

Annual report on Internal Audit Activity 2020-2021



Audit and Standards Committee
13 July 2021



Agenda Item 6
Appendix 1

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(1) Introduction

All local authorities must make proper provision for Internal Audit in line with the 1972 Local Government Act (S151) and the Accounts and Audit Regulations 2015. The latter states that *‘a relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards (PSIAS) or guidance’*.

The standards define the way in which the Internal Audit Service should be established and undertake its functions. The Council’s Internal Audit service is provided by Audit Risk Assurance (ARA) under a Shared Service agreement between Stroud District Council, Gloucester City Council and Gloucestershire County Council and carries out the work required to satisfy this legislative requirement and reports its findings and conclusions to management and to this Committee.

The standards also require that an independent and objective opinion is given on the overall adequacy and effectiveness of the control environment, comprising risk management, control and governance, from the work undertaken by the Internal Audit Service.

The Shared Service Internal Audit function is conducted in conformance with the International Standards for the Professional Practice of Internal Auditing.

(2) Responsibilities

Management are responsible for establishing and maintaining appropriate risk management processes, control systems (financial and non financial) and governance arrangements.

Internal Audit plays a key role in providing independent assurance and challenge, advising the organisation that satisfactory arrangements are in place and operating effectively.

Internal Audit is not the only source of assurance for the Council. There are a range of external audit and inspection agencies as well as management processes which also provide assurance and these are set out in the Council’s Code of Corporate Governance and its Annual Governance Statement.

(3) Purpose of this Report

One of the key requirements of the PSIAS is that the Head of ARA should provide an annual report to those charged with governance, to support the Annual Governance Statement. The content of the report is prescribed by the PSIAS which specifically requires Internal Audit to:

- Provide an opinion on the overall adequacy and effectiveness of the organisation's internal control environment and disclose any qualifications to that opinion, together with the reasons for the qualification;
- Compare the actual work undertaken with the planned work, and present a summary of the audit activity undertaken from which the opinion was derived, drawing attention to any issues of particular relevance;
- Summarise the performance of the Internal Audit service against its performance measures and targets; and
- Comment on compliance with the PSIAS.

When considering this report, the Committee may also wish to have regard to the quarterly interim Internal Audit progress reports presented to the Committee during 2020/21.

(4) Head of ARA's Opinion on the Council's Internal Control Environment

In providing my opinion it should be noted that assurance can never be absolute. The most that Internal Audit can provide is a reasonable assurance that there are no major weaknesses in risk management arrangements, control processes and governance. The matters raised in this report and our quarterly monitoring reports, are only those that were identified during our Internal Audit work and are not necessarily a comprehensive statement of all the weaknesses that may exist or represent all of the improvements required.

Head of ARA's Opinion

I am satisfied that, based on the Internal Audit activity undertaken during 2020/21 and management's actions taken in response to that activity, enhanced by the work of other external review agencies, sufficient evidence is available to allow me to draw a reasonable conclusion as to the adequacy and effectiveness of Stroud District Council's overall internal control environment.

In my opinion, based on Internal Audit work undertaken and completed whilst emergency measures were implemented as a result of the pandemic, Stroud District Council has, a **Satisfactory** overall control environment, to enable the achievement of the Council's outcomes and objectives.

This opinion will feed into the Annual Governance Statement which will be published alongside the Annual Statement of Accounts.

(4a) Scope of the Internal Audit Opinion

In arriving at my opinion, I have taken into account:

- The results of all Internal Audit activity undertaken during the year ended 31st March 2021 and whether our high and medium priority recommendations have been accepted by management and, if not, the consequent risk;
- The effects of any material changes in the Council's risk profile, objectives or activities;
- Matters arising from Internal Audit quarterly progress reports or other assurance providers to the Audit and Standards Committee;
- Whether or not any limitations have been placed on the scope of Internal Audit activity; and
- Whether there have been any resource constraints imposed on Internal Audit which may have impacted on our ability to meet the needs of the organisation.

(4b) Limitations to the scope of our activity

I can confirm that there have been no limitations to the scope of our activity or resource constraints imposed on Internal Audit which have impacted on our ability to meet the needs of the Council. I can further confirm that there were no material changes in the Council's risk profile, objectives or activities. Whilst the core Internal Audit service is provided by the ARA shared service during 2020/21, the Head of ARA has:

- Commissioned external specialist ICT audit via Warwickshire County Council's Internal Audit Framework Agreement; and
- Arrangements in place with Gloucestershire NHS Counter Fraud Service to provide support with investigations.

(5) Summary of Internal Audit Activity undertaken compared to that planned

The underlying principle to the 2020/21 Internal Audit Plan is risk and as such, audit resources were directed to areas which represented 'in year risk'. Variations to the plan are made to adequately reflect any changes in the Council's risk profile.

Members approved the original Internal Audit Plan 2020/21 at the 26th May 2020 Audit and Standards Committee meeting.

Covid-19 placed significant pressures on Council services and impacted (and continues to impact) on its priorities, objectives and risk environment. Due to this changing position and to ensure that the Risk Based Internal Audit Plan met the assurance needs of the Council, it was reviewed and refreshed in consultation with Officers (Strategic Leadership Team, Heads of Service and Service Managers). This included consideration of newly identified activities, current activities that should be prioritised within 2020/21 and activity deferrals/cancellations (due to risk).

The Revised Internal Audit Plan 2020/21 was presented to Audit and Standards Committee on 6th October 2020 and approved.

This included reflection of the new activities completed by ARA since the start of the pandemic. For example, and as reflected within the Annual Report on Internal Audit Activity 2020/21, ARA has:

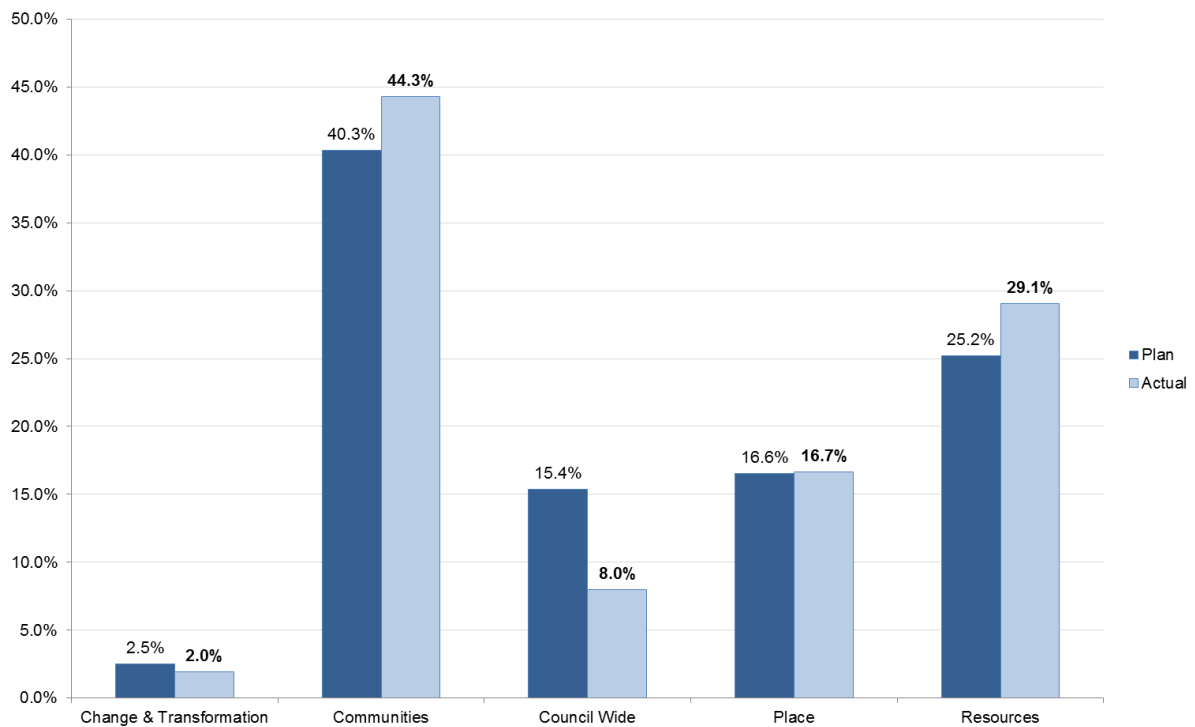
- Provided consultancy support (from both our Internal Audit and Counter Fraud teams) to the Revenues and Benefits service and Finance regards Business Grants and Supplier Relief.
- Progressed Internal Audit review of the Lost Sales, Fees and Charges Grant (Covid-19) claims 1 and 2; and
- Completed review of the financial close information required to support stage 2 of the Council's Ofgem Application: Non-Domestic Renewable Heat Incentive.

Plan changes are detailed in **Attachment 2** (the Summary Activity Progress Report 2020/21).

