

Hambleton District Council

Report To: Audit, Governance and Standards Committee

Date: 5 October 2021

From: Interim Director of Finance (s151 Officer)

Subject: **Internal Audit and Counter Fraud First Progress Report 2021/22**

Portfolio Holder: Economic Development and Finance
Councillor P R Wilkinson

Wards Affected: All Wards

1.0 Purpose and Background

- 1.1 Under the Accounts & Audit Regulations 2015, it is a statutory requirement for councils to have effective internal audit. The council has formalised its arrangements for internal audit within the Audit Charter. Internal audit work is undertaken by Veritau who carries out work in accordance with the Public Sector Internal Audit Standards (PSIAS).
- 1.2 The purpose of this report is to provide Members with an update on audit work planned and undertaken, and counter fraud activity since the last report to this committee.

2.0 The Report

- 2.1 The internal audit progress report is contained in annex 1. In the period since the last committee, three internal audit reports (on Leisure Centres, Health and Safety Management, and Lifeguards Training) have been finalised. Work planning 4 new audits has also started. The annex also includes internal audit priorities and planned work for the rest of the year.
- 2.2 The counter fraud progress report is contained in annex 2. It reports on progress against the counter fraud work programme. A range of work is detailed including activity to promote awareness of fraud, work with external agencies, and information on the level of fraud reported to date.

3.0 Link to Council Priorities

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

4.0 Risk Assessment

4.1 There are no risks associated with this report.

5.0 Financial Implications

5.1 There are no financial implications associated with this report.

6.0 Legal Implications

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

7.0 Equalities and Diversity Issues

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

8.0 Recommendation

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

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Interim Director of Finance (s151 Officer)

Background papers: None

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INTERNAL AUDIT PROGRESS REPORT 2021/22

Date: 5 October 2021

Annex 1





BACKGROUND

- 1 The work of internal audit is governed by the Public Sector Internal Audit Standards (PSIAS) and the Council's Audit Charter. In accordance with the PSIAS, the Head of Internal Audit is required to report progress to the committee on the programme of internal work to support the annual internal audit opinion, and to highlight any emerging significant risks and/or control issues we have become aware of.
- 2 The proposed 2021/22 areas of work for internal audit, and the approach to flexible audit planning, was summarised in the Internal Audit Plan, which was agreed by members in March 2021.
- 3 It is important that audit resources are used effectively and continue to focus on those areas which add the most value. The plan is therefore designed to be flexible so that as new risks are identified or priorities change the audit programme can be updated. This is particularly important this year as the Council recovers from the Covid-19 pandemic and begins the process to create a new single council for North Yorkshire.



INTERNAL AUDIT PROGRESS

- 4 In the period to 3 September 2021, three final internal audit reports (covering Leisure Services, Health and Safety, and Lifeguard Training) have been issued. Planning work has also started for 4 pieces of work. There are no areas of emerging significant risks and/or significant control issues which we have become aware of, that we need to highlight to the committee.
- 5 Further information on the areas of work are included in the appendices to this report. Appendix A provides details of the internal audits currently in progress and the status of each audit. Appendix B provides details of the work scheduled to be started next. Appendix C provides details of the three audit reports which have been finalised since the last committee.



FOLLOW-UP OF AGREED ACTIONS

- 6 Responsibility to resolve issues and implement agreed actions lies with management. Public Sector Internal Audit Standards (PSIAS) require internal auditors to have a follow up process to monitor action taken to address issues identified as part of internal audit work.
- 7 It is important that agreed actions to address previously reported findings and internal control matters are regularly and formally followed up. This helps to provide assurance to Management and Members that control weaknesses have been properly addressed, and also provides assurance for our overall Head of Internal Audit Opinion.

- 8 We have followed up agreed actions either as part of our ongoing audit work, or by separate review. We currently have no matters to report to members as a result of our follow up work.

APPENDIX A: INTERNAL AUDIT WORK IN PROGRESS

Audit	Status	Assurance Level
2021/22		
Payroll	Planning Commenced	-
Sundry Debtors	Planning Commenced	-
CIPFA Financial Management Code	Planning Commenced	-
Risk Management	Planning Commenced	-
2020/21		
Leisure Centres	Final Report Issued	Substantial Assurance
Health and Safety Management	Final Report Issued	Reasonable Assurance
Lifeguard Training	Final Report Issued	Reasonable Assurance

