



Selby District Council

Internal Audit and Counter Fraud Progress Report 2017/18



Audit Manager:	Phil Jeffrey
Counter Fraud Manager:	Jonathan Dodsworth
Deputy Head of Internal Audit:	Richard Smith
Head of Internal Audit:	Max Thomas
Date:	18 th April 2018

Background

- 1 The work of internal audit is governed by the Accounts and Audit Regulations 2015 and the Public Sector Internal Audit Standards (PSIAS). The Head of Internal Audit is required to regularly report progress on the delivery of the internal audit plan to the Audit and Governance Committee and to identify any emerging issues which need to be brought to the attention of the Committee.
- 2 Members approved the 2017/18 Internal Audit and Counter Fraud Plan at their meeting on the 19th April 2017. The total number of planned days for 2017/18 is 480. The performance target for Veritau is to deliver 93% of the agreed Audit Plan by the end of the year. This report summarises the progress made in delivering the agreed plan.

Internal Audit Work Carried Out 2017/18

- 3 A summary of the audit work completed in the year to date is attached at Annex A.
- 4 Veritau officers are involved in a number of other areas relevant to corporate matters:
 - **Support to the Audit and Governance Committee;** this is mainly ongoing through our support and advice to Members. We also facilitate the attendance at Committee of managers to respond directly to Members' questions and concerns arising from audit reports and the actions that managers are taking to implement agreed actions.
 - **Contractor Assessment;** this work involves supporting the assurance process by using financial reports obtained from Experian (Credit Agency) in order to confirm the financial suitability of potential contractors.
 - **Risk Management;** Veritau facilitate the Council's risk management process and provide support, advice and training in relation to risk management.
 - **Systems Development;** Veritau attend development group meetings in order to ensure that where there are proposed changes to processes or new ways of delivering services, that the control implications are properly considered.
- 5 An overall opinion is given for each of the specific systems under review.
- 6 The opinions used by Veritau are provided below:

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.

7 The following priorities are applied to individual actions agreed with management:

Priority 1 (P1) – A fundamental system weakness, which represents unacceptable risk to the system objectives and requires urgent attention by management.

Priority 2 (P2) – A significant system weakness, whose impact or frequency presents risk to the system objectives, which needs to be addressed by management.

Priority 3 (P3) – The system objectives are not exposed to significant risk, but the issue merits attention by management.

8 All 77 agreed actions from 2015/16 audits have been followed up with the responsible officer. Of these, 71 had been satisfactorily implemented. In a further 6 cases, the actions had not been implemented by the target date but a revised date was agreed and will be followed-up after the revised target date. A summary of this follow up work is included below:

2015/16 Follow-up status

Action status	Total No.	Action Priority		
		1	2	3
Actions now implemented	71	0	37	34
Revised date agreed	6	0	6	0
Follow up in progress	0	0	0	0
Not yet followed up	0	0	0	0
Total agreed actions	77	0	43	34

9 A total of 47 agreed actions from 2016/17 audits have been followed up with the responsible officers. 36 had been satisfactorily implemented. In a further 11 cases, the actions had not been implemented by the target date but a revised date was agreed and will be followed-up after the revised target date. The remaining 17 actions agreed in 2016/17 audits have not yet been followed up either because the target dates have not yet passed or because follow up work is still in progress. A summary of this follow up work is included below:

2016/17 Follow-up status

Action status	Total No.	Action Priority		
		1	2	3
Actions now implemented	36	1	13	22
Revised date agreed	11	0	4	7
Follow up in progress	9	0	5	4
Not yet followed up	8	0	5	3
Total agreed actions	64	1	27	36

- 10 A total of 4 agreed actions from 2017/18 audits have been followed up with the responsible officers. All 4 had been satisfactorily implemented. The remaining 2 actions agreed in 2017/18 audits have not yet been followed up either because the target dates have not yet passed or because follow up work is still in progress. A summary of this follow up work is included below:

2017/18 Follow-up status

Action status	Total No.	Action Priority		
		1	2	3
Actions now implemented	4	0	2	2
Revised date agreed	0	0	0	0
Follow up in progress	1	0	0	1
Not yet followed up	1	0	0	1
Total agreed actions	6	0	2	4

- 11 At the time of drafting this report there are eleven 2017/18 audits in progress. Two reports are currently at draft report stage. One report has been finalised since the last report to this committee. reports have been finalised since the last report to this committee. It is anticipated that the target to complete 93% of the audit plan will be exceeded by the end of April 2018 (the cut off point for 2017/18 audits).

