucestershire Risk Management Authority Network ; however, there are no documented Terms of Reference for this group;

**Risk:** There is a risk that the role and responsibilities of the group may lack clarity with it's members and other stakeholders.

**Recommendation:** Terms of Reference (ToR) for the Gloucestershire Risk Management Authority Network should be drafted, reviewed and approved by the stakeholders.

- ii. It was confirmed that the Local Flood Risk Management Strategy and the Annual Progress and Implementation Plans for 2015-16 to 2021-22 are available on the website for stakeholders to download.  
There is an opportunity to enhance stakeholder reporting with the inclusion of quantitative data within the Annual Progress and Implementation Plans. For example, number of schemes completed, value of works completed, and properties with enhanced flood protection.. This data is available internally, but not currently published;

**Risk:** limited reporting could lead to reduced engagement with stakeholders and a lack of information for interested parties.

**Recommendation:** The Annual Progress and Implementation Plan reports should be updated to include additional quantitative data in order to enhance stakeholder reporting.

## 2.2 Activity Name – Public Service Network (PSN) certification

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

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

2.2.1 **Scope** - we have reviewed the circumstances that led to the loss of the Council's Public Service Network (PSN) certification and the actions taken to restore the certification and prevent re-occurrence.

### 2.2.2 Key Findings

- i. The Council did not have a valid PSN certificate from 7<sup>th</sup> December 2019, the expiry date of the previous certificate. The lack of a valid PSN certificate led to the PSN connection being at risk of termination. A Remediation Plan was prepared to address the risks identified. The Remediation Plan detailed each of the findings from an internal health check, a description of the vulnerability, the planned solution and the target date for completing the remediation solution. The Remediation Plan also included details of the actions taken and the vulnerability status as either open or closed;
- ii. Remediation activities were undertaken in conjunction with the Council's external support provider at that time, Sopra Steria. Approximately half of the high priority issues were addressed by the end of the Sopra Steria contract on 31st March 2021;

- iii. The new external IT support provider, Cantium Solutions, was appointed from 1st April 2021. A number of new initiatives were implemented. An annual PSN health check completed in September 2021 identified two critical issues, 17 high issues, 71 medium issues and 70 low issues, identifying 160 issues in total. Any new risks identified that were not identified during the 2020 health check were added to the Remediation Plan;
- iv. All critical risks and the majority of high risks had been addressed by August 2022 with only four high risks outstanding, one of which had been mitigated. Details of the remediation actions planned, or in flight to address the remaining three high risks, were provided to the Information Assessor, PSN and Cyber Compliance, on the 24<sup>th</sup> August 2022;
- v. The Council submitted a PSN Code of Connection application in August 2022. The submission detailed the outstanding issues and the planned remediation actions as well as the deadline for delivering these actions. All of the remaining high risks have subsequently been addressed;
- vi. A number of actions have been taken to prevent the re-occurrence of the loss of the PSN certification. These include the establishment of an IT Security Team although there are some vacancies currently within the Team that are being recruited to. A Cyber Risk Register has been established to record identified cyber risks and these are categorised using the National Cyber Security Centre (NCSC) Ten steps to cyber security categories. GCC ICT have implemented a number of network and device scanning solutions that identify risks so that these can be addressed;
- vii. A PSN Compliance Certificate valid for 12 months was issued by the Cabinet Office on the 25<sup>th</sup> August 2022.

## 2.3 Activity Name – IT Supplier Management

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

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

2.3.1 **Scope** – The Digital and ICT Supplier Management Team manages approximately 200 software and support contracts split between Software (approximately 194) and New Contracts (six) budget codes (new contracts relate to ICT support contracts). The software budget is £5.22 million and the New Contracts budget is £1.86 million

2.3.2 An audit of ICT Supplier Management was undertaken as part of the 2022-23 Internal Audit plan. The purpose of the review was to provide an independent appraisal of the

Council's arrangements with regards to the management of IT suppliers to ensure, as far as possible:

- That there are arrangements to minimise the Council's exposure to business risk;
- Systems are safeguarded against fraud, corruption, error and adverse publicity;
- Operations are in accordance with the Council's policies and procedures.

### 2.3.3 Key Findings

- i. A Roles and Responsibilities document has been developed by and for the Digital & ICT Supplier Management Team. However, this document is in draft;

**Risk:** The Roles and Responsibilities document has not been finalised.

**Recommendation:** Finalisation requires progression of roles and responsibilities work with other teams to ensure there are no significant gaps.

