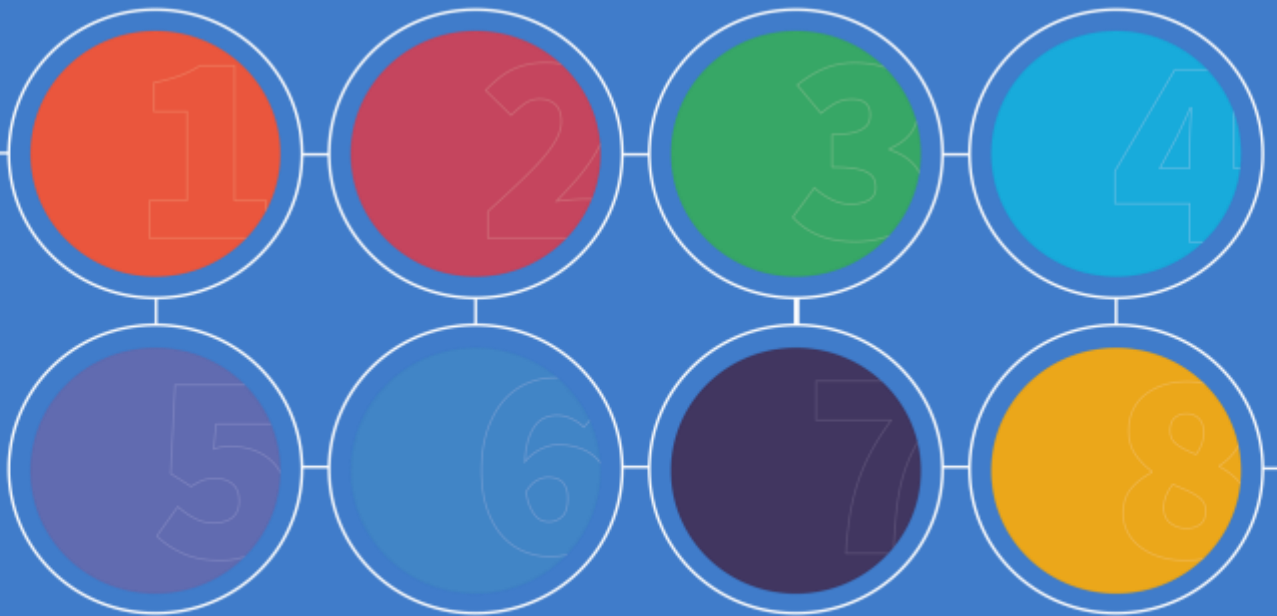


# Internal Audit and Counter Fraud Strategy 2018/19 to 2022/23



# Welcome to the Internal Audit and Counter Fraud Strategy

The strategy sets out the key outcomes, activities and behaviours that the council will pursue in support of our corporate priorities and a culture of continuous improvement

Internal audit and counter fraud are key components of the council's corporate governance arrangements.

The Local Authority Accounts (Scotland) Regulations 2014 require local authorities to operate a professional and objective internal audit service. Internal audit is therefore a statutory function. In line with the internal audit charter, internal audit's purpose is to add value by independently reviewing the council's risk management, control and governance processes.

In accordance with the council's Ant-Fraud and Corruption Policy, the council has a zero tolerance approach to all aspects of fraud, corruption and criminality. The counter fraud team provides information, advice and training to services on counter fraud matters, conducts professional and objective investigations into allegations received, and operates the council's whistleblowing hotline.

Internal audit and counter fraud indirectly support all of the eight priorities in the council's Corporate Plan 2018/23. They also directly contribute to the council priority on reducing crime and improving community safety, and to the enablers in relation to corporate governance and risk, and modernisation and improvement.

The internal audit and counter fraud functions enable service transformation by providing advice and information on processes and internal controls. Internal audits and counter fraud investigations result in reports setting out findings which normally contain an action plan setting out agreed management improvement actions.

