

To: Audit, Risk and Scrutiny Board

On: 05 November 2018

Report by: Chief Auditor

**Heading: Internal Audit and Counter Fraud Progress and Performance for
Period to 30 September 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 September 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 September 2018.

2. **Recommendations**

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

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 September 2018.

4. **Internal Audit Team Performance**

(a) **Percentage of audit plan completed as at 30 September 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 September 2018	Audit Plan Completion Actual to 30 September 2018
93.0%	95.0%	42.8%	45.9%

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 September 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 September 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 September 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 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. A pilot project is currently being progressed using the National Fraud Initiative Application Checker, a service to prevent fraud at the point of application.
- 5.3 Every new application brings a risk. The person applying may not be who they say they are, or they may fail to declare relevant information, affecting their entitlement to a benefit, service or job.

The service provides access to the information required to evaluate applications, speeding up the process and reducing the risk of fraud. In doing so it allows users to:

- verify an applicant's immigration status;
- cross-check an applicant's identity against known fraudulent identities;
- validate details provided on application forms;
- verify the applicant's welfare entitlement.

5.4 The Policy for the Prevention and Detection of Fraud and Corruption is currently being finalised and will be submitted to Finance, Resources and Customer Services Policy Board for approval.

5.5 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 2 (July 2018 to September 2018) and cumulative for the year 2018/19 are noted in the table below.

Financial Outcomes	Quarter 2 (£)	Cumulative 2018/19 (£)
Cash savings directly attributable to preventative counter fraud intervention	257,963	259,451
Cash recoveries in progress directly attributable to counter fraud investigations	84,610	688,095
Notional savings identified through counter fraud investigation, (e.g. housing tenancy and future council tax)	473,026	941,201*
Non-Financial Outcomes	Quarter 2	Cumulative 2018/19
Housing properties recovered	1	3
Housing applications amended/cancelled	4	7
Blue badge misuse warning letters issued	2	20

* Includes £279,000 correction to quarter 1 figures

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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