- ii. A Roles and Responsibilities document has yet to be prepared for Service Delivery although an index of SOPs (standard operating procedures) has been prepared;

**Risk:** There is a lack of a roles and responsibilities document to outline the activities of the Team.

**Recommendation:** The Council should develop a Roles and Responsibilities document for Service Delivery.

## Summary of Acceptable Assurance Opinions

### 2.4 Activity Name – JADU E-Forms

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

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

- 2.4.1 **Scope** - We have reviewed the application security in place with regard to the JADU E-Forms platform. The JADU E-Forms platform is a cloud hosted solution used by the Council for online reporting and payments. JADU replaced the Firmstep electronic form solution that was previously in use and is hosted by the supplier who is responsible for backing up the data and for the business continuity arrangements;

### 2.4.2 Key Findings

- i. JADU logs are currently retained for a period of ten days. This period is not sufficient to enable logs to be interrogated in the event of suspicious activity identified outside of the ten day storage window;

**Risk:** Logs may not be available for investigation when inappropriate activity is suspected.

**Recommendation:** JADU logs be retained be retained for a longer period than the current ten days, preferably for six months if possible.

- ii. The External Hosting Questionnaire completed by the supplier during the procurement process included the option for the Council to review the accreditation status at intervals. This has not been undertaken to date;

**Risk:** Changes weakening the data management and data and application security environment are not identified.

**Recommendation:** The accreditation status of the supplier be reviewed at regular intervals to identify any changes in data management and data and application security.

- iii. There have been no business continuity tests of the JADU platform and no confirmation has been received from the supplier confirming that they have tested their arrangements;

**Risk:** The ability to recover the JADU platform and data subsequent to a business continuity event is unknown.

**Recommendation:** Regular business continuity testing of the JADU platform be undertaken, and confirmation of continuity testing be sought from the supplier.

## 2.5 Activity Name – Library Management System (Spydus)

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

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

- 2.5.1 **Scope** - The Civica Spydus library management system has been recently implemented, going live in April 2020. This replaced the Capita Alto, Soprano and Prism systems that were previously in use. The Head of Library and Registration Services is the Information Asset Owner supported by the Digital Services Manager, Library and Registration Services as the Information Asset Manager, A number of Library Service staff have administrator level access to the Spydus system. We have reviewed the Library Management System;



## 2.5.2 Key Findings

- i. All data held within the Spydus platform is hosted by Civica who are responsible for ensuring that the information is held securely to prevent loss, deletion or unauthorised access. However, the Council does not seek regular assurance from Civica that its data is being held securely in compliance with data protection requirements;

**Risk:** The Council is unable to confirm that its data is being held securely in compliance with data protection requirements.

**Recommendation:** Regular assurance, at least annually, be sought from Civica that the Council's data held within the Spydus system is secure and held in compliance with data protection requirements.

- ii. There is currently no Escrow agreement in place with Civica for the Spydus system. The provision of an Escrow system was one of the requirements specified within the Requirements Catalogue;

**Risk:** The failure of Civica could result in the loss of the Spydus system and the data that it holds.

**Recommendation:** The continued requirement for an Escrow agreement be reviewed and, if still considered necessary, this requirement be addressed with Civica.

- iii. Civica are responsible for the security, backing up and business continuity arrangements for the Spydus system. Civica are also required to undertake penetration testing under the contract;

**Risk:** Risk of ineffective data backup and business continuity arrangements in place putting the Council's data within the Spydus system at risk.

**Recommendation:** Confirmation be sought annually that Civica have appropriate backup and business continuity arrangements in place for the Spydus platform that includes regular business continuity testing and the penetration tests are being undertaken in accordance with the contract requirements.

## 2.6 Audit Activity: Unregulated Placements - Follow Up (Service Area: Children's Services)

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

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



- 2.6.1 **Scope** – Councils can place children and young people in a range of external settings and would usually select a placement which is either regulated or inspected by Ofsted. However, under the Children Act 1989 Councils can place young people in settings commonly known as ‘other arrangements’. This places the responsibility for assessing the quality and suitability of such arrangements with the placing Council and the provider, and not Ofsted.
- 2.6.2 Providers can have premises that offer accommodation and packages of high-level support to children under and over 16 years of age. If these premises are not registered with Ofsted or an alternative regulating body, then the provider is operating an unregistered and unregulated setting.
- 2.6.3 An audit of Unregulated Placements (Commissioning) was undertaken during 2020-21 that resulted in Limited assurance. The objective of this follow-up audit was to provide assurance that the agreed management actions to address the three High Priority recommendations had been implemented and were operating effectively.

