

## **Hambleton District Council**

**Report To:** Audit, Governance and Standards Committee

**Date:** 20 October 2020

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

**Subject:** **Internal Audit and Counter Fraud Annual report 2019/20**

**Portfolio Holder:** Governance  
Councillor Mrs I Sanderson

**Wards Affected:** All Wards

---

### **1.0 Purpose and Background**

- 1.1 The provision of Internal Audit is a statutory requirement (Accounts & Audit Regulations 2015). 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 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 2019/20. 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 2.4.
- 1.4 The report updates the Committee on counter fraud work undertaken in 2019/20, 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 The Report**

- 2.1 The 2019/20 Audit Plan was approved by this committee in March 2019. The Audit Plan focused on high risk areas and those processes which contribute most to the achievement of the council's corporate priorities and objectives.
- 2.2 The results of completed audit work have been reported to relevant officers during the year. Appendix 1 in Annex 1 provides details of the 2019/20 completed work.

- 2.3 Internal Audit normally measures performance by the number of audit reports issued in the year compared to the agreed plan. Due to Covid-19 most audit work in progress had to be suspended in March 2020. This included some audits where the fieldwork had been substantially completed. Where appropriate, work was finalised and reports were issued but it has not been possible to complete all of the previously planned audit work
- 2.4 Details of the audits finalised since the last report to this committee in January 2020 are included in Appendix 2 to the supporting report contained in Annex 1. The audit opinions definitions for 2019/20 are outlined in Appendix 3.
- 2.5 The overall opinion of the Head of Internal Audit on the framework of governance, risk management and control operating within the Council is that it provides **Substantial Assurance**. No reliance was placed on the work of other assurance bodies in reaching this opinion.
- 2.6 This opinion is however qualified in light of the current coronavirus pandemic and the impact of this on the council. The opinion is based on internal audit work undertaken, and substantially completed, prior to emergency measures being implemented as a result of the pandemic. These measures have resulted in a significant level of strain being placed on normal procedures and control arrangements. The level of impact is also changing as the situation develops. It is therefore not possible to quantify the additional risk arising from the current short term measures or the overall impact on the framework of governance, risk management and control.
- 2.7 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 2019/20.
- 2.8 Veritau maintains a quality assurance and improvement programme (QAIP) to ensure that internal audit work is conducted to the required professional standards. These quality assurance arrangements include ongoing operational procedures, annual internal self-assessment against the PSIAS, and periodic external assessment. The last 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 5 of Annex 1.
- 2.9 Counter fraud work has been undertaken in accordance with the approved plan. The achieved £15,885 in savings against a target of £16,000 for the year. Annex 2 provides a summary of the work undertaken in 2019/20 and the outcomes.

### **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 Members of the Committee are asked to:-

- a) note the results of the audit and counter fraud work undertaken in 2019/20; and
- b) accept the opinion of the Head of Internal Audit on the framework of governance, risk management and control operating within the Council.

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

**Background papers:** None

**Author ref:** SC/JD

**Contacts:** Stuart Cutts, Assistant Director – Audit Assurance  
The Veritau Group  
[stuart.cutts@veritau.co.uk](mailto:stuart.cutts@veritau.co.uk)

Jonathan Dodsworth, Assistant Director – Corporate Fraud  
The Veritau Group  
[johnathan.dodsworth@veritau.co.uk](mailto:johnathan.dodsworth@veritau.co.uk)



**Hambleton District Council**  
**Internal Audit Annual Report**  
**2019/20**

**Assistant Director – Audit Assurance:** 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:** 20 October 2020

## 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 2019/20

- 3 During 2019/20, internal audit work was carried out across a 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.

---

<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. Due to Covid-19 audit work was suspended in March 2020 by the Director of Finance and Commercial (s151 officer). This included some audits where the fieldwork had been substantially completed. Where appropriate work was finalised and reports issued but it has not been possible to complete all of the previously planned audit work.
- 5 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**

- 6 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.
- 7 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 5.

---

<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.

## **2019/20 Audit Opinion and Assurance Statement**

- 8 The overall opinion of the Head of Internal Audit on the framework of governance, risk management and control operating at the council is that it provides **Substantial Assurance**. No reliance was placed on the work of other assurance bodies in reaching the 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.
- 9 This opinion is however qualified in light of the current coronavirus pandemic and the impact of this on the Council. The opinion is based on internal audit work undertaken, and substantially completed, prior to emergency measures being implemented as a result of the pandemic. These measures have resulted in a significant level of strain being placed on normal procedures and control arrangements. The level of impact is also changing as the situation develops. It is therefore not possible to quantify the additional risk arising from the current short term measures or the overall impact on the framework of governance, risk management and control.

