

## **HAMBLETON DISTRICT COUNCIL**

**Report To:** Audit, Governance and Standards Committee  
23 July 2019

**From:** Director of Finance and Commercial (s151 officer)

**Subject:** **INTERNAL AUDIT AND COUNTER FRAUD ANNUAL REPORT 2018/19**

All Wards

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### **1.0 PURPOSE AND BACKGROUND:**

- 1.1 The work of internal audit is governed by the Accounts and Audit Regulations 2015 and relevant professional standards. The council has formalised its arrangements for internal audit within its Audit Charter.
- 1.2 In accordance with chapter 5 of the council's Audit Charter, 'The Head of Internal Audit is required to provide an annual report to the Audit, Governance and Standards Committee. The report will be used by the Committee to inform its consideration of the Council's annual governance statement.'
- 1.3 The annual report summarises the outcomes of audit work undertaken in 2018/19. The report provides an opinion on the overall adequacy and effectiveness of the authority's framework of governance, risk management and control. Further information on the report is included in paragraph 2.3.
- 1.4 The report updates the committee on counter fraud work undertaken in 2018/19, as detailed in Appendix 1 to the supporting report contained in Annex 2. Also included in the agenda is the annual Counter Fraud Framework Update report.

### **2.0 INTERNAL AUDIT**

- 2.1 The results of completed audit work have been reported to relevant officers during the year. Veritau has completed all audit fieldwork work and issued all expected reports to management. All areas reviewed have been finalised with final reports and future actions agreed. All but one piece of work (97%) was completed prior to the end of April 2019, with the draft report on Treasury Management being issued in early May 2019.
- 2.2 In addition summaries of all finalised audit reports have been presented to this committee as part of regular monitoring reports. Details of the audits finalised since the last report to this committee in March 2019 are included in Appendix 2 to the supporting report contained in Annex 1. The audit opinions definitions are outlined in Appendix 3.
- 2.3 The overall opinion of the Head of Internal Audit on the framework of governance, risk management, and control operating in the council is that it provides Substantial Assurance, which is outlined in Annex 1. There are no qualifications to this opinion and no reliance was placed on the work of other assurance bodies in reaching this opinion. The Head of Internal Audit is also required to highlight any significant weaknesses in control that need to be considered for inclusion in the Annual Governance Statement (AGS). There are no such weaknesses that need to be brought to Members' attention for the 2018/19 AGS.

- 2.4 Appendix 1 in Annex 1 summarises work undertaken in 2018/19, which forms the basis for the opinion given. There has been a range of assurance levels reported during the year. Six reports concluded as High Assurance, six reports as Substantial Assurance, five reports as Reasonable Assurance and one as Limited Assurance. Four pieces of project support work have been undertaken which have no opinion awarded.
- 2.5 The scope of the work and the nature of the findings underpinning the 2018/19 work, plus the wider knowledge of the control environment are taken into account when the Head of Internal Audit provides his overall opinion on the governance, risk management, and control framework operating in the Council. In completing work in 2018/19 Internal Audit have reviewed new risk areas (such as those at the Depot) and some areas (such as Revenues, Benefits and Recovery integration) to help advise and support improve aspects of Council operations. The scope of agreed work is a good reflection of the collaborative working between management and Internal Audit and the focus by both on covering risk areas for organisational improvement.
- 2.6 On an ongoing basis, internal audit follow up previous audit findings to ensure control weaknesses have been addressed. The outcomes from this work show that management continue to address issues raised in audit reports. There are no specific concerns to report as a result of follow up work in 2018/19.
- 2.7 Internal quality assurance procedures are in place, covering all work undertaken. In addition an external assessment of Veritau's arrangements was undertaken in 2018 by the South West Audit Partnership. The outcome from the review demonstrated that the service provided by Veritau conforms to professional standards. Further details of quality assurance arrangements and an improvement action plan are included in Appendix 4 of Annex 1.

### **3.0 COUNTER FRAUD**

- 3.1 The report enclosed in Appendix 1 to the supporting report contained in Annex 2 summarises counter fraud work undertaken in 2018/19.

### **4.0 LINK TO COUNCIL PRIORITIES**

- 4.1 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.

### **5.0 RISK ASSESSMENT**

- 5.1 The council complies with proper practice for internal audit when the results of audit work are reported to senior management and the Audit Governance and Standards Committee.

### **6.0 FINANCIAL IMPLICATIONS:**

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

### **7.0 LEGAL IMPLICATIONS:**

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

### **8.0 EQUALITIES AND DIVERSITY ISSUES:**

- 8.1 There are no equalities or diversity issues associated with the report.

## **9.0 RECOMMENDATIONS:**

9.1 Members are asked to:

- a) note the opinion of the Head of Internal Audit on the adequacy and effectiveness of the council's framework of governance, risk management and control as at Annex 1;
- b) note the outcome of the Quality Assurance and Improvement Programme and the confirmation that the internal audit service conforms to Public Sector Internal Audit Standards, as detailed in in paragraph 2.7 and Appendix 4; and
- c) note the results of the audit and counter fraud work undertaken in 2018/19 as detailed in paragraph 1.4 and Annex 2.

LOUISE BRANFORD WHITE  
DIRECTOR OF FINANCE AND COMMERCIAL (S151 OFFICER)

**Background papers:** None

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**Hambleton District Council**  
**Internal Audit Annual Report**  
**2018/19**

**Audit Manager:** Stuart Cutts  
**Head of Internal Audit:** Max Thomas

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

**Date:** 23 July 2019

## Background

- 1 The work of internal audit is governed by the Accounts and Audit Regulations 2015, relevant professional standards and the District Council's Internal Audit Charter. The applicable standards for local government are the Public Sector Internal Audit Standards (PSIAS). These comply with the international standards issued by the global Institute of Internal Auditors (IIA).
- 2 In connection with reporting, the relevant PSIAS standard (2450) states that the Chief Audit Executive (CAE)<sup>1</sup> should provide an annual report to the board<sup>2</sup>. The report should include:
  - (a) details of the scope of the work undertaken and the time period to which the opinion refers (together with disclosure of any restrictions in the scope of that work)
  - (b) a summary of the audit work from which the opinion is derived (including details of the reliance placed on the work of other assurance bodies)
  - (c) an opinion on the overall adequacy and effectiveness of the organisation's governance, risk and control framework (i.e. the control environment)
  - (d) disclosure of any qualifications to that opinion, together with the reasons for that qualification
  - (e) details of any issues which the CAE judges are of particular relevance to the preparation of the Annual Governance Statement
  - (f) a statement on conformance with the PSIAS and the results of the internal audit Quality Assurance and Improvement Programme

## Internal audit work completed in 2018/19

- 3 During 2018/19, internal audit work was carried out across the full range of the council's activities. The main areas of internal audit activity included:
  - **Financial systems** – Work in this area provides assurance to the council on the adequacy and effectiveness of financial system controls. This work helps to provides assurance to the Authority the risk of financial loss is minimised.
  - **Performance and Improvement** – to help provide support on organisational improvement and to help drive continuous improvement.
  - **Operational Systems** – providing assurance on operational systems and processes which support service delivery.
  - **Governance and Risk Management** – providing assurance on governance and systems to manage risks to the achievement of corporate objectives.

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<sup>1</sup> The PSIAS refers to the Chief Audit Executive. This is taken to be the Head of Internal Audit.

