



Internal Audit Report - Final

05/12/2023

Employee Gifts & Hospitality and Declarations of Interest

This audit review is a foundation of good governance, openness, and transparency which helps to prevent and detect fraud, corruption, and bribery, impacting the Council's ability to provide value for money.

Assurance Opinion		Identified Recommendations	
No Assurance		Priority 1	2
		Priority 2	3
		Priority 3	1
Date of last review:	05/03/2019	Direction of travel	

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EXECUTIVE SUMMARY

1. BACKGROUND

- 1.1 The Seven Principles of Public Life outline the ethical standards those working in the public sector are expected to adhere to. Holders of public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. It is important to avoid any suggestion of improper influence, real or perceived.
- 1.2 The Council's Code of Conduct reflects the Seven Principles of Public Life and includes guidance on managing the offer and receipt of gifts and hospitality. The Gift and Hospitality Policy further underpins the Code of Conduct.
- 1.3 Examples of personal interests that could conflict with policy, duties, or responsibilities that should be declared using a declaration proforma are also included in the Council's Code of Conduct, which includes membership in a secret organisation, financial and non-financial interests, and undertaking work for another organisation.

2. OBJECTIVES & SCOPE OF THE AUDIT

- 2.1 The purpose of this audit was to determine the level of compliance with existing policies and the Code of Conduct that all employees are required to comply with, and to assess the control framework that manages these functions. The areas that were reviewed were:
- Staff are aware of the Council's code of conduct and their responsibility to declare gifts and hospitality and any interests that may be or could perceive to be a conflict.
 - Roles and responsibilities have been identified and documented for managing and recording gifts and hospitality for all employees regardless of role, and these records are reviewed with appropriate action taken where necessary.
 - Roles and responsibilities have been documented for identifying those individuals/roles where a declaration of interest should be proactively sought.
 - Declarations of interest are managed, monitored, reviewed, and refreshed.

EXECUTIVE SUMMARY

3. CONCLUSIONS

- 3.1 Although the Council has documented its expectations of staff including roles and responsibilities within these areas, there is a failure of governance to ensure that it has taken the opportunity to ensure staff are aware of these expectations, to provide a robust process which staff are proactively encouraged to use, and to manage, monitor and report declarations.
- 3.2 The Council has documented its expectations of staff their responsibilities regarding gifts and hospitality and declaring of interests, however these policies are not aligned, clear, or up to date and in some cases they were conflicting. Furthermore, it was not possible to establish which employees had received a copy of the Employee Code of Conduct (CoC), which details the expected behaviours, beliefs, and culture of the Council and forms part of the conditions of employment.
- 3.3 The onboarding process requires staff to receive a copy of the CoC, but systems do not allow for easy confirmation that this had happened or that staff had read the CoC and were aware of their responsibilities. The Council has missed an opportunity to obtain a declaration of interest from when the new starter commences employment or during the sign-off of the probationary period.
- 3.4 With regards to staff confidence around knowledge of the gifts and hospitality process, the survey¹ results show that:
- 22% of respondents³ had limited or no confidence.
 - 50% of respondents were fairly confident.
 - 18% of respondents were totally confident.
- 3.5 This included officers and managers, but only one recently created gifts and hospitality register, managed at Directorate level, was located during the audit. In addition, some historic records were located on the Iken system, further proving the process is disjointed and unorganised.
- 3.6 The gifts and hospitality register that was located was not replicated across the Council. A recommendation has been made to find an electronic and centralised solution that would allow for easy monitoring and reporting by service, directorate, or entire Council.
- 3.7 Generally, there was an accurate understanding of what a declaration of interest was, but with no registers located during the audit, it is obvious that the expected

¹ Survey produced for this audit review, 64 respondents, 48% managed people.

³ Respondent breakdown – 1 ED, 2 AD, 18 Service Managers, 10 Team Leaders, 33 officers. 48% managed people

EXECUTIVE SUMMARY

procedures are not embedded. Furthermore, agency workers are missed from this process and pose a risk, particularly in service areas of vulnerability.

