

To: Audit, Risk and Scrutiny Board

On: 16 March 2020

Report by: Chief Auditor

**Heading: Internal Audit and Counter Fraud Progress and Performance for
Period to 31 December 2019**

1. Summary

- 1.1 The Internal Audit Annual Plan was approved by the Audit, Scrutiny and Petitions Board on 18 March 2019. 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 October 2019 to 31 December 2019, 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. A great deal of effort has also 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 October 2019 to 31 December 2019.

2. Recommendations

- 2.1 Members are invited to note the Internal Audit and Counter Fraud Team progress and performance to 31 December 2019.
- 2.2 Members are asked to approve the proposed amendments to the Annual Internal Audit Plan for 2019/2020.
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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, 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 October 2019 to 31 December 2019.

4. Internal Audit Team Performance

(a) Percentage of audit plan completed as at 31 December 2019

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

Actual 2018/19	Annual Target 2019/20	Audit Plan Completion Target to 31 December 2019	Audit Plan Completion Actual to 31 December 2019
95.6%	95.0%	66.5%	66.8%

Actual performance is currently slightly ahead of target. However, during this quarter, at senior service management's request we have commenced a number of investigative assignments. In conjunction with the fact that we have already used the majority of our planned

contingency time budget to undertake other investigations and special exercises, this may have an impact on this target.

(b) Percentage of assignments complete by target date

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

Target 2019/20	Actual to 31 December 2019
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 2019/20	Actual to 31 December 2019
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 2019/20	Actual to 31 December 2019
95.0%	95%

Actual performance is at target set for the year.

5 Proposed amendments to the 2019/20 Internal Audit Plan

- 5.1 The 2019/20 Internal Audit Plan included assignments for a review of the processes followed by the Community Learning Service and the processes for the administration of grants. However, following discussion with the responsible senior managers it was identified that these areas are currently undergoing a review as part of the first tranche of the Right for Renfrewshire programme and it was agreed that the scope of our reviews would likely include some similar objectives. Therefore, these assignments on the Audit Plan are recommended for cancellation at this stage.

- 5.2 It is anticipated that the resource planned for these assignments will be utilised to supplement our investigation budget to March 2020 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.
- 6.2 On 28 November 2018, Joint Working with the Department for Work and Pensions Counter Fraud Section became live for criminal fraud investigations which focuses on the investigation and prosecution of the LA administered Council Tax Reduction Scheme (CTRS) and Social Security benefit fraud. To date, we have 23 cases which either have been or are currently being jointly worked on. For those that have been completed we are still awaiting outcomes.
- 6.3 The matches arising from the National Fraud Initiative 2018/19 are still being worked on by the relevant staff within the services and the Counter Fraud Officers. Currently, there are 121 active cases open which are being further investigated either by service staff or counter fraud. To date £269,807 of outcomes have been identified. The full results of this exercise will be reported to this Board at a future meeting.
- 6.4 The remainder of the corporate counter fraud resource is currently being utilised to investigate non-benefit fraud referrals received to date in areas such as tenancy, revenues and education.
- 6.5 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 from all investigations for the period up to quarter 3 (1 April 2019 to 31 December 2019) are noted in the table below.

Financial Outcomes	As at end of Quarter 3 (£)
Cash savings directly attributable to preventative counter fraud intervention	43,161.50
Cash recoveries in progress directly attributable to counter fraud investigations	42,679.24
Housing Benefit savings directly attributable to counter fraud investigation	51,793.91

Notional savings identified through counter fraud investigation, (e.g. housing tenancy and future council tax)	1,874,444.82
Non-Financial Outcomes	As at end of Quarter 3
Housing properties recovered	3
Housing applications amended/cancelled	17
Blue badge misuse warning letters issued	34

- 6.5 The team are continuing to engage with services to raise awareness of the work the Counter Fraud Team can undertake to mitigate and investigate fraud.

7. **Scottish Local Authorities Chief Internal Auditors' Group**

- 7.1 This group last met in November and the main focus for this meeting was data analytics. Three informative presentations were delivered from representatives from the NHS Counter Fraud Services, Audit Scotland and a private Accountancy Firm.

- 7.2 The Local Authorities Computer Audit Sub-Group was also attended during this quarter. One of the discussion topics at this meeting was also data analytics, using EXCEL tools.

8. **Local and National Initiatives**

- 8.1 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. We also continue to be involved in various change projects including the Right for Renfrewshire Programme.

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

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