

RYEDALE  
DISTRICT  
COUNCIL



## Ryedale District Council

# Internal Audit and Counter Fraud Progress Report 2017/18

**Audit Manager:** Stuart Cutts  
**Counter Fraud Manager:** Jonathan Dodsworth  
**Head of Internal Audit:** Max Thomas

**Circulation List:** Members of the Overview and Scrutiny Committee  
Chief Executive  
Resources and Enabling Services Lead (s151)

**Date:** October 2017

  
Assurance Services for  
the Public Sector

## **Background**

- 1 The work of internal audit is governed by the Accounts and Audit Regulations 2015 and the Public Sector Internal Audit Standards (PSIAS). In accordance with the PSIAS, the Head of Internal Audit is required to report progress against the internal audit plan and to identify any emerging issues which need to be brought to the attention of the Committee.
- 2 Members of this Committee approved the 2017/18 Internal Audit and Counter Fraud Plan at their meeting on the 20 April 2017. The total number of planned days for 2016/17 was 345. This report summarises the progress made in delivering the agreed plan.
- 3 This is the first Internal Audit progress report to be received by the Overview and Scrutiny Committee in 2017/18. This report therefore updates the Committee on the work completed between 1 April 2017 and 10 October 2017.

## **Internal Audit work completed**

- 4 In the period between 1 April and 10 October 2017 we have completed one internal audit review to draft report stage; Taxi Licensing. Work is in progress on three audits and work planning five audits has started.
- 5 We have agreed timings with management for all 2017/18 audits. For those audits we have yet to start we have provided proposed start dates in this report. We are on target to deliver the agreed Audit Plan by the end of April 2018. Further information is included in Annex A.

## **Follow up of previous audit recommendations**

- 6 A key part of our work since the last Committee has been to review the progress officers have made in completing actions agreed as a result of internal audit work. It is important that agreed actions are regularly and formally followed up. This helps to provide assurance to management and members that control weaknesses have been properly addressed.
- 7 A total of 44 agreed actions relating to ten of the 2016/17 audit reports have been followed up with the responsible officers. These actions had an agreed date for completion of 30 September 2017 (or earlier).
- 8 In total just more than half of the actions (23 of 44) have been fully completed. In addition, evidence has been seen that work is in progress to address the remaining actions that are not yet fully complete. For 17 of these remaining 21 actions, the Council has revised planned implementation dates which show they expect these 17 to be fully completed by 31 December 2017. In some instances it has taken officers longer than originally envisaged to fully address the issues raised. We feel the delays (where happening) are not causing significant increased risks to the control environment.
- 9 Further information on the follow up findings is included in Annex B.

## Wider Internal Audit work

- 10 In addition to undertaking assurance reviews, Veritau officers are involved in a number of other areas relevant to corporate matters:
- **Support to the Overview and Scrutiny Committee;** this is mainly ongoing through our attendance at meetings of the Committee and the provision of advice, guidance and training to members as required.
  - **Ongoing support to management and officers;** we meet regularly with management to identify emerging issues and provide advice on a range of specific business and internal control issues. These relationships help to provide 'real time' feedback on areas of importance to the Council. We have been working with senior management as part of the ongoing 'Towards 2020 Programme', providing support, advice and challenge.
  - **Risk Management;** Veritau provides support and advice on the Council's risk management arrangements and processes.
  - **Investigations;** We perform special or ad-hoc reviews or investigations into specific issues.

## Audit Opinions

- 11 For most reports we provide an overall opinion on the adequacy and effectiveness of the controls under review. The opinion given is based on an assessment of the risks associated with any weaknesses in controls identified. We also apply a priority to all actions agreed with management. Details of the opinion and priority rankings are included in Annex C.

## Counter Fraud

- 12 Veritau provides the council's counter fraud service. The counter fraud team investigate a range of fraud against the authority, including council tax fraud, council tax support fraud, and internal fraud issues.
- 13 Up to 30 September 2017 the fraud team has achieved £38k in savings for the council as a result of investigative work. There are currently 16 ongoing investigations. A full summary of fraud activity is included in Annex D.

Stuart Cutts  
Audit Manager  
Veritau Ltd

Jonathan Dodsworth  
Counter Fraud Manager  
Veritau Ltd

October 2017

## Annex A

**Table of 2017/18 audit assignments to 10 October 2017**

<b>Audit</b>	<b>Status</b>	<b>Assurance Level (if Completed) / Planned Start date (if Not Started)</b>	<b>Audit Committee</b>
<b>Strategic Risk Register</b>			
Business Continuity and Disaster Recovery	Not started	Quarter 4	
HR Performance Management and Training	Not started	Quarter 4	
Data Protection and Security	Planning	-	
IT Information Security	Not started	Quarter 4	
Partnership Arrangements	Not started	Quarter 3	
<b>Fundamental/Material Systems</b>			
Housing Benefits	Planning	-	
Payroll	Not started	Quarter 4	
Council Tax / NNDR	In Progress	-	
Sundry Debtors	Not started	Quarter 3	
Creditors	Planning	-	
Income	Planning		
General Ledger	Not started	Quarter 3	
<b>Regularity Audits</b>			
Procurement	Planning		
Risk Management	Not started	Quarter 4	
Lettings Income	In Progress		
Taxi Licensing	Draft Report		
Development Management	Not started	Quarter 3	
<b>Technical/Project Audits</b>			
Transformation Programme	In Progress		
Project and Programme Management	Not started	Quarter 4	
<b>Follow-Ups</b>			
	In Progress		

