



PROGRESS REPORT ON INTERNAL AUDIT ACTIVITY

SEPTEMBER 2022

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 2022-23;
 - ii. The outcomes of the 2022-23 Internal Audit activity delivered up to August 2022; 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.

2. Summary of 2022-23 Internal Audit work delivered up to August 2022

- 2.1 The following Assurance criteria are applied to Internal Audit reports:
 - i. Substantial assurance – all key controls are in place and working effectively with no exceptions or reservations. The Council has a low exposure to business risk;
 - ii. Acceptable assurance – all key controls are in place and working but there are some reservations in connection with the operational effectiveness of some key controls. The Council has a low to medium exposure to business risk;
 - iii. Limited assurance – not all key controls are in place or are working effectively. The Council has a medium to high exposure to business risk; and
 - iv. No assurance – no key controls are in place, or no key controls are working effectively. The Council has a high exposure to business risk.

2.2 **Audit Activity: ICT Compliance with Government Standards (Service Area: Resources)**

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

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

2.3 **Scope** - This audit reviewed the IT Policies to determine what policies are in place and to identify any gaps in the policy framework.

2.4 **Key Findings**

- i The review identified that there is an appropriate ICT policy framework in place, although the Information Security (IS) Policy requires a refresh. However, there was limited knowledge within the team about the legislative framework and specifically how the various Acts and Regulations applied to their activities. It is important to note, that many of the regulations only apply in specific circumstances;

Risk: Inappropriate actions being taken resulting in non-compliance and possible fines or penalties;

Recommendation: IT staff acquire a working knowledge of the regulatory framework and how it applies to IT activities. Target date: November 2022.

- ii Aside from the IS Policy, all the policies in the framework were in the standard policy format, up to date and fit for purpose. These policies were the:

- Data Breach Policy, last reviewed in February 2021;
- Password Policy with supporting Password Construction Guidelines, last updated in June 2022; and
- Information Governance Policy, last updated in April 2021.

- iii The IS Policy does not include document management references, for example through an amendment history table. The policy is also not in the same standardised format as the other policies reviewed;

Risk: There is a risk that staff do not refer to the most recent IS Policy;

Recommendation: The IS Policy should be reviewed and updated. When produced, it should be in the standard policy format, and the review details be recorded within an amendment history table. Target date: November 2022.

2.5 **Audit Activity: ICT Incident Management (Service Area: Resources)**

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

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

2.6 **Scope** - The objectives of this review were to ensure adequate arrangements are in place:

- i. To identify ICT related incidents;
- ii. To log, categorise and prioritise ICT related incidents;
- iii. For investigating and resolving ICT related incidents; and
- iv. For closing ICT related incidents including any post incident review process.

2.7 **Key Findings**

- i. Council officers and Members report most incidents on the Freshservice cloud-based IT helpdesk and service management solution. This is accessed via the Council's intranet (The Hub) and a ticket with a unique reference is raised for each incident. When an incident is raised via another channel including phone call, email, or in person, the Service Desk team will log and assign a ticket on the Freshservice tool;
- ii. The Service Desk is the first line of ICT support for the Council. The Service Desk team perform a Level 1 triage and either address the incident or assign it to a Level 2 or 3 engineer, using the Freshservice tool;
- iii. An ICT Service Management Operating Model has been developed. This sets out the scope of services performed by the ICT Service Management team, the way in which it operates and its service targets. However, this document is still being developed and requires finalising to define:
 - The target times for the recovery of systems within the Disaster Recovery table;
 - The System Availability table to be populated; and
 - Contact telephone numbers to be added to the Major Incident Contact List;

Risk: ICT staff are not aware of service targets resulting in the failure to provide the desired level of service;

Recommendation: The ICT Service Management Operating Model document should be completed and finalised. Target date: September 2022.

- iv. An Incident Management Process Map has been developed detailing the actions to be followed to resolve incidents. However, this document lacks version control;

Risk: Inappropriate actions taken as a result of staff not following the most recent Incident Management Process Map;

Recommendation: Version control needs to be added to the Incident Management Process Map. Target date: September 2022.