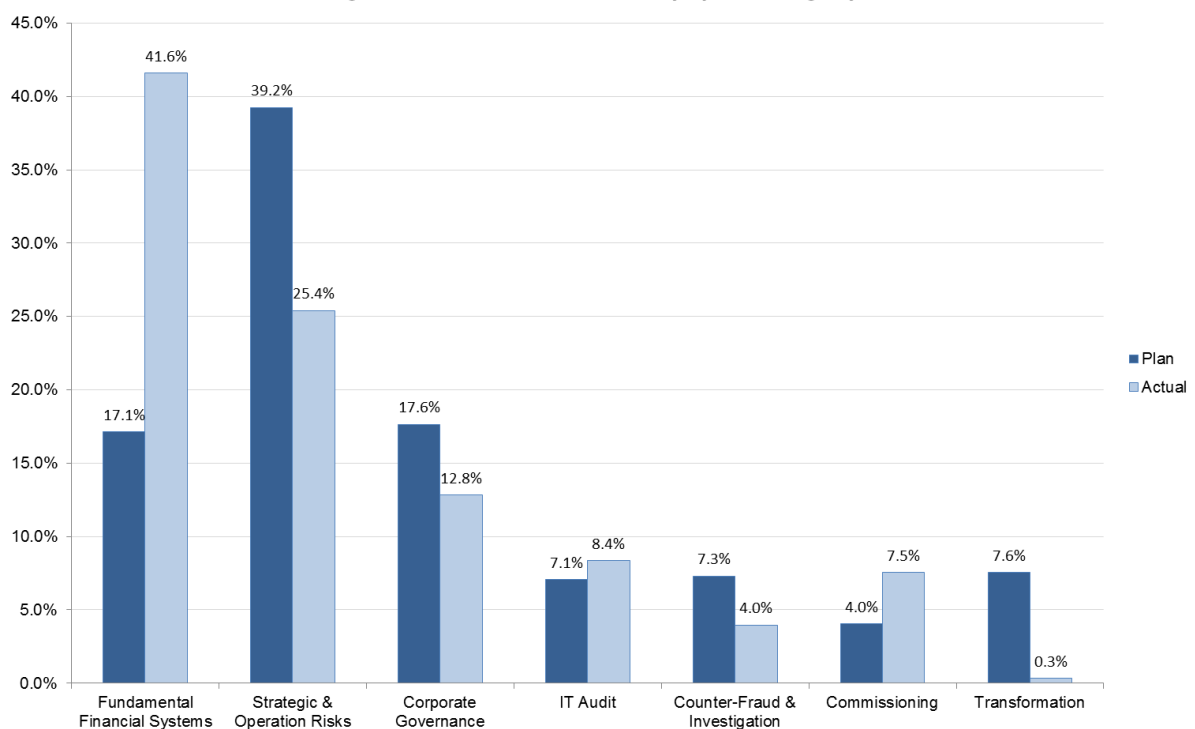
The net effect is that although the work undertaken was different to that originally planned we are able to report that we achieved **89%** of the overall approved Revised Internal Audit Plan 2020/21, against a target of 85%. The actual percentage achieved has been adversely affected by Covid-19 and being unable to finalise a number of activities which otherwise would have been completed.

The bar charts below summarise the percentages of planned audits per service area and category of activity compared with the percentage of actual audits completed.

Percentage of Planned vs Actual Days per Service Area 2020/21



Percentage of Planned vs Actual Days per Category 2020/21



Example rationale for the variance between 2020/21 planned and actual days per service area and category include (but are not exclusive to):

- The in year Plan revision activity (Covid-19) causing shift in the activities to be delivered:
 - New activities including but not exclusive to Covid-19 Business Grants and the Lost Sales, Fees and Charges claims;
 - Audit deferrals into the 2021/22 Plan such as Carbon Neutral – Strategy, Constitution Review, Corporate Delivery Plan, IT Infrastructure Strategy, Anti-Social Behaviour Management, Careline Service, Housing Benefits – Overpayments and Youth Service;
- Activities brought forward for completion from the 2019/20 Plan (ICT action plan and Complaints Handling);
- Audit activity where actual days were in excess of those originally budgeted (such as Tenancy Lettings and Electrical Works Contract) or less than those originally budgeted (such as Complaints Handling), due to the findings and outcomes of the audit work; and
- The impact of potential fraud / irregularity referrals. The outcome of this work is detailed within section 7 of this report.

(6) Summary of Internal Audit Activity undertaken which informed our opinion

The schedule provided at **Attachment 1** within this report provides the summary of 2020/21 audits which have not previously been reported to the Audit and Standards Committee.

The schedule provided at **Attachment 2** contains a list of all of the audit activity undertaken during 2020/21, which includes, where relevant, the assurance opinions on the effectiveness of risk management arrangements and control processes in place to manage those risks and the dates where a summary of the activities outcomes has been presented to the Audit and Standards Committee.

Explanations of the meaning of these opinions are shown below.

Assurance levels	Risk Identification Maturity	Control Environment
Substantial	Risk Managed Service area fully aware of the risks relating to the area under review and the impact that these may have on service delivery, other services, finance, reputation, legal, the environment, client/customer/partners, and staff. All key risks are accurately reported and monitored in line with the Corporate Risk Management Strategy.	<ul style="list-style-type: none"> • System Adequacy – Robust framework of controls ensures that there is a high likelihood of objectives being achieved • Control Application – Controls are applied continuously or with minor lapses
Satisfactory	Risk Aware Service area has an awareness of the risks relating to the area under review and the impact that these may have on service delivery, other services, finance, reputation, legal, the environment, client/customer/partners, and staff, however some key risks are not being accurately reported and monitored in line with the Corporate Risk Management Strategy.	<ul style="list-style-type: none"> • System Adequacy – Sufficient framework of key controls for objectives to be achieved but, control framework could be stronger • Control Application – Controls are applied but with some lapses
Limited	Risk Naïve Due to an absence of accurate and regular reporting and monitoring of the key risks in line with the Corporate Risk Management Strategy, the service area has not demonstrated an adequate awareness of the risks relating to the area under review and the impact that these may have on service delivery, other services, finance, reputation, legal, the environment, client/customer/partners and staff.	<ul style="list-style-type: none"> • System Adequacy – Risk of objectives not being achieved due to the absence of key internal controls • Control Application – Significant breakdown in the application of control

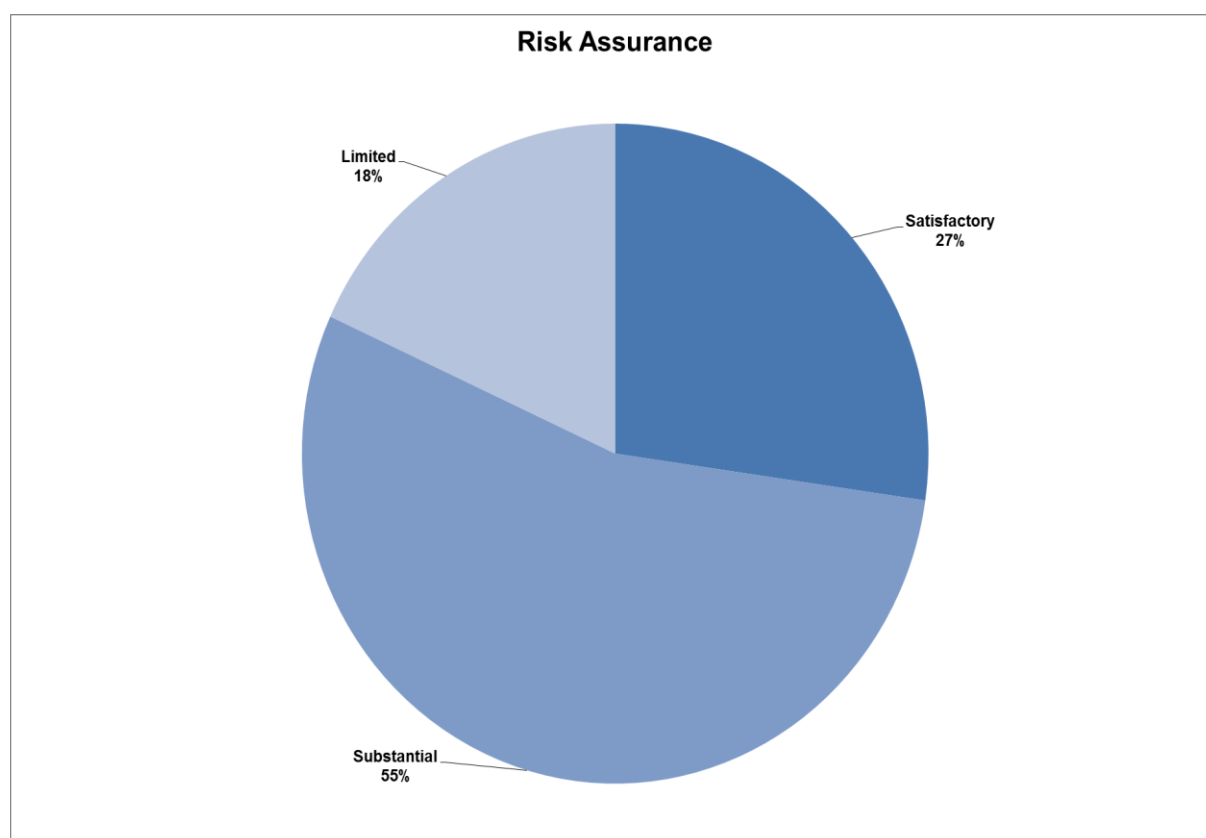
(6a) Internal Audit Assurance Opinions on Risk and Control