<sup>2</sup> The PSIAS refers to the board. This is taken to be the Audit and Performance Review Committee.

- **General Advice and Support** – We provide regular advice and support to officers on a range of specific business and internal control issues. This work helps to provide ‘real time’ feedback on areas of importance to the Council.
  - **Financial assessments;** this work supports the assurance process by using financial reports obtained from Experian (Credit Rating Agency) to assess the financial standing of potential contractors.
  - **Follow up of previously raised findings** - it is important that agreed actions are followed up to ensure that they have been implemented. Veritau follow up agreed actions on a regular basis during the year taking account of the timescales previously agreed with management for implementation. Our work shows that generally, good progress has been made by management during the year to address previously identified control weaknesses.
- 4 Appendix 1 provides a summary of the audit work carried out in the year, and the opinions given for each completed audit. Work has been reported to this committee during the course of the year as part of regular monitoring reports. Details of work not previously reported to the committee are included in Appendix 2. The opinions and priority rankings used by Veritau are detailed in Appendix 3.

## **Compliance with Professional Standards**

- 5 Veritau maintains a quality assurance and improvement programme (QAIP) to ensure that internal audit work is conducted to the required professional standards. As well as undertaking an annual survey of senior management in each client organisation and completing a detailed self-assessment to evaluate performance against the Standards, the service is also subject to a periodic external assessment. As previously report to the Committee, an external assessment of Veritau internal audit working practices was undertaken in November 2018 by the South West Audit Partnership (SWAP). SWAP is a not for profit public services company operating primarily in the South West of England. The assessment concluded that Veritau internal audit activity generally conforms to the PSIAS<sup>3</sup> and, overall, the findings were very positive.
- 6 The outcome of the QAIP demonstrates that the service conforms to International Standards for the Professional Practice of Internal Auditing. Further details of the QAIP and an Improvement Action Plan prepared by Veritau are given in Appendix 4.

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<sup>3</sup> PSIAS guidance suggests a scale of three ratings, ‘generally conforms, ‘partially conforms’ and ‘does not conform’. ‘Generally conforms’ is the top rating.

## 2018/19 Audit Opinion and Assurance Statement

- 7 The overall opinion of the Head of Internal Audit on the framework of governance, risk management, and control operating in the council is that it provides **Substantial Assurance**. There are no qualifications to that opinion and no reliance was placed on the work of other assurance bodies in reaching this opinion. There are also no significant control weaknesses which, in the opinion of the Head of Internal Audit need to be considered for inclusion in the Annual Governance Statement.



Max Thomas  
Director and Head of Internal Audit  
Veritau Ltd  
23 July 2019

<b>Audit</b>	<b>Status</b>	<b>Assurance Level</b>	<b>Audit Committee</b>
<b>Director of Finance and Commercial (s151 Officer)</b>			
<b>Revenues and Benefits</b>			
Benefits	Final Report	High Assurance	July 2019
<b>Corporate Finance</b>			
Payroll	Final Report	Substantial Assurance	July 2019
Creditors	Final Report	High Assurance	July 2019
Income and Receipting	Final Report	Substantial Assurance	July 2019
General Ledger	Final Report	High Assurance	July 2019
Treasury Management	Final Report	High Assurance	July 2019
<b>Performance and Information Technology</b>			
Performance Management Framework	Final Report	Substantial Assurance	July 2019
Digitalisation	Final Report	Reasonable Assurance	July 2019
Transparency Code	Final Report	High Assurance	October 2018
<b>Director of Law and Governance</b>			
Sickness Absence	Final Report	Reasonable Assurance	January 2019
Contract Management	Final Report	Substantial Assurance	July 2019
<b>Director of Leisure and Communities</b>			
Depot policies and security	Final Report	Reasonable Assurance	July 2019
Depot Training	Final Report	Limited Assurance	October 2018
Leisure Services 24/7 access	Final Report	High Assurance	October 2018
Business Continuity and Disaster Recovery	Final Report	Substantial Assurance	July 2019
<b>Director of Economy and Planning</b>			
Planning – systems development	Final Report	Reasonable Assurance	July 2019
Planning Enforcement	Final Report	Reasonable Assurance	July 2019
Community Infrastructure Levy	Final Report	Substantial Assurance	March 2019
<b>Project Support</b>			
Risk Management – development and support	Completed		March 2019
Revenues, Benefits and Recovery Integration	Completed	No opinion	March 2019
Payment Card Industry Data Security Standards	Completed	-	March 2019
ICT- Network Infrastructure refresh	Completed	-	March 2019
<b>Follow-Ups</b>	<b>Completed</b>		



## Summary of key issues from finalised 2018/19 audits not previously reported to committee

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed & Follow-Up
Benefits	High Assurance	<p>The Council receives Universal Credit information from the Department of Work and Pensions (DWP). The Council currently completes daily manual checks on this data to ensure it is correct before processing.</p> <p>The risk of benefit overpayment remain an ongoing risk for all Councils.</p> <p>Our work reviewed the key risks involved in awarding and paying benefits to ensure:</p> <ul style="list-style-type: none"> <li>• Controls were in place to prevent Housing Benefit overpayments.</li> <li>• The automatic processing of universal credit information from the DWP was performed accurately and efficiently.</li> </ul>	July 2019	<p><b>Strengths</b> Controls are in place to prevent and detect Housing Benefit overpayments. HDC use a number of sources of information for this including Real Time Information and Verify Earnings and Pensions (RTI/VEP) data from the DWP, Housing Benefit Matching Service (HBMS) and the National Fraud Initiative (NFI).</p> <p>Our review of overpayments highlighted that most cases are not due to weaknesses in systems, but relate to service users failing to notify the Council of a change in earnings. These are subsequently identified by controls in place. In one instance an error was due to Council error but this was detected quickly through the review process for new claims.</p> <p>Changes in Circumstance Forms were largely processed within the 7-day target stated in the Service Plan. RTI/VEP claims were also processed quickly and actioned appropriately.</p> <p><b>Areas for improvement</b> Nearly all of the processing of universal credit information requires manual officer review before it can be uploaded into the Benefits system.</p>	<p>Work has been ongoing with the system parameters to increase the level of automation. As Universal Credit is rolled out further it is expected volumes will increase and our ongoing review will seek to maximise the amount of data that can be automated.</p> <p>Work is also being undertaken by DWP to help improve the data being shared.</p>
Payroll – payments to staff	Substantial Assurance	<p>The audit reviewed payments to staff to ensure that:</p> <ul style="list-style-type: none"> <li>• Overtime is being used appropriately and in line with the Council's policy.</li> </ul>	June 2019	<p><b>Strengths</b> There was appropriate awareness of the overtime policy, and compliance throughout the Council.</p> <p>Sample review of employee overtime claims found no issues.</p>	<p>The Director of Finance and Commercial (section 151 officer) is to review:</p> <ul style="list-style-type: none"> <li>• The data analytics reports to establish the</li> </ul>