- v. A Responsible, Accountable, Consulted, Informed (RACI) matrix has been developed for incident management. The use of a RACI matrix identifies roles and responsibilities of individuals and assigned tasks. This assists in eliminating confusion and drives accountability;
- vi. Incidents with an urgent or high priority undergo a post incident review process which includes lessons learned;
- vii. Freshservice has provided a set of best practice service level agreements (SLAs) that are based on the performance of their client base. The Council aspire to achieve this level of service. At the monthly ICT Leadership Team meetings, key metrics showing the performance of the Council against Freshservice benchmarks are presented. In addition, detailed comparatives over time are shown to demonstrate the on-going performance of the Service Desk Team. It is understood from ARA discussions that the Strategic Leadership Team (SLT) will receive Service Desk performance reports from July 2022.

2.8 **Audit Activity: Test and Trace Contain Outbreak Management Fund (COMF) Surge Funding Grant – Number (No.) 31/5518 (Service Area: Resources)**

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

2.9 **Scope** - In May 2021, the Minister of State for the Department of Health and Social Care issued a COMF grant determination letter No. 31/5518. This was later updated on 6th May 2022. As part of the grant determination Stroud District Council (the Council) was awarded £121,374.40. The grant was to be used 'towards expenditure lawfully incurred or to be incurred in relation to the mitigation against and management of local outbreaks of coronavirus (COVID-19)'.

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

2.11 **Key Findings**

- i. The monitoring spreadsheet provided by the Head of Environmental Health identified £46,967 of expenditure against the grant. The expenditure covered the grant period 1st May 2021 to 30th June 2022;
- ii. Internal Audit reviewed all of the items of expenditure detailed on the monitoring spreadsheet. The results of the tests highlighted the following items of expenditure for exclusion from the declaration:

- Three items of expenditure totalling £21,000 had not been invoiced by the supplier to the Council as of 30th June 2022. They should therefore be declared on the next return;
 - Two items of expenditure totalling £568 for folding tables and replacement lights for the Council markets did not comply with the activities that can be funded from the COMF grant; and
 - There was a small overclaim of £11 relating to the long COVID classes;
- iii. The revised expenditure total for the grant declaration for the period is £25,388;
- iv. The United Kingdom Health Security Agency (UKHSA) has confirmed that any underspent funds can be carried forward into 2022-23 and continue to be spent on COVID-19 related activities;
- v. Internal Audit has advised management to review the planned commitments (as detailed within the monitoring sheet) before payments are approved to ensure they comply with COMF guidance;
- vi. Based on discussions with officers and review of records, Internal Audit can confirm the conditions of the grant had been fulfilled for the revised expenditure total of £25,388. As such the COMF certification letter was signed and submitted to UKHSA by the 15th June 2022 deadline.

2.12 **Audit Activity: Test and Trace Support Payment Scheme (TTSPS) – Grant Certification (Service Area: Resources)**

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

2.13 **Scope** – The Scheme was provided for via a succession of grant allocations. The 31/5104, 31/5309, 31/5385 and 31/5435 Grant Determinations covered the periods in 2020-21. The 31/5668, 31/5704, and 31/5789 Grant Determinations covered periods in 2021-22. Total funding received across the seven allocations amounted to £368,886.

2.14 Each Grant Determination provided three pots of funding. These were for Main payments, Discretionary payments and for administering the Scheme. The Main and Discretionary funds were to provide for financial support to those suffering hardship from being unable to work while self-isolating. Eligible applicants received a payment of £500.

2.15 The objective of this audit was to provide assurance that the conditions of the TTSPS Grant Determinations have been complied with. It should be noted that a previous Internal Audit tested the eligibility of recipients. The findings were presented to the Audit and Standards Committee in April 2022. This review considered the reasonableness of the administration costs and the accuracy of the cumulative claim.