- 3.8 The current method of Directorate registers (for both gifts and hospitality and declarations of interests) is outdated, ineffective, and disjointed. It is recommended that an electronic process be established that will allow declared interests to be accessible to the manager, whether that manager remains constant or changes due to reassignment or replacement. This would allow for mitigating intervention to be put in place to protect both the staff member and the Council, which is currently not being managed. For this reason, it is audit's opinion that the declaration of interests' process should be held on iTrent, as all employees have an iTrent account and the line manager is updated when necessary.
- 3.9 There is no corporate requirement to consider the risks associated with system access of staff that have declared an interest in an account, person, or company that is on one of the Council's key systems.² Only three of the system owners contacted confirmed that declarations of interest are considered, two proactively upon user set up, although none refresh that declaration.
- 3.10 There is no consideration of this risk by the Digital and ICT Team or how/whether access can be restricted during system change requests and new system implementation.
- 3.11 For these reasons a No Assurance opinion has been given and a total of 6 recommendations have been made. Two recommendations are high priority 1, 3 are priority 2, and one is a priority 3 recommendation

² System owners of 12 Council systems were contacted.

MANAGEMENT ACTION PLAN

Control Objective	Staff Awareness
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Risk	Staff and managers are unsure of the correct process as there is conflicting advice, guidance, and policies. This may result in non-compliance with processes.		
Rec No	1	Risk Priority	3

Audit Recommendation

The Code of Conduct (and gifts and hospitality policy) should be reviewed to ensure that it is consistent and reflects the Council’s Constitution and policies. It should also include guidance on:

- **Gifts of cash.**
- **Gifts from staff, clients or service users.**
- **Review, monitoring, and reporting responsibilities.**
- **The responsibilities of all levels of staff including for the Chief Executive**

The intranet page should reflect the most recent version of the Code of Conduct.

Management Response	Responsible person
Agreed. All HR Policies (and amendments to them) need to be agreed with the trades unions. In practice these are done in ‘batches’ and once agreement is reached are presented to Personnel Committee for agreement. The next available Personnel Committee is due to be held on 21 st March 2024 – we will work with the TUs and Legal and Governance ahead of that date to make the amendments required. Once agreed by Personnel Committee the revised policy can be shared with all staff and included in our recruitment and induction processes.	AD HR&OD
	Target date
	01 April 2024

MANAGEMENT ACTION PLAN

Risk	Staff are unaware of their responsibilities and do not make appropriate disclosures, which could bring about challenges and reputational damage. Furthermore, should a situation arise, the Council would not be able to prove that the member of staff was aware of their responsibilities and this could impact a disciplinary hearing.		
Rec No	2	Risk Priority	2
Audit Recommendation			
<p>The onboarding and/or probationary process should include awareness of the Code of Conduct and evidence that staff have been made aware of it. This could be achieved by:</p> <ul style="list-style-type: none"> • Evidencing that the code of conduct has been included in the offer letter • Include it as a requirement in the new starter checklist, when a declaration of interest form should be completed and held on file (positive or nil return) • Requesting the new starter to indicate their awareness of the Code of Conduct during the probation period (tick box field) • Add the Code of Conduct to the in-person Corporate Induction presentation/slides <p>A project needs to be undertaken to ensure the Council can evidence that all currently employed staff have or are made aware of the Code of Conduct and their responsibilities within it. This should be evidence and held on the personnel file.</p>			
Management Response		Responsible person	
<p>Agreed.</p> <p>Ahead of the changes to the code of conduct recommended in Audit recommendation 1 (above) we will:</p> <ul style="list-style-type: none"> • Look at the mechanisms to evidence inclusion of the code of conduct in the offer letter • Add the code of conduct to the new starter checklist and require new starters to complete a declaration of interest form and for this to be added to personnel files • Add the code of conduct as an area to be covered in the corporate induction. In the event of non attendance at the corporate induction, we will look to develop a process to 'capture' this information at the end of the probation period • Once the code of conduct has been revised – as per action 1- we will run an all staff 'campaign' on the revised code of conduct so that all existing staff are aware of the changes made <p>As part of the review of mandatory training (paper going to CMT on 16 January 2024) we will include a recommendation that all staff need to confirm they have understood their responsibilities – this may require a new piece of e-learning to be developed for staff who are office based – an alternative will be required for staff who are not office based.</p>		AD HR&OD	
		Target date	
		<p>January 2024 for actions in the first three bullet points.</p> <p>The final two actions – April 2024</p>	

MANAGEMENT ACTION PLAN

Control Objective	Responsibilities regarding Gifts and Hospitality
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Risk	The process is too laboured and disjointed and staff do not make declarations when necessary, resulting in the potential for reputational damage.		
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Rec No	3	Risk Priority	2
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Audit Recommendation

The declaration of gifts and hospitality process needs to be overhauled to make the process simpler and to encourage staff to declare the offer of gifts and hospitality when necessary.

