

**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 four 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:** Two audits have been completed during the period. Both audits have been assessed as providing reasonable assurance.
- **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, progressing through training and functioning well.
- **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 Two audits have been completed since the previous Committee in December 2020. Five audits are currently in progress and these will be reported to a future meeting of the Committee.

**Audits Completed**

- Pupil Placements
- Contract Management – Property Services

**Audits in Progress**

- Capital Monitoring
- Sickness Absence
- Intercompany Controls
- Charging for Non-residential Care services
- Disaster Recovery Planning (ICT)

- Warden Services
  - Workforce Planning
- 3.2 In addition to those already in progress indicative audits planned for Quarter 1 2021/22 are:

**2021/22 Audit Plan**

- Land and Asset Disposal
  - Purchasing Cards
  - Civil Contingencies
  - Planning Applications
  - Contract Management – Roads and Amenity Services
- 3.3 The 2020/21 internal audit plan included an audit of Learning Disability Care Packages. Officers are currently working on a draft Learning and Disability/Autism vision which will be supported by an associated strategy and service specific action plans. As this work is still being progressed it is considered that would be limited value in conducting an audit at the current time and so this audit has been removed from the 2020/21 plan. There is a possibility that this audit will be replaced by an audit of the Care Programme Approach which is a package of care provided to service users to support mental health recovery. The CIA is currently in discussion with officers over in relation to this. If it is decided not to progress this alternative audit then no further audit will be identified. For the reasons set out in paragraphs 3.14 and 3.15 there is limited resource availability at the current time.

**Scrutiny**

- 3.4 The Economic Strategy review panel met on 3 December 2020 and the final report is submitted to this Committee.
- 3.5 The Strategic Housing Fund review panel met on 17 December 2020 to recap on progress made to date and consider progression. It was decided to hold a further meeting with representatives from Scottish Government and a panel has been scheduled for 8 April 2021. As a consequence of ongoing COVID related restrictions scrutiny panels will be held virtually for the foreseeable future.

**Counter Fraud**

- 3.6 The Counter Fraud Team (CFT) is now fully operational utilising desktop investigations to date. Both officers have completed the CIPFA (Chartered Institute of Public Finance and Accountancy) Accredited Counter Fraud Specialist Course and passed module one and two and passed their written. This means both officers are now fully accredited.
- 3.7 The proposed amendments to the Council Constitution specifically Part D, Financial and Security regulations have been drafted, and are currently with Legal & Regulatory Support Officers for review.
- 3.8 To raise awareness of the CFT a presentation has been prepared and delivered to the full Strategic Management Team (including Heads of Service), the Financial Services Management Team and to this Committee. An internal e-learning course has been prepared and is with the Talent Management Team for testing and review.

- 3.9 As reported to Committee in December one whistleblowing referral has been fully reviewed and the CFT's conclusions passed to the relevant head of service. There are currently proceedings underway using the appropriate Council HR policies.
- 3.10 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.
- 3.11 A rolling programme of reviews is carried out on Council Tax Discount and Exemptions and our current focus is to review:
- student exemptions and discounts that are 2 or 3 years old
  - repossessed dwellings
  - agricultural dwellings and buildings
  - levies due to be applied from 1 April 2021
  - properties changing to second homes and/or main residence.

3.12 Table 1 summarises our counter fraud activity work in 2020/21

**Table 1: Counter Fraud Activity 2020/21**

| <b>Investigation Area</b> | <b>No. of Referrals</b> | <b>Summary</b>   |
|---------------------------|-------------------------|--|
| Council Tax               | 24                      | Fourteen resulted in action, ten resulted in no action.  |
| Benefits                  | 1                       | Referred to DWP as falls under their remit.  |
| Blue Badge                | 1                       | No offence found, but limitations of badge discussed with family member of badge owner by relevant department.   |
| Employee                  | 3                       | One currently subject to appropriate Council HR policies<br>One with no evidence to support the accusation<br>One ongoing.   |
| Other                     | 1                       | Allegation of council tax fraud and drug misuse whilst a minor is in home. Fraud not substantiated. Drug misuse allegation referred to police and social work for further investigation. |
| Proactive Work            | N/A                     | Proactive reviews not based on referrals has resulted in removal of exemptions and applying extra charges and penalties where appropriate.   |
| <b>TOTAL</b>              | <b>30</b>               | <b>Total Billing to Date £16,921</b>   |

#### **Additional Updates from Quarter Four**

- 3.13 Acting up arrangements affecting the Chief Internal Auditor which were first reported to the Committee in January 2020 are ongoing and will remain in place until a new Head of Financial Services is appointed. The post has been advertised with a closing date of 19 March 2021 so this issue will be resolved soon.
- 3.14 Internal Audit are taking the lead in managing the new Discretionary Fund to support local businesses impacted by COVID. The fund is now open to

applications. Initially two members of the Internal Audit team will be redeployed to assess applications, supported by colleagues from the NDR team. We will consider if this is sufficient as the volume and complexity of applications becomes known. If redeployment of staff puts pressure on completion of the 2020/21 Internal Audit Plan and commencement of the 2021/22 Plan, we will backfill using agency staff with the costs associated with that met from funding via financial flexibilities made available by the UK and Scottish Governments to help fund COVID specific costs.

