

To: Audit, Scrutiny and Petitions Board

On: 28 November 2016

Report by: Chief Auditor

**Heading: Internal Audit and Counter Fraud Progress and Performance for
Period to 30 September 2016**

1. Summary

- 1.1 The Internal Audit Annual Plan was approved by the Audit, Scrutiny and Petitions Board on 21 March 2016. Normally, Internal Audit measures the progress and performance of the team on a regular basis using a range of performance indicators (PIs) and reports these to members as part of this report. However, since we are currently transferring over to a revised audit management system and the PIs have to be calculated manually, only the percentage of Audit Plan completion performance indicator is available for the period 1 April 2016 to 30 September 2016.
- 1.2 In terms of Counter Fraud, the current focus in this area is establishing the priorities for this new team and therefore it has been agreed with the Director of Finance and Resources that no performance targets will be established for 2016/17.
- 1.3 The report details progress against local and national initiatives involving Internal Audit and the Counter Fraud Team from 1 April 2016 to 30 September 2016.
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2. Recommendations

- 2.1 Members are invited to note the Internal Audit and Counter Fraud Team progress and performance to 30 September 2016.

3. Background

- 3.1 The progress and performance of the Internal Audit and Counter Fraud Team is usually subject to regular monitoring using a number of performance measures. However, we have just transferred over to a new audit management system and in order to avoid duplication of effort by populating two systems with the 2016/17 Audit Plan, it was decided that only the Percentage of Audit Plan completion indicator would be prepared. This is because all the indicators would have to be prepared manually. The Director of Finance and Resources has set annual targets for the team to demonstrate continuous improvement.
- 3.2 The Internal Audit Plan is intended to be sufficiently flexible to deal with unplanned investigations and emerging priorities. In the performance report at the end of June 2016, it was been identified that the current planned resource would not be sufficient to accommodate the resource required for certain categories of work for the remainder of the year and therefore changes were approved to the audit plan to accommodate this resource shortfall.
- 3.3 This report provides members with the progress and performance of both the Internal Audit and Counter Fraud Team for the period from 1 April 2016 to 30 September 2016.
- 3.4 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.

4. Internal Audit Team Performance

(a) Percentage of audit plan completed as at 30 Sept 2016

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

Actual 2015/16	Annual Target 2016/17	Audit Plan Completion Target to 30 Sept 2016	Actual to 30 Sept 2016
95.1%	95.0%	42.8%	39.6%

Actual performance is slightly below target. This is mainly due to a vacancy within the team. Internal Audit management will closely monitor the audit plan completion progress throughout 2016/17 and arrangements are currently being made to rectify the resource gap.

5. Amendments to the 2016/17 Internal Audit Plan

- 5.1 As approved at the board meeting in September 2016, 6 audits have been cancelled and the 130 days have been reallocated to Contingency to assist with the additional time budget pressures due to the higher than anticipated level of investigations and consultancy support. The additional 20 days anticipated to be also required at this date have not been reallocated as the planned reviews where we anticipate time savings have not yet been concluded.
- 5.2 The level of investigations and consultancy work is the second quarter of the year is still continuing to be much higher than anticipated. Although at the end of September 2016, there was still some time remaining in the revised contingency time budget, this is reducing rapidly. Therefore the contingency time will continue to be closely monitored by Internal Audit Management and the Board will be notified as soon as possible of any other actions agreed with the Director of Finance and Resources, or if any further revisions are required to the audit plan.

6. External Quality Assessment

- 6.1 The Public Sector Internal Audit Standards require that an external quality assessment is undertaken at least once every 5 years. The Board agreed to participate in the Scottish Local Authorities Chief Internal Auditors' Group peer review framework in March 2014.
- 6.2 The review is being undertaken by West Lothian Council and we are awaiting notification that they reviewed our completed submission and then the on-site visit can be arranged. A report will be brought to a future Board meeting on the outcome of the external quality assessment.

7. Counter Fraud Team Progress and Performance

- 7.1 In line with the Service level Agreement, the Counter Fraud Team act as the Single Point of Contact (SPOC) to route potential 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 since March is one FTE Counter Fraud Officer.
- 7.2 The remainder of the Corporate Counter Fraud resource is currently investigating non-benefit fraud referrals received to date in areas such as tenancy and education.
- 7.3 Due to absence within the team the work on reviewing the Council functions to determine the areas where there is a potential for fraud to incur and also updating the policies and procedures in place to support the counter fraud agenda has not progressed as quickly as planned. This work is about to recommence.

8. Scottish Local Authorities Chief Internal Auditors' Group

- 8.1 The focus on the last meeting was on Health and Social Care Partnerships with representatives from Audit Scotland giving presentations on the partnerships from both a National and Local Audit Perspective.

9. Local and National Initiatives

- 9.1 As the current Chair of the Scottish Local Authorities Chief Internal Auditors' Group, which is a special interest group of CIPFA, the Chief Auditor has been meeting CIPFA representatives to adapt their accredited Counter Fraud qualification to be suitable for Scottish Local Authority Counter Fraud Officers. These discussions are continuing.
- 9.2 Internal Audit has been working in partnership with the Police Scotland Counter Corruption Unit Auditor to develop an action plan in response to Police Scotland's Vulnerability Risk Assessment for this Council. The action plan has now been shared with the Council's Integrity Group and owners of the actions identified. Work is now ongoing to implement the recommendations throughout the Council and to prepare an assessment map of all the fraud and corruption risks across the Council services.
- 9.3 The Internal Audit Service has been leading in the preparation of all the data sets to be matched in the National Fraud Initiative. All the data sets were submitted to in October 2016 and we are likely to receive the matches requiring further investigation in February 2017.
- 9.4 We continue to have an involvement in the new Enterprise Resource Planning Project which is currently ongoing within the Council.

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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