

Report of the Head of Internal Audit

**Annual Report of the Head of Internal Audit**

**Summary**

- 1 This report summarises the outcome of audit and counter fraud work undertaken in 2018/19 and provides an opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and internal control.

**Background**

- 2 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 standards, and the council's internal audit charter, the Head of Internal Audit is required to provide an annual report to the Audit and Governance Committee. This report is to be used by the committee to inform its consideration of the council's annual governance statement and it must include:
  - the Head of Internal Audit's opinion on the adequacy and effectiveness of the council's framework of governance, risk management, and control
  - a summary of work undertaken to support the opinion including any reliance placed on the work of other assurance bodies
  - any qualifications to the opinion, together with the reasons for those qualifications (including any impairment to independence or objectivity)
  - any particular control weakness judged to be relevant to the preparation of the Annual Governance Statement
  - a statement on conformance with the PSIAS

- an overall summary of internal audit performance and the results of the internal audit service's quality assurance and improvement programme.

### **Internal Audit & Counter Fraud Work Completed**

- 3 The results of completed audit work have been reported to service managers and relevant chief officers during the course of the year. In addition, summaries of all finalised audit reports have been presented to this committee as part of regular monitoring reports. Details of audits finalised since the last report to this committee in March 2019 are included at annex 1 and copies of the reports are available on the council's website. Internal audit delivered 93.8% of the 2017/18 internal audit plan by 30 April 2018 (against a target of 93%). A summary of audit work carried out during 2018/19 is included at annex 2.
- 4 All of the actions agreed with services as a result of internal audit work are followed up to ensure that the underlying control weaknesses are addressed. The results of follow up work are summarised twice yearly for this committee. The last report in March 2019 identified that, overall, good progress in implementing actions continues to be made by management.
- 5 Breaches of council financial regulations and contract procedure rules are identified from time to time, through ongoing internal audit work. Where breaches are identified, these are reported to management for remedial action. There were no material breaches of the rules identified in 2018/19 although a number of issues were raised through the normal audit reporting process.
- 6 Counter fraud work was undertaken in accordance with the approved plan. A summary of activity is included at annex 3. This has been a successful year for the counter fraud team with investigations leading to savings totalling £328k<sup>1</sup>. Overall, 60% of investigations resulted in a positive outcome (for

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<sup>1</sup> Savings due to counter fraud work include money actually recovered following investigation, and an estimate of future losses prevented for up to 12 months. For example removal of a Council Tax discount of £250 per year would be treated as a saving of £250. Actual savings are likely to be higher because many frauds would continue beyond 12 months if they remained undetected. However, a period of 12 months is used as a prudent estimate.

example a sanction being given, recovery or prevention of loss, or other action being taken). The team has successfully investigated a range of fraud being committed against the council including adult social care fraud, internal fraud, housing fraud, council tax and non domestic rates fraud, CTRS fraud, parking fraud, abuse of the York Financial Assistance Scheme and fraud relating to applications for school admissions.

### **Conformance with the Public Sector Internal Audit Standards & Internal Audit Charter**

- 7 Veritau maintains a quality assurance and improvement programme (QAIP) to ensure that internal audit work is conducted to the required professional standards. As well as undertaking an annual survey of senior management in each client organisation and completing a detailed self assessment to evaluate performance against the Standards, the service is also subject to a periodic external assessment. As previously reported to the committee, an external assessment of Veritau internal audit working practices was undertaken in November 2018 by the South West Audit Partnership (SWAP). SWAP is a not for profit public services company operating primarily in the South West of England. The assessment concluded that Veritau internal audit activity generally conforms to the PSIAS<sup>2</sup> and, overall, the findings were very positive.
- 8 The outcome of the QAIP demonstrates that the service conforms to *International Standards for the Professional Practice of Internal Auditing*. Further details of the QAIP and Improvement Action Plan prepared by Veritau are given in Annex 4.
- 9 The Internal Audit Charter sets out how internal audit at the council will be provided in accordance with the PSIAS. The Charter is reviewed on an annual basis and any proposed changes are brought to the Audit & Governance Committee. No changes are proposed at this time.