In support of the Corporate Plan 2018/23, and the council's priorities, this strategy will assist managers in discharging their responsibility for ensuring that activities are effectively controlled, and will contribute to the effective and efficient operation of council processes.



Lawrence Fitzpatrick  
Council Leader



Graham Hope  
Chief Executive

## Strategy outcomes

This strategy will assist managers in discharging their responsibility for ensuring that their activities are effectively controlled, and contribute to the effective and efficient operation of council processes.

The Internal Audit and Counter Fraud Strategy has two outcomes and these are:

- ◆ the deployment of an internal audit service which provides assurance on the council's risk management, control and governance processes, and which adds value to the council's operations.
- ◆ counter fraud arrangements which assist in minimising the risk of fraud and ensure that alleged frauds and irregularities are timeously reported, effectively investigated, and taken to an appropriate conclusion.

The rights and responsibilities of both internal audit and counter fraud are set out in detail in the council's Financial Regulations.

The Internal Audit Charter sets out internal audit's purpose, scope, responsibilities, objectives, organisational status, independence, and authority. The Charter is important in that it clearly sets out the arrangements for securing internal audit's independence, and sets out the right of internal audit staff to receive documents, information and explanations from officers and members of the council.

The internal audit plan is approved by the Audit Committee annually and sets out the programme of planned audits for the year. This is a risk based plan which is based on an assessment of key risks facing the council.

The council's Anti-Fraud and Corruption Policy, which is approved by Council Executive, sets out the council's zero tolerance approach to all aspects of fraud, corruption and criminality. It also sets out the protocols for investigating referrals.

The council's Disclosure of Information by Employees (Whistle Blowing) Policy sets out principles in relation to the reporting of serious wrongdoing by employees.

Both policies are supported by detailed procedures which are maintained by the counter fraud team covering the investigation of alleged fraud and irregularity.

The counter fraud plan is approved by the Audit Committee annually and sets out the planned work of the counter fraud team for the year. Much of this work is reactive, relating to the investigation of allegations received.

## **1** Outcome

### **Description**

The deployment of an internal audit service which provides assurance on the council's risk management, control and governance processes, and adds value to the council's operations.

