

**INTERNAL AUDIT AND COUNTER FRAUD SUMMARY OF ACTIVITIES**

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**1. SUMMARY**

1.1 The objective of the report is to provide the Audit and Scrutiny Committee (the Committee) with a summary of Internal Audit activity and progress during quarter one of 2023/24.

1.2 Core activities together with a progress update statement are shown below:

- **2023/24 Audit Plan progress:** On track subject to available resources being in place for the full period of the approved plan.
- **2022/23 Individual Audits undertaken:** Ten audits have been completed during the period. Three audits have been assessed as providing high assurance, three as substantial assurance, four reasonable assurance and none as limited assurance. This completes this audit plan. **(Where HSCP and LiveArgyll Audits are included these are provided for information only).**
- **Scrutiny:** Planned work for 2022/23 in relation to Consultations has been completed and forms part of the June agenda.
- **Counter Fraud:** The Counter Fraud Team (CFT) is continuing to rebill council tax accounts and recovery of funds is underway. All other aspects and referrals are being considered, investigated and evaluated and the Counter Fraud Team remain vigilant to protect our public purse.
- **Continuous Monitoring Programme Testing:** A number of auditable units are subject to continuous testing. No new issues have been identified this quarter and management have responded to previous quarter notifications.
- **Performance indicators:** Current status is green / on track.

**2. RECOMMENDATIONS**

2.1 To review and endorse the Summary of Activities report.

**3. DETAIL**

3.1 Ten audits have been completed since the previous Committee in March 2023.

**Audits Completed**

- Purchasing Cards
- Building Standards
- Cyber Security

- Management of Debt & Debt Recovery
- Burial Records
- Counselling in Schools
- Equality and Socio-Economic Impact Assessment
- Payroll
- LiveArgyll – Lochgilphead Community Centre
- LiveArgyll – Mid Argyll Sports Centre

### **Audits in Planning / in Progress**

reported to a future meeting of the Committee

- Risk Management
- Learning Disability Care Packages

3.2 In addition to those already in progress, indicative audits planned for Quarter 2 2023/24 are:

- Education Maintenance Allowance
- HSCP – Risk Management
- LGBF – Verification Audit
- SPT – Annual Claim Verification

### 3.3 **2022/23 Audit Plan**

- The plan is now completed and there are no items outstanding.

### 3.4 **2023/24 Audit Plan**

- Work has commenced on the approved plan and with work ongoing outlined in paragraph 3.2.

### **Scrutiny**

3.5 A significant piece of work has taken place in relation to the scrutiny topic agreed for the 2022/23 plan relating to consultations. This work was completed in May 2023 and forms part of this agenda for consideration by the Committee. A report on the scrutiny subject for 2023/24 will also be considered at this Committee and will relate to the outstanding working concerning 'Fly Tipping'. Work had previously been postponed until data became available to the Panel. It is now likely that this will be in the autumn/winter of 2023 but we will keep the Panel updated.

### **Counter Fraud**

3.6 "The CFT is progressing well with both team members fully CIPFA accredited fraud investigators. Continued routine work is required to be able to accurately track the full income recovered from the team's work, however, based on the amount of additional billing, even accounting for a degree of non-recovery, the indications are that they are easily exceeding target. In addition the team are raising awareness of the Council's zero tolerance to fraud and this will act as a deterrent to fraud being perpetrated in the first place.

The team visited Oban in the early part of the year which has resulted in the rebilling of a number of accounts, as well as a revisit to Bute and Dunoon in late February, and has provided some additional billing of due income after extended investigations. In April 2023 the team made a visit to Islay and in the middle of May 2023 also visited Tiree, both these visits proved very fruitful and rebilling and adjustments to accounts have already taken place.

The team aim to visit Mull in the coming months, in addition, a large scale review will take place in the summer months and will aim to visit Helensburgh, Cardross and Rhu.

The CFT have also been assisting with 'Aged Debt' and how best to recover these funds and this work is ongoing in order to provide support to teams from Infrastructure and Legal.

