

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

**On: 22 August 2022**

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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 2022**

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**1. Summary**

- 1.1 The Internal Audit Annual Plan was approved by the Audit, Risk and Scrutiny Board on 13 June 2022. 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 2022 to 30 June 2022, 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 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. In addition, the types of fraud referrals received from Council services to date are wide ranging and the team's objective is to concentrate on investigating those referrals considered to contain the greatest fraud risk. We are also involved in promoting fraud awareness 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.

- 1.4 The report details progress against local and national initiatives involving Internal Audit and the Counter Fraud Team from 1 April 2022 to 30 June 2022

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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 2022.

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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 2022 to 30 June 2022.

## 4. Internal Audit Team Performance

### (a) Percentage of audit plan completed as at 30 June 2022

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

Actual 2021/22	Annual Target 2022/23	Audit Plan Completion Target to 30 June 2022	Audit Plan Completion Actual to 30 June 2022
92.1%	95.0%	19%	21.9%

Actual performance is currently 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 2022/23	Actual to 30 June 2022
95.0%	100%

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, on occasions, taking longer to obtain information due to the practicalities of hybrid working by internal audit and service staff.

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

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

Target 2022/23	Actual to 30 June 2022
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 2022/23	Actual to 30 June 2022
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 2022/23 Internal Audit Plan**

5.1 All of our staff are currently working on a hybrid basis and utilising the Council's various tools to continue to undertake audit assignments. The priorities for the team this quarter is to undertake any investigations that have arisen and also to complete the work outstanding from 2021/22.

5.2 Our 2022/23 Audit Plan is subject to regular review in light of any risks arising from the Council's organisational recovery or otherwise and also to determine whether any assignments will have to be amended or cancelled as result of being unable, for any reason, to undertake the work planned. No amendments or cancellations to our planned assignments are deemed necessary at this stage. However, it is worth noting that 1 member of staff has been on sick leave for the quarter and

this impacts on our available resource. In addition, a substantial amount of our contingency time has been utilised in the first quarter and this may lead to future audit plan amendments being submitted for approval to this Board. There are several reasons for this. Specifically, that some of last year's assignments are taking longer than planned and had to be carried forward into this year due to the revised working arrangements and priorities of both client and our own staff and also we have had to undertake a number of investigations this quarter which will be reported to this Board upon completion.

## 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. In addition, we 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 (CTRS) and Social Security benefit fraud.
- 6.2 During this quarter, we have mainly been working on the various fraud referrals received and completing investigations into matches identified by the previous National Fraud Initiative which is administered by Audit Scotland.
- 6.3 The financial and non-financial results for quarter 1 (April 2022 to June 2022) are noted in the table below.

<b>Financial Outcomes</b>	<b>Quarter 1 (£)</b>
Cash savings directly attributable to preventative counter fraud intervention	
Cash recoveries in progress directly attributable to counter fraud investigations	25,280
Housing Benefit savings directly attributable to counter fraud investigation	1,815
Housing Benefit Savings Attributable to Joint Working by Counter Fraud and DWP Counter Fraud Officers	30,933
Notional savings identified through counter fraud investigation, (e.g. housing tenancy and future council tax)	14,407
<b>Non-Financial Outcomes</b>	<b>Quarter 1</b>
Housing properties recovered	0
Housing applications amended/cancelled	0
Blue badge misuse warning letters issued	5
Licences revoked	0

6.4 An i-learn package for staff is being developed for staff to increase their awareness of fraud.

## **7. Local and National Initiatives**

### National Fraud Initiative

7.1 The guidance and timetable for the next National Fraud Initiative has just been published and we are about to commence actioning planning the tasks that have to be undertaken in order to participate in this exercise. The data sets will be submitted in October 2022.

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

7.2 This Group met virtually in June and received a presentation from a representative from the Scottish Government on Fraud Risk and Counter Fraud Controls during the pandemic.

7.3 The Local Authorities Investigation Sub-Group was also attended virtually during this quarter. Speakers from the Cabinet Office and Scottish Government gave a presentation on fraud data sharing powers and our Housing Manager gave a presentation on housing issues to the group.

### **External Quality Assessment**

7.4 The Public Sector Internal Audit Standards requires that an External Assessment should be undertaken on the Internal Audit Service at least every 5 years to ensure conformance with the definition of Internal auditing and the standards, along with an evaluation of whether internal auditors comply with the code of ethics.

7.5 Our second assessment is due to be undertaken this year by the Chief Auditor at South Ayrshire Council and the results along with any actions will be reported to this Board.

### **Training**

7.6 A training course, provided by an External Provider is going to be run in August 2022 for our Internal Audit Staff to ensure we keep our audit skills and techniques up to date.

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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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