PROGRESS REPORT ON INTERNAL AUDIT ACTIVITY

APRIL 2024

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 provides 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 Internal Audit is required to regularly provide progress reports on Internal Audit activity to management and the Audit and Standards Committee. This report summarises:

   i.   The progress against the Internal Audit Plan 2023-24;

   ii.   The outcomes of the 2023-24 Internal Audit activity delivered up to mid-March 2024; 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.   <u>Substantial assurance</u> – all key controls are in place and working effectively with no exceptions or reservations. The Council has a low exposure to business risk;

   ii.   <u>Acceptable assurance</u> – 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.   <u>Limited assurance</u> – not all key controls are in place or are working effectively. The Council has a medium to high exposure to business risk; and

   iv.   <u>No assurance</u> – 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 2023-24 Internal Audit work delivered up to October 2023

Audit	Assurance Level	Supporting Paragraph
Liberty Create Development	Substantial	2.1
Planning Enforcement Follow-Up	Substantial	2.2
ICT Back Up Process	Acceptable	Exempt
Risk Management Follow-Up	N/A	2.3
Out of Hours (OOH) Follow-Up	N/A	2.4

2.1   Audit Activity: Liberty Create Development (Service Area: Resources)

i.   Assurance Level for this report: Substantial; and

ii.   Recommendations arising from this review have been prioritised as:

    High Priority: 0
    Medium Priority: 3
    Low Priority: 1
    Rejected: 0

2.1.1 **Scope** – The procedures and controls in place for the Liberty Create Development function were reviewed.

2.1.2 Fit for the Future is the Council's main transformation programme. The Service Delivery workstream operates under the Fit for the Future Programme and is responsible for documenting and re-engineering the Council's processes. Liberty is the main development platform used within the Service Delivery workstream. It is used to integrate existing Council systems and to develop new ways of working once process re-engineering work has been completed.

2.1.3 **Key Findings**

i.   There is a substantial level of governance and assurance operating over the Liberty Create Development Programme.

ii.   The Fit for the Future Programme's prime objective, "Putting the Customer at the heart of everything we do", was apparent across the audit objectives and from all staff who contributed to this review.

iii. A thorough and comprehensive understanding of the Liberty Create Development function was evident and demonstrated to the Auditor during the review.

iv.   The programme's collaborative approach of working through process improvements at an individual service level is delivering a breadth of benefits for both the programme and the services. For example, Building Services and Planning Services.

v.   The programme has a significant amount of work in the pipeline, awaiting implementation. Officers appointed to the Service Delivery workstream are currently either seconded or working part-time on the programme. Consideration should be given to how the Liberty Create Development Programme becomes a

mainstream function. This would mitigate some of the challenges, such as long-term resource planning, workstack prioritisation and dual roles, associated with being a temporary programme. This would, in turn, offer the ability to plan, scope and deliver on a long-term basis.

Opportunity: To build on positive momentum already being generated by the programme.

Recommendation: The Council should consider:

- How to transition the process re-engineering and improvements aspects from its current temporary status into a mainstream function;

- The resource requirements for the programme in the long-term. Some specifically targeted additional resources (for example a process re-engineering or development resource) may enable the programme to bring forward delivery or increase the speed of project delivery going forward; and

- How the programme's collaborative approach with the services is further encouraged and appropriately resourced.

vi. The Service Delivery workstream is delivering clear and tangible benefits, such as enhanced customer choice, streamlined processes and efficiency savings. It is also delivering intangible improvements, such as collaborative working between the Council's services. There is clear evidence of the programme's documentation of the tangible efficiencies being delivered, usually following process re-engineering or data capture from the delivery of new developments.

Opportunity: To ensure that all relevant benefits are captured and the workstream team's efforts are fully highlighted.

Recommendation: The programme team should continue their work on documenting and reporting benefits realisation but should also consider how they capture and report all relevant benefits. For example, increases in customer satisfaction and employee engagement.

2.2 **Audit Activity: Planning Enforcement Follow-Up (Service Area: Place)**

i. Assurance Level for this report: Substantial; and

ii. No recommendations arising from this review.

2.2.1 **Scope –** The original review of Planning Enforcement was reported in November 2021 and resulted in 13 recommendations. An interim follow-up review was then completed in April 2023 and confirmed the implementation of nine recommendations, with four either outstanding or in progress.

2.2.2 This report focused on the Council's position against the four remaining audit recommendations only.

2.2.3 Key Findings

i. The follow-up review confirmed all four recommendations had been implemented. Relevant actions included:

- Introduction of a time and task analysis for a two-month period, to obtain timesheet and resource need data on the relationship between direct and non-direct service activities;

- Development of a service delivery resourcing assessment. The exercise considered and identified the resource need to deliver the change programme and to operate the Planning Enforcement Protocol and case referrals; and

- Submission of a business case for additional resource to meet the forecast service needs, through the Council's "Revenue Budget Setting 2024-25 to 2027-28: Budget Pressures Request" process.

ii. From reviewing the 2024-25 Planning Enforcement Revenue budget it was confirmed that it included the annual employment cost for the additional Planning Enforcement Officer. Following Council approval of the 2024-25 Revenue budget, the "authority to fill" staff recruitment process and associated documentation will be initiated for the additional post. This 2024-25 revenue budget process inclusion confirms implementation of the relevant follow-up recommendation.

iii. The ARA Follow-Up approach has been revised within 2023-24. Future follow-up internal audit activities will not be allocated an Assurance Level.