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed & Follow-Up
		<ul style="list-style-type: none"> <li>There are clearly defined roles, responsibilities and separation of duties for HR and Payroll in three specific areas; third party payroll, member payments and casual electoral staff.</li> <li>Employees are not being paid overtime when their hours of work should be recorded as part of flexitime or when overtime is avoidable.</li> </ul>		<p>There were clearly defined roles, responsibilities and separation of duties for HR and Payroll in third party payroll, member payments and casual electoral staff.</p> <p>Overtime was managed and monitored appropriately in each department reviewed during the audit.</p> <p><b>Areas for improvement</b> As reported in previous year's reviews a number of staff at the depot are still earning significant annual overtime payments. This highlights that there are still resourcing challenges in that service.</p>	<p>overtime position at the Depot.</p> <ul style="list-style-type: none"> <li>The findings with the Director of Environment to understand the risks involved and recognise the most appropriate course of action at the current time and for the future.</li> </ul> <p>The deadline for completing these actions is 30 September 2019.</p>
Creditors	High Assurance	<p>The audit reviewed the procedures and controls within the creditor payments system to ensure:</p> <ul style="list-style-type: none"> <li>Invoices were paid in a timely manner and authorised by an appropriate officer.</li> <li>Duplicate creditor payments were prevented and identified if they occur.</li> <li>Payments were made only for goods and services that have been appropriately ordered and received.</li> <li>Changes to supplier's bank accounts were altered in accordance with Council procedures and guidelines.</li> </ul>	May 2019	<p><b>Strengths</b> Invoices were being paid in a timely manner with 95% of invoices paid within the required 30 days.</p> <p>The Council continues to have strong controls for identifying and preventing duplicate payments. No duplicate payments were found from our analysis of all invoices paid between April and December 2018.</p> <p>Controls were in place to ensure goods and services have been appropriately ordered and received.</p> <p>Controls in place to ensure changes to supplier bank accounts were working effectively. A record of changes and independent checks are kept.</p> <p><b>Areas for improvement</b> Two planning refund payments were authorised by a member of staff who did not have authority to authorise payments of that size.</p>	<p>Following the audit officers signing invoices payments and refunds were reminded they should only sign off items within their own authorisation levels.</p>

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed & Follow-Up
Income and Receipting	Substantial Assurance	<p>The review looked at income and receipting controls at Bedale and Stokesley Leisure Centres to establish whether:</p> <ul style="list-style-type: none"> <li>Cashing up for cash and cheque payments was performed in line with the approved procedure.</li> <li>All cash income was stored securely in a safe and only appropriate officers had access.</li> <li>There were secure arrangements for the collection and recording of cash and cheque income.</li> <li>All income was accurately processed, banked and accounted for with the appropriate records maintained.</li> </ul> <p>In 2017/18 an audit of procedures at the Civic Centre was conducted - the current audit also reviewed progress made to address the three findings raised in that report.</p>	May 2019	<p><b>Strengths</b> Secure and appropriate arrangements for the storage and collection of cash and cheques are in place at both Leisure Centres. Appropriate security checks are being undertaken by Leisure staff when the collection agency collects the income to be banked.</p> <p>The bank reconciliation process carried out by Corporate Finance is robust. Reconciliations were up to date and balanced.</p> <p>Agreed actions from the 2017/18 audit have been completed. Cash procedures were updated in November 2018 and circulated to staff. There are improved restrictions to keys and the safe. Manual payments are no longer taken.</p> <p><b>Areas for improvement</b> Some improvements could be made to the signing and review of income reconciliations at each centre. One instance was seen where evidence of review had not been signed. There was another instance where a variance over exceeded tolerance levels had no explanation or no review signature.</p> <p>The Council's corporate procedure ('Reception &amp; Booking Procedure') was last updated in 2014 so needs reviewing.</p> <p>Receptionist induction procedures were not evidenced as taking place in line with corporate expectations.</p>	<p>The 'Cashing Up Procedure' has been updated to include secondary checks of the banking records.</p> <p>New 'Financial Management and Performance Procedures' have been drafted and will be issued (following consultation) by the end of July 2019.</p> <p>All employees with responsibility for financial processing will be required to read and confirm/sign they have read and understand both new procedures.</p> <p>Officers will review each Leisure Centre to assess the status of induction booklet completions. This will be completed by the end of July 2019.</p>
General Ledger	High Assurance	<p>A review of the General Ledger to ensure:</p> <ul style="list-style-type: none"> <li>Responsibilities and processes for journal entries were defined, journals were appropriately</li> </ul>	April 2019	<p><b>Strengths</b> The controls in place within the General Ledger system were found to be working effectively.</p> <p>A sample of journals over £25,000 was reviewed -</p>	-

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed & Follow-Up
		<p>completed and had been subject to review and appropriate authorisation.</p> <ul style="list-style-type: none"> <li>• Feeder systems were reconciled prior to upload.</li> <li>• Interface holding/suspense accounts were monitored and cleared on a regular basis.</li> <li>• Appropriate reconciliations were performed once interfacing was completed.</li> </ul>		<p>each had been reviewed and authorised by an independent officer within Corporate Finance. The quality of journal descriptions was also reviewed. No issues were found.</p> <p>No issues were found with the manual interface process for salaries and members payrolls.</p> <p>Transactions posted to suspense accounts were being investigated and cleared-out promptly in line with procedures.</p> <p>Appropriate reconciliations were being carried out for the cash receipting and payroll systems once the interface has been completed.</p> <p><b>Areas for improvement</b> No areas for improvement were highlighted.</p>	
Treasury Management	High Assurance	<p>A review of Treasury Management procedures to ensure:</p> <ul style="list-style-type: none"> <li>• An appropriate Treasury Management strategy is in place, following the latest CIPFA code guidance from 2017.</li> <li>• Decisions about loans and investments were reasonable, appropriately authorised and documented.</li> <li>• There was sufficient knowledge within the Finance Team to manage the council's funds effectively.</li> </ul>	May 2019	<p><b>Strengths</b> A Treasury Management Strategy (TMS), approved by Cabinet, is in place which complies with the latest CIPFA Code of Practice on Treasury Management in the Public Service.</p> <p>The Treasury management strategy, mid-year progress reports and end of year out-turn have been reported to Members.</p> <p>Investments are made within the required limits and are in line with policy. Each investment had been appropriately authorised. Loans made were in line with the Capital Programme and cash flow forecast.</p> <p>The finance team have sufficient knowledge and training to undertake daily treasury management functions.</p>	-

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed & Follow-Up
Performance Management Framework	Substantial Assurance	<p>An audit of the Council's performance management framework to ensure:</p> <ul style="list-style-type: none"> <li>• Service areas have appropriate and useful KPIs in place, based on accurate information.</li> <li>• KPIs are monitored and appropriate corrective action takes place where required.</li> <li>• The Performance Management Framework reporting cycle is performed consistently and efficiently.</li> </ul> <p>Work covered the Business &amp; Economy, Customer Services, Human Resources, and Strategic Housing service areas of the Council.</p>	May 2019	<p><b>Areas for improvement</b> None identified.</p> <p><b>Strengths</b> All service areas had up to date service plans with Key Performance Indicators (KPIs) included. Service plans were being updated on a quarterly basis. All the service areas KPIs were measured by accurate information. The data supporting KPI performance was up to date.</p> <p>Monitoring of KPIs took place on at least a quarterly basis by service managers. Poor performing KPIs (those classified as 'red' on the Red/Amber/Green indicator) were supported by sufficient commentary in the service plans explaining the level of performance. We also saw appropriate actions to help address any red KPIs.</p> <p>The Performance Management Framework reporting cycle was performed consistently on a quarterly basis. Service managers collected and updated the information included on the service plans in a timely manner.</p> <p><b>Areas for improvement</b> The process for updating service plans was largely a manual and time consuming process.</p> <p>There was some inconsistent understanding and application of 'Red/Amber/Green' (RAG) ratings for KPIs. Some service managers did not always understand what would result in KPIs being classified as 'green', 'amber', or 'red'.</p> <p>A small number of KPIs were not 'SMART' (Specific, Measurable, Attainable, Relevant and Timely) and were not directly linked to improving the performance</p>	<p>The potential for service planning to become a less manual process has been included in the programme of Digital Transformation of the Council which is currently at an early stage.</p> <p>Training will be introduced to ensure all service managers understand RAG indicators.</p> <p>Management Team are aware of those KPIs and have accepted that they are not always SMART. Further work to review SMART KPIs is planned.</p> <p>All actions are planned to be completed by the end of 2019.</p>

