



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:	17 th January 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 39 agreed actions from 2016/17 audits have been followed up with the responsible officers. 32 had been satisfactorily implemented. In a further 7 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 18 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	32	1	12	19
Revised date agreed	7	0	4	3
Follow up in progress	8	0	4	4
Not yet followed up	10	0	6	4
Total agreed actions	57	1	26	30

- 10 At the time of drafting this report there are eighteen 2017/18 audits in progress. Three reports are currently at draft report stage. Five 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

- 11 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.
- 12 Up to 30 November, the fraud team has identified £17k in loss to the council and achieved £15.8k in savings for the Council as a result of investigative work. There are currently 13 ongoing investigations.
- 13 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	In progress	
Organisational Development	Deferred ¹	
Programme for Growth	Ongoing support	
Savings Delivery	In progress ²	
<u>Financial Systems</u>		
Benefits	In progress	
Council Tax/NNDR	Draft report issued	
Creditors	In progress	
Debtors	In progress	
Housing Rents	Draft report issued	
Income and Receipting	In progress	
Payroll	In progress	
<u>Regularity / Operational Audits</u>		
Agency Staff	In progress	
Governance Arrangements	In progress	
Housing Development	Not started	
Insurance	In progress	
Performance Management	Not started	
Planning	Not started	
Section 106 Agreements / CIL	Draft report issued	
<u>Technical / Project Audits</u>		
Business Transformation	In progress	
Contract Management and Procurement	In progress	
Information Security	In progress	
PCI DSS	Not started	

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.

Audit**Status****Audit
Committee**

Project Management

Ongoing support³**Summary of reports finalised since the last committee**

Title	Finalised	Opinion	P1	P2	P3
Income Generation (1617)	8 th December 2017	No Opinion Given	0	0	2
Development Management (1617)	13 th December 2017	Reasonable Assurance	0	5	4
Council Tax & NNDR	15 th December 2017	Substantial Assurance	0	2	3
Savings Delivery (1617)	18 th December 2017	Reasonable Assurance	0	1	1
Data Quality (1617)	19 th December 2017	Reasonable Assurance	0	0	1

³ Support has been provided to the Annual Billing project and the new Housing System project

Summary of audits completed to 18 December 2017; previously not reported

Audit	Opinion	Comments	Date Issued	Agreed Actions by priority			Key Agreed Actions ⁴	Progress against key actions
				1	2	3		
Income Generation (1617)	No Opinion Given	This was a follow-up audit to review whether The Council's new Corporate Charging policy was embedded. It now provides a basis for applying charges; however there is no comprehensive, published list of charges.	8 th December 2017	0	0	2	There were no key agreed actions. Actions to address the priority 3 issues identified have been agreed by officers.	
Development Management	Reasonable Assurance	The council's constitution was found to allow its own applications to be determined by officers	13 Dec 17	0	5	4	The Specific Officer Delegations for Non Executive (council) functions with respect to Planning and Development Management will be amended. They will require	Due 30 April 2018

⁴ Priority 2 or above

Audit	Opinion	Comments	Date Issued	Agreed Actions by priority			Key Agreed Actions ⁴	Progress against key actions
				1	2	3		
		<p>rather than the Planning Committee under the scheme of delegation. This could lead to potential conflicts of interest.</p> <p>A number of complaints were received by the service which suggested areas of potential weakness. These included pre-application advice. It was also noted that complaints were not always handled in line with expected procedures.</p>					<p>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.</p> <p>Compliance with the recently adopted Working Protocol for Development Management Officers will be expected and enforced. This sets out expectations relating to communication (e.g. time for return of phone calls, contacting applicants and agents etc.).</p> <p>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</p>	<p>Action completed</p> <p>Due 31 January 2018</p>

