

To: Audit, Risk and Scrutiny Board

On: 14 November 2022

Report by: Chief Auditor

**Heading: Internal Audit and Counter Fraud Progress and Performance for
Period to 30 September 2022**

1. Summary

- 1.1 The Internal Audit Annual Plan was approved by the Audit, Risk and Scrutiny Board on 13 June 2022. 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 2022 to 30 September 2022, 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 and the Service Level Agreement for this work contains time targets for completing this work. 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. We are also involved in promoting fraud awareness within the Council.
- 1.3 All of the Internal Audit Team and Counter Fraud Team are currently working on a hybrid basis and also undertake home/site visits when the need arises. We also provide advice and support where necessary to council services.

- 1.4 The report details progress against local and national initiatives involving Internal Audit and the Counter Fraud Team from 1 April 2022 to 30 September 2022.

2. **Recommendations**

- 2.1 Members are invited to note the Internal Audit and Counter Fraud Team progress and performance to 30 September 2022.
- 2.2 Members are asked to approve the proposed amendments to the Annual Internal Audit Plan for 2022/2023.

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, there are time targets in place for responding to requests from the DWP's Single Fraud Investigation Service. 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 2022 to 30 September 2022.

4. **Internal Audit Team Performance**

(a) **Percentage of audit plan completed as at 30 September 2022**

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

Actual 2021/22	Annual Target 2022/23	Audit Plan Completion Target to 30 September 2022	Audit Plan Completion Actual to 30 September 2022

92.1%	95.0%	42.8%	42.2%
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Actual performance is slightly below target and this is due to the level of unplanned leave we have had in the first 6 months of the year, including the additional bank holiday in September.

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

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

Target 2022/23	Actual to 30 September 2022
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 2022/23	Actual to 30 September 2022
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 2022/23	Actual to 30 September 2022
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.

5. **Review of the 2022/23 Internal Audit Plan**

- 5.1 During the first 6 months of this year we have been involved in a number of investigation assignments which will be reported to members of this Board on completion of any proceedings which may arise from this work. Some of last year's assignments also took longer than planned and had to be carried forward into this year due to the revised working arrangements and the priorities of both client and our own staff. This has led to the majority of our contingency time having to be utilised. In addition, we have had a high proportion of unplanned leave during this time.

5.2 As a result we have undertaken a review of our current audit plan and recommend the following amendments at this time:-

a) Administration of Medicines in Schools– 20 Days - A new policy for the administration of medicines in schools is currently being prepared but has not yet been approved. In order to enable this Policy to be implemented once approved it is proposed to defer this review until 2023/24.

b) Purchase Cards Catering – 15 days – The service is currently changing the way they order food provisions for schools to move to a more streamlined online ordering process. They have asked us to review their proposals and therefore it is proposed that this time will be used for this work.

5.3 The Internal Audit Plan progress will continue to be closely scrutinised by management and any further proposed amendments will be brought to this Board for approval.

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. In addition, we also work jointly work with DWP Fraud Officers on criminal fraud investigations which focuses on the investigation and prosecution of the LA administered Council Tax Reduction Scheme (CTRS) and Social Security benefit fraud. DWP's Fraud work has now recommenced but we have undertaken a few joint working interviews to date. We continue to refer potential fraudulent cases on to them.

6.2 As well as continuing to investigate referrals received from many different sources, during this quarter we have been undertaking preparatory work for the next National Fraud Initiative with the data due to be submitted from October 2022.

6.3 The financial and non-financial results for the period (April 2022 to September 2022) are noted in the table below.

Financial Outcomes	Period to 30 September 2022 (£)
Cash savings directly attributable to preventative counter fraud intervention	0
Cash recoveries in progress directly attributable to counter fraud investigations	39,827
Housing Benefit savings directly attributable to counter fraud investigation	9,129

Housing Benefit Savings Attributable to Joint Working by Counter Fraud and DWP Counter Fraud Officers	35,115
Notional savings identified through counter fraud investigation, (e.g. housing tenancy and future council tax)	29,952
Non-Financial Outcomes	Period to 30 September 2022
Housing properties recovered	0
Housing applications amended/cancelled	0
Blue badge misuse warning letters issued	12
Licences revoked	0

- 6.4 It should be noted that there has also been unplanned leave within this team during this quarter which has resulted in some of our fraud awareness work being delayed.

7. Local and National Initiatives

Scottish Local Authorities Chief Internal Auditors Group

- 7.1 The Local Authorities Chief Internal Auditors Group met in September. And received a presentation from CIPFA Scotland to update members on their current work.

Scottish Local Authorities Investigation Sub Group

- 7.2 The Local Authorities Investigation Sub-Group met in August. Presentations were received from representatives of the Home Office, Police Scotland on the sharing of intelligence data with group members and Audit Scotland on the forthcoming National Fraud Initiative.

External Quality Assessment

- 7.3 The Public Sector Internal Audit Standards requires that an External Assessment should be undertaken on the Internal Audit Service at least every 5 years to ensure conformance with the definition of Internal auditing and the standards, along with an evaluation of whether internal auditors comply with the code of ethics.
- 7.4 Our second assessment is scheduled to be undertaken during October/ November 2022 by the Chief Auditor at South Ayrshire Council and work is underway to prepare for this. The results along with any actions will be reported to this Board.

8. Internal Audit Charter

- 8.1 The Public Sector Internal Audit Standards require that the internal audit activity's purpose, authority and responsibility is formally documented in the internal audit charter. The current charter was approved by the Audit, Risk and Scrutiny Board in August 2021.
- 8.2 The Chief Auditor periodically reviews the internal audit charter and where changes are necessary these are approved by this Board. The most recent review indicates that the charter is fit for purpose and does not require any amendments at this stage.

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
13. **Climate Risk** - None