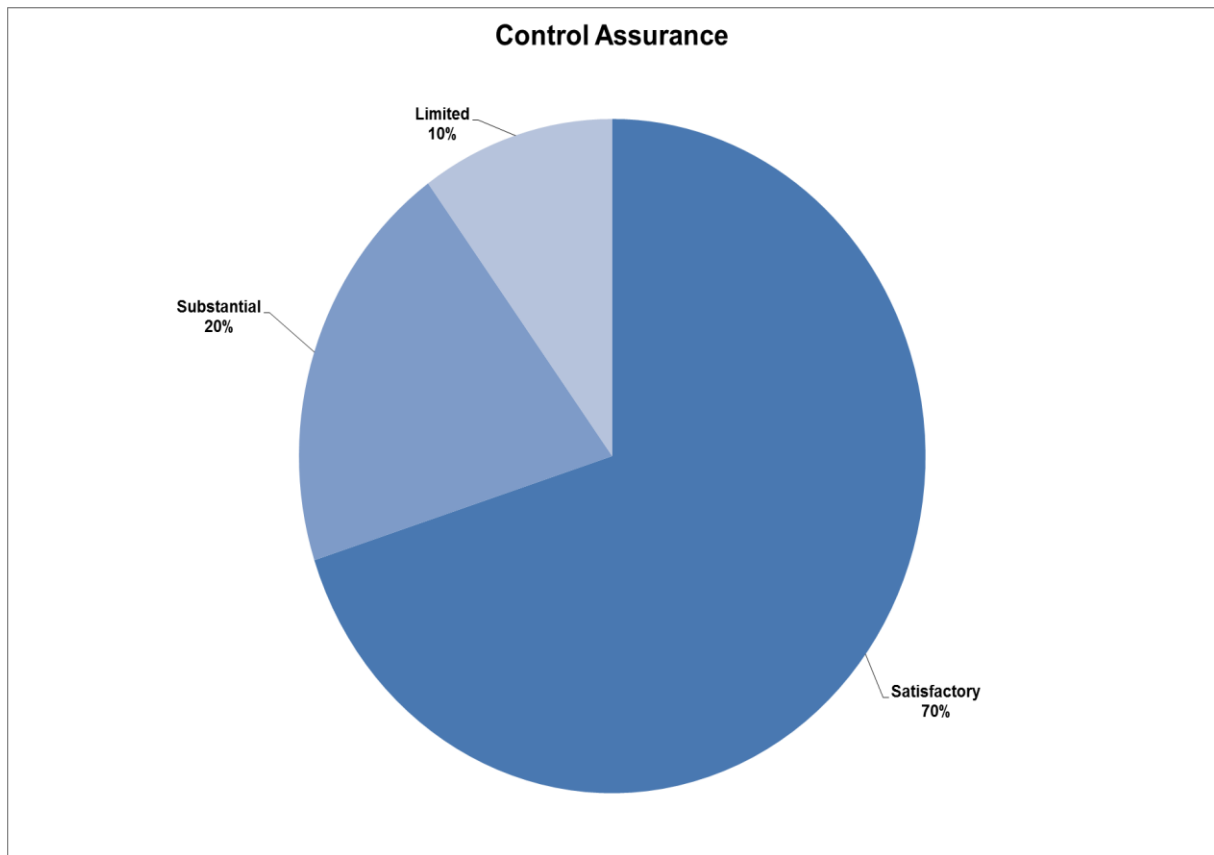
The pie charts provided below show the summary of the risk and control assurance opinions provided within each category of opinion i.e. substantial, satisfactory and limited.

It is noted that the split assurance risk opinion (Limited/Satisfactory) on Tenancy Lettings reported to Committee in January 2021 has been reflected in both relevant assurance levels (limited/satisfactory) within the risk assurance pie chart.

ARA can report that the Council is showing that **90%** of the activities reviewed have received a **substantial (20%)** or **satisfactory (70%)** opinion on control. Whilst **10%** of the opinions on control are limited, this maybe related to transformational change, continued focusing of our activity on the key risks of the Council and specific requests from Directors, who are asking for areas to be reviewed where issues have arisen or where independent assurance is required.

Risk and Control Opinions 2020/21





(6b) Limited Control Assurance Opinions

Where Internal Audit activity records that a limited assurance opinion on control has been provided, the Audit and Standards Committee may request Senior Management attendance to the next Committee meeting to provide an update as to actions taken to address the risks and associated recommendations identified by Internal Audit.

(6c) Audit Activity where a Limited Assurance Opinion has been provided on Control

During 2020/21, one limited opinion on control was provided. This related to:

Audited Service Area	Date reported to Audit and Standards Committee
Electrical Works Contract	17 th November 2020

(6d) Satisfactory Control Assurance Opinions

Where Internal Audit activity records that a satisfactory assurance opinion on control has been provided where recommendations have been made to reflect some improvements in control, the Audit and Standards Committee and Senior Leadership Team can take assurance that improvement actions have been agreed with management to address these.

(6e) Internal Audit recommendations made to enhance the control environment

Year	Total No. of high priority recs.	% of high priority recs. accepted by management	Total No. of medium priority recs.	% of medium priority recs. accepted by management	Total No. of recs. made
2018/19	11	100%	28	100%	39
2019/20	14	100%	53	100%	67
2020/21	15	100%	29	100%	44

The Audit and Standards Committee and Senior Leadership Team can take assurance that all high priority recommendations will remain under review by Internal Audit, by obtaining regular management updates, until the required action has been fully completed.

(6f) Risk Assurance Opinions

There were two audits where a limited assurance opinion was given on risk during 2020/21 which related to:

Audited Service Area	Date reported to Audit and Standards Committee
Electrical Works Contract	17 th November 2020
Tenancy Lettings (split opinion on risk assurance – Limited/Satisfactory)	26 th January 2021

Where limited assurance opinions on risk are provided, the relevant risk management lead officers within the Council are made aware, to ensure that the risks highlighted by Internal Audit are placed on the relevant risk registers. The monitoring of the implementation of the recommendations is then owned by the relevant manager and helps to further embed risk management into the day to day management, risk monitoring and reporting processes.

(6g) Limited Assurance Opinions Direction of Travel

Internal Audit undertakes a follow up review of every audit (where relevant) where a limited assurance opinion on the control environment has been provided. The tables below show the changes in the risk and control opinions. This provides reasonable assurance that management have taken actions to address the Internal Audit recommendations made, reducing the risk exposure.

	2019/20		2020/21		Direction of Travel
	Risk Opinion	Control Opinion	Risk Opinion	Control Opinion	
Gloucestershire Building Control Partnership	Limited	Limited	Substantial	Satisfactory	↑
Littlecombe Scheme	Limited	Limited	Substantial	Satisfactory	↑
Private Sector Housing (Empty Homes)	Satisfactory	Limited	Follow up review included within the approved 2021/22 Internal Audit Plan.		
Creditors	Satisfactory / Limited (split opinion)	Satisfactory / Limited (split opinion)	Follow up review included within the approved 2021/22 Internal Audit Plan.		

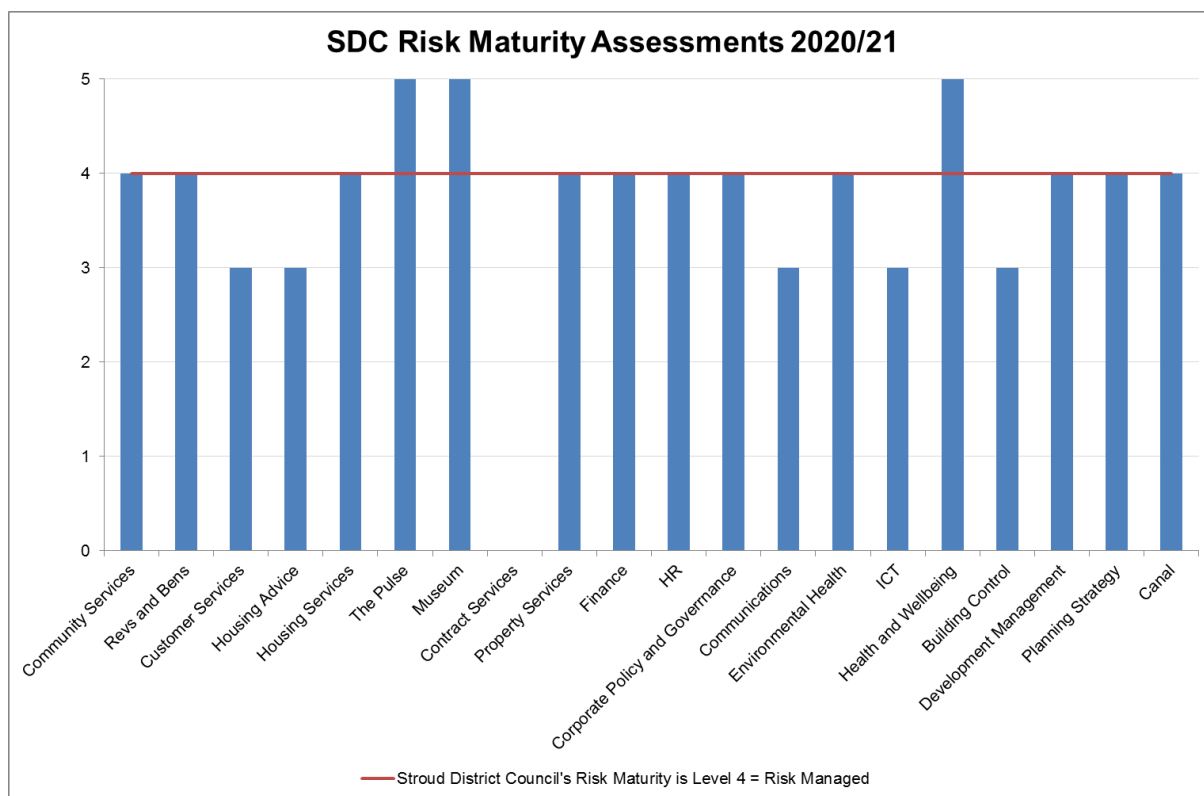
(6h) Internal Audit's Review of Risk Management

During 2020/21, **82%** of the audited areas rated the effectiveness of risk management arrangements as **substantial (55%)** or **satisfactory (27%)** with **18%** obtaining a limited assurance opinion. This evidences that risk management continues to be further embedded into the Council's business activities.