### **Other Matters**

#### **Supporting on Covid 19 risks**

- 10 Veritau set up a Covid-19 Response Team to provide timely advice and support to our member councils to help them to manage the fraud risks and other challenges caused by the pandemic. A specific Covid-19 fraud risk assessment was completed for the Council in April 2020, with targeted actions to reduce the emerging fraud risks. We are working closely with officers during 2020/21 and providing guidance and support (including individual case review) to help manage the risks emerging linked to the pandemic.

#### **Audit progress in 2020/21**

- 11 An audit plan covering 2020/21 had been prepared and submitted in advance of the March 2020 committee, which was ultimately cancelled due to the 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. Following this an updated plan was prepared and agreed with the Director of Finance and Commercial (s151 officer).
- 12 We have agreed timings with management for the 2020/21 audits. Six audits have started and we expect two to reach draft report stage in October 2020.

#### **Updated Opinion ratings for 2020/21**

- 13 In February 2020 CIPFA issued guidance on the use of audit opinions by local authority internal audit teams. The guidance includes a recommendation that standard opinions and definitions should be adopted by the sector.

- 14 Part of the rationale was that the changes would provide more clarity, improve understanding and allow for easier comparison between organisations. Following consideration of the guidance, including discussions with our client s151 officers and other heads of internal audit, Veritau have adopted this new guidance for future audits.
  
- 15 The main change for 2020/21 onwards is that there are now four levels of opinion, compared to the previous five. The updated opinion definitions are included in Appendix 4. For ease of reference (so members can see the grading and wording differences) the opinion definitions which covered 2019/20 are included in Appendix 3. No changes have been made to our priority level for actions.



Max Thomas  
Director and Head of Internal Audit  
Veritau Ltd  
20 October 2020

<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	Cancelled		
Revenues	<b>Final Report</b>	<b>Substantial Assurance</b>	<b>October 2020</b>
<b>Corporate Finance</b>			
Payroll	Cancelled		
Creditors	Cancelled		
Sundry Debtors	<b>Final Report</b>	<b>Substantial Assurance</b>	<b>October 2020</b>
Income: Fees, Charges and Collection	<b>Final Report</b>	<b>High Assurance</b>	<b>October 2020</b>
<b>Performance and Information Technology</b>			
Risk Management	<b>Final Report</b>	<b>Substantial Assurance</b>	<b>October 2020</b>
Project Management	Cancelled		
Digitalisation	Cancelled		
ICT – Cloud Based Applications	<b>Final Report</b>	<b>Substantial Assurance</b>	<b>October 2020</b>
<b>Director of Economy and Planning</b>			
Disabled Facilities Grants	<b>Final Report</b>	<b>High Assurance</b>	<b>October 2020</b>
Section 106 Agreements	<b>Final Report</b>	<b>Reasonable Assurance</b>	<b>October 2020</b>
Homelessness	<b>Final Report</b>	<b>High Assurance</b>	<b>January 2020</b>
Economic Development	Cancelled		
<b>Director of Leisure and Communities</b>			
Repairs and Maintenance at Leisure Centres	<b>Final Report</b>	<b>Limited Assurance</b>	<b>January 2020</b>
Flexible Working	<b>Final Report</b>	<b>Reasonable Assurance</b>	<b>October 2020</b>
Community Safety and Safer Hambleton Hub	Cancelled		
<b>Director of Law and Governance</b>			
New starters	<b>Final Report</b>	<b>Reasonable Assurance</b>	<b>October 2019</b>
<b>Projects</b>			
Assurance Mapping	<b>Completed</b>		
Commercial Initiatives	Cancelled		

