

Committee Administrator: Democratic Services Officer (01609 767015)

Monday, 18 January 2021

Dear Councillor

Notice of Meeting

Meeting **Audit, Governance and Standards Committee**
Date **Tuesday, 26 January 2021**
Time **9.30 am**
Venue **Virtual Meeting via Teams**

Yours sincerely

J. Ives.

Dr Justin Ives
Chief Executive

To: Councillors Councillors
 N A Knapton (Chairman) K G Hardisty
 P Atkin R W Hudson
 P Bardon P Thompson
 D B Elders (Vice-Chairman)

Other Members of the Council for information

Note: Owing to the recent Covid-19 pandemic and government guidance, the Council has made arrangements under the Coronavirus Act 2020, and subsequent Regulations permitting remote meetings, to hold the meeting virtually via Teams. For access to the meeting, please click on the media link displayed on the internet to direct you to Teams or alternatively please dial the telephone number 020 3855 5195 followed by the Conference ID: 110 799 566#

For further information, please contact the Democratic Services Officer, Louise Hancock, on telephone: 01609 767015 or email committeeservices@hambleton.gov.uk

Agenda

Page No

1. Minutes

To confirm the minutes of the meeting held on 20 October 2020 (AGS.3 to AGS.8), previously circulated.

2. Apologies for Absence

3. Internal Audit and Fraud Q2 Report 2020/21

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Report of the Director of Finance and Commercial (S151 Officer)

4. Matters of Urgency

Any other business of which not less than 24 hours prior notice, preferably in writing, has been given to the Chief Executive and which the Chairman decides is urgent.

Hambleton District Council

Report To: Audit, Governance and Standards Committee

Date: 26 January 2021

From: Director of Finance and Commercial (s151 Officer)

Subject: **Internal Audit and Counter Fraud Progress Report 2020/21**

Portfolio Holder: Economic Development and Finance
Councillor P R Wilkinson

Wards Affected: All Wards

1.0 Purpose and Background

- 1.1 Under the Accounts & Audit Regulations 2015, it is a statutory requirement for councils to have effective internal audit. The Council has formalised its arrangements for internal audit within the Audit Charter. Internal audit work is undertaken by Veritau who carries out work in accordance with the Public Sector Internal Audit Standards (PSIAS).
- 1.2 An audit plan covering 2020/21 was prepared and submitted in advance of the March 2020 committee. That committee was subsequently cancelled due to the pandemic. During June and July 2020 Veritau met with relevant senior managers, to update our knowledge and understanding of the key risks facing the Council, since the original plan was prepared on March. Following this an updated internal audit plan was prepared and agreed under delegated powers by the Director of Finance and Commercial (s151 officer). Following discussions at the last Audit, Governance and Standards Committee in October 2020 we have further revised the plan in line with Members comments to include a piece of work covering Commercial and Economic Development Initiatives.

2.0 The Report

- 2.1 Annex 1 provides a summary of progress with delivering internal audit work for 2020/21. In the period between 1 April 2020 and 18 December 2020 two final internal audit reports (on Communications and the Community Safety and Safer Hambleton Hub) relating to the 2020/21 audit year have been issued.
- 2.2 All work in 2020/21 continues to be carried out remotely. Eight pieces of work are currently in progress. We plan to start the six remaining 2020/21 audits in either January or February 2021. It will be a significant challenge to complete all work to expected deadlines. Continued assistance and prioritisation by officers from now until the end of April 2021 is essential to help us complete our plan of work.

- 2.3 It is important that agreed actions are fully implemented by managers, following an internal audit review. The internal audit team follows-up previously agreed actions throughout the year. We escalate any issues that have not been addressed, to senior managers. Where necessary, the issues will also be brought to the attention of this committee. There are currently no matters to bring to the attention of members.
- 2.4 The Covid-19 pandemic has had some impact on our ability to undertake routine counter fraud work. Issues include a reduction in suspicions of fraud being reported to the team, and the need to adapt investigation procedures to ensure work is carried out in a Covid secure way; for example replacement of face to face interviews by interviews by letter. The team have achieved £3.1k savings in the year to date. Annex 2 provides a summary of the work undertaken so far in 2020/21.
- 2.5 We have seen an increase in new types of work as a result of the pandemic. For example advising on new counter fraud risks arising as a result of Covid-19 and support with Covid-19 grant distribution, including investigation and post-payment assurance activity. The Council paid out over £30.5 million on behalf of central government for an initial tranche of three schemes which came into effect in April 2020. A further six schemes have been operated to support businesses during the periods of tiered restrictions and the November national lockdown. Additional support during the lockdown beginning on 05 January 2021 will come into effect in the coming weeks.
- 2.6 The Council have also administered two government funded schemes for residents; Test and Trace Support Payments for those with reduced income while required to isolate, and the Covid Winter Grant Scheme to support vulnerable households. Each business and resident scheme requires pre and post-assurance work to protect public funds in accordance with government guidance.
- 2.7 Assurance tools provided by the Cabinet Office, and Department for Work and Pensions have been used alongside review of applications by Council officers and Veritau. In relation to the earliest schemes, the Council has completed a risk assessment and submitted a post event assurance plan to the Department for Business, Energy and Industrial Strategy in a timely manner.