As previously confirmed, the split assurance risk opinion (Limited/Satisfactory) on Tenancy Lettings reported to Committee in January 2021 has been reflected in both relevant assurance levels (limited/satisfactory) within the risk assurance statistics.

The above position is supported by the Stroud District Council Annual Governance Statement 2020/21 outcomes. The assurance statements obtained from all Directors and Service Managers across the Council (when formulating the Annual Governance Statement), provided reasonable assurance that management apply the Council's Risk Management Strategy and principles within their service areas.

This assessment (as shown below) identified that Stroud District Council's risk maturity level 2020/21 is level 4 out of 5: Risk Managed: established risk management with planned extension /development.



Risk Maturity Level	Level 1 Developing (Risk Naïve)	Level 2 Progressing (Risk Aware)	Level 3 Operational (Risk Defined)	Level 4 Embedded & Engaged (Risk Managed)	Level 5 Dynamic & Empowering (Risk Enabled)
	No formal approach to risk management.	Consulting and planning to implement risk management.	Early Stages of implementation.	Established risk management with planned extension /development.	Fully established and effective risk culture at all levels.

It is noted that an independent review of the council's risk management framework and approach will be completed in 2021/22. This will assess the council's position against regulatory requirements and best practice, to support the council's continued direction of travel in the area.

(7) Summary of additional Internal Audit Activity

(7a) Special Investigations/Counter Fraud Activities

Current Status

The Counter Fraud Team (CFT) within Internal Audit has received five actionable referrals in 2020/21 to date, four of which have been closed and three have been previously reported to the Audit and Standards Committee.

The fourth closed case related to what was thought to be a potential fraudulent application for a Government Covid-19 Small Business Grant. Investigations into the application established that the property had transferred to a new owner who had failed to advise the Council of the change of ownership. The grant was subsequently paid. The remaining open case is Covid-19 grant related and will be reported on further once closed.

In addition to the referrals that require further investigation, the CFT has continued to provide support and guidance to the Council in respect of the government initiative Coronavirus: Small Business Grant Fund (SBGF) and more recently the Restart Grant as requested. Please also see the Business Grants summary paragraph within **Attachment 1** for a more detailed description of the wider assistance in this area provided by the ARA team (from both an Internal Audit and CFT perspective).

During the pandemic lockdowns, several potential attempted frauds have been intercepted. This is due to a combination of local knowledge and also the national communications being swiftly cascaded to teams where more targeted frauds are shared for the purpose of prevention. In June 2020 the CFT assisted the Council in recovering £10,000. A system error resulted in one business receiving a £10,000 grant payment twice. When contacted the business owner was initially reluctant to repay the money as it was a Council error.

A number of Counter Fraud initiatives were promoted throughout the year including signing up to becoming a supporter of International Fraud Awareness Week. This is an annual event that takes place in November each year. During the week, social media and information flyers were used to raise counter-fraud awareness.

Any fraud alerts received by Internal Audit from National Anti-Fraud Network (NAFN) and other credible organisations such as CIFAS are passed onto the relevant service areas within the Council, to alert staff to the potential fraud.

Since the start of the Covid-19 pandemic ARA has provided the Council with regular updates on local and national scams which sought to take advantage of the unprecedented circumstances, including a rise in bank mandate frauds, inflated claims, duplicate payments and the submission of fraudulent SBGF applications together with frauds aimed at targeting staff that were working from home.

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 for the 2021/22 exercise have been uploaded to the Cabinet Office. The release of the data matches began in mid January 2021 and staff have been advised that the matches are now ready for review. The timetable can be found using the following link [GOV.UK](https://www.gov.uk).

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 always investigated but where possible all recommended matches are reviewed by either Internal Audit or the appropriate service area within the Council.

It is understood that the CFU will be undertaking some of the match reviews on behalf of the council and the findings will be reported to the Audit and Standards Committee separately.

Monitoring and Review

The Committee can also take assurance that all special investigations/counter fraud activities are reported to the Chief Executive, Monitoring Officer and Director of Resources (S151 Officer) as required, who challenge, monitor management actions and follow-up progress to date and approve all police referrals.

(7b) Local Government Transparency Code 2015

Introduction

This Code is issued to meet the Government's desire to place more power into citizens' hands to increase democratic accountability and make it easier for local people to contribute to the local decision making process and help shape public services.

Transparency is the foundation of local accountability and the key that gives people the tools and information they need to enable them to play a bigger role in society. The availability of data can also open new markets for local business, the voluntary and community sectors and social enterprises to run services or manage public assets.

Detecting and preventing fraud (taken from Annex b of code)

Tackling fraud is an integral part of ensuring that tax payers' money is used to protect resources for frontline services. The cost of fraud to local government was estimated within the FFCL strategy in 2013 as £2.1 billion a year although it was thought to be underestimated at the time.

In 2017 the Annual Fraud Indicator produced by Crowe Clark Whitehill, in collaboration with Experian and the Centre for Counter Fraud studies at the University of Portsmouth, estimated that the true figure may be as high as £7.8bn from a total of £40.4bn for the public sector as a whole. Every pound lost to fraud is a pound not spent on supporting local communities and is money that can be better used to support the delivery of front line services and make savings for local tax payers.

A culture of transparency should strengthen counter-fraud controls. The Code makes it clear that fraud can thrive where decisions are not open to scrutiny and details of spending, contracts and service provision are hidden from view. Greater transparency, and the provisions in this Code, can help combat fraud.

Local authorities must annually publish the following information about their counter fraud work (as detailed for Stroud District Council) in the table below:

Council wide fraud and irregularity activity relating to 2020/21 including Internal Audit activity

Council wide fraud and irregularity activity relating to 2020/21 including Internal Audit activity

Question	Stroud District Council Response
Number of occasions they use powers under the Prevention of Social Housing Fraud (Power to Require Information) (England) Regulations 2014, or CTRS Regs 2013.	3
Total number (absolute and full time equivalent) of employees undertaking investigations and prosecutions of fraud.	The Council has access to 2.6 FTE fraud investigators as part of the Internal Audit shared service arrangement with Gloucestershire County Council and Gloucester City Council (ARA – Audit, Risk Assurance) together with access to the Counter Fraud Unit (CFU).
Total number (absolute and full time equivalent) of professionally accredited counter fraud specialists.	The Council has access to 2.6 FTE fraud investigators as part of the Internal Audit shared service arrangement with Gloucestershire County Council and Gloucester City Council (ARA – Audit Risk Assurance) together with access to the Counter Fraud Unit (CFU).

Question	Stroud District Council Response
Total amount spent by the authority on the investigation and prosecution of fraud.	Approximately £20,158.34 in staff time from ARA/CFU. Staff employed by SDC unknown.
Total number of fraud cases investigated.	27

In addition to the above, it is recommended that local authorities should go further than the minimum publication requirements set out above (as detailed for Stroud District Council) in the table below.

Question	Stroud District Council Response
Total number of cases of irregularity investigated.	23
Total number of occasions on which a) fraud and b) irregularity was identified.	(a) 2 (b) 0
Total monetary value of a) the fraud and b) the irregularity that was detected.	(a) Estimated £48,571.94 (b) £4700.53 ((Excludes ongoing cases where value is currently not known)
Total monetary value of a) the fraud and b) the irregularity that was recovered.	(a) £10,000 (b) £0 Excludes ongoing cases where value is currently not known.

Full details about the code and its requirements can be found at:

<https://www.gov.uk/government/publications/local-government-transparency-code-2015>

(8) Internal Audit Effectiveness

The Accounts and Audit Regulations 2015 require '*a relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance*'. This process is also part of the wider annual review of the effectiveness of the internal control system, and significantly contributes towards the overall controls assurance gathering processes and ultimately the publication of the Annual Governance Statement.

The Accounts and Audit Regulations 2015 also state that Internal Audit should conform to the Public Sector Internal Audit Standards (PSIAS) 2017.

Public Sector Internal Audit Standards (PSIAS)

These standards have four key objectives:

- Define the nature of Internal Audit within the UK public sector;
- Set basic principles for carrying out Internal Audit in the UK public sector;
- Establish a framework for providing Internal Audit services, which add value to the organisation, leading to improved organisational processes and operations; and
- Establish the basis for the evaluation of Internal Audit performance and to drive improvement planning.

