
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 four 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. One audit has been assessed as providing high assurance, one substantial assurance and one reasonable assurance.
- **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 3 audits have been completed since the previous Committee in December 2021. Five audits are currently in progress and will be reported to a future meeting of the Committee.

Audits Completed

- Environmental Health
- LiveArgyll Budget Monitoring
- Purchasing Cards

Audit in Progress

- Civil Contingencies
- Complaints Handling – HSCP
- ELC – Parental Satisfaction
- School Fund Governance
- 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**

- Climate Change Act
- ICT - Remote Working
- Planning Applications

Scrutiny

3.4 Work is progressing on the 2021/22 scrutiny plan. The Community Asset Transfer Process review has been completed and a draft report has been issued to Council officers for consideration.

3.5 The briefing meeting for the review of Fly-tipping has taken place on 9 November 2021, additional information was provided and a further meeting of the panel members took place on 13 January 2022. A panel meeting with Council officers was held on 2 March 2022.

Counter Fraud

3.6 The paragraphs below summarise the work carried out by the Counter Fraud Team (CFT) and provide an update on total billing for the year 2022 to date as a direct consequence of their work.

3.7 In December there were two referrals alleging fraud by council officers. The investigation concluded there was no evidence of fraud. Both were issues in registered addresses for temporary staff. However, it has opened an investigation for another local authority and the CFT are working closely with these external colleagues.

3.8 The CFT continue to perform visits to referral addresses when and where possible.

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 2022 so far.

Investigation Area	No. of Referrals	Summary
Council tax	4	<ul style="list-style-type: none"> • 2 – upheld

		<ul style="list-style-type: none"> • 1 – no fraud established • 1 – currently under investigation
Benefits	0	<ul style="list-style-type: none"> • No referrals to date
Blue Badge	0	<ul style="list-style-type: none"> • No referrals to date
Employee	2	<ul style="list-style-type: none"> • No fraud established
Others	0	<ul style="list-style-type: none"> • No referrals to date
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. Recovery still underway for several large scale reviews
Total	45	Additional Billing to Date £1114.30

Additional Updates from Quarter Four

- 3.10 Internal Audit continues to progress the work-plan for the Health and Social Care Partnership (HSCP). The Care Programme Approach audit has been completed. Workforce Planning and Complaints Handling audits are currently in progress.
- 3.11 The post of Chief Internal Auditor has been advertised with a closing date of 1 March 2022.

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	Ongoing and will be addressed via the continuous monitoring programme.

- 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 three 2021/22.

Table 2: National Reports

National Report	Issued To	Detail	Management response/ Action taken
Community empowerment: Covid-19 update	Chief Executive	Public bodies can learn from good practice and new ways of working which emerged in response to Covid-19 and use this to shape the way they work in the future to promote the best outcomes for local communities and help address inequalities. The report shares some of the many good examples of the community response to the pandemic and summarises the learning. It builds on the Principles for community empowerment published in 2019 and ongoing engagement with the Community Empowerment Advisory Group. Public bodies should use this information alongside their own learning to develop longer-term approaches to supporting and empowering communities.	No action will be taken as a result of the national report as it sets out best practice of which we are familiar with and seek to emulate.
Best Value Assurance Report: Falkirk Council	Chief Executive	Falkirk Council's leaders need to urgently make and implement big decisions about how to deliver sustainable services and make significant and necessary savings.	Executive Director Kirsty Flanagan will liaise with Falkirk Council to learn about their savings from zero budgeting and activity around workforce planning.

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 21/02/2022:

Operational Area	Total Matches	Recommended / High Risk Matches	Matches Complete	WIP	Match Description
CT to Elect Register	1000	n/a			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			
Housing Benefits	29	14	16	0	HB records to records in other authorities / other datasets including student loans, payroll and pensions to identify undeclared income and capital.
Payroll	61	1	1	1	Payroll records to other datasets including other payrolls and pensions to ensure employee is not receiving additional income.
Blue Badges	255	220	253	0	Blue badge records to DWP data to identify deceased claimant with valid badge.
Housing Waiting list	264	257	257	0	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	106	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	149	0	Analyses Creditors data to identify possible duplicate vendors and payments, VAT errors or fraud and multiple vendors sharing a bank account.
Procurement	176	0	38	0	Payroll matched to Creditors and Companies

					House data to identify potential undeclared interests that have given a pecuniary advantage.
Business Rates	120	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 £
824	1	704	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 four.

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 – FQ3 21/22 (as at December 2021)			
BO115 We Are Efficient And Cost Effective			
Internal Audit Level of Satisfaction	Actual	97%	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%	→
	Actual	100%	G

Percentage of audit recommendations accepted by management	Target	100%	
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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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15 March 2022