3.0 Link to Council Priorities

- 3.1 The work of internal audit supports the Council's overall aims and priorities by promoting probity, integrity and honesty and by helping support the Council to become a more effective organisation.

4.0 Risk Assessment

- 4.1 There are no risks associated with this report.

5.0 Financial Implications

- 5.1 There are no financial implications associated with this report.

6.0 Legal Implications

6.1 There are no legal implications associated with the recommendations in the report.

7.0 Equalities and Diversity Issues

7.1 Equality and Diversity Issues have been considered. There are no issues associated with this report.

8.0 Recommendation

8.1 That the Committee note the work undertaken by internal audit and the counter fraud team in the year to date.

Louise Branford-White
Director of Finance and Commercial (s151 Officer)

Background papers: None

Author ref: SC/DC

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The Veritau Group
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Hambleton District Council
Internal Audit Progress Report 2020/21
Period to 18 December 2020

Assistant Director – Audit Assurance:
Head of Internal Audit:

Stuart Cutts
Max Thomas

Circulation List:

Members of the Audit, Governance and Standards Committee
Director of Finance and Commercial (s151 Officer)

Date:

26 January 2021



Background

- 1 The work of internal audit is governed by the Accounts and Audit Regulations 2015 and the Public Sector Internal Audit Standards (PSIAS). In accordance with the PSIAS, the Head of Internal Audit is required to report, to 'those charged with governance' progress against the internal audit plan agreed by the Committee and to identify any emerging issues which need to be brought to the attention of the Committee.
- 2 An audit plan covering 2020/21 was prepared and submitted in advance of the March 2020 committee, which was ultimately cancelled due to the Covid 19 pandemic. During June and July 2020 we met again with relevant senior managers and updated our knowledge and understanding of the key risks of the council. An updated internal audit plan was subsequently prepared, and agreed by the Director of Finance and Commercial (s151 officer), under delegated responsibility.
- 3 Following discussions at the last Audit, Governance and Standards Committee in October 2020 we have further revised the plan in line with Members comments to include a piece of work covering Commercial and Economic Development Initiatives.
- 4 This is the first Internal Audit progress report to be received by the Audit, Governance and Standards Committee in 2020/21. This report updates the Committee on the work relating to the 2020/21 audit year completed between 1 April 2020 and 18 December 2020.

Internal Audit work in 2020/21

- 5 In the period between 1 April 2020 and 18 December 2020 two final internal audit reports (on Communications and the Community Safety and Safer Hambleton Hub) relating to the 2020/21 audit year have been issued. Detailed information on these audits is included in **Appendix B**. Eight pieces of work are currently in progress.
- 6 All work continues to be carried out remotely, for example through virtual meetings with officers and sharing of information electronically. In 2020/21 it has sometimes been more difficult than usual to diarise work and to discuss matters with people due to workload pressures as a result of the Covid 19 pandemic. Inevitably, this has led to some delays in progressing work and obtaining information. We have liaison meetings with the Director of Finance and Commercial (s151 Officer) and other key contacts who provide support with helping to progress matters and address any difficulties that arise.
- 7 We have planned with officers to start the remaining six 2020/21 audits in January or February 2021. It will be a significant challenge to complete all work to expected deadlines. Continued assistance and prioritisation by officers from now until the end of April is essential to help us complete our plan of work. We will continue to work closely with the Director of Finance and Commercial (s151 officer) and other key officers to enable the work to be completed.
- 8 Further information on the planned 2020/21 areas of work, and the progress made, is included in **Appendix A**. Where a specification for the work has been agreed and fieldwork is in progress, this has been classified as 'specification issued'.

