

To: Audit, Risk and Scrutiny Board

On: 25 October 2021

Report by: Chief Auditor

**Heading: Internal Audit and Counter Fraud Progress and Performance for
Period to 30 September 2021**

1. Summary

- 1.1 The Internal Audit Annual Plan was approved by the Audit, Risk and Scrutiny Board on 22 March 2021. 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 2021 to 30 September 2021, 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, Joint working with the DWP's Single Fraud Investigation service had ceased and we have now been informed that some of their fraud work is recommencing. All of the Counter Fraud Team are currently working at home although any necessary site/home visits have recommenced.

- 1.4 The Internal Audit team are also home working full time and are continuing to work on planned audit assignments and providing advice and support where necessary to council services.
- 1.5 The report details progress against local and national initiatives involving Internal Audit and the Counter Fraud Team from 1 April 2021 to 30 September 2021.
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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 September 2021.
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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 2021 to 30 September 2021.

4. **Internal Audit Team Performance**

- (a) **Percentage of audit plan completed as at 30 September 2021**

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

Actual 2020/21	Annual Target 2021/22	Audit Plan Completion Target to 30 September 2021	Audit Plan Completion Actual to 30 September 2021
94.5%	95.0%	42.8%	43.3%

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 2021/22	Actual to 30 September 2021
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 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 2021/22	Actual to 30 September 2021
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 2021/22	Actual to 30 September 2021
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 2021/22 Internal Audit Plan

5.1 All of our staff are currently home working and utilising the Council's various tools to continue to undertake audit assignments. However, where it is necessary to check paper documentation at Council

locations for any of our audits, this has been agreed and arranged with Service Managers.

- 5.2 Our 2021/22 Audit Plan is subject to regular review in light of any risks arising from COVID-19 and also to determine whether any assignments will have to be amended or cancelled as result of being unable to visit certain premises. No amendments or cancellations to our planned assignments are deemed necessary at this stage. However, it is worth noting that we have had to transfer time from our investigation time budget to our contingency budget and if further contingency work is required, 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 took 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 that management have requested our involvement in a number of additional reviews 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 LA administered Council Tax Reduction Scheme (CTRS) and Social Security benefit fraud. We have now been informed that some of DWP's Fraud work has now recommenced but we have had no joint working invitations to date. We continue to refer potential fraudulent cases on to them.
- 6.2 During this quarter, we have continued to investigate matches identified by the National Fraud Initiative and review any potential fraudulent COVID-19 business grant claims received.
- 6.3 The financial and non-financial results for the period (April 2021 to September 2021) are noted in the table below. This includes the savings and recoveries associated with work which was undertaken, in conjunction with the Economic Development Team on potentially fraudulent business grants claims.

Financial Outcomes	Period to 30 September 2021 (£)
Cash savings directly attributable to preventative counter fraud intervention	426,600
Cash recoveries in progress directly attributable to counter fraud investigations	130,806

Housing Benefit savings directly attributable to counter fraud investigation	33,876
Notional savings identified through counter fraud investigation, (e.g. housing tenancy and future council tax)	219,228
Non-Financial Outcomes	Period to 30 September 2021
Housing properties recovered	2
Housing applications amended/cancelled	7
Blue badge misuse warning letters issued	0
Licences revoked	0

6.4 We are currently developing a process manual documenting our in-house process to administer the National Fraud Initiative and investigate the matches received.

7. Local and National Initiatives

National Fraud Initiative

7.1 Reviews of National Fraud Initiative matches received by the Council are being co-ordinated by a Counter Fraud Officer and this work has been split between Counter Fraud and Service Staff. Due to the suspension of the DWP Joint Working, the Counter Fraud Staff have been able to progress this work quickly and to date the following results have been achieved as a result of this exercise:-

Financial Outcomes	Period to 30 September 2021 (£)
Cash recoveries in progress	127,648
Notional savings identified through counter fraud investigation, (e.g. housing tenancy and cancellation of Blue Badges)	1,157,865

The notional savings figure includes the cancellation of 206 Blue Badge Parking Permits as the holders are now deceased.

Scottish Local Authorities Chief Internal Auditors' Group

7.2 The Local Authorities Investigation Sub-Group met in August. A presentation from representatives of the Insurance Financial Investigation Group regarding its use as a tool for evidence and investigation matching was received.

7.3 The Computer Audit Sub-Group also met in August and received a presentation from an ICT representative of the Scottish Environment Protection Agency on cyber security attacks.

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 scheduled to be undertaken during 2021/22 by the Chief Auditor at South Ayrshire Council and the results along with any actions will be reported to this Board
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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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