## Summary of key issues from finalised 2019/20 audits not previously reported to committee

System/Area	Opinion	Area Reviewed	Final Report Date Issued	Comments	Management Actions Agreed
Revenues	Substantial Assurance	<p>The integration of three council teams (Benefits, Revenues, and Recovery) was finalised in May 2019, with the aim of increasing flexibility, efficiency and the resilience of the service.</p> <p>GovTech's 'webCAPTURE' system was also implemented to help digitise aspects of service delivery such as fully updating accounts when updated information is provided.</p> <p>The audit provided assurance to management that:</p> <ul style="list-style-type: none"> <li>Proposed new working practices and structures were in place and documented</li> <li>Processes ensured accurate categorising, billing and collection of Council Tax and NNDR</li> <li>the GovTech system had helped automate and improve the efficiency of work tasks</li> </ul>	June 2020	<p><b>Strengths:</b></p> <p>New working practices and structures have become operational. Performance monitoring arrangements are in place to ensure accurate bills are sent out and any emerging patterns are monitored. Common issues and errors are discussed in team meetings and 121s. Tasks are largely being performed accurately post-merge.</p> <p>Good arrangements are in place to reconcile the Council's property records to those of the Valuation Office (VO).</p> <p>Billing, collection and recovery of both Council Tax and NNDR was accurate with all relevant steps of the recovery process being followed from the sample tested.</p> <p><b>Areas for Improvement:</b></p> <p>Procedure notes for new working practices and structures were not fully documented. These were in-progress (Work had started in October 2019 with a consultant who is writing the necessary procedures for the council).</p> <p>Aspects of the GovTech system has not significantly improved efficiency. One area is to direct people to complete online change of circumstances forms. Only 41% of change in circumstance cases we reviewed had been completed electronically. For those online changes, seven of the ten we reviewed had created errors on the account. Only 10% of the changes in occupancy cases had led to cases being able to be automatically updated.</p>	<p>Process maps for all agreed procedures and full procedure manuals will be prepared. Working with the consultant it is planned for all work to be completed by 30 September 2020.</p> <p>It is recognised the online forms need improving and this has since been discussed with GovTech.</p> <p>A revised set of forms will be introduced to allow some data population on the forms from customer records to reduce accidental errors and the double entering of data.</p> <p>The level of automation that we can introduce to procedures is also being monitored. Where appropriate we will seek to enhance the level of automation achievable.</p> <p>It is planned for all relevant work reviewing the GovTech system to be completed by 30 September 2020.</p>

System/Area	Opinion	Area Reviewed	Final Report Date Issued	Comments	Management Actions Agreed
Sundry Debtors	Substantial Assurance	<p>Procedures and controls within the sundry debtors system were reviewed to ensure</p> <ul style="list-style-type: none"> <li>• invoices are raised in a timely manner</li> <li>• debt recovery timescales and procedures in the Corporate Debt Policy are followed</li> <li>• the debt write-off procedure in the Corporate Debt Policy is followed</li> <li>• previously raised areas for improvement had been addressed</li> </ul>	March 2020	<p><b>Strengths:</b> Sundry debtor invoices were being raised in a timely manner.</p> <p>Policy timescales were being followed when sending out the reminder notice letter and the final notice letter.</p> <p>Appropriate recovery action had taken place prior to debts being written off.</p> <p>Some progress had been made addressing previous issues raised. Officers were waiting for the new debtors system to introduce other improvements. Plans were in place to address those areas not fully addressed as part of the rollout of the new sundry debtor system in 2020/21.</p> <p><b>Areas for Improvement:</b> There were two instances where there was no contact between a debtor and the council for more than two years.</p> <p>There was a lack of supporting information to confirm some non-Housing Benefit debts (under £5,000) had been written off by the Taxation and Benefit Manager in conjunction with the relevant service manager.</p>	<p>The new system will be introduced and monitored during 2020/21. The system will provide more robust and automated reports on payments in default (to replace manual identification from a spreadsheet) speeding up the identification of cases which need attention.</p> <p>To assist in identifying non Housing Benefit debt the write off spreadsheet has been amended to more easily identify those debts for discussion.</p> <p>Veritau will follow up the progress made addressing previously raised issues as part of the 2020/21 work on sundry debtors which has recently started.</p>
Income: Fees, Charges and Collection	High Assurance	<p>The audit reviewed the procedures and controls at the Stokesley and Easingwold customer service offices to ensure:</p> <ul style="list-style-type: none"> <li>• cash collection and processing operations were working in line with approved procedures</li> </ul>	March 2020	<p><b>Strengths:</b> Controls for security of cash and banking were appropriate. Up to date procedures for cash collection were in place and being followed. Access arrangements and the safe were secure. Arrangements for the collection of income were suitable and working in line with policy.</p> <p>Appropriate processes were in place for reporting and investigating any collection or deposit variances.</p> <p>Electronic payments are being promoted and a year on</p>	<p>In September 2020 the council's Senior Management Team approved the Fees and Charges revised process.</p> <p>The process requires all fees and charges to be reviewed, subject to appropriate challenge and documentation be provided for scrutiny. A challenge panel will be set up to focus on income</p>