Updates to the 2020/21 Audit Plan

- 9 As highlighted in paragraph 3, following discussions at the last Audit, Governance and Standards Committee in October 2020 we have updated the plan to include work covering Commercial and Economic Development Initiatives.

Audit Opinions

- 10 For most reports we provide an overall opinion on the adequacy and effectiveness of the controls under review. The opinion given is based on an assessment of the risks associated with any weaknesses in controls identified. We also apply a priority to all actions agreed with management. As reported in October 2020, our opinions in 2020/21 have changed and there are now four levels of opinion, compared to the previous five. Details of the definitions used are included in **Appendix C**.

Wider Internal Audit work

- 11 In addition to undertaking assurance reviews, Veritau officers are involved in a number of other areas relevant to corporate matters:
- **Support to the Audit, Governance and Standards Committee;** this is mainly ongoing through our attendance at meetings of the Committee and the provision of advice to Members.
 - **Ongoing support to management and officers;** we meet regularly with management to provide advice on a range of specific business and internal control issues. These relationships help to provide 'real time' feedback on areas of importance to the Council.
 - **Financial assessments;** this work involves supporting the assurance process by using financial reports obtained from Experian (Credit Rating Agency) to assess the financial standing of potential contractors.
 - **Follow up of previous audit recommendations;** it is important that agreed actions are regularly and formally followed up. This helps to provide assurance to management and Members that control weaknesses have been properly addressed, and also provides assurance for our overall Head of Internal Audit Opinion. We have followed up agreed actions either as part of our ongoing audit work, or by separate review. We currently have no matters to report as a result of our follow up work.
 - **Risk Management;** Veritau advice on the Council's risk management processes as part of the Strategic Risk Management Group.
 - **Investigations;** We perform special or ad-hoc reviews or investigations into specific issues.

Table of 2020/21 audit assignments to 18 December 2020

Appendix A

Audit	Status	Assurance Level / Planned Start date (if not started)	Audit Committee
Director of Finance and Commercial (s151 Officer)			
Revenues and Benefits			
Revenues and Benefits	Not Started	January 2021	
Corporate Finance			
General Ledger	Specification issued		
Creditors	Specification issued		
Sundry Debtors and Debt Recovery	Specification issued		
Budgetary Control	Not Started	February 2021	
Commercial, Performance and Information Technology			
Customer Services	Not Started	February 2021	
Microsoft Office 365	Specification issued		
ICT Asset Management	Specification issued		
Commercial and Economic Development Initiatives	In Progress		
Director of Economy and Planning / Deputy Chief Executive¹			
Communications	Final Report	Substantial Assurance	January 2021
Director of Leisure and Communities			
Leisure Centres	Not Started	January 2021	
Community Safety and Safer Hambleton Hub	Final Report	Substantial Assurance	January 2021
Lifeguard Training	Specification issued		
Director of Environment			
Depot Security, Policies and Training	Not Started	February 2021	
Health and Safety Management	Not Started	January 2021	
Other			
Covid 19	In Progress		
Follow-Ups			
	Ongoing		

¹ Director of Economy and Planning post is now vacant so refer to Deputy Chief Executive.

Summary of Key Findings from 2020/21 audits completed to 18 December 2020; not previously reported to Committee

Appendix B

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed
Communications	Substantial Assurance	We reviewed the progress the council has made in implementing the recommendations from the 2019 Local Government Association (LGA) Communications review	December 2020	<p>Strengths: Where possible, all recommendations outlined as 'quick wins' in the review have been completed and are embedded into working practices.</p> <p>A Council corporate Communication Strategy was introduced in May 2019. A new corporate communications team is also in place, and there is a communications plan covering the planned activities between 2019 and 2023. The plan should help allow the team to forward plan and prioritise communications activity.</p> <p>Progress has also been made in implementing and embedding the 'medium term' review recommendations. The council has developed a 'corporate narrative' and a separate place brand strategy, within the Council Plan and corporate Communications Strategy. There has also been a move to an engagement model of communications. Social media use has been increased where direct questions will be openly answered but where debate will be avoided.</p> <p>Areas for improvement: There is no formal or strategic collaboration in the communications delivered by the Corporate Communications and Leisure Services areas. Currently both service areas work independently of each other.</p>	<p>The integration of the Leisure Communications and Corporate Communications functions will be managed through monthly strategic meetings. This approach should help ensure Leisure Communications are intrinsically linked into the corporate communications processes.</p> <p>The deadline for completion of the actions to address the areas for improvement is the end of March 2021.</p>

