Annual report on
Internal Audit Activity
2018-2019

ARA
AuditRiskAssurance

Gloucestershire
COUNTY COUNCIL

Contents

(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 Audit Standards (PSIAS) 2017 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 under a shared service agreement between Gloucestershire County Council (host authority), Gloucester City Council and Stroud District Council and carries out the work to satisfy this legislative requirement and reports its findings and conclusions to management and the Audit and Governance 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.

Gloucestershire County Council's Internal Audit function conforms to 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 the Annual Governance Statement.

(3) Purpose of this Report

One of the key requirements of the PSIAS is that the Chief Internal Auditor 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 function 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 2018/19, the Gloucestershire Fire and Rescue Service (GFRS) activity Action Plan update reports and the Annual Report on Risk Management Activity for 2018/19.

(4) Chief Internal Auditor's Opinion on the Council's Internal Control Environment

In providing the internal audit 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.

Chief Internal Auditor's Opinion

I am satisfied that, based on the internal audit activity undertaken during 2018/19 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 Gloucestershire County Council's overall internal control environment.

In my opinion, for the 12 months ended 31st March 2019, except for those matters identified in relation to Children's Services and GFRS, Gloucestershire County 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 2019 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 organisation's risk profile, objectives or activities;
- Matters arising from internal audit quarterly progress reports or other assurance providers to the Audit and Governance 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 full internal audit needs of the organisation.

(4b) Limitations to the scope of our activity

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 full internal audit needs of the Council. Whilst the core Internal Audit service is provided in-house, during 2018/19, the Chief Internal Auditor has:

- Commissioned external specialist ICT audit via Warwickshire County Council's Internal Audit Framework Agreement;
- Set up joint working arrangements in relation to Internal Audit, Risk Management and Insurance Services, with the Chief Internal Auditor at Warwickshire and Worcestershire County Councils and Stratford District Council;
- Arrangements in place with Gloucestershire NHS Counter Fraud Service to provide support with investigations; and
- An agreement in place with Gloucestershire's Counter Fraud Unit to provide counter fraud support.

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

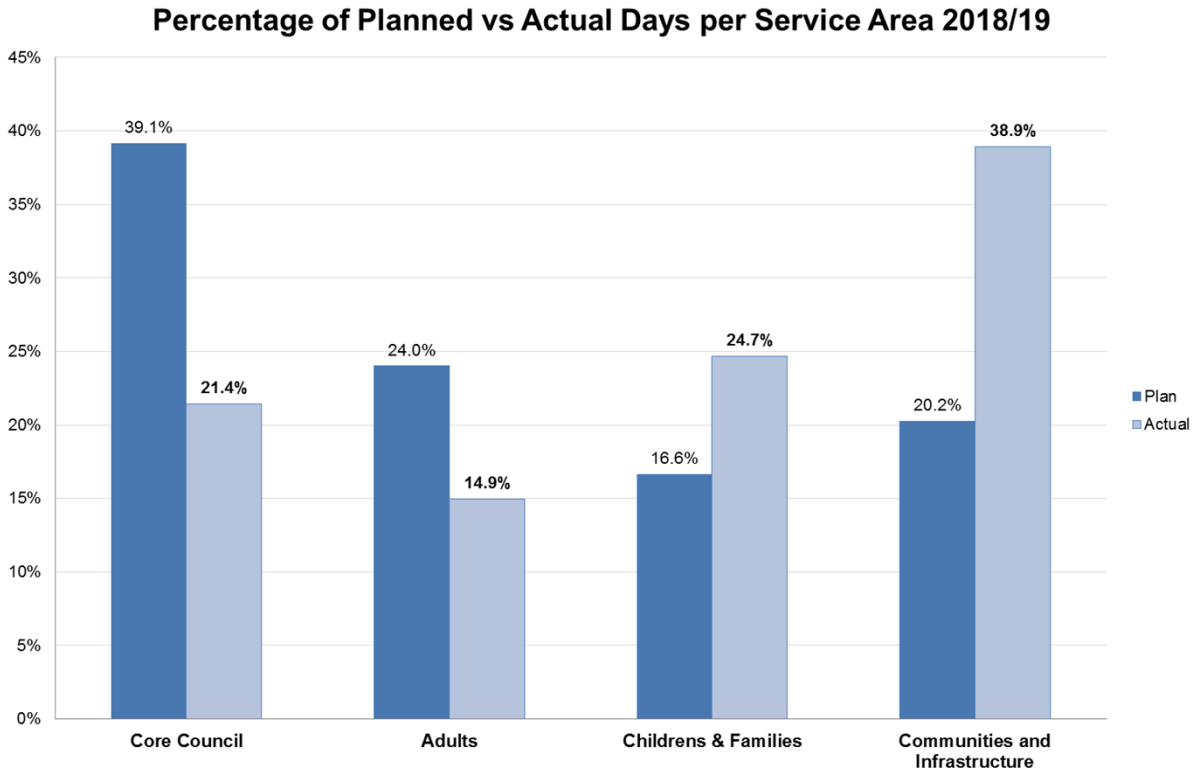
The underlying principle to the 2018/19 plan is risk and as such, audit resources were directed to areas which represented 'in year risk'. Variations to the plan are required if the plan is to adequately reflect the ongoing changing risk profile of the Council.

Since the original risk based plan was approved in April 2018 by the Audit and Governance Committee, a number of additional audit activities have proved necessary and some of the planned audits were no longer required. Plan changes are detailed in **Appendix 2** (the Summary Activity Progress Report 2018/19).

Resources also required redirecting as a result of special investigations (in particular relating to GFRS) and irregularity work, i.e. 17 new referrals during 2018/19 and continuing work on 14 referrals brought forward from previous years.

The net effect is that although the work undertaken was slightly different to that originally planned we are able to report that we achieved **92%** of the overall revised plan 2018/19, against a target of 85%.

The bar charts below summarise the percentages of planned audits per service area (i.e. Adults, Core Council, etc.) and category of activity (i.e. fundamental financial systems, corporate governance, etc.) compared with the percentage of actual audits completed.



Example rationale for the variance between 2018/19 planned and actual days per service area include (but are not exclusive to):

- On 15th June 2018 a letter of complaint was sent by email to the Leader of the Council. There were three strands to the complaint, one concerned the sale of a Gloucestershire Fire and Rescue Service (GFRS) owned vehicle and the former Chief Fire Officer's (CFO) involvement in the process. The other two concerns were regarding staffing issues.

  It was agreed that Internal Audit would investigate the sale of the vehicle and Human Resources (HR) would review the remaining two concerns, which are included within the management review of culture.

  Shortly after commencing the investigation, numerous whistleblowing allegations and Freedom of Information requests in respect of other concerns relating to GFRS governance arrangements, procedures, systems and processes were received. As a result, following Internal Audit review, research, analysis and interviews with key stakeholders including relevant GFRS Officers, Internal Audit co-ordinated the findings and made a number of GFRS-specific and council-wide/cross-cutting recommendations to undertake detailed reviews/audits within each area to determine the level of risk. These reviews/audits are outlined in the Action Plan presented to the Audit and Governance Committee on 12th October 2018. Progress updates against each review/audit included within the Action Plan continue to be provided to the Audit and Governance Committee.

