



PROGRESS REPORT ON INTERNAL AUDIT ACTIVITY

September 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 2023-24;
 - ii. The outcomes of the 2022-23 and 2023-24 Internal Audit activity delivered up to August 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 and 2023-24 Internal Audit work delivered up to August 2023

Audit	Assurance Level	Supporting Paragraph
Procurement of Short-Term Transport Arrangements for Social Care Users	Acceptable	2.1
Traffic Signals Asset Management	Acceptable	2.2
Grant Certification (Service Areas: Adults)	Grants Certified	2.3

Summary of Acceptable Assurance Opinions

2.1 Procurement of Short-Term Transport Arrangements for Social Care Users Limited Assurance Follow-Up (Service Area: EEI)

- i. Assurance Level for this report: Acceptable.
- ii. There are no new recommendations arising from this review. The recommendations shown below are from the original audit report.

2.1.1 **Scope** – to obtain confirmation that the actions agreed with management to address the 2022-23 recommendations have been implemented.

2.1.2 Key Findings

- i. The 2022-23 audit followed up the implementation of ten recommendations made in the 2018-19 audit review. Seven recommendations had been actioned. Four new recommendations were made in relation to the outstanding actions, three high priority and one medium;
- ii. The new recommendations in the 2022-23 audit covered establishing a process to highlight badges which have expired, updating DBS certificates and maintaining an operational risk register.
- iii. The results of our follow up of the 2022-2023 recommendations are shown below;

Recommendation: The spreadsheet currently in use should be reviewed to establish all badges which are out-of-date.

The transport providers have been notified of badges which have expired.

This recommendation has been completed.

Recommendation: A process for monitoring when badges are due to expire should be established.

The DBS Manager emails a list of badges which are due to expire to the Contract Compliance and Procurement Manager. The transport providers are contacted and asked to apply for a new badge.

This recommendation has been completed.

Recommendation: The current spreadsheet in use by the DBS team should be reviewed to establish a process for obtaining confirmation from the transport operators that the update service has been used.

Badges are now only issued for one year. This recommendation has been completed.

iv. Evidence was obtained from the Contract Compliance and Procurement Manager and the DBS Team Manager, which supported confirmation that the three high priority recommendations had been implemented. Internal Audit is satisfied that the risks have been mitigated by implementation of the actions agreed in the report.

The medium priority recommendation covered maintaining an operational risk register.

This action will be ongoing.

2.2 **Traffic Signals Asset Management Limited Assurance Follow-Up (Service Area: EEI)**

i. Assurance Level for this report: Acceptable

ii. There are two recommendations arising from this review.

2.2.1 **Scope** – to obtain confirmation that the actions agreed with management to address the recommendations raised in the August 2021 report have been implemented.

2.2.2 **Key Findings**

i. The 2022-23 audit followed up the implementation of five recommendations made in the August 2021 audit report. Three of the five recommendations had been actioned. Two recommendations were made in relation to the outstanding actions, both are high priority;

ii. Both new recommendations relate to difficulties obtaining information from the new system and work is ongoing with the supplier to resolve this.

Recommendation: Analysis such as emergency repairs spend by asset over (x) years, analysis of total spend by life expired asset, ages of oldest assets, assets that are becoming increasingly difficult to maintain due to age and why (for example, availability of spare parts) is not currently available.

Management Response: Telent is updating the IMTRAC system regularly now with improved asset data, training is ongoing as to how to make the best use of this data and create a prioritised plan for site refurbishment.

Recommendation: Lack of available information from Imtrac database on which to base decisions.

Management Response: Telent is updating the IMTRAC system regularly now with improved asset data, training is ongoing as to how to make the best use of this data and create a prioritised plan for site refurbishment. Additional training for Telent staff has taken place, to ensure periodic inspections are graded to help us make informed decisions about what needs equipment needs urgent replacement. The system will then guide us as to the urgency of repair, this is aspect of work is currently carried out by the signals team, with assistance of the engineer.

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

2.3 Grant Certification (Service Areas: Adults)

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

i. Covid-19 Test and Trace Service Support.

2.3.2 The audit reviewed whether the conditions of the relevant grant determinations had been complied with during 2022-23.

2.3.3 Key Findings

- i. Internal Audit review confirmed that expenditure during 2022-23 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 determination had been met. No recommendations arose from the ARA review. Therefore, the declaration was signed and submitted to the Department for Health and Social Care.

3. Counter Fraud Update – Summary of Counter Fraud Activities

Current Year Counter Fraud Activities

3.1 To date in 2023-24 there have been fourteen new referrals received by the ARA Counter Fraud Team (CFT). After initial triage by the CFT, five of the referrals were converted to cases.