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed
Community Safety – Safer Hambleton Hub	Substantial Assurance	<p>The Council are responsible for running one of the Local Delivery teams in North Yorkshire – the Safer Hambleton Hub.</p> <p>The main area of focus is managing cases relating to anti-social behaviour and low level crime.</p> <p>A key role of the Hub is to co-ordinate the relevant parties (such as the Police, Councils, Social Workers, Housing Associations, School Staff and Probation Staff) to support effective management of cases.</p> <p>We reviewed the procedures and controls in place at the Safer Hambleton Hub to ensure that:</p> <ul style="list-style-type: none"> • Appropriate arrangements and inter-agency working was evident. • Work was carried out efficiently. • Resources were effectively allocated. 	December 2020	<p>Strengths: The Safer Hambleton Hub has appropriate arrangements in place for managing work and cases. Cases referred to the Hub are first risk assessed using a Case Management Assessment Scoring system. This assessment helps to assist in understanding the severity and complexity of cases. Case management is supported by the appropriate use of the Orcuma system.</p> <p>‘Task and Finish’ groups are the primary way cases are managed. These should be established promptly (within three weeks of a case being referred). Our testing found these were being promptly established and included relevant partners.</p> <p>Progress on tasks is monitored through the Task and Finish Group meetings. Tasks are given a target end date on the Orcuma system and were appropriately closed off once completed.</p> <p>Cases were being appropriately managed. All of the justifications for closing cases we reviewed appeared reasonable. All attendees of the groups were in agreement when cases were closed down. Justifications for closing the cases were recorded in meeting minutes.</p> <p>Whilst, as a result of the Covid-19 pandemic, there were some disruptions to the governance meetings of the Hub, meetings are now regularly occurring again.</p> <p>Areas for Improvement: No areas to report.</p>	-

Audit Opinions and Priorities for Actions

Audit Opinions	
Our work is based on using a variety of audit techniques to test the operation of systems. This may include sampling and data analysis of wider populations. It cannot guarantee the elimination of fraud or error. Our opinion relates only to the objectives set out in the audit scope and is based on risks related to those objectives that we identify at the time of the audit.	
Opinion	Assessment of internal control
Substantial Assurance	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable Assurance	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Limited Assurance	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
No Assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

There are circumstances when it's not appropriate to give an opinion, for example fact finding work, grant claims, projects, and consultancy work. When no opinion is given this is not to be confused with a no assurance opinion.

Priorities for Actions	
Priority 1	A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management
Priority 2	A significant system weakness, whose impact or frequency presents risks to the system objectives, which needs to be addressed by management.
Priority 3	The system objectives are not exposed to significant risk, but the issue merits attention by management.



Hambleton District Council
Counter Fraud Progress Report
2020/21

Corporate Fraud Manager: Daniel Clubb
Head of Internal Audit: Max Thomas

Circulation List: Members of the Audit, Governance & Standards Committee
Director of Finance and Commercial (s151 Officer)

Date: 26 January 2021



Background

- 1 Fraud is significant risk to the public sector. Annual losses are estimated to exceed £40 billion in the United Kingdom.
- 2 Financial loss due to fraud can reduce a council's ability to support public services and cause reputational damage.
- 3 Hambleton District Council engages Veritau to deliver a corporate fraud service which aims to prevent, detect and deter fraud against the organisation. The Council, through Veritau, works with a large group of councils and other public sector bodies in North Yorkshire and the North East to combat fraud and corruption.

Covid-19 Grant Funds

- 4 As a result of the Covid-19 pandemic there has been unplanned activity and disruption to established working practices for the counter fraud team. This has seen a reduction in the number of referrals to the fraud team and a reduction in the number of cases that could be brought to a successful conclusion in the year to date. Face-to-face activities, such as interviews under caution and visits to properties, have had to be replaced with new procedures to ensure Covid secure working practices to protect staff and customers. New work has emerged relating to Covid-19 grants. The Council has been tasked with issuing central government funded business grant schemes to support business and residents affected by Covid-19. This work has evolved with several new schemes being introduced from September 2020.
- 5 The counter fraud team has provided support through the investigation of grant applications suspected of being fraudulent. One cases prevented a payment of £25k. Organised criminal gangs have targeted local authorities who have been distributing government funding. The counter fraud team have monitored and shared intelligence with both regional partners and national institutions such as the National Investigation Service and the National Anti-Fraud Network. This work has helped prevent public money from falling into the hands of criminals and supported investigation of the totality of fraud by organised actors.
- 6 In liaison with the Council's Performance and Improvement Officer post-assurance checks are ongoing in relation to successful applications for the initial tranche of grants. In addition, the team are undertaking a pro-active review of applicants to multiple schemes to ensure there have been no incorrect dual payments. Veritau are supporting Council officers in the use of government verification tools and with post-assurance work on the newer schemes. This will include review of a sample of successful applications and investigation in cases where issues are identified. In addition, the 2020/21 National Fraud Initiative will include Covid-19 grant data matches to detect fraud and error.

