



Glasgow City Council

Strathclyde Pension Fund Committee

Report by Head of Audit and Inspection

Contact: Duncan Black Ext: 74053

Item 9(a)

6th March 2019

INTERNAL AUDIT – REVIEW OF GIFTS AND HOSPITALITY

Purpose of Report:

To present the results of the Internal Audit review of gifts and hospitality arrangements within the Strathclyde Pension Fund Office.

Note:

In most cases one of four opinions is expressed:

1. The control environment is satisfactory i.e. audit testing found no concerns with the control environment.
2. A reasonable level of assurance can be placed upon the control environment i.e. audit testing found no major weaknesses in the control environment but some improvements could be made.
3. A limited level of assurance can be placed upon the control environment i.e. improvements are necessary to ensure the control environment is fit for purpose.
4. The control environment is unsatisfactory i.e. significant improvements are required before any reliance can be placed upon the control environment.

Recommendations:

The Committee is asked to note the contents of this report and **AGREE** the audit recommendation that the Head of Audit and Inspection submits a further report to Committee on the implementation of the actions contained in the Action Plan.

Ward No(s):

Citywide: ✓

Local member(s) advised: Yes No

consulted: Yes No

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GLASGOW CITY COUNCIL INTERNAL AUDIT SECTION COMMITTEE SUMMARY

Title of the Audit: Strathclyde Pension Fund – Review of Gifts and Hospitality

1. Introduction

1.1 In order to meet the demand for enquiries received under the Freedom of Information (Scotland) Act 2002 and also demonstrate the Strathclyde Pension Fund Office's (SPFO) commitment to openness, transparency and its responsibilities under the Bribery Act 2010, the SPFO must ensure that it has effective arrangements in place for employees to record all gifts and hospitality offered and received. As part of the agreed Internal Audit Plan we have carried out a review of the gifts and hospitality process within the SPFO.

1.2 The SPFO has developed documented procedures which provide guidelines for employees on the appropriate ways of dealing with offers of gifts and hospitality and the Council's Code of Conduct for Employees also outlines the roles and responsibilities of employees in relation to gifts and hospitality.

1.3 The scope of the audit was to gain assurance that gifts and hospitality offered to or by SPFO employees are dealt with correctly and in line with procedures, which should incorporate the requirements of the Bribery Act 2010. This included:

- Reviewing the arrangements for ensuring that employees are aware of the processes that should be followed relating to gifts and hospitality;

- Confirming the existence of an appropriate gifts and hospitality register;
- Ensuring entries are recorded on the register in sufficient detail, within the correct timescale, and have been approved by an appropriate officer;
- Reviewing the arrangements for recording offers of gifts and hospitality which have been declined; and
- Reviewing the process for collation and reporting of information on the register to senior officers.

1.4 Whilst the audit included a review of the gifts and hospitality recorded on the registers, we cannot identify offers of gifts and hospitality accepted or rejected which were not reported.

2. Audit Opinion

2.1 Based on the audit work carried out a reasonable level of assurance can be placed upon the control environment. The audit has identified some scope for improvement in the existing arrangements and five recommendations which management should address.

3. Main Findings

3.1 We found that some processes in relation to gifts and hospitality are in place and are operating effectively. The SPFO maintains a gifts and hospitality register

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which is used to record items of gifts and hospitality that employees have been offered. The register includes columns to record the description of the gift or hospitality being offered, whether it was accepted or declined and details of who provided authorisation for acceptance. However, we also identified areas for improvement.

3.2 The Council's Code of Conduct for Employees outlines the roles and responsibilities of employees in relation to gifts and hospitality and SPFO employees have access to the Council's guidance. There are also SPFO procedures which largely reflect Council arrangements and also include specific arrangements in relation to the administration and recording of gifts and hospitality. These are only available to senior management despite other staff being offered gifts and hospitality. We also found that a register of offers of gifts and hospitality that are made by SPFO employees is not maintained however we were advised that offers of gifts or hospitality are not routinely made.