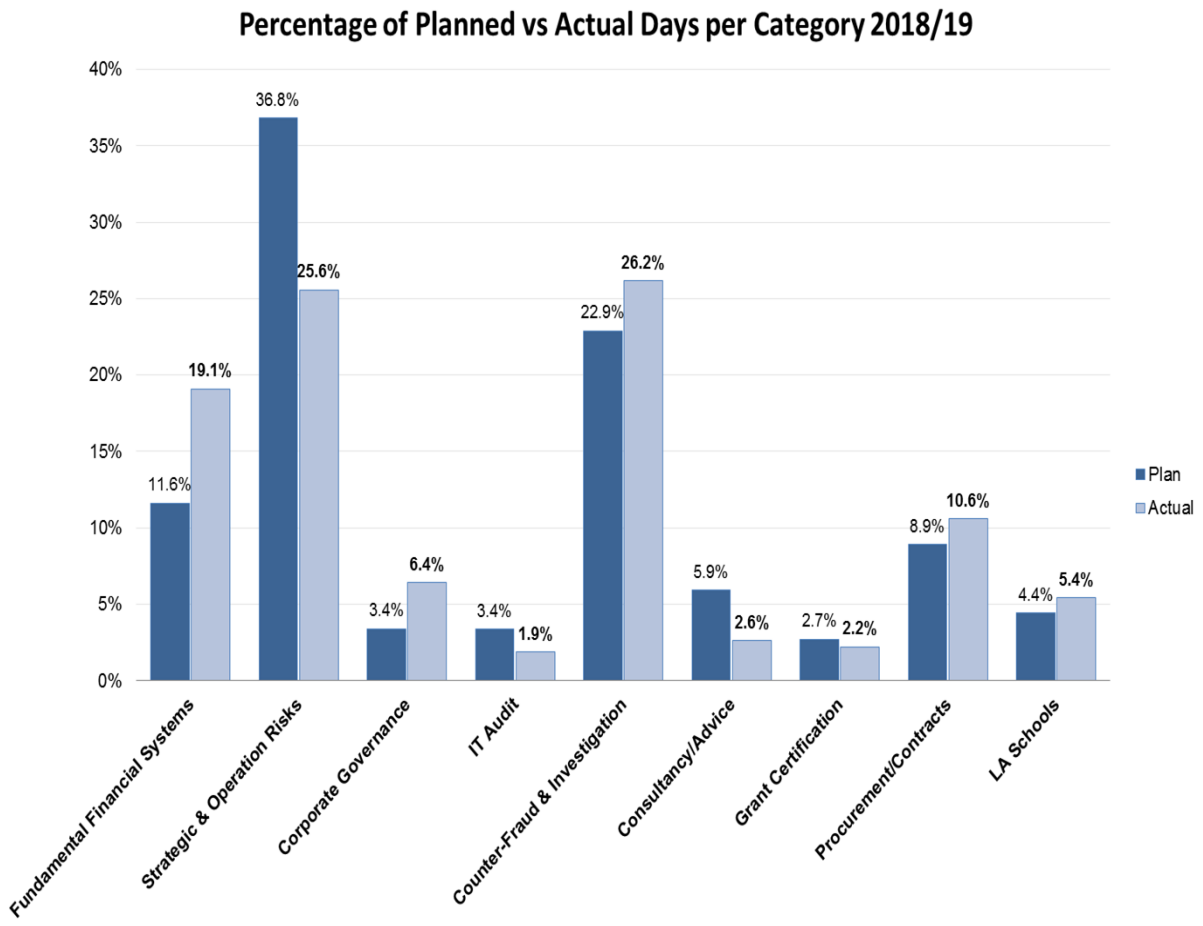
  The above resulted in 18 additional audits to be undertaken.

- Audit activity where actual days were in excess of those originally budgeted, due to the complexities, findings and outcomes of the audit work.

- The impact of counter fraud and investigation actual days, following case referral by the Council or whistleblowing (i.e. actuals days have been allocated to the service area, rather than Council Wide).

- Deferral of internal audit work into the 2019/20 Plan, due to risk profile, the above issues and to ensure the work will be of added value to the Council.

The above rationale can also be applied to the below table which confirms variances between 2018/19 planned and actual days per audit category.



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

The schedule provided at **Appendix 1** provides the summary of 2018/19 audits which have not previously been reported to the Audit and Governance Committee, including, very importantly, two limited assurance audit opinions on risk and control – one relating to a school and one to Communities and Infrastructure (procurement of short term transport arrangements for social care users). Two further limited assurance audit opinions are reported separately via the GFRS Investigation Action Plan Progress Report presented to Audit and Governance Committee as at 26th July 2019.

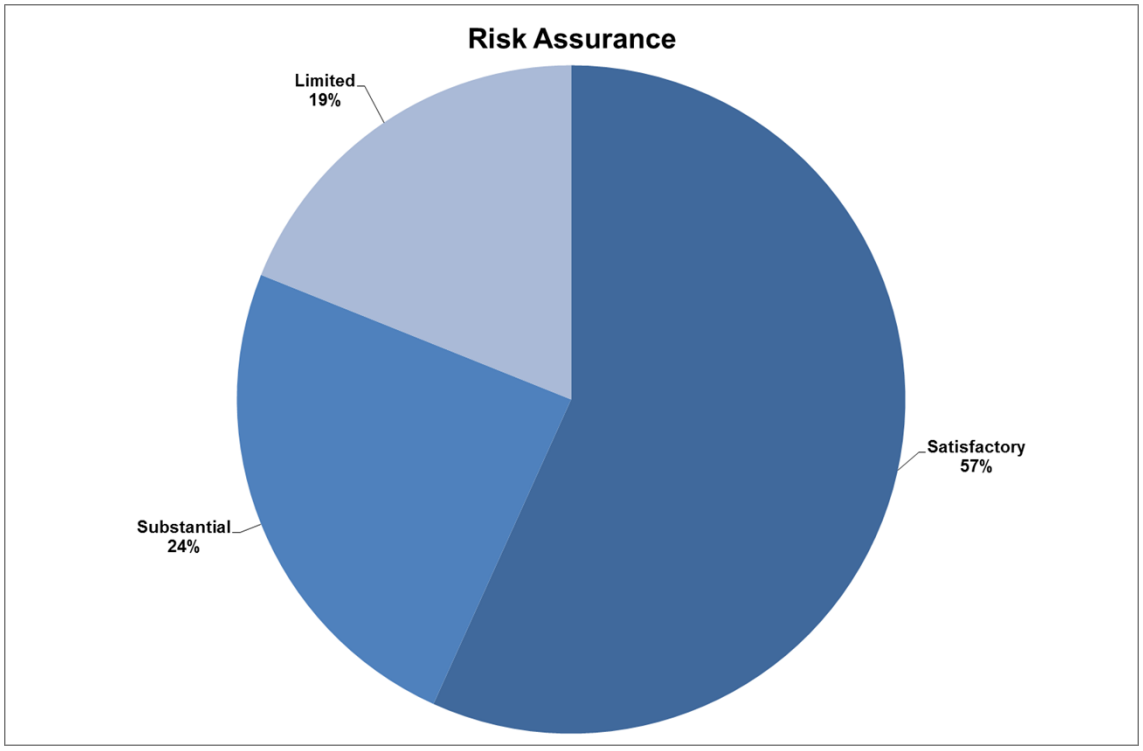
The schedule provided at **Appendix 2** contains a list of all of the audit activity undertaken during 2018/19, which includes, where relevant, the assurance opinions on the effectiveness of risk management arrangements and control processes in place to manage those risks and the dates where a summary of the activities outcomes has been presented to the Audit and Governance Committee. Explanations of the meaning of these opinions are shown below.

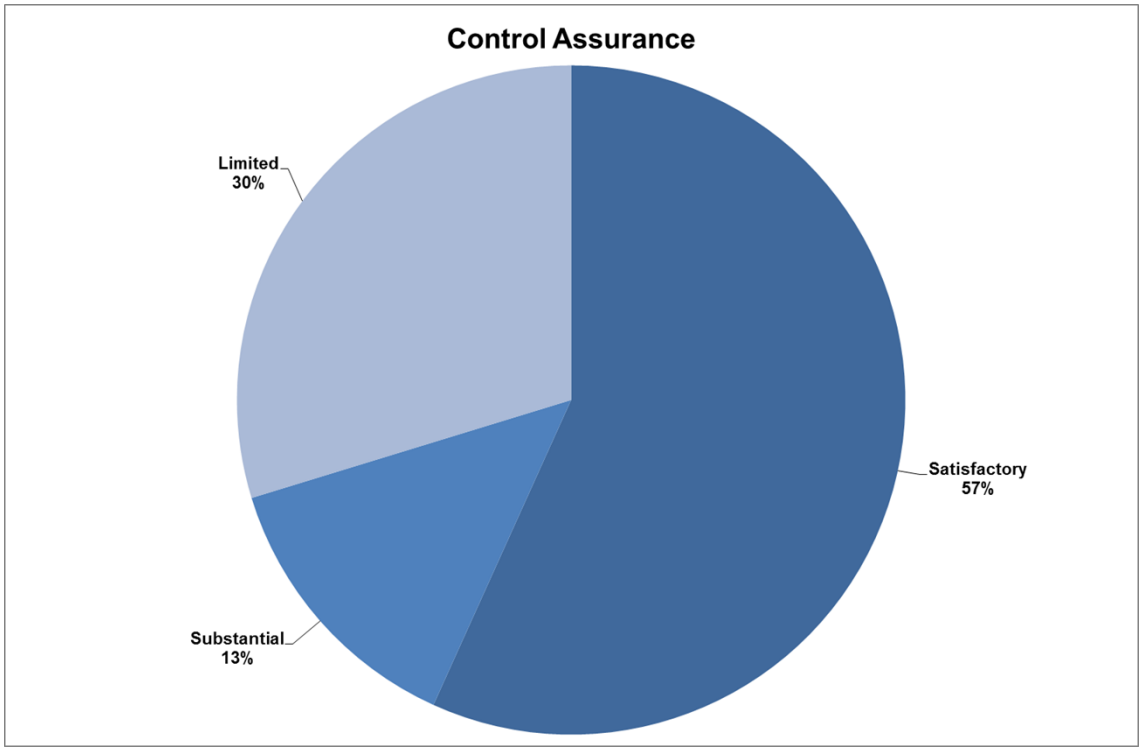
Assurance levels	Risk Identification Maturity	Control Environment
Substantial	**Risk Managed** Service area fully aware of the risks relating to the area under review and the impact that these may have on service delivery, other services, finance, reputation, legal, the environment, client/customer/partners, and staff. All key risks are accurately reported and monitored in line with the Corporate Risk Management Strategy.	• 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.	• 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 accurately and regularly 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.	• 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 below pie charts show the summary of the risk and control assurance opinions provided within each category of opinion i.e. substantial, satisfactory and limited. It is pleasing to report that the Council is showing that **70%** of the activities reviewed have received a **substantial (13%)** or **satisfactory (57%)** opinion on control. Whilst **30%** of the opinions on control are limited (compared to 18% within 2017/18), this increase is due to the GFRS audit activity.