System/Area	Opinion	Area Reviewed	Final Report Date Issued	Comments	Management Actions Agreed
		<ul style="list-style-type: none"> <li>all cash income was securely stored</li> <li>access to cash was restricted to only appropriate officers</li> <li>arrangements for the collection and recording of income were secure.</li> </ul> <p>Work also considered the progress made in writing and introducing a corporate wide Income Strategy.</p>		<p>year comparison of payment methods is undertaken on an ongoing basis by finance officers to assess take up. At the time of the audit, 74% of payments were being made electronically.</p> <p>Cash receipting and collection findings relating to previous audits have been appropriately addressed.</p> <p><b>Area for Improvement:</b> A written Income Strategy is not in place. It is planned for a written strategy to be prepared prior to the start of the 2021/22 budget setting process.</p>	<p>generation for the council.</p> <p>For the 2021/22 budget, all service managers will complete their fees and charges by early October 2020. The challenge panel will meet with services managers later on in October to discuss and consider the fees and charges proposed.</p>
Risk Management	Substantial Assurance	<p>The audit provided assurance to management that procedures and controls within the system ensured that:</p> <ul style="list-style-type: none"> <li>The Risk Management Framework was fit for purpose</li> <li>The council had identified risks which had then been assessed, monitored and managed appropriately</li> <li>Risks were included as part of service plans, recorded in the Risk Register and reported on when required under the Framework</li> </ul>	September 2020	<p><b>Strengths:</b> Overall the Risk Management Framework was fit for purpose. From the sample of risks reviewed we saw that each risk had a responsible officer, and a risk manager recorded. Each risk had an action plan and timeline.</p> <p>Corporate risks were being recorded and were reflected in the service risk registers.</p> <p>Each service area had their own service risk register, which were reviewed quarterly. There is a timetable which the services must adhere to and this has worked effectively.</p> <p><b>Areas for Improvement:</b> There are no guidelines on how to complete the action plan section in the risk register, including making it clear when an action has been completed. It was unclear if an action had been completed, or whether there had been a failure to update the timeline.</p>	<p>Risk managers have expressed a need for further guidance on action plans which will be considered in task and finish groups in November 2020.</p> <p>As part of the groups, service managers will be reminded that in order to show that risks have been reviewed the date in the timeline column should be updated. Any improvements to the link between service and project risks will also be considered.</p> <p>A deadline of 31 December 2020 has been set to complete all relevant actions.</p>

System/Area	Opinion	Area Reviewed	Final Report Date Issued	Comments	Management Actions Agreed
		<ul style="list-style-type: none"> <li>Good quality and effective risk reduction actions were contained within the (service/corporate) risk register</li> </ul>		In some cases, there was no clear link between the service risk register and project risk registers. Reference was made to a project risk register, but no reduction actions were included in the service register.	
ICT – Cloud Based Applications	Substantial Assurance	<p>A review of cloud based application processes was undertaken to ensure that before the council use a cloud based application:</p> <ul style="list-style-type: none"> <li>checks were carried out in line with the National Cyber Security Centre's Cloud Security Guidance to confirm data will be stored and transmitted securely</li> <li>an assessment was carried out to ensure it is an appropriate and cost-effective solution.</li> </ul>	March 2020	<p><b>Strengths:</b> In September 2018 the council introduced its own internal New Systems Checklist. Requirements for cloud based applications, in the guidance, are in line with the 14 National Cyber Security Centre's cloud security principles.</p> <p>For all systems the council has procured after the checklist had been implemented, the council had requested that the supplier fill in the checklist. In each case, the supplier had conformed to best practice provided by the National Cyber Security Centre and had provided evidence of security certification.</p> <p><b>Areas for Improvement:</b> The council could ask some additional questions to ensure the council's data is transmitted and stored securely. The decision of whether to undertake these additional checks may be determined by the inherent risk of the application.</p> <p>Eight of the eleven cloud based applications the council use were procured before the checklist was in place. The council should consider sending the New Supplier Checklist to existing suppliers of cloud based applications. This will help provide assurance that the Council's data is being stored and transmitted securely.</p>	<p>Officers recognised that refinements to arrangements could be made. Planned attendance at an external workshop on supplier security did not happen due to the pandemic and has since been rescheduled for October 2020.</p> <p>Following attendance at the workshop:</p> <ul style="list-style-type: none"> <li>the supplier questionnaire will be reviewed and amendments made as appropriate.</li> <li>Officers will review the frequency of issuing of security questionnaires to current suppliers and decide whether to send the survey to existing suppliers that have not previously completed it.</li> </ul> <p>It is expected all actions will be completed by the end of November 2020.</p>
Disabled	High	The audit provided	March 2020	<b>Strengths:</b>	The amended Housing

