

**To: Audit, Risk and Scrutiny Board**

**On: 28 August 2017**

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**Report by: Chief Auditor**

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**Heading: Internal Audit and Counter Fraud Progress and Performance for  
Period to 30 June 2017**

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**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 30 June 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 and the Service Level Agreement for this work contains time targets for completing this work. 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 30 June 2017.

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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 June 2017.
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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 April 2017 to 30 June 2017.

## 4. Internal Audit Team Performance

### (a) Percentage of audit plan completed as at 30 June 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 30 June 2017	Audit Plan Completion Target to 30 June 2017
91.8%	95.0%	20%	23.05%

Actual performance is currently ahead of target.

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

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

Target 2016/17	Actual to 30 June 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 2016/17	Actual to 30 June 2017
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 2016/17	Actual to 30 June 2017
95.0%	100%

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

## **5 Counter Fraud Team Progress and Performance**

- 5.1 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 Officer.
- 5.2 Housing Benefit matches arising from the National Fraud Initiative 2016/17 have been reviewed and relevant cases have been referred to the DWP for investigation. Fraud awareness training sessions have also been delivered to Housing Benefit Teams, jointly with the DWP.
- 5.3 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. In the quarter

ending June 2017, we have been successful in 14 Council Tax Reduction investigations, identifying over £8,400 to be recovered. Savings of £6,700 from the Scottish Welfare Fund which can be used for those most in need. One council house property has been recovered back into housing stock.

- 5.4 The team are engaging with services to raise awareness of the work the Counter Fraud Team can undertake to mitigate and investigate fraud.
- 5.5 The Policy for the Prevention and Detection of Fraud and Corruption is currently being updated. We aim to have this agreed with Senior Management by September and then it will be submitted to this Board.
- 5.6 We also participate in the Scottish Local Authorities Investigators Group. The group have developed a draft Information Sharing Protocol which can be used by all Scottish Local Authorities to facilitate the sharing of information between Authorities for the purpose of the prevention and detection of fraud, this is currently out for consultation with the other Local Authorities. In addition, we are working with this group to develop decide on a suitable format for collating the results obtained by all Local Authority Fraud Teams.

## **6. External Quality Assessment**

- 6.1 Our External Quality Internal Audit Assessment was undertaken by West Lothian Council and reported upon during 2016/17. We are currently progressing the 4 improvement actions which were raised during this review.

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

- 7.1 This group held their Internal Audit Conference, titled "Transformation and the Role of Internal Audit" in June 2017. The aim of this conference was to establish the future direction of Internal Audit in alignment to the change and transformation that continues to affect the Public Sector and to chart a way forward in a collective way. The conference comprised of a mix of presentations from speakers from various organisations and group workshops which resulted in a very well received and informative conference.

## **8. Audit Management System**

- 8.1 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 currently finalising the automatic preparation of our performance measurement data and our next task is to finalise how contingency and investigative work will be record within the system.

## **9. Local and National Initiatives**

- 9.1 Internal Audit are involved in the work of the Council's Integrity Group. Work is underway to map the organisational fraud and corruption risks, with workshops having been undertaken with all the Council Services management teams to identify their corruption and fraud risks.
- 9.3 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.
- 9.4 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 this team, with the Chief Auditor having overall responsibility ensuring the appropriate investigations into the results are undertaken and that the outcomes are recorded.
- 9.5 Internal Audit continue to have an ongoing involvement in the new Enterprise Resource Planning Project with the Chief Auditor participating in the Project's Business Design Authority.

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## **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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