### **Additional Updates from Quarter One**

- 3.7 Staff continue to work from home and this has proved to be successful; where on-site visits have been required due to the specific nature of the audit work to be undertaken, these visits have occurred in accordance with any guidance that was in place, including lone worker best practice.
- 3.8 The Public Sector Internal Audit Standards (PSIAS) require the Council's Chief Internal Auditor (CIA) to develop a Quality Assurance and Improvement Programme (QAIP). The purpose of the QAIP is to enable the evaluation of internal audit's conformance to the PSIAS. The QAIP must include annual internal self-assessments with a five yearly external assessment, carried out by an independent assessor. A programme of five yearly reviews has been prepared by the Scottish Local Authorities Chief Internal Auditors Group (SLACIAG) and these will be conducted by peer review. This review has been completed and the findings were reported to the March 2023 meeting of the Committee. The Self-Assessment against the PSIAS for 2023 will be reported to the September meeting of the Committee.

### **Continuous Monitoring**

- 3.9 Our continuous monitoring programme is generally focused on transactional type activity. Standard audit tests are applied which are relevant to each auditable unit. Control design tests look at whether the controls in place adequately address the potential risk event. There have been no new findings within the quarter that require to be reported.

**Table 2: Continuous Monitoring Findings**

<b>Auditable Area</b>	<b>Areas Tested</b>	<b>Issues Identified</b>	<b>Management comment / action</b>
		None identified	

- 3.10 A follow up process is in place whereby management are advised of continuous monitoring findings and, where appropriate, requested to take remedial action. There are currently no outstanding follow-up points arising from previous testing.

Due to the volume of continuous monitoring tests carried out the decision was made to report by exception only.

## National Reports

- 3.11 A follow up process for national reports is in place whereby management are advised of national reports published and asked to confirm what, if any, action is planned as a result of the report. Table 2 details the national reports issued during quarter four 2022/23 and due to be reported in quarter 1 2023/24.

**Table 3: National Reports**

National Report	Issued To	Detail	Management response/ Action taken
Resourcing the benefit service	Chief Executive	Many people are waiting longer for housing benefit claims to be processed as services across Scotland's councils face rising workloads, fewer staff and high sickness absence levels.	This report largely supports the conclusions of a recent Business Process Re-engineering exercise for our Benefits and Revenue team of which are currently being implemented and therefore note the national report and no further action.
Public sector gender pay gap reporting	Executive Director Kirsty Flanagan	Analysis of public sector reporting highlighting areas of good practice, common pitfalls, findings and areas for improvement.	A gender pay gap report is being prepared in order to meet our public sector equality duty reporting, the content of the national report will be of assistance in this process. The gender pay gap report was submitted to the May meeting of the Policy and Resources Committee.

## National Fraud Initiative (NFI)

- 3.12 NFI data matching involves comparing computer records held by one body against other computer records held by the same or another body to identify potentially fraudulent claims and payments to be identified. Note though that the inclusion of personal data within a data matching exercise does not mean that any specific individual is under suspicion. Where a match is found it indicates that there may be an inconsistency which requires further investigation. No assumption can be made as to whether there is fraud, error or other explanation until an investigation is carried out. A reminder process is in place to ensure that matches are reviewed on a timely basis.
- 3.13 The new NFI exercise has been released after some technical delays from the Cabinet Office. This exercise will be conducted throughout the year by officers and matches checked and closed accordingly. NFI have announced more data releases in the coming month and any matches will be addressed when these become available. The current NFI matches are below in the NFI section of his report. The CFT are reviewing the information received from the National Fraud

Initiative (NFI) matching service, work has commenced to follow these up locally. Existing users have been reviewed and new users added where requested, all users have been informed that matches are available for review and progress will be monitored monthly by the Counter Fraud team and reported quarterly to the Audit and Scrutiny Committee.

