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**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 one of 2022/23.

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

- **2021/22 Audit Plan progress:** Complete
- **Individual Audits undertaken:** 7 audits have been completed during the period. Two audits have been assessed as providing high assurance, three substantial assurance, one reasonable assurance and one limited assurance (HSCP Audit provided for information only).
- **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. The continuous monitoring programme has been completed for 2021/22.
- **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 2022. Three audits are currently in progress and will be reported to a future meeting of the Committee.

**Audits Completed**

- Civil Contingencies
- Climate Change Act
- Complaints Handling – HSCP
- ELC Parental Satisfaction
- ICT - Remote Working

- Planning Applications
- School Fund Governance

### **Audit in Progress**

- Heritage Assets
- EMA
- Workforce Planning (HSCP)

3.2 In addition to those already in progress indicative audits planned for Quarter 2 2022/23 are:

### **3.3 2022/23 Audit Plan**

- Cyber Security
- Early Years
- LEADER

### **Scrutiny**

3.4 Work has been completed on the 2021/22 scrutiny plan. The Community Asset Transfer Process and Fly Tipping reviews have been completed and reports have been issued and are presented to this Committee.

### **Counter Fraud**

3.5 The paragraphs below summarise the work carried out by the Counter Fraud Team (CFT) and provide an update on total billing for the pilot to the end of April 2022. The pilot end date is September 2022. The previous update provided to the Audit and Scrutiny was only a small snippet of work carried out from the start of 2022. During this time a small value was rebilled as a pending large review was still to be finalised, along with other proactive work. This full update is the basis for the proposal to make the CFT a permanent fixture to continue to protect the public purse.

3.6 In March there were two referrals alleging fraud by a council officer. The investigation concluded there was evidence of fraud. This remains under investigation and is currently with the Councils Monitoring officer.

3.7 The CFT continue to perform visits to referral addresses when and where possible. CFT staff have made visits to Campbeltown, Garelochhead, Rosneath, Tarbert and Bute to date and been accompanied by other department staff due to collaborative work. The CFT plan for 2022 to revisit Bute due to high volume of work identified. Furthermore visits will be made to Oban and Helensburgh.

3.8 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 all fraud activity work to date (April 2022) and provides a summary of rebilling.

<b>Investigation Area</b>	<b>No. of Referrals</b>	<b>Summary</b>
Council tax	64	<ul style="list-style-type: none"> <li>10 fraudulent referrals resulting in investigative work and rebilling</li> </ul>
Benefits	17	<ul style="list-style-type: none"> <li>Numerous referrals and details passed to DWP and other agency partners</li> </ul>
Blue Badge	4	<ul style="list-style-type: none"> <li>No offences found to date by blue badge team</li> </ul>
Employee	10	<ul style="list-style-type: none"> <li>3 Upheld</li> <li>2 Partially Upheld</li> <li>2 Not Upheld</li> </ul> <p>There has been additional referrals where the same officers have been reported twice or three times.</p>
Others	9	<ul style="list-style-type: none"> <li>A variety of referrals from Police Intelligence, Licensing, Non Domestic Rate requests</li> </ul>
Proactive Work		<p>Reviews of Single Person, Student, Second home and Agriculture. Individual review and visits from referrals have resulted in rebilling or disproving erroneous referrals.</p> <p>Review of Covid grants resulting in £230,000 worth of central government money being investigated with a large portion rebilled to companies due to error and/or fraudulent claims. Argyll and Bute will rebill a % to Scottish Government to put back into our communities. Grant reviews will remain ongoing individually and in co-operation with other Local Authorities and Police Scotland.</p>
<b>Total</b>		<p>Rebilled to Date £693,416 (ending April 2022) Recovered to Date £590,364 (same period)</p>

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

3.9 Internal Audit are in the process of completing the 2021/22 Audit Plan for the Health and Social Care Partnership (HSCP). Our planned and approved work for the HSCP for 2021/22 was not completed in full, specifically, work relating to 'Workforce Planning'. A short review was undertaken to assess progress towards the completion of a workforce plan. This will be reported to the Audit

and Risk Committee of the HSCP in June. The Complaints Handling audit is presented to this Committee for information.

- 3.10 The post of Chief Internal Audit has been filled with the new Chief Internal Auditor taking up position at the beginning of July.

### **Continuous Monitoring**

- 3.11 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. The continuous monitoring programme has been completed for 2021/22.

- 3.12 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**

- 3.13 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 four 2021/22.

### **Table 2: National Reports**

National Report	Issued To	Detail	Management response/ Action taken
The 2020/21 audit of the Scottish Environment Protection Agency	Executive Director – Kirsty Flanagan	The full financial impact of a cyber-attack on Scotland's environmental agency is still not clear, and the incident remains a warning to other public sector bodies.	SMT attended a Cyber Security Session provided by the Digital Office summarising the six key findings that apply to the wider public sector. ICT have addressed the issues identified and continue to do so.
Addressing Climate Change in Scotland	Executive Director – Douglas Hendry	A summary of key recommendations for public bodies.	Much of the report content is being addressed by component departments already as part of our De-carbonisation Plan and business as usual. The main action to be addressed relates to Carbon Budgeting and this will require input from Financial Services and component Climate Board Departments.
Local Government in Scotland Financial Overview 2020/21	Chief Executive / Interim Head of Financial Services	Scotland's Councils have increased reserves over the last year but must address the impacts of an overall reduction in funding and ongoing challenges caused by Covid-19.	Actions identified in the report have already been addressed, the full report is submitted to this committee under separate cover.
Local Government in Scotland Overview 2022	Chief Executive	Scotland's councils have had a pivotal role in supporting and working with communities as they responded to the impacts of Covid-19. Now councils must lead recovery work with and alongside their local communities, focusing on getting the services people need in place as pressures and stresses escalate and impact the day to day lives of individuals and communities.	No specific actions identified. The link to the report has been passed to all elected members with a recommendation to read as it provides a useful national context for the issues faced in Argyll and Bute.

- 3.14 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.
- 3.15 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	26	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	1	Payroll records to other datasets including other payrolls and pensions to ensure employee is not receiving additional income
Blue Badges	255	220	255	0	Blue badge records to DWP data to identify deceased claimant with valid badge.
Housing Waiting list	264	263	264	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	320	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	150	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	105	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 £
1166	1	1046	1	119	673.66	1	673.66

### Internal Audit Development

3.16 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

3.17 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 – FQ4 21/22 (as at March 2022)			
<b>BO115 We Are Efficient And Cost Effective</b>			
Internal Audit Level of Satisfaction	Actual	96%	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 been completed 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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**14 June 2022**