3.2 Of those five cases, two are still ongoing and three have been closed:

- i. The first closed case related to an increase in submissions of overtime and expenses for shift workers in a residential setting. Detailed analysis of the claims was undertaken by the CFT. The information was provided back to the team and HR for further review in conjunction with contracts and shift working policies;

- ii. The second case involved deliberate non-compliance with internal controls. A member of staff had deliberately chosen to bypass the internal controls in order to help the flow of work. Using data analytics, the CFT reviewed data spanning over two years. There was no evidence of any financial gain found; and
- iii. The final case closed related to concerns of non-submission of Declarations of Interest. The individual was reminded of the Council's Code of Conduct and the need to submit a declaration of Interest form whenever a relevant change in circumstances occurs. A form has since been completed and submitted.

3.3 Of remaining nine referrals:

- i. Four remain open and awaiting further information and analysis by the CFT.
- ii. Five have been closed following review and minimal intervention by the CFT. The five closed referrals are broken down as;
- iii. Two Data Protection Act (DPA) requests (for the prevention and detection of a crime) received from other organisations. Information was provided and no further input from the CFT is required; and
- iv. The final three were requests for advice on best practice. The CFT provided advice and signposted the callers to the relevant GCC policies and teams.

3.4 The outcomes of the remaining open referrals and cases will be reported to Committee on their completion.

3.5 Not all investigations (for example conduct, non-compliance and ethics issues) can have an assessed value attached to them or result in the recovery of monies. CFT investigations, analytics and consultative work may add value in other ways such as providing assurance to members and residents, reducing Council vulnerabilities and mitigating risk.

3.6 It should be noted that many of the cases referred to the CFT involve intricate detail and, sometimes, police referral. This invariably results in a delay before the investigation can be classed as closed and the summary outcome reported to Committee.

3.7 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.

3.8 Counter fraud intelligence and alerts from reputable sources are routinely provided outside of the creation of referrals and cases.

Previous years' cases

- 3.9 In addition, the CFT continued to work on seven cases carried forward from prior years. One of the cases has now been closed. A provider of non-residential care had applied for grant funding from the Council. An investigation undertaken by the CFT established that the application and disbursement of the funding was not in accordance with the criteria set by the Council and has resulted in the recovery of £1,400.
- 3.10 The remaining six cases are due to be concluded shortly and the outcomes will be reported at the next Committee.

National Fraud Initiative (NFI)

- 3.11 The CFT continues to support the NFI which is a biennial data matching exercise administered by the Cabinet Office. The data for the 2022-23 exercise has been uploaded and the data matching reports have been released for review. The relevant teams within the Council have been notified and progress to review the matches is ongoing.
- 3.12 The full NFI timetable can be found using the link available on GOV.UK – <https://www.gov.uk/government/publications/national-fraud-initiative-timetables>.
- 3.13 Examples of data sets include insurance, payroll, creditors and pensions.
- 3.14 To date, a review of the pension related matches by the Pensions team have identified a number of irregularities and are recovering circa £63,709. The irregularities are usually where the Council has not been identified of a death and have therefore continued to make pension payments. Had the irregularities not been identified and payments had continued, the value would have continued to rise and could have eventually been as high as circa £500,000.
- 3.15 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. The CFT will progress, often in conjunction with the relevant team, any matches where fraud or irregularity is identified.

International Fraud Awareness Week

- 3.16 The Council continues to register as a supporter of the annual International Fraud Awareness Week -12-18 November 2023. The aim of the week is to raise awareness of fraud prevention through education and campaigns.
- 3.17 During the week the CFT will be sharing fraud awareness messages and information on the latest fraud trends and scams together with advice on how to prevent becoming a victim.

National Anti-Fraud Network (NAFN)



- 3.18 NAFN is a public sector organisation which exists to support its members in protecting the public interest. It is one of the largest shared services in the country managed by, and for the benefit of its members. NAFN is currently hosted by Tameside Metropolitan Borough Council.
- 3.19 Membership is open to any organisation that has responsibility for managing public funds or assets. Use of NAFN services is voluntary, which ensures delivery of value for money. Currently, almost 90% of councils are members and there are a rapidly growing number of affiliated wider public sector bodies including social housing providers.
- 3.20 Many potential attempted frauds are intercepted. This is due to a combination of local knowledge together with credible national communications, including those from the NAFN. Fraud risk areas are swiftly cascaded to teams by the CFT for the purpose of prevention, for example national targeted frauds.