3.3 We reviewed the gifts and hospitality registers for the period January 2017 to August 2018 and found cases where the register was not fully completed with all required details to allow adequate scrutiny and review of gifts and hospitality that had been offered to SPFO employees. We selected a sample of ten cases of accepted gifts and hospitality for further review and

found one case where the original invitation had not been included in the request for approval.

3.4 An action plan is provided at section four outlining our observations, risks and recommendations. We have made five recommendations for improvement. The priority of each recommendation is:

Priority	Definition	Total
High	Key controls absent, not being operated as designed or could be improved. Urgent attention required.	0
Medium	Less critically important controls absent, not being operated as designed or could be improved.	2
Low	Lower level controls absent, not being operated as designed or could be improved.	3

3.5 The audit has been undertaken in accordance with the Public Sector Internal Audit Standards.

3.6 We would like to thank officers involved in this audit for their cooperation and assistance.

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- 3.7 It is recommended that the Head of Audit and Inspection submits a further report to Committee on the implementation of the actions contained in the attached Action Plan.

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4. Action Plan

No.	Observation and Risk	Recommendation	Priority	Management Response
Key Control: Procedures for gifts and hospitality are in place and have been communicated to all employees.				
1	<p>The SPFO has a standalone gifts and hospitality procedure which is broadly in line with Council guidance. The procedure also includes some processes which are specific to the SPFO in relation to the administration and recording of gifts and hospitality. Whilst SPFO employees have access to the Council's guidance, the specific SPFO procedures are only currently available to senior management.</p> <p>We also found that the SPFO procedures do not provide any guidance in respect of the offer of gifts and hospitality by employees or in relation to the acceptance of gifts or hospitality being offered at the time of an event.</p> <p>This increases the risk that employees are unaware of, or do not follow the correct procedures relating to offers of gifts and hospitality.</p>	<p>SPFO management should review the requirement to maintain a standalone procedure. If this is deemed to be necessary, the SPFO documented procedures should be updated to reflect the process to be followed for:</p> <ul style="list-style-type: none"> •The offer of gifts and hospitality by SFPO employees; and •Offers of gifts and hospitality during attendance at an event. <p>The full revised procedure should then be made available to all relevant staff.</p> <p>If the full standalone procedure is not deemed to be required, SPFO management should ensure that the supplementary guidance in relation to SPFO specific processes for the administration and recording of gifts and hospitality is made available to all relevant staff.</p>	Low	<p>Response: Accepted</p> <p>Officer Responsible for Implementation: Director, SFPO</p> <p>Timescale for Implementation: 30 June 2019</p>

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No.	Observation and Risk	Recommendation	Priority	Management Response
Key Control: A record of gifts and hospitality offered by SPFO employees is maintained and there is detailed guidance relating to these arrangements.				
2	<p>The SPFO does not maintain a register to record offers of gifts or hospitality that have been made by SPFO employees. We were advised that the current register would be used to record any gifts and hospitality offered to or by employees and that gifts and hospitality are not generally offered by employees.</p> <p>Current arrangements increase the risk that any gifts or hospitality being offered by SPFO employees are not recorded, monitored and reported and that offers of gifts or hospitality are being made without appropriate authorisation.</p>	<p>SPFO management should ensure that if any offers of gifts or hospitality are made by employees, that these are recoded and reported as necessary in line with Council processes.</p>	Medium	<p>Response: Accepted</p> <p>Officer Responsible for Implementation: Director, SPFO</p> <p>Timescale for Implementation: 31 March 2019</p>
Key Control: The register is not fully or accurately completed when noting instances of gifts and hospitality.				
3	<p>We reviewed the SPFO gifts and hospitality register for the period January 2017 to August 2018 and found cases where the register was not fully completed. Specifically:</p> <ul style="list-style-type: none"> • Two cases where, although evidence of authorisation had 	<p>SPFO management should ensure that officers responsible for updating the gifts and hospitality registers complete all of the required details. A best estimate of the value should be recorded for all offers of gifts or hospitality, if the exact value is unknown. However as a minimum the value should be recorded as greater than/less</p>	Medium	<p>Response: Accepted</p> <p>Officer Responsible for Implementation: Director, SPFO</p> <p>Timescale for Implementation: 31 March 2019</p>