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed & Follow-Up
				of the service area.	
Digitalisation	Reasonable Assurance	<p>The increased use of digital technology is one way councils such as Hambleton District Council (HDC) can improve services and save money.</p> <p>A review of arrangements for digital transformation was undertaken to assess whether:</p> <ul style="list-style-type: none"> <li>The Council has a clear strategy.</li> <li>There is council wide understanding of what digitalisations means.</li> <li>Appropriate procedures are in place to monitor and manage digital transformation.</li> </ul> <p>Guidance written by the Local Government Association was used in undertaking the review.</p>	March 2019	<p><b>Strengths:</b> The Council has an ICT Strategy '2017-20' document which is a visual representation of the Council's digitalisation projects over the three year period. This strategy has been based on information provided from service managers.</p> <p>The Director of Finance and Commercial (s151 officer) has recently been given responsibility for digitalisation at HDC. Staff have some awareness of the Council's requirement to digitalise services</p> <p><b>Areas for Improvement:</b> There was some lack of strategic direction for digitalisation at HDC. Whilst it was evident that some aspect of service digitalisation was being considered, this wasn't sufficiently focused.</p> <p>The ICT strategy does not fully include all aspects required to be a clear strategy for digital transformation. Some relevant information on areas such as responsibilities, process and governance is not included.</p> <p>There are no defined processes for monitoring the progress of digital transformation.</p>	<p>The Council has been raising digital awareness through recent meetings with individual service managers.</p> <p>A digital programme strategy will be written by the end of September 2019.</p> <p>ICT will review potential digital solutions and provide a project plan along with ICT resources to support delivery of the strategy. The Customer Services &amp; Communications Manager (supported by the Director of Finance and Commercial) will develop a monitoring process to be put in place to assess progress. We plan this to be completed by the end of 2019.</p>
Contract Management	Substantial Assurance	<p>The audit reviewed a number of Council contracts to establish whether:</p> <ul style="list-style-type: none"> <li>The management of contracts was in line with expected</li> </ul>	June 2019	<p><b>Strengths:</b> Contract management meetings were being held on a regular basis. Meetings were proportionate to the value, risk and complexity of the contracts reviewed.</p>	<p>Contract management meetings involving the Procurement Team and Service Managers will be held at regular intervals in</p>

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed & Follow-Up
		<p>council policy and procedures.</p> <ul style="list-style-type: none"> <li>Performance was monitored effectively and poor performance addressed.</li> <li>Contract management contributed to providing value for money over the contract duration.</li> </ul>		<p>All contracts reviewed were being budget managed with quarterly meetings held with Budget Managers and the Senior Finance Officer. All contracts were also appropriately signed and stored by the Council.</p> <p>A number of instances were seen where good management helped to address issues and support delivery of the contract.</p> <p><b>Areas for improvement</b> Some contracts did not have performance targets or indicators.</p> <p>For one contract we highlighted some internal operational improvements to help support the strategic delivery of the contract.</p>	<p>2019 to encourage service managers to review current contracts in accordance with the Council's contract management guidance. These conversations will cover performance indicators and any support for improving delivery of contracts.</p>
Depot policies and security	Reasonable Assurance	<p>The review of depot policy and security considered whether:</p> <ul style="list-style-type: none"> <li>Procedures for ensuring security of the depot and its contents were robust and followed consistently.</li> <li>Effective lone working procedures were in place.</li> <li>Access to stock, equipment and fuel was controlled.</li> <li>Inventories of the stores were up to date and accurate.</li> </ul>	March 2019	<p><b>Strengths</b> Appropriate procedures were in place to help promote a safe and secure working environment at the depot, including for lone workers.</p> <p>Daily security checklists were being completed when opening and closing the depot sites. There were appropriate procedures in place for monitoring, retaining and accessing CCTV footage at the depot.</p> <p>Access to fuel is managed. Controls are in place to highlight excessive fuel being dispensed to mitigate against the risk of theft.</p> <p>Stock checks are undertaken three times per year. All stock certificates from the 2017/18 financial year were found to have been correctly completed and authorised.</p> <p><b>Areas for improvement</b> The fuel management system was not generating clear or comprehensive financial data. A</p>	<p>Meetings will be held with Finance and the MCS Sapphire Fuel Management system representatives to address current issues with financial reporting and functionality. If they cannot be resolved a new system will be considered.</p> <p>The system used to manage stock is due to be re-procured. Implementation of work instructions and an up to date risk assessment will be done as part of this process.</p> <p>Forms will also be reviewed and updated as necessary.</p>

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed & Follow-Up
				<p>considerable amount of time was being spent manually manipulating data in order to monitor expenditure appropriately.</p> <p>No policies are in place regarding stock checks or monitoring of stock discrepancies at the depot. Currently stock checks are focused on the monetary difference of expected and actual stock held. Discrepancies are not currently monitored for trends or reported to management.</p> <p>There are a number of forms used at the depot that no longer reflect current working practices.</p>	<p>All actions are planned to be completed by 30 September 2019.</p>
<p>Business Continuity and Disaster Recovery</p>	<p>Substantial Assurance</p>	<p>The council's responsibilities for business continuity fall under the Civil Contingencies Act 2004 which states councils should ensure they can continue to deliver their functions in an emergency 'so far as is reasonably practicable'.</p> <p>Over each of the last five years internal audit has reviewed the Council's progress in introducing appropriate arrangements for Business Continuity. The audit in 2018/19 considered the extent to which the remaining areas for improvement (as highlighted in the 2017/18 Emergency Planning and Business Continuity audit) had all been fully addressed.</p>	<p>May 2019</p>	<p><b>Strengths</b>  Progress has been made in the last year. Most of the previous year's outstanding points have been completed.</p> <p>The corporate business continuity plan has been completed and approved. The plan holds the necessary information required and also incorporates the four directorate plans.</p> <p>Directorate plans had also been completed and highlighted the critical functions recovery priority for each of the four directorates.</p> <p>An updated partnership agreement with NYCC is now in place which states the roles and responsibilities of both councils on business continuity.  Reporting on business continuity is occurring on a quarterly basis to the Scrutiny Committee.</p> <p><b>Areas for improvement</b>  The Incident Management Plan for Design and Maintenance could not be provided. The audit</p>	<p>Meetings are booked in for service managers and the Resilience and Emergency Officer.</p> <p>The Design and Maintenance Incident Management plan is 'a work in progress' so has not yet been signed off by the Director of Leisure. This is due to the volume of work in that team. Management have confirmed completion of the plan will be treated as a priority.</p> <p>Further training will be carried out through the meetings scheduled with the service managers and the R&amp;E Officers.</p>



