
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 2021/22.

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

- **2021/22 Audit Plan progress:** On Track
- **Individual Audits undertaken:** 3 audits have been completed during the period. Three audits have been assessed as providing high assurance.
- **Counter Fraud:** The Counter Fraud team is working well and progress is continuing to rebill council tax accounts and recovery of funds is underway. All other aspects and referrals are being considered 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. 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 Thee audits have been completed since the previous Committee in June 2021. Four audits are currently in progress and will be reported to a future meeting of the Committee.

Audits Completed

- Land and Asset Disposal
- Complaints Handling
- LEADER

Audit in Progress

- Purchasing Cards

- Fixed Asset Register
- Child Protection Services
- Contract Management in Roads & Infrastructure Services

3.2 In addition to those already in progress indicative audits planned for Quarter 3 2021/22 are:

3.3 **2021/22 Audit Plan**

- Street Cleaning
- Civil Contingencies
- Planning Applications
- School Fund
- Oban Airport

3.4 An audit of HR Project Management has been removed from the 2021/22 audit plan. The audit was to provide assurance that the Payroll Business Process Review (BPR) has been carried out in a robust manner. That BPR has been completed and the Chief Internal Auditor (CIA) has engaged with officers involved in the process and reviewed the outcome of the review and is content that there is limited value in performing this audit. There will be no audit identified as a replacement as there has been a reduction in the total availability of audit resource due to members of the team being seconded to work on the Council's Discretionary Fund.

Scrutiny

3.5 Work has commenced on the 2021/22 scrutiny plan, with the briefing meeting for the review of the Community Asset Transfer process having taken place on 13 August 2021.

3.6 The Strategic Housing Fund report is to be submitted to the Environment, Development and Infrastructure Committee which meets next on 2 September 2021.

Counter Fraud

3.7 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.

3.8 There is no CFT update provided in this section as this is a separate agenda item.

Additional Updates from Quarter Two

3.9 Laurence Slavin has taken up a role as Interim Head of Financial Services until September 2022. Moira Weatherstone has agreed to perform the role of CIA, with responsibility for Internal Audit and Scrutiny, for an interim period on a 50% basis with Laurence Slavin maintaining responsibility for the CFT.

- 3.10 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.
- 3.11 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.
- 3.12 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 and a separate report will be submitted for review at this committee. Internal Audit was provided with the full set of data from which to select indicators for review on 22 June and as large variances were reported in sickness absence, attendance figures for swimming pools and virtual library visits, these indicators were selected for review. Museum services was also selected for review as a larger impact would have been expected due to the Covid-19 pandemic and additionally payment of invoices was selected as it had not been reviewed since 2017. 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.

Continuous Monitoring

- 3.13 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.

Table 1: Continuous Monitoring Findings

Auditable Area	Areas Tested	Issues Identified	Management comment / action
Budgeting – Engagement Logs	Review active cost centre list	The cost centre list is not up to date. Of eight budget holders contacted to ensure engagements had been recorded appropriately, two responded to advise they	The Finance Manager immediately disabled the cost centres that were found to be no longer in use and issued an email to finance management to cascade for action.

		were no longer the contact for that particular cost centre.	
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- 3.14 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

- 3.15 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
Fraud and irregularity 2020-21	Counter Fraud Team	Sets out a range of fraud risks emerging since the start of the Covid-19 pandemic. It also shares information about cases where internal control weaknesses in public bodies have led to fraud and irregularity.	Separate report submitted to this committee.
Best Value Assurance Report: Aberdeen City Council	Chief Executive	Significant improvement in performance while making challenging savings targets and acting to reshape the city's economy. However, improvements need to accelerate in housing and education.	The Council's Executive Leadership Team has made arrangements to visit Aberdeen City Council to learn directly from them.
Local Government in Scotland Overview 2021	Chief Executive	Councils and communities worked well together, but impacts of Covid-19 are unequal. Scotland's councils reacted quickly, working alongside communities and partners, to address the unprecedented challenges created by Covid-19. Many challenges remain significant, made more urgent by the multiple impacts of Covid-19 on communities and services.	This was considered by the Council's Strategic Management Team and no action to be taken.

National Fraud Initiative (NFI)

- 3.16 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.
- 3.17 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	29	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	57	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	204	0	Blue badge records to DWP data to identify deceased claimant with valid badge.
Housing Waiting list	264	42	216	48	Housing waiting list records to other organisations HBCTR and tenant data to identify undisclosed changes in circs or false info.
Council Tax Reduction	398	76	50	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	98	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 £
640	1	521	0	119	£673.66	1	£673.66

Internal Audit Development

3.18 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

3.19 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 2021– 22 – FQ1 21/22 (as at July 2021)			
BO115 We Are Efficient And Cost Effective			
Internal Audit Level of Satisfaction	Actual	92%	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 2021/22 audit plan has commenced and 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 (01546 604146)

Moir Weatherstone

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14 September 2021