APPENDIX B: CURRENT PRIORITIES FOR INTERNAL AUDIT

Audit	Status		
	Ongoing	Do next	Do later
Strategic and Corporate risks			
Local Government Reorganisation (LGR) preparedness and emerging risk areas		✓	✓
Post Covid-19 recovery and response plans		✓	✓
Medium term financial planning and the CIPFA Financial Management Code	✓		✓
Risk management	✓		
HR and workforce planning		✓	
Project Management			✓
Performance management and data quality			✓
Business continuity and disaster recovery		✓	
Procurement and contract management			✓
Climate change		✓	
Training and Development			✓
Financial Systems			
Payroll	✓		
Creditors		✓	
Sundry Debtors, including debt recovery	✓		
Income Collection			✓
Budgetary Control		✓	
Revenues and Benefits			✓
Treasury Management		✓	
Service Area Reviews			
Leisure Services		✓	
Environmental Health - food inspections and water safety inspections.		✓	
Customer Services			✓
Technical/Project Risks			
Cyber security		✓	
ICT Change Management			✓
Digitalisation / automation			✓
Support and review of specific key projects		✓	
Other Audit Assurance Areas			
Continuous Audit planning and assurance gathering to support our opinion.	✓	✓	✓
Follow up of management actions	✓	✓	✓

Further explanation on the work status

The programme of work is subject to ongoing review and will be adjusted in response to changes in the Council's activities, risks, operations, systems and controls. During the year, planned work is prioritised on the basis of:

- Do first – work of the highest value, priority, or urgency
- Do next – work to be started after current audit work is completed
- Do later – work to be scheduled for consideration later in the audit year

Changes in the priority and timings of work are agreed with council officers.

Individual audit assignments can also move between the categories as required. For example an audit scheduled for quarter 3 to minimise the impact on a service area may initially be classed as to "do later", but will become "do now" as we move into quarter 3. Similarly, an audit classed as "do now" because it represents an area of high importance to the Council may move from "do now" to "do next" or "do later", if the project slips or planned work cannot be undertaken until a specific point is reached. Towards the end of the year, some audits classed as "do later" are likely to be deferred until the next year.

Work to support our Annual Opinion

As reported when the programme of internal audit was agreed by Members at the March 2021 Committee, the programme of internal audit work is prepared on the basis of an initial assessment of risk and to ensure there is sufficient coverage of the framework of governance, risk management and internal control.

We have defined the following as areas where assurance is required in order to enable us to provide an evidence based opinion:

- Strategic planning
- Organisational governance
- Financial governance
- Risk management
- Information governance
- Performance management and data quality
- Procurement and contract management
- People management
- Asset management
- Programme and project management
- ICT governance

The requirement for providing assurance across these areas is taken into account when prioritising work.

APPENDIX C: SUMMARY OF FINDINGS FROM AUDITS FINALISED SINCE THE LAST REPORT TO THE COMMITTEE

Audit	Opinion	Area reviewed	Date issued	Comments / Issues identified	Management actions agreed
Leisure Centres	Substantial Assurance	<p>We reviewed the arrangements for service quality and performance to ensure that:</p> <ul style="list-style-type: none"> • Service quality at Leisure Centres was being monitored in line with the expected internal and external assessment frameworks. • Appropriate resulting action took place from any improvement actions raised, and learning was shared between centres. • The Leisure Centres had appropriate, and useful KPIs in place to measure quality of service, based on accurate information. 	July 2021	<p>Strengths:</p> <p>All Centres received an Excellent rating in their last external Quest assessment.</p> <p>All external and internal assessments had been carried out in line with the expected schedules and frequency.</p> <p>A sample of actions from the last external Quest assessment for all four Leisure Centre's were reviewed and we saw these had been suitably considered and where appropriate, resulting action had been taken.</p> <p>Areas for improvement:</p> <p>The meeting minutes we reviewed did not show that showed appropriate discussion (and resulting actions) were taking place and being managed from any improvement actions raised from internal and external assessments; nor the sharing of learning between Centres.</p> <p>There is no central record of all external assessments that have taken place at each Leisure Centre. Such a record could be useful information to help support operational performance indicators as well as effective monitoring of the Leisure Centres.</p>	<p>2 x Priority 3 findings were agreed with the Director for Leisure and Communities</p> <p>Assessments and audits are discussed at operational management meetings and actions are noted. However, explicit reference will be noted on future minutes with clear links to relevant action plans.</p> <p>Officers will develop an Assessments/Audit log which will include all actions arising from planned and reactive assessments/ audits.</p>

