

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 one of 2021/22.

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

- **2020/21 Audit Plan progress:** Complete
- **2021/22 Audit Plan progress:** On Track
- **Individual Audits undertaken:** Seven audits have been completed during the period. Five audits have been assessed as providing substantial assurance and two audits as providing limited assurance.
- **Scrutiny:** The Scrutiny review of the Strategic Housing Fund has completed and is submitted to this committee under a separate report. Discussions have taken place regarding reviews to be undertaken in 21/22.
- **Counter Fraud:** The team has completed 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 Seven audits have been completed since the previous Committee in March 2021. One audit is currently in progress and will be reported to a future meeting of the Committee.

Audits Completed

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

- Warden Services
- Workforce Planning

Audit in Progress

- Land and Asset Disposal

3.2 In addition to those already in progress indicative audits planned for Quarter 2 2021/22 are:

2021/22 Audit Plan

- Purchasing Cards
- Civil Contingencies
- Planning Applications

Scrutiny

3.4 The Strategic Housing Fund review panel met on 3 June 2021 and the final report is submitted to this Committee.

3.5 A Scrutiny Development Session was held on 27 April 21 and this is the subject of a separate report to this Committee.

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 have received digital copies of their certificates.

3.7 An internal fraud e-learning course has been prepared and is with the Talent Management Team for testing and review.

3.8 In February 2021, the CFT received a whistleblowing employee referral. An investigation was carried out which concluded there was sufficient evidence to support the accusation of fraud. This has been discussed with the Council's Legal and Regulatory Support team and escalated to the appropriate Executive Director for consideration.

3.9 In April 2021, colleagues in Social Work contacted the CFT for advice regarding a Care at Home complaint and an allegation of misappropriation of client funds. The CFT are currently conducting a review to establish whether there is any evidence of fraudulent activity.

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. The CFT have performed large scale reviews which have resulted in large billing values from penalty charges. This is a bi-annual investigation and part two will be run in September. This exercise uses external sources to data match our own records, and CFT staff cross reference anomalies.

3.11 As COVID restrictions are now easing this enables the CFT to be more proactive in terms of site visits to identify a range of possible frauds with a primary focus on empty homes. A review focusing on Bute is about to commence with properties identified for a site visit.

3.12 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 throughout the year.
- properties changing to second homes and/or main residence.
- data matches for COVID Grants with SLAIG (Scottish Local Authorities Investigators Group)

3.13 Table 1 summarises our counter fraud activity work in 2021/22 to date.

Table 1: Counter Fraud Activity 2021/22

Investigation Area	No. of Referrals	Summary
Council Tax	11	Investigative work has confirmed that there is no evidence of fraud in relation to these 11 referrals although: <ul style="list-style-type: none"> • one case referred to the Valuation Joint Board for further investigation • one referred to social work for assessment of possible care need.
Benefits	5	All passed to DWP.
Blue Badge	1	No offence found
Employee	1	Currently subject to executive director review
Other Referrals	4	<ul style="list-style-type: none"> • One general query • One highlighting a Council laptop found in London – reported to Council’s Governance & Risk Manager and IT Department • Two in relation to COVID grants.
Proactive Work	N/A	Proactive reviews not based on referrals has resulted in removal of exemptions and applying extra charges and penalties where appropriate.
TOTAL	22	Total Additional Billing to Date £72,424

Additional Updates from Quarter One

3.14 The Chief Internal Auditor has been appointed as the full time Head of Financial Services on an interim basis until September 2022. There is therefore a vacancy for a new CIA for the same interim period and a recruitment campaign is currently underway.

- 3.15 Internal Audit continued to lead on the Council’s Discretionary Fund to support local businesses impacted by COVID. The fund has now closed to applications. Two members of the Internal Audit team were redeployed to assess applications and have now returned to their roles in Internal Audit bar some work to finalise applications which are still in progress.
- 3.6 Internal Audit work for the Health and Social Care Partnership (HSCP) has commenced with a review of Care Programme Approach now in progress and the Chief Internal Auditor has facilitated a workshop to review the HSCP’s Strategic Risk Register.

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. Due to the redeployment of staff to work on the Council’s Discretionary Fund there was no continuous monitoring performed in quarter one. This work will recommence now that the Discretionary Fund work is complete.

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 2 details the national reports issued during quarter one 2021/22.

Table 2: National Reports

National Report	Issued To	Detail	Management response/ Action taken
Improving outcomes for young people through school education	Executive Director Douglas Hendry	Attainment gap remains wide and better education data needed. Progress on closing the poverty-related attainment gap between the most and least deprived school pupils has been limited and more evidence is needed to understand educational achievement beyond exams.	The recommendations combined with those from the International Council of Education Advisors, the Organisation for Economic Co-operation and Development Curriculum for Excellence review and the National Equity Audit will be used to inform the updated National Improvement Framework which our

			Education Service will use to inform service planning and school improvement plans. (There are no specific outputs or timescales identified)
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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 Matches are available for review and progress is monitored monthly by the Counter Fraud Team and reported quarterly to the Audit and Scrutiny Committee.

Table 3: National Fraud Initiative Progress at 09/05/2021):

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	13	1	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	184	0	Blue badge records to DWP data to identify deceased claimant with valid badge.
Housing Waiting list	242	65	111	50	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	48	0	CTR records with records in other authorities / other datasets including; student loans, payroll and pensions to identify undeclared income and capital

Creditors	4839	253	40	0	Analyses Creditors data to identify possible duplicate vendors and payments, VAT errors or fraud and multiple vendors sharing a bank account.
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Overall Summary of Matches

Matches Complete	Work In Progress	Cleared	Frauds	Errors	Total Value £	Recovering	Recovering Value £
285	1	166	0	119	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 quarter one.

Table 4: Internal Audit Development Key Actions:

Area For Improvement	Agreed Action	Progress Update	Timescale
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

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 – FQ4 20/21 (as at March 2021)			
BO115 We Are Efficient And Cost Effective			
Internal Audit Level of Satisfaction	Actual	95%	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 revised 2020/21 Audit Plan is now complete and the 2021/22 audit plan has commenced. The Counter Fraud Team is continuing to develop and delivering a positive output for the Council.

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 June 2021