System/Area	Opinion	Area Reviewed	Final Report Date Issued	Comments	Management Actions Agreed
Facilities Grants	Assurance	<p>assurance to management that procedures and controls for Disabled Facilities Grants ensured that:</p> <ul style="list-style-type: none"> <li>• There were effective policies and procedures in place, to ensure the Council were fulfilling their statutory duties.</li> <li>• All expenditure was identified and managed appropriately</li> <li>• Management arrangements were in place to oversee the elements of the service run by other bodies</li> </ul>		<p>Expenditure was being managed appropriately. Invoices had been authorised at an appropriate level. All cases tested had VAT accounted for correctly in line with statutory guidelines.</p> <p>Monthly Project Management Board meetings are carried out to approve cases where a grant top up is required for a complex case. Quarterly meetings with all relevant parties (such as Richmondshire District Council, Occupational Therapists and the Housing Improvement Agency) help to ensure cases are appropriately discussed.</p> <p><b>Area for Improvement:</b> The Private Sector Housing Assistance Policy, which includes the Disabled Facilities Grant procedure, was last updated in February 2018. A small number of working practices had changed within that time but the policy had not been updated to reflect these.</p>	<p>Assistance Policy, which incorporates all agreed recommendations, was approved and circulated in June 2020 (delayed due to Covid restrictions on Cabinet) and can be found publicly on the HDC website.</p>
Section 106 Agreements	Reasonable Assurance	<p>The audit reviewed the systems and processes that help ensure:</p> <ul style="list-style-type: none"> <li>• s106 agreements were being consistently considered and applied for all major planning applications</li> <li>• regular and accurate monitoring and reporting arrangements were in place</li> <li>• agreements were being drafted in a timely manner</li> </ul>	February 2020	<p><b>Strengths:</b> All relevant major planning applications over the last 10 years were considered for s106 agreements.</p> <p>Agreements were generally drafted in a timely manner. In cases with lengthy delays this was due to the complex nature of the applications. Terms for the s106 agreements were sent promptly to the Legal Service.</p> <p>Testing of approved s106 agreements showed that in each case, the report to the planning committee included details of the relevant planning policies and how these were to be applied.</p> <p><b>Areas for Improvement:</b></p>	<p>Wider systems of planning are being considered for 2020/21 following on from the IESE consultant review and proposed changes to structures. Some external</p> <p>The Uniform process has been amended to ensure consistency of completion so the system accurately identifies all agreements.</p> <p>A new monitoring system will be developed to ensure payments are highlighted, prior to implementation of a new</p>

System/Area	Opinion	Area Reviewed	Final Report Date Issued	Comments	Management Actions Agreed
		<ul style="list-style-type: none"> <li>income was being collected promptly and all monies were spent prior to deadline dates.</li> </ul> <p>This work has helped to support the wider work being done on the Planning systems and processes by the Council.</p>		<p>There is no IT system in place to record and monitor s106 agreements. The s106 spreadsheet is completed based upon information provided by planning officers and is not reconciled to planning records to ensure all s106 agreements are included.</p> <p>The Uniform planning system indicator for a S106 agreement is not completed reliably.</p> <p>There is no formal process to identify when payments should be received. Current processes rely upon manual monitoring, which is inefficient.</p> <p>No formal controls are in place to ensure all receipts are spent within deadlines specified for each s106 agreement.</p> <p>There is no reconciliation between the general ledger and spreadsheet records used to manage S106 income and expenditure.</p>	<p>Development Management Information and Data System.</p> <p>An additional spreadsheet with the relevant information has been produced to set out approaching deadlines for s106 funds – this is regularly circulated to relevant officers. Quarterly meetings will be set up with relevant officers to ensure feedback is received about how s106 funds have been used.</p> <p>A meeting was undertaken with finance officers to discuss implementing a process to reconcile the general ledger and other s106 records. External resource to also help support improvements in s106 arrangements is being used.</p>
Flexible Working	Reasonable Assurance	<p>The audit provided assurance to management that procedures and controls within the system ensured that:</p> <ul style="list-style-type: none"> <li>Robust flexible working policies and procedures were in place and understood by staff members</li> <li>Flexible working policies and procedures were consistently followed and</li> </ul>	April 2020	<p><b>Strengths:</b></p> <p>There were up to date policies and procedures for flexible working arrangements. On the whole flexi-sheets were being completed accurately and in line with policy. Staff were complying with the required rest periods and working hours.</p> <p>Flexi-leave and Time off in Lieu (TOIL) requests had been appropriately authorised by the relevant manager.</p> <p>Staff working in Leisure and Communities do not regularly participate in homeworking. We reviewed the documentation in place for the employee who works entirely from home and the necessary documentation had</p>	<p>The standard corporate flexi timesheet will be used for all eligible members of staff. We will ensure flexi timesheets are completed on a daily basis.</p> <p>Policy and practice on paid lunches will be reviewed and a new system will be implemented, where necessary.</p> <p>Service managers will ensure periodic checks of the flexi-system take place on a</p>

