

To: Audit, Risk and Scrutiny Board

On: 21 March 2022

Report by: Chief Auditor

**Heading: Internal Audit and Counter Fraud Progress and Performance for
Period to 31 December 2021**

1. Summary

- 1.1 The Internal Audit Annual Plan was approved by the Audit, Scrutiny and Petitions 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 31 December 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 spent 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, however during this quarter some of their fraud investigators have now recommenced fraud duties and have been in contact re ongoing cases. In the main, the

Counter Fraud Team are still currently working at home and only any essential site/home visits are being undertaken.

- 1.4 The Internal Audit team are also working from home for the majority of the time and going into the office when required. Any site visits which are required to fulfil audit reviews are also now being undertaken. 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 2021/2022, involving Internal Audit and the Counter Fraud Team from 1 April 2021 to 31 December 2021.

2. **Recommendations**

- 2.1 Members are invited to note the Internal Audit and Counter Fraud Team progress and performance to 31 December 2021.

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 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 31 Dec 2021	Audit Plan Completion Actual to 31 Dec 2021
94.5%	95.0%	66.5%	64.1%

Actual performance is currently slightly below target. The main reason for this is the team have had a higher than normal absence rate. One member of staff is currently on long term absence which commenced during this quarter.

(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 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. 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 2021
95.0%	97.3%

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 throughout this year. 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 2021
95.0%	94.6%

Actual performance is just below target.

5. Review of the 2021/22 Internal Audit Plan

- 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 and when required
- 5.3 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.
- 5.4 There is an ongoing continuous review of our 2021/22 Audit Plan in light of the pandemic and the reduction in available audit resource to identify whether any further amendments or cancellations to the Audit Plan should be undertaken. We are hopeful that in quarter 4 we will be able to undertake those audit reviews which require us visiting locations for a period of time. Although at this point in time no amendments have been proposed, this is dependent on the volume of our contingency and investigative work which usually take priority over planned audits. These budgets for the year have nearly all been utilised and therefore if more work of this nature materialises, together with the likelihood that staff absence levels are likely to be higher than planned for, it may result in one or two reviews not commencing until the first quarter of 2021/22

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 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. This work is just starting to re-commence as some of the DWP's local fraud officers have now returned to their fraud duties from secondment during the pandemic. We continue to refer cases worthy of investigation to them for their consideration.
- 6.2 Our working practices were 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. We are about to review our working practices to

determine which revisions have worked well and should therefore continue to be our normal working practices.

- 6.3 During this quarter we have continued to investigate further matches identified by the national fraud initiatives as well as investigating referrals from various other sources. The financial and non-financial results for the period up to quarter 3 (April 2021 to December 2021) are noted in the table below:-

Financial Outcomes	As at End of Quarter 3 (£)
Cash savings directly attributable to preventative counter fraud intervention	426,600
Cash recoveries in progress directly attributable to counter fraud investigations	163,040
Housing Benefit savings directly attributable to counter fraud investigation	37,241
Notional savings identified through counter fraud investigation, (e.g. housing tenancy and future council tax,)	238,545
Non-Financial Outcomes	As at End of Quarter 3 (£)
Housing properties recovered	2
Housing applications amended/cancelled	10
Blue badge misuse warning letters issued	6
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 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 latest virtual meeting of the Scottish Local Authorities Investigators Group took place this month and included a presentation from UK Competition and Markets Authority and an update from the Cabinet Office on the National Fraud Initiative.

7. Scottish Local Authorities Chief Internal Auditors' Group

- 7.1 This group met virtually this month and a useful presentation was received on Cyber Risks.

- 7.2 The Local Authorities Computer Audit Sub-Group was also attended virtually during this quarter. The main discussion topic at this meeting was Cyber Security.

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