Counter Fraud Work

- 12 Veritau provides the Council's counter fraud service. The counter fraud team investigate a range of fraud against the authority, including housing fraud, council tax fraud, council tax support fraud, and internal fraud issues.
- 13 Up to 28 February, the fraud team has identified £17.4k in loss to the council and achieved £21k in savings for the Council as a result of investigative work. There are currently 16 ongoing investigations.
- 14 A full summary of counter fraud activity is included in Annex B.

Annex A

2017/18 audit assignments status

Audit	Status	Audit Committee
<u>Corporate Risk Register</u>		
ICT Governance	Draft report issued	
Organisational Development	Deferred ¹	
Programme for Growth	Support provided	
Savings Delivery	Additional testing complete²	
<u>Financial Systems</u>		
Benefits	In progress	
Council Tax/NNDR	Substantial Assurance	January 2018
Creditors	In progress	
Debtors	In progress	
Housing Rents	Substantial Assurance	April 2018
Income and Receipting	In progress	
Payroll	In progress	
<u>Regularity / Operational Audits</u>		
Agency Staff	In progress	
Governance Arrangements	In progress	
Housing Development	Deferred ³	
Insurance	In progress	
Performance Management	In progress	
Planning	Deferred ⁴	
Section 106 Agreements / CIL	Support provided	
<u>Technical / Project Audits</u>		
Business Transformation	Cancelled ⁵	
Contract Management and Procurement	In progress	

¹ Deferred until 2018/19. The time has been used to finalise outstanding 2016/17 audits.

² Additional testing has been carried out during 2017/18 to continue work started in 2016/17.

³ Deferred until 2018/19.

⁴ Deferred until 2018/19. The time has been used to fund additional time spent on Follow-ups, Corporate Issues and Tender openings.

⁵ Audit cancelled and time re-allocated to Debtors and Payroll.

Audit	Status	Audit Committee
Information Security	In progress	
PCI DSS	Draft report issued	
Project Management	Support provided⁶	

Summary of reports finalised since the last committee

Title	Finalised	Opinion	P1	P2	P3
Housing Rents	12 th January 2018	Substantial Assurance	0	0	1

⁶ Support has been provided to the Annual Billing project and the new Housing System project.

Summary of audits completed to 29 March 2018; previously not reported

Audit	Opinion	Comments	Date Issued	Agreed Actions by priority			Key Agreed Actions ⁷	Progress against key actions
				1	2	3		
Housing Rents	Substantial Assurance	It was found that the majority of tenants had been billed correctly for rent due. Rent income is regularly reconciled between the housing system and the cash receipting system and accounts in arrears are subject to appropriate recovery action.	12 th January 2018	0	0	1	None.	

