![Renfrewshire Council logo]

To: Audit, Risk and Scrutiny Board

On: 27 August 2018

Report by: Chief Auditor

Heading: Internal Audit and Counter Fraud Progress and Performance for Period to 30 June 2018

1. Summary

1.1 The Internal Audit Annual Plan was approved by the Audit, Risk and Scrutiny Board on 19 March 2018. 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 2018 to 30 June 2018, 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. A great deal of effort over the last year has 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 2018 to 30 June 2018.

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2.   **Recommendations**

2.1   Members are invited to note the Internal Audit and Counter Fraud
        Team progress and performance to 30 June 2018.

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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, 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 2018
        to 30 June 2018.

4.   **Internal Audit Team Performance**

        (a)   **Percentage of audit plan completed as at 30 June 2018**

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

Actual 2017/18	Annual Target 2018/19	Audit Plan Completion Target to 30 June 2018	Audit Plan Completion Actual to 30 June 2018
93.0%	95.0%	19%	24.3%

        Actual performance is currently ahead of target.

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

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

Target 2018/19	Actual to 30 June 2018
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 2018/19	Actual to 30 June 2018
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 2018/19	Actual to 30 June 2018
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. The resource that has been required for this role continues to be at least one FTE Counter Fraud Investigator.

5.2 A corporate counter fraud plan has been developed to provide a programme of staged initiatives to improve and strengthen Renfrewshire Council's resilience to the threat of fraud. The plan presents a holistic strategy to deter, disable, disrupt, detect, and deal with fraud throughout the Council landscape.

5.3 By addressing the issue of fraud, the resources available to the Council will be protected and enhanced. Where fraud is detected, corrections will reduce the burden on Council resources; where weaknesses are uncovered which have allowed fraud to develop, controls will be strengthened. By strengthening control measures, Renfrewshire Council will be able to ensure that resources are used to maximum effectiveness. Working together, the Corporate Counter Fraud Team and Internal Audit Staff will develop advice and support strategies for council services, to strengthen controls and prevent opportunities for fraud to develop.

5.3   The Policy for the Prevention and Detection of Fraud and Corruption is currently being updated.

5.4   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 2018 to June 2018) and cumulative for the year 2018/19 are noted in the table below.

Financial Outcomes	Quarter 1 (£)	Cumulative 2018/19 (£)
Cash savings directly attributable to preventative counter fraud intervention	1,488	1,488
Cash recoveries in progress directly attributable to counter fraud investigations	603,485	603,485
Notional savings identified through counter fraud investigation, (e.g. housing tenancy and future council tax)	189,174	189,174
Non-Financial Outcomes	Quarter 1	Cumulative 2018/19
Housing properties recovered	2	2
Housing applications amended/cancelled	3	3
Blue badge misuse warning letters issued	18	18

6   National Fraud Initiative

6.1   The Chief Auditor has overall responsibility for coordinating the council's participation in the National Fraud Initiative. The 2016/2017 exercise is nearing completion. In addition to previously reported outcomes, council tax single person discounts of £290,852 have been cancelled as a result of the exercise and are being actively recovered.

6.2   Preparatory work has commenced for the 2018/2019 exercise, including completion of the Audit Scotland checklist at Appendix 1, and a detailed action plan is in place to ensure that the required datasets are submitted for the deadline of 8 October 2018.

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Implications of the Report

1.   **Financial** - The Council has in place arrangements to recover the any financial payments 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

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Self Assessment Checklist 2018/19

	Yes/no/partly	Is action required?	Who by and when?
Leadership, commitment and communications			
1. Are we committed to the NFI? Has the council/board, audit committee and senior management expressed support for the exercise and has this been communicated to relevant staff?	Yes - NFI reported to CMT (Audit Panel) and Audit, Risk and Scrutiny Board, Training is provided to members.	Yes - Training plan to be updated	Chief Auditor August 2018 Board
2 Is the NFI an integral part of our corporate policies and strategies for preventing and detecting fraud and error?	Partly - there is a Counter Fraud Policy in place and it is incorporated into the Counter Fraud Business Plan.	Yes - Counter Fraud policy to be updated and NFI needs to be included in the strategic and prevention policy	Assistant Chief Auditor September 2018
3 Have we considered using the real-time matching (Flexible Matching Service) facility and the point of application data-matching service offered by the NFI team to enhance assurances over internal controls and improve our approach to risk management?	Yes	Data matching is part of the Counter Fraud Business Plan	Senior Counter Fraud Investigator March 2019
4 Are the NFI progress and outcomes reported regularly to senior management and elected/board members (eg, the audit committee or equivalent)?	Yes	No	
5Where we have not submitted data or used the matches returned to us, eg council tax single person discounts, are we satisfied that alternative fraud detection arrangements are in place and that we know how successful they are?	N/A	No	