Consideration should be given to making this an electronic and centralised process, accessible via the intranet, and where possible with inbuilt work flows. Research and consideration should be given to using:

- Office 365 Approvals
- Office 365 Forms
- Modern Gov
- iTrent self serve

The process should include the review, monitoring, and periodic reporting to DMT/CMT.

Consideration needs to be given to the retention period.

Management Response	Responsible person
<p>Agreed.</p> <p>A standardised method to record gifts and hospitality at Directorate level to resolve the issues raised in this audit has been introduced. Communications to staff on this new method will be continually reenforced over the next few months.</p> <p>Unfortunately, iTrent is not an option for a longer-term solution. We are exploring alternative technology and the most promising is the use of the new Case and Customer Management system which is to be introduced by summer 2024.</p>	AD HR & OD (as Senior User)
	Martin Chalmers, CDIO (as Senior Supplier)
	Target date
	<p>Initial response completed.</p> <p>Possible future IT enhancements by Q3 2024.</p>

MANAGEMENT ACTION PLAN

Control Objective	Roles and responsibilities regarding declarations of interest
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Risk	Declarations of interest are not made or are made but not accessible by subsequent managers. This could result in inappropriate access allocation and subsequent reputational damage, loss of income, risk of fraud
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Rec No	4	Risk Priority	2
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Audit Recommendation

The declaration of interest’s process needs to be overhauled to make the process simpler and to encourage staff to make a declaration at the earliest opportunity, when necessary, and to review and refresh declarations at least annually.

Consideration should be given to making this an electronic and centralised process, accessible via the intranet, and where possible with inbuilt work flows. Research and consideration should be given to using:

- iTrent
- Office 365 Approvals
- Office 365 Forms
- Modern Gov

When a declaration of interest is made and/or a copy held on iTrent, it should be easily identifiable via the managers portal of iTrent, so that subsequent managers are aware of the interests of their staff and can take appropriate action. It would be beneficial to be able to easily identify which staff have made a declaration so that statistical data can be reported to CMT/DMT.

Management Response	Responsible person
Agreed. We believe that this can be achieved via a UDF within iTrent, although it would be accessible via ESS rather than the intranet.	AD HR&OD
	Target date
	April 2024

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Risk	Staff abuse their position by making account changes or accessing data of accounts where they know the service user/account holder. This could result in loss of income, reputational damage, fraud.		
Rec No	5	Risk Priority	1
Audit Recommendation			
<p>It is recommended that all Council systems are risk assessed to establish the level of need for users of each system to make a declaration of interest before access is given.</p> <p>There needs to be an annual refresher to remind staff of the need to declare any interests that may be relevant to the data sets held within the system.</p> <p>Where possible, access should be restricted to accounts and data where an interest has been declared. Where this is not possible business processes should be reviewed to ensure that any inappropriate access, changes etc. would be identified, or that any one process cannot be completed by a single person.</p> <p>DICT should consider this as part of any business change or new system process.</p>			
Management Response		Responsible person	
<p>Agreed in part.</p> <p>It is the Service Managers who will best know the risk of a member of their staff inappropriately accessing or changing data because of an outside interest and be able to put in place mitigating controls if needed.</p> <p>As recommended, an annual reminder will be sent to all staff to remind them to declare to their manager any interests that may be relevant to the data sets held within the system. Managers will also be reminded to assess the risk of any such declaration and take appropriate action upon initially allowing access to systems by staff and then subsequently to review that access annually. Such action will be recorded on the declaration of interest and held by the manager.</p>		Director Finance	
		Target date	
		First annual reminder to be sent in first quarter 24.	