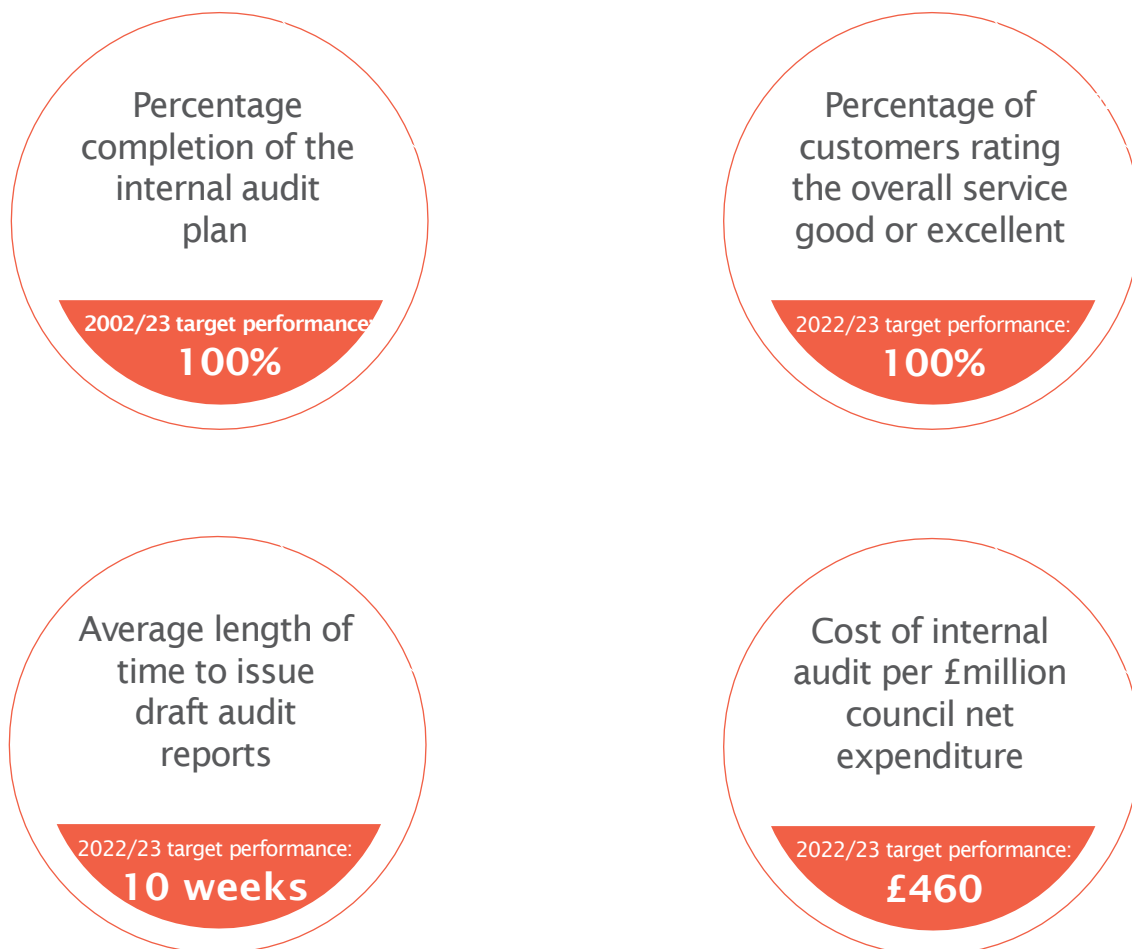
### **Activities**

The main activities of the internal audit service during the period of the strategy will be to:

- ◆ conduct risk based audits in accordance with the approved annual audit plan;
- ◆ provide advice and information to services in relation to governance, risk management and internal control matters;
- ◆ conduct ad hoc reviews as requested, either by services or the Audit Committee;
- ◆ follow up on previous recommendations made;
- ◆ encourage and facilitate scrutiny by the council's Audit Committee.

## Key performance indicators

We have identified the key measures of the success for this outcome and will track, monitor and report on our performance in these performance indicators throughout the lifetime of our strategy:



## 2 Outcome

### Description

Counter fraud arrangements which assist in minimising the risk of fraud and ensure that alleged frauds and irregularities are timeously reported, effectively investigated, and taken to an appropriate conclusion.

### Activities

The main activities of the service during the period of the strategy will be to:

- ◆ maintain the council's whistleblowing hotline;
- ◆ accept, review and investigate referrals;
- ◆ exercise oversight of the biennial National Fraud Initiative data matching exercise (NFI) and ensure that appropriate data matches are effectively investigated;
- ◆ provide advice, information and training on counter fraud matters.

## Key performance indicators

We have identified the key measures of the success for this outcome and will track, monitor and report on our performance in these performance indicators throughout the lifetime of our strategy:



# Developing the strategy and reporting progress

The strategy was developed to support the delivery of the council's Corporate Plan and to take account of a range of factors that are likely to impact the delivery of council services in the next five years.

## Context

The next five years will be a period of significant challenge for the council with ongoing spending constraints expected to continue. However, the council has clearly defined long term aims relating to the development of high quality services, designed to meet the needs of its customers. These long term aims are captured in the Local Outcome Improvement Plan, Community Plan and in the council's Corporate Plan and together these strategic plans determine the work of the council's services.

The development of the Corporate Plan 2018/23 has been directly influenced by the views of the people living and working in West Lothian, ensuring that all employees are focused on meeting the needs of a growing and vibrant community. The Corporate Plan sets the strategic priorities for the council up to 2022/23 and this will be the continued focus for all council services during the period.