Audit	Opinion	Comments	Date Issued	Agreed Actions by priority			Key Agreed Actions ⁴	Progress against key actions
				1	2	3		
		Some information governance issues were also observed relating to the council's online planning register.					<p>provision 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.</p> <p>The service will enquire with Data and Systems about the potential to introduce the IDOX document management system to replace Anite. This will provide greater functionality, including the automatic removal of third party comments from Public Access following determination of an</p>	Action completed

Audit	Opinion	Comments	Date Issued	Agreed Actions by priority			Key Agreed Actions ⁴	Progress against key actions
				1	2	3		
							<p>application.</p> <p>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.</p>	Due 30 April 2018
Council Tax & NNDR	Substantial Assurance	The annual billing process was reviewed in depth, and whilst processes were found to be sound, roles and responsibilities could be clearer and training needs to be provided to staff new to their roles.	15 th December 2017	0	2	3	<p>Training and support will be provided to the staff members who have taken over new roles and this will be put into practice during the test billing run in January.</p> <p>Data & Systems are unable to set up appropriate access to export reports on new builds. They will liaise with the software suppliers and the Planning department to find a solution.</p>	<p>Due 31 January 2018</p> <p>Due 31 March 2018</p>

Audit	Opinion	Comments	Date Issued	Agreed Actions by priority			Key Agreed Actions ⁴	Progress against key actions
				1	2	3		
Savings Delivery (1617)	Reasonable Assurance	<p>Three savings were reviewed in detail with some additional follow-up work being carried out in 2017/18.</p> <p>The Planning Service review saving had not fully assessed the risks of delivering the saving and the initial planned saving was unlikely to be achieved.</p>	18 th December 2017	0	1	1	<p>Monitoring of Planning 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>	Due 31 January 2018
Data Quality (1617)	Reasonable Assurance	<p>Three performance indicators were reviewed in detail.</p> <p>Issues were initially identified with the</p>	19 th December 2017	0	0	1	<p>There were no key agreed actions. Action to address the priority 3 issue identified has been agreed by officers.</p>	

Audit	Opinion	Comments	Date Issued	Agreed Actions by priority			Key Agreed Actions ⁴	Progress against key actions
				1	2	3		
		Processing of Major Planning Applications indicator, however subsequent re-testing found that the service had improved their processes for calculating the indicator.						

Audits reported previously: progress against key agreed actions

Audit	Agreed Action	Priority rating	Responsible Officer	Due	Notes
Information Security Checks (2015/16)	An action plan will be produced to address the information security weaknesses identified in the report. This will include reminders to staff on maintaining information security and arrangements to ensure sufficient secure storage is available where needed within the Civic Centre.	2	Solicitor to the Council	31 Jan 2016	Completed – this action has been superseded by an agreed action raised in the 2016/17 Information Security Checks audit.
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	<p>Preparations are now underway for implementing GDPR. A review of all policies and procedures (including DP breach policy) against GDPR requirements will be undertaken between 01 Jan 18 and 31 Mar 18.</p> <p>Revised date of 31 Mar 18.</p>
Information Governance (2015/16)	The asset register will be reviewed and updated. This will include updating Information Asset Owner (IAO) responsibilities to reflect the new organisational structure.	2	Solicitor to the Council	30 Nov 2016	Preparation for the GDPR will require an Information Audit which will replace and update the register.

	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.				Staff training for the GDPR will inform and embed roles of officers. Revised date of 31 Mar 18.
Information Governance (2015/16)	In reviewing and refreshing the information asset register IAOs will refer to the information risk management policy. Information risks will be considered by all services and significant risks identified through this process will be included in the service based risk registers.	2	Solicitor to the Council	30 Nov 2016	Information risk management policy to be updated as part of GDPR preparation. Revised date of 31 Mar 18.
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	Updated privacy notices to be drafted as part of GDPR preparations. Revised date of 31 Mar 18.
Information Governance (2015/16)	The review of the information asset register (IAR) will identify information being shared with other organisations. IAOs will be asked to confirm whether all	2	Solicitor to the Council	30 Nov 2016	Information Sharing will be mapped as part of the Information Audit in GDPR