⁷ Priority 2 or above

Audits reported previously: progress against key agreed actions

Audit	Agreed Action	Priority rating	Responsible Officer	Due	Notes
Information Governance (2015/16)	<p>A policy review schedule will be drawn up for all information governance policies to be reviewed and, where required, updated.</p> <p>The data protection policy will be reviewed as a priority.</p>	2	Solicitor to the Council	30 Nov 2016	A Corporate Information Governance Group (CIGC) has been established and Data Protection Officer support is being provided by Veritau. The CIGC has developed a GDPR Action Plan to ensure readiness ahead of the 25 May 2018 deadline. Work is currently being undertaken on preparing an Information Asset Register (IAR) which will then inform of any gaps. The IAR is scheduled to be produced by the end of April, with all other actions in the plan being due by 8 June 2018 at the latest.
Information Governance (2015/16)	<p>The asset register will be reviewed and updated. This will include updating Information Asset Owner (IAO) responsibilities to reflect the new organisational structure.</p> <p>Job descriptions will be reviewed and responsibilities will be included for all roles who act as IAOs, as well as the Senior Information Risk Owner (SIRO) and Solicitor to the Council.</p>	2	Solicitor to the Council	30 Nov 2016	
Information Governance (2015/16)	<p>In reviewing and refreshing the information asset register IAOs will refer to the information risk management policy.</p> <p>Information risks will be considered by all services and significant risks identified through this process will be included in</p>	2	Solicitor to the Council	30 Nov 2016	

Audit	Agreed Action	Priority rating	Responsible Officer	Due	Notes
	the service based risk registers.				
Information Governance (2015/16)	A privacy notice will be written that applies to information collected across a range of council functions and this will be made available on the Council website. The review of the information asset register will identify the types of information held and how it is used. This will be used to determine which areas need specific privacy notices covering the information they hold and in which areas it is sufficient to refer to the privacy notice available on the website.	2	Solicitor to the Council	30 Nov 2016	
Information Governance (2015/16)	<p>The review of the information asset register (IAR) will identify information being shared with other organisations. IAOs will be asked to confirm whether all decisions to share information are recorded and that data sharing agreements are in place.</p> <p>Data sharing agreements will be drawn up under the Multi Agency Information Sharing Protocol (MAISP) where required.</p>	2	Solicitor to the Council	30 Nov 2016	
Information Governance	A consolidated corporate records retention and disposal schedule will be	2	Solicitor to the Council	30 Nov 2016	

Audit	Agreed Action	Priority rating	Responsible Officer	Due	Notes
(2015/16)	<p>drawn up in line with the document retention policy.</p> <p>This will apply to all records held and in all formats and will be made available throughout the organisation.</p>				
Sundry Debtors (2016/17)	<p>Management will look to review and renegotiate the server hosting SLA between Richmondshire District Council and Selby District Council, taking into account the matters raised in this audit.</p>	2	Chief Finance Officer	30 Sep 2017	<p>Both parties are in agreement over the content of the revised SLA and it is currently with the council's Legal team for review prior to being adopted.</p> <p>A revised date will be required for completion of this action.</p>
Council House Repairs (2016/17)	<p>Procurement of the new housing management system is in progress. Once implemented, automated processes will replace the manual workaround (due to the housing management system not being linked to the finance system) and will enable all materials and jobs to be checked.</p>	2	Head of Operational Services	30 Nov 2018	Due 30 November 2018
Council House	A new housing management system will	2	Head of	30 Nov	Due 30 November

Audit	Agreed Action	Priority rating	Responsible Officer	Due	Notes
Repairs (2016/17)	be procured which includes the capacity to cost jobs and will be linked to the finance system.		Operational Services	2018	2018
Council House Repairs (2016/17)	Included in the specification for the new housing management system is the requirement for there to be job scheduling functionality. This functionality will be made available when the system is implemented.	2	Head of Operational Services	30 Nov 2018	Due 30 November 2018
Project Management (2016/17)	Update project management guidance to be used for all projects across the Council – to cover all aspects of project management including, initiation, scoping, planning, resourcing, communicating, monitoring, management of risk and review.	2	Head of Business Development & Improvement	30 Sep 2017	Updated project management guidance has been produced but requires approval from management before it can be finalised. Revised date of 30 Apr 2018.
Project Management (2016/17)	Rollout of training on the revised project management framework and guidance – commencing October 2017.	2	Head of Business Development & Improvement	31 Dec 2017	Training will be delivered that reflects the recently approved project governance framework. A revised date will be required for

