

Internal Audit Plan Consultation & Counter Fraud Risk Assessment

Summary

- 1 The purpose of the report is to seek members' views on the priorities for internal audit for 2015/16, to inform the preparation of the annual audit plan.
- 2 This report also informs members about potential fraud risks that the council is exposed to, and proposed counter fraud activity to address those risks.

Background

- 3 Internal audit professional standards and the council's audit charter require internal audit to draw up an indicative audit plan at the start of each financial year. The plan must be based on an assessment of risk. In coming to a view on the risks facing the council, the opinions of the Audit and Governance Committee and senior council officers are taken into account.
- 4 Fraud is a significant issue for all public sector organisations. Current estimates suggest fraud costs the public purse in excess of £20bn per year and local government more than £2bn. To help direct counter fraud resources to the areas most needed, it is essential that the council considers the range of fraud risks it faces.

2015/16 Audit Plan

- 5 The proposed approach to audit planning for 2015/16 is similar to that followed over the past few years. Audits will include a mix of areas that are considered to be higher risk, including:

- systems where the volume and value of transactions processed are significant, or the impact if risks materialise is very high, making the continued operation of regular controls essential
- areas of known concern, where a review of risks and controls will add value to operations
- areas of significant change where the audit work may focus on (a) direct support to projects (b) a review of project management arrangements, or (c) consideration of the impact of those changes on the control environment for example where the reduction in resources may result in fewer controls.

6 Figure 1 below sets out a number of areas considered to be a priority for internal audit for 2015/16.

7 Members' views are sought about whether:

- the proposed approach to determining priorities for the 2015/16 audit plan, as set out above, is reasonable
- there are areas in addition to those listed in figure 1 which should be considered as a priority for review.

Figure 1 – Priorities for Audit 2015/16

Area	Possible Work
adult social care	<ul style="list-style-type: none"> • Better Care Fund • direct payments
human resources	<ul style="list-style-type: none"> • overtime and additional hours • new iTrent modules • recruitment checks
information governance	<ul style="list-style-type: none"> • information security checks • data sharing and data transfer • data quality
main financial systems	<ul style="list-style-type: none"> • general ledger, creditors, debtors • treasury management, cash handling and income management • payroll (including the changes made as a result of the Business Admin review)

major projects	<ul style="list-style-type: none"> • community stadium • transformation programme • budget savings • contract monitoring for new ventures • overall project management arrangements
other	<ul style="list-style-type: none"> • risk management • freedom of information • YFAS • car park income
public health	<ul style="list-style-type: none"> • planning, commissioning and management of services including performance and contract management arrangements
regularity / probity	<ul style="list-style-type: none"> • procurement • asset management

Counter Fraud Risk Assessment

- 8 An assessment of fraud risks faced by the council is included at exempt annex 1. This builds on similar assessments completed over the last few years and gives an indication of the susceptibility of each area to fraud along with planned actions by the internal audit and counter fraud teams. The assessment also takes account of the findings contained in the '*Protecting the Public Purse 2014*' report published by the Audit Commission.

Priorities for 2015/16

- 9 The assessment has highlighted the following priorities for counter fraud work in 2015/16.
- Further development of capacity to investigate housing related fraud.
 - Continue to develop the investigation of fraud in relation to Council Tax Support, Council Tax/NNDR exemptions and the York Financial Assistance Scheme.
 - Working with officers in adult social care, legal services, and financial assessments teams to progress investigation of suspected social care fraud cases.

- City of York Council in association with a number of neighbouring local authorities successfully bid for counter fraud funding from DCLG this year. This funding will be used to address fraud through cross boundary data matching exercises.
- 10 In addition, a review of the current counter fraud policy framework will be undertaken to ensure compliance with the new Cipfa Code of Practice on Managing the Risk of Fraud.

Consultation

- 11 This report is part of the ongoing consultation with stakeholders on priorities for internal audit and counter fraud work.

Options

- 12 Not relevant for the purpose of the report.

Analysis

- 13 Not relevant for the purpose of the report.

Council Plan

- 14 The work of Veritau supports overall aims and priorities by promoting probity, integrity and honesty and by helping to make the council a more effective organisation.

Implications

- 15 There are no implications to this report in relation to:

- **Finance**
- **Human Resources (HR)**
- **Equalities**
- **Legal**
- **Crime and Disorder**
- **Information Technology (IT)**
- **Property**

Risk Management Assessment

- 16 The council will fail to comply with proper practice if appropriate officers and members are not consulted on the content of audit plans.

Recommendations

- 17 Members are asked to;
- Comment on the proposed approach to internal audit planning for 2015/16 and identify any specific areas which should be considered a priority for audit.
 - Comment on the fraud risk assessment and proposed priorities for counter fraud work set out in Annex 1, and paragraph 9.

Reason

To ensure that scarce audit and counter fraud resources are used effectively.

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**Report
Approved**



Date 28/1/15

Specialist Implications Officers: Not applicable

Wards Affected: Not applicable

All



For further information please contact the author of the report

Background Papers: None

Annexes

Annex 1 – counter fraud risk assessment (exempt annex)