#### 2.6.4 **Key Findings**

- i. The first High Priority recommendation was reported on as part of the Unregulated Placements (Fostering) follow-up audit. It will not be referred to further within this document;
- ii. The remaining two High Priority recommendations were partially implemented. This was in relation to updating the authorisations on the Unregulated Provision form and setting it up as a template within Forms for use in LiquidLogic (Children’s case management system);
- iii. Unregulated placements for under 16-year-olds became illegal from September 2021. However, the highest level of authorisation required by the Unregulated Provision form remained as the Director of Safeguarding and Care and not the Director of Children’s Services;

**Risk** - The Council could be subject to legal challenge with potential financial consequences and reputational damage. Children and young people could be at risk of harm.

**Recommendation** - Due to regulatory changes, unregulated placements for under 16-year-olds are now illegal. In these instances, the Director of Children’s Services should authorise the Unregulated Provision form prior to any of these placements being commissioned.

- iv. Sample testing of unregulated placements showed that there remained a very low compliance rate in terms of the use of the Unregulated Provision form. There was also inconsistency in the referral process to the High Cost and Unregulated Panel. All reviewed cases were, however, being referred to a Panel and the meeting dates confirmed recent and ongoing monitoring;
- v. Practice guidance for the commissioning and ongoing monitoring of unregulated placements has been developed and is available on Staffnet (Gloucestershire County Council’s Intranet). The ‘Right Placement First Time How to Guide’ has not

been updated to reflect process changes that have been introduced since the original audit, for example the Unregulated Provision form now being available on LiquidLogic (Medium recommendation). Once updated relevant staff should be signposted to the guidance to increase compliance rates with required processes;

**Risk** - Non-compliance with the guidance. Inconsistent or incomplete practice by Social Care and Commissioning. System objectives not achieved for making unregulated placements. Children and young people could be at risk of harm.

**Recommendation** - All staff involved in commissioning unregulated placements (Commissioning and Social Care) should be identified and signposted to the relevant updated sections of the guidance, namely 'Unregulated Placements' and 'Panels'. This could be achieved through targeted training, ongoing supervision and training videos. Staff training is particularly important following any regulatory and practice changes.

- vi. The use of Ofsted's Care Matrix when unregulated placements for 16 and 17-year-olds are commissioned had not yet been implemented and this should be done (Medium recommendation). The Care Matrix will identify those young people who are receiving care above the 'acceptable' threshold and therefore should not be in an unregulated placement. It will also identify whether the necessary steps are being taken to reduce the levels of care where appropriate.

## 2.7 Unaccompanied Asylum Seeking Children (UASC) (Children's Services)

- i. Assurance Level for this report: Acceptable; and
- ii. Recommendations arising from this review have been prioritised as:
  - iii. High Priority: iv. 0
  - v. Medium Priority: vi. 2
  - vii. Low Priority: viii. 1
  - ix. Rejected: x. 0

### 2.7.1 Scope - the effectiveness of the following procedures and controls were reviewed in relation to UASC:

- i. Identifying and recording UASC;
- ii. Assessing whether Gloucestershire County Council (GCC) is meeting the needs of UASC in terms of accommodation, education, training, employment and legal advice; and
- iii. Maximising UASC claims to the Home Office.

### 2.7.2 Key Findings

## Identification and recording of UASC

- i. Following notification of a UASC, the 11-25 Team assume responsibility for the child. A checklist of tasks is completed for each UASC, including legal status and an initial age assessment. A profile is created for the UASC on LiquidLogic (Children's case management system). A placement planning meeting is also held within the first five days of GCC being aware of the child. All five UASC in the sample selected received a placement on the day GCC was made aware of them, thus meeting the objective of finding a placement within five days.
- ii. As at 1st October 2022 there were 52 UASC recorded on LiquidLogic. Eleven out of the 52 UASC were placed with in-house foster carers. The remaining 41 were placed with Independent Fostering Agencies (IFA) or external supported living providers. None of the UASC under 16 were placed in external supported living arrangements. Approximately 54% of UASC were placed in Gloucestershire with the remaining children being based out of county.

