

INTERNAL AUDIT AND COUNTER FRAUD SUMMARY OF ACTIVITIES

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 two 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.
- **2023/24 Individual Audits undertaken:** Four audits have been completed during the period and all have been assessed as providing high assurance. **(Where HSCP and LiveArgyll Audits are included these are provided for information only).**
- **Scrutiny:** Planned work for 2023/24 in relation to 'Fly Tipping' will be scheduled later in the calendar year.
- **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. There have been two new issues which have been identified this quarter and which we have received a management response for both cases.
- **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 Four audits have been completed since the previous Committee in June 2023.

Audits Completed

- Risk Management
- Education Maintenance Allowance
- Kintyre Community Centre – LiveArgyll

- Victoria Hall - LiveArgyll

Audits in Planning / in Progress

reported to a future meeting of the Committee

- Piers and Harbours
- Pupil and Public Transport
- Hire of Vehicles
- Learning and Disability Care Packages
- Pupil Registration

3.2 In addition to those already in progress, indicative audits planned for Quarter 3 2023/24 are:

- Planning
- Freedom of Information Requests
- Compliance Review
- Oban Airport

3.3 2023/24 Audit Plan

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

Scrutiny

3.4 It was agreed in June 2023 that scrutiny work for 2023/24 will focus on the outstanding review 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

3.5 "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 aim to visit Mull in the coming months which will likely conclude the proactive island work this year. The islands will be proactively reviewed periodically for any new evidence or any further investigative requirements.

A large review of the Helensburgh area is underway, this will be labour intensive and will involve in depth discussions with the council tax team in order to assess information and where appropriate re-bill any monies due as may result from the work.

The team now have a referral system in place from council tax teams as additional resources through the use of summer students working has supported this development.

The team lead is also working directly with DWP in order to conclude a long term investigation and will liaise with sheriff officers if successful to proceed with recovery. The CFT will also look at other avenues to conclude this difficult investigation if the DWP venture is fruitless.

The CFT are also working closely with the empty homes team to support each other in our remits. Work and communication between each department is key in finding solutions and appropriate billings to enable empty homes to return to residency or open market.

The NFI exercise continues to be a routine work area for the CFT.

Additional Updates from Quarter One

- 3.6 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.
- 3.7 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.
- 3.8 A sample of data in respect of the Statutory Performance Indicators (SPI's) that are required to be returned by councils as part of the Local Government Benchmarking Framework (LGBF) must be reviewed by Internal Audit for submission to the Improvement Service by 31 August each year. Internal audit carry out this work in collaboration with colleagues in performance management. Internal Audit was provided with the full set of data from which to select indicators for review on 23 June and as large variances were reported in 'Payment of Invoices' and 'Cost of Council Tax Collection' and there was a change in the data requirement for 'Equal Opportunities Policy 1', these indicators were selected for review. There were also large variances reported in sport and leisure management, museum services and use of libraries, however, the explanations provided were largely due to a return to full service following Covid restrictions. It was decided that these indicators would not be reviewed for the 2022/23 reporting year as they have been subject to review in recent years and errors in data collection and reporting had been resolved. Errors were identified during the course of the review and amended by the relevant officers. The pro-forma has been updated to reflect the correct figures for submission to the Improvement Service.

3.9 The Strathclyde Concessionary Travel Scheme (SCTS) is founded on the provision of the Transport Act 1985, which allows authorities to make concessionary travel schemes in certain circumstances. The SCTS is administered by Strathclyde Partnership for Transport (SPT) on behalf of the SCTS Joint Committee consisting of 12 local authorities to issue travel cards which entitles the holder to discounted travel by reason of age or disability, and provide reimbursement of fare reductions on rail, subway and ferry services. Argyll and Bute Council operates two ferry routes that qualify for concessionary fares within the SCTS. Internal audit are required to provide a certificate of accuracy on an annual basis to confirm that the details pertaining to the number of concessionary passengers carried and the equivalent standard fares are consistent with the quarterly claims for reimbursement of the difference between the concessionary fare charged and the standard fare. The data and supporting information for quarter 4 2022/23 claim was provided to internal audit for review and found to provide an accurate representation of the number of passengers and value of fares charged, and the reimbursement value was found to have been calculated in accordance with the SCTS requirements. The certificate of accuracy was therefore issued on 22 June 2023.

