

**To: Audit, Risk and Scrutiny Board**

**On: 21 January 2019**

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**Report by: Chief Auditor**

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**Heading: Internal Audit and Counter Fraud Progress and Performance for  
Period to 31 December 2018**

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**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 31 December 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 31 December 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 31 December 2018.
- 2.2 Members are asked to approve the proposed changes to the internal audit plan.
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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 31 December 2018.

## 4. **Internal Audit Team Performance**

### (a) **Percentage of audit plan completed as at 31 December 2018**

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

<b>Actual 2017/18</b>	<b>Annual Target 2018/19</b>	<b>Audit Plan Completion Target to 31 December 2018</b>	<b>Audit Plan Completion Actual to 31 December 2018</b>
93.0%	95.0%	66.5%	66.7%

Actual performance is currently slightly 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 31 December 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 31 December 2018
95.0%	98.1%

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 December 2018
95.0%	100%

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

## 5 **Proposed amendments to the 2018/19 Internal Audit Plan**

5.1 The 2018/19 Internal Audit Plan included an assignment for “Disclosure Checks – Review Arrangements” which was to be undertaken. However, the processes for managing the disclosure arrangements are changing and disclosure checks are going to be managed using the Business World system. After discussion with the Director of Finance and Resources, it was agreed that this audit engagement would be more beneficial to be undertaken when the new processes have been fully implemented. Therefore, this assignment on the Audit Plan is recommended for cancellation at this stage and to be included in next year’s Audit Plan.

5.2 It is anticipated that the 20 days of resource planned for this assignment will be utilised to supplement our follow up budget for ensuring audit recommendations have been implemented within the agreed timescales as the current exercise involved a high number of recommendations which are now due to be followed up and the original budget has been fully utilised.

## 6 Counter Fraud Team Progress and Performance

- 6.1 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.
- 6.2 The corporate counter fraud plan continues to be progressed. The plan presents a holistic strategy to deter, disable, disrupt, detect, and deal with fraud throughout the Council landscape.
- 6.3 The pilot project using the National Fraud Initiative Application Checker, which is a tool to prevent fraud and error at the point of application, has now been concluded. This service provides access to the information required to evaluate applications, speeding up the process and reducing the risk of fraud and error.
- 6.4 The use of the tool proved successful as it reduced the time taken to verify the accuracy of an application by a Counter Fraud Officer by half and also resulted in the identification of a number of applications requiring amendment, One housing application cancellation and one taxi license revoked.
- 6.5 The Counter Fraud and Corruption Policy is currently being finalised and will be submitted to the Finance, Resources and Customer Services Policy Board for approval.
- 6.6 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. No cases within this Council have commenced yet, but it is anticipated that over the coming months, suitable cases will be jointly worked on.
- 6.7 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 3 (October 2018 to December 2018) and cumulative for the year 2018/19 are noted in the table below.

Financial Outcomes	Quarter 3 (£)	Cumulative 2018/19 (£)
Cash savings directly attributable to preventative counter fraud intervention	6,613	266,064
Cash recoveries in progress directly attributable to counter fraud investigations	9,817	697,912

Notional savings identified through counter fraud investigation, (e.g. housing tenancy and future council tax)	189,615	1,130,816
<b>Non-Financial Outcomes</b>	<b>Quarter 3</b>	<b>Cumulative 2018/19</b>
Housing properties recovered	1	4
Housing applications amended/cancelled	2	9
Blue badge misuse warning letters issued	12	32
Licences revoked	1	1

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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

