

To: Audit, Risk and Scrutiny Board

On: 19 March 2018

Report by: Chief Auditor

**Heading: Internal Audit and Counter Fraud Progress and Performance for
Period to 31 December 2017**

1. Summary

- 1.1 The Internal Audit Annual Plan was approved by the Audit, Scrutiny and Petitions Board on 20 March 2017. 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 2017 to 31 December 2017, 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 2017 to 31 December 2017.

2. **Recommendations**

- 2.1 Members are invited to note the Internal Audit and Counter Fraud Team progress and performance to 31 December 2017.
- 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 2017 to 31 December 2017.

4. **Internal Audit Team Performance**

(a) **Percentage of audit plan completed as at 31 December 2017**

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

Actual 2016/17	Annual Target 2017/18	Audit Plan Completion Target to 31 December	Audit Plan Completion Actual to 31 December 2017
91.8%	95.0%	66.5%	66.6%

Actual performance is currently slightly ahead of target. Two audit engagements are planned to be deferred into early 2018/19 due to other operational commitments within the services, it is therefore unlikely that that target of 95% will be achieved for the current year. The deferrals will not impact on the Chief Auditor's annual opinion as they will be completed prior to the 2017/18 annual report. An additional

40 days has been included within the 2018/19 internal audit plan to accommodate these engagements. As time permits, engagements from the 2018/19 plan will be pulled forward to the current year.

(b) Percentage of assignments completed by target date

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

Target 2017/18	Actual to 31 Dec 2017
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 2017/18	Actual to 31 Dec 2017
95.0%	97.6%

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 2017/18	Actual to 31 Dec 2017
95.0%	95.2%

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

5 Proposed amendments to the 2017/18 Internal Audit Plan

- 5.1 The 2017/18 Internal Audit Plan included an assignment for “Integration Joint Board Post Implementation Review” which was to be undertaken. However, a Joint Inspection of Adult Services within Renfrewshire HSCP by Healthcare Improvement Scotland and the Care Inspectorate took place in 2017/18 and the Chief Auditor participated in this review. Furthermore, Audit Scotland are planning to undertake a national review of health and social care integration. Following discussion with the Chief Executive, it was agreed that the scope of our review would likely include some similar objectives and therefore this assignment on the Audit Plan is recommended for cancellation at this stage.

- 5.2 It is anticipated that the 20 days of resource planned for this assignment will be utilised to supplement our investigation budget to March 2018 which is nearing full utilisation.

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 remainder of the Corporate Counter Fraud resource is currently being utilised on fraud prevention work and also to investigate non-benefit fraud referrals received to date in areas such as tenancy, revenues and education. We are meeting with service representatives regularly to discuss likely fraud risks and identify any work that can be undertaken to counteract this risk. During the 9 months to December 2017, we have been successful in 32 Council Tax Reduction investigations, identifying over £32,394 to be recovered. Savings of £15,888 from the Scottish Welfare Fund have been delivered which can be used for those most in need. Six council house properties have been recovered back into housing stock, resulting in £558,000 of notional savings to the Council. We have also issued six warning letters regarding the misuse of blue badges and on three occasions have been involved in the correction of data supplied to support a school placement request.
- 6.3 The Policy for the Prevention and Detection of Fraud and Corruption is currently being updated.
- 6.4 We participate in the Scottish Local Authorities Investigators Group and are currently working on a schedule which will collate Local Authorities performance information which can be used for benchmarking purposes.
- 6.5 The Counter Fraud Team are continuing to work on the matches which have arisen from participation in the National Fraud Initiative. The work has been split between the Council Services and the Counter Fraud Team, with the Chief Auditor having overall responsibility for ensuring the appropriate investigations into the results are undertaken and that the outcomes are recorded. To date 481 blue badges have been cancelled as a result of confirming that the badge holder has deceased, 3 further blue badges have been cancelled or revoked, the notional value attributed by Audit Scotland to these results is £278,300. One case of overpayment in relation to personal budgets of £1,589 is being recovered.

7. External Quality Assessment

- 7.1 Our External Quality Assessment was undertaken by West Lothian Council and reported upon during 2016/17. Two of the improvement actions are complete and two further actions in relation to Internal Audit reporting to Board are subject to a report elsewhere on the current agenda. One action relating to developing a person specification for the post of Chief Auditor is currently outstanding.

8. Scottish Local Authorities Chief Internal Auditors' Group

- 8.1 We are continuing to participate in this group. The Chief Auditor's role as Chair of the group was passed over to the Chief Auditor from East Ayrshire Council at the annual general meeting on 2 March 2018.

9. Audit Management System

- 9.1 Our new audit management system has now been developed satisfactorily to enable us to record the work undertaken for all planned engagements and prepare reports for management. We are now able to obtain performance measurement data from the system. Our next task is to finalise how contingency and investigative work will be recorded within the system along with progressing a move towards self-service.

10. Local and National Initiatives

- 10.1 Internal Audit are involved in the work of the Council's Integrity Group. Work is underway on the corruption and fraud risks identified by services to determine whether any further action is required to mitigate these risks.
- 10.2 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.
- 10.3 Internal Audit continue to have an ongoing involvement in the new Business World (ERP) Project with the Chief Auditor participating in the Project's Business Design Authority.

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

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