Audit	Agreed Action	Priority rating	Responsible Officer	Due	Notes
					completion of this action; it will follow completion of the action above.
Information Security Checks (2016/17)	Any issues with availability of storage, broken locks or absence of keys and places to store keys to be identified and addressed so that all information is capable of being locked away.	2	Solicitor to the Council	30 June 2017	<p>An information security sweep was undertaken on 20 March 2018 and the same issue was found.</p> <p>A new finding will be raised, with an agreed action to supersede this one.</p>
Information Security Checks (2016/17)	Responsibility for shared storage and rooms (e.g. archive room) to be made clear to ensure they are locked when not in use / at the end of the day.	2	Solicitor to the Council	30 June 2017	<p>An information security sweep was undertaken on 20 March 2018 and the same issue was found.</p> <p>A new finding will be raised, with an agreed action to supersede this one.</p>
PCI DSS	A compliance procedure document will be	2	Data & Systems	30 Sep	A draft PCI DSS

Audit	Agreed Action	Priority rating	Responsible Officer	Due	Notes
(2016/17)	produced as an appendix to the Data Protection Policy. This will clearly identify the responsible officers for PCI DSS at the Council.		Team Leader	2017	<p>compliance policy has been developed but is not yet ready for circulation to staff.</p> <p>A revised date will be agreed during the 2017/18 audit.</p>
PCI DSS (2016/17)	Data & Systems will investigate the opportunity to introduce a 'hosted payment page' on the website from a payment provider. This would eliminate card processing and storage on the Council's network.	2	Data & Systems Team Leader	31 Aug 2017	<p>This is a costly option which will in all likelihood be discounted. Alternative arrangements for de-scoping the network are currently being discussed as part of the 2017/18 audit of PCI DSS.</p>
PCI DSS (2016/17)	Once the network has been reconfigured in line with the recommendations of the external consultant's report, the relevant self-assessment questionnaire will be completed and any remedial actions captured.	2	Data & Systems Team Leader	30 Sep 2017	<p>Changes have not yet been made to the network so the self-assessment questionnaire has not been completed.</p> <p>A new finding will be raised, with an agreed</p>

Audit	Agreed Action	Priority rating	Responsible Officer	Due	Notes
					action to supersede this one.
Savings Delivery (2016/17)	<p>Monitoring of savings and progress will be allocated to a dedicated team member.</p> <p>Future proposals and actions to be undertaken will be subject to comprehensive risk assessments.</p>	2	Head of Planning	31 Jan 2018	<p>A change in staffing has meant that this action has been reassigned to another responsible officer. Veritau is currently working with the officer to discuss the requirements of the action.</p> <p>A revised date will therefore be agreed.</p>
Development Management (2016/17)	The Specific Officer Delegations for Non Executive (council) functions with respect to Planning and Development Management will be amended. They will require that applications submitted by or on behalf of the authority for its own developments or on its owned land are also presented to Planning Committee unless they are 'minor' and no objections have been received.	2	Solicitor to the Council	30 April 2018	Date not yet passed.
Development Management (2016/17)	The Planning Service Review action in respect of a revised pre-application Duty advice service will be progressed. This action sets out to reconsider the provision	2	Planning Development Manager	31 Jan 2018	Completed.

Audit	Agreed Action	Priority rating	Responsible Officer	Due	Notes
	of the Duty Service and to ensure that the advice offered is first reviewed by a Principal Planning Officer following the appointment. Steps will also be taken to ensure that the Duty Service is used to provide advice only in relation to householder permitted development inquiries or householder proposals and the council's website will be updated to reflect this.				
Development Management (2016/17)	In the meantime, Development Management will introduce a process to ensure that all documents which the ICO recommends are removed from the public planning register are removed once the application has been determined.	2	Planning Development Manager	30 April 2018	Date not yet passed.
Council Tax & NNDR (2017/18)	Training and support will be provided to the staff members who have taken over these roles and this will be put into practice during the test billing run in January.	2	Data & Systems Team Leader	31 Jan 2018	Completed.
Council Tax & NNDR (2017/18)	Data and Systems will liaise with the software suppliers and the Planning department to find a solution.	2	Data & Systems Team Leader	31 March 2018	A solution that has been provided by the software supplier is currently being tested. Once testing is complete the solution will be transferred into the live system.