Self Assessment Checklist 2018/19

6 Does internal audit, or equivalent, monitor our approach to NFI and our main outcomes, ensuring that any weaknesses are addressed in relevant cases?	Yes	No	
Part A: For those charged with governance			
7 Do we review how frauds and errors arose and use this information to improve our internal controls?	Yes - where relevant		
8 Do we publish, as a deterrent, internally and externally the achievements of our fraud investigators (eg, successful prosecutions)?	Report to members of the Audit, Risk and Scrutiny Board. Other publicity is considered on a case by case basis.	No	
Part B: For the NFI key contacts and users			
Planning and preparation			
1 Are we investing sufficient resources in the NFI exercise?	Yes - time included in audit plan and regular engagement with service through counter fraud team doing monitoring	No	
2. Do we plan properly for NFI exercises, both before submitting data and prior to matches becoming available? This includes considering the quality of data.	Yes - full planning process and detailed action plan in place.	No	

Self Assessment Checklist 2018/19

3 Is our NFI Key Contact (KC) the appropriate officer for that role and do they oversee the exercise properly?	Yes - Chief Auditor	No	
4 Do KCs have the time to devote to the exercise and sufficient authority to seek action across the organisation?	Yes - time included in audit plan and regular engagement with service through counter fraud team doing monitoring	No	
5 Where NFI outcomes have been low in the past, do we recognise that this may not be the case the next time, that the NFI can deter fraud and that there is value in the assurances that we can take from low outcomes?	Yes	No	
6. Do we confirm promptly (using the on-line facility on the secure website) that we have met the fair processing notice requirements?	Yes - deadline met	No	
7. Do we plan to provide all NFI data on time using the secure data file upload facility properly?	Yes - detailed action plan in place	No	
8. Do we adequately consider the submission of any 'risk-based' datasets in conjunction with our auditors?	N/A - all mandatory	No	
9 Have we considered using the real-time matching (Flexible Matching Service) facility and the point of application data-matching service offered by the NFI team to enhance assurances over internal controls and improve our approach to risk management?	Yes	Data matching is part of the Counter Fraud Business Plan	Senior Counter Fraud Investigator March 2019
Effective Follow Up of Matches			

Self Assessment Checklist 2018/19

10. Do all departments involved in the NFI follow-up of matches promptly after they become available?	Yes - monitored by IA and any resource difficulties are discussed with the service and the Director of FARS	No	
11. Do we give priority to following up recommended matches, high-quality matches, those that become quickly out of date and those that could cause reputational damage if a fraud is not stopped quickly?	Yes - training is provided to staff responsible for following up matches.	No	
12. Do we recognise that the NFI is no longer predominantly about preventing and detecting benefit fraud? Have we recognised the wider scope of the NFI and are we ensuring that all types of matches are followed up?	Yes	No	
13. Are we investigating the circumstances of matches adequately before reaching a 'no issue' outcome, in particular?	Yes - outcomes monitored by IA	No	
14. In health bodies are we drawing appropriately on the help and expertise available from NHS Scotland Counter-fraud Services?	N/A	N/A	
15. Are we taking appropriate action in cases where fraud is alleged (whether disciplinary action, penalties/cautions or reporting to the Procurator Fiscal)?	Yes - outcomes monitored by IA and discussed with Director of FARS as appropriate.	No	
16. Do we avoid deploying excessive resources on match reports where early work (eg, on recommended matches) has not found any fraud or error?	Yes - training is provided to staff responsible for following up matches.	No	
17. Where the number of recommended matches is very low, are we adequately considering the related 'all matches' report before we cease our follow-up work?	Yes - training is provided to staff responsible for following up matches.	No	

Self Assessment Checklist 2018/19

18. Overall, are we deploying appropriate resources on managing the NFI exercise?	Yes - any resourcing issues are discussed with the Service and Director of FARS as appropriate.	No	
Recording and reporting			
19. Are we recording outcomes properly in the secure website and keeping it up to date?	Yes - monitored by IA	No	
20. Do staff use the online training modules in the secure website and do they consult the NFI team if they are unsure about how to record outcomes?	Yes - although a number of staff have been involved in the exercise for a number of years. All staff new to the exercise and reminded of the online training.	No	
21. If, out of preference, we record some or all outcomes outside the secure website have we made arrangements to inform the NFI team about these outcomes?	Yes	No	