

Completed Internal Audit Activity during the period January 2017 to March 2017

Summary of Satisfactory Assurance Opinions on Control

Service Area: Customer Services

Audit Activity: Council Tax – Part 2

Background

Council Tax is a system of local taxation collected by local authorities and is a tax on domestic property.

All homes are given a Council Tax band (A to H) by the Valuation Office Agency (VOA), which is based on the value of the property on 1st April 1991. Newly constructed properties are also assigned a nominal 1991 value by the VOA.

There are a number of exemptions and discounts to Council Tax, which are set out in national Council Tax law and regulations that a resident can be in receipt of. Exemptions generally apply to properties, both occupied and unoccupied, whereas a discount usually relates to people and their circumstances. In general it is for a Council to interpret Council Tax law on exemptions and discounts and to apply it appropriately.

For 2016-17 the Council Tax requirements for the Council as approved by Members at 25th February 2016 Council meeting was approximately £8m, and other 'precepting' authorities and agencies were determined as £60m.

The Council maintains a list of all domestic properties in its district and manages Council Tax, collection and arrears, etc. on the Civica Open Revenues system.

Scope

An audit of Council Tax was undertaken and reported on during quarter 1, 2016-17, which focused on the verification and calculation of the Council Tax opening debit. This review covered the following objectives for the period April 2016 to January 2017:

- All key control reconciliations have been correctly completed in a timely manner and subject to management review and approval;
- Exception / management reports, e.g. suppressed accounts, overpayments and refunds, etc. are subject to regular review and approval;

- Requests and ongoing application of exemptions and discounts to residents and properties are subject to appropriate verification and are correctly applied;
- Council Tax arrears are effectively managed and write-offs are subject to appropriate approval;
- Systems access to the Civica system (Council Tax and National Non Domestic Rates modules only) is restricted to authorised Officers and Officer access is subject to regular review; and
- Previous Internal Audit recommendations have been implemented.

Risk Assurance - Satisfactory

Control Assurance - Satisfactory

Key findings

Key control reconciliations are being successfully completed on a regular basis by Revenue and Benefits Officers and Finance to confirm the completeness and accuracy of the Council Tax and finance system records, although they have not been subject to management review and approval.

Regular checks are performed by Revenue Officers to confirm that residents in receipt of exemptions and discounts are still entitled to them. The Cabinet Office, as part of the National Fraud initiative (NFI), provided Revenue and Benefits in 2015-16 and 2016-17 with details of residents (approximately two thousand cases for each financial year) that were claiming single person discount that may not be entitled to the discount. Work has recently commenced on reviewing the 2015-16 cases and the Revenue and Benefits Manager is exploring the use of the Gloucestershire Fraud Hub to assist in this exercise.

The Council's performance management system shows that Revenue and Benefits has exceeded the Council Tax collection target and recovery of arrears indicating that arrears are being effectively managed to date within 2016-17.

The Revenue and Benefits Manager performed his annual review of user access to the Council Tax system for 2016-17 in June 2016. A review by Internal Audit of all users with access to the Council Tax system identified that one member of staff that had left the Council's employment in September 2016 still had read only access to the system and nine users had either never signed on or had not signed on for a couple of years to the system. The Revenue and Benefits Manager has now made appropriate amendments to the identified users' access and has agreed to extend his checks.

A sample check by Internal Audit on suppressed accounts (September and December 2016) and refunds (15 days) confirmed that regular reviews were performed by authorised Officers on these reported accounts. However, accounts with a credit balance totalling approximately 6,000 accounts and £500k in value for August 2016 had not been fully investigated and cleared.

The status of the recommendations raised in the following two previous audits were as follows:

- 2016-17 Council Tax opening debit - One high priority recommendation relating to the documenting of risks was implemented and the other high priority recommendation relating to improvement and extension of the reconciliation process had been deferred until commencement of the 2017-18 opening debit process; and
- 2015-16 Council Tax - The two medium priority recommendations relating to the management monitoring of the key reconciliations and review of credit balances had not been fully implemented.

Conclusions

Revenues staff that are involved in performing the Council Tax operation are very experienced in the processes and systems, which compensates for the lack of a procedures manual. In addition the Revenue and Benefits Manager has applied a high level monitoring control framework to confirm the effectiveness and correct operation and performance of the service provision.