The Internal Audit Strategies, Charter, Quality Assurance and Improvement Programme (QAIP), Code of Ethics and the Audit and Standards Committee's Terms of Reference all reflect the requirements of the standards.

External Assessment of the effectiveness of Internal Audit

There is a requirement under the PSIAS i.e. Standard Ref '1312 External Assessments' for Internal Audit to have an external quality assessment which must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. The standards require the Head of ARA to discuss the following with the Audit and Standards Committee:

- The form of external assessment; and
- The qualifications and independence of the external assessor or assessment team, including any potential conflict of interest.

The latest review was undertaken during May 2020 by the Chartered Institute of Internal Auditors (CIIA). The EQA assessment concluded that:

"We are pleased to report that the ARA team meet each of the 64 Standards, as well as the Definition, Core Principles and the Code of Ethics, which form the mandatory elements of the Public Sector Internal Audit Standards (PSIAS) and the Institute of Internal Auditors' International Professional Practices Framework (IPPF), the globally recognised standard for quality in Internal Auditing. There are no formal recommendations for improvement".

To summarise, we are delighted to report that the ARA team are excellent in their:

- *Reflection of the Standards;*
- *Focus on performance, risk and adding value; and*

- *Quality Assurance and Improvement Programme*

We believe that the ARA team are good in their:

- *Operating with efficiency.*

Finally, like many internal audit functions at the present time, we consider that the ARA team is satisfactory in:

- *Coordinating and maximising assurance.*

The need to consider how best to rely on and coordinate with other assurance providers remains an emerging area of internal audit, and assurance practice. It depends as much on the other assurance providers as it does on internal audit.

In conclusion, this is an excellent result and the CIA and the ARA team as a whole should be justifiably proud of their service, its approach, working practices and how key stakeholders' value it.

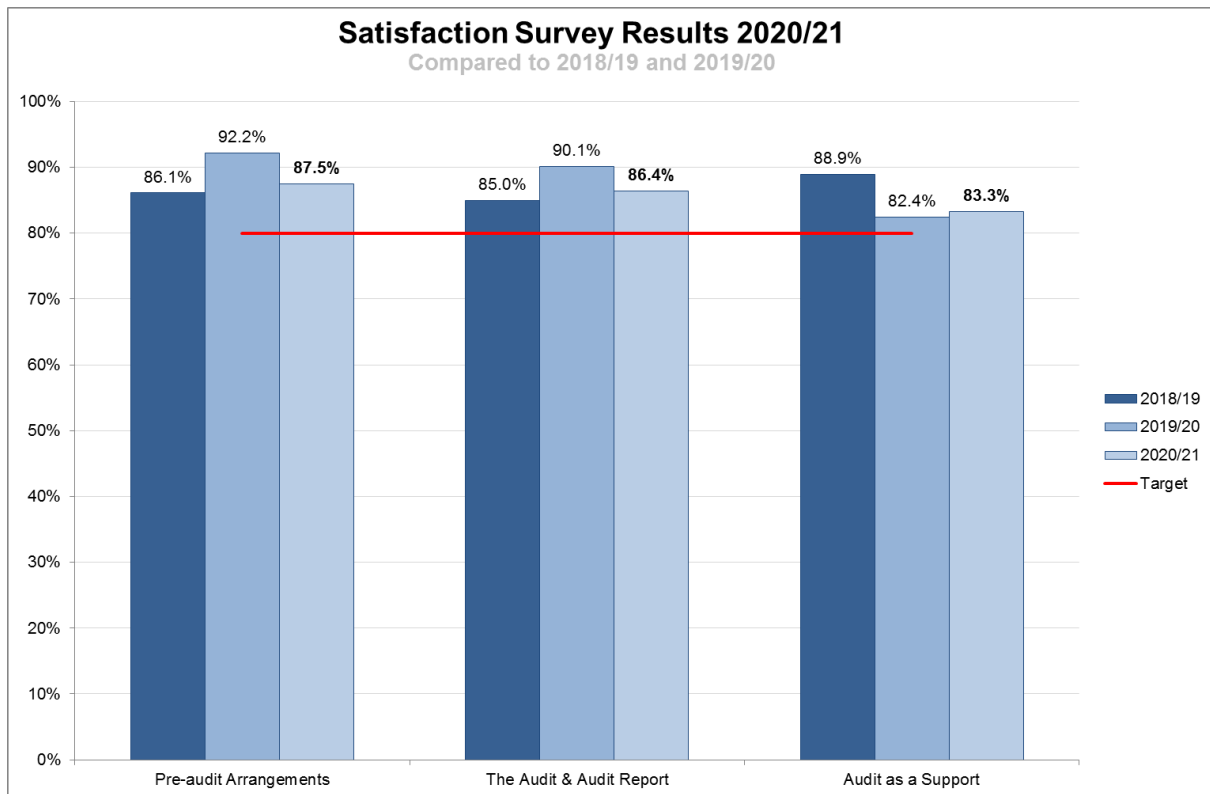
It is therefore appropriate for the function to say in reports and other literature 'Conducted in Conformance with the International Standards for the Professional Practice of Internal Auditing'."

The full EQA report and outcome were a separate item on the 29th July 2020 Audit and Standards Committee agenda.

Internal Assessment - Customer Satisfaction Survey results 2020/21

At the close of each Internal Audit review a customer satisfaction questionnaire is sent out to the Strategic Head, Service Manager or nominated officer. The aim of the questionnaire is to gauge satisfaction of the service provided such as timeliness, quality and professionalism. Customers are asked to rate the service between excellent, good, fair and poor.

A target of 80% was set where overall, Internal Audit was assessed as good or better. The latest results as summarised below, shows that the target has been exceeded, with the score of **83.3%** reflecting Internal Audit as being a positive support to their service.



In addition, the following positive comments have been received from our customers:

“a big round of applause for everyone”

“The auditor provided links to other resources which he thought may be useful and provided guidance for suggestions he had made, such as re the development of an Incident response Plan”

“Insight into the wider performance management and risk management arrangements that the recovery work will be integrated with”

“The flexibility and movement offered in meetings and actions at a time when we were experiencing high work demands was really appreciated”

“The service was great”

“I’m really happy with this and just want to say thank you for your continued support, I really do appreciate it and all you do too”

“This was a follow up Audit, I appreciated the continuity provided by the auditor, he knew the service in sufficient detail to understand the difficulties associated with carrying out a joint audit across two Council's. The service limitations during Covid were understood by the auditor.

The auditor also understood the legislative background and the 101 agreement. The audit has helped the service and the shared service board simplify the governance arrangements to concentrate on the important areas of governance”

“I’ll echo that, a massive thank you to everyone in this effort. ARA have been vital in making sure that the grants process is a success and your ongoing support is a key part of the team effort!”

Lessons Learned from customer feedback and actions taken by Internal Audit

The Head of ARA reviews all client feedback survey forms and where a less than good rating has been provided by the client, a discussion is held with both the relevant auditor and the manager to establish the rationale behind the rating and where appropriate actions are agreed and taken to address any issues highlighted.

“The only activity that was less effective was the reporting of the previous limited assurance to Audit and Standards committee, and the understanding of the roles of the service and the shared service board.”

“Demonstrate a greater understanding Partnering Term Contracts”

ARA greatly appreciate the opportunity to drive improvement for our services. Consideration of the limited assurance management update approach and ensuring appropriate ARA activity planning for all activities will be a primary focus in 2021/22.

ARA Learning and Development

Development of leaders, managers and staff within ARA is a key priority, to ensure that the service has the qualities, behaviours and skills to deliver efficient and effective services to our partners and external clients.

The Head of ARA is a member of the Chartered Institute of Internal Auditors Heads of Internal Audit Forum, Local Authorities Chief Auditor’s Network, Midland Counties Chief Internal Auditor Network and the Midland District Chief Internal Auditors Group. ARA staff participate in Continuing Professional Development (CPD) and / or are members of other relevant Internal Audit, counter fraud and risk related forums / groups, all of which provides the opportunities to discuss and understand the latest developments affecting these profession, contribute to strategy, exchange ideas and work collaboratively on problems and issues.

ARA is committed to offering a structured trainee auditor programme, to attract people to the Council and to the profession. ARA currently supports four trainee auditor posts within the team, two of which were recruited within 2021 to support ongoing service resilience. The Trainee Auditor post type supports completion of the IIA Certified Internal Auditor qualification and enables progression to a Senior Auditor role over a two to three year period, through a ‘grow our own’ approach.

ARA Partner Dividend

During 2020/21 ARA has been in a position to be able to provide a dividend to the Council in the sum of £7,308. This is due to efficiencies achieved by the shared service during this period.

Completed 2020/21 Internal Audit Plan Activity during the period April – June 2021

Summary of Satisfactory Assurance Opinions on Control

Service Area: Resources

Audit Activity: Information Management (Data Breaches)

Background

The Information Commissioners Office (ICO) is the UK's independent authority set up to uphold information rights in the public interest, promoting openness by public bodies and data privacy for individuals. The ICO is responsible for promoting good practice in handling personal data and giving advice & guidance on data protection.

There are specific regulations from the Information Commissioners Office that detail what is regarded as a data breach and what actions a company must take to report these 'breach events'.