Counter Fraud Performance 2020/21

- 7 Up to 31 December 2020, the fraud team achieved £3.1k in savings and prevented an incorrect payment of a £25k Covid-19 business grant as a result of investigative work. There are currently 25 ongoing investigations. A summary of counter fraud activity is included in the tables below.

COUNTER FRAUD ACTIVITY 2020/21

The tables below shows the total number of fraud referrals received and summarises the outcomes of investigations completed during the year to date.

	2020/21 (As at 31/12/20)	2020/21 (Target: Full Year)	2019/20 (Full Year)
% of investigations completed which result in a successful outcome (for example benefit stopped or amended, sanctions, prosecutions).	24%	30%	46%
Amount of actual savings (quantifiable savings - e.g. repayment of loss and stopping ongoing fraudulent claims) identified through fraud investigation.	£3,134	£16,000	£15,885
Amount of savings from the prevention of Covid-19 grant fraud (to be returned to Central Government)	£25,000	n/a	n/a

Caseload figures for the period are:

	2020/21 (As at 31/12/20)	2019/20 (Full Year)
Referrals received	29	66
Referrals rejected	16	20
Number of cases under investigation	24	24 ¹
Number of investigations completed	17	28

¹ As at end of financial year, ie. 31/03/2020

Summary of counter fraud activity:

Activity	Work completed or in progress
Data matching	Work on the 2020/21 National Fraud Initiative exercise is underway. In November, the Council submitted the datasets required for main exercise. Further data for matches relating to Single Person Discounts and Covid-19 grants will be provided by the end of January 2021. Matching outputs are expected to be released by the Government from February 2021.
Fraud detection and investigation	<p>The service continues to use criminal investigation techniques and standards to respond to any fraud perpetrated against the Council. Activity to date includes the following.</p> <ul style="list-style-type: none"><li data-bbox="421 608 2009 719">• Covid-19 Grants – The team has investigated one application for a Covid-19 grant which resulted in a payment of £25k being stopped. Intelligence provided by the counter fraud team prevented a further payment being made to organised criminals running a national scam. There are four ongoing investigations.<li data-bbox="421 759 2009 871">• Council Tax Support fraud – The team has completed eight investigations into council tax support fraud and there are currently eight investigations ongoing. One person have been issued with a formal warning. 12 referrals for council tax support fraud have been received to date in 2020/21.<li data-bbox="421 911 2009 983">• Council Tax fraud – Eight referrals for council tax fraud have been received to date. Six investigations have been completed in this area and 12 are ongoing.<li data-bbox="421 1023 2009 1094">• NNDR fraud – One business rate fraud referral has been received this year. There are no cases ongoing in this area.<li data-bbox="421 1134 2009 1174">• Internal fraud – No internal fraud referrals have been received in 2020/21 to date.

Activity	Work completed or in progress
Fraud Management	<p>In 2020/21 a range of activity has been undertaken to support the Council's counter fraud framework.</p> <ul style="list-style-type: none"> • The counter fraud team alerts Council departments to emerging local and national threats through a monthly bulletin and specific alerts over the course of the year. • In May 2020, the Council's counter fraud transparency data was updated to include data on counter fraud performance in 2019/20. The Council is obliged to publish this information under the Local Government Transparency Code 2015. • In September 2020, the Council participated in the annual CIPFA Counter Fraud and Corruption Tracker (CFaCT) survey. The information contributes to an annual CIPFA report which provides a national picture of fraud, bribery and corruption in the public sector and the actions being taken to prevent it. • Throughout the Covid-19 pandemic, the counter fraud team have provided support to the Council in preparing for and administering government funded grant schemes. This has included reviewing government guidance and advising on best practice.

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