## Annex B

### An overview of progress made implementing agreed actions with 30 September 2017 deadline (or earlier)

Audit	Assurance Rating	Total	Completed	Comments
Payroll	Limited Assurance	4	1	In addressing one action (to use GCSX accounts for extra security) officers have found some issues with external supplier systems which require additional work and which impact on other findings. Revised deadlines of 30/11/17 (for 2 findings) and 31/12/17 have now been set.
Asset Management - Investment properties	Reasonable Assurance	5	1	To fully complete all actions is taking a little more time than originally envisaged. A detailed conditions survey is planned to be completed by the end of November. Work is ongoing for the remaining 3 findings which are envisaged to be completed by March 2018.
Contracts Register	Reasonable Assurance	4	1	There is a clear plan to improve the register and contract management. A number of actions have been taken. One spreadsheet based register is to be maintained. It is expected all actions will be completed in 2017. The senior commissioning officer is awaiting some information from departments to progress planned improvements. Training is planned by the end of 2017.
Business Continuity and Disaster Recovery	Reasonable Assurance	3	0	The Council is very close to completing all findings (having a finalised corporate business continuity plan, service business continuity plan and disaster recovery plan). Final meetings were taking place in October so all findings have a revised deadline of the end of October 2017.
Creditors	Reasonable Assurance	4	3	One action to review all late payments has been delayed due to a person not being in the creditors post. No late payment reports have been run. An updated deadline of 31 March 2018 to complete this action has been set.
Housing Benefits	Substantial Assurance	3	3	All agreed actions have been implemented
Income	Substantial Assurance	6	5	One finding in respect of a supervisory check on transfers and reversals being carried out monthly has yet to be undertaken in 2017/18.
Sundry Debtors	High Assurance	2	2	All agreed actions have been implemented
General Network Controls	No opinion	1	1	Agreed action implemented
Risk Management	No opinion	12	6	Some progress has been made in implementing the key agreed actions. However, revised dates have been required for six actions with full completion expected by 31 December 2017.
<b>Total</b>		<b>44</b>	<b>23</b>	

### Audit Opinions and Priorities for Actions

Audit Opinions	
<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.

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.

## Counter Fraud Activity 2017/18

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

	<b>2017/18 (As at 30/9/17)</b>	<b>2016/17 (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).	31%	53%
Amount of actual savings (quantifiable savings - e.g. CTS) identified through fraud investigation.	£38,314	£38,642

### Caseload figures for the period are:

	<b>2017/18 (As at 30/09/17)</b>	<b>2016/17 (Full Year)</b>
Referrals received	50	70
Referrals rejected	10	15
Number of cases under investigation	16	25 <sup>1</sup>
Number of investigations completed	16	30

---

<sup>1</sup> As at 31/3/17

### Summary of counter fraud activity:

Activity	Work completed or in progress
Data matching	<p>Results from the 2016/17 National Fraud Initiative data matching exercise were returned earlier this year. There are 91 recommended matches to investigate covering a range of council services. Work on investigating these matches is underway.</p> <p>A new NFI Council Tax Single Person Discount data matching exercise will be run later this year with results expected in early 2018. Veritau is gathering the necessary information ahead of securely sending it.</p>
Fraud detection and investigation	<p>The service continues to promote the use of criminal investigation techniques and standards to respond to any fraud perpetrated against the council. Activity to date includes the following:</p> <ul style="list-style-type: none"><li>• <b>Council Tax Support fraud</b> – To date the team has received 12 referrals for possible CTS fraud. Over £15,000 in overpayments have been identified in the current financial year. There are currently 8 cases under investigation. One CTS case has been approved for prosecution and is due in court at the end of October.</li><li>• <b>Council Tax/Non Domestic Rates fraud</b> – 37 referrals for council tax or business rates fraud have been received in 2017/18. There are currently 7 cases under investigation.</li></ul>
Fraud liaison	<p>The counter fraud team acts as a single point of contact for the Department for Work and Pensions (DWP) and is responsible for providing data to support their housing benefit investigations. The team has dealt with 41 requests to date in 2017/18.</p> <p>In addition housing benefit fraud concerns from within the council as well as from members of the public have been referred to the DWP for investigation. These referrals are tracked to ensure that the Council is aware of the results of any DWP investigations. Where financial penalties are recommended by the DWP the circumstances of each case is reviewed and advice is given to the Council to assist decision making.</p>



Activity	Work completed or in progress
Fraud Management	<p>In 2017/18 a range of activity has been undertaken to support the Council's counter fraud framework.</p> <ul style="list-style-type: none"> <li>• In July an annual counter fraud report was brought to the Audit and Governance Committee. As part of the annual report the counter fraud and corruption policy and counter fraud strategy were both reviewed. No updates were required to the policy and strategy however a counter fraud risk assessment and associated action plan were updated to reflect current fraud threats facing the council.</li> <li>• The counter fraud team continues to alert council departments to emerging local and national threats through a monthly bulletin and specific alerts.</li> </ul>