**Table 4: National Fraud Initiative Progress at 30/04/2023**

Operational Area	Total Matches	Recommended/Very High / High Risk Matches	Matches Complete	* WIP	Match Description
CT to Elect Register	1155	0	1155	0	CT records to Electoral Register/ other data sets to ensure discount awarded to only those living alone aged over 18, taking into account disregarded occupants. (CT to other Datasets will not be progressed further due to poor quality data)
CT rising 18s	208	0	208	0	
Housing Benefits	11	11	11	0	HB records to records in other authorities / other datasets including student loans, payroll and pensions to identify undeclared income and capital.
Payroll	141	0	0	0	Payroll records to other datasets including other payrolls and pensions to ensure employee is not receiving additional income.
Blue Badges	238	204	152	0	Blue badge records to DWP data to identify deceased claimant with valid badge.
Housing Waiting list	232	214	1	0	Housing waiting list records to other organisations HBCTR and tenant data to identify undisclosed changes in circs or false info.
Council Tax Reduction	270	138	51	0	CTR records with records in other authorities / other datasets including; student loans, payroll and pensions to identify undeclared income and capital
Creditors	589	0	19	0	Analyses Creditors data to identify possible duplicate vendors and payments, VAT errors or fraud and multiple vendors sharing a bank account.
Procurement	38	0	10	0	Payroll records to Companies House and creditors data to identify employees who appear to have a personal interest in a company that the authority has traded with.

\* Work in Progress

**Overall Summary of Matches**

Matches Complete	Work In Progress	Cleared	Frauds	Errors	Total Value £	Recovering	Recovering Value £
1,363	0	1,363	0	0	0	0	0

## Internal Audit Development

3.14 The table below details progress against the action points in our Internal Audit development plan.

**Table 5: Internal Audit Development Key Actions:**

Area For Improvement	Agreed Action	Progress Update	Timescale
Clearer referencing of findings referred to in the Annual Audit Report and that within the Annual Governance Statement (AGS) and Vice Versa	Once the AGS has been reviewed, work will then commence on updating the Internal Audit Annual Report so that clearer referencing can be accommodated between both documents for ease of use.	Draft AGS has been prepared and Internal Audit Annual Report with cross linking of each document.	Completed June 2023
Create SharePoint list to track audit actions.	Information recorded on the Access DB will be transferred to a new SharePoint list allowing officers to update progress themselves. New actions will be added to this list when audit reports are published.	Complete	Completed March 2023
Review Continuous Monitoring Programme	Continuous monitoring tests will be reviewed following audit of Debt recovery to assess value of existing tests carried out.  Consider adding test to review date taken to process invoices from date of receipt within the Council (not at Creditors)	In progress	August 2023
Update format of template for quarterly reporting of progress in implementing audit actions.	Data extracted from the new SharePoint list will be exported to Excel and manipulated into a format that can be copied to the cover report template on word.	Template and formulae updated and will form part of the June agenda.	June 2023 Completed

3.15 Internal Audit scorecard data is available on pyramid. The indicators reported are aligned to those for internal audit in the Financial Services service plan. All indicators are shown as currently being on track.

**Table 6: Internal Audit Team Scorecard**

<b>Internal Audit Team Scorecard 2022– 23 – FQ4 22/23 (as at March 2023)</b>			
<b>BO115 We Are Efficient And Cost Effective</b>			
Internal Audit Level of Satisfaction	Actual	96%	G
	Target	80%	↑
Review of Strategic Risk register	Status	Complete	G
	Target	Complete	↑
Percentage of audit plan completed	Status	100%	G
	Target	100%	→
Percentage of audit recommendations accepted by management	Actual	100%	G
	Target	100%	→

#### **4 CONCLUSION**

- 4.1 The 2023/24 audit plan is on track and the Counter Fraud Team is continuing with visits and pro-active work throughout Argyll and Bute.

#### **5 IMPLICATIONS**

- 5.1 Policy - Internal Audit continues to adopt a risk based approach to activity
- 5.2 Financial –None
- 5.3 Legal –None
- 5.4 HR – None
- 5.5 Fairer Scotland Duty – None
- 5.5.1 Equalities – None
- 5.5.2 Socio-Economic Duty – None
- 5.5.3 Islands Duty – None
- 5.6 Climate Change – None
- 5.7 Risk – None
- 5.8 Customer Service – None

For further information please contact Internal Audit (01546 604108)

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**20 June 2023**