Audit	Opinion	Area reviewed	Date issued	Comments / Issues identified	Management actions agreed
Health and Safety Management	Reasonable Assurance	<p>The Council has statutory responsibilities to have in place appropriate arrangements for managing the health and safety of its employees and of those affected by its activities. To meet these requirements, the council has in place a number of arrangements.</p> <p>We reviewed the arrangements to ensure:</p> <ul style="list-style-type: none"> • Appropriate governance arrangements were in place over health and safety at the Council. • Risk assessments were up-to-date, reviewed at appropriate intervals and were used to inform training needs. • Health and safety arrangements relating to Covid-19 risks and a return to more 'normal working' were robust. 	August 2021	<p>Strengths:</p> <p>A high-level Health and Safety Policy is in place which was last updated in July 2020 and was approved by the Chief Executive.</p> <p>The Health and Safety Risk Manager provides specialised support to the council, and a Service-Level Agreement (SLA) is in place to govern the arrangement.</p> <p>Arrangements in the higher-risk service areas were found to be robust.</p> <p>Sound arrangements were found to be in place for a return to 'normal' working following the Covid-19 pandemic.</p> <p>Areas for Improvement:</p> <p>The corporate KPI on completed risk assessments in 2020/21 was incorrectly reported. Consequently the Corporate Health and Safety Group and Management Team were told 100% of risk assessments had been completed, when one area had not had a completed assessment since November 2019.</p> <p>Some Mandatory health and safety training courses have not being completed by all employees and the completion (or otherwise) of the training is not being monitored by the Council.</p> <p>Completion of the health and safety induction checklists is not currently being monitored.</p>	<p>2 x Priority 2 findings and 1 x Priority 3 finding was agreed by the Director of Environment.</p> <p>KPI reporting will be further monitored and periodic checks of risk assessment completion will be carried out by the Health and Safety Risk Manager.</p> <p>HR have made service managers aware of their responsibilities for ensuring completion of Mandatory courses.</p> <p>The use of electronic systems will be investigated as a way to help ensure mandatory courses are completed.</p> <p>A full review of the induction process is underway by HR and work is being undertaken on a virtual induction programme. The current checklist has been reviewed and is to be reissued shortly. Progress will be monitored through the H&S sub-groups and the corporate H&S group with a planned completion date for all actions by 31 August 2022.</p>

Audit	Opinion	Area reviewed	Date issued	Comments / Issues identified	Management actions agreed
Lifeguard Training	Reasonable Assurance	<p>We reviewed lifeguard training to ensure:</p> <ul style="list-style-type: none"> Lifeguards had an in-date National Pool Lifeguard Qualification (NPLQ). Necessary checks were carried out to ensure continuing professional development and the necessary periodic reassessment occurred. Records of training were properly kept and regularly updated. Training practices were consistent across the four leisure centres. 	September 2021	<p>Strengths:</p> <p>System data showed all staff employed as lifeguards had an in-date National Pool Lifeguard Qualification (NPLQ). Sample review to the supporting certificate confirmed in all 10 cases the certificate existed and was consistent to system data. Lifeguards are keeping up with competency assessments to ensure National Pool Lifeguard Qualification (NPLQs) remain valid across the four centres.</p> <p>Record keeping around training highlighted no weaknesses.</p> <p>Training practices were generally consistent across the four leisure centres.</p> <p>Areas for Improvement:</p> <p>The leisure centres check lifeguards competency at the poolside with the Council's policy requiring each lifeguard to be observed every 6 months. Our sample testing identified some instances where these checks were not taking place, or when some were, the National Pool Lifeguard Qualification (NPLQ) was not being checked.</p> <p>Consequently there was a risk that lifeguards competency on poolside is not sufficiently checked and documented and also that expiry dates are not sufficiently monitored.</p>	<p>1 x Priority 2 finding was agreed with the Leisure Operational Delivery Manager</p> <p>The Assistant Manager for Northallerton and Thirsk leisure centres will monitor lifeguard observations at all sites on a monthly basis to ensure they are taking place as required.</p> <p>Monitoring will also take place at future Health and Safety operational meetings and at quarterly Health and Safety sub group meetings.</p>

COUNTER FRAUD PROGRESS REPORT 2021/22

Date: 5 October 2021

Annex 2





BACKGROUND

- 1 Fraud is a significant risk to local government. Losses to councils are estimated to exceed £7.8 billion annually in the United Kingdom.¹
- 2 Veritau delivers a corporate fraud service to the Council which aims to prevent, detect and deter fraud and related criminality. A total of 120 days of counter fraud work has been agreed for 2021/22. This time will be used to investigate allegations of fraud, plan and take part in counter fraud campaigns, undertake fraud awareness activities with staff and the public, and maintain and update the Council's counter fraud framework and associated policies.
- 3 The purpose of this report is to update the Committee on counter fraud activity between 1 April 2021 and 31 August 2021.