## Meeting the needs of UASC

- iii. Four of the five children in the sample selected had legal representation arranged. The remaining child's legal representation was in progress with a firm of solicitors further afield due to the local solicitors no longer taking on new cases. Three of the UASC had a placement in education. One child was not in education, employment or training (NEET) due to the lack of availability of a placement where they were located but had applied for a college course. The final child was undergoing a Full Merton Age Assessment (a lawful assessment by a council of the age of a young asylum seeker claiming to be under the age of 18 years), so could not be placed. Internal Audit were informed that the Council would nevertheless work with partners to source education whilst completing the age assessment.
- iv. Complete data for NEET and EET for children in care, including UASC, was not yet available at the time of the audit. However, the data team confirmed that comparisons between UASC and other children in care are currently not made. This does not allow for disproportionality issues to be identified and managed.

**Risk:** Disproportionality issues in relation to NEET and EET not being identified and managed.

**Recommendation:** The data team should compare NEET and EET statistics for UASC and other children in care to identify issues with disproportionality. The outcomes should be reported to management so that the necessary action can be taken.

## Maximising UASC claims to the Home Office

- v. A bi-monthly return is made to the Home Office by administrative staff within the 11-25 service. The Senior Business Administrator's (SBA) role is to collect information for making claims and submitting returns. On the first day of every month the SBA contacts the 11-25 team managers to obtain information about any new UASC. The information received is not independently verified by the SBA.

**Risk:** New UASC will be omitted from the Home Office claim if not notified to the SBA by the 11-25 team managers. Loss of funding to GCC due to claims to Home Office not being maximised.

**Recommendation:** In addition to requesting information from the 11-25 team managers, the SBA should run a web report from LiquidLogic to verify the details. This will ensure that none of the new UASC will be omitted from timely claims to the Home Office.

- vi. The date that GCC is made aware of the UASC is the date that GCC can claim from. The claim for July 2022 was reviewed and this confirmed that the July 'UASC start date' on LiquidLogic matched the 'service start date' on the Home Office spreadsheet. UASC under and over the age of 18 attract different daily rates. However, the Council cannot claim for a UASC who arrives after their 18th birthday. The report that was obtained from LiquidLogic as at October 2022 confirmed that none of the children were over the age of 18 on their UASC start date.
- vii. Typically, GCC has been receiving funding from the Home Office around three months after the end of the claim period. However, these payments are erratic and, at the time of the audit, outstanding claims were being chased by Strategic Finance.
- viii. Internal Audit obtained a cost centre print of UASC transactions for 2021-22 where the year-end position showed a surplus of £217,679.52. Confirmation was provided that this was used to offset staffing costs across the wider 11-25 teams.
- ix. Internal Audit was informed that it is now becoming more difficult to place under 18s into in-house foster care. Greater reliance is being placed on agency fostering placements where costs are generally higher and this will have an impact on any future potential surpluses.

### **Capturing risks in relation to UASC**

- x. The risk register which is linked to the Children's Services Improvement Plan is currently under development. There is also a Directorate risk register and this includes risks in relation to children in care. UASC are a particular group of children in care but no specific risks have been identified for inclusion on risk registers at present and this should be kept under review (Low Priority recommendation).

## **Summary of Limited Assurance Opinions**

### **2.8 Audit Activity: Amenity Funds (Service Area: Adults)**

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

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

Rejected: 0

2.8.1 **Scope** – Amenity Funds are non-official accounts held by social care establishments. They are non-official in that they do not form part of the main Council official funds, but bank accounts are controlled by the Council. They are used to hold money raised by fundraising and donations.

2.8.2 This review was to ensure that appropriate controls were in place regarding non-official accounts, policies were up to date and there was sufficient oversight throughout the process. The review did not consider individual account transactions.

