

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 2017/18 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 April 2018 are included at annex 2 and copies of the reports are available on the council's website. Internal audit delivered 98.8% of the 2017/18 internal audit plan by 30 April 2018 (against a target of 93%). A summary of all work carried out during 2017/18 is included at annex 3.
- 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 April 2018 identified that, overall, good progress in implementing actions continues to be made by management.
- 5 Counter fraud work was undertaken in accordance with the approved plan. A summary of activity is included at annex 4. This has been a successful year for the counter fraud team with investigations leading to the recovery of £298k defrauded from the council. Overall, 56% of investigations resulted in a positive outcome (for 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, parking fraud, abuse of the York Financial Assistance Scheme and fraud relating to applications for school admissions.

Breaches of Financial Regulations

- 6 Where breaches of council regulations, legislation, or other external regulations are identified through internal audit work these are reported to the committee in accordance with best

practice. In most cases, actions agreed with managers as a result of the audit work will address the breaches identified. There have been a number of breaches of the council's financial regulations identified during the year. Two breaches have been identified since the last report to this committee in May 2017. These are summarised in annex 5.

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. Quality assurance arrangements include ongoing operational procedures, annual internal self assessment against the PSIAS, and periodic external assessment. Further details on the QAIP and the outcomes of the quality assurance process are provided in annex 6.
- 8 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.

Opinion of the Head of Internal Audit

- 9 In accordance with the PSIAS and the council's internal audit charter, the Head of Internal Audit is required to provide an opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control. The opinion of the Head of Internal Audit is given at annex 1. The opinion is based on audit and counter fraud work completed during the year including that detailed in the annexes to this report and other monitoring reports to this committee during the year. Internal audit work has been conducted in accordance with proper standards. No qualifications to this opinion are considered necessary.
- 10 In giving this opinion attention is drawn to the following significant control issue which is considered relevant to the preparation of the 2017/18 Annual Governance Statement.
 - Information security - information security sweeps in previous years identified continuing improvements in data security. Work undertaken in 2017/18 suggests this

improvement has tailed off. With the introduction of GDPR the risks, and need for better compliance will increase.

Consultation

- 11 Not relevant for the purpose of the report.

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 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

- 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 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

17 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 conformed 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 weakness identified during the year which is relevant to the preparation of the Annual Governance Statement.

Reason

To enable the Annual Governance Statement to be prepared.

Contact Details

Author:

Max Thomas
Head of Internal Audit
Veritau Limited
01904 552940

Chief Officer responsible for the report:

Ian Floyd
Director of CCS
Telephone: 01904 551100

**Report
Approved**



Date 14 June
2018

Specialist Implications Officers

Not applicable

Wards Affected: Not applicable

All

For further information please contact the author of the report

Background Papers

- 2017/18 Internal Audit and Counter Fraud Plan
- Internal Audit and Counter Fraud Monitoring Reports to Audit and Governance Committee in 2017/18 (September, December and April)
- The Public Sector Internal Audit Standards 2017

Annexes

- Annex 1 - Opinion of the Head of Internal Audit
- Annex 2 - Audits Completed and Reports Issued
- Annex 3 - 2017/18 audit work carried out
- Annex 4 - Counter Fraud Activity
- Annex 5 - Breaches of Council Financial Regulations
- Annex 6 - Veritau Internal Audit Quality Assurance and Improvement Programme

Available on the council's website

The following Internal Audit reports referred to in annex 2 are published on the council's website:

- Breaches of the Contract Procedure Rules (CPRs)
- Council Tax Support & Housing Benefits
- Data Quality
- Debtors
- Deprivation of Liberty Assessments
- Direct Payments
- Emergency Planning

- Huntington Secondary School
- Joseph Rowntree Secondary School
- Our Lady Queen of Martyrs Primary School
- Savings Plans (HHASC)
- Schools Themed Audit – Information Governance (follow-up)
- Schools Themed Audit – Pupil Premium
- Skelton Primary School
- Stockton-on-the-Forest Primary School
- Treasury Management
- Use of Social Media
- Waivers of the Contract Procedure Rules (CPRs)

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