The results of the Internal Audit testing confirmed that key Council Tax controls were being effectively operated and exemptions and discounts were being subject to regular checks. However, going forward the Revenue and Benefits Manager should consider, if changes in personnel occur or if the high level monitoring controls start to identify adverse trends, introducing more detailed and frequent monitoring controls.

Management Actions

Management has responded positively to the audit findings and have accepted the implementation of the two reiterated medium priority recommendations that were raised in the 2015-16 Council Tax audit.

Service Area: Customer Services

Audit Activity: National Non Domestic Rates (NNDR) – Part 2

Background

NNDR is a tax on properties which are not used for domestic purposes such as shops, factories, offices, etc. and is a contribution towards local services. For 2016-17 the NNDR due to the Council was determined to be approximately £34m (gross) as per the Civica system as at 1st April 2016. Since 2013-14 local authorities are allowed to retain a proportion of the NNDR revenue that is generated in their area.

Some properties are eligible for discounts from the Council or exemptions to NNDR. In addition NNDR is not applied to empty buildings for three months although for some properties this can be extended for up to six months.

Each non-domestic property has a rateable value which is set by the Valuation Officer Agency (VOA). Local authorities work out NNDR liability for every non-domestic property by multiplying the rateable value of the property by the appropriate Government set multiplier.

Scope

An audit of NNDR was undertaken and reported on during quarter 1, 2016-17, which focused on the verification and calculation of the NNDR debit.

This review covered the following objectives for the period April 2016 to January 2017:

- All key control reconciliations have been correctly completed in a timely manner and subject to management review and approval;
- Exception / management reports, e.g. suppressed accounts, overpayments and refunds, etc. are subject to regular review and approval;
- Requests and ongoing application of exemptions and reliefs to businesses and properties are subject to appropriate verification and are correctly applied;
- NNDR arrears are effectively managed and write-offs are subject to appropriate approval; and
- Previous Internal Audit recommendations have been implemented.

Note: The Civica system access controls for NNDR have been reviewed as part of the 2016-17 audit of Council Tax.

Risk Assurance - Satisfactory

Control Assurance - Satisfactory

Key findings

Key control reconciliations are being successfully completed on a regular basis by Revenue and Benefits Officers and Finance to confirm the completeness and accuracy of the NNDR and Finance system records, although they have not been subject to management review and approval.

Checks performed by Revenue Officers to confirm NNDR exemptions or reliefs are limited to ad-hoc visits to business properties by the Visiting Officer and a monthly review of non-domestic customers in receipt of the empty property exemption. Internal Audit established that the empty properties report used by Revenue Officers was not reporting all cases, which resulted in the empty property exemption not having been withdrawn from two cases (around £5k and £7k). Confirmation can be given that the exemptions for both properties have now been removed and actions being taken to recover these amounts.

The Revenue and Benefits Manager is taking positive steps to increase the level of verification on properties that have been registered as empty by employing the services of the Gloucestershire Fraud Hub to undertake a review of such cases.

The Council's performance management system showed that as at December 2016, Revenue and Benefits has not achieved the targets for NNDR collection for the current year and arrears recovery. The Revenue and Benefits Manager is fully aware of the position, which he has attributed to a small number of cases with large balances where recovery is proving challenging.

Internal Audit identified one arrears case out of 15 randomly selected for review that due to human error an NNDR bill for approximately £10k was not issued to the non-domestic customer in May 2016, which also resulted in the arrears recovery process not being invoked. The NNDR bill has now been issued to the non-domestic customer.

A sample check by Internal Audit on suppressed accounts (September and December 2016) and refunds (15 days) confirmed that regular reviews were performed by authorised Officers on these reported accounts. However, a report was produced in January 2017 for Internal Audit detailing accounts with a credit balance that highlighted approximately 300 accounts totalling £200k in value (period 1990 to 2015) that had not been subject to review and clearance. Details of all credit balances are however regularly published on the Council's website.

The status of the recommendations raised in the following two previous audits were as follows:

- 2016-17 NNDR opening debit - One high priority recommendation relating to the documenting of risks was implemented and the other high priority recommendation relating to improvement and extension of the reconciliation process had been deferred until commencement of the 2017-18 opening debit process; and
- 2015-16 NNDR - The two medium priority recommendations relating to the management monitoring of the key reconciliations and review of credit balances had not been fully implemented.