### 2.8.3 Key Findings

- i. There are a total of 13 Amenity Fund accounts in Adult Social Care and one within Children's Services. The total balance of the 14 Amenity accounts at the end of June 2022 was £43,002.04;
- ii. The Senior Finance Officer is responsible for the opening and closing of Amenity Fund bank accounts. Where necessary they update establishment addresses and signatories at the holder's request. They also monitor the accounts to identify any that go overdrawn and inform the holder when they do;
- iii. Audit Forms are sent to Amenity Fund holders for completion annually. Those examined were authorised by an account signatory. However, these were either an establishment manager or service manager who would not be involved in the day-to-day administration of the Amenity Fund;
- iv. The written procedures for Amenity Funds were last updated eight years ago. These do not correlate with what occurs in practice;

**Risk:** Incomplete, incorrect or inconsistent application of procedures. Increased risk of fraud;

**Recommendation:** The procedures should be reviewed and updated.

- v. These annual Audit Forms only request the start and end of period balances. This gives no indication as to the funds received or spent during the period;

**Risk:** Funds not being used as intended. Increased risk of fraud;

**Recommendation:** The form should be redesigned to include income and expenditure over the period.

- vi. The establishment staff member completing the annual Audit Form should choose one of three options. No statements had been selected on seven out of the 11 forms returned for 2021-22;

**Risk:** Funds not being used as intended. Increased risk of fraud;

**Recommendation:** As well as recording receipt of forms, checks should be undertaken to ensure that all information requested has been completed and they are arithmetically correct. When not fully completed, they should be returned to the establishment.

- vii. Currently responsibility for Amenity Funds are shared between Strategic Finance and Care Services Finance. Care Services Finance staff monitor receipt of the Audit Forms and chase if required. Checking is not undertaken on the form content;

**Risk:** Funds not being used as intended. Increased risk of fraud;

**Recommendation:** Basic checks on the content of the forms should be undertaken by Care Services Finance upon receipt. When not fully completed, they should be returned to the establishment.

- viii. There is an escalation process in place regarding monitoring of Audit Forms however this is not being consistently followed;

**Risk:** Funds not being used as intended. Increased risk of fraud;

**Recommendation:** An escalation process needs to be agreed and followed. If Audit Forms are not returned in appropriate time or at all, staff need to be aware of, and act on, the procedures to follow.

## 2.9 **Activity Name: Free Places for Two-Year-Olds – (Service Area: Children’s Services)**

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

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

2.9.1 **Scope** – Families and carers within Gloucestershire that have children who are two years of age can claim free childcare if certain statutory eligibility criteria are met. These criteria are set out by Central Government and Gloucestershire County Council (GCC) has a duty to report on the number of families taking up the places. GCC also has a number of local markers for families that do not meet the statutory criteria but would still benefit from free childcare. Families that meet these markers are funded directly by GCC.

2.9.2 The objective of the review was to ensure that:

- i. The statutory criteria used to determine eligibility for two-year-old (2YO) free places were applied correctly for the purposes of statistical reporting; and

- ii. The data collation processes for reporting the percentage take-up of free places for eligible 2YOs, both internally and to the Department for Education (DfE), were robust.

### 2.9.3 Key Findings

- i. There was no written procedure for identifying children that would be eligible for free 2YO places using all of the statutory criteria and local markers.

There were uncertainties within the Education Data Hub team as to the statutory criteria that should be used for identifying children eligible for free 2YO places. This was further compounded by GCC also having a list of locally funded eligibility markers.

The DfE only provides guidance on eligible children based on the income and economic criteria. However, this is used by GCC as the main source for identifying children eligible for free statutory places. The DfE confirmed that the lists did not contain any of the other statutory eligibility criteria. Therefore, GCC is responsible for identifying children and families that meet the other statutory criteria.

A walkthrough of the eligibility identification processes found that the only additional criteria used were the children subject to Education Health and Care Plans (EHCP) and the local eligibility markers. Children that were looked after by the Council, had left care or were subject to No Recourse to Public Funds (NRPF) were not identified through these processes.

**Risk:** 2YO funding not maximised for GCC or the nurseries.

Children not meeting developmental and educational outcomes.

Additional financial pressure on families not aware that they could be eligible for free childcare.

Reputational damage to GCC.

**Recommendation:** A written process should be put in place for identifying and then contacting families that may be eligible for free childcare places for 2YO. This should include identifying children that could meet all the statutory criteria (not just the DfE income-related criteria) as well as the local markers. Data Analysts within Education should ensure that children that are looked after by the Council, those that have left care and those that are eligible for NRPF are also identified.

- ii. There was no written guidance in place for how reporting, internally or externally to the DfE, on the take-up of free 2YO places should be completed.

The figures being reported internally and externally were incomplete and inaccurate because they did not include all the statutory criteria and in some cases erroneously included local markers.