System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed & Follow-Up
				<p>highlighted areas for improvement for the other plans reviewed.</p> <p>Officers highlighted areas of training which they felt is required to help inform and support the successful introduction of arrangements.</p>	<p>It is anticipated all remaining work will be complete by the end of 2019.</p>
Planning – systems development	Reasonable Assurance	<p>The audit considered whether:</p> <ul style="list-style-type: none"> <li>• Applications were processed in accordance with legislation and policy.</li> <li>• Performance management within the planning system was operating as intended.</li> <li>• Performance indicators and measures within the planning system were useful, comprehensive and appropriately address the risks of the service.</li> <li>• Appropriate reporting was being undertaken and used to effectively manage cases and individual performance.</li> </ul>	June 2019	<p><b>Strengths</b> All planning applications reviewed were recorded correctly. All required information was retained. Planning applications had been processed in accordance with legislation and policy.</p> <p>An appropriate scheme of delegation is in place to ensure planning officers cannot approve the applications they have administered.</p> <p><b>Areas for improvement</b> Performance information from the planning system is inaccurate. Management are not able to rely on the information from the planning system to accurately measure performance. No data checking and cleansing of performance data had been undertaken.</p>	<p>By the end of October 2019, Management are to:</p> <ul style="list-style-type: none"> <li>• Review errors identified in sample and check wider data for any further anomalies.</li> <li>• Identify reasons for the errors (e.g. human error, data input, process failure or issue with the system).</li> <li>• Put in place the correct mitigation for the error (e.g. officer training, process improvement or system updates).</li> <li>• Cleanse data and test.</li> <li>• Input findings into the Planning Service Review.</li> </ul>
Planning Enforcement	Reasonable Assurance	<p>The Council has a Local Enforcement Plan which outlines the planning enforcement duties of the Council. The audit reviewed planning enforcement to ensure:</p> <ul style="list-style-type: none"> <li>• Internal policies and</li> </ul>	March 2019	<p><b>Strengths</b> Following managerial changes in June 2018, work has been done to help develop and improve efficiency and working practices within the department.</p>	<p>Officers will identify the additional performance indicators to be published in the service plan.</p> <p>They will also complete the Enterprise system workflow</p>

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed & Follow-Up
		<p>procedures are in line with the Local Enforcement Plan.</p> <ul style="list-style-type: none"> <li>• Under performance was identified and addressed appropriately.</li> <li>• Planning breaches are recorded and processed accurately and in a timely way, in line with internal procedures.</li> </ul>		<p>Policies and procedures are informative, in place and up to date.</p> <p><b>Areas for improvement</b>  Enforcement performance was not being robustly measured and managed. There were no statistics for performance data within the Service Plan for the Enforcement Team.</p> <p>Sample review of enforcement breaches highlighted several cases where timescales required by the Local Enforcement Plan had not been followed.</p> <p>During our audit the Development Manager found hundreds of historical breaches which have not been closed on the uniform system within the 21 days' timescale.</p>	<p>and performance monitoring data for the enforcement module so information can be obtained and performance better monitored.</p> <p>Officers will continue to close all historic breaches.</p> <p>All of this work is planned to be completed by the end of September 2019.</p>

### Audit Opinions and Priorities for Actions

#### Audit Opinions

Audit work is based on sampling transactions to test the operation of systems. It cannot guarantee the elimination of fraud or error. Our opinion is based on the risks we identify at the time of the audit.

Our overall audit opinion is based on 5 grades of opinion, as set out below.

Opinion	Assessment of internal control
High Assurance	Overall, very good management of risk. An effective control environment appears to be in operation.
Substantial Assurance	Overall, good management of risk with few weaknesses identified. An effective control environment is in operation but there is scope for further improvement in the areas identified.
Reasonable Assurance	Overall, satisfactory management of risk with a number of weaknesses identified. An acceptable control environment is in operation but there are a number of improvements that could be made.
Limited Assurance	Overall, poor management of risk with significant control weaknesses in key areas and major improvements required before an effective control environment will be in operation.
No Assurance	Overall, there is a fundamental failure in control and risks are not being effectively managed. A number of key areas require substantial improvement to protect the system from error and abuse.

#### 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.

**VERITAU****INTERNAL AUDIT QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME**

## 1.0 Background

Ongoing quality assurance arrangements

Veritau maintains appropriate ongoing quality assurance arrangements designed to ensure that internal audit work is undertaken in accordance with relevant professional standards (specifically the Public Sector Internal Audit Standards). These arrangements include:

- the maintenance of a detailed audit procedures manual
- the requirement for all audit staff to conform to the Code of Ethics and Standards of Conduct Policy
- the requirement for all audit staff to complete annual declarations of interest
- detailed job descriptions and competency profiles for each internal audit post
- regular performance appraisals
- regular 1:2:1 meetings to monitor progress with audit engagements
- induction programmes, training plans and associated training activities
- the maintenance of training records and training evaluation procedures
- agreement of the objectives, scope and expected timescales for each audit engagement with the client before detailed work commences (audit specification)
- the results of all audit testing and other associated work documented using the company's automated working paper system (Galileo)
- file review by senior auditors and audit managers and sign-off of each stage of the audit process
- the ongoing investment in tools to support the effective performance of internal audit work (for example data interrogation software)
- post audit questionnaires (customer satisfaction surveys) issued following each audit engagement
- performance against agreed quality targets monitored and reported to each client on a regular basis.

On an ongoing basis, samples of completed audit files are also subject to internal peer review by a Quality Assurance group. The review process is designed to ensure audit work is completed consistently and to the required quality standards. The work of the Quality Assurance group is overseen by a senior audit manager. Any key learning points are shared with the relevant internal auditors and audit managers. The Head of Internal Audit will also be informed of any general areas requiring improvement. Appropriate mitigating action will be taken (for example, increased supervision of individual internal auditors or further training).

## Annual self-assessment

On an annual basis, the Head of Internal Audit will seek feedback from each client on the quality of the overall internal audit service. The Head of Internal Audit will also update the PSIAS self-assessment checklist and obtain evidence to demonstrate conformance with the Code of Ethics and the Standards. As part of the annual appraisal process, each internal auditor is also required to assess their current skills and knowledge against the competency profile relevant for their role. Where necessary, further training or support will be provided to address any development needs.

The Head of Internal Audit is also a member of various professional networks and obtains information on operating arrangements and relevant best practice from other similar audit providers for comparison purposes.

The results of the annual client survey, PSIAS self-assessment and professional networking are used to identify any areas requiring further development and/or improvement. Any specific changes or improvements are included in the annual Improvement Action Plan. Specific actions may also be included in the Veritau business plan and/or individual personal development action plans. The outcomes from this exercise, including details of the Improvement Action Plan are also reported to each client. The results will also be used to evaluate overall conformance with the PSIAS, the results of which are reported to senior management and the board<sup>4</sup> as part of the annual report of the Head of Internal Audit.

## External assessment

At least once every five years, arrangements must be made to subject internal audit working practices to external assessment to ensure the continued application of professional standards. The assessment should be conducted by an independent and suitably qualified person or organisation and the results reported to the Head of Internal Audit. The outcome of the external assessment also forms part of the overall reporting process to each client (as set out above). Any specific areas identified as requiring further development and/or improvement will be included in the annual Improvement Action Plan for that year.

