

To: Audit, Risk and Scrutiny Board

On: 26 August 2019

Report by: Chief Auditor

**Heading: Internal Audit and Counter Fraud Progress and Performance for
Period to 30 June 2019**

1. Summary

- 1.1 The Internal Audit Annual Plan was approved by the Audit, Scrutiny and Petitions Board on 18 March 2019. Internal Audit measures the progress and performance of the team on a regular basis using a range of performance indicators. This report monitors progress from 1 April 2019 to 30 June 2019, in terms of the delivery of the Audit Plan for the year and compares actual performance against targets set by the Director of Finance and Resources.
- 1.2 In terms of Counter Fraud, no formal performance targets for fraud investigation have been established for the following reasons. A major part of their work involves being the single point of contact for DWP's Single Fraud Investigation Service and the Service Level Agreement for this work contains time targets for completing this work. A great deal of effort has also been on increasing fraud awareness amongst employees to prevent fraud from occurring against the Council. The types of fraud referrals received to date are wide ranging and the team's objective is to concentrate on investigating those referrals considered to contain the greatest fraud risk.
- 1.3 The report details progress against local and national initiatives involving Internal Audit and the Counter Fraud Team from 1 April 2019 to 30 June 2019.

2. Recommendations

- 2.1 Members are invited to note the Internal Audit and Counter Fraud Team progress and performance to 30 June 2019.
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3. Background

- 3.1 The progress and performance of the Internal Audit Team is subject to regular monitoring using a number of performance measures. The Director of Finance and Resources has set annual targets for the team to demonstrate continuous improvement. In terms of the Counter Fraud team, there are time targets in place for responding to requests from the DWP's Single Fraud Investigation Service. Due to the diverse nature of fraud referrals no formal performance targets have been established and the outcomes from investigations is regularly monitored by management.
- 3.2 Internal Audit and the Counter Fraud Team support a variety of local and national initiatives through participation in professional practitioner groups and co-ordination of national initiatives such as the National Fraud Initiative.
- 3.3 This report measures the progress and performance of both the Internal Audit and Counter Fraud Team for the period from 1 April 2019 to 30 June 2019.

4. Internal Audit Team Performance

(a) Percentage of audit plan completed as at 30 June 2019

This measures the degree to which the Audit plan has been completed

Actual 2018/19	Annual Target 2019/20	Audit Plan Completion Target to 30 June 2019	Audit Plan Completion Target to 30 June 2019
95.6%	95.0%	20%	21.5%

Actual performance is currently ahead of target.

(b) **Percentage of assignments complete by target date**

This measures the degree with which target dates for audit work have been met.

Target 2019/20	Actual to 30 June 2019
95.0%	100%

Actual performance is ahead of the target set for the year.

(c) **Percentage of audit assignments completed within time budget**

This measures how well the time budget for individual assignments has been adhered to.

Target 2019/20	Actual to 30 June 2019
95.0%	100%

Actual performance is ahead of the target set for the year, although this is likely to reduce over the remainder of the year.

(d) **Percentage of audit reports issued within 6 weeks of completion of audit field work**

This measures how quickly draft audit reports are issued after the audit fieldwork has been completed.

Target 2019/20	Actual to 30 June 2019
95.0%	100%

Actual performance is ahead of the target set for the year.

5 Counter Fraud Team Progress and Performance

- 5.1 In line with the Service Level Agreement, the Counter Fraud Team act as the Single Point of Contact (SPOC) to route potential housing benefit fraud referrals to the DWP, liaise with the Council's Housing Benefit Team and DWP Fraud Officers and retrieve the necessary evidence for the DWP Fraud Officers from the Housing Benefit System.
- 5.2 On 28 November 2018, Joint Working with the Department for Work and Pensions Counter Fraud Section became live for criminal fraud investigations which focuses on the investigation and prosecution of the LA administered Council Tax Reduction Scheme (CTRS) and Social Security benefit fraud. To date, we have 16 cases which are being jointly worked on.
- 5.3 Housing Benefit matches arising from the National Fraud Initiative 2018/19 have been reviewed and relevant cases have been referred to the DWP for investigation. The rest of the matches have been

distributed between the relevant staff within the services and the Counter Fraud Officers for checking and the reports are being actively worked on. Currently, the Counter Fraud Officers have opened 57 cases which are worthy of further investigation from this exercise.

- 5.4 The remainder of the corporate counter fraud resource is currently being utilised to investigate non-benefit fraud referrals received to date in areas such as tenancy, revenues and education. Although there are no specific performance measures for counter fraud, the team records the outcomes of investigations in line with any guidance issued by Audit Scotland. The financial and non-financial results for quarter 1 (April 2019 to June 2019) are noted in the table below:-

Financial Outcomes	Quarter 1 (£)
Cash savings directly attributable to preventative counter fraud intervention	19,834.17
Cash recoveries in progress directly attributable to counter fraud investigations	1,986.12
Housing Benefit savings directly attributable to counter fraud investigation	31,839.45
Notional savings identified through counter fraud investigation, (e.g. housing tenancy and future council tax)	187,899.92
Non-Financial Outcomes	Quarter 1
Housing properties recovered	2
Housing applications amended/cancelled	0
Blue badge misuse warning letters issued	11
Licences revoked	0

- 5.5 The team are continuing to engage with services to raise awareness of the work the Counter Fraud Team can undertake to mitigate and investigate fraud.

6. **Scottish Local Authorities Chief Internal Auditors' Group**

- 6.1 This group held their Internal Audit Conference, titled “[Connections Collaborations Catalysts](#)” in June 2019. Two highly topical areas Procurement and Cyber Security, which were identified through a training needs analysis were the main focus of this conference. The conference comprised of a mix of presentations from speakers from various organisations and group workshops which resulted in a very well received and informative conference.

7. **Local and National Initiatives**

- 7.1 We continue to be involved in the management and security of the Council's information and we have representation on the Information Security and Information Management Governance Groups. We also continue to be involved in various change projects as required.

Implications of the Report

1. **Financial** - The Council has in place arrangements to recover the any overpayments identified from the work of the Counter Fraud Team and the National Fraud Initiative.
2. **HR & Organisational Development** - None
3. **Community Planning – Safer and Stronger** - effective internal audit is an important element of good corporate governance.
4. **Legal** - None
5. **Property/Assets** - None
6. **Information Technology** - None
7. **Equality & Human Rights** - None
8. **Health & Safety** – None
9. **Procurement** - None
10. **Risk** - The progress and performance reported relates to the delivery of the risk-based internal audit plan and the mitigation of the risk of fraud and error.
11. **Privacy Impact** – None
12. **COSLA Implications** – None
13. **Climate Risk** - None