- 3.15 Audit work is taking longer due to ongoing COVID restrictions, we are finding that it is taking longer to perform fieldwork due to officer availability and accessing documents which are held in offices. This and the redeployment of the team means more audit reports will be presented to the June Committee than would be usual. However I am still confident that the entire 2020/21 audit plan will be completed and reported by the time of that June Committee.
- 3.16 The Council tendered for a three year contract to provide Internal Audit work for the Health and Social Care Partnership (HSCP), we can confirm that this was successful and will commence on 1 April 2021.

### **Continuous Monitoring**

- 3.17 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.
- 3.18 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. Issues identified are detailed in table 2.

**Table 2: Continuous Monitoring Findings**

| <b>Auditable Area</b> | <b>Areas Tested</b>                     | <b>Issues Identified</b>  | <b>Management comment / action</b> |
|-----------------------|---|---|------------------------------------|
| Payroll               | Timesheets are appropriately authorised | Timesheets from one service area were appropriately authorised, however, the authorised signatory list has not been updated to reflect this responsibility. | Awaiting response                  |

### **National Reports**

- 3.19 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 3 details the national reports issued during quarter three 2020/21.

**Table 3: National Reports**

| <b>National Report</b>   | <b>Issued To</b>                   | <b>Detail</b>  | <b>Management response/ Action taken</b>   |
|--|------------------------------------|--|--|
| Audit Scotland: Digital Progress in Local Government                     | Executive Director Kirsty Flanagan | Responding to Covid-19 has increased the pace at which Scotland's 32 councils are delivering services through digital technology. Greater collaboration, use of shared expertise, citizen engagement and strategic planning are needed, however, to fully realise the potential of digital technology. | Self-assessment checklist will be completed and a full report submitted to the June Audit and Scrutiny Committee.  |
| Audit Scotland: Housing Benefit Performance Audit Annual Update 2020     | Revenue and Benefits Manager       | Annual update of Audit Scotland's housing benefit performance audit work with key messages and findings provided.  | No action required, performance issues were previously addressed and quarterly improvements have been achieved.  |
| Audit Scotland: Local Government in Scotland: Financial Overview 2019-20 | Chief Executive                    | Funding received by councils from the Scottish government increased by £500 million in 2019-20. But Covid-19 will drive large rises in costs and spending, combined with falling income.   | The report has been shared with SMT for information, there are no actions to take in response to this report. This report appears as an agenda item at this Committee. |

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

- 3.20 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.
- 3.21 All required datasets for the 2020-21 exercise have now been uploaded to the NFI application and matches were released for review on 29 January 2021. 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 3: National Fraud Initiative Progress at 14/02/2021):**

| Operational Area      | Total Matches | Recommended / High Risk Matches | Matches Complete | WIP | Match Description   |
|-----------------------|---------------|---------------------------------|------------------|-----|---|
| CT to Elect Register  | 1000          | n/a                             | 0                | 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         | 194           | n/a                             | 0                | 0   |   |
| Housing Benefits      | 26            | 12                              | 8                | 0   | HB records to records in other authorities / other datasets including student loans, payroll and pensions to identify undeclared income and capital.  |
| Payroll               | 55            | 31                              | 0                | 0   | Payroll records to other datasets including other payrolls and pensions to ensure employee is not receiving additional income.  |
| Blue Badges           | 255           | 157                             | 0                | 0   | Blue badge records to DWP data to identify deceased claimant with valid badge.  |
| Housing Waiting list  | 245           | 66                              | 0                | 0   | Housing waiting list records to other organisations HBCTR and tenant data to identify undisclosed changes in circs or false info.   |
| Council Tax Reduction | 395           | 76                              | 25               | 1   | CTR records with records in other authorities / other datasets including; student loans, payroll and pensions to identify undeclared income and capital   |
| Creditors             | 4839          | 253                             | 4                | 0   | Analyses Creditors data to identify possible duplicate vendors and payments, VAT errors or fraud and multiple vendors sharing a bank account.   |

#### Overall Summary of Matches

| Matches Complete | Work In Progress | Cleared | Frauds | Errors | Total Value £ | Recovering | Recovering Value £ |
|------------------|------------------|---------|--------|--------|---------------|------------|--------------------|
| 37               | 1                | 37      | 0      | 0      | 0             | 0          | 0                  |

#### Internal Audit Development

3.22 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   |
|--------------------------------------|--|-----------------|---|
| Update Scrutiny Manual and Framework | Update the Scrutiny Manual and Framework to reflect Audit and Scrutiny Committee Decisions resulting from the lessons learned report previously submitted to the Committee.<br><br>Delayed due to acting up arrangements and staff being redeployed due to the council's response to the pandemic situation. | Completed       | March 2021  |
| Drafting Annual Internal Audit Plan  | CIA to provide members of the Audit and Scrutiny Committee with the opportunity to input into the planning process to create the annual internal audit plan  | Completed       | March 2021  |
| VC and conference facility           | Progress plan to use former audit room at Whitegates as a video conference facility.<br><br>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 |

3.23 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 – FQ3 20/21 (as at December 2020) |        |          |   |
|--|--------|----------|---|
| <b>BO115 We Are Efficient And Cost Effective</b>                         |        |          |   |
| Internal Audit Level of Satisfaction                                     | Actual | 93%      | G |
|  | Target | 80%      | ↓ |
| Review of Strategic Risk register  | Status | Complete | 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. A draft 2021/22 audit plan has been drafted and is submitted to this committee for noting. 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)

**Laurence Slavin**

**Chief Internal Auditor**

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