**Risk:** Inconsistencies in reporting.



Incorrect reporting internally and to the DfE.

Targets seemingly not met regarding outcomes for 2YO.

**Recommendation:** A written process should be put in place that details the reporting requirements, both internally to Children's Services senior management and externally to the DfE.

- iii. The walkthroughs of the processes for the collation of data for reporting purposes identified a lack of management oversight. The figures that were collated for internal and external reporting were not subject to verification or scrutiny prior to submission. There was no evidence of challenge which would test the accuracy and completeness of the data.

**Risk:** Lack of scrutiny of data being provided to the Senior Leadership Team and DfE.

Incorrect data being submitted.

**Recommendation:** Periodic reporting figures, both internally and externally, should be independently reviewed and verified prior to submission. This should include ensuring that all the statutory criteria have been included within the totals, with staff able to evidence the number of children that fall within each category.

## 2.10 Financial Assessments: Deprivation of Assets

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

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

2.10.1 **Scope** – this audit reviewed the Council's provision of Adult Social Care (ASC) financial assessments, policy and practice focusing on the Deprivation of Assets. "Deprivation" is where a person has intentionally decreased their overall assets in order to reduce the amount they are charged towards their care.

2.10.2 When GCC identifies deprivation it may charge the care recipient as if they still held those asset(s). Therefore, identified deprivation usually represents real-time savings to GCC expenditure as opposed to recoverable monies.

2.10.3 ASC provision in the UK is subject to a legislative framework including the [Care Act 2014](#), the [Care and Support Regulations 2014](#) and the [Care and Support Statutory Guidance](#).

2.10.4 **Key Findings** –

- i. The Financial Assessments and Benefits (FAB) team which undertakes ASC financial assessments was able to articulate a rigorous approach to identifying potential cases of deprivation. However, it is impossible to assess whether the described techniques are comprehensively applied because current process does not retain evidence for all financial assessments;
- ii. FAB team guidance for identifying potential deprivation cases was inadequate — omitting both process walkthroughs and aide memoires for analysing evidence;
- iii. Guidance for managing and recording potential deprivation cases is also inadequate. It does not create an audit trail sufficient to review historic assessments, monitor or escalate ongoing assessments, or justify resulting decisions. There was evidence of inconsistent recording of both financial assessment information and “potential deprivation” information by the FAB team;
- iv. Guidance does not highlight key decision points or map decisions to the legislative framework. It does not take a policy position on potentially ambiguous expenditure by the care recipient such as funeral plans (which everyone must pay for at some point). The guidance should not give blanket instruction with regard to such expenditure but rather help scaffold FAB assessors to make an objective decision according to clear parameters;
- v. There is a current backlog of around 478 individuals awaiting scheduled financial assessments. This creates scope for them to decrease their assets. The figure is exacerbated by legacy of the Covid pandemic and by acute staffing issues caused by sickness leave. It may worsen further as increases in the cost of living create more demand for ASC;
- vi. These findings create risks of financial loss and of deprivation decisions becoming vulnerable to challenge:

**Risk:** Inadequate guidance means the FAB team could have missed potential deprivation on historical financial assessments and may also miss potential deprivation on new assessments. It could lead to investigation skills and techniques (and therefore consistency of approach) being lost over time due to staff turnover within the FAB team.

**Recommendation:** Produce comprehensive new policy and guidance detailing how to assess, record and determine potential deprivation cases.

**Risk:** Financial loss, potentially increased vulnerability to challenge, and reputational damage. Lack of audit trail prevents management identifying whether investigation skills and techniques are being comprehensively and consistently applied. It may be disguising poor practice and financial losses already within the system, and make deprivation decisions more vulnerable to challenge.

**Recommendation:** Retain financial assessment evidence such as bank statements on all cases, at least until the next assessment is completed.

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

### **2.11 Grant Certification (Service Areas: EEI)**

2.11.1 **Scope** – As part of the annual audit plan, the following individual grant certifications have been completed:

- i. Local Transport Capital Funding;
- ii. Local Transport Capital Pothole and Challenge Fund;
- iii. Pothole Fund; and
- iv. Additional Highways Maintenance.

2.11.2 Each audit reviewed whether the conditions of the relevant grant determinations had been complied with during 2021-22.

### **2.11.3 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 which was in accordance with the grant conditions; and
- 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 Department for Transport.