2.3 Audit Activity: Risk Management Follow-Up (Service Area: Resources)

2.3.1 The audit followed up the implementation of six recommendations made from the original 2021-22 audit, five of which were medium priority and one low priority.

2.3.2 The follow-up audit was timed to ensure consideration of Ideagen, the Council's performance and risk management system that was introduced in April 2023. The follow-up confirmed that five recommendations were implemented and one was in progress.

2.3.3 The implemented recommendations included:

i. Review and update of the Council's Risk Management Policy Statement Policy Strategy. Audit and Standards Committee approval of the document was obtained in April 2023. Recommendation 1 – Medium Priority.

ii. Regular review of the Strategic Risk Register by the Audit and Standards Committee. 'Corporate Risk Register Update' has been a standing item on the Audit and Standards Committee agenda from July 2022. This is supported by regular Member risk management training; and all Members having access to the Strategic Risk Register on Ideagen. Recommendation 2 – Medium Priority.

iii. Completion of a risk management survey with Leadership Management Team to support update of the Risk Management Policy Statement and Strategy; the Risk

Management Toolkit; and training for officers. Recommendation 4 – Medium Priority.

iv. The provision of ongoing risk management training for officers. The most recent training was delivered between 26th January 2024 and 20th February 2024, aligning to the Council's new Risk Management Toolkit and the Ideagen risk management process. Recommendation 5 – Medium Priority.

v. Risk Champions have been established within the Policy and Governance Team to provide support to the wider Council on risk management and Ideagen use. This approach will be reviewed within 2024-25. Recommendation 6 – Low Priority.

2.3.4 The development of a risk assurance map (Recommendation 3 – Medium Priority) was in progress at the point of audit follow-up.

2.3.5 The Risk Assurance Map consultancy review outcomes were reported to Audit and Standards Committee in January 2024. The focus of the consultancy assignment was to support the Council with the development of a risk assurance map through the provision of advice, guidance and progression options. The Council target to draft a risk assurance map by the end of quarter 1 2024-25, with presentation to the following Audit and Standards Committee meeting.

2.4 Audit Activity: OOH Follow-Up (Service Area: Communities)

2.4.1 The audit followed up the implementation of 24 agreed recommendations made from the original 2021-22 audit, 12 of which were high priority and 12 medium priority.

2.4.2 The follow-up audit confirmed that all 24 recommendations have been implemented. This has been actioned by the Council through:

i. In-sourcing the OOH repairs service from June 2022 with contracts in place for specific repair specialisms. The OOH call handling service is also delivered through a contract, with contract provider change in quarter 4 2022-23.

ii. Defined service roles and responsibilities. Service delivery oversight is provided by the Operations Manager and the Head of Assets and Investments.

iii. OOH service Procedures Manual updated to include all key areas (for example, roles and responsibilities, service objectives, performance management, and business continuity arrangements).

iv. OOH call handling process flowchart update for use by the OOH call handling contractor and the Council.

v. Evidenced risk management arrangements, including risk review at service and contract meetings and update of relevant Ideagen risk registers.

vi. Contract Management Framework refresh, approval and roll out to officers. For example, updated guidance on contract extension; contract failure reviews and reporting; and contract exit strategy and lessons learned.

vii. Evidenced regular performance review of the OOH call handling contract. For example, key performance indicators are scrutinised at each contract meeting between the Council and the OOH call handling contractor.

3.0 Counter Fraud Update – Summary of Counter Fraud Activities

3.1 Current Year Counter Fraud Activities

i. To date in 2023-24 there has been one new irregularity referred to the ARA Counter Fraud Team (CFT). This case has now been closed.

ii. The case was in respect of a resident who had claimed Council Tax single person discount. The Council received information advising that the individual was not living alone in the property and therefore was not eligible for the discount. The claims were investigated, and this has now been resolved and the discount removed.

iii. 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.

iv. 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.

v. In addition to the above, Counter fraud advice and alerts are routinely provided outside of the creation of referrals and cases.

vi. The CFT also maintains the Council's counter fraud intranet and webpages.

3.2 National Fraud Initiative (NFI)

i. Internal Audit continues to support the NFI which is a biennial data matching exercise administered by the Cabinet Office. Stroud District Council data for the 2022-23 NFI exercise has been uploaded successfully and is considered compliant.

ii. Data matches have been released by NFI and are now available for the Council teams to review.

iii. The Council has signed up to participate in a couple of NFI pilot schemes. One 'Council Tax data to Deceased Data' and the other being 'Housing Tenancy'.

iv. The full NFI timetable can be found using the link available on GOV.UK – https://www.gov.uk/government/publications/national-fraud-initiative-timetables.

v. Examples of data sets includes housing, insurance, payroll, creditors, council tax, electoral register and licences for market trader/operator, taxi drivers and personal licences to supply alcohol.

vi. 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.

3.3 National Anti-Fraud Network (NAFN)

i. 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 and currently hosted by Tameside MBC.

ii. Membership is open to any organisation which has responsibility for managing public funds and/or assets. Use of NAFN services is voluntary, which ensures the provision of value for money. Currently, almost 90% of local authorities are members and there are a rapidly growing number of affiliated wider public authorities including social housing providers.

iii. Many potential attempted frauds are intercepted. This is due to a combination of local knowledge together with the credible national communications including those from the NAFN being swiftly cascaded to teams where more national targeted frauds are shared for the purpose of prevention.