Conclusions

Revenues staff that are involved in performing the NNDR operation are very experienced in the processes and systems, which compensates for the lack of a procedures manual. In addition the Revenue and Benefits Manager has applied a high level monitoring control framework to confirm the effectiveness and correct operation and performance of the service provision.

The results of the Internal Audit testing confirmed that key NNDR controls were being effectively operated and exemptions and reliefs were being subject to regular checks. However, going forward the Revenue and Benefits Manager should consider, if changes in personnel occur or if the high level monitoring controls start to identify adverse trends, introducing more detailed and frequent monitoring controls.

Management Actions

Management has responded positively to the audit findings and have accepted the implementation of the two reiterated medium priority recommendations that were raised in the 2015-16 NNDR audit.

Service Area: Customer Services

Audit Activity: Off-Street Car Parking Income

Background

The Council provides off-street car parks for public use throughout the district, with charges being levied at eight locations. In addition, the Council took on the management of the Merrywalks Shopping Centre multi storey car park on behalf of Streetlands (landlord) on 2nd December 2013.

The Council purchased and installed new machines for its sites (September 2015) and for Merrywalks Shopping Centre (24th December 2015) as part of the management agreement with the landlord. These machines are all pay and display and do not provide change to customers paying for parking. Payment can be taken by cash, debit or credit card (Merrywalks Shopping Centre only) and cashless by phone, text, etc. The total value of income received from the 32 car park machines operated by the Council for 2015-16, as per the Council's financial accounting system, was approximately £650k for Council sites and £200k for Merrywalks Shopping Centre.

Scope

The review covered the period September 2015 to January 2017 and the objectives for this audit were as follows:

- Management agreements / contracts between the Council and external companies who support the car park operation and hardware maintenance exist, have been formally approved and are effectively managed;
- Car park charges have been correctly approved and updated to machines;
- Car park takings are properly accounted for and subject to regular and timely reconciliation;
- Season tickets and permits are: correctly managed, authorised, access limited to authorised staff, and monies due have been correctly accounted for;
- Access to the car park machines cash boxes and tickets are limited to authorised staff and the keys stored in a secure location;
- Adequate insurance arrangements are in place for cash held in the car park machines and during collection and transit;

- Compliance with car park regulations and the Local Government Transparency Code; and
- Previous Internal Audit recommendations have been implemented.

Income from Penalty Charge Notices and the management and accounting arrangements for the Merrywalks multi-storey car park operation (as per the Agreement between the Council) are excluded from the scope of the audit.

Risk Assurance - Satisfactory

Control Assurance - Satisfactory

Key findings

Off-street car park charges are reviewed annually by the full Council as part of the normal budgetary process and were last increased in 2011-12. Parking Orders are held to support the use of car parks under the Road Traffic Regulation Act (RTRA) 1984, but the current Parking Order held by Community and Facilities was not signed and sealed. In addition discrepancies relating to charging periods and fees were found by Internal Audit between the tariff and fees recorded in the Parking Orders against what was being operated from four of the off-street car park sites.

Finance has calculated that for the financial years 2013-14 to 2015-16 the Council has achieved a surplus from off-street car parking of approximately £400k and that the surplus has been fully spent on supporting legitimate purposes as specified in the RTRA.

The Council has not published on its website a breakdown of its income and expenditure on its off-street parking account and how the Council has spent any surplus in accordance with the Local Government Transparency Code and this should be addressed.

There is appropriate segregation of duties operating for the off-street car park process relating to access to the car park machines, cash collection, counting and banking, income reconciliation and monitoring. In addition improvements to the security arrangements relating to off-street car parking permit stationery were introduced following discussions with the Service area management during the undertaking of this audit.

Monthly reconciliations from April to September 2016 were performed to confirm that the off-street car park fees received are correctly accounted for and credited to the Council. The reconciliations were subject to management review and approval with the exception of the off-street car park fees general ledger control account and Merrywalks Shopping Centre debit and credit card payments account.

Value Added Tax on income for the period September 2015 to October 2016 has been accounted for with the exception of Merrywalks Shopping Centre debit and credit card income. In this case approximately £1,300 has not been paid to Her Majesty's Revenue and Customs since the payment facility was introduced in June 2016.

It is pleasing to note that the recommendations raised in the 2014-15 audit have now been fully implemented or superseded.