Risk and Control Opinions 2018/19





(6b) Limited Control Assurance Opinions

Where audit activity records that a limited assurance opinion on control has been provided, the Audit and Governance Committee may request Senior Management attendance to the next meeting of the Committee to provide an update as to their 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 2018/19, eleven limited opinions on control were provided. These related to:

Audited Service Area	Date reported to Audit and Governance Committee
Youth Service – Care Leaving Service	25th April 2019
GFRS Procurement Cards	25th April 2019
GFRS Fleet - Maintenance and Stores	25th April 2019
GFRS HR and Payroll - Recruitment	25th April 2019
GFRS HR and Payroll - Progression	25th April 2019
GFRS - Gifts and Hospitality and Declarations of Interest	25th April 2019
Procurement of Short Term Transport Arrangements for Social Care Users	26th July 2019
GFRS Procurement	26th July 2019
GFRS Fleet - Disposal of Vehicles	26th July 2019
GFRS Fleet - Commissioning of New Vehicles	26th July 2019
School 2	26th July 2019

(6d) Satisfactory Control Assurance Opinions

Where 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 Governance Committee and Corporate Management Team (CoMT) 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
2017/18	101	100%	89	100%	190
2018/19	90	100%	58	100%	148

The Audit and Governance Committee and CoMT 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 seven audits where a limited assurance opinion was given on risk during 2018/19, these related to:

Audited Service Area	Date reported to Audit and Governance Committee
GFRS HR Payroll and Payroll - Progression	25th April 2019
GFRS Procurement Cards	25th April 2019
GFRS - Gifts and Hospitality and Declarations of Interest	25th April 2019
Procurement of Short Term Transport Arrangements for Social Care Users	26th July 2019
GFRS Procurement	26th July 2019
GRFS Fleet - Disposal of Vehicles	26th July 2019
GFRS Fleet - Commissioning of New Vehicles	26th July 2019

Where limited assurance opinions on risk are provided, the relevant reports are shared with the service Risk Champions to ensure that the risks highlighted by Internal Audit are placed on the relevant service risk registers. Monitoring the implementation of the recommendations is then owned by the relevant manager and helps to further embed risk management into day to day management, risk monitoring and reporting processes.

In addition, where a limited assurance opinion is provided, the Internal Audit reports are shared with the Corporate Risk Management Team to prioritise risk management support where appropriate.

The contributing factor to the high limited assurance percentage in the above charts is due to a number of the GFRS audit reports having a limited assurance opinion on risk and control. Please be advised that accompanying this annual report, the findings / outcomes in respect of the GFRS activity during this period can be found within the separate GFRS Investigation Action Plan report, which will be presented to the Audit and Governance Committee on 26th July 2019.

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

(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.

	2016/17		2017/18 or 2018/19		Direction of Travel
	Risk Opinion	Control Opinion	Risk Opinion	Control Opinion	
Retrospective orders	Limited	Limited	Satisfactory	Satisfactory	↑
Recruitment - Promotion	Limited	Limited	Satisfactory	Satisfactory	↑
Data Storage - Structures	Limited	Limited	Satisfactory	Satisfactory	↑
Direct Payments (Childrens)	Limited	Limited	Substantial	Satisfactory	↑
Exempt report 1	Limited	Limited	Satisfactory	Satisfactory	↑
GFRS – Information Security	Limited	Limited	Substantial	Substantial	↑

	2017/18		2018/19 or 2019/20		Direction of Travel
	Risk Opinion	Control Opinion	Risk Opinion	Control Opinion	
Approval of Payments for Agency Staff	Satisfactory	Limited	Draft report issued as at July 19. Outcomes to be reported in 2019/20.		
Electronic Call Monitoring (ECM) - Learning Disabilities (LD)	Satisfactory	Limited	Audit in progress as at July 19. Outcomes to be reported in 2019/20.		
Section 20 - Children's Act	Limited	Limited	Draft report issued as at July 19. Outcomes to be reported in 2019/20.		
Exempt report 2	Limited	Limited	ICT audit to be included in 2019/20 Plan and outcomes reported in year.		

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

During 2018/19, **81%** of the audited areas rated the effectiveness of risk management arrangements as **substantial (24%) or satisfactory (57%)** with **19%** obtaining a limited assurance opinion (compared to 14% within 2017/18).

Internal Audit also undertake, on a rotational basis, specific reviews purely on the effectiveness of risk management arrangements, operating across all service areas, looking at the Strategic and Operational Performance/Business Plans and associated Risk Registers, to ensure that actions recorded to mitigate risks are in place and operating as intended.

The assurance statements obtained from all Directors and Service Heads across the Council (when formulating the Annual Governance Statement), provided reasonable assurance that the majority of management apply the Council's risk management strategy and principles within their service areas. This together with our own assessment, supported by the external assessments and recognition received for numerous risk management initiatives over past years, have led Internal Audit to conclude that the risk management arrangements within the authority are reasonably effective.

(6i) Gloucestershire County Council's Corporate Governance Arrangements

The Council is required by the Accounts and Audit Regulations 2015 to prepare and publish an Annual Governance Statement. The Annual Governance Statement is signed by the Leader, Chief Executive and the Chief Financial Officer and must accompany the Annual Statement of Accounts.

In April 2016, the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authorities Chief Executives (SOLACE) published 'Delivering Good Governance in Local Government: Framework 2016' and this applies to annual governance statements prepared from the 2016/17 financial year onwards. Guidance notes were also published to assist Council Leaders and Chief Executives in reviewing and testing their governance arrangements against the revised seven principles for good governance.

The key focus of the framework is on sustainability – economic, social and environmental and the need to focus on the longer term and the impact actions may have on future generations.

The Council therefore:

- Reviewed the existing governance arrangements against the principles set out in the Framework;

- Developed and implemented a refreshed local code of corporate governance, based on the new principles, including an assurance framework for ensuring ongoing effectiveness; and

- Will report publically, via the Annual Governance Statement on compliance with our code on an annual basis, how we have monitored the effectiveness of our governance arrangements in the year and on planned improvement areas.

(7) Summary of additional Internal Audit Activity

(7a) Special Investigations/Counter Fraud Activities

The Counter Fraud Team within Internal Audit received 17 new referrals in 2018/19, and also continued to work on 14 cases from previous years. The category of each referral (fraud/irregularity/other) is determined per case review. Nine of the brought forward cases were completed within 2018/19, plus a further case has been closed at the time of writing this report. In respect of the four remaining cases further sanctions have been required and are still in progress. All of the older cases closed in 2018/19 have previously been reported to Audit and Governance Committee.

Referrals in 2018/19

The service areas of cases referred to Internal Audit within 2018/19 were categorised as follows: Children and Families (7), Council wide (1), Adults (4), Core Council (3), and Community and Infrastructure (2).

Twelve of the cases received in 2018/19 had been closed at year end. Eleven of the closed cases have previously been reported to the Audit and Governance Committee.

The case closed since the last update to Audit and Governance Committee involved a funding issue within a service area, where the providers had not provided therapy sessions as agreed and paid for.