This will help to ensure that we continue to tackle the most important issues for West Lothian. Also, that we invest in and prioritise the services which make the most significant contribution to the achievement of positive outcomes.

## Influences

Influences affecting the strategy include:

- ◆ the outcomes of the Annual External Audit Report and Best Value Audit Report, including an increased emphasis on governance, scrutiny, and transparency;
- ◆ in relation to the annual audit plan and counter fraud plan, the council's risk register and assessed level of risk maturity;
- ◆ the council's transformational change programme.

## Strategy development process

The strategy was developed by the Audit, Risk and Counter Fraud Manager, using a range of information to ensure that outcomes, activities and resources are aligned to:

- ◆ the council's Corporate Plan;
- ◆ supporting the delivery of the council's transformation programme and digital transformation strategy.



The process and timescales for the development, publication and review of the strategy is set out, including consultation with the appropriate stakeholders.

Strategy governance		
Group	Governance Scrutiny role	Reporting Frequency
Council Executive	a. Engagement on the strategy and outcomes b. Updates to the Council Executive on the progress of specific programmes of work	<ul style="list-style-type: none"> <li>◆ Approval</li> <li>◆ End of strategy review</li> </ul>
Audit Committee	a. Engagement on the strategy and outcomes	<ul style="list-style-type: none"> <li>◆ After approval, for information</li> <li>◆ Annual review of progress</li> <li>◆ End of strategy review</li> </ul>
PDSP	a. Engagement on the strategy and outcomes	<ul style="list-style-type: none"> <li>◆ Consultation</li> <li>◆ Annual review of progress</li> <li>◆ End of strategy review</li> </ul>
Corporate Management Team	<ul style="list-style-type: none"> <li>a) Engagement on the strategy and strategy outcomes at the development stage</li> <li>b) Regular updates to the Corporate Management Team on the progress of specific programmes of work</li> </ul>	<ul style="list-style-type: none"> <li>◆ Consultation</li> <li>◆ Annual review of progress</li> </ul>
Governance and Risk Board	a) Engagement with customers and stakeholders, and review of progress	<ul style="list-style-type: none"> <li>◆ Annual review of progress</li> <li>◆ End of strategy review</li> </ul>

## Strategy monitoring

The Audit, Risk And Counter Fraud Manager and the Governance and Risk Board (responsible for delivering and monitoring progress in the strategy) will ensure that appropriate arrangements are in place to track and monitor in-year progress.

An annual review of progress will be undertaken and reported to the council's Corporate Management Team, to the Audit Committee, and to the relevant PDSP. This will include an update on the agreed performance scorecard and action plan and will also be published on the performance pages of the council website. Insert link.

An end of strategy review will be undertaken in the final year of the strategy to report on the achievement in the outcomes and final position in the performance indicators (against the target) and the agreed actions.

## Supporting the delivery of Council priorities

This strategy will support the delivery of the Council's Corporate Plan

Corporate strategies are designed to support the delivery of the Corporate Plan 2018/23 by improving the culture, agility, resilience and performance of the council. Each strategy has clearly defined outcomes and measurable indicators of success and actions for the period. Specifically, this strategy aligns to the enablers and deliverables that have been identified as key to the success of the Corporate Plan, this outlined in the following table.

Alignment with Corporate Enablers					
Council enabler	Deliverable	Strategy key activity / process	Indicator(s)	2017/18 Performance	2018/19 Target
(E2.3) Corporate governance and risk	Defining a series of procedures and practices which together create the framework for good corporate governance.	◆ The deployment of an internal audit service which provides assurance on the council's risk management, control and governance processes, and adds value to the council's operations	Percentage completion of the internal audit plan	100%	100%
			Percentage of customers rating the overall internal audit service as good or excellent	96%	100%
		◆ Counter fraud arrangements which assist in minimising the risk of fraud and ensure that alleged frauds and irregularities are timeously reported, effectively investigated, and taken to an appropriate conclusion	Percentage of counter fraud referrals assessed within three working days of receipt	92.7%	95%
			Percentage of customers rating the overall counter fraud service as good or excellent	97%	100%