Conclusions

Community and Facilities has, during the second half of 2015-16, successfully managed the replacement of the original off-street car park machines, introduced new cash collection and banking operator services and new payment facilities. In addition its management and Officers have, with support from Finance, significantly improved the control environment since the previous 2014-15 audit that had highlighted material control weaknesses.

Management Actions

Internal Audit has raised four medium priority recommendations that are aimed at further strengthening the internal control environment and ensuring that going forward there is compliance with internal and external regulations.

Service Area: Customer Services

Audit Activity: Green and Bulky Waste Charges

Background

Following a report to the Task and Finish (Waste) Group the Environment Committee, at 4th September 2014 meeting, approved the introduction of revised opt-in chargeable garden waste and fee based bulky waste collection services during 2015-16. The primary objective for both collection services operated by Ubico Ltd (Local Authority owned company) was to be self financing.

The new garden waste collection service commenced in February 2016 and runs from February to November each year and is operated by Ubico Ltd. The income received from residents for the first period of operation to 3rd November 2016 was approximately £230k. Ubico Ltd charges for the 2016-17 financial year for providing the service, are approximately £300k.

The new chargeable bulky waste service was introduced in September 2015 to residents and up to June 2016 was operated by the private sector waste management company Veolia, through the multi services contract.

From July 2016 the collection service is performed by the new multi services contract operator, Ubico Ltd. The income received from residents from April 2016 to 3rd November 2016 was approximately £50K.

Scope

The focus of this review was to determine whether:

- All applications for the collection services are correctly registered and customer details are promptly and accurately submitted to the waste management company;
- Income is correctly accounted for within the Customer Services Information (CSI) system, Civica and financial general ledger systems;
- Waste management company charges for the services have been correctly approved and invoiced expenditure has been agreed and verified;
- Stock of wheeled bins is controlled, secured and regularly verified; and
- The performance and objectives of the service are regularly monitored, reviewed and reported to management to confirm it is operating effectively and is achieving the main aims and objectives for the service.

Risk Assurance - Satisfactory

Control Assurance - Satisfactory

Key findings

- The Council's objectives for both the garden and bulky waste collection services are that the income should cover the costs. It is too early to establish whether the Council's objective for the bulky waste collection service operated by Ubico Ltd, which commenced in July 2016, has been achieved.
- The budget monitoring report to 15th September 2016 Environment Committee highlighted that 6,300 residents (breakeven position is approximately 8,000) had signed up for the first year of service, which has resulted in a shortfall in the Council's long term income of £135k.

The expectation from the Public Space Manager and reported to the Environment Committee is that from the second year of the garden waste collection service the income would cover costs. Discussions are currently being held between Public Spaces and other Service areas to determine the best approach to promote and encourage more residents to use the service.

- Fly tipping has been occurring at waste stores on Council house sites before the introduction of the bulky waste charges, but following this event the issue has increased. To date Tenant Services have identified that this has cost the service £4.5k and are currently reviewing all options available in order to prevent fly tipping occurring.
- The levels of resident garden and bulky waste collection service complaints are regularly reported to appropriate Council officers, Ubico Ltd and the Environmental Services Partnership Board who also receives strategic key performance indicator results for the multi service contract. The level of complaints for the month of October 2016 were considered satisfactory by Internal Audit based on the total number of collections, this being a new collection service and a new operator.
- The CSI system has been successfully adapted by IT to account for customer resident garden and bulky waste collection service applications.
- Invoices issued for the period April to September 2016 by Ubico Ltd for the total multi service provision were agreed by Internal Audit to a schedule provided by the Public Space Manager, which he advised had been agreed with Ubico Ltd. However, the invoices could not be agreed to the total annual sum included in the contract.
- A review by Internal Audit of completed income reconciliations since the start of each waste collection service to September 2016 highlighted that two months garden waste and three months bulky waste income reconciliations had not been performed at the time of the audit. In addition six completed income reconciliations out of fifteen had not been subject to management review and approval. However, the reconciliations that had been undertaken had been successfully performed by Public Spaces and Customer Services officers.
- An independent stock count was undertaken by Public Spaces as at 31st March 2016 in accordance with the Council's Financial Regulations, for financial year end accounting purposes. However previous to this, documentary evidence of regular stock counts, performed by the Public Space Officer to stock records maintained by Ubico Ltd, was not retained. A review by Internal Audit of the Ubico Ltd stock records highlighted incomplete and inaccurate stock record keeping, particularly from July to October 2016.