An investigation resulted in new procedures being put in place to reduce the risk of re-occurrence and steps have been taken to recover the overpayment in the cases identified. This has been co-ordinated with Adoption West who has now taken over the responsibility for this area.

Many of the cases referred to Internal Audit involve intricate detail and Police referral. This invariably results in a delay before the investigation can be classed as closed and reported to the Audit and Governance Committee.

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 sets required were submitted through the web portal in October 2018 and data match reports have been received from January 2019 onwards and are currently being reviewed with recommended matches investigated by either Internal Audit or the relevant service area.

A review of the matches of pensions to death data, reported in 2016/17, has resulted in the recovery of £32,570 within 2017/18 and a further £21,587 recovered in 2018/19.

Monitoring and Review

The Audit and Governance Committee can take assurance that the Statutory Officers, comprising the Chief Executive, Monitoring Officer and Chief Financial Officer are regularly fully briefed on all such fraud and irregularity activity, they challenge, monitor management actions and progress to date and approve all police referrals.

Serious and Organised Crime Strategic partnership led by Gloucestershire Police

The Chief Internal Auditor is a member of the Serious and Organised Crime Strategic Partnership (SOCSP) formally known as the joint Policing Panel for Serious and Organised Crime (JPPSOC) to discuss the local multi agency approach to tackling crime/fraud. There is a clear direction from central government that a ‘whole government approach’ is required, with the co-ordination of the Police, statutory partners and the community and voluntary sector. It is the intention that this partnership is to set the context of Serious and Organised Crime within Gloucestershire and then mobilise the network of local partners to work together with a strong emphasis on a preventative, early intervention approach.

(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.

(7c) Gloucestershire County Council's participation in Gloucestershire's Counter Fraud Unit (CFU)

National Context

In 2011, the Cabinet Office Counter Fraud Taskforce issued a report on 'Illuminating Public Sector Fraud' which outlined four strategic priorities:

- Collaboration;
- Assessment of Risk;
- Prevention; and
- Zero Tolerance.

'The scale of fraud against Local Government is extensive and hard to quantify with precision. Fraud costs UK public services an estimated £21 billion per year, of which £2.1 billion is the estimated cost to Local Government. A further £14 billion is lost to tax fraud and vehicle excise fraud and £1.9 billion to benefit and tax credit fraud. Reducing this is now a major priority across all areas of government.' Cabinet Office 2016.

The National Fraud Authority and the Audit Commission have closed. However, fraudsters are becoming increasingly sophisticated. All public service organisations are more vulnerable than ever to criminal activity.

Although resources remain stretched, the reduction of fraud within the public sector is a priority and is reflected by the CIPFA Counter Fraud Centre which was launched in 2014 to lead and coordinate the fight against fraud and corruption across local and central government.

Detecting and preventing fraud (taken from Annex B of the 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 is estimated at £2.1 billion a year. This 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 [1] (as detailed for Gloucestershire County Council (GCC)) in the table below:

Council wide fraud and irregularity activity relating to 2018/19 including Internal Audit activity

Question	GCC Response
Number of occasions they use powers under the Prevention of Social Housing Fraud (Power to Require Information) (England) Regulations 2014, or similar powers.	N/A
Total number (absolute and full time equivalent) of employees undertaking investigations and prosecutions of fraud.	1.6 FTE
Total number (absolute and full time equivalent) of professionally accredited counter fraud specialists.	1.6 FTE plus access to qualified staff employed by the Counter Fraud Unit (CFU) as part of the shared internal audit service.
Total amount spent by the authority on the investigation and prosecution of fraud.	£69,660
Total number of fraud cases investigated (inc. b/fwd. cases).	7

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 GCC) in the table below.

Question	GCC Response
Total number of cases of irregularity investigated (both Internal Audit and other service areas inc. b/fwd. cases).	31
Total number of occasions on which a) fraud and b) irregularity was identified (exc. b/f cases from previous years).	a) 4 b) 18

[1] (The definition of fraud is as set out by the Audit Commission in Protecting the Public Purse).

Question	GCC Response
Total monetary value of a) the fraud and b) the irregularity that was detected in 2018/19.	a) £36,694 b) £13,502 + unquantified amount from ongoing cases
Total monetary value of a) the fraud and b) the irregularity that was recovered in 2018/19, including pension overpayments identified through NFI where pensions were paid after death and deaths not notified to the Council.	a) £53,694 b) £35,946 (inc. pension overpayments identified through NFI in previous years but receipts received in 2018/19 plus other amounts received in 2018/19 relating to irregularity identified in previous years)

N.B. The Council also identified 34 cases where assets were given away/gifted/transferred to family members by service users (or their representative) requiring care. This is referred to as deprivation of assets. The value of the assets 'given away' in 2018/19 confirmed by the Financial Assessment and Benefits service was £696,745; however, this is not necessarily the value of the potential loss to the Council as it would depend on the length of time that the care service would be required. In each case the value of the asset has been taken into account when calculating the service user's contribution towards the cost of their care.

Full details about the Local Government Transparency 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).

Public Sector Internal Audit Standards (PSIAS) 2017

These standards have four key objectives:

- Define the nature of internal auditing 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 Charter, Quality Assurance and Improvement Programme, Code of Ethics and the Audit and Governance Committee's Terms of Reference 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 Chief Internal Auditor to discuss the following with the Audit and Governance 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 review undertaken during May 2015 by the Chartered Institute of Internal Auditors (CIIA) included a review of the team's conformance to the International Professional Practice Framework (IPPF) as reflected in the PSIAS, benchmarking the function's activities against best practice and assessing the impact of internal audit on the organisation.

There are 56 fundamental principles to achieve with more than 150 points of recommended practice in the IPPF. The independent assessment identified 100% conformance.

The Chartered Institute of Internal Auditors stated: *'It is our view that (the Council's) internal audit function conforms to all 56 principles. This is excellent performance given the breadth of the IPPF and the challenges facing the function'.*

The internal audit shared service applies consistent systems and processes, which supports compliance across the Audit Risk Assurance Shared Service partners.

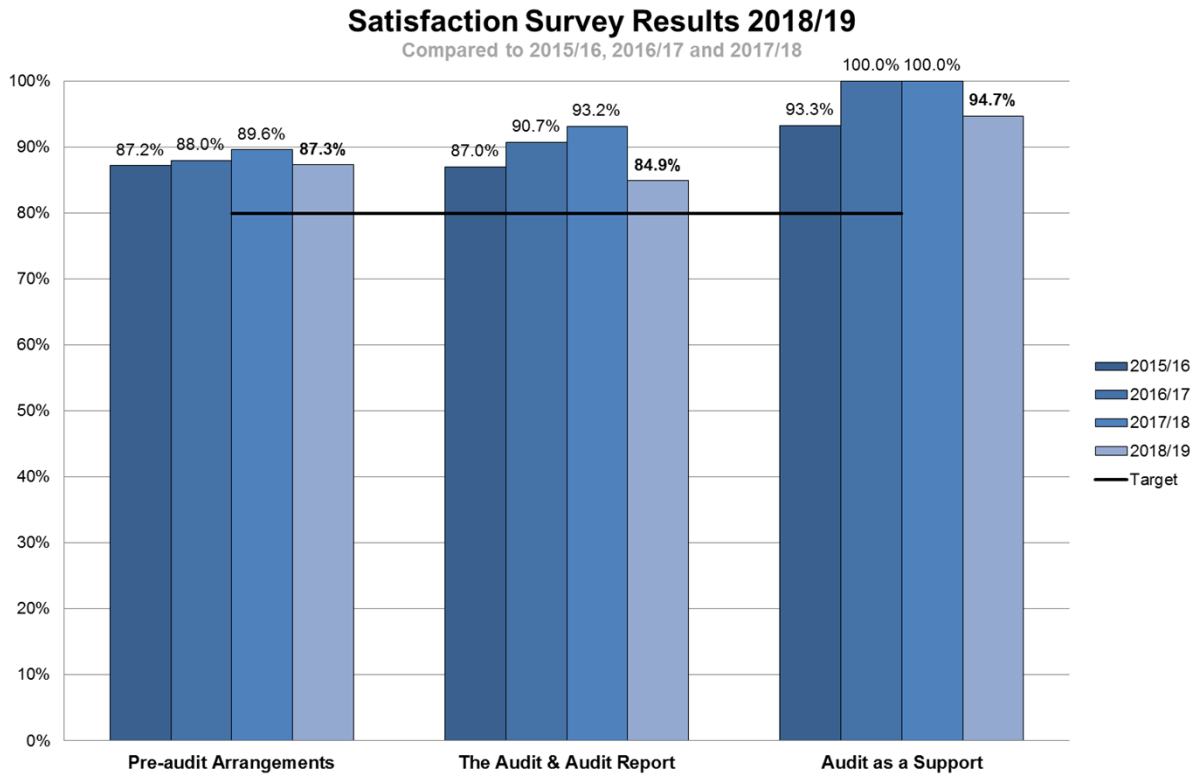
During 2018/19 the Chief Internal Auditor assessed Internal Audit's performance against the Internal Audit QAIP as required by the PSIAS. The QAIP confirmed compliance against the PSIAS.