Continuous Monitoring

3.10 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 two new findings within the quarter that require to be reported.

Table 2: Continuous Monitoring Findings

Auditable Area	Areas Tested	Issues Identified	Management comment / action
Payroll	Overtime	High levels of Overtime	Service short staffed due to sick leave and vacancies. The use of agency staff is being considered.
Payroll	Overtime	High levels of Overtime	Service short staffed with additional shifts being picked up by member of staff identified.

3.11 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

3.12 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 one 2023/24 and due to be reported in quarter two 2023/24.

Table 3: National Reports updated 31 July 2023

National Report	Issued To	Detail	Management response/ Action taken
Local Government in Scotland Overview 2023	Chief Executive	<p>In this year's Accounts Commission's overview of local Government, it is reported that demand and workforce pressures have been deepening after the pandemic and funding is forecast to reduce in real terms.</p> <p>Radical change, through greater collaboration, is urgently needed if councils are to maintain services.</p>	ELT has noted the report and no action is required on this occasion.
Early learning and childcare – Progress on delivery of the 1,140 hours expansion	Executive Director Douglas Hendry	The Scottish Government, councils and partners did well to increase early learning and childcare provision to 1,140 hours a year per child, despite the challenge of the Covid-19 pandemic. But the sector remains fragile.	<p>The Education Service has considered the report and recommendations contained within for councils and are content that we are working towards the recommendations. The Service has already met with Scottish Government representatives on 23 June to discuss the data we hold and the data that will assist us in monitoring:-</p> <ul style="list-style-type: none"> – the movement of the ELC workforce between the public, private and third sectors – demand for both funded ELC and childcare paid for directly by parents – the extent to which children with additional support needs are not accessing funded ELC, the reasons for this, and the extent of any unmet needs. <p>We will welcome a more consistent data set provided nationally.</p>
Fraud and Irregularity Annual Report 2022/23	Executive Director Kirsty Flanagan	A summary of the cases of fraud and other irregularities at public bodies reported by external auditors for	A copy of the report has been issued to all relevant staff within the Council as an opportunity for learning, prevention, review of current controls in place and where appropriate, make any

		the financial year 2022/23.	changes necessary. This email was issued on 31 July 2023 by the CIA.
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National Fraud Initiative (NFI)

- 3.13 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.
- 3.14 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 this report. The CFT are reviewing the information received from the 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 14/08/2023

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	20	11	19	0	HB records to records in other authorities / other datasets including student loans, payroll and pensions to identify undeclared income and capital.
Payroll	143	2	2	0	Payroll records to other datasets including other payrolls and pensions to ensure employee is not receiving additional income.
Blue Badges	238	204	184	0	Blue badge records to DWP data to identify deceased claimant with valid badge.

Housing Waiting list	233	217	179	0	Housing waiting list records to other organisations HBCTR and tenant data to identify undisclosed changes in circs or false info.
Council Tax Reduction	281	160	280	1	CTR records with records in other authorities / other datasets including; student loans, payroll and pensions to identify undeclared income and capital
Creditors	589	0	26	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	36	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 £
1597	1	1597	0	92	0	0	0

Internal Audit Development

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

Table 5: Internal Audit Development Key Actions: updated 22/6/23

Area For Improvement	Agreed Action	Progress Update	Timescale
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	October 2023
Update Internal Audit Manual in include evaluation of internal audit reports against the Local Government (Scotland) Act 1973 exemption criteria.	Add paragraph to the IA Manual to evaluate whether reports being submitted to committee should be considered for exemption under the Local Government (Scotland) Act 1973 .	In progress	March 2024

- 3.16 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

Internal Audit Team Scorecard 2023– 24 – FQ1 23/24 (as at June 2023)			
BO115 We Are Efficient And Cost Effective			
Internal Audit Level of Satisfaction	Actual	100%	G ↑
	Target	80%	
Review of Strategic Risk register	Status	On Track	G →
	Target	On Track	
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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14 September 2023