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**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 three of 2020/21.
- 1.2 Core activities together with a progress update statement are shown below:
- **2020/21 Audit Plan progress:** On track
  - **Individual Audits undertaken:** seven audits have been completed during the period. Of these audits, two are high, four are substantial and one is limited.
  - **Scrutiny:** Work has resumed on Scrutiny Plan to recap on progress to date and consider arrangements to proceed within current COVID guidelines.
  - **Counter Fraud:** The team is fully resourced, commenced training and functioning well with the first review completed.
  - **Continuous Monitoring Programme Testing:** A number of auditable units are subject to continuous testing. Management have responded to previous quarter notifications and there are no outstanding issues.
  - **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 Six audits have been completed since the previous Committee in March 2020. Six audits are currently in progress and these will be reported to a future meeting of the Committee.

**Audits Completed**

- System Interfaces and Reconciliations
- Oban Airport
- Scottish Welfare Fund
- Welfare Rights
- LEADER
- Homelessness
- Special Investigation – Primary School Finances (reported as a restricted item)

### **Audits in Progress**

- Charging for Non-residential Care services
  - Capital Monitoring
  - Work Experience/ Placements
  - Management of Term Contracts
  - Disaster Recovery Planning (ICT)
- 3.2 In addition to those already in progress indicative audits planned for Quarter 4 2020/21 are:
- Workforce Planning
  - Sickness Absence
  - Fleet Services – Warden Services
  - Learning Disability Care Packages
  - Intercompany controls/Budget Monitoring - LiveArgyll

### **Scrutiny**

- 3.3 The Economic Strategy Review has resumed, members and officers have met to recap on progress made to date and agreed to hold their final panel meeting on 3 December 2020. A final report will be submitted to the March 2021 Committee.
- 3.4 The Strategic Housing Fund review will resume on 17 December 2020 to recap on progress made to date and consider next step. As a consequence of ongoing COVID related restrictions scrutiny panels will be held virtually for the foreseeable future.

### **Counter Fraud**

- 3.5 The Counter Fraud Team (CFT) is now fully operational utilising desktop investigations to date. Both officers have commenced the CIPFA (Chartered Institute of Public Finance and Accountancy) Accredited Counter Fraud Specialist Course and passed module one of the course which consisted of practical work, class based role playing and a written exam. A written assessment is to be submitted in December. Module two commences in December following a similar structure. The course provides officers with knowledge of sources of law, procedural legislation, skills to create an anti-fraud culture and the ability to draft professional reports that will display a sufficiency of evidence in a court of law.
- 3.6 Proposed amendments to the Council Constitution specifically Part D, Financial and Security regulations have been drafted, these include updates to:
- definitions of fraud and corruption
  - the fraud response plan with the CFT's remit
  - the whistleblowing policy to include new reporting avenues, encouragement of persons to report fraud and importantly link the policies together.

To raise awareness of the CFT a presentation has been prepared and delivered to full SMT on 23 November 2020. We will consider how best to disseminate this throughout the Council. The internet and intranet hub web pages have already been updated to promote the service and reporting links have been moved to more prominent positions.

- 3.7 One whistleblowing referral has already been fully reviewed and the CFT's conclusions passed to the relevant head of service. It concerned an allegation of theft of council resources by a council officer. Investigations provided sufficient evidence to support the allegation and a panel has been appointed to review the findings and consider disciplinary action. A further investigation is in progress regarding an allegation that a council officer is working elsewhere whilst on sickness absence.
- 3.8 Investigations into reports of potential Council Tax anomalies are being carried out. These mainly consist of potentially false claims for single person discounts, fictitious tenants or claims of second home status for the avoidance of 100% premium of Council Tax. Investigations are mainly desk based utilising online tools for credit referencing and utility checks.
- 3.9 Reviews are carried out on Council Tax Discount and Exemptions which are ongoing over a rolling year. There are currently two active reviews - Single Person Discount and Job Related Dwelling Discount where claimants are asked to confirm their status and provide documentation if required. The Single Person Discount Review attracts a civil penalty application for non-responding. We will update the Committee on the outcome of this, and similar work, throughout the year.