## **2.0 Customer Satisfaction Survey – 2019**

Feedback on the overall quality of the internal audit service provided to each client was obtained in March 2019. Where relevant, the survey also asked questions about the counter fraud and information governance services provided by Veritau. A total of 171 surveys (2018 – 159) were issued to senior managers in client organisations. 20 completed surveys were returned representing a response rate of 12% (2018 - 14%). The surveys were sent using Survey Monkey and respondents were asked to identify who they were. Respondents were asked to rate the different elements of the audit process, as follows:

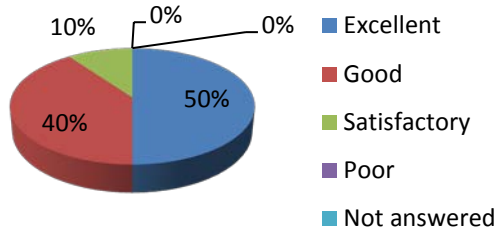
- Excellent (1)
- Good (2)
- Satisfactory (3)
- Poor (4)

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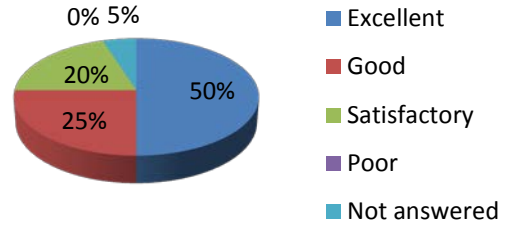
<sup>4</sup> As defined by the relevant audit charter.

Respondents were also asked to provide an overall rating for the service. The results of the survey are set out in the charts below:

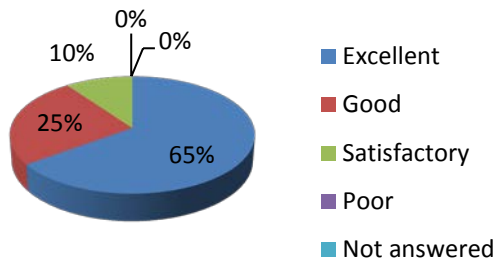
### Quality of audit planning / overall coverage



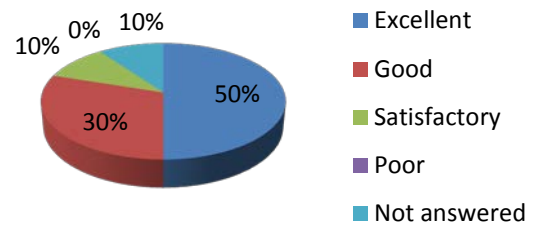
### Provision of advice / guidance



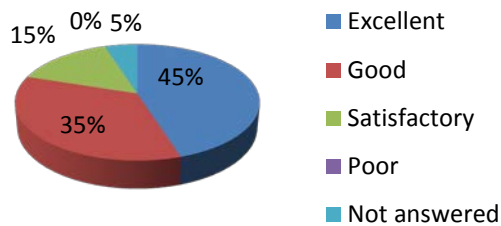
### Staff - conduct / professionalism



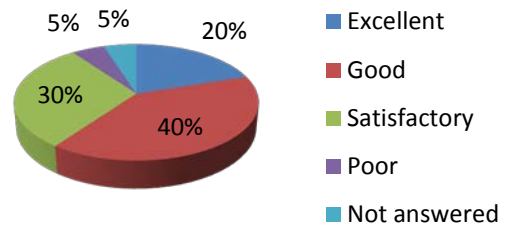
### Ability to provide unbiased / objective opinions



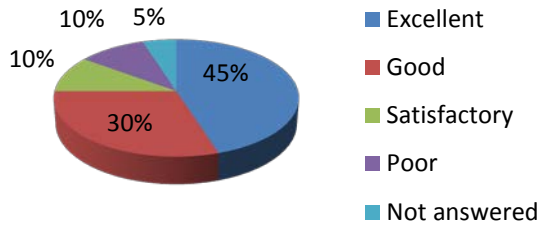
### Ability to establish positive rapport with customers



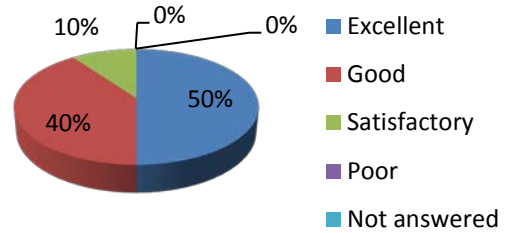
### Knowledge of system / service being audited



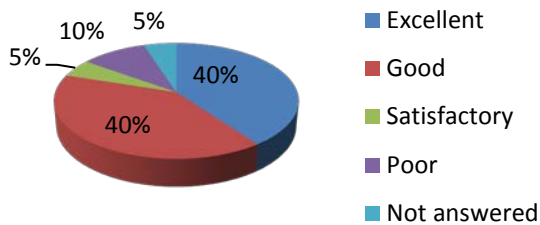
### Ability to focus on areas of greatest risk



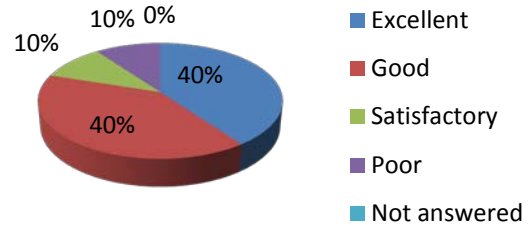
### Agreeing scope / objectives of the audit



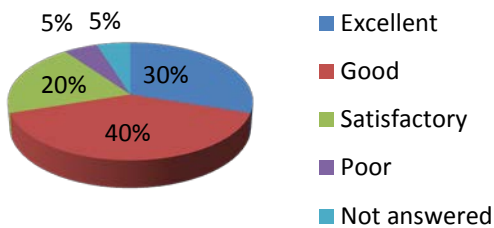
### Minimising disruption to the service being audited



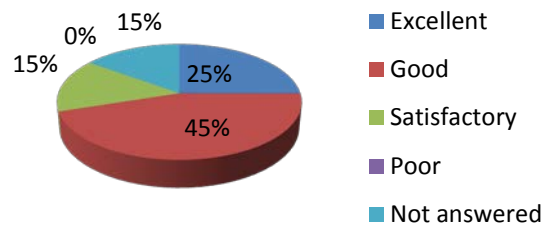
### Communicating issues during the audit



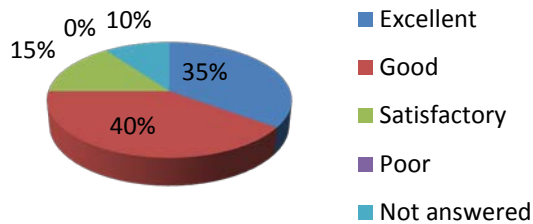
### Quality of feedback at end of audit



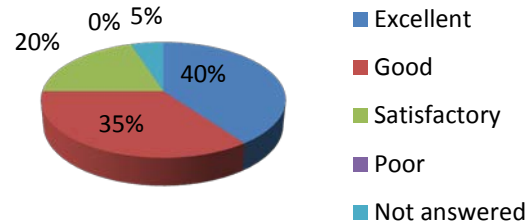
### Accuracy / format / length / style of audit report



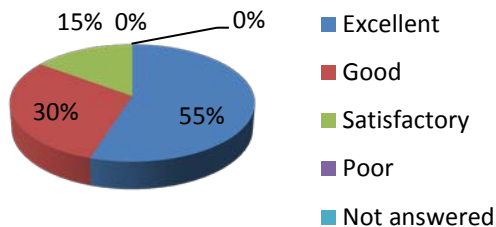
## Relevance of audit opinions / conclusions



## Agreed actions are constructive / practical



## Overall rating for Internal Audit service



The overall ratings in 2019 were:

	2019		2018	
Excellent	11	55%	10	45%
Good	6	30%	10	45%
Satisfactory	3	15%	1	5%
Poor	0	0%	1	5%

The feedback shows that the majority of respondents continue to value the service being delivered.