## Appendix 1: Strategy Scorecard

The council will report on the following key measures of the success throughout the lifetime of our strategy, targeting performance improvement against the baseline year (2017/18)

### OUTCOME 1 – The deployment of an internal audit service which provides assurance on the council's risk management, control and governance processes, and adds value to the council's operations

Indicators	Baseline Performance 2017/18	Target 2018/19	Target 2019/20	Target 2020/21	Target 2021/22	End of Strategy Performance Target 2022/23
P:IA014_9b.1a Percentage of audits in the annual audit plan completed for the year.	100%	100%	100%	100%	100%	100%
IA008_6a.7 Percentage of customers who rated the overall quality of the service provided by internal audit as good or excellent.	96%	100%	100%	100%	100%	100%
IA015_9b.1a Average length of time (in weeks) to issue draft audit reports.	8.8 weeks	10 weeks	10 weeks	10 weeks	10 weeks	10 weeks
P:IA012_9a.1d Cost of internal audit per £1 million of West Lothian Council's net expenditure.	£454	£460	£460	£460	£460	£460

### OUTCOME 2 – Counter fraud arrangements which assist in minimising the risk of fraud and ensure that alleged frauds and irregularities are timeously reported, effectively investigated, and taken to an appropriate conclusion.

Indicators	Baseline Performance 2017/18	Target 2018/19	Target 2019/20	Target 2020/21	Target 2021/22	End of Strategy Performance Target 2022/23
IA039_6b.5 Percentage of fraud referrals assessed and decided within three working days of receipt.	92.7%	95%	100%	100%	100%	100%
IA037_6a.7 Percentage of customers who rated the overall quality of the service provided by counter fraud as good or excellent.	97%	100%	100%	100%	100%	100%
IA040_9b.1a Average length of time (in weeks) to issue draft fraud reports.	20.4 weeks	17 weeks	16 weeks	15 weeks	14 weeks	14 weeks
IA042_9b.1a Percentage of National Fraud Initiative recommended data matches investigated to a conclusion	100%	100%	100%	100%	100%	100%

## Appendix 2: Strategy Action Plan

The council will undertake a range of actions to support delivery of corporate priorities and objectives, improve services and deliver transformation.

Actions 2018/23							
Action	Description	Planned Outcome	Owner(s)	Start	End	Status	Update
<b>Strategic action</b>	Annual review of internal audit compliance with Public Sector Internal audit standards (PSIAS)	Compliance with PSIAS	Audit, Risk and Counter Fraud Manager	April 2018	March 2023	Active	To be conducted annually throughout the term of the strategy
<b>Strategic action</b>	External review of internal audit compliance with Public Sector Internal audit standards (PSIAS)	Compliance with PSIAS	Audit, Risk and Counter Fraud Manager	April 2021	December 2021	Planned	
<b>Strategic action</b>	Review of Internal Audit Charter	Effective and up to date Charter	Audit, Risk and Counter Fraud Manager	April 2018	September 2018	Active	
<b>Strategic action</b>	Counter fraud e-learning tool	Increased awareness by services	Audit, Risk and Counter Fraud Manager	April 2018	September 2018	Active	
<b>Strategic action</b>	Review of Anti-Fraud and Corruption Policy	Effective and up to date policy.	Audit, Risk and Counter Fraud Manager	April 2019	September 2019	Planned	
<b>Strategic action</b>	Annual review of counter fraud procedures	Effective and up to date procedures	Audit, Risk and Counter Fraud Manager	April 2018	March 2023	Active	To be conducted annually throughout the term of the strategy

# Internal Audit and Counter Fraud Strategy

## West Lothian Council

**June 2018**

For more information:

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