
To: Audit, Scrutiny and Petitions Board

On: 16 February 2015

Report by: Chief Auditor

**Heading: Internal Audit and Counter Fraud Progress and Performance for
Period to 31 December 2015**

1. Summary

- 1.1 The Internal Audit Annual Plan was approved by the Audit, Scrutiny and Petitions Board on 31 March 2014. 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 2014 to 31 December 2014 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 Corporate Services.
- 1.2 The Counter Fraud Team is managed by Internal Audit. It was therefore agreed with the Director of Finance and Corporate Services that the number of sanctions administered by the team and level of overpayments identified would be included as part of this report.
- 1.3 Since members approved the 2014/15 audit plan in March 2014, there have been developments which require some of the planned audit work to be cancelled or deferred. This report includes details of the proposed amendments to the current years plan.
- 1.4 The report also details progress against local and national initiatives involving Internal Audit and the Counter Fraud Team.
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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 2014.
- 2.2 Members are asked to approve the proposed revisions to the 2014/15 audit plan.
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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 Corporate Services 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 2014 to 31 December 2014.
- 3.2 Since members approved the 2014/15 audit plan on 31 March 2014, there have been developments which require some of the planned audit work to be cancelled or deferred. This report includes details of the proposed amendments to the current years plan.
- 3.3 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.
- 3.4 **Internal Audit Team Performance**

(a) **Percentage of audit plan completed as at 30 September 2014**

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

Actual 2013/14	Annual Target 2014/15	Audit Plan Completion Target to 31 December 2014	Actual to 31 December 2014
95.7%	95.0%	66.5%	52.9%

Actual performance is 13.6% below the phased target for the period. This can mainly be attributed to vacancies and secondments, as well as a long term absence within the team until July 2014. Vacant posts were filled in December and budgeted resources will be used to complete the plan. Progress of the plan is being closely monitored by management.

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

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

Actual 2013/14	Target 2014/15	Actual to 31 December 2014
97.0%	95.0%	100%

Actual performance is ahead of the target set for the year, although the level is likely to reduce from 100% over the remainder of 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 2013/14	Target 2014/15	Actual to 31 December 2014
96.0%	95.0%	98.1%

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 2013/14	Target 2014/15	Actual to 31 December 2014
95.0%	95.0%	96.2%

Actual performance has improved over the third quarter of the year and it is now ahead of the target set for the year.

3.5

Counter Fraud Team Performance

(a) **Number of Sanctions**

This measures the number of sanctions including joint sanctions with the Department for Work and Pensions and referral to the Procurator Fiscal.

Actual 2013/14	Target to December 2014	Actual to 31 December 2014
96	63	65

Actual performance has improved and is now 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 2013/14	Actual to 31 December 2014
£271,501	£248,880

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

3.6 **Revisions to the 2014/15 Internal Audit Plan**

Members approved the 2014/15 audit plan on 31 March 2014. 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 2015.

- Resources had been allocated on the plan to provide advice to support the renewal process for accreditation to the Public Service Network. The Council maintained its accreditation, and there has been no requirement for Internal Audit involvement this year. Therefore, it is proposed to cancel this from the current years plan.
- Each year resources are allocated to providing independent assurance over the year end stocktaking process, primarily for the purpose of allowing external audit to rely on the work of internal audit. It has been agreed with external audit that they do not require us to undertake this work in the current year for their annual accounts work. It is proposed to cancel this review from the current years plan.
- The creation of the Culture and Leisure Trust will require a review of the governance arrangements for this new organisation. It is proposed to cancel a planned review of the Governance arrangements within Renfrewshire Leisure Ltd. The governance arrangements for the new Trust will be considered as part of the audit planning process for 2015/16.
- It is proposed to cancel a planned review of information governance. The scope of this review was to include a review of the information sharing arrangements between Social Work Services and the NHS. Discussions with service management indicated that it would be more productive to review these arrangements once the new integrated joint board had been established.
- A best value review of the council's internal corporate communications arrangements had been planned for the current year. After discussion with the Chief Executive it is proposed to defer this review until

2015/16 to allow the new management arrangements time to embed. It is planned to commence this review in quarter 1 of the new audit plan.

A total of 50 days relate to the proposed cancelled reviews and 20 days is being deferred to 2015/16. All of the proposed amendments have been discussed with senior service management who are in agreement with the proposals contained in this report. The proposed amendments do not impact on the Chief Auditor's ability to deliver an annual opinion on the overall internal control, risk management and governance arrangements.

3.7 Development of the 2015/16 Internal Audit Plan

The Internal Audit management team are currently meeting with service senior management teams, associate bodies and other stakeholders to develop the forthcoming years planned programme of work.

3.8 National Fraud Initiative

Internal Audit is responsible for the co-ordination of the National Fraud Initiative (NFI) on behalf of the Council. Audit Scotland has commenced release of the matches with the main release being due on 29 January 2015. The Internal Audit team will distribute the matches to the relevant services over the forthcoming weeks and ensure that the officers with responsibility for investigating the matches are appropriately trained.

3.9 Scottish Local Authorities' Chief Internal Auditors Group (SLACIAG)

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 will undertake the review of Scottish Borders Council by March 2015.

Plans are also underway to organise the bi-annual SLACIAG Conference in June 2015.

3.10 Local and National Initiatives

Internal Audit provides advice and consultancy to various corporate projects and initiatives, members may wish to note that the following work has been completed or is ongoing in support of this agenda:

- SOLACE has indicated their intention request all Local Authorities to undertake an assessment of the risks posed by serious and organised crime and corruption to their organisations. Internal Audit have provided input to the proposed assessment checklist and are working with

Community Resources to undertake this assessment with a view to highlighting the highest areas of risk and recommendations for improvement actions.

- The Counter Fraud team has commenced a corporate fraud pilot. The focus of this pilot project, to be undertaken over a 6 month period, is tenancy fraud, Scottish Welfare Fund fraud and an assessment of the potential use of data matching. A detailed action plan is in place to deliver the pilot project and mitigate significant corporate fraud risks on a prioritised basis. We have also been requested to be part of the Cross Government Joint Working Group which aims to identify opportunities for cross sector working on to investigate non-benefit fraud.
- We are continuing to support the development of Internal Audit guidance for the Integrated Health and Social Care partnership. The Chief Auditor has met with other Chief Auditor from NHS Greater Glasgow and Clyde (NHS GG&C) and those Chief Auditors developing partnerships within the NHS GG&C in order to develop a consistency of approach across the area. Further meetings are planned with the Scottish Government to finalise national guidance.

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**

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