### **Additional Updates from Quarter Three**

- 3.10 The recruitment process to appoint a new Executive Director has completed and the previous Head of Financial Services has been appointed to the post. Consequently the acting up arrangements affecting the Chief Internal Auditor which were first reported to the Committee in January will continue until a new Head of Financial Services is appointed.
- 3.11 A senior member of the Internal Audit team performed the annual self-assessment for 2020/21 in conformance with the requirements of the Public Sector Internal Audit Standards (PSIAS). The output of the exercise will be presented at this committee as a separate report and provides results of assessment against each of the 14 PSIAS self-assessment areas. The exercise identified a number of areas of good practice as well as some areas for improvement.

### **Continuous Monitoring**

- 3.12 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.
- 3.13 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 and no issues have been identified during quarter three.

### **National Reports**

- 3.14 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 1 below details the national reports issued during quarters two and three 2020/21.

**Table 1: National Reports**

<b>National Report</b>	<b>Issued To</b>	<b>Detail</b>	<b>Management response/ Action taken</b>
Audit Scotland: Moray Council Best Value Assurance report	SMT	Moray Council must urgently improve services: Services in Moray Council are continuing to deteriorate, in particular within education. There has been a significant decline in services since a previous report by the Accounts Commission in 2015.	Considered by SMT on 7 September 2020
Audit Scotland: Covid-19 Implications for public finances in Scotland	SMT	Covid-19 will have significant consequences for public spending in Scotland now and well into the future	Considered by SMT on 21 September 2020
Audit Scotland: Dundee City Council Best Value Assurance report	SMT	A decade of improvement at Dundee City Council, but progress needs to quicken to tackle deep social issues: Over the last ten years Dundee City Council has improved many services for residents and played a major part in the ambitious programme of projects that have transformed much of the city centre.	Considered by SMT on 5 October 2020
Audit Scotland: Aberdeenshire Council Best Value Assurance report	SMT	Aberdeenshire Council needs clearer vision to address underlying weaknesses: Aberdeenshire Council continues to deliver many services to a good standard but needs to be clearer about what it wants to achieve.	Considered by SMT on 2 November 2020

### **National Fraud Initiative (NFI)**

- 3.15 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.
- 3.16 Datasets for the 2020-21 exercise have been extracted from the required council systems in line with the published timetable. Further datasets for Council Tax and Electoral Register are expected to be submitted in December and a new data set for non-domestic rates and business support grants will be requested in due course. The matches from the first submission of datasets will be available for review from January 2021 and therefore the table updating the committee on matches progressed will be reinstated from the March 2021 meeting of the Committee onwards.

Current intentions are that the role of monitoring NFI progress will be carried out by the new corporate fraud team with a hand over from internal audit to be performed in due course.

### Internal Audit Development

- 3.17 The table below details progress against the action points in our Internal Audit development plan. No additional items have been added in quarters one and two.

**Table 2: Internal Audit Development Key Actions:**

Area For Improvement	Agreed Action	Progress Update	Timescale
Counter Fraud Team	Approval for establishment of fraud team received, vacancies advertised.  The Counter Fraud team is now in place and fully operational.	Complete	October 2020
VC and conference facility	Progress plan to use former audit room at Whitegates as a video conference facility.  The new facility is well progressed but paused due to the Council's response to the pandemic situation.	Delayed	No current timescale due to ongoing office closures
Update Scrutiny Manual and Framework	Update the Scrutiny Manual and Framework to reflect Audit and Scrutiny Committee Decisions resulting from the lessons learned report submitted to the March Committee.  Delayed due to acting up arrangements and staff being redeployed due to the council's response to the pandemic situation.	Delayed	March 2021

- 3.18 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 on currently being on track.

Internal Audit Team Scorecard 2020– 21 – FQ2 20/21 (as at September 2020)			
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	On Track	G →
	Target	100%	
Percentage of audit recommendations accepted by management	Actual	100%	G →
	Target	100%	

## **4 CONCLUSION**

- 4.1 The revised 2020/21 Audit Plan is on track. Continuous monitoring testing undertaken during the period has provided an overall effective level of assurance in respect of control effectiveness.

## **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 Risk – None
- 5.7 Customer Service – None

For further information please contact Internal Audit (01436 657694)

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**15 December 2020**