System/Area	Opinion	Area Reviewed	Final Report Date Issued	Comments	Management Actions Agreed
		<p>appropriate monitoring arrangements were in place.</p> <p>The audit included a review of the Leisure and Communities service area. The audit did not include a review of other service areas.</p>		<p>been completed.</p> <p><b>Areas for Improvement:</b></p> <p>Those working in one section of the service were using a different version of the standard corporate flexi-sheet. This version of the flexi-sheet has some weaknesses which had resulted in some manual errors. There were also inconsistencies in time recording, who had access to the flexi-time system, and the use of paid lunch breaks in the Leisure Centres.</p> <p>Some input/human errors were found on the flexi-sheets and had not been picked up by management supervision checking. There were also some instances of non-compliance with rest breaks and carry forward balances.</p> <p>Some staff were not taking Time off in Lieu (TOIL) within 6 months of accrual and for those working in Operational Delivery there was no record on the flexi-sheet of time accrued as Time off in Lieu (TOIL), so this cannot be monitored and this was not recorded on iTrent.</p>	<p>minimum of a monthly basis, and will undertake a dip-sample of other service manager areas if/as required.</p> <p>Service managers will ensure all employees are taking the minimum of a 20 minute lunch break each day. All lunch breaks will be recorded within the standard corporate flexi timesheet on a daily basis.</p> <p>Time off in Lieu (TOIL) records should be monitored by Managers.</p> <p>All employees eligible for the flexi time system will be trained in the corporate policy.</p>

## Audit Opinions and Priorities for Actions – 2019/20

<b>Audit Opinions</b>	
<p>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.</p> <p>Our overall audit opinion is based on 5 grades of opinion, as set out below.</p>	
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.

<b>Priorities for Actions</b>	
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.

## Audit Opinions and Priorities for Actions – 2020/21 onwards (NEW)

### 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.

**Our overall audit opinion is now based on 4 grades of opinion, as set out below.**

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.



**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
- attendance on relevant courses and access to e-learning material
- the maintenance of training records and training evaluation procedures
- membership of professional networks
- 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
- regular client liaison meetings to discuss progress, share information and evaluate performance

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 – 2020**

Feedback on the overall quality of the internal audit service provided to each client was obtained in March 2020. Where relevant, the survey also asked questions about the counter fraud and information governance services provided by Veritau. A total of 136 surveys (2019 – 171) were issued to senior managers in client organisations. 15 completed surveys were returned representing a response rate of 11% (2019 - 12%).

---

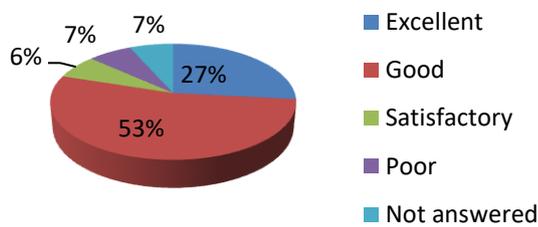
<sup>4</sup> As defined by the relevant audit charter.

The surveys were sent using Survey Monkey and the respondents were required to identify who they were. Respondents were asked to rate the different elements of the audit process, as follows:

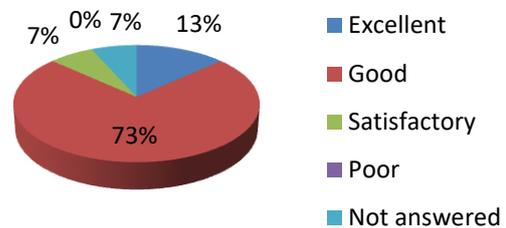
- Excellent (1)
- Good (2)
- Satisfactory (3)
- Poor (4)

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

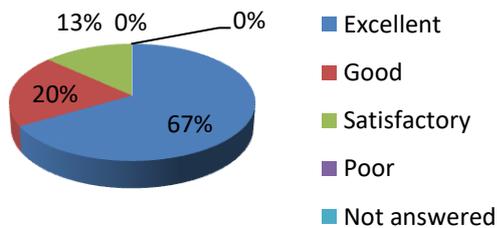
### Quality of audit planning / overall coverage