An audit of Stroud District Council's (the Council) General Data Protection Regulation (GDPR) framework to ensure compliance of these regulations was completed in July 2019, which resulted in a satisfactory assurance for both risk identification and control environment being provided. This audit also incorporated a review of the reporting and management of data breaches.

Since the date of the last review (July 2019), there have been organisational and staffing changes within the service area responsible for reporting data breaches. In addition, due to the pandemic the majority of staff now working remotely, the likelihood of a data breach materialising could increase. Therefore this high profile area was identified by Internal Audit as part of its risk based programme of work as requiring an early revisit to ensure the effectiveness of the management of this process.

Scope

This audit sought to review the effectiveness of the Council's arrangements for reporting and managing data breach incidents to give assurance that an ICO regulations compliant breach reporting process is in place and followed.

The Council's information governance process, during the audit, was in a transitional phase to further improve and strengthen staff and Member awareness of their role and requirements in this important area.

Based on this position, Internal Audit has not raised audit recommendations for actions which are confirmed/documented as due to occur or those that were still in progress at the point of audit.

Risk Assurance – Substantial

Control Assurance – Satisfactory

Key Findings

Areas reviewed by ARA through discussion with lead officers and review of audit trail included: Risk Management considerations; Training; Policies and guidance; and Data breach notification and reporting.

A review of the Data Breach register by Internal Audit confirmed that data breaches whether reported to the ICO or not are recorded on the register in accordance with ICO requirements. For the period of review by Internal Audit 1st October 2019 to 28th February 2021 there were 10 reported data breaches on the Data Breach register and all were assessed by the Council as not requiring reporting to the ICO.

The Information Governance Officer adopted and introduced the European Union Agency Network and Information Security (ENISA) methodology for the assessment of the severity of personal data breaches during January / February 2021 to formalise the assessment process; previous to that the assessment was based on the Data Protection Officer and Monitoring Officer judgment. This process has been included in the Data Breach Policy including a link to the ENISA data breach methodology report.

The above represents a positive enhancement to the process as it provides standardisation, benchmarking and transparency.

The sample of data breaches reviewed by Internal Audit included two reported data breaches from January and February 2021 where the ENISA methodology had been applied. The Internal Audit review of the two cases highlighted the following:

- The selected attributes from each of the core elements of the data breach severity methodology including any other contributor elements were not

documented making it difficult for Internal Audit and management to verify the severity; and

- There was no signed evidence that a secondary check of the data breach severity score had been completed and agreed. The Information and Governance Officer advised Internal Audit that the severity assessment was verbally discussed with the Data Protection Officer and Monitoring Officer at the time.

Internal Audit has made the following suggestions to help improve the efficiency and transparency of the data breach reporting and management process, which have been accepted by management and are being implemented:

- Liaise with Human Resources to update the starters Induction checklist to include confirmation that the Data Protection policy training and test has been completed;
- Create a generic email address for staff and Members reporting of data breaches and queries; and
- Create an Incident Response Plan in advance of any potential data breach that requires reporting to the ICO.

The Information Governance Officer advised Internal Audit that she is developing an information governance dashboard for regular publication to the Strategic Leadership Team (SLT) summarising the number of data breaches, Data Protection training not completed by staff and Members, number of Freedom of Information requests, etc.

Conclusion

Since the employment of the Information Governance Officer in November 2020 she has, with the support of the Data Protection and Monitoring Officer, reviewed the Council's information governance policies and processes to ensure compliance with the ICO requirements and application of best practice. As a result a number of new policies and guidance to assist staff and Members in awareness of their responsibilities and the requirements relating to data security and data breach notification have been written.

In addition the control framework has been further improved by the introduction of an exception report for the identification of staff and Members that have not completed their Data Protection training and test by the due date plus the use of a formal severity rating process for the assessment of data breaches.

Not all actions have been embedded at the point of this audit and a positive direction of travel continues in this area. However, the findings of this review confirm that the Council's data breach process, at the point of this audit, is compliant with ICO requirements.

Management Actions

Internal Audit raised one medium priority recommendation to ensure further transparency and visibility of the data breach severity assessment and formal signed evidence of a secondary independent check of the assessment, which has been agreed and implemented by management.

Summary of Consulting Activity and support provision (no opinions are provided)

Service Area: Council Wide

Audit Activity: Supplier Relief due to Covid-19

Background

The outbreak of Covid-19 is unprecedented. In anticipation of the potential impact of the pandemic on businesses of all sizes the government put in place measures to help providers as it was anticipated that many suppliers to public bodies may struggle to meet their contractual obligations and this could put their financial viability, ability to retain staff and their supply chains at risk.

To ensure service continuity during and after the Covid-19 outbreak, all public sector contracting authorities were advised by the government to support their at risk suppliers in a range of ways to ensure business and service continuity and to protect jobs. The measures were set out in the PPN 02/20, issued on 19 March 2020 (expiring 30 June 2020); at that time these were to ensure suppliers were in a position to resume normal contract delivery once the Covid-19 outbreak was over.

Due to the ongoing pandemic, PPN 04/20 was issued on 9 June 2020. This updated and built on PPN 02/20 and was valid from 1 July 2020 to 31 October 2020.

PPN 04/20 acknowledges that the outbreak is not a short term crisis and states that while the supplier relief provisions set out in PPN 02/20 may still be appropriate, contracting authorities and their suppliers now also need to work in

partnership to plan an exit from any support and transition to a new, sustainable, operating model.

Scope

Internal Audit will provide professional advice and support to management to aid the development of the council's response to implement the measures as detailed within the PPN 02/20 and 04/20.

Key Findings

- Internal Audit liaised with their audit peers via their professional network to gather intelligence on the approach taken by other local authorities. A suite of documents were then provided to the council's Senior Policy and Governance Officer to aid the development of a co-ordinated centralised approach to assessing potential at risk suppliers, and to ensure that the correct level of support could be put in place, alongside the tools for management and monitoring of future claims that may be made by suppliers.
- The Senior Policy and Governance Officer (following liaison with the Strategic Leadership Team) subsequently sent an email to the council's management team to ask them to review all of their current suppliers to identify any who they consider to be at risk, and to forward on contact details of those suppliers. From this exercise, only one supplier was identified. As at 31st March 2021, no claims for supplier relief have been submitted to the council.

Conclusion

Audit input within 2020/21 has aided the council in delivery of the PPN requirements.

Service Area: Place

Audit Activity: Covid-19 Recovery Strategy

Background

The council's Corporate Peer Challenge took place between 26th and 29th March 2019. It was conducted by a team of elected members and senior officers from other local authorities together with LGA advisors. The feedback report set out

eight recommendations in respect of areas for development and improvement. Two of the recommendations relate to the future vision and priorities of the council, split between the short, and medium to long term.

The council's intention at that time was to make continual improvement and substantial progress on the agreed Action Plan within the next 18 months. The updated Corporate Delivery Plan (short term) with key actions for 2019/20 was approved by Council on 16th May 2019.

The Covid-19 pandemic in the UK has impacted on the council's Corporate Delivery Plan, as key actions have had to be delayed and may need to be reviewed in light of the ongoing impact of the health crisis.

The postponement of the district elections until 2021 has also delayed the planned work on consideration and consultation on what the council's vision, priorities and delivery plan would be for the coming years.

The council has adopted a Strategy to facilitate recovery within the Stroud district having identified four key external and community focussed work streams that reflect the council's previously agreed priorities in the existing Corporate Delivery Plan and 2020/21 Budget. Progressing recovery through the agreed approach also provides opportunities to link longer term objectives and activity to inform the next iteration of the council's Corporate Delivery Plan.

Scope

To review the effectiveness of the programme management /monitoring framework for delivery of the Recover, Reset and Renew: A Strategy for Stroud District 2020 - 2021. This was a consultancy review, providing advice and guidance on the current/future arrangements, where appropriate, rather than an assurance review.

Key Findings

Areas reviewed by ARA through discussion with lead officers and review of audit trail included:

- Corporate requirements for Programme/Project Management;
- Governance Framework;
- Programme Plan;
- Work stream Briefs;

- Finance;
- Engagement Plan;
- Communications Plan;
- Performance and Risk Management; and
- Reporting.

In light of the remaining short timeline of the current work plan (May 2021), pending the next iteration of the Corporate Delivery Plan, and in acknowledgement of the planned review by the Policy and Governance Team of the council's future framework for risk and performance management, supported too through an independent review by Internal Audit of the council's risk management arrangements within their 2021/22 work plan, it would seem opportune post completion of these activities, to refresh the risk and performance management arrangements, to ensure these align to the new corporate requirements.

Conclusion

There is a defined framework in place that empowers good governance for this programme and this is operating as intended, with roles and responsibilities clearly defined and embedded. It would be advantageous if a timely appointment can be made for a new Programme Manager to ensure the available human resource is in place to continue to drive the management of the programme.

Programme documentation has been utilised to aid the management of the programme and enable progress updates to key stakeholders. The review has identified where minor revisions to programme management documents are required to ensure that these are complete and remain up to date. Documents that are in the development stage will bring benefit from being finalised, as these will aid financial monitoring and provide clarity for future council communications.

The key areas where focus is needed relate to the further enhancement / strengthening of the current risk and performance management arrangements, ensuring that these are aligned to the council's future corporate requirements, once defined.