2.16 Key Findings

- i. The Main (£234,000) and Discretionary (£201,000) costs were found to be accurate on the TTSPS returns to the Department of Health and Social Care. There was sufficient documentation to support this;
- ii. Government funding has been received in seven allocations to date. There is one allocation still outstanding. The date of payment is to be confirmed. This allocation will cover post January 2022 as well as settling any overspend incurred from the whole Scheme. The overspend totals £84,500 for the Main costs, £39,500 for the Discretionary costs and £22,343 for the administration costs;
- iii. The Grant Determination letters confirm that all actual Main costs and reasonable administration costs would be reimbursed in this final allocation. They were either not clear about Discretionary overspend or stated that it would not be covered. However, it has since been confirmed to Officers that actual Discretionary costs will also be reimbursed in the final allocation;
- iv. Internal Audit identified one figure within the return for the administration costs that had been overstated to the sum of £250. This sum will be adjusted within the final claim submission;
- v. The administration spend (£89,181) was determined to be reasonable, based on the following reviewed themes:
 - The administration costs varied throughout the Scheme dependant on the number of applications and the stage of the Scheme;
 - The ratio of administration costs against payments made to recipients matched the ratio of allocated funds; and
 - The start-up costs were less than those suggested by the Government;
- vi. No further testing of the eligibility of TTSPS recipients was deemed to be necessary. The sample size of the previous audit amounted to 9.5% of all successful applications. Although there was no sample testing post 31st January 2022, in the six months prior to this the sample tested showed 97.5% accuracy;
- vii. The Section 151 Officer (on behalf of the Chief Executive) and Head of ARA signed the certification letter in acknowledgement the £250 adjustment required. The declaration was submitted to the UKHSA by the 30th June 2022 deadline.

2.17 Audit Activity: Electrical Works Contract - Follow-up (Service Area: Communities)

- i. Assurance level for this report: Acceptable; and
- ii. There were two new recommendations arising from this review. These have been prioritised as:

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

2.18 **Scope** – The original audit report was issued in October 2020 and confirmed a Limited assurance opinion. This follow-up internal audit reviewed the position of the original ARA recommendations, to confirm if they had been fully implemented.

2.19 **Key Findings**

- i. The provision for electrical services was brought back in-house on 1st April 2021. Since then, the Heating and Electrical Manager (HEM) has found it difficult to employ appropriately qualified officers to undertake electrical inspections. This has caused delays in promptly completing electrical inspections and remedial work on its social housing tenanted properties by their due dates;
- ii. A total of five recommendations were made in the original ARA report and related to the management of the operational aspects of the electrical works service provision. Three recommendations have been fully implemented. Two recommendations have been partially implemented and are as follows:

- Review of all social housing tenant properties with an ‘unsatisfactory’ inspection status and complete prompt remedial works where appropriate.

At the last review Internal Audit identified 142 properties that had received an electrical inspection with an unsatisfactory result. Remedial work had not been completed, or the property asset management system record correctly updated. Audit review of the same properties electrical record within Keystone highlighted that 41 of these remain with an unsatisfactory result. Further work is therefore required to clear these cases and ensure that remedial work is promptly completed for all future unsatisfactory inspection results;

- Adopt the National Inspection Council for Electrical Installation Contracting (NICEIC) recommended electrical inspection interval of five years for private housing for the Council’s social housing stock.

NICEIC guidance for electrical inspection intervals is ten years for social housing and five years for private dwellings. Internal Audit recommended the Council should adopt the same inspection interval as for private dwellings. This would represent best practice and would further support a safe and more stringent health and safety culture for tenants. The HEM also supports the case and is currently in the process of completing a business case to senior management;

- iii. The operational risks for the electrical provision have not been documented on the Council’s risk register (Excelsis) to ensure their visibility and effective management. In addition, the risk appetite or tolerance relating to overdue electrical inspections and remedial work has not been documented;

Risk: Ineffective governance and risk management arrangements resulting in corporate objectives not being met, mismanagement of the service, poor service delivery leading to adverse publicity and loss of reputation;

Recommendation: A review of the electrical service provision should be undertaken to identify and formally document all of its key operational risks, risk owners and mitigating controls in Excelsis. Target date: August 2022;

In addition, the Council's risk appetite should also be documented particularly relating to overdue electrical inspections and remedial work. Target date: August 2022; and

Once the above has been determined and documented any overdue electrical inspections and remedial work outside of the Council's risk tolerance should be completed without delay. Target date: Ongoing.

- iv. The HEM is planning to introduce quality control checks on completed electrical inspections and remedial work completed by officers and contractor operatives. As at the time of this follow-up review these checks were still to be fully introduced;

Risk: Unsatisfactory electrical inspections are performed resulting in health and safety issues and possible manslaughter charges. Damage to the Council's reputation;

Recommendation: Monthly quality control checks on completed electrical inspections and remedial work should be undertaken and the results of the reviews documented and stored on Keystone. Any identified issues should be promptly resolved. Target date: August 2022.