### 3.0 Self-Assessment Checklist – 2019

CIPFA prepared a detailed checklist to enable conformance with the PSIAS and the Local Government Application Note to be assessed. The checklist was originally completed in March 2014 but has since been reviewed and updated annually. Documentary evidence is provided where current working practices are considered to fully or partially conform to the standards.

The current working practices are generally considered to be at standard. However, a few areas of non-conformance have been identified. These areas are mostly as a result of Veritau being a shared service delivering internal audit to a number of clients as well as providing other related governance services. None of the issues identified are considered to be significant and the existing arrangements are considered appropriate for the circumstances and hence require no further action.

The following areas of non-conformance remain unchanged from last year:



<u>Conformance with Standard</u>	<u>Current Position</u>
Does the chief executive or equivalent undertake, countersign, contribute feedback to or review the performance appraisal of the Head of Internal Audit?	The Head of Internal Audit's performance appraisal is the responsibility of the board of directors. The results of the annual customer satisfaction survey exercise are however used to inform the appraisal. See Improvement Action Plan below.
Is feedback sought from the chair of the audit committee for the Head of Internal Audit's performance appraisal?	See above
Where there have been significant additional consulting services agreed during the year that were not already included in the audit plan, was approval sought from the audit committee before the engagement was accepted?	Consultancy services are usually commissioned by the relevant client officer (generally the s151 officer). The scope (and charging arrangements) for any specific engagement will be agreed by the Head of Internal Audit and the relevant client officer. Engagements will not be accepted if there is any actual or perceived conflict of interest, or which might otherwise be detrimental to the reputation of Veritau.
Does the risk-based plan set out the - (b) respective priorities of those pieces of audit work?	Audit plans detail the work to be carried out and the estimated time requirement. The relative priority of each assignment will be considered before any subsequent changes are made to plans. Any significant changes to the plan will need to be discussed and agreed with the respective client officers (and reported to the audit committee).
Are consulting engagements that have been accepted included in the risk-based plan?	Consulting engagements are commissioned and agreed separately.
Does the risk-based plan include the approach to using other sources of assurance and any work that may be required to place reliance upon those sources?	Whilst reliance may be placed on other sources of assurance there is no formal process to identify and assess these sources.

#### **4.0 External Assessment**

As noted above, the PSIAS require the Head of Internal Audit to arrange for an external assessment to be conducted at least once every five years to ensure the continued application of professional standards. The assessment is intended to provide an independent and objective opinion on the quality of internal audit practices.

An external assessment of Veritau internal audit working practices was undertaken in November 2018 by the South West Audit Partnership (SWAP). SWAP is a not for profit public services company operating primarily in the South West of England. As a large shared service internal audit provider it has the relevant knowledge and expertise to undertake external inspections of other shared services and is independent of Veritau.

The assessment consisted of a review of documentary evidence, including the self-assessment, and face to face interviews with a number of senior client officers and Veritau auditors. The assessors also interviewed audit committee chairs.

A copy the external assessment report was reported to this committee on 7 March 2019.

The report concluded that Veritau internal audit activity generally conforms to the PSIAS<sup>5</sup> and, overall, the findings were very positive. The feedback included comments that the internal audit service was highly valued by its member councils and other clients, and that services had continued to improve since the last external assessment in 2014. However, the report did include some areas for further development. These areas, and initial draft proposed actions, are summarised below.

## 5.0 Improvement Action Plan

The external assessment identified a number of areas for further consideration and possible improvement. The following action plan has been developed to address these recommendations:

Assessors Recommendation	Proposed Action	Responsibility	Action By
Guidance from the IIA recommends that the Audit Committee (Board) "Meets with the Head of Internal Audit at least once a year without the presence of management." This does not happen as a matter of course with all clients of Veritau, however, the Charter allows this to happen and all Chairs of Audit Committees feel that if they wanted such a meeting, it would happen. Some teams have taken a 'purest' approach and hold at least one meeting a year with the Audit Committee or Chair	While IIA guidance recommends this approach, there is no explicit requirement for annual meetings in the standards. And existing audit charters for each client already recognise that the Head of Internal Audit will meet with members of the relevant committee in private, as required.  No formal changes to current arrangements are proposed. Although formal annual meetings will be arranged if individual committees express a preference for this	NA	NA

<sup>5</sup> PSIAS guidance suggests a scale of three ratings, 'generally conforms', 'partially conforms' and 'does not conform'. 'Generally conforms' is the top rating.

<b>Assessors Recommendation</b>	<b>Proposed Action</b>	<b>Responsibility</b>	<b>Action By</b>
without management being present. The HoIA audit should consider if Veritau should adopt a similar approach or be satisfied that such meeting will take place should it become necessary to do so. (Attribute Standard 1111).	arrangement.		
The self-assessment identified that Council CEO's or Audit Committee Chairs do not contribute to the performance appraisal of the HoIA. The responsibility for this rests with the Board of Directors, many of whom are Section 151 Officers for the representative Councils. In addition, reliance is placed on Customer Satisfaction results. To ensure that this is reflective of the key clients, the Chair of the Board may want to consider the introduction of a 360-degree feedback process when assessing the HoIA's performance. (Attribute Standard 1100).	The chair of the Veritau board will be asked to consider whether further input from client Chief Executives and Chairs of Audit Committees (or equivalent) is needed to meet the requirements of the standards.	Veritau Chair	May 2019
While the annual planning process is well documented, the self-assessment acknowledged that each piece of audit work is not prioritised. Doing so assists when decisions need to be taken on bringing in new pieces of work due to new and emerging risks. Consideration should be	All work included in annual audit plans is considered a priority for audit in the coming year. However, it is recognised that further prioritisation may support decision making, for example where changes to audit plans are required.	Deputy Head of Internal Audit and Audit Managers	April 2019

<b>Assessors Recommendation</b>	<b>Proposed Action</b>	<b>Responsibility</b>	<b>Action By</b>
given to priority ranking audit work. (LGAN requirement).	As part of the development of audit plans for 2019/20, we will explore how audits included in each plan are given a priority rating.		
Whilst reliance may be placed on other sources of assurance, the self-assessment brought attention to the fact that there has not been an assurance mapping exercise to determine the approach to using other sources of assurance. Completion of such an exercise would ensure that work is coordinated with other assurance bodies and limited resources are not duplicating effort. (Attribute Standard 2050).	A review of potential sources of assurance for each client will be undertaken during the course of 2019/20. This will be used to assess the scope for more detailed assurance mapping at each client; and to help develop a standard approach if appropriate.	Deputy Head of Internal Audit and Audit Managers	April 2020
It is clear that the actions from the last review have been completed, however, the resulting Quality Assessment Improvement Programme (QAIP) should remain a live document to demonstrate continuous improvement. While the process of the QAIP is reported to the Audit Committee annually, the report does not outline the detailed actions with SMART targets for completion. (Attribute Standard 1320).	<p>Actions included in 2018/19 annual reports will be SMART.</p> <p>Progress against actions will be reported to the Veritau and VNY boards during the course of the year.</p>	Head of Internal Audit	June 2019 (annual report)

The following areas will continue to be a priority in 2019/20:

- Further development of in-house technical IT audit expertise
- Investment in new data analytics capabilities
- Improved work scheduling, clearer prioritisation of objectives for individual assignments to enable them to be managed within budget, and better communication and agreement with clients on timescales for completion of audit work

We also plan to review the current assurance categories to ensure they remain fit for purpose.