MANAGEMENT ACTION PLAN

Risk	Agency staff are not required to complete a declaration of interest and abuse their position. This could result in loss of income, reputational damage, fraud.		
Rec No	6	Risk Priority	1
Audit Recommendation			
<p>The Council needs to ensure that agency staff are given the opportunity to declare interests on their first day.</p> <p>Managers should be required to get agency workers to complete a declaration form of interests which could be held with the Resourcing and HR Systems Manager who is the main contact for the Council’s agency framework.</p>			
Management Response		Responsible person	
<p>Agreed. We will develop a process to require line managers to ensure that agency staff complete this declaration and that we retain a central record in HR – please note as agency staff are not employees, we may need to record this separately.</p> <p>The process could involve including in with the MSP and supply chain where they complete a DOI form as part of registration and hold on agency workers’ file their end – with an escalation process to us in the event of a positive declaration. This should go to the hiring manager (and Recruitment) to consider before the worker starts and record centrally.</p>		AD/HR&OD	
		Target date	
		January 2024	

4. FINDINGS

4.1 STAFF AWARENESS

4.1.1 The Council's expectation of staff to declare the offer of gifts and hospitality and any interests that are or could be perceived to be a conflict of interest is referenced in the Council's Constitution and detailed in the Employee's Code of Conduct (November 2020), the latter being 'attached' to each employee's condition of employment and is currently overdue for a review. **Rec 1**

4.1.2 In addition, there is also a Gifts and Hospitality Policy (September 2022) which is predominantly aimed at senior management but is required to be cascaded to staff.

4.1.3 The Code of Conduct (CoC) also provides examples of conflicts of interest and when a declaration should be made, although the examples are not necessarily all detailed under the heading of Declaration of Interests.

4.1.4 There is an expectation that as the CoC is attached to an employee's conditions of employment a copy/access to it would be part of the onboarding process or probationary process of new staff.

4.1.5 Some evidence was found which showed the CoC had been included as an attachment with the 'offer letter', however, this was not found to be consistent. By testing personnel files for a sample of 72 employees who started their employment from April 2023 we found:

- 5 (7%) files did not contain a copy of the offer letter
- 33 (46%) did not state that a copy of the code of conduct had been included

4.1.6 Other onboarding and new starter documentation and training were reviewed such as the induction checklist, face-to-face corporate induction slides, and mandatory training, but nothing relating to the CoC, gifts and hospitality, or declarations of interest were found. There is a passing mention on the Workplace Induction Checklist, requiring managers to ensure they have submitted any declarations signed by the employee to HR. However, it is not believed this relates to a declaration of interest, but rather the declaration form also known as PRS1ED where staff is required to declare the information provided (personal details and bank account details) is true. **Rec 2**

4.1.7 There is currently no way to determine which staff have read the CoC, of which its very nature, outlines expected behaviours, reflects the Council's culture and beliefs, and sets the tone from day one.

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- 4.1.8 A survey on gifts and hospitality and declarations of interest was sent to all ADs and Heads of Service and asked that they share it with their staff, a total of 64 responses were received.³
- 4.1.9 The key findings relating to gifts and hospitality are as follows:
- 21% of officers had limited or no confidence regarding gifts and hospitality.
 - 23% of managers had limited or no confidence regarding gifts and hospitality.
 - 11 respondents thought there was a register for recording gifts and hospitality, but none knew where it was held.
- 4.1.10 Generally, there was an accurate understanding of what a declaration of interest was.
- 6 respondents had been required to complete a declaration of interest form, all for system access.
 - 28 of 31 managers said they raise the need to declare interests with their staff.
- 4.1.11 All Council employees regardless of contract type are required to abide by the CoC, however, this does not include agency workers. No local processes were identified as part of this audit except those outlined in 4.2.12 and 4.4.1.

4.2 ROLES AND RESPONSIBILITIES REGARDING GIFTS AND HOSPITALITY

- 4.2.1 The Council's Constitution refers the reader to the Employee Code of Conduct on how gifts and hospitality should be dealt with and documents the responsibility of Directors to maintain a register for their areas of service responsibility.
- 4.2.2 The Code of Conduct provides some limited information and guidance to staff in terms of gifts, but there is no advice regarding the treatment of gifts of cash.
- 4.2.3 Staff responsibility is documented as: 'use common sense and tell your manager'. This is followed by: 'It must be recorded in a register maintained by your directorate'.
- 4.2.4 There is no indication of where and how this information is/will be held, nor how it will be used. There is no mention of monitoring or reporting the acceptance of gifts, type, value etc.

