

To: Audit, Risk and Scrutiny Board

On: 22 January 2024

Report by: Chief Auditor

**Heading: Internal Audit and Counter Fraud Progress and Performance for
Period to 31 December 2023**

1. Summary

- 1.1 The Internal Audit Annual Plan was approved by the Audit, Risk and Scrutiny Board on 13 March 2023. 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 2023 to 31 December 2023, 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 (SPOC) for the Department for Work and Pension's (DWP) Single Fraud Investigation Service and the Service Level Agreement for this work contains time targets for completing this work. 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. They are also involved in promoting fraud awareness and assisting with the implementation of adequate fraud prevention measures within the Council.
- 1.3 All of the Internal Audit Team and Counter Fraud Team are currently working on a hybrid basis and also undertake home/site visits when the need arises. We also provide advice and support where necessary to council services.

- 1.4 The report details progress against local and national initiatives involving Internal Audit and the Counter Fraud Team from 1 April 2023 to 31 December 2023.
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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 2023.
- 2.2 Members are asked to approve the proposed amendments to the Annual Internal Audit Plan for 2023/2024.
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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. In addition, the Counter Fraud Team are heavily involved in fraud prevention measures within the Council.
- 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 2023 to 31 December 2023.

4. **Internal Audit Team Performance**

(a) **Percentage of audit plan completed as at 31 December 2023**

This measures the degree to which the Audit Plan has been completed.

Actual 2022/23	Annual Target 2023/24	Audit Plan Completion Target to 31 December 2023	Audit Plan Completion Actual to 31 December 2023
93.2%	95.0%	66.5%	64.2%

The audit plan completion indicator is slightly below target. The main reason for this is a long term absence in the team and also staff tend to take any remaining leave they have in December. In addition, unplanned training opportunities have arisen which the team have participated in. Management will monitor this indicator closely in the last quarter of the year and explore all possible opportunities to improve this indicator.

(b) Percentage of assignments complete by target date

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

Target 2023/24	Actual to 31 December 2023
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 2023/24	Actual to 31 December 2023
95.0%	96.9%

Actual performance is slightly 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 2023/24	Actual to 31 December 2023
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.

5. Review of the 2023/24 Internal Audit Plan

- 5.1 Our 2023/24 Audit Plan is subject to ongoing review in light of any organisational risks arising, and also to determine whether any assignments will have to be amended or cancelled as result of us being unable, for any reason, to undertake the work planned. At this stage we are not recommending any further amendments to the plan.
- 5.2 However, we do have a long term absence within the team and this may result in assignments being completed later than planned. The Internal Audit Plan progress will continue to be closely scrutinised by management. We have now completed a 6 monthly review with each of the service senior management teams and there appears to be no issues in undertaking the remaining audit plan assignments, although we have been asked to delay the commencement of a couple of assignments and this has been accommodated.
- 5.3 It should be noted that our staff training budget has now exceeded the planned time set aside. The main reasons for this are that the Chief Auditor is participating in the Leadership Management Programme which was instigated during this year and the Audit Staff have had the opportunity to participate in audit training events being run by other Local Authorities. As these opportunities were not planned in the current audit plan, this may have an effect of the completion of our operational time percentage but we are managing this carefully and at this stage, we are forecasting that there will be underspends in other areas of non-operational time which will compensate for this.
- 5.4 Any further proposed amendments to the audit plan will be brought to this Board for approval.

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. Where a suspicion of fraud arises, the team investigate and report their findings to management. Where appropriate, follow-on action is taken, such as reporting the matter to Police Scotland for further investigation, or directly to the Procurator Fiscal. In addition, they also work jointly work with DWP Fraud Officers on criminal fraud investigations which focuses on the investigation and prosecution of the Local Authority administered Council Tax Reduction Scheme and Social Security benefit fraud. In addition to investigation work the team also undertake fraud prevention work.
- 6.2 During this quarter, we have been working on the various fraud referrals received and continue to complete investigations into matches received in January 2023 from the National Fraud Initiative,

administered by Audit Scotland. As part of our fraud prevention work, we are continuing to validate the numerous bank account or remittance contact changes received from the Council's suppliers and contractors and the details supplied by new Housing Applicants.

6.3 The financial and non-financial results for the period (April 2023 to December 2023) are noted in the table below.

Financial Outcomes	Period to 31 December 2023 (£)
Cash savings directly attributable to preventative counter fraud intervention	4,364
Cash recoveries in progress directly attributable to counter fraud investigations	66,190
Housing Benefit Savings Attributable to Joint Working by Counter Fraud and DWP Counter Fraud Officers	12,684
Notional savings identified through counter fraud investigation, (e.g. housing tenancy and future council tax)	212,357
Non-Financial Outcomes	Period to 31 December 2023
Housing properties recovered	2
Housing applications amended/cancelled	6
Housing Allocation Priority Changed	1
Blue badge misuse warning letters issued	16
Blue Badges Cancelled	2
Supplier/Contractor Checks Undertaken	231

6.4 Our notional savings are based on the methodology prepared by the Cabinet Office and this has been revised from April 2023.

7. Local and National Initiatives

Scottish Local Authorities Chief Internal Auditors Group

7.1 The Local Authorities Chief Internal Auditors Group met in December and received updates from the Chairs of the various specialised audit focused topic groups including risk and data analytics which have been established. The Computer Audit Sub-Group also met and the focus of this meeting was artificial intelligence.

Scottish Local Authorities Investigation Sub-Group

- 7.2 The Local Authorities Investigation Sub-Group also met in December and received useful presentations from the HM Revenue and Customs Intelligence Bureau regarding the type of data intelligence which should be sent to them and LoCTA which is the Local Authority data hub established to assist authorities in tracing debtors and tackling fraud.

External Quality Assessment

- 7.3 We are continuing to progress the agreed action plan arising from our second external assessment reviewing how our service undertakes some of its functions to ensure the actions are completed by the agreed timescale.
- 7.4 We have also completed the external quality assessment of Inverclyde Council and the findings will be reported to their management shortly.

Revised CIPFA Guidance – Audit Committees

- 7.5 We have completed a self-assessment workshop with the members of the Renfrewshire Integration Joint Board Audit Risk and Scrutiny Board to identify any actions required to comply with this guidance and a similar exercise will be undertaken with the members of this Board in the next quarter.

National Fraud Initiative

- 7.6 To date, £48,583 of savings have been recorded on the Portal by Council Staff involved in the exercise and are currently in the process of being recovered. In addition, £315,625 of notional savings have also been identified. This includes the cancellation of 149 blue badges as the holder is deceased, future council tax reduction savings and amendments to the housing waiting list. This work is still ongoing.
- 7.7 A new suite of specialist matches have been received matching property ownership, earnings and capital and household composition data to HM Revenue and Customs data has been received this quarter and the Counter Fraud Officers are currently working on a sample of these to determine the likelihood of outcomes from these matches.

Counter Fraud Training

- 7.8 We continue to promote our counter fraud e-learning course throughout the Council and we have received some requests for some bespoke training which will be delivered in early 2024.
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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
13. **Climate Risk** - None

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