

**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 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:** Six audits have been completed during the period. One audit report is presented for information only as it is delivered as part of the HSCP 2021/2022 Internal Audit Plan. One audit has been assessed as providing high assurance, one is limited and four to be confirmed.
- **Counter Fraud:** The Counter Fraud team 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. 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 September 2021. 6 audits are currently in progress and will be reported to a future meeting of the Committee.

**Audits Completed**

- Child Protective Services
- Contract Management Roads & Infrastructure Services
- Fixed Asset Register
- Oban Airport
- Street Cleaning

- H&SCP – Care Programme Approach (Part of the HSCP Internal Audit Plan 2021/2022 and presented for information only)

### **Audit in Progress**

- Civil Contingencies
- Environmental Health
- LiveArgyll - Budget Monitoring
- Purchasing Cards
- School Funds
- Workforce Planning – HSCP

3.2 In addition to those already in progress indicative audits planned for Quarter 4 2021/22 are:

### **3.3 2021/22 Audit Plan**

- Adult Protective Services
- Climate Change Act
- Education Processes
- ELC – Parental Satisfaction
- ICT - Remote Working
- Planning Applications
- Complaints Handling (HSCP Audit)

### **Scrutiny**

3.4 Work is progressing on the 2021/22 scrutiny plan, The Community Asset Transfer Process review panel met with Council Officers on 5 October and with Audit Scotland on 18 November, the final report is to be submitted to the March 2022 Committee.

3.5 The briefing meeting for the review of the Fly-tipping has taken place on 9 November 2021.

### **Counter Fraud**

3.6 The paragraphs below summarise the work carried out by the Counter Fraud Team (CFT) since the Audit and Scrutiny Committee on 14 September 2021 and provide an update on total additional billing to date as a direct consequence of their work.

3.7 In September there was a whistleblowing referral alleging fraud by a council officer. The investigation concluded there was no evidence of fraud, simply a processing error which was highlighted to line management to ensure appropriate corrective action was taken.

3.8 In November there was a whistleblowing referral regarding employee conduct. This was reviewed and it was concluded the alleged activity did not constitute fraud and therefore did not fall in the remit of the CFT. The referral was passed on to the appropriate line manager for consideration.

3.9 Investigations into potential Council Tax anomalies continue to be carried out. These mainly consist of potentially fraudulent claims for single person discounts, fictitious tenants or claims of second home status for the avoidance of 100% premium of Council Tax. A rolling programme of reviews is also carried out on council tax discounts and exemptions to ensure they are only applied where appropriate. The CFT have also been working with debt recovery officers to assist in any way possible to recover some accounts with high levels of debt. These are ongoing due to the large scale nature of the investigations. The below table summaries fraud activity work in 2021 and confirms that, in total, the work of the team has resulted in additional billing of £263,788 during the year.

Investigation Area	No. of Referrals	Summary
Council tax	21	Investigative work confirmed there is no evidence of fraud in relation to these 21 referrals although: <ul style="list-style-type: none"> <li>• One case referred to local housing association.</li> <li>• Several cases not enough information given – online portal updated to request “clear and concise information”</li> <li>• One sent to assessors</li> </ul>
Benefits	13	Details passed to DWP <ul style="list-style-type: none"> <li>• One adjustment of Benefits through NFI data matching</li> </ul>
Blue Badge	2	Passed to Blue Badge team
Employee	3	No fraud established
Others	7	<ul style="list-style-type: none"> <li>• Head teacher impersonation phishing emails for invoice payment</li> <li>• Police investigation into Covid Grant</li> <li>• DPA request to other LA</li> <li>• DPA request for civil action (rejected)</li> <li>• NDR information request x2</li> <li>• Fraudulent Covid Grant</li> </ul>
Proactive Work	N/A	Proactive reviews not based on referrals has resulted in removal of exemptions and applying extra charges and penalties where appropriate. High level debt accounts. Working with Debt Recovery to visit sites or assist in investigatory work
<b>Total</b>	<b>45</b>	<b>Additional Billing to Date £263,788</b>

#### Additional Updates from Quarter Three

3.10 Work has now completed on the Council’s Discretionary Fund For Business. The two team members that were redeployed have now returned to their roles in Internal Audit with no further input required to administer the fund.

- 3.11 Internal Audit continues to progress the work-plan for the Health and Social Care Partnership (HSCP). The Care Programme Approach audit has been completed. The Workforce Planning audit is currently in progress.

### 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.

**Table 1: Continuous Monitoring Findings**

Auditable Area	Areas Tested	Issues Identified	Management comment / action
Creditors	Changes to suppliers/New suppliers	Manual records are maintained within the office, which makes testing difficult	The Creditors Supervisor has advised that their focus for the next few months is on the new replacement Oracle System, therefore there is no possibility of looking to digitise records in the foreseeable future. Options will be explored when the new system is fully operational.

- 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 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

- 3.14 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 2 details the national reports issued during quarter one 2021/22.

**Table 2: National Reports**

National Report	Issued To	Detail	Management response/ Action taken
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 Executive Leadership Team (ELT) visited Aberdeen City Council on 8-9 November. A number of actions will be considered as a result of this visit.

Best Value Assurance Report: East Dunbartonshire	Chief Executive	The Council is well led and understands the actions needed to improve still further. Local people are, overall, satisfied with their local services. Its education services are performing well, even in the most deprived areas.	Considered by ELT and no action is to be taken.
The impact of Covid-19 on Scottish councils' benefit services	Head of Financial Services	Most of Scotland's councils have maintained or improved their delivery of vial benefits during the Covid-19 pandemic, despite short-staffing and major disruptions from having to abruptly move to home or remote working.	This report reflects well on Argyll and Bute Council in response to the pandemic. We are already delivering the innovations suggested, however we will look at expanding hybrid mail contracts to allow staff working from home to issue letters to customers without needing someone in the office to print and post letters.
Best Value Assurance Report: South Ayrshire Council	Chief Executive	Public services at South Ayrshire Council perform well and residents are satisfied with the services they receive, however, the Council must move faster in changing services for the future.	Considered by ELT and no action is to be taken.

### **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 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 14/11/2021:**

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	14	14	0	HB records to records in other authorities / other datasets including student loans, payroll and pensions to identify undeclared income and capital.
Payroll	57	9	1	0	Payroll records to other datasets including other payrolls and pensions to ensure employee is not receiving additional income.
Blue Badges	255	220	249	0	Blue badge records to DWP data to identify deceased claimant with valid badge.
Housing Waiting list	264	264	255	9	Housing waiting list records to other organisations HBCTR and tenant data to identify undisclosed changes in circs or false info.
Council Tax Reduction	398	71	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	0	103	0	Analyses Creditors data to identify possible duplicate vendors and payments, VAT errors or fraud and multiple vendors sharing a bank account.
Business Rates	115	0	0	0	Non-domestic Rates Records within and between authorities to identify businesses fraudulently in receipt of multiple small business bonus scheme grants.

#### Overall Summary of Matches

Matches Complete	Work In Progress	Cleared	Frauds	Errors	Total Value £	Recovering	Recovering Value £
731	0	611	1	119	£673.66	1	£673.66

## 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 quarter three.

**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

3.18 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 2021– 22 – FQ2 21/22 (as at October 2021)			
BO115 We Are Efficient And Cost Effective			
Internal Audit Level of Satisfaction	Actual	94%	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 2021/22 audit plan is in progress 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 Climate Change – None
- 5.7 Risk – None
- 5.8 Customer Service – None

For further information please contact Internal Audit (01546 604146)

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