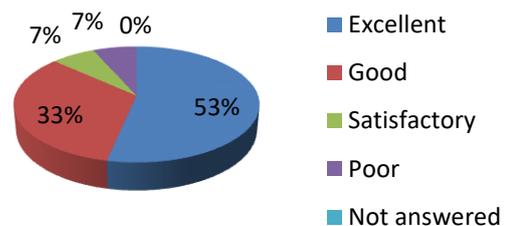
### Provision of advice / guidance



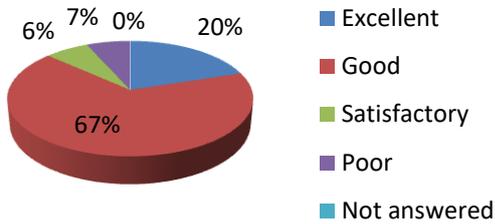
### Staff - conduct / professionalism



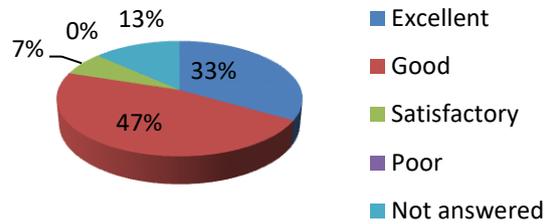
### Ability to establish positive rapport with customers



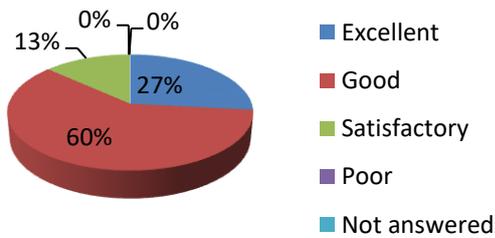
### Knowledge of system / service being audited



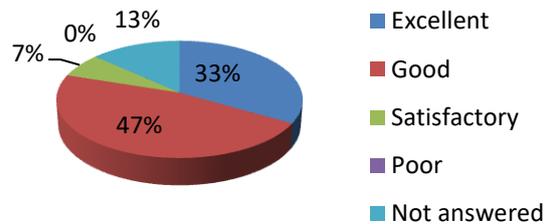
### Minimising disruption to the service being audited



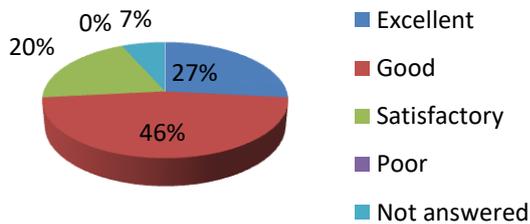
### Communicating issues during the audit



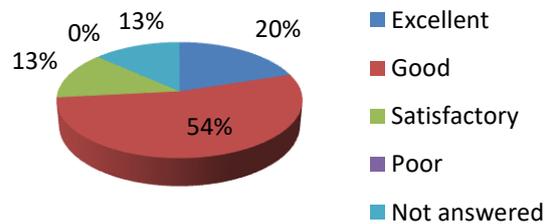
### Quality of feedback at end of audit



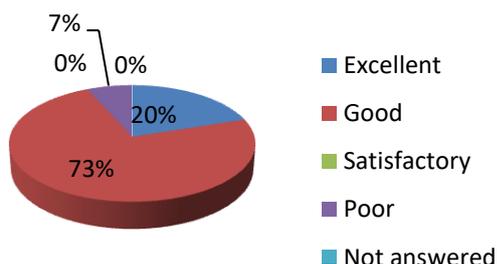
### Accuracy / format / length / style of audit report



### Relevance of audit opinions / conclusions



## Overall rating for Internal Audit service



The overall ratings in 2020 were:

	2020		2019	
Excellent	3	20%	11	55%
Good	11	73%	6	30%
Satisfactory	0	0%	3	15%
Poor	1	7%	0	0%

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

### 3.0 Self-Assessment Checklist – 2020

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 and 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. In April 2019, CIPFA published a modified version of the checklist and this has been used to complete the latest self-assessment. The revised checklist includes some additional guidance on what constitutes compliance, and amalgamates a number of relevant checklist areas.

The current working practices are 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 table below showing areas of non-compliance has been updated to reflect the new checklist.

<u>Conformance with Standard</u>	<u>Current Position</u>
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	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

<u>Conformance with Standard</u>	<u>Current Position</u>
the engagement was accepted?	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 respective priorities 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?	An approach to using other sources of assurance, where appropriate is currently being developed (see below).