The last External Quality Assessment (EQA) was undertaken by the CIIA in May 2015, therefore the second assessment being due during May 2020. The review will cover the three ARA partners: Gloucestershire County Council, Stroud District Council and Gloucester City Council. The outcomes will be reported to the Committee.

Internal Assessment - Customer Satisfaction Survey results 2018/19

At the close of each audit review a customer satisfaction questionnaire is sent out to the Director, 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, audit was assessed as good or better. The latest results as summarised below, shows that the target has been exceeded, with the score of **94.7%** reflecting Internal Audit as being a positive support to their service.



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

- *'The auditor's guidance was very much appreciated. The team all commented on how professional and approachable the auditor was. The auditor identified several non compliance issues and was very supportive with the preventative recommendations I put in place'.*

- *'The time taken to fully understand the processes and procedures, not just financially but operationally'.*
- *'It is always reassuring to have an outside perspective on the work we do'.*
- *'As with all audits it is very useful to get an alternative view of where you are with your current processes and how effective they are. The audit gave me a chance to pause and review what we do and make the changes that were required'.*
- *'I was kept fully informed of progress and there was always opportunity to discuss/ask questions'.*
- *'The audit was originally commissioned at my request. The auditor being new to audit at the time ensured that he had a firm grasp of the objectives, conducted the audit professionally and courteously and challenged the feedback he received from procurement personnel and budget holders. A job well done with a clear audit opinion, thank you'.*
- *'The liaison with the management of the service to ensure that a good level of understanding was achieved'.*
- *'The auditor spent time understanding what missing meant and what processes we had in place before they started. They also came to some of the meetings so they could see evidence at work'.*

Lessons Learned from customer feedback and actions taken by Internal Audit

The Chief Internal Auditor 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 taken to address any issues highlighted.

The following specific feedback for improvement of audit approach has been received within 2018/19:

- *'I would have preferred for the report to have been received earlier'.*
- *'A standard template for an action plan to address the issues raised would be helpful. This would assist with the ongoing review of impact'.*

The development comments have been taken on board for future internal audits within 2019/20 and beyond. KPI's are included within individual performance plans to help improve the turnaround of audits / reports and a revised reporting format including an action plan will be implemented during 2019/2020.

ARA Learning and Development

Development of leaders, managers and staff within internal audit is a key priority, to ensure that the service has the qualities, behaviours and skills to deliver efficient and effective

services to our partners. The Chief Internal Auditor is a member of the Local Authorities Chief Auditor's Network, Midland Counties Chief Internal Auditor Network and the Midland District Chief Internal Auditors Group. ARA staff participate in 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 the internal audit, counter fraud and risk management profession, contribute to strategy, exchange ideas and work collaboratively on problems and issues.

ARA is also committed to offering a structured trainee auditor programme, to attract people to the council and to the profession, currently supporting three trainee auditor posts.

ARA Partner Dividend

During 2018/19 ARA has been in a position to be able to provide a "dividend" to the Council in the sum of £ 35,210.41. This is due to efficiencies achieved.

Internal Audit's relationship with the Audit and Governance Committee

The Chief Internal Auditor functionally reports to the Audit and Governance Committee and supports the Committee in fulfilling its role as an independent assurance provider.

The Chartered Institute of Public Finance and Accountancy, CIPFA, have recently produced revised guidance on the function and operation of audit committees; "Audit Committees in Local Authorities and Police, 2018 edition". The guidance represents CIPFA's view of best practice for Audit Committees in local authorities throughout the UK and replaces the Position Statement of Audit Committees in Local Government issued in 2013. In the guidance, CIPFA provide a suggested self-assessment against recommended practice.

By reviewing the Committee's effectiveness against a good practice self-assessment on an annual basis, the Committee can demonstrate a high degree of performance and evidence that the Committee is soundly based with a knowledgeable membership that is not impaired in any way. Completion of the self-assessment can also be used to support the planning of the Committee's work programme and training plans and inform the Committee's annual report to Council.

Internal Audit led on a review of their effectiveness which enabled members of the Committee to undertake a self assessment against the good practice principles. An action plan has been developed which summarises the next steps to further enhance the Committees effectiveness.

Green Impact Award

Green Impact is a sustainability accreditation scheme with an awards element designed for departments and teams of staff across the Council. Green Impact supports the Council in meeting the reduction in energy and fuel use, cost and resulting C02 emissions as part of the 'carbon reduction and renewable energy project' under MtC2.

ARA achieved a bronze award in 2017 demonstrating and evidencing change across the team and its activities making improvements in managing waste and recycling, reduction of

energy use, reduction in water usage including preventing water wastage, reusing before procuring new, alternative travel use and improving overall team health and well-being.

ARA was also identified by the scheme in 2017 by being awarded the Green Impact special award for its proactive approach in making positive changes to its processes to benefit the Council as a whole.

In 2018 ARA has further demonstrated its commitment in meetings this objective and received the gold award, the highest award within the scheme.

Completed Internal Audit Activity during the period April – June 2019

Summary of Limited Assurance Opinions on Control

Service Area:	**Communities and Infrastructure**
Audit Activity:	**Procurement of Short Term Transport Arrangements for Social Care Users**

Background

The Integrated Transport Unit (ITU) operates a Dynamic Purchasing System (DPS) for procuring ad-hoc transport for use by vulnerable adults and children. Officers wishing to procure transport arrangements (periods for less than two weeks) and to be arranged at short notice can commission this via Staffnet/Taxis. If the requirements are to continue beyond two weeks the officer commissioning the service should then complete a more detailed request form to enable the ITU to make the arrangements which are usually procured at a reduced rate due to the increased security of work to the operator.

Scope

This audit reviewed:

- The commissioning of contracts for less than two weeks to provide assurance that (where required), longer contractual arrangements are established in a timely manner and that short term contracts are not being rolled over; and
- The safeguarding controls relating to approved transport providers.

Risk Assurance – Limited

Control Assurance – Limited

Key Findings

The introduction of a protocol for staff wishing to procure transport is to be supported and used by all staff. Discussions are currently underway between the ITU and Social Care to improve the current process by possibly increasing the initial two-week arrangement to six weeks, fully considering any risks associated with this extension of time.

There were several examples identified by audit, the most recent being 4th December 2018, where frontline Social Care staff continue to use transport providers who are not on the approved providers list, thereby potentially putting vulnerable children and adults at risk, coupled with exposing the Council to serious consequences were an incident to occur.

The approved providers have applied to be on the Council's list and have supplied documentation which, at the time of being added to the system, gave assurance that they and their drivers can provide the requisite services. However, over the period of time since the protocol of verifying providers and drivers has been introduced, there are elements of those checks that are now out of date and the Council is at risk by not addressing gaps in processes, the Disclosure and Barring Service (DBS) checks in particular.

Another factor for seeking change is the amount of administration time being incurred by ITU in resolving queries arising from invoices and providers and quantifying that time to generate recharges of costs to Social Care.

On reviewing the ITU monitoring sheet for contracts awarded for transport dating from 15th July 2011 to 4th December 2018, 3,582 contracts are listed but 73 companies have between them not returned a total of 484 contracts dating back to 6th June 2014. Despite this, contracts are still being issued to providers e.g. one of whom had not returned 54 since May 2017, however a 55th contract was issued to that provider on 4th December 2018. Not having formally agreed contracts in place exposes the Council to significant risk.

The records maintained by the Business Service Centre (BSC), indicate that there are some 3,391 out of date Council ID Badges that have not been returned by transport providers or confirmed by the providers as having been destroyed and are, therefore, potentially still in circulation with a risk of fraudulent use. The Transport Engineers who conduct random spot checks on taxis have confirmed witnessing some drivers with several badges but the drivers refused to hand the out of date badges over to them and the Transport Engineers did not feel empowered to insist on taking them back into Council possession.