### **2.12 Audit Activity: Section 31: Biodiversity Net Gain**

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

2.12.1 **Scope** – The Environment Act 2021 included provisions that made the achievement of 10% biodiversity gain mandatory for most developments under the Town and Country Planning Act 1990. The requirement is due to come into force in November 2023 after a transition period. The grant was intended to support local planning authorities in their preparations for the introduction of mandatory Biodiversity Net Gain (BNG), and provided by the Department for Environment, Food, and Rural Affairs (DEFRA). £26,807 of funding was allocated to the Council under grant determination 31/6499.

2.12.2 This audit reviewed whether the conditions of the grant determination had been complied with.

### 2.12.3 Key Findings

- i. The grant determination was provided to GCC 1<sup>st</sup> March 2023 with the requirement for evidence and declaration to be provided back to DEFRA by the 30<sup>th</sup> March 2023. At the time of the audit review GCC was still awaiting the arrival of the grant funding.
- ii. Discussion with the Principal Finance Officer confirmed that a journal for the estimated costs incurred against BNG from the ring-fenced cost centre would be completed once the funding arrived. It is expected that there will be an underspend carried forward of £15,157.45 from this stream of funding. The grant determination confirmed that on the condition that the funding remained ring-fenced for future BNG use it would not be liable for repayment and could be used in 2023/24.

### 2.13 Audit Activity: Lost Sales, Fees and Charges 2021-22 (Service Area: Corporate Resources)

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

2.13.1 **Scope** – Covid-19 impacted the Council's ability to generate revenues in several service areas as a result of lockdown, government restrictions, and social distancing measures related to the pandemic. This grant funding was to help compensate for a proportion of the irrecoverable and unavoidable losses from sales, fees and charges income generated in the delivery of services.

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

### 2.13.3 Key Findings

- i. The conditions of the grant determination have been met, with the exception of the incorrect year's budgets being used. This was due to the late receipt of guidance; and
- ii. Internal Audit was able to confirm that all areas claimed were allowable and the required deductions had been made. The claim submitted was considered reasonable.

## 3. Counter Fraud Update – Summary of Counter Fraud Activities

### Current Year Counter Fraud Activities

- 3.1 To date in 2022-23 there have been 16 new irregularities referred to the ARA Counter Fraud Team (CFT). Six of these cases were related to Workforce Recruitment and Retention Fund (WRRF) grant payments issued by the Council on behalf of the Government.
- 3.2 The CFT has closed 10 investigations to date. Two of these have previously been reported to the Audit and Governance Committee. The remaining eight closed cases were as follows:
- i. The CFT were made aware of procurement concerns at a school in the county. No fraud was identified, however the investigation identified financial irregularities and non-compliance with school and Council policies. As a result of the findings, the school business manager was dismissed;
  - ii. Concerns were raised about the potential misappropriation of a client's money. Poor record keeping by the supported living provider had led to client spending being misallocated resulting in a lack of transparency. Investigation identified that there was no loss to the individual, however practices did create a risk of loss. The CFT made recommendations to strengthen the internal controls and record keeping;
  - iii. The CFT were approached about staffing practices at a residential care property. The issues centred around recruitment, time recording and associated payments relating to care worker shift patterns. No action was required against individual staff, however this investigation highlighted the need for the Council to have more robust policies and guidance for shift workers; and
  - iv. The WRRF was made available to adult social care providers to compensate staff commitment during the Covid pandemic. Five of the six cases relating to the WRRF were closed. The grant recipients were able to evidence their appropriate usage of grant funding received.
- 3.3 The outcomes of the remaining six open cases will be reported on their completion, to the Audit and Governance Committee.
- 3.4 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.
- 3.5 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 cases**

- 3.6 In addition, the CFT has continued to work on two cases carried forward from prior year.

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

- 3.7 The CFT continues to support the NFI which is a biennial data matching exercise administered by the Cabinet Office. The window for uploading the data for the 2022-23 exercise has now closed and the data matching reports have been released for review. The relevant teams within the Council have been notified.

- 3.8 The full NFI timetable can be found using the link available on GOV.UK – <https://www.gov.uk/government/publications/national-fraud-initiative-timetables>.
- 3.9 Examples of data sets include insurance, payroll, creditors and pensions.
- 3.10 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.

### **National Anti-Fraud Network (NAFN)**



- 3.11 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.
- 3.12 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.
- 3.13 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.