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<sup>2</sup> PSIAS guidance suggests a scale of three ratings, 'generally conforms', 'partially conforms' and 'does not conform'. 'Generally conforms' is the top rating.

## Opinion of the Head of Internal Audit

- 10 The overall opinion of the Head of Internal Audit on the framework of governance, risk management and control operating within the council is that it provides **Substantial Assurance**. There are no qualifications to this opinion and no reliance was placed on the work of other assurance bodies in reaching this opinion. The opinion is based on internal audit work completed during the year including that detailed in the annexes to this report and other monitoring reports to the committee during the year.
- 11 In giving this opinion attention is drawn to the following significant control issues which are considered relevant to the preparation of the 2018/19 Annual Governance Statement.
- **Information Security:** Further improvements are required to ensure compliance with the council's policies for handling and storing personal and confidential information. This area has been highlighted in previous year's reports. However, no significant improvements were noted during information security sweeps in 2018/19.
  - **Taxi Licensing:** Issues were identified with the renewal of criminal record checks for existing taxi drivers. Checks were out of date by several years and records had not been updated. The audit findings were reported to the committee in September 2018.

## Consultation

- 12 Not relevant for the purpose of the report.

## Options

- 13 Not relevant for the purpose of the report.

## Analysis

- 14 Not relevant for the purpose of the report.

## Council Plan

- 15 The work of internal audit and counter fraud helps to support overall aims and priorities by promoting probity, integrity and

accountability and by helping to make the council a more effective organisation.

### **Implications**

16 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**

17 The council will not comply with proper practice for internal audit if the results of audit work are not reported to senior management and the Audit and Governance Committee.

### **Recommendation**

18 Members are asked to:

(a) note the results of audit and counter fraud work undertaken.

*Reason:* To enable members to consider the implications of audit and counter fraud findings.

(b) note the opinion of the Head of Internal Audit on the adequacy and effectiveness of the council's framework of governance, risk management and internal control .

*Reason:* To enable members to consider the implications of audit and counter fraud findings.

- (c) note the outcome of the Quality Assurance and Improvement Programme and the confirmation that the internal audit service conforms with Public Sector Internal Audit Standards.

*Reason:* To enable members to consider the opinion of the Head of Internal Audit.

- (d) note the significant control weaknesses identified during the year which are relevant to the preparation of the Annual Governance Statement.

*Reason:* To enable the Annual Governance Statement to be prepared.

### Contact Details

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**Report  
Approved**



**Date** 6 June  
2019

### Specialist Implications Officers

Not applicable

**Wards Affected:** Not applicable

**All**

**For further information please contact the author of the report**

### Background Papers

- 2018/19 Internal Audit and Counter Fraud Plan
- Internal Audit and Counter Fraud Monitoring Reports to Audit and Governance Committee in 2018/19 (September, December and March)
- The Public Sector Internal Audit Standards 2017

## **Annexes**

- Annex 1 - Audits completed and reports issued
- Annex 2 – 2018/19 audit work carried out
- Annex 3 - Counter fraud activity
- Annex 4 – Quality Assurance and Improvement Programme (QAIP)

## **Available on the Council's website**

The following Internal Audit reports referred to in annex 1 are published on the council's website:

- Adult Social Care Budget Management
- Contributions to Care (Children's Services)
- Governance Arrangements
- Ordering and Creditor Payments
- Public Health – Health Protection Standards
- Project Management – Housing ICT
- St Paul's Primary School
- St Wilfrid's Primary School
- Schools Themed Audit – Information Governance
- VAT Accounting
- Ward Committee Funding
- Wigginton Primary School

Information which might increase risk to the Council, its employees, partners or suppliers has been redacted.