A risk register for the 'Non-compliance with Processes for Ordering Transport for Clients', including nine risks was commenced by the Council's Senior Risk Management Advisor in February 2018 with several Social Care staff. Discussion with relevant Social Care staff confirmed that the risk register is currently incomplete, out of date and has not been integrated into day to day business practices.

Conclusion

Based on the audit findings, limited assurance has been applied to both risk identification maturity and the control environment for procurement of short term transport for social care.

The safeguarding risks and profile could not be higher so it is unacceptable that the audit has identified cases where the Council continue to use transport providers that are not on the list of approved providers, when there are 70 approved providers to choose from.

There are weaknesses in the current procurement of short term transport systems that are exposing the Council and vulnerable children and adults to unnecessary risks, i.e. DBS checks not undertaken in line with policy, outstanding identity badges not returned to the Council and formal contracts not in place with providers.

The audit report has raised ten recommendations to support the Council in strengthening internal controls within the area.

Management Actions

Management have responded positively to the ten audit recommendation raised, covering the following areas:

- Joint review (ITU and Social Care teams) of the procurement of short term transport for social care processes to ensure they are lean, user friendly and incorporate safeguarding and risk assessments;
- Regular review and update of the ITU contracts monitoring sheet, to include appropriate decision and action when contracts are not returned/confirmed by the service operators/transport providers;
- Instruction to all staff involved in the procurement of short term transport for social care that it is their duty to safeguard vulnerable children and adults in their care by following the agreed protocol in procuring only approved transport providers on the ITU list i.e. the use of this defined process is mandatory;
- Introduction of more formal, robust and resilient measures to ensure that the ITU have up to date, verified information and documentation on the approved providers (e.g. annual audit of operators including submission and review of key documents);
- Update to transport provider and driver Council identity badge processes, to reduce the risk of out of date badges being used fraudulently;
- Review and update of the DBS process for transport providers and drivers, to provide a solution to the potential risk of DBS gap in years two and three;
- Administration improvements for recharges, access to documentation and document retention; and
- Update and ongoing review of the procurement of transport for social care risk register.

Service Area: **Education**

Audit Activity: **Schools**

Background

The Council's Chief Financial Officer (S151 Officer) is required to submit an annual return to the Department for Education confirming that there is a system of audit in place for Local Authority (LA) maintained schools which gives adequate assurance over their standards of financial management and the regularity and propriety of their spending. Internal Audit provides independent assurance as to the effectiveness of these financial management arrangements within the schools audited.

Scope

Internal Audit's activity within schools is prioritised based on risk and available audit resources and as such, one Primary school and one Secondary school were visited during 2018/19. Individual reports were issued to each school for which satisfactory management responses were obtained. A summary of the common findings can be found below.

Risk Assurance – 2 Satisfactory

Control Assurance – 1 Satisfactory; 1 Limited

Key Findings

The overarching key findings that required improvement related to: Governance and Budgetary Control, School Fund, Procurement, Staffing and Payroll, Petty Cash and Income.

Conclusion

As the findings could apply to other schools, the information has also been shared with all LA maintained schools via Schoolsnet, Heads Up and What's Up Gov newsletters and at the Education conference.

In addition, due to the increased level of limited assurance reviews within schools, Internal Audit has, with effect from April 2019, secured additional schools audit resource.

Summary of Satisfactory Assurance Opinions on Control

Service Area: **Strategic Finance**

Audit Activity: **Journals**

Background

As part of Internal Audit's review of key financial controls for 2018/19, a review of the journal authorisation process as set out in Accounting Instruction No.18 (A.I.No.18) was undertaken.

Journals are high volume and high risk transactions, which can materially impact the information within the general ledger and the Council's statement of accounts. Audit trail, review and authorisation controls are key to ensuring that journal entries are appropriate, complete and accurate.

During the period covering 1st April 2018 to 31st October 2018 GCC processed a total of 4,854 journals. 1,748 of these had an individual value of £10,000 or more.

Scope

The specific objectives of the audit are summarised below:

- Test for journal compliance with A.I.No.18 - Journal Authorisation; and
- To ascertain if the controls established in A.I.No.18 in relation to journals are robust and fit for purpose.

SAP (the GCC financial management system) general ledger access controls were not tested within the internal audit, as they were deemed outside of the above audit scope.

Risk Assurance – Satisfactory

Control Assurance – Satisfactory

Key Findings

The GCC policy that governs journal transactions is A.I.No18. A.I.No18 sets out the key controls for journal transactions including separations of duty, escalating secondary authorisation in line with journal value, retention of journal documentation for review and budget holder awareness of journals impacting their budget.

A.I.No.18 available to staff via Staffnet (GCC internal Internet) at the point of audit was identified as being an older version dated August 2016 compared to the reviewed version available internally within Strategic Finance dated February 2018. It was also identified from the review of the A.I.No.18 that overlaps existed in the secondary authorisation levels that could cause confusion to individuals seeking appropriate secondary authorisation.

An audit sample of 46 journals was selected considering completed journals across a breadth of Council departments.

This sample also took into account the different secondary authorisation levels to ensure a broad range of journals tested.

Internal Audit sample testing identified the following exceptions to A.I.No.18 required processes and controls:

- Legal services were non compliant with A.I.No.18;
- Four journals identified without appropriate secondary authorisation; and
- Schools Finance journals were not held in a central location and accessible as prescribed by A.I.No.18.

Conclusion

Overall, compliance with A.I.No.18 could be seen from the majority of audit sample testing undertaken, with departments following A.I.No.18 for journal transactions and maintaining records of journals completed in accordance with the accounting instruction. Specific audit recommendations have been raised to help strengthen controls in the areas of identified non compliance and also to support update and promotion of A.I.No.18.

Management Actions

Management has responded positively to the three Medium Priority audit recommendations made.

Service Area:	**Adults**
Audit Activity:	**NHS Accessible Information Standards**

Background

The NHS Accessible Information Standards (Standards) aim to make sure that people who have a disability, impairment or sensory loss get information that they can access and understand, and any communication support that they need from health and care services.

The Standards inform organisations how they should make sure that patients and service users, and their carers and parents, can access and understand the information they are given. This includes making sure that people get information in accessible formats.

By law (section 250 of the Health and Social Care Act 2012), all organisations that provide NHS care and/or publicly-funded adult social care must follow the Accessible Information Standards in full from 1st August 2016 onwards.

A project was launched, with the objective of conducting a review of the Council's current processes and recording systems and if required, develop and implement a plan to make the necessary changes to working practices for both internal provision and that of external providers.

The findings emanating from the review, including five recommendations for further action were detailed within a Stocktake report in April 2017.

The focus of the five recommendations emanating from the 2017/18 Stocktake report and subsequent action plan were to ensure that short term support was provided by the Project Manager as needed, that where possible systems enabled conformance to the Standards and that the responsibility for compliance is embedded within day to day operations across Adult Social Care.

Scope

The objectives of this audit were to:

- Ensure that the recommendations and the subsequent action plan from the Stocktake report have been actioned in full or adequately progressed; and
- Select a sample of cases where the individual's needs have been identified and review prime records that are held within the Adult Social Care Record (ERIC) to ascertain if the agreed method of communication is being met and adhered to.

Risk Assurance – Satisfactory

Control Assurance – Satisfactory

Key Findings

Internal Audit found that some actions could not be completed due to issues with either system integration between the Council and the NHS or limitations within the respective system however; processes have been established to drive conformance and measure performance of compliance with the Standards.

It is evident that a three-tiered framework has been implemented across operational teams to drive conformance and to measure the level of performance of compliance with the Standards at first point of contact and subsequent contacts.

Further refinement of the performance data used to capture the level of compliance with the Standards at the first point of contact via the Customer Service Team Adults Helpdesk is needed to ensure accuracy and transparency. In addition, in order to ensure that appropriate actions are taken where non-conformance is identified the performance data should be shared with the Customer Service Team Manager and the Adult Social Care Management Team as part of the performance reporting regime.

Commissioned providers have been informed of the introduction of the Standards and the monitoring role of the Council's contract managers and the Care Quality Commission.

The Commissioning and Brokerage Team (the only service area selected for compliance testing as part of this review) has developed a contract management framework that includes adequate arrangements for monitoring provider compliance with the Standards.

From analysis undertaken on the Adult Helpdesk data downloaded from ERIC for August 2018

– October 2018, 6,441 unique Service Users had made contact during this period. Of these, 4,933 (77%) had their communication needs recorded at first contact, a further 459 (7%) did not have their communication needs recorded at first contact however their needs were confirmed on a subsequent contact. The remaining 1,049 (16%) had not had their communication needs confirmed (non-conformance with the Standards).