FRAUD MANAGEMENT

- 4 Veritau undertakes a range of non-investigative activity to support the development of counter arrangements at the Council. The Council's Counter Fraud Framework has been reviewed and updated for 2021/22. This includes a revised strategy action plan, and fraud risk assessment.
- 5 Raising awareness of fraud is an important function of the counter fraud team, amongst Council staff and the public. Fraud awareness training on whistleblowing is being delivered to staff. Specific sessions have targeted managers and included details on their role and responsibilities under the Council's policy.
- 6 Veritau continue to support the Covid-19 post-assurance group. The team works with officers to ensure that the Council meets the government mandated verification, investigation and recovery requirements for Covid-19 related grant payments.
- 7 Veritau attends the Yorkshire and Humber Fraud Investigation Group on behalf of the Council to share best practice and regional fraud threats.
- 8 In May 2021, the Council's counter fraud transparency data was updated to include data on counter fraud work in 2020/21, meeting the Council's obligation under the Local Government Transparency Code 2015.



MULTI-AGENCY WORK

- 9 Work on the 2020/21 National Fraud Initiative is ongoing. Over 300 matches have been produced during the current exercise, including matches relating to Covid-19 grant payments. The counter fraud team

¹ Annual Fraud Indicator 2017, Crowe Clark Whitehill

provides support to the council officers addressing the data matches. Instances of suspected fraud will be considered for investigation.

- 10 The Council respond to requests for information from the Department for Work and Pensions (DWP) who investigate Housing Benefit fraud. In cases where council tax support is in payment, the counter fraud team can jointly investigate with DWP counterparts. No joint working cases have been identified to date.

INVESTIGATIVE WORK

- 11 In 2021/22, the team has received 33 referrals of suspected fraud. These cover areas including council tax, council tax support, business rates and Covid-19 support payments.
- 12 There are currently 18 cases under investigation. In addition, two Covid-19 support payments are being verified by the counter fraud team.
- 13 During the pandemic, the counter fraud team has established practices to conduct interviews under caution using video conferencing. This will allow interviews to be conducted remotely where in the best interest of the Council and the member of the public (e.g. inability to attend Council offices).
- 14 A summary of investigation work is included in appendix A, below.

APPENDIX A: SUMMARY OF INVESTIGATION ACTIVITY

Activity to date includes the following:

	2021/22 (As at 31/08/21)	2021/22 (Target: Full Yr)	2020/21 (Actual: Full Yr)
Amount of actual savings (quantifiable savings - e.g. repayment of loss) identified through fraud investigation	£4,194	£16,000	£4,741
% of investigations completed which result in a successful outcome (for example payments stopped or amended, sanctions, prosecutions, properties recovered, housing allocations blocked)	64%	30%	29%
Amount of savings from the prevention of Covid-19 grant fraud	£5,681	n/a	£140,000

Caseload figures for the period are:

	2021/22 (As at 31/08/21)	2020/21 (Full Year)
Referrals received	33	37
Number of cases under investigation	18	22 ²
Number of investigations completed	11	22
Number of verification case completed	2 ³	9

² As at the end of the financial year (i.e. 31/03/2021)

³ The cases related to Covid-19 grant applications.

Work completed or in progress

The service promotes the use of criminal investigation techniques and standards to respond to any fraud perpetrated against the Council. Activity completed in 2021/22 includes the following:

- **Covid-19 related fraud** – Eight reports of Covid-19 related fraud have been received to date. Five Covid-19 grant applications have been investigated which resulted in a payment of £4.7k being stopped, and recovery of over £900. One investigation identified a scam which was reported to the National Anti-Fraud Network. Warnings have been issued to three business in relation to grant payments. There are five ongoing investigations.
- **Council Tax Reduction fraud** – The team has completed three investigations into council tax reduction fraud and there are currently four investigations ongoing. One person have been issued with a formal warning. 15 referrals for council tax reduction fraud have been received to date in 2021/22.
- **Council Tax Fraud** – Eight referrals for council tax fraud have been received to date. Three investigations have been completed in this area and nine are ongoing. One person has been issued with a warning in relation to receiving a Single Person Discount incorrectly.
- **NNDR fraud** - Two business rate fraud referrals has been received this year. There are no cases ongoing in this area.
- **Internal fraud** – No internal fraud referrals have been received in 2021/22 to date.