- v. Electrical inspections are not mandatory, unlike gas inspections. Therefore, it can prove difficult to gain access to a tenanted property to perform this work despite it being in the best interests of the tenant's safety;
- vi. As of 31st May 2022, there were 106 properties with an overdue electrical inspection. This is an improvement compared to the January and February 2022 figures where approximately 200 properties were overdue an electrical inspection. The improvement is in part due to a new follow-up process introduced by the HEM to gain access to a social housing tenanted property. However, its effectiveness is still limited by bullet point v above.

2.20 **Audit Activity: Planning Applications - Consultations (notifications) with Town and Parish Councils (Service Area: Place)**

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

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

2.21 **Scope** – An audit of Planning Applications was undertaken as part of the 2021-22 Internal Audit plan. The findings were reported to the November 2021 Audit and Standards Committee (ASC). Upon receipt of the report, the ASC requested additional information and it was agreed that this work would be delivered as part of the 2022-23 Internal Audit plan.

2.22 Internal Audit have reviewed the procedures and controls in place with regard to the consultation (notification) process for planning applications. In particular, where town and parish councils' comment and they request conditions or modifications to

applications, these have been considered, noted and included as appropriate when determining the application.

2.23 The Town and Country Planning (Development Management Procedure) (England) Order 2015 defines how a council must handle a planning application, including consultation. Article 25 and Schedule 4d states that parish and town councils should be consulted when 'development, in relation to which an application for planning permission has been made to the Secretary of State under section 293A of the 1990 Act (urgent Crown development: application) (a), where that development is likely to affect land in the area of the parish council'. In all other cases the Council should notify a council when an application is received that could affect land in the respective area. Article 33 states that the Council must 'take into account' any representations received as the result of publishing notice of an application.

2.24 Key Findings

- i. The Council have documented internal procedures to support the consistency of recording town or parish council comments made on planning applications. These sit within the Planning system, Idox Enterprise for Uniform System (Uniform). The guidance was created in June 2021 and was last reviewed in January 2022;
- ii. A report from Uniform for the period 1st April 2021 to 31st March 2022 identified 2,333 notifications with town or parish councils. Responses received in respect of these totalled 1,643;
- iii. In total 40 planning applications, during March 2021 to March 2022, from a range of 25 town or parish councils were selected for audit review. Overall, there was a transparent record within the case officer's (decision-making) report of:
 - The town or parish response (captured either in full or appropriately summarised);
 - Article 33 being applied; and
 - Planning considerations given, including where appropriate, rationale as to why a request could not be taken forward;
- iv. Sample testing also showed ten clear examples where a condition had been imposed as part of the planning determination that reflected the issues raised by the town or parish council;
- v. Due to the technical nature of planning, Internal Audit cannot comment on the planning considerations given as this is a matter for those who hold the respective professional discipline. To provide assurance on this aspect, Internal Audit sought the opinion of the Development Team Manager. He reviewed the 40 planning applications and was satisfied that the responses had been satisfactorily addressed for all but one application;
- vi. For the outlier, while the case officer's review acknowledged and reported the comments of the parish council, it did not give a specific response to the issue raised. In this case however, the issue raised is not something that the local planning council would be able to manage. He confirmed, having found this improvement point, that the service will ensure this matter is picked up as part of its ongoing training and professional development programme;

- vii. The Head of Development Management has made provision for sub delegation of her delegated powers. Internal Audit found that updates to the Sub Delegation List were not notified in line with the Scheme of Officer Delegations in the Council's Constitution. In addition, the versions did not align to the Head of Development Management's intended sub delegation arrangements, and therefore had not been implemented formally. The Sub Delegation List has now been corrected by the Head of Development Management;

Risk or Opportunity: There is the opportunity to review and refresh the Council's Constitution with a view to streamlining the process for notification of sub delegation arrangements;

Recommendation: The process for notification of sub delegations should be considered, reviewed, and refreshed as appropriate. Target date: 31st May 2023.