From a selected sample of 28 Service Users who have a communication need recorded within ERIC, the following anomalies were identified:

- For two Service Users Internal Audit was not able to see evidence that the communication need had been adhered to due to the agreed method being verbal communication; and

- For four Service Users their identified communication need had not been adhered to in all instances. On two occasions letters had been sent to the Service User and not the contact as stated in the communications tab. On two occasions the copy of the letter sent to the Service User within ERIC was not in large print as required.

Service Areas where non-conformance was found, as stated above are the FAB Team, Reablement Team, Customer Service Team and Fieldwork Team. The communication need recorded within the communication tab within ERIC was not always transparent as the communication need selected was conflicting.

Internal Audit also reviewed the level and type of complaints received across Adult Social Care areas in 2017/18 and is able to confirm that there were no complaints in connection with the Council not meeting the Standards.

Conclusion

The Stocktake report and subsequent action plan highlighted the areas in which the Council needed to improve in order to meet the requirements of the Standards. From this, assurance frameworks have now been implemented across Adult Social Care and Commissioning and Brokerage to ensure that the Standards are being met and that Service Users have access to information in a suitable format in relation to their communication needs.

From the findings emanating from the review Internal Audit has made three recommendations to further strengthen the control environment with regard to:

- Improvements to the performance monitoring and reporting regime; and

- The identified data integrity issues to be addressed as part of the implementation of the new Adult Case Management system, Liquid Logic.

Management Actions

Management have responded positively to the recommendations made.

Service Area:	**Communities and Infrastructure**
Audit Activity:	**Growth Deal Risk Management and Escalation Processes**

Background

In June 2011, the Secretary of State granted Local Enterprise Partnership (LEP) status to GFirst Ltd. Growth Deals are government schemes that provide funds to LEPs for projects that benefit the local area and economy. Since 2014 GFirst LEP has secured circa £102m of Growth Deal funding (to cover the period 2016 – 2021) where the LEP Board is heavily involved in the decision-making process as to how the money is subsequently spent.

All of the funding is paid to Gloucestershire County Council (GCC) in the first instance as the Accountable Body. Due to the high risk to the Council from this role it is important that the risk management arrangements for the Growth Deal funding are robust, both within GFirst LEP and the LEP Board.

Scope

This audit reviewed the effectiveness of the operation of the risk management and risk escalation processes for the Growth Deal funding that have been established by GFirst LEP and the LEP Board.

Risk Assurance – Substantial

Control Assurance – Satisfactory

Key Findings

The GFirst LEP Assurance Framework includes a clear risk management policy and framework for managing Growth Deal Programme risks where roles and responsibilities have been assigned and a toolkit has been made available for use in the form of a Programme risk register.

The project promoters who have been awarded funding agreements are required to develop their own project risk registers and evidence was seen of these being in place. There is adequate engagement between the project promoters and GFirst LEP for the purposes of managing and reporting risks as well as the submission of annual Statements of Assurance in relation to risk management to the Accountable Body.

The Growth Deal Programme risk register is being regularly monitored and reviewed within GFirst LEP in partnership with the Accountable Body. Growth Deal project and programme risks are being reported to the LEP Board and to Government. However, there is no clear link between the risks on the Programme risk register (and particularly the red residual risks) and the risks that are included in the Growth Deal Programme updates to the LEP Board, e.g. the risk of increased jobs not being achieved where this is a key Growth Programme objective. To date no separate risk escalation reports have been prepared for the LEP Board.

The appointment of a LEP Board Risk Champion should assist with the overall risk management process to ensure that the Growth Deal risk escalation process as detailed in the

Assurance Framework is operating effectively. This should also negate the need for the whole Programme risk register being shared with the LEP Board on a quarterly basis but rather only those risks that have been agreed to be escalated for specific LEP Board involvement.

Conclusion

There is an appropriate risk management framework in place where Growth Deal project and programme risks are being recorded, monitored and reported to the LEP Board and Government.

Roles and responsibilities for risk management have been assigned, however, the appointment of a LEP Board Risk Champion should enhance the Growth Deal risk management process to ensure that all appropriate risks are recorded on the Project and Programme risk registers for monitoring purposes and that the risk escalation process to the LEP Board is operating effectively.

Management Actions

Management has responded positively to the two Medium Priority audit recommendations that were made.

Service Area:	**Adult Services and Business Development**
Audit Activity:	**Standards for Employers of Social Workers**

Background

The Standards for employers of social workers in England (Standards) are published by the Local Government Association (LGA) on behalf of the social work reform partners, who are responsible for continuing the work started by the Social Work Task Force and the Social Work Reform Board who had highlighted the need for a set of standards and supervision framework for all employers of social workers.

All employers providing a social work service should establish a monitoring system by which they can assess their organisational performance against this framework, set a process for review and, where necessary, outline their plans for improvement.

Prior to 2015 Adult Social Care were working with Gloucestershire Care Services as an integrated Health and Social Care provider and a health check was undertaken for Adult Social Care in 2014. Following an internal audit review of the governance arrangements in place to drive through the social care reform guidelines, reported in January 2015, the agreed recommended management action was that "Management should develop a formal strategy and governance framework for the implementation of the Social Care Standards."

Scope

The objective of this review was to determine whether the Council has effective governance arrangements in place to manage and monitor conformance to the Standards for employers of social workers in England.

Risk Assurance – Satisfactory

Control Assurance – Satisfactory

Key Findings

Roles and responsibilities are clearly defined for ensuring that the Council has adequate arrangements in place to manage and monitor conformance with the Standards.

The review has highlighted a positive direction of travel towards full conformance to the Standards, with many of the actions being driven from the action plan emanating from the 2017 Annual Health Check survey (which is also a requirement of the Standards (1.6)). As at May 2019, the self assessment undertaken using the LGA Audit Toolkit highlights:

- 48 criteria recorded as achieved, (89% conformance);
- Five criteria partially achieved (9% partial conformance); and
- One criterion, not yet achieved (2% non-conformance).

From discussions held with key officers and a review of documentation, and information available within the Council's intranet and website, Internal Audit was able to verify various elements of the stated evidence within the self assessment to demonstrate conformance with the specified criterion for a selected sample of 35 of the 54 criteria (65%).

The one criterion that is recorded as not yet achieved refers to the development of a strategy to monitor the effectiveness of social work service delivery. This has not yet been clearly defined. This said, there is a variety of information available to management at an operational and strategic level to enable oversight of key elements of service performance, and these measures are currently in the process of being further refined/developed.

Of the five criteria stated as partially achieved, these are unable to be progressed at present due to other work that needs to be driven under the Adults Single Programme, and the need for further development of performance measures.

Conclusion

There is a governance framework in place to ensure that the Council has adequate arrangements in place to conform to the Standards. The results of the May 2019 self assessment against the Standards (89% conformance) demonstrates a positive direction of travel towards full conformance with the Standards.

In order for the Council to be able to demonstrate full conformance with the Standards, ongoing actions will need to be completed and focus will need to be given to the development of a strategy to monitor the effectiveness of social work service delivery.

Management Actions

Management has responded positively to the one Medium Priority audit recommendation that was made.

Summary of Consulting Activity and/or support provided where no opinions are provided

Service Area: **Strategic Finance**

Audit Activity: **PO Box Addresses**

Background

PO Box addresses are one of the many fraud indicators in the prevention and detection of fraud. There is a risk that someone could set up a fictitious company with a PO Box address and payments could be made to the company.

Recent data analytical work identified that Gloucestershire County Council has over 800+ companies listed on SAP whose only contact addresses is a Post Office (PO) Box number.

Discussions with the Business Service Centre (BSC) have confirmed that no specific/additional checks are undertaken on the validity of businesses using a PO Box

address. Whilst it is acknowledged that PO Box addresses are used by companies (often as a way of diverting post to the correct team within larger organisations) it is possible that the use of PO Box addresses may be being used by fraudsters to give the appearance of a genuine company.

Scope

This objective of this bespoke piece of work was to:

- Ascertain the validity of the PO Box addresses recorded on SAP within 2017/18; and
- Inform the counter fraud and the BSC of any irregularities identified.

Key Findings

The review concentrated on payments made to these vendors using a PO Box address during the latest complete financial year at the point of review (2017/18). This analysis identified 3,439 payments, totalling over £1.3 million, had been made to companies only providing a PO Box Address during this period.

