



# **PROGRESS REPORT ON INTERNAL AUDIT ACTIVITY**

## **APRIL 2023**

## 1. Introduction

- 1.1 The Council's Internal Audit service is provided by Audit Risk Assurance (ARA) under a Shared Service agreement between Gloucestershire County Council, Stroud District Council and Gloucester City Council.
- 1.2 ARA 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 mid-March 2023; and
  - iii. Special investigations and counter fraud activity.
- 1.4 Internal Audit plays a key role in providing independent assurance and advice to the Council that these arrangements are in place and operating effectively. However, it should be emphasised that management are responsible for establishing and maintaining appropriate risk management processes, control systems (financial and non-financial) and governance arrangements.
- 1.5 During the year we have experienced some staff turnover, with new members joining the team. These new staff bring with them enthusiasm, new skills, and new ideas. As a new member of the team, they are required to complete mandatory induction tasks and training to ensure they deliver work to our high professional standards. This 'learning curve' for new team members has meant that some of the audits planned for 2022/23 have not been completed. These activities are marked as deferred within 2022/23 and have been considered as part of the 2023/24 audit planning risk assessment process.

## 2. Summary of 2022/23 Internal Audit work delivered up to mid-March 2023

- 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 Activity Name- Brimscombe Port

- i. Assurance Level for this report: Substantial Assurance; and
- ii. There are no recommendations arising from this review.

2.3 **Scope** – To review the 2021/22 income receipts and expenditure annual statement and supporting evidence in respect of the management of the site.

## 2.4 Key Findings

- i. The Council's financial systems identify Brimscombe Port 2021/22 financial transactions, and they are correctly coded to specific cost centres and subjective income and expenditure categories, helping effective audit review.
- ii. The re-performance of checks was completed using the Brimscombe Port 2021/22 Income and Expenditure Statement, reconciling to the Council's financial system (Unit 4 Business World). This audit test confirmed that the working papers provided by the Finance Team, agreed to the above statement.
- iii. The Council receive income for tenant rent and service charges for occupation of business space at Brimscombe Port. An audit test was completed with the objective of obtaining assurance that income was correctly classified as belonging to the Brimscombe Port project. A sample totalling £31k was chosen. The results confirmed that charges were correct for Brimscombe Port, that income invoices were for 2021/22, and all five transactions had been paid.
- iv. The Council incur a range of expenditure categories for the operational running costs and project refurbishment. A review of expenditure incurred was completed for a sample which totalled £172k. The results of testing verified that the expenditure was correct for Brimscombe Port, invoices were for 2021/22, and transactions had been paid to suppliers by 11th January 2022.
- v. The Brimscombe Port re-generation project's financial statement disclosures were consistent with the 2021/22 unaudited accounts for cumulative capital development expenditure of £531k for the year.

## 3. Counter Fraud Update – Summary of Counter Fraud Activities

### Current Status

- 3.1 The Counter Fraud Team (CFT) within Internal Audit has received three referrals in 2022/23 to date. Two referrals were requests to trace individuals or their assets in support of existing SDC investigations and debt recovery activity, respectively. The CFT resulted these by providing intelligence obtained via 'GBG Investigate'<sup>1</sup> and collaboration with law enforcement.

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<sup>1</sup> GBG is a commercial service which aggregates data from multiple private and public sector sources, joins it in a single database and allows customers to build interactive network charts from their search results. Local government

- 3.2 The CFT has a third referral and are currently undertaking an investigation. Further details of this will be provided to the Committee in due course.
- 3.3 In addition, the CFT closed two Covid-19 grant cases carried forward from previous financial years. Nominals did not engage with the investigation or debt recovery and law enforcement closed CFT referrals as “no further action” citing inability to identify any further lines of enquiry. These were reported back to BEIS (now, the Department for Business and Trade) in line with guidance.

### **National Fraud Initiative (NFI)**

- 3.4 The CFT continues to support SDC’s participation in the NFI data matching exercise administered by the Cabinet Office. The CFT co-ordinated the Council’s dataset uploads in line with NFI timetables and met all compliance obligations.
- 3.5 The data matches in respect of the main 2023/24 exercise were released in January 2023. Example datasets include housing, insurance, payroll, creditors, council tax, electoral register and market trader/operator licences, taxi driver licences and personal licences to supply alcohol.
- 3.6 Matches are most likely to provide useful information and actionable leads when reviewed as early as possible. They are reviewed by the appropriate service area within the Council. The CFT remains on standby to assist teams in planning their strategic approach to matches, to provide assistance on individual matches and concerns, or as it has in the past, to conduct wider exercises to review a subset of matches itself.
- 3.7 Some teams purchase additional capacity on this either Internal Audit (CFT) or from the Counter Fraud and Enforcement Unit (CFEU). CFEU findings will be separately reported to the Audit and Standards Committee.

### **Intelligence & Fraud Alerts**



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

### **Counter Fraud Intranet**

- 3.9 The CFT has developed a new suite of intranet pages for The Hub which includes: Homepage | Report a Fraud | NFI | Meet the Team | Fraud Comms inc. International Fraud Awareness Week | Investigations | Governance | What Are Fraud, Bribery and Corruption?
- 3.10 The homepage is found at: <https://hub.stroud.gov.uk/resources/finance/counter-fraud-bribery-corruption>

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customers get additional access to privileged datasets making it a powerful search and trace tool, provided caveats around “consented” data (user contributed data) and potential false positives are applied.

## **Training**

- 3.11 The CFT has delivered multiple training sessions to staff at the Council including Interviews Under Caution for internal enforcement staff, and “12 Days of Christmas” seasonal frauds via Proud of Stroud. It has also developed a Procurement Fraud training session which the Council may take up at its convenience.