#### **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 in 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.

## 5.0 Improvement Action Plan

The external assessment identified a number of areas for further consideration and possible improvement. An action plan was developed to address these areas. One action remains to be completed, as follows:

Recommendation	Current Position
<p>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).</p>	<p>This work is ongoing. Other potential sources of assurance have been identified for each client. This information is now being used to develop more detailed assurance mapping. A standard methodology and approach is also being developed.</p>

In 2019/20, the Quality Assurance group reviewed internal processes for undertaking and recording testing of internal controls. The review identified that testing methodologies were generally good, were relevant to the controls being tested and that appropriate conclusions were being reached. However, improvements were needed to the documentation of testing in some areas. The review also found some cases where the use of data analytics should have been considered, rather than relying on sample testing. This could have improved the level of assurance obtained and provided more useful data for the client. Further training will be delivered to the internal audit teams, covering these areas, in 2020/21.

The following areas will also continue to be a priority in 2020/21:

- Further development of in-house technical IT audit expertise
- Investment in new data analytics capabilities

We also plan to review the audit opinions used for reporting to ensure they remain aligned with best practice.

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

---

<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.

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.



**Hambleton District Council**  
**Counter Fraud Annual Report**  
**2019/20**

**Assistant Director – Corporate Fraud:** Jonathan Dodsworth  
**Head of Internal Audit:** Max Thomas

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

**Date:** 20 October 2020

## 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 2019/20

- 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 £15,885 of savings being produced for Hambleton District Council. The target set for the number of investigations resulting in a successful outcome was met, with 46% of completed cases leading to a successful outcome.
- 5 A separate counter fraud report detailing priorities for 2020/21 and the outcomes of our review of the counter fraud framework is included on the agenda for this committee meeting.



Max Thomas  
Director and Head of Internal Audit  
Veritau Ltd

20 October 2020

**Background papers:** None

**Author ref:** JD

**Contact:** **Jonathan Dodsworth; Assistant Director – Corporate Fraud;  
Veritau North Yorkshire  
[Jonathan.Dodsworth@veritau.co.uk](mailto:Jonathan.Dodsworth@veritau.co.uk)**

## Counter Fraud Activity 2019/20

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

	<b>2019/20 (Full Year: 31/3/19)</b>	<b>2019/20 (Target: Full Year)</b>	<b>2018/19 (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).	46%	30%	39%
Amount of actual savings (quantifiable savings - e.g. CTS) identified through fraud investigation.	£15,885	£16,000	£19,908

### Caseload figures for the period are:

	<b>2019/20 (Full Year)</b>	<b>2018/19 (Full Year)</b>
Referrals received	68	66
Referrals rejected	37	20
Number of cases under investigation <sup>1</sup>	17	24
Number of investigations completed	28	28

<sup>1</sup> As at the end of the financial year, ie 31/3/20 and 31/3/19

## Summary of counter fraud activity:

Activity	Work completed or in progress
Data matching	The 2018/19 National Fraud Initiative (NFI) has concluded. The exercise identified £8,400 of error, predominantly within the housing benefits system, but no fraud was found.
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 2019/20 the team received 29 referrals for potential fraud in this area. Over £7,000 of savings were identified and 3 people were issued warnings about their conduct.</li> <li>• <b>Council Tax/Non Domestic Rates fraud</b> – The team received 39 referrals for potential fraud in this area. Over the course of the year the fraud team completed 16 investigations. The team identified over £8,000 in savings. Two people were formally cautioned and a further 4 people were issued warnings. All of these offences related to people falsely claiming single person discounts.</li> <li>• <b>Internal fraud</b> – No instances of suspected internal fraud were reported in 2019/20.</li> </ul>
Fraud management	<p>In 2019/20 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 2019, the council's counter fraud transparency data was updated to include data on counter fraud performance in 2018/19 meeting the council's obligation under the Local Government Transparency Code 2015.</li> <li>• The council participated in the annual CIPFA Counter Fraud and Corruption Tracker (CFaCT) survey. The information contributed to a CIPFA report released last year 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>• 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 2019.</li> </ul>

<b>Activity</b>	<b>Work completed or in progress</b>
	<ul style="list-style-type: none"><li data-bbox="517 280 1995 347">• As part of International Fraud Week in November 2019, the counter fraud team raised awareness of fraud with staff via intranet articles published throughout that week.</li><li data-bbox="517 392 1995 459">• In March 2020, 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="517 504 1995 571">• 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>