

To: Audit, Risk and Scrutiny Board

On: 25 January 2021

Report by: Chief Auditor

**Heading: Internal Audit and Counter Fraud Progress and Performance for
Period to 31 December 2020**

1. Summary

- 1.1 The Internal Audit Annual Plan was approved by the Audit, Scrutiny and Petitions Board on 16 March 2020. 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 2020 to 31 December 2020, 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 As a result of the COVID-19 pandemic, the majority of fraud investigation work was suspended until September 2020. This work has now recommenced with the team giving priority to the areas with the greatest fraud risk. Joint working with the DWP's Single Fraud Investigation service has also temporarily ceased and we are awaiting

a date for this work to recommence. Referrals for consideration of fraud investigations are still being passed to the DWP. All of the Counter Fraud Team are currently working at home.

- 1.4 The Internal Audit team are also home working full time and are continuing to work on planned audit assignments which we able to undertake remotely. The team are also providing advice and support where necessary to council services
- 1.5 The report details progress against local and national initiatives, including the National Fraud Initiative for 2020/2021, involving Internal Audit and the Counter Fraud Team from 1 April 2020 to 31 December 2020

2. **Recommendations**

- 2.1 Members are invited to note the Internal Audit and Counter Fraud Team progress and performance to 31 December 2020.

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 and reported to this Board.
- 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.

4. **Internal Audit Team Performance**

(a) **Percentage of audit plan completed as at 31 December 2020**

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

Actual 2019/20	Annual Target 2020/21	Audit Plan Completion Target to 31 Dec 2020	Audit Plan Completion Actual to 31 Dec 2020
95.4%	95.0%	66.5%	67.4%

Actual performance is currently slightly ahead of target.

(b) Percentage of assignments complete by target date

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

Target 2020/21	Actual to 31 December 2020
95.0%	96.9%

Actual performance is ahead of the target set for the year. It should be noted that target dates have been extended where necessary as it is taking longer to obtain information due to the priorities of services during the pandemic and the practicalities of home working.

(c) Percentage of audit assignments completed within time budget/

This measures how well the time budget for individual assignments has been adhered to.

Target 2020/21	Actual to 31 December 2020
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. Our performance against this indicator is liable to change throughout the remainder of the year as additional resource is required to complete audit assignments in the current environment. It should be noted that some of this additional time has been drawn down from our contingency budget

(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 2020/21	Actual to 31 December 2020
95.0%	96.9%

5. Internal Audit's Response to COVID-19

- 5.1 All of our staff are continuing to home work and utilising the Council's various tools and techniques to continue to undertake audit assignments.
- 5.2 We continue to liaise and advise services on proposed amendments to internal controls and new procedures as a result of changes to the Council's working practices and environment as a result of the pandemic
- 5.3 There is an ongoing review of our 2020/21 Audit Plan in light of the emerging risks arising from COVID-19 and the reduction in available audit resource to identify whether any further amendments or cancellations to the Audit Plan should be undertaken. At this point in time no further changes or amendments have been proposed or undertaken.
- 5.4 All of this work will enable us to deliver our annual audit opinion on the Council's governance, internal control and risk management, at the end of the year.

6 Counter Fraud Team Progress and Performance and their Response to COVID- 19

- 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. In addition, we also work jointly work with DWP Fraud Officers on criminal fraud investigations which focuses on the investigation and prosecution of the LA administered Council Tax Reduction Scheme (CTRS) and Social Security benefit fraud. The majority of this work continues to be suspended by the DWP as their local fraud officers have been seconded to undertake other duties but it is our understanding that their compliance teams are dealing with some fraud work and they are continuing to work on plans to enable fraud investigations to recommence. We continue to refer cases worthy of investigation to them for their consideration.
- 6.2 One team member is still assisting with track and trace phone calls.
- 6.3 Our working practices have been revised in order to protect the health of residents and staff during the pandemic, including contacting individuals, where possible, by telephone or e-mail rather than face to face visits. This has enabled us to resume undertaking fraud investigation work.
- 6.4 The financial and non-financial results for the period up to quarter 3 (April 2020 to December 2020) are noted in the table below:-

Financial Outcomes	As at End of Quarter 3 (£)
Cash savings directly attributable to preventative counter fraud intervention	327,500
Cash recoveries in progress directly attributable to counter fraud investigations	35,304
Housing Benefit savings directly attributable to counter fraud investigation	28,449
Housing Benefit savings attributable to DWP Partnership	14,243
Notional savings identified through counter fraud investigation, (e.g. housing tenancy and future council tax,)	231,757
Non-Financial Outcomes	As at End of Quarter 3 (£)
Housing properties recovered	2
Housing applications amended/cancelled	6
Blue badge misuse warning letters issued	7
Licences revoked	0

6.5 The cash savings identified are largely in connection with the work we undertook in conjunction with the Council's Economic Development Team on suspected fraudulent applications which were received in respect of the Small Business and Retail, Hospitality & Tourism Covid-19 Grant Schemes and where payment was refused. These applications have been reported to Police Scotland.

6.6 We are continuing to take cognisance of reports being published by various organisations on the on the emerging fraud risks, arising during the pandemic and this will be used to amend our work plan where necessary to focus on the greatest fraud risk areas.

6.7 The first virtual meeting of the Scottish Local Authorities Investigators Group took place in November 2020 and included a presentation from Police Scotland on the work they were doing on fraudulent Covid-19 Business Grant Applications.

7. National Fraud Initiative

7.1 A member of the Counter Fraud Team has been undertaking a significant amount of work on preparing for the next National Fraud Initiative exercise. The first required data sets were submitted by the due date in October 2020. We are now working on new data sets in relation to COVID-19 grant applications and this data will be submitted in January 2021. The first tranche of the data matches for checking are due to be received by the Council in early February 2021.

8. Scottish Local Authorities Chief Internal Auditors' Group

- 8.1 This group last met virtually in November and audit and Procurement - Red Flags was the main focus.
- 8.2 The Local Authorities Computer Audit Sub-Group was also attended virtually during this quarter. The main discussion topic at this meeting was GDPR and data protection particularly in a home working environment.

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