With the next iteration of the council's Corporate Delivery Plan (Plan) pending, this provides for an opportunity to integrate the ongoing programme of work into the revised Plan and associated risk and performance management and reporting

arrangements. In doing so, this may also drive greater efficiencies and effectiveness through streamlined arrangements.

Management Actions

Internal Audit has not made any recommendations due to the stage of delivery of this programme and pending potential future changes post elections i.e. revision of the council's Corporate Delivery Plan; implementation of relevant audit recommendations emanating from other reviews (accepted by management and being progressed at the point of this report); and documented, planned future work regards risk and performance management.

Service Area: Resources

Audit Activity: IT Disaster Recovery

Background

IT Disaster Recovery (ITDR) planning is an area of security planning that aims to protect an organisation from the effects of significant negative events. Having a disaster recovery strategy in place enables an organisation to maintain or quickly resume mission critical functions following a disruption such as a cyber attack or a power outage.

Improving the Stroud District Council disaster recovery arrangements has been one element of the ongoing overarching ICT Infrastructure Project to address the weaknesses in the arrangements identified in the Foresight Consulting review undertaken at the end of 2019.

It is noted that an ARA consultancy review of the Council's ITDR arrangements was undertaken in December 2016, identifying a number of weaknesses in the arrangements in place at that time and resulting in thirteen recommendations, five of which were high priority with eight medium priority recommendations.

A follow up review of the ITDR arrangements undertaken in March 2018 identified that although progress had been made, seven of the recommendations made in the December 2016 remained outstanding for completion, three of which were high priority recommendations along with four medium priority recommendations. The recommendations identified as outstanding during the March 2018 follow up review have been followed up in this review.

Scope

The review considered the alignment of the business continuity arrangements and ITDR capability to identify any gaps in capability to recover systems and assess any expectation gaps of service managers. The review was undertaken as a consultancy review with the provision of advice and guidance.

Key Findings

A review undertaken by Foresight Consulting at the end of 2019 identified a considerable number of issues relating to the Council's ICT networks including the continued use of end of life hardware, a lack of resilience and the continued use of out of support systems and hardware. An ICT Infrastructure refresh project was commenced, supported by Foresight Consulting, to address the issues identified.

Considerable progress has been made to address the issues identified in the Foresight Consulting review. This has included considerable investment in replacing out of date systems and end of life hardware; and significant improvements in the Council's backup and disaster recovery arrangements.

These improvements have included the replacement of storage and backup solutions, replacing the end of life and out of support storage solutions in use at the time of the original Foresight Consulting review.

The implementation of an air gap backup solution in compliance with best practice guidance from the National Cyber Security Centre will provide further resilience in the event of a ransomware attack, as the offline air gap backup would not be accessible to enable the attack perpetrator to encrypt this backup. In the event of a ransomware attack encrypting all online systems including all online storage and online backups, the Council would be able to restore systems and services from the air gap backup.

The infrastructure project was ongoing at the time of this review and to provide assurance and confidence in the backup and disaster recovery arrangements being implemented, a comprehensive testing regime will need to be implemented that includes restoring files, servers and systems from both online and air gap backup solutions and regularly testing all failover solutions.

The infrastructure project has been impacted by the Covid-19 pandemic and this has resulted in some delays due to the requirements for the ICT Team to implement remote working solutions for all Council staff and additional delays due

to global demand on IT hardware as a result of the pandemic having a knock on impact to timings re. obtaining some of the hardware required.

A restructure of the ICT Team will also have impacted upon the responsible officers' identified for progressing the outstanding recommendations.

Conclusion

The review identified that limited progress had been made in implementing the three high priority and four medium priority recommendations identified as outstanding during the ARA March 2018 Follow Up review.

The council focus has been on completing the ICT infrastructure project to address the significant weaknesses identified by Foresight Consulting in their 2019 review. Significant progress has been made in replacing end of life and unsupported infrastructure, improving resilience and improving the Council's backup, disaster recovery and business continuity capability.

The infrastructure project is close to completion at which point the outstanding recommendations can be taken forward. No additional recommendations have been made in this review, as implementation of the outstanding recommendations will address all weaknesses identified.

Management Actions

New due dates and responsible officers have been agreed for all seven outstanding audit recommendations, with the revised target date for all recommendations to be fully implemented by the end of March 2022.

Service Area: Resources

Audit Activity: Cyber Security

Background

Cyber security or information technology security is the protection of computer systems from loss or disruption of services and the loss of or unauthorised access to the information that these systems hold.

Having effective cyber security arrangements in place reduces the risk of a successful cyber-attack disrupting the delivery of services and loss of data resulting in financial and reputational loss and the potential for the levying of significant financial penalties by the Information Commissioner in incidents resulting in the loss of unauthorised access to personal and sensitive information as defined within the General Data Protection Regulation and the Data Protection Act 2018.

A review of the cyber security arrangements at Stroud District Council was previously undertaken in May 2017 where the arrangements in place at that time were assessed as providing Satisfactory assurance in respect of the risk identification maturity however, only Limited assurance could be provided that the risks considered to be material to the achievement of the service objectives were adequately managed and controlled. Three high priority and four medium priority recommendations were identified during the review.

A follow up review undertaken in February 2018 identified that a number of improvements had been made subsequent to the May 2017 review with all three high priority recommendations having been implemented along with two of the four medium priority recommendations. The two recommendations identified as outstanding during the follow up audit have been followed up during this review. The Follow Up review assessed the arrangements in place as providing Substantial assurance for the risk identification maturity and Satisfactory assurance that the risks considered to be material to the achievement of the service objectives were adequately managed and controlled.

Improving the Stroud District Council cyber security arrangements has been one element of the ongoing overarching ICT Infrastructure Project to address the weaknesses in the arrangements identified in the Foresight Consulting review undertaken at the end of 2019.

Scope

This review was undertaken as a consultancy review with the provision of advice and guidance, rather than as an Assurance review.

The following areas were considered:

- The cyber security governance arrangements in place including strategies, policies and procedures, staff training and guidance, identification of lines of responsibility and cyber risk assessment;
- Network perimeter protection;
- User access controls including the management of privileged users;
- Secure device configuration;
- Security monitoring and log management;
- Patch and firmware management; and
- End point protection.

Key Findings

The review identified that there was an appropriate governance framework in place for cyber security that included a comprehensive Information Security Policy supported by a number of other policies and guidance documents, that the induction process for all new staff includes an ICT induction where staff are introduced to the Information Security Policy and that the responsibilities for cyber security are clearly identified.

It was identified that a number of potential IT users had not confirmed their acceptance of the Information Security Policy. A medium priority recommendation was made to identify what actions would be taken and by whom when users did not confirm their acceptance of the Information Security Policy.

Appropriate arrangements were in place to protect the network perimeter along with arrangements in place to manage user access to systems. Although it was noted that the minimum password length varied between the minimum length required within the Active Directory Domain Policy and stated within the User Password Guidance to that stated within the Information Security Policy and a medium priority recommendation was made to address this inconsistency.

The Council has arrangements in place to ensure servers and end user devices are securely configured and these include segregating the network into a number of separate virtual local area networks (VLANs) and the segregating of the wireless network from the wired network. A penetration test of outward facing IP addresses has been completed with a penetration test of inward facing services to be undertaken during June 2021.

One security weakness identified was the practice of allowing users to access their personal webmail accounts using corporate devices. This practice has led to the introduction of malware in other organisations and is not recommended. A high priority recommendation was made to address this risk.

Network monitoring and log management was provided by the PRTG (Paessler Router Traffic Grapher) application with logs being retained for a period of six months, enabling their review in the event of a cyber incident or investigation.

Patch management was undertaken centrally using the Microsoft System Centre Configuration Manager utility. The LanGuard application scans devices and can identify and report when patches have not been applied. Processes were in place to update device firmware when recommended by the device manufacturer.

Servers and end user devices were protected by the ESET end point protection solution which provides anti-virus and anti-malware protection, although it was identified that there is currently no end point protection solution in place on corporate mobile devices. A Medium priority recommendation was made to address this issue.

Conclusion

The review identified there were appropriate arrangements in place for cyber security including an appropriate governance framework, effective perimeter protection, secure configuration of devices, arrangements in place to manage user and administrator level access, the use of system management tools to monitor the ICT network and to patch devices and the use of a recognised end point protection solution. One high priority recommendation was made to address the risk of staff introducing malware received through their personal e-mail accounts into the corporate network and four medium priority recommendations were made to improve the cyber security arrangements/controls in place.

One of the two recommendations identified as outstanding for implementation at the February 2018 Follow Up review had been fully implemented. The other outstanding recommendation was no longer applicable due to changes in the guidance provided by Microsoft and the National Cyber Security Centre relating to forced periodic password changes.

Management Actions

Management have responded positively to the five recommendations made.

Service Area: Resources

Audit Activity: Procurement

Background

Procurement is a holistic process that combines a mix of strategic and operational tasks. These commence with procurement planning and continue to progress through a suite of key stages (depending on the nature of the procurement) to contract management.