Conclusions

Public Spaces has successfully introduced two chargeable waste collection services during the second half of the financial year 2015-16, alongside managing the closure of the multi services contract with Veolia and the procurement of the service to a new contractor.

At the time of the audit review, discussions were being held between Public Spaces and other Service areas to determine the best approach to promote and encourage more residents to use the service and therefore achieve the Council's objective for the service, i.e. for the income to cover the costs.

The review has highlighted that there has been some lapses in the performance of expected internal controls in respect of: income reconciliations, invoice verification and stock management.

Management Actions

Internal Audit has raised three medium priority recommendations that are aimed at strengthening the control environment for the future management and monitoring of these contractual arrangements; these have been accepted in full.

Service Area: Finance and Business Services

Audit Activity: Capital Accounting Key Controls

Background / Scope

The focus of this review was to determine that the capital accounting key controls were in place and operating effectively for the 2015-16 year-end capital position:

- Capital expenditure is monitored against the capital programme;
- Capital expenditure is correctly identified and capitalised;
- Fixed Asset Register is reconciled to the general ledger annually;
- Annual reconciliation of corporate property to the Fixed Asset Register;
- There is a five year rolling programme of revaluation for fixed assets held at current cost;
- There is an annual impairment review of tangible and intangible fixed assets;
- There is periodic physical verification of tangible fixed assets; and
- There are controls in place in relation to the accuracy of the applied depreciation and amortisation.

Risk Assurance - Satisfactory

Control Assurance - Satisfactory

Key findings

- The fixed asset accounting processes were completed by the Principal Accountant (Technical) and the valuation process by the Property Manager within the approved reduced year-end timescales, which enabled the external audit of the 2015 - 16 Statement of Accounts. In addition the timely completion of the work also enabled Section 151 Officer sign-off of the Statement of Accounts by the due date and their presentation to the September 2016 Audit and Standards Committee.
- Various activity control checks have been performed by the Principal Accountant (Technical) and Property Manager to confirm the accuracy and completeness of the fixed assets reported in the Fixed Asset Register and ultimately in the Statement of Accounts. However, there was found to be a lack of secondary independent checks performed by Finance management to confirm all the expected controls had been completed correctly and accounting policy correctly applied. In addition although the Property Manager performed secondary checks on the valuation of assets performed by other staff, there was no such check performed on those valuations performed by the Property Manager.
- The Internal Audit testing sample identified instances where valuations had been incorrectly calculated and determined (net impact of £113k Fixed Asset Register overstatement identified). It is noted the identified misstatement did not exceed the 2015/16 External Audit materiality level (£1.5m), which would have required amendments to the Statement of Accounts.
- The following themes of audit recommendation have been raised to support the strengthening of the Council's capital controls: completion of independent secondary checks of property and land valuations; appropriate corrections to the Fixed Asset Register following audit sample testing results; development and update of the year end Statement of Accounts checklist to include key capital controls; guidance on the distinction between capital and revenue expenditure to be issued to budget holders; review and update of the Council's depreciation policy; and review of the Council's property insurance policy to confirm adequate cover for heritage assets and incoming museum exhibits.

Conclusion

The internal audit identified the absence of and lapses in the monitoring type controls, which has resulted an incorrect property valuations being included in the Fixed Asset Register 2015-16, albeit the identified errors did not exceed the External Audit materiality threshold

It is noted that the External Auditors issued an unqualified audit opinion on the Council's 2015-16 Statement of Accounts and also did not raise any control improvement recommendations regarding capital accounting.

For the 2016-17 financial year there will be shorter timescales for the completion and approval for the Statement of Accounts. Therefore there will be challenges for Finance and Asset Management in the earlier application of the capital accounting internal controls (including those highlighted within the Internal Audit recommendations).

Management Actions

The internal audit raised one high and five medium priority recommendations to further strengthen the capital accounting internal control environment, with the understanding of the tighter year end timescales to be applied in 2016/17. Management has accepted the internal audit recommendations in full.

Service Area: Finance

Audit Activity: Cash and Bank

Background

The Cash and Bank reconciliation and monitoring arrangements are a key set of controls, underpinning internal and external reporting. The Finance team is responsible for carrying out the monthly bank reconciliation, reconciling to the Council's Agresso (finance system) General Ledger.