Audit	Agreed Action	Priority rating	Responsible Officer	Due	Notes
					Revised date of 30 Apr 2018.

ANNEX B - COUNTER FRAUD ACTIVITY 2017/18

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

	2017/18 (As at 28/02/18)	2016/17 (Full Year)
% of investigations completed which result in a successful outcome (for example benefit stopped or amended, sanctions, prosecutions, properties recovered, and housing allocations blocked).	47%	44%
Amount of actual savings (quantifiable savings - e.g. CTS) identified through fraud investigation.	£21,128	£39,858
Amount of notional savings (estimated savings - e.g. housing tenancy fraud) identified through fraud investigation.	£18,400	£18,000

Caseload figures for the period are:

	2017/18 (As at 28/02/18)	2016/17⁸ (Full Year)
Referrals received	80	187
Referrals rejected	42	30
Number of cases under investigation	16	38 ⁹
Number of investigations completed	38	81

⁸ Work currently undertaken by the counter fraud team has changed from 2016/17. Debt recovery checks are no longer undertaken which can make comparison between the two years misleading. The number of referrals received and cases completed to date in 2017/18 represents an increase on the previous year.

⁹ As at 31/3/17

Summary of counter fraud activity:

Activity	Work completed or in progress
Data matching	<p>Investigation of 2016/17 National Fraud Initiative (NFI) matches is nearing completion. Data for the annual Single Person Discount exercise has been provided and matches have been published. The matches will now be passed to the Council Tax Department.</p> <p>The council, alongside regional partners, has volunteered to participate in a new NFI pilot exercise hoping to identify Business Rates fraud.</p> <p>Veritau have an ongoing programme of internal and regional data matching. The current focus is council tax discounts.</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"> • Council Tax Support fraud – To date the team has received 55 referrals for possible CTS fraud. Two people have been cautioned for CTS offences. There are currently 6 cases under investigation. The Council successfully prosecuted its first CTS fraud in September. • Council Tax/Non Domestic Rates fraud – 15 referrals for council tax or business rates fraud have been received in 2017/18. Over £7,000 in falsely obtained discounts have been detected this year. There are currently 6 cases under investigation. The Council successfully prosecuted its first Council Tax discount fraud in September. Three people received warnings about their conduct. • Housing fraud – The team has received 9 referrals for investigation in the year. There are currently 3 ongoing investigations in this area. The council recovered its first sublet property through criminal investigation this year and the former tenant was cautioned for their offence. One person was cautioned for falsely applying • Internal fraud – No internal fraud referrals have been received in 2017/18.

Activity	Work completed or in progress
	<ul style="list-style-type: none"> • Parking fraud – The team continues to work with the Council’s outsourced parking enforcement provider, Harrogate Borough Council, to detect and deter disabled blue badge fraud.
Fraud liaison	<p>In 2016 the Council’s remit to investigate and prosecute housing benefit fraud transferred to the Department for Work and Pensions (DWP). The counter fraud team now acts as a single point of contact for the DWP and is responsible for providing data to support their housing benefit investigations. The team has dealt with 151 requests to date in 2017/18.</p>
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"> • In January 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, counter fraud strategy and counter fraud risk assessment were reviewed. No updates were required to the policy and strategy however an associated action plan was updated to reflect current fraud threats facing the council. • A new 0800 telephone number has been launched to allow members of the public to report fraud free of charge. • As part of International Fraud Week in November, the counter fraud team raised awareness of fraud with staff via intranet articles published throughout that week. In addition targeted fraud awareness has been provided within the Benefit and Council Tax departments and HR team during the current financial year. • In February, for Tenancy Fraud Awareness Week, Veritau and the council promoted housing fraud issues to staff and residents. • The counter fraud team continues to alert council departments to emerging local and national threats through a monthly bulletin and specific alerts.