³ Respondent breakdown – 1 ED, 2 AD, 18 Service Managers, 10 Team Leaders, 33 officers. 48% managed people

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- 4.2.5 The scope of the Gifts and Hospitality Policy is primarily for senior managers who should ensure staff are given clear instructions, and it relates to relationships with commercial bodies and outside individuals in the private sector. There is no guidance for gifts offered from internal staff or by 'clients'/service users etc. **Rec1**
- 4.2.6 The policy puts the responsibility on the employee to seek approval from their Assistant Director before accepting a gift **of more than nominal value**. This implies that any gift of nominal value does not need to be declared, which conflicts with the guidance in the CoC. Furthermore, whilst the CoC quantifies "low" value to be £25 (as at 2020), "nominal" value is very subjective.
- 4.2.7 The policy also provides descriptions of '**modest**' gifts, when as an exception consideration is being given to accepting an offer of a gift and includes; promotional items such as calendars and diaries. It was noted that there is no guidance on who the Chief Executive should make a declaration to. **Rec 1, 3**
- 4.2.8 Examples of acceptable and unacceptable hospitality are also detailed in the policy and reflect those detailed in the CoC.
- 4.2.9 A copy of the declaration of gifts and hospitality form appendices to the policy and is available in an editable MS Word format from the intranet. The form explains the AD is responsible for approving the offer and that a copy will be saved on the personnel file.
- 4.2.10 A search of the word 'gift' on the intranet brings up a page that quantifies low value as £25 as at 2017. **Rec 1**
- 4.2.11 There is no way to establish which staff files contain a declaration of gifts and hospitality, and with only one recently established directorate register identified during this audit, there is no way to meaningfully understand or monitor compliance or effectiveness of the policy. **Rec 3**
- 4.2.12 The Monitoring Officer found declarations of interest held on Iken with most recent entries dated November 2019 which had been imported to Iken in June 2020, soon after the current Monitoring Officer joined Reading Borough Council.

4.3 ROLES AND RESPONSIBILITIES REGARDING DECLARATIONS OF INTEREST

- 4.3.1 The Council's Constitution explains the reason and scope for declaring interests and refers the reader to the Employee's Code of Conduct for details.

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4.3.2 Examples of required declaration of interests as detailed in the CoC, but not necessarily under that heading, include:

- Close personal relationships with colleagues, councillors, contractors, customers, and clients.
- Recruitment process where the candidate is known by a member of the recruiting team.
- Personal use of an organisation the Council deals with, particularly those in a tendering exercise.
- Any work undertaken outside of the Council.
- Involvement in any groups or organisations, paid or unpaid, if it conflicts with the Council's interests, policies or duties.

4.3.3 Responsibilities are detailed for each circumstance and generally involve a completed form being held on the personnel file, directorate register, and with the Monitoring Officer. It was not possible to test this area as no declaration of interest registers were located during the audit, no details of declarations of interest provided by the Monitoring Officer, and the inability to identify personnel files that contain a declaration without accessing individual personnel files.

Rec 4

4.3.4 It is worth noting that in 2017 the former Chief Executive sent out a clear instruction detailing the expected process for both gifts and hospitality and declarations of interest, but this does not seem to have been embedded, as little evidence for either declaration could be located. It has not been confirmed whether nil declarations have been reported at the directorate or corporate level.

4.3.5 There is no risk assessment of key systems to determine the likelihood and impact should system access be used for reasons other than those intended, and there is no corporate guidance for declaring interests associated with accessing Council key systems. Although CICT believes some consideration should be given to this in the business change and new system process (checklist). **Rec 5**

4.4 DECLARATIONS OF INTERESTS ARE MANAGED, MONITORED, REVIEWED AND REFRESHED

4.4.1 Twelve system owners were contacted to establish whether users of their systems are required to declare an interest. Only three system owners had a process, albeit of varying degrees of robustness. These are related to Academy, Ohms, and Mosaic systems. The latter is the only system that can restrict access to individual accounts. Academy and Ohms system owners proactively request declarations of interest during the initial set up process, but these are not

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refreshed. We have been advised that the new replacement system for Academy has the ability to restrict access. **Rec 5**

4.4.2 The survey did not identify any locally managed processes.

4.4.3 With the lack of registers identified during the audit, and the lack of ability to identify personnel files containing a declaration of interest, it was not possible to do further testing in this area.