Whilst a 100% review of vendors used within 2017/18 did not identify any fraudulent issues, it did identify that one company, Company A, had over a number of years been set up on SAP (the Council's financial accounting system) with 19 separate vendor numbers. During 2017/18 payments were made to six different vendor numbers all using the same PO Box address. It was identified that Company A is used by the Council to provide support to Service Users (SU) in receipt of a direct payment and employing a personal assistant. Internal Audit established that in each of the six cases the SU's name had been used as the vendor name but all using the same PO Box. Internal Audit was advised that this method had been used to enable the expenditure per SU to be tracked.

Conclusion

Based upon the review undertaken and sample testing, reasonable assurance can be provided that payments made to companies/vendors using PO Box addresses within 2017/18 have not been made to fictitious companies.

Internal Audit are working with the BSC and the Commercial Team to develop a process to help reduce the likelihood of making payments to fictitious companies/vendors using PO Boxes and therefore mitigate the risk of non genuine payments being made to fraudsters.

Service Area:	**Adults**
Audit Activity:	**Gloucestershire Safeguarding Adults Board-Audit Sub Group**

Background

The work of the Audit Sub-Group is one of the key elements in the Gloucestershire Safeguarding Adults Board (GSAB) Quality Assurance Framework, which is designed to:

- Provide a means of assuring the GSAB that effective structures are in place to improve the outcomes and experience of safeguarding for adults with care and support needs at risk of abuse or neglect.
- Provide the GSAB with the information it needs to identify potential risks and assurance that actions are being taken to mitigate those risks and improve services.

One of the Audit Sub-Group's responsibilities is to complete an agreed multi agency annual programme of planned audits in response to emerging themes or areas of concern identified by GSAB, its Management Committee or the Audit Group (in agreement with GSAB).

Scope

This consultancy review was to seek to determine whether there is a robust framework in place for ensuring the effective identification, assessment and delivery of the multi agency annual programme of planned audits.

Key Findings

During 2018/19 dialogue between Internal Audit, the Head of Safeguarding Adults and the Independent Chair of the GSAB identified that whilst the Audit Sub Group do have an annual plan and are undertaking regular audits which does provide some reassurance, additional work is needed to further develop the maturity of the Quality Assurance Framework and it is intended that a Board level peer review will be undertaken during 2019/20.

In light of the above, it was considered that greater benefits could be achieved from undertaking the consultancy review at a later stage.

Conclusion

A review of this area will be considered as part of the annual planning exercise for inclusion within the 2020/21 Gloucestershire County Council Internal Audit Plan.

Service Area: **Strategy and Challenge**

Audit Activity: **Data Analytics**

Background

Data analytics is the science of examining raw data with the purpose of drawing conclusions about that information. Data analytics involves applying an algorithmic or mechanical process to derive insights. For example: running through a number of data sets to look for meaningful relationships between each other.

Data analytics enables auditors to better identify financial reporting, fraud and operational business risks.

Scope

The Council is seeing an increase in the digitisation of their operations, resulting in a growth of data across all business functions. To align with this objective, Internal Audit is currently developing a data analytics strategy to be implemented during 2019/20. Data analytics is proving to be a useful internal audit tool as councils become more reliant on electronic data. Data analytics enables a vast amount of data to be analysed when selecting testing samples, utilising ICT to discover new capabilities and unlock key information to help identify and reduce inefficiencies, control weaknesses, fraud and abuse, and improve productivity.

The following bullet points confirm the main areas of data analytic use by Internal Audit within 2018/19:

- Utilised in number of Counter-Fraud investigation cases. Including examination of mobile phone usage and fuel transactions during the last 12 months. Analysis enabled understanding of out of hours use, weekend transactions, summarisation of fuel cards, location transactions and considered Benford's law to identify patterns. Review outcome data was presented in a useful and informative way.

- Two formula checks were completed to confirm validation of Value Added Tax (VAT) numbers within the SAP system (the financial management system) at a set point in time (January 2018). Both the 97 formula (VAT issued before 2010) and new 9755 formula validation checks were performed on all 75,903 vendors within the data set. Any errors were then checked to the European Union VAT Information Exchange System (EU VIES) online checker as recommended by the EU Tax and Customs. This exercise identified 226 invalid numbers. Further work was then completed with the BSC regarding validating and updating records.

- Performed 100% check on 40,156 vendors from National Fraud Initiative (NFI) standing data (vendors used within 2017/18 and identified 537 using a PO Box as their main address). Please see the PO Boxes summary paragraph for specific outcomes from these data analytics pieces of work.

- Supported internal audit delivery by providing analytical information to assist with such internal audits as GFRS Progression and Promotion; and GFRS Absence.

- Validation of 2018/19 NFI data prior to submission to the Cabinet Office to improve matching results.

Conclusion

One of the key advantages highlighted during 2018/19 was the use of data analytics to perform 100% checks on data sets allowing internal audits, investigations and other reviews to be more focused on identified anomalies and risk areas.

Increase in the usage of data analytics by ARA is planned in 2019/20 along with the implementation of the Data Analytics Strategy and working with external auditor groups to learn further best practice and advanced data analytic techniques.

Service Area: **Education**

Audit Activity: **Education Conference 2019 (Education Contingency)**

The Education Conference was held over two days in March 2019 and was open to all Headteachers, Governors, School Business Managers, Bursars and Administrators. The event provided an opportunity for delegates to attend a number of talks and seminars on a range of educational topics. Throughout the conference there was a School Support Services exhibition provided by teams who deliver business support and facilities management services to schools.

ARA was invited to attend the Education Conference by the conference co-ordinator and provide a stand within the School Support Services exhibition, to include material highlighting the work that the ARA service undertakes in relation to schools. A number of documents were produced which were available on the day and which could be taken away by the delegates, which highlighted:

- Common findings from Internal Audit school visits;

- A checklist detailing recommendations made and associated risks;

- Recent examples of frauds in GCC schools; and

- Fraud ‘red flags’.

A Guide to Internal Audit was also available for individuals to take away, which explains the role of Internal Audit and the process involved in an audit review.

Service Area:	**Education**
Audit Activity:	**Nursery Education Funding – Audit Process**

Background

The Government has set out that all three to four year olds in England can get 570 free childcare hours per year (usually taken as 15 hours over 38 weeks). Some three to four year olds are eligible for 30 hours free childcare per week.

This funding is provided by the relevant Local Authority to the Nursery or Childcare setting. Each setting applies through the GCC online portal at the start of the term, and then submits adjustments at the end of the term.

The outcomes of an irregularity in relation to Nurseries and Child Care placements investigated by Internal Audit in 2017/18 had resulted in the recovery of £32,000 from one nursery setting and highlighted potential issues with the submissions to Gloucestershire County Council (GCC) for Nursery Education Funding (NEF) grant claims and the monitoring of those submissions.

At the time of the audit there were 524 settings registered with the Council. Letters were issued to all of the nursery settings (including private and school nurseries, and childminders) advising them of the intention to undertake a review of the NEF grant claim process. A random sample of 30 settings was selected for review.

Scope

At the request of the service area, Internal Audit employed the Counter Fraud Unit (CFU) to undertake a bespoke piece of work looking at the robustness of the systems and processes used by the nursery settings in respect of the NEF claims submitted to GCC. It was agreed that the period for review would be the last claim period that had been completed including adjustments, which in this case was the 2018 Summer term.

Key Findings

To ascertain who completed paperwork/electronic records (e.g. Register(s) of attendance, parent declaration forms and invoices; how parents are advised regarding free hours and stretched hours; who had the responsibility for populating and submitting the funding claims via the portal) a mix of electronic and paper records were reviewed.

The auditors found that there was little or no consistency across the settings in maintaining the attendance and associated financial records. This lack of consistency impeded the opportunity to undertake any comparison of processes followed across settings or apply a consistent testing methodology to the reviews conducted which led to the suggestion that the Early Years team consider possibility of introducing a more streamlined process that reduces the opportunity of variation.

During the reviews, a number of discrepancies between the paperwork maintained in the setting and the grant submission were identified. It is possible that some of these issues may have been due to a lack of knowledge in the process on the part of the auditors and/or the complexity of the system of identifying and recording the hours attended by those children eligible to receive grant funding.

Conclusion

From the sample tested, the auditors found no indication of fraud although there were a number of discrepancies identified during the audits that will need to be followed up by an officer with a deeper understanding and experience of how the NEF grant funding should work.

All audit findings have been shared with the Early Years team. Eleven of the 30 settings visited were identified as requiring a further visit by an experienced member of the Early Years team.

This additional work may result in some of the settings being asked to repay the Council for overpayments claimed.