Scope

The overall objective of this audit was to review the adequacy and effectiveness of the control environment for Cash and Bank financial transactions; this was achieved through a review of the following control objectives:

- The cash and bank procedures are reviewed periodically and updated to account for changes in processes and controls in administering the financial system;

- Petty cash and imprest cash balances are regularly reconciled;
- A reconciliation of the cash receipting system to the General Ledger is regularly performed and subject to management review;
- The bank reconciliation at month end is regularly reconciled to the Agresso General Ledger and subject to management review; and
- Previous Internal Audit recommendations have been fully implemented.

Risk Assurance - Satisfactory

Control Assurance – Satisfactory

Key findings

The five control objectives were tested and the audit results confirmed that the existing control environment for the key control areas was soundly managed.

An audit observation has been made and a medium priority recommendation raised in regards to the control objective that ‘cash and bank procedures are reviewed periodically and updated for changes in processes and controls’.

The recommendation is relevant because additional methods for receiving cash receipts through the internet are now in place and automated procedures have replaced manual staff interventions.

In addition, documentation review for petty cash balance holdings held at 31st March has identified a medium priority recommendation for the control objective “petty cash and imprest cash balances are regularly reconciled”. This recommendation seeks to strengthen the control environment for the verification of petty cash balances held at year end.

Conclusions

Audit review of the Cash and Bank control environment as at February 2017, found appropriate controls to be in place at the point of audit. Only two medium risk recommendations have been raised for consideration and action by management.

Management Actions

Management have responded positively to the two medium priority recommendations.

Service Area: Tenant and Corporate Services

Audit Activity: Gas Servicing

Background

Stroud District Council retains and manages its own housing stock of 5,187 Council rented properties, which includes 788 sheltered homes. The Council has a legal duty to service resident's gas boilers annually, and if this is not carried out effectively there is a health risk to the resident and financial and reputational risk to the Council.

At the full Council Meeting on 23rd January 2014 a budget of £300,000 was approved for the implementation of an in-house gas provisions team, responsible for the annual servicing, maintenance and repairs to heating systems in the Council's housing stock. The in-house Heating Services team was set up and began delivery in June 2015 with additional works delivered by an external Gas Servicing and Maintenance Contractor.

Scope

The review sought to provide:

Assurance that gas servicing of housing stock meets internal and external regulations to ensure legal and statutory compliance;

- Confirmation that there is efficient scheduling of in-house gas engineers workloads; and
- Verification that there is a clear rationale for allocating work to the appointed Contractor ensuring business needs are met.

During the audit the scope of the review was expanded to also include the servicing of all heating appliances due to the inherent risk to Stroud District Council.

Risk Assurance - Satisfactory

Control Assurance – Satisfactory

Key findings

The Council/Service has acknowledged the inherent associated risks and mitigating controls relating to the gas heating appliances under review and has captured these under two references (TNS59 and TNS60) using the corporate system for recording (Excelsis). The risks identified on Excelsis should be refreshed to reflect non-gas heating appliances.

There is a clear rationale for allocating repair and servicing work (out of warranty) to the Gas Servicing and Maintenance Contractor.

Heating Services correctly allocate repairs to either the Gas Servicing and Maintenance Contractor or boiler manufacturer whilst the installation or boiler is still under warranty however the controls to approve payments for this repair work need to be strengthened to ensure that invalid charges on contractor invoices are not authorised for payment.

There is effective paperwork in place for gas engineers to document the results of the safety checks for both the gas appliance and the flue.

The controls to prevent servicing being replicated by the in-house engineers once the Gas Servicing and Maintenance Contractor have completed the service need to be strengthened to ensure that the in-house engineer's time is effectively utilised and to mitigate the cost of duplicated service provision.

The 'Secure tenancy conditions' document outlines responsibilities about repairs; however this document should be further enhanced to outline the Council's expectations for the servicing and maintenance of tenant owned heating appliances and flues.