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	<p>been retained, the register did not note that authorisation had been given;</p> <ul style="list-style-type: none"> • One case where a value had been omitted from the entry on the register; • Three cases where the date that approval was provided was not included; and • One case where the register stated that verbal approval had been given by the Council's Director of Finance. <p>We were advised that registers are checked for completeness before being issued to the Executive Compliance Unit. This process could be formalised in order to capture any cases like those identified through our sample testing.</p> <p>The SPFO procedures outline that entries should be recorded on the register within seven days of being received. However, we found that the register does not clearly detail the date the entry was made and we</p>	<p>than £100.</p> <p>Management should formalise the process for sense checking the registers prior to them being submitted to the Council's Executive Compliance Team in order to ensure that any issues in relation to the completeness of the registers are identified and rectified.</p> <p>SPFO management should update the register to note the date the gift or hospitality has been recorded and ensure that this is within seven days of receipt.</p>		

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	<p>were therefore unable to verify that this was being complied with. The register is consistent with the Council's current recommended format although a revised format has recently been issued which SPFO are expected to follow.</p> <p>This increases the risk that a robust audit trail is not available to allow adequate scrutiny and review of gifts and hospitality that has been offered to SPFO employees.</p>			
<p>Key Control: All gifts and hospitality accepted by employees meet the guidance for acceptability.</p>				
4	<p>We selected a sample of ten cases of accepted gifts and hospitality for further review and found one case where the original invitation had not been included in the request for approval.</p> <p>This increases the risk that gifts and hospitality is accepted which is not compliant with the guidelines.</p>	<p>SPFO management should ensure that supporting documentation (e.g. the original invitation) is provided to support requests to accept offers of gifts and hospitality in all cases and management should also ensure that evidence of this is retained.</p>	Low	<p>Response: Accepted</p> <p>Officer Responsible for Implementation: Director, SPFO</p> <p>Timescale for Implementation: 31 March 2019</p>
<p>Key Control: Offers of gifts and hospitality made/received are presented to the Board and/or SPFO Committee to be scrutinised.</p>				
5	<p>We found that the gifts and hospitality registers are not reported to the SPFO Committee. The offers</p>	<p>SPFO management should consider amending the process so that any gifts or hospitality offered to senior officers over a</p>	Low	<p>Response: Accepted</p> <p>Officer Responsible for</p>

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	<p>relating to the Director of the SPFO are reported to the Council's Finance and Audit Scrutiny Committee in line with Council arrangements for reporting all gifts and hospitality accepted by officers of grade 12 and above.</p> <p>There is therefore no scrutiny of gifts and hospitality that are accepted by officers other than the Director of SPFO.</p>	<p>set value is reported to the SPFO Committee on at least an annual basis.</p>		<p>Implementation: Director, SPFO</p> <p>Timescale for Implementation: 30 June 2019</p>

5. Policy and Resource Implications

Resource Implications:

- Financial:* Internal Audit services are included within the Central Support Services cost.
- Legal:* None
- Personnel:* None
- Procurement:* None

Council Strategic Plan: To provide assurance on the controls in place in relation to gifts and hospitality within SPFO.

Equality and Socio-Economic Impacts:

- Does the proposal support the Council’s Equality Outcomes 2017-22* Not applicable.
- What are the potential equality impacts as a result of this report?* No significant impact.
- Please highlight if the policy/proposal will help address socio economic disadvantage.* Not applicable.

Sustainability Impacts:

- Environmental:* None
- Social, including Article 19 opportunities:* None
- Economic:* None

Privacy and Data Protection impacts: None

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6. Recommendations

- 6.1 The Committee is asked to note the contents of this report and **AGREE** the audit recommendation that the Head of Audit and Inspection submits a further report to Committee on the implementation of the actions contained in the Action Plan.