## **6.0 Overall Conformance with PSIAS (Opinion of the Head of Internal Audit)**

Based on the results of the quality assurance process I consider that the service generally conforms to the Public Sector Internal Audit Standards, including the *Code of Ethics* and the *Standards*.

The guidance suggests a scale of three ratings, 'generally conforms', 'partially conforms' and 'does not conform'. 'Generally conforms' is the top rating and means that the internal audit service has a charter, policies and processes that are judged to be in conformance to the Standards. 'Partially conforms' means deficiencies in practice are noted that are judged to deviate from the Standards, but these deficiencies did not preclude the internal audit service from performing its responsibilities in an acceptable manner. 'Does not conform' means the deficiencies in practice are judged to be so significant as to seriously impair or preclude the internal audit service from performing adequately in all or in significant areas of its responsibilities.



**Hambleton District Council**  
**Counter Fraud Annual Report**  
**2018/19**

**Counter Fraud Manager:** Jonathan Dodsworth

**Head of Internal Audit:** Max Thomas

**Circulation List:** Members of the Audit, Governance & Standards Committee  
Director of Finance (s151 officer)

**Date:** 23 July 2019

## Background

- 1 Fraud is significant risk to the public sector. Annual losses are estimated to exceed £40 billion in the United Kingdom.
- 2 Councils are encouraged to prevent, detect and deter fraud in order to safeguard public finances.
- 3 Veritau are engaged to deliver a counter fraud service for Hambleton District Council. The service aims to prevent and deter fraud through maintaining a counter fraud policy framework, helping to maintain and improve controls, raising awareness of fraud both internally and with the public. The counter fraud team proactively and reactively investigates any fraud or related criminality affecting the council. Veritau deliver counter fraud services to the majority of councils in the North Yorkshire area as well as local housing associations and other public sector bodies.

## Counter Fraud work carried out in 2018/19

- 4 Counter fraud work was undertaken in accordance with the approved plan. A summary of activity is included in **Appendix 1** of this report. Investigations this year have led to £19,908 of savings being produced for Hambleton District Council, which represents a 71% increase in savings compared to 2017/18. The target set for the number of investigations resulting in a successful outcome was met, 39% of completed cases were successful. The same number of cases were completed successfully in both years, however because more investigations in total were completed in 2018/19 the percentage success rate dropped.
- 5 A separate counter fraud report has been issued to the committee detailing priorities for 2019/20.
- 6 Across 6 local authorities in 2018/19 Veritau detected £594,000 of fraud against its clients and produced £539,000 in actual savings.



Max Thomas  
Director and Head of Internal Audit  
Veritau Ltd

23 July 2019

**Background papers:** None

**Author ref:** JD

**Contact:** Jonathan Dodsworth; Counter Fraud Manager; Veritau North Yorkshire  
[Jonathan.Dodsworth@veritau.co.uk](mailto:Jonathan.Dodsworth@veritau.co.uk)

## Counter Fraud Activity 2018/19

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

	<b>2018/19 (Full Year: 31/3/19)</b>	<b>2018/19 (Target: Full Year)</b>	<b>2017/18 (Full Year)</b>
% of investigations completed which result in a successful outcome (for example benefit stopped or amended, sanctions, prosecutions, properties recovered, and housing allocations blocked).	39%	30%	50%
Amount of actual savings (quantifiable savings - e.g. CTS) identified through fraud investigation.	£19,908	£16,000	£11,625

### Caseload figures for the period are:

	<b>2018/19 (Full Year)</b>	<b>2017/18 (Full Year)</b>
Referrals received	66	28
Referrals rejected	20	6
Number of cases under investigation <sup>6</sup>	24	22
Number of investigations completed	28	22

<sup>6</sup> As at the end of the financial year, ie 31/3/19 and 31/3/18



**Summary of counter fraud activity:**

Activity	Work completed or in progress
Data matching	<p>The 2018/19 National Fraud Initiative (NFI) is underway. NFI data matching has identified over 1000 matches across a range of areas. Council colleagues are currently reviewing matches relevant to their areas and any suspicions of fraud will be referred to the Counter Fraud Team for investigation.</p> <p>The council participated in an NFI Business Rates pilot alongside regional partners this year. The exercise highlighted a number of businesses to visit as well as data errors within the business rates database.</p> <p>The NFI are conducting a second pilot which will, for the first time, match HMRC data to council data. This became possible following the adoption of the Digital Economy Act 2017. The data from HMRC will provide information relating to possible undeclared income, capital, household composition and property ownership. These new matches will be released by the end of June.</p>
Fraud detection and investigation	<p>The service promotes the use of criminal investigation techniques and standards to respond to any fraud perpetrated against the council. Activity in the last financial year included:</p> <ul style="list-style-type: none"> <li>• <b>Council Tax Support fraud</b> – In 2018/19 the team received 36 referrals for potential fraud in this area. Over £10,000 of savings were identified and 4 people were issued warnings about their conduct.</li> <li>• <b>Council Tax/Non Domestic Rates fraud</b> – The team received 30 referrals for potential fraud in this area. Over the course of the year the fraud team completed 11 investigations. The team identified over £9,000 in savings and issued 4 warnings.</li> <li>• <b>Internal fraud</b> – No instances of suspected internal fraud were reported in 2018/19.</li> </ul>
Fraud management	<p>In 2018/19 a range of activity has been undertaken to support the council's counter fraud framework.</p> <ul style="list-style-type: none"> <li>• In May 2018, the council's counter fraud transparency data was updated to include data on counter fraud performance in 2017/18 meeting the council's obligation under the Local Government Transparency Code 2015.</li> </ul>

<b>Activity</b>	<b>Work completed or in progress</b>
	<ul style="list-style-type: none"><li data-bbox="517 280 2011 424">• The council participated in the annual CIPFA Counter Fraud and Corruption Tracker (CFaCT) survey in June. The information contributed to a recently released CIPFA report which aims to provide a national picture of fraud, bribery and corruption in the public sector and the actions being taken to prevent it.</li><li data-bbox="517 469 2011 576">• Area specific fraud awareness training has been delivered to the Council Tax and Benefit Teams this year. In addition, three general fraud awareness sessions were delivered to council staff from across the organisation in October.</li><li data-bbox="517 620 2011 687">• As part of International Fraud Week in November, the counter fraud team raised awareness of fraud with staff via intranet articles published throughout that week.</li><li data-bbox="517 732 2011 839">• In February meetings were held with the Department for Work and Pensions (DWP) to discuss possible joint working arrangements due to commence in the Yorkshire and Humber region in May 2019.</li><li data-bbox="517 884 2011 951">• In March 2019, a leaflet was included with annual council tax and business rates bills. The leaflet detailed encouraged the public to report their suspicions of fraud via the fraud hotline.</li><li data-bbox="517 995 2011 1062">• Throughout the year the counter fraud team alerts council departments to emerging local and national threats through a monthly bulletin and specific alerts.</li></ul>