
To: Audit, Scrutiny and Petitions Board

On: 30 November 2015

Report by: Chief Auditor

Heading: Internal Audit and Counter Fraud Progress and Performance for Period to 30 September 2015

1. Summary

- 1.1 The Internal Audit Annual Plan was approved by the Audit, Scrutiny and Petitions Board on 30 March 2015. 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 2015 to 30 September 2015, 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 The Counter Fraud Team is managed by Internal Audit. It was, therefore, agreed with the Director of Finance and Resources that the number of successful outcomes administered by the team and level of overpayments identified would be included as part of this report.
- 1.3 The report also details progress against local and national initiatives involving Internal Audit and the Counter Fraud Team.
-

2. Recommendations

- 2.1 Members are invited to note the Internal Audit and Counter Fraud Team progress and performance to 30 September 2015.
- 2.2 Members are asked to approve the proposed revisions to the approved audit plan, as detailed in paragraph 3.5.

3. Background

3.1 The progress and performance of the Internal Audit and Counter Fraud 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. This report measures the progress and performance of both the Internal Audit and Counter Fraud Team for the period from 1 April 2015 to 30 September 2015.

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 Internal Audit Team Performance

(a) **Percentage of audit plan completed as at 30 September 2015**

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

Actual 2014/15	Annual Target 2015/16	Audit Plan Completion Target to 30 Sept 2015	Actual to 30 Sept 2015
95.2%	95.0%	42.8%	40.8%

Actual performance is currently below target. This is mainly due to a vacancy within the team which has now been filled and also as a result of the high amount of investigation time which has had to be used in the first half of 2015/16.

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

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

Actual 2014/15	Target 2015/16	Actual to 30 Sept 2015
96.8%	95.0%	97.4%

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.

Actual 2014/15	Target 2015/16	Actual to 30 Sept 2015
96.8%	95.0%	100%

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

(d) Percentage of audit reports issued within 3 weeks of completion of audit field work

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

Actual 2014/15	Target 2015/16	Actual to 30 Sept 2015
96.2%	95.0%	100%

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

3.4 Counter Fraud Team Performance

(a) Number of Successful Investigations

This measures the number of successful investigations, including joint investigations with the Department for Work and Pensions, tenancy fraud investigations, undertaken as part of the corporate counter fraud pilot, and referrals to the Procurator Fiscal.

Actual 2014/15	Annual Target 2015/16	Target to 30 Sept 2015	Actual to 30 Sept 2015
90	90	45	52

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

(b) Level of Overpayments Identified

This details the amount of overpayments identified by the team and includes benefits administered by the Department for Work and Pensions.

Actual 2014/15	Actual to 30 Sept 2015
£433,891	£222.653

Arrangements are in place within the council to recover from the claimants, the Housing and Council Tax Benefit element of these overpayments.

3.5 Revisions to the 2015/16 Internal Audit Plan

Members approved the 2015/16 audit plan on 30 March 2015. The audit plan needs to be flexible enough to deal with both emerging

issues and re-programming of reviews where circumstances indicate that this would be beneficial. Emerging issues are accommodated through the allocation of contingency time. It is proposed that the following amendments are made to the planned programme of work, for the remainder of the year to 31st March 2016.

- The scope of the programme management audit was to review the option appraisal process within major change programmes. On discussion with the lead officer for this area, it was identified that she is currently reviewing this process and therefore it is proposed to cancel this review until 2016/17 when the new processes are in operation.
- It is proposed to refocus the time scheduled for reviewing the process of making and implementing Strategic Council Decisions to support internal audit involvement in the design and implementation of the new Enterprise Resource Planning system which will be central to the work ongoing on the Council's Corporate Support Model.

3.6 **National Fraud Initiative**

Internal Audit is responsible for the co-ordination of the National Fraud Initiative (NFI) on behalf of the Council. All the services are now actively working on their matches, and internal Audit have an oversight role in this exercise to ensure the work on the matches is progressing adequately. Recorded outcomes from the NFI 2014 are detailed below. It is anticipated that outcomes will increase as matches continue to be investigated.

NFI Match	Outcome	Fraud	Error
Council Tax Single person discount	£657,155	755	5
HB/CTB	£35,394	11	3
Residential Care Homes	£211	1	0

3.7 **Scottish Local Authorities' Chief Internal Auditors Group**

The Scottish Local Authorities Chief Internal Auditors Group (SLACIAG) has developed an External Quality Assessment Framework in order to fulfil the requirement of the Public Sector Internal Audit Standards for an external assessment to be undertaken once every 5 years. Three Local Authorities have been selected as part of the pilot year and Renfrewshire Council has completed the review of Scottish Borders Council.

3.8 Local and National Initiatives.

- The Housing Benefit Investigation Work is due to be transferred to the Department for Work & Pensions' (DWP) Single Fraud Investigation Service on 1 March 2015. Implementation meetings have commented with the DWP with the next meeting due to held in November. A business case looking at retaining a Corporate Counter Fraud resource within the council is currently being prepared for management. Many other Councils have already established a Corporate Counter Fraud Team as the Council is expected to have sufficient resources in place to investigate non-benefit fraud such as council tax reduction fraud, tenancy fraud and other corporate fraud

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**
 - (a) The Recommendations contained within this report have been assessed in relation to their impact on equalities and human rights. No negative impacts on equality groups or potential for infringement of individuals' human rights have been identified arising from the recommendations contained in the report. If required following implementation, the actual impact of the recommendations and the mitigating actions will be reviewed and monitored, and the results of the assessment will be published on the Council's website.
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

Author: Andrea McMahon – 01416187017