

To: Audit, Risk and Scrutiny Board

On: 06 November 2017

Report by: Chief Auditor

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

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 September 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. 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 September 2017.

2. **Recommendations**

- 2.1 Members are invited to note the Internal Audit and Counter Fraud Team progress and performance to 30 September 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, 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 September 2017.

4. **Internal Audit Team Performance**

(a) **Percentage of audit plan completed as at 30 September 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 Sept 2017	Audit Plan Completion Actual to 30 Sept 2017
91.8%	95.0%	42.8%	41.4%

Actual performance is slightly below target. This is due to a higher than average proportion of annual leave being taken by staff over the summer months and also a vacancy within the internal audit team. Management will monitor this indicator closely over the next quarter and take any action required.

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

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

Target 2017/18	Actual to 30 Sept 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 2017/18	Actual to 30 Sept 2017
95.0%	97.1%

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 2017/18	Actual to 30 Sept 2017
95.0%	97.1%

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 Investigator.

5.2 The remainder of the Corporate Counter Fraud resource is currently being utilised on fraud prevention work and also to investigate non-benefit fraud referrals received to date in areas such as tenancy, revenues and education. During the 6 months to September 2017, we have been successful in 18 Council Tax Reduction investigations, identifying over £9,242 to be recovered. Savings of £13,522 from the Scottish Welfare Fund have been delivered which can be used for those most in need. Three council house properties have been recovered back into housing stock, resulting in £273,000 of notional savings to the Council. We have also issued two warning letters regarding the misuse of Blue Badges and on three occasions have

been involved in the correction of data supplied to support a school placement request.

- 5.4 The Policy for the Prevention and Detection of Fraud and Corruption is currently being updated. This work has been slightly delayed due to other work pressures but it is still our intention to have it finalised and approved during 2017/18.

- 5.5 We also participate in the Scottish Local Authorities Investigators Group. We 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. In addition, we are working with this group to develop a suitable format for collating the results obtained by all Local Authority Fraud Teams to enable benchmarking.

6. External Quality Assessment

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

7. Scottish Local Authorities Chief Internal Auditors' Group

- 7.1 We are continuing to participate in this group.

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 still working with the supplier to enable the automatic preparation of our performance measurement data and our next task is to finalise how contingency and investigative work will be recorded within the system.

9. Local and National Initiatives

- 9.1 Internal Audit are involved in the work of the Council's Integrity Group. We assisted on the training provided to members in September 2017 on the roles and responsibilities of this group. Work is underway on the corruption and fraud risks identified by services to determine whether any further action is required to mitigate these 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 the Counter

Fraud Team, with the Chief Auditor having overall responsibility for 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.

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