Review and testing of the information held within the computerised systems and formal paperwork identified that:

- The selected sample of forty gas boiler heating appliances were found to have been serviced as expected;
- There are 95 properties recorded within the Keystone Asset Management System that have a secondary gas heating appliance, however the Keystone Asset Management System requires updating in respect of decommissioned appliances;
- There are a total of nine properties that have solid fuel appliances as their primary heating source however at the time of the audit, four of the nine had not received a service in the last 12 months;
- Seventy four properties have solid fuel appliances as their secondary heating source but do not appear on the schedule for annual servicing. The Asset team had identified this omission and with Heating Services are actioning;
- All three properties identified on the Keystone Asset Management System as having Liquefied Petroleum Gas (LPG) heating appliances have received a service in 2016; and

- A review of scheduled appointments/completed jobs for 16th to 20th January confirmed that gas engineers had been scheduled to carry out either seven gas services or five repair jobs a day and these had been achieved.

Conclusions

We conclude that there is a control framework in place for the management and monitoring of servicing of heating appliances, scheduling of gas engineers and contractor workloads; overall this is operating effectively however this review has identified some minor lapses in the control environment. Internal Audit has made five medium priority recommendations, the suggested improvements aim to further strengthen the control environment in respect of:

- Roles and responsibilities between the Council and its Tenants;
- The servicing of solid fuel heating appliances and installation of carbon monoxide alarms;
- Mitigating the risk of duplication of planned work between the in-house and external contractor;
- Timeliness and completeness of formal documentation and the quality of information held on computerised systems; and
- Improved management information, budgetary control, risk management and contract management arrangements.

Management Actions

Management have responded positively to the five medium recommendations made.

Summary of Special Investigations / Counter Fraud Activities

Current Status

During April – March 2017 there has been one potential irregularity referral to Internal Audit relating to a tenancy issue. Internal Audit is currently working with relevant officers within the Council and the investigation outcome will be provided to the Audit and Standards Committee once concluded.

In addition, Internal Audit has been notified that a potential scam involving an overpayment to the Council and subsequent refund request, has been thwarted by early intervention of the Council's bank.

Internal Audit also became aware of scams targeted at residents within not only the Stroud Council area but throughout the County.

The Council was proactive when it became aware of the issue and issued a Communications statement to the media to warn local residents of the scam. The scam involved local residents being informed, usually by email, that they were entitled to a Council Tax refund and to click on a link to provide their bank and other security details. Once this information is provided, the fraudster would then have access to their bank account and withdraw funds. This scam was reported to the National Anti-Fraud Network (NAFN).

Any fraud alerts received by Internal Audit from NAFN are passed onto the relevant service area within the Council, to alert staff to the potential fraud.

Fraud Risk Assessment / Risk Register

A fraud risk register has been produced, the outcome of which will inform future Internal Audit activity.

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 were collected throughout October 2016 and reports have started to come in for follow-up. Examples of data sets include housing, insurance, payroll, creditors, council tax, electoral register and licences for market trader/operator, taxi drivers and personal licences to supply alcohol. Not all matches are investigated but where possible all recommended matches are reviewed by either Internal Audit or the appropriate service area.

In addition, there is an annual data matching exercise undertaken relating to matching the electoral register data to the single person discount data held within the Council. Once all relevant data has been uploaded onto the NFI portal, a data match report is instantly produced and available for analysis.

The outcomes of the review will be provided to the Audit and Standards Committee.

The Committee can also take assurance that all special investigations/counter fraud activities are reported to the Chief Executive, Monitoring Officer and Chief Financial Officer.

Anti Fraud and Corruption Policy Statement and Strategy

Effective governance requires the Council to promote values for the authority and demonstrate the values of good governance through upholding high standards of conduct and behaviour. To enable this, the Fighting Fraud and Corruption Locally 2016–2019 Strategy has been developed by local authorities and counter fraud experts and supported by the Chartered Institute of Public Finance and Accountancy (CIPFA) Counter Fraud Centre. It is the definitive guide for council leaders, chief executives, finance directors and all those with governance responsibilities. The strategy includes practical steps for fighting fraud, shares best practice and brings clarity to the changing anti-fraud and corruption landscape.

The Chief Internal Auditor has undertaken a self-assessment against the new guidance to measure the Council's counter fraud and corruption culture and response and propose enhancements as required. As such, a revised Anti Fraud and Corruption Policy Statement and Strategy, Anti Bribery Policy and Anti Money Laundering Policy 2017 -2019 has been developed and will be presented to the Audit and Standards Committee for approval on 11th April 2017.