- viii. Operationally, a Delegated Panel that consists of six officers, who on a rota basis (two officers each day) review and assess the information presented within the case officer's report. The delegated rota is flexible, and all officers cover for one another when necessary. This independent oversight provides for a consensus of the final decision outcome, enables objective challenge to the planning considerations and comprehensiveness of the information being presented;
- ix. Internal Audit obtained a report from Uniform detailing the Panel officers' comments made as part of the review process during the period. Internal Audit was able to see clear examples of where challenge had been made relating to addressing the town or parish council comments within the case officer's report. This shows that Panel officers are giving focus to ensuring conformity with Article 33, and ensuring comments made are adequately addressed within the officer decision-making report;
- x. For the selected sample of 40 planning applications, one application was withdrawn, the remaining 39 were approved in line with the Head of Development Management's delegated decision-making process;
- xi. There have been various appointments to the position of Monitoring Officer at the Council over more recent years. In addition, the provision of legal services was outsourced in 2020 to One Legal. Due to these changes, the administrative responsibility for maintaining and publishing the Sub Delegation List has become blurred. As a consequence, the version of the Sub Delegation List held on the Council's intranet is out of date;

Risk: Decision-making may not be per the Council's Constitution. This could give rise to litigation, place additional financial pressures, and damage the Council's reputation;

Recommendation: The Sub Delegation List should be reviewed and refreshed as appropriate. Once finalised, consideration of publication of the document to be agreed with the Monitoring Officer. Management should ensure that as and when this list is subject to future revisions, published copies are promptly updated. Target date: 30th November 2022.

- xii. The service has identified four key inherent risks. These have been captured within the Council's Performance and Risk Management system (Excelsis). All four risks

were reviewed by management in July 2022. For Development Management (DM)2 and DM5 risks, management acknowledge that narrative in respect of the preventative and mitigating controls section is needed;

Risk: If risks are not being adequately managed, this could adversely impact upon service delivery, and damage the Council's reputation;

Recommendation: Preventative and mitigating controls should be considered, agreed, and implemented by management. Once confirmed, these should be documented within Excelsis. Target date: 9th September 2022.

xiii. There is a correlation between the service risks DM1 and DM2 and the Council's Corporate Risks CCR4 and CCR10. It is therefore acknowledged that in respect of DM2 preventative controls, service actions are dependent on wider corporate actions. The Corporate Risk Register was presented to the July 2022 Audit and Standards Committee (Agenda Item 5).

3. Counter Fraud Update – Summary of Counter Fraud Activities

Current Year Counter Fraud Activities

3.1 To date in 2022-23 there have been no new irregularities referred to the ARA Counter Fraud Team (CFT).

3.2 The CFT is currently working on a number of projects including:

i. Writing an Enforcement Policy;

ii. Delivering Enforcement training; and

iii. Updating the Council's Counter Fraud and associated information available on the intranet and webpages.

Previous years' referrals closed case

3.3 The CFT continued to work on two Covid-19 Grant related cases. One case has now been closed and the outcomes of the remaining case will be reported to the Audit and Standards Committee on its completion.

3.4 In respect of the closed case, the details have been reported to Action Fraud and National Anti-Fraud Network (NAFN). Despite numerous attempts, the individual failed to respond and engage with the Council. As per the government guidance this case has been referred to the Department for Business, Energy and Industrial Strategy (BEIS). No further action is required by the Council.

National Fraud Initiative (NFI)

3.5 Internal Audit continues to support the NFI which is a biennial data matching exercise administered by the Cabinet Office. The data collections for the 2022-23 exercise are due to be uploaded to the Cabinet Office from 7th October 2022. It is anticipated that the data matching reports will be released for review from January 2023 onwards.

- 3.6 The full NFI timetable can be found using the link available on GOV.UK – www.gov.uk/government/publications/national-fraud-initiative-timetables
- 3.7 Examples of data sets includes housing, insurance, payroll, creditors, council tax, electoral register and licences for market traders or operators, taxi drivers and personal licences to supply alcohol.
- 3.8 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.
- 3.9 The CFT provided assistance to the Council by reviewing around 400 of the NFI matches across a number of different reports. A small number of potential anomalies were identified and these have been referred back to the relevant teams for further interrogation.
- 3.10 In addition, ARA has been advised that the services of the Counter Fraud Unit (CFU) have been employed to undertake some of the match reviews on behalf of the Council. The CFU findings will be separately reported to the Audit and Standards Committee.

National Anti-Fraud Network (NAFN)

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

International Fraud Awareness Week (IFAW)

- 3.14 This year as in previous years, Stroud District Council is signed up as a supporter of IFAW.
- 3.15 The week runs from 13th to 19th November. The aim of IFAW is to encourage proactive steps to minimise the impact of fraud by promoting anti-fraud awareness and education. By being a supporter of the event the Council is demonstrating its commitment to preventing and detecting fraud. More information will be issued nearer the time.