

ARGYLL & BUTE COUNCIL

Internal Audit Section

INTERNAL AUDIT REPORT

CUSTOMER DEPARTMENT	CROSS CUTTING
AUDIT DESCRIPTION	RISK BASED AUDIT
AUDIT TITLE	INTERNAL AUDIT REVIEW OF GIFTS AND HOSPITALITY
AUDIT DATE	SEPTEMBER 2017

2017/2018



1. BACKGROUND

This report has been prepared as part of 2017/18 risk based Internal Audit Annual Plan and has been conducted in accordance with relevant auditing standards. The report is based on discussions with key personnel and information available at the time of the Audit.

The Council Constitution and code of conduct for Councillors and employees provide information regarding the acceptance and recording of gifts and hospitality.

The Code of Conduct for Councillors states that: “You must record with the appropriate officer the details of any gifts or hospitality received. This record will be available for public inspection.”

The instructions include the following:

- Do not accept; offers that could give rise to personal gain or show favour or disadvantage to any individual or organisation.
- Never ask for gifts or hospitality.
- Trivial gifts less than £50 in value; normal hospitality and civic gifts received on behalf of the Council may be accepted and do not require to be recorded.

The Employee Code of Conduct states that: “Generally no employee should accept the offer of gifts, hospitality or services from any service user, supplier/ contractor or member of the public other than where it is a token item”

The instructions include the following:

- Do not accept gifts or hospitality that may place you under obligation.
- Do not accept repeated hospitality or frequent personal gifts from the same person or organisation.
- Follow the Council’s policy on declaring offers of gifts or hospitality and follow the current procedures for having any offers authorised.
- Consult with manager if value of offer is more than a token.
- All offers with a value of more than £25 should be registered whether accepted or not.

2. AUDIT SCOPE AND OBJECTIVES

The objective of the audit was to review recording and reporting arrangements to evaluate compliance with policy and the internal control environment.

The following control areas were reviewed as part of the audit process:

Control Objective	Control Objective Assessment
Authority - Roles and delegated responsibilities are documented in policies and procedures and are operating well in practice	Substantial – forms and register are appropriately completed and authorised. Responsibilities are outlined in the Councillor and Employee Codes of Conduct and Council Constitution. Policy could not be located.
Occurrence - Sufficient documentation exists to evidence compliance with policies, procedures and relevant legislation	Substantial – original documentation was complete and available for review, and all Councillors and employees are made aware of and have access to the respective codes of conduct.
Completeness - Policies and procedures are aligned to relevant legislation and all required documentation is accurately and fully maintained	Reasonable – original documentation was fully and accurately completed and is maintained and stored appropriately.
Measurement - Policies and procedures are in line with requirements of relevant legislation	The employee code of conduct references a policy that should be adhered to by staff; however, this could not be located at the time of the audit.
Timeliness - Policies and procedures are regularly reviewed and updated as necessary	
Regularity - Documentation is complete, accurate and not excessive and is compliant with the data retention policy. It is stored securely and made available only to appropriate members of staff.	

3. RISKS CONSIDERED

SRR – Risk 08: Reputation

4. AUDIT OPINION

The level of assurance given for this report is Substantial.

Level of Assurance	Reason for the level of Assurance given
High	Internal Control, Governance and the Management of Risk are at a high standard with only marginal elements of residual risk, which are either being accepted or dealt with. A sound system of control is in place designed to achieve the system objectives and the controls are being consistently applied.
Substantial	Internal Control, Governance and management of risk is sound, however, there are minor areas of weakness which put some system objectives at risk and where specific elements of residual risk that are slightly above an acceptable level and need to be addressed within a reasonable timescale.
Reasonable	Internal Control, Governance and management of risk are broadly reliable, however although not displaying a general trend there are a number of areas of concern which have been identified where elements of residual risk or weakness with some of the controls may put some of the system objectives at risk.
Limited	Internal Control, Governance and the management of risk are displaying a general trend of unacceptable residual risk above an acceptable level and system objectives are at risk. Weakness must be addressed with a reasonable timescale with management allocating appropriate resources to the issues raised.
No Assurance	Internal Control, Governance and management of risk is poor, significant residual risk exists and/ or significant non-compliance with basic controls leaves the system open to error, loss or abuse. Residual risk must be addressed immediately with management allocating appropriate resources to the issues.

This framework for internal audit ratings has been developed and agreed with Council management for prioritising internal audit findings according to their relative significance depending on their impact to the process. The individual internal audit findings contained in this report have been discussed and rated with management.

A system of grading audit findings, which have resulted in an action, has been adopted in order that the significance of the findings can be ascertained. Each finding is classified as High, Medium or Low. The definitions of each classification are set out below:-

High - major observations on high level controls and other important internal controls. Significant matters relating to factors critical to the success of the objectives of the system. The weakness may therefore give rise to loss or error;

Medium - observations on less important internal controls, improvements to the efficiency and effectiveness of controls which will assist in meeting the objectives of the system and items which could be significant in the future. The weakness is not necessarily great, but the risk of error would be significantly reduced if it were rectified;

Low - minor recommendations to improve the efficiency and effectiveness of controls, one-off items subsequently corrected. The weakness does not appear to affect the ability of the system to meet its objectives in any significant way.

5. FINDINGS

The following findings were generated by the audit:

Councillor's and Officer's Codes of Conduct

It was evidenced that:

- The Council's intranet website (HUB) provides ready access to both Councillor's and Officer's codes of conduct within the Council Constitution.
- The Codes clearly informs Councillors and Officers of the behaviours and conduct standards expected of them.
- Councillors and Officers are instructed to record details of all offers of gifts or hospitality, whether accepted or not, with the exception of those for Councillors that fall within section 3.9 of the code or where the value of the offer is below £25 for officers.
- The Code of Conduct for Officers contains a reference to a policy document that is no longer in place.

Registers of Gifts and Hospitality

It was evidenced from the review that:

- A process is in place but is not currently recorded within a policy document.
- Forms had been completed by 4 officers and one Councillor in the current year.
- Forms had been appropriately completed and authorised where required.
- Forms are not available from a central repository, they are currently provided by the Directorate Support Officer upon request.
- Councillors are provided with a form within their induction pack.
- An additional record is maintained on behalf of the Chief Executive detailing all offers of gifts and hospitality, including those below the reporting threshold.

Observations

We have also highlighted to management the following observation which has been identified during the review. Although not included in the scope the matter was brought to auditor attention during the audit and either indicates a potential risk exposure and /or could be considered as a matter of good practice and therefore noted for information and completeness:

- There is currently no annual declaration by Officers to confirm awareness/compliance with all requirements of the Employee Code of Conduct.

6. CONCLUSION

This audit has provided a Substantial level of assurance “as Internal Control, Governance and management of risk is sound, however, there are minor areas of weakness which put some system objectives at risk”. There were a number of findings identified as part of the audit and these, together with agreed management actions, are set out in the attached action plan. There were 2 actions of which one will be reported to the Audit Committee. Progress with implementation of actions will be monitored by Internal Audit and reported to management and the Audit Committee.

Thanks are due to staff and management for their co-operation and assistance during the Audit and the preparation of the report and action plan.

APPENDIX 1 ACTION PLAN

Findings	Risk Impact	Rating	Agreed Action	Responsible person agreed implementation date
1. Policy		High/ Medium		
The Code of Conduct for Officers contains a reference to a policy document that is no longer in place.	Failure to document a formal policy may lead to non-compliance with code of conduct resulting in reputational damage	High	The code of conduct sets out the context for gifts so we will update this text to make it clear that the code text is in fact the policy.	Head of Governance and Law 30 April 2018



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