Due to this review commencing concurrently with that of the Electrical Works contract audit and with similar scope and findings concerning the adequacy and effectiveness of the first and second line of Stroud District Council's (the Council) three lines of defence model, Internal Audit considered it to be more beneficial to undertake this review as a consulting activity to support management in addressing and targeting its resources, based on risk and impact, in providing an all-encompassing control framework for the procurement cycle and corporate contract management arrangements.

The Council's Contract and Procurement Procedure Rules (CPPRs) set out the rules that must be followed by the Council when it procures all goods, services and works. In addition, the Council's Financial Regulations, which support the CPPRs, also provide guidance relating to the ordering and paying for goods, services or works to ensure that officers of the Council obtain value for money from their purchasing agreements.

In 2018-19 the total value of supplier invoices paid by the Council through the accounts payable system Business World was circa £34.9m (inclusive of VAT).

Consultancy Review Scope

To consider:

- The findings emanating from the Electrical Works contract in respect of the effectiveness of the Council's first and second line of defence, responsible for ensuring compliance with the Council's CPPRs;

- To present proposals to further enhance current policies and procedures; and
- To review a range of recent procurement activities to ensure that the acquisition of goods, services and works are procured in accordance with the CPPRs and exemptions to the CPPRs are formally accounted for, appropriate and correctly approved.

In addition, a review of the status of the four medium priority recommendations raised in the 2018-19 Procurement audit was also undertaken.

Key Findings

The findings emanating from the Electrical Works contract identified improvement opportunities for the Council; two recommendations were made and accepted by management as follows:

- Undertake a review of the second line of defence role to ensure application of an effective and robust three lines of defence model; and
- Develop corporate guidance / framework for contract management.

Internal Audit contacted a sample of six Heads of Service / Service area Managers and all Strategic Directors to request details of how they confirm officers within their directorate comply with the Council's CPPRs. Responses received highlighted a lack of a standardised agreed management monitoring framework.

A sample of expenditure items selected by Internal Audit from a Business World expenditure report (10) for under £5,000 and (14) greater than £5,000 established that the following items were not procured in full compliance with the Council's CPPRs:

Under £5,000

- Less than three quotes being obtained – five suppliers; and
- Renewal of the same service each year since 2014-15 without evidence of the required number of quotes being obtained or a proper procurement exercise undertaken fitting to the value of the service being provided over the period and in the future – two suppliers.

Over £5,000

- Expenditure procured by a third party on behalf of the Council but there is no documentary evidence that the procurement exercise undertaken by the third party complied with the Council's CPPRs – two suppliers;
- Individual supplier invoices were for a value under £5,000 and as a result the Service areas would have applied the procurement process fitting for each individual item of expenditure. A limited review by Internal Audit of the expenditure for each supplier indicated that their expenditure, albeit the supplier has been contracted by different Service areas, was for a similar category type.

As a result, there may have been opportunities to obtain improved value for money / economies of scale by undertaking a different procurement process (over £5,000) as per the CPPRs and using ProContract (Council's procurement system) – four suppliers;

- ProContract was not used to procure goods, services or works in accordance with CPPRs – one supplier;
- The supplier used by the Service area was not on the framework agreement that was provided to Internal Audit as evidence that they had correctly complied with the Council's CPPRs – one supplier; and
- The service provided by the contractor was through a framework agreement, but not all the services being provided was in accordance with the framework agreement – one supplier. Whilst not formally evidenced, Internal Audit was verbally advised by the Senior Policy and Governance Officer that new procurement arrangements are being actively considered which will mitigate this issue.

Internal Audit fully acknowledge that the above level of expenditure is within the lower risk expenditure category, however the above findings may indicate the consideration of a review of current policy to ascertain if it reflects the council's risk appetite.

In addition to the above there was no documentary evidence provided to Internal Audit to confirm that:

- Contracts over £5,000 had been recorded on the Council's corporate Contracts Register in accordance with the Local Government Transparency Code (10 suppliers);
- A Procurement Plan Form was completed (four suppliers); and

- Contracts were recorded on the Governments Contracts Finder (four suppliers).

It was established that procurement induction training for all starters is mandatory, whether their role or responsibilities involve procurement or not, as confirmed by the Senior Policy and Governance Officer.

However, the Human Resources induction template checklists, that new starters, and Service area Managers are required to complete, does not highlight procurement training as mandatory on the employed staff induction checklist and there is no reference to procurement on the agency and temporary induction checklist.

A review by Internal Audit of the record maintained by the Policy and Governance team of all starters highlighted that for the period August 2017 to August 2019, 51 starters out of 127 recorded had not been registered as receiving procurement induction training.

At the point of this review there was only one procurement risk recorded on the Council's risk and performance management system (Excelsis), which was by a Service area specific to a project. To ensure effectiveness and visibility of risk identification, management and monitoring, strategic and operational risks should be recorded.

Procurement

Six contracts on ProContract out of 10 selected by Internal Audit had not been recorded on the Council's corporate Contracts Register or published on its website in contravention of the Local Government Transparency Code.

Exemptions

For the period April 2017 to August 2020 there were seven approved Council procurement exemptions (excluding framework agreements, which are a legitimate procurement method). Internal Audit considers this to be within acceptable levels.

A review by Internal Audit of the Contracts Finder register maintained by the Policy and Governance team for the period April 2019 to August 2020, identified four exemptions out of seven and five framework agreements out of 18 that had not been recorded on the Government Contracts Finder within the appropriate time period (breach of the Public Contract Regulations 2015, Sections 108 and 112).

Previous recommendations

A review of the status of the four medium priority recommendations raised in the 2018-19 Procurement audit highlighted the following:

- Two recommendations were implemented; and
- Two recommendations were subsequently superseded.

Conclusion

This review was undertaken alongside the Electrical Works contract which has previously identified the need for the development and implementation of a corporate contract management framework to be developed and implemented. Management have responded positively to this recommendation and have already commenced the review.

Mapping roles and responsibilities against the three lines of defence assurance model would be considered a good base from which to start, to enable all assurance needs to be met and ensure compliance with policy.

In addition, the findings and recommendations emanating from this review have been noted / made to enable management to consider whether existing policy in some areas remain relevant when considering the Council's risk appetite, capacity and resource levels.

Management Actions

Internal Audit has raised four high and one medium priority recommendations in order to strengthen the control environment, risk management and monitoring arrangements, which management has accepted.

Service Area: Communities

Audit Activity: Business Grants (Covid-19)

Background

As part of the central government confirmed financial support for businesses during coronavirus (Covid-19), two new schemes were confirmed as to be managed by local authorities within 2020/21:

- Scheme 1 – Small Business Grants Fund: Providing up to £10,000 as a one-off grant to help small business owners meet their operating costs, based on set criteria.
- Scheme 2 – Retail, Hospitality and Leisure Business Grants Fund: Businesses in receipt of the Expanded Retail Discount (which covers retail, hospitality and leisure) with a rateable value of less than £51,000 were eligible for cash grants per property, with the grant value dependent on the rateable value of the property.

Stroud District Council's initial allocation for the above schemes (as per www.gov.uk) was £26,386,000.

Scope

ARA received a request from the Strategic Director of Resources in April 2020 to provide support to the Council in its business grants (Covid-19) efforts.

The activity was confirmed as support on both the Small Business Grant Fund and the Retail, Hospitality and Leisure Business Grants Fund, with the ability for ARA input to adapt depending on the specific support needs of the Council (as agreed by the Strategic Director of Resources, the Revenues and Benefits Manager and the then Head of ARA).

Key Findings

Support/work delivery provided on this area by ARA (Internal Audit and Counter Fraud Team) within 2020/21 included:

- Initial controls advice to the Strategic Director of Resources and the Revenue and Benefits Manager on the grant forms, process and checks to ensure that:
 - Appropriate data from the applicant (business) is obtained and 'health' warnings highlighted for fraudulent claims; and
 - Controls / checks that should be implemented and undertaken for the different types of business (limited or unlimited company) and for the different stages of the business grant application process.
- Ongoing controls advice to the Revenue and Benefits Manager throughout the period of ARA involvement. This included Local Authority Chief Internal

Auditors Network (LACAN) point of practice requests and benchmarking regards Covid-19 business grant processes and controls.

- Completion of legitimacy checks for a sample of businesses (covering approximately 1,000 records by performing checks against their website, Companies House and Spotlight) to verify the legitimacy of the grant payment to the business. Outcomes of the checks were provided to the Revenues and Benefits Manager. This included referral of businesses for further investigation where ARA could not prove from the legitimacy checks that the business was still operating and/or was a genuine business.
- Counter Fraud Team review of referred cases for investigation, as well as ongoing support and guidance on the area. Counter Fraud Team outcomes on this area have been reported to Audit and Standards Committee within the year through the Internal Audit Progress Reports. The up to date position on these cases are reported within the 'Special Investigations/Counter Fraud Activities' section of the Annual Report.
- Provision of regular updates in-year to lead officers (including the Head of ARA and the Strategic Director of Resources) on the work performed by ARA (Internal Audit and Counter Fraud Team), the levels of grant payments made by the Gloucestershire Councils; and any issues that were identified.

Conclusion

The Small Business Grants Fund and Retail, Hospitality and Leisure Business Grants Fund were closed by central government in August 2020.

As reported on www.gov.uk and as at September 2020, Stroud District Council had issued £25,500,000 of grant payments to 2,277 hereditaments. ARA appreciated being able to support this exceptional effort by the Council.