	<p>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>				<p>preparations.</p> <p>Revised date of 31 Mar 18.</p>
Information Governance (2015/16)	<p>A consolidated corporate records retention and disposal schedule will be 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>	2	Solicitor to the Council	30 Nov 2016	<p>This will be reconsidered as part of the review of policies and the Information Audit.</p> <p>Revised date of 31 Mar 18.</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 Legal teams 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</p>	2	Head of Operational Services	30 Nov 2018	<p>Due 30 November 2018</p>

	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.				
Council House Repairs (2016/17)	A new housing management system will be procured which includes the capacity to cost jobs and will be linked to the finance system.	2	Head of Operational Services	30 Nov 2018	Due 30 November 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)	Develop corporate project and programme management framework to be used for all high risk, corporate projects. Framework to include governance arrangements.	2	Extended Leadership Team	30 Sep 2017	Completed – the revised project governance framework was approved by Leadership Team in November 2017.
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	Project management guidance will be updated to reflect the recently approved project governance framework. Revised date of 31 Mar 18.
Project	Rollout of training on the revised project	2	Head of Business	31 Dec	Training will be

Management (2016/17)	management framework and guidance – commencing October 2017.		Development & Improvement	2017	delivered that reflects the recently approved project governance framework. Revised date of 31 Mar 18.
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 Jun 2017	A key safe is in the process of being purchased. Further planned Information Security checks will be carried out after this. A revised date is required for this action – it will be before 31 Mar 18.
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 Jun 2017	The council is currently working with its system provider to update the access control system to include the archive rooms. Work is being undertaken jointly with NYCC to secure the necessary IT equipment to host the system. Revised date of 31

					Dec 2017.
PCI DSS (2016/17)	A compliance procedure document will be produced as an appendix to the Data Protection Policy. This will clearly identify the responsible officers for PCI DSS at the Council.	2	Data & Systems Team Leader	30 Sep 2017	This document is currently being produced. Revised date of 31 Dec 2017.
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	Discussions are ongoing with the service provided based around costs and changes to the firewall. Revised date of 31 Mar 18.
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	Once the changes have been made to the network then the self-assessment questionnaire will be completed. Revised date of 31 Mar 18.

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 30/11/17)	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.	£15,810	£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 30/11/17)	2016/17⁵ (Full Year)
Referrals received	71	187
Referrals rejected	38	30
Number of cases under investigation	13	38 ⁶
Number of investigations completed	32	81

⁵ 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.

⁶ As at 31/3/17

Summary of counter fraud activity:

Activity	Work completed or in progress
Data matching	<p>Council data required by the Cabinet Office for the 2016/17 National Fraud Initiative (NFI) was gathered in October 2016 and securely transmitted via the NFI web application. A total of 268 matches have been released as part of that exercise. No fraud of note has been uncovered to date however 34 matches are still being reviewed.</p> <p>As part of the annual NFI single person discount data matching exercise, electoral roll and council tax data is currently being gathered ahead of submission in January.</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 data-bbox="421 882 2004 1050">• Council Tax Support fraud – To date the team has received 46 referrals for possible CTS fraud. Over £11,000 in falsely obtained discounts have been detected in the current financial year. Two people have been cautioned for CTS offences. There are currently 7 cases under investigation. The Council successfully prosecuted its first CTS fraud in September.<li data-bbox="421 1118 2004 1286">• Council Tax/Non Domestic Rates fraud – 15 referrals for council tax or business rates fraud have been received in 2017/18. Over £6,000 in falsely obtained discounts have been detected this year. There are currently 2 cases under investigation. The Council successfully prosecuted its first Council Tax discount fraud in September.<li data-bbox="421 1355 2004 1380">• Housing fraud – The team has received 9 referrals for investigation in the year. There are

Activity	Work completed or in progress
	<p>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.</p> <ul style="list-style-type: none"> • Internal fraud – No internal fraud referrals have been received in 2017/18. • 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 117 requests to date in 2017/18.</p>