

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 2022/23.

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

- **2022/23 Audit Plan progress:** On track subject to available resources being in place for the full period of the approved plan.
- **Individual Audits undertaken:** Two audits have been completed during the period. One audit(s) have been assessed as providing high assurance, none as substantial assurance, one reasonable assurance and none as 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.
- **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 Two audits have been completed since the previous Committee in June 2022. Eight audits are currently in progress and will be reported to a future meeting of the Committee.

Audits Completed

- Education Maintenance Allowance (EMA)
- Workforce Planning (HSCP) – For Information Only

Audits in Progress

- Early Years
- Heritage Assets
- Performance Management (HSCP) – For Information Only
- Externally Funded Projects
- Management of Debt & Debt Recovery
- Private Sector Grants & Housing Adaptations
- Performance Management (HSCP)
- Directions (HSCP)

3.2 In addition to those already in progress indicative audits planned for Quarter 3 2022/23 are:

3.3 2022/23 Audit Plan

- Procurement
- Customer Service Centre
- Payroll
- Building Standards
- Oban Airport
- Client Funds
- Learning and Physical Disability Care Packages
- Events Management

3.4 The audit of Car Parking Facilities has been postponed, the audit was to review the policies, procedures and compliance for the management of car parking fees. An internal review is currently in progress and the service is in a transitional stage, the Chief Internal Auditor assessed the situation and considered that an audit in this area would add more value once the recommendations from the internal review have been fully implemented. The verification review of LEADER funding has also been removed from the plan. This review was to provide assurance that the submission for funding was accurate. The audit has been removed due to completion of the LEADER programme and the Council not being included in the sample selected by Scottish Government for final review. A verification review of Education Maintenance Allowance (EMA) has been added to the 2022/23 plan to assess compliance with the Scottish Government's guidelines. This was formerly reviewed by Audit Scotland, however, responsibility has now passed to the Council and an annual review will be included in future audit plans. No further audits have been identified as replacements as there has been additional time expended by officers assisting with External Quality Assessment (EQA) preparation and systems development.

Scrutiny

3.5 Work has been completed on the 2021/22 scrutiny plan. Scrutiny topics for the 2022/23 plan will be discussed by committee Members at today's meeting with work to commence following agreement.

Counter Fraud

3.6 The CFT is progressing well with both team members now fully CIPFA accredited fraud investigators. Continued routine work is required to be able to accurately track the full income recovered from the team's work, however, based on the amount of additional billing, even accounting for a degree of non-recovery, the indications are that they are easily exceeding target. In addition they are raising awareness of the Council's zero tolerance to fraud and this will act as a deterrent to fraud being perpetrated in the first place. Crucially, if no Counter Fraud team had been in place then the reported instances of fraud would still be taking place at a cost to the Council and public purse. Given the success of the pilot, the Executive Leadership Team (ELT) met in July 2022 and agreed to make these posts permanent.

3.7 Current total rebilling sits at £778,341. Current total recovered from this is £618,100. This provides a recovery percentage of just over 79%.

There has been a total of 46 referrals made through the reporting channels within 2022. Four referrals within council tax have been upheld with a recovery of approx. £4,000.

The other agenda item outlines the full CFT bi-annual billing that was provided to the ELT.

Additional Updates from Quarter One

3.8 Staff continue to work from home and this has proved to be successful; where on-site visits have been required due to the specific nature of the audit work to be undertaken, these visits have occurred in accordance with any guidance that was in place.

3.9 The Public Sector Internal Audit Standards (PSIAS) require the Council's Chief Internal Auditor (CIA) to develop a Quality Assurance and Improvement Programme (QAIP). The purpose of the QAIP is to enable the evaluation of internal audit's conformance to the PSIAS. The QAIP must include annual internal self-assessments with a five yearly external assessment, carried out by an independent assessor. A programme of five yearly reviews has been prepared by the Scottish Local Authorities Chief Internal Auditors Group (SLACIAG) and these will be conducted by peer review, Argyll and Bute Council has been scheduled for review in September 2022 by East Dunbartonshire Council. This review will commence shortly and a report will be submitted to a future meeting of this committee. The annual self-assessment is not required due to the external assessment taking place and will resume in 2023 with a report submitted to this committee in September 2023.

3.10 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 16 June and as large variances were reported in attendance figures for sport and leisure management, library visits and

museums services these indicators were selected for review. Refuse collection was also selected for review as there was a large variance in the number of premises for collection and it had not been reviewed since 2015. There were also large variances in the figures presented for sickness absence, however, these figures were found to be comparable with those submitted prior to the pandemic and therefore no further analysis performed as previous reviews found the data collection process to be robust. 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

- 3.11 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. There have been no findings within the quarter that require to be reported.
- 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 one 2022/23.

Table 2: National Reports

National Report	Issued To	Detail	Management response/ Action taken
Scotland's financial response to Covid-19	Chief Executive	The Scottish Government moved at pace with its partners to respond financially to the pandemic. But public sector leaders need to be clearer about how one-off Covid-19 funding is being spent and what impact it has had.	<ul style="list-style-type: none"> • ELT notes the report and recommendations and note that the Council has also provided reports on Covid funding and will give further consideration to the recommendations on further transparency. • ELT will remain alert to learning from external resources and will continue to review these as they arise. • HSCP Chief Officer will share report with Head of Finance/ Transformation for HSCP as recommendations are equally

			relevant to integrated authorities.
Best Value Assurance Review Angus Council	Chief Executive	Angus Council serves its communities well, has made impressive improvements to services in recent years and benefits from effective leadership and a clear vision. There is strong partnership working and collaboration to help deliver services that benefit local people.	There are no specific actions to be taken in response to the content of this report which will be submitted to ELT for information.
Fraud and Irregularity 2021/22	Counter Fraud Team	A summary of the cases of fraud and other irregularities at public bodies reported by external auditors for the financial year 2021/22.	<ul style="list-style-type: none"> • The Council has a dedicated Counter Fraud Team (CFT) and are part of SLAIG. There is regular contact with Police Scotland, NFI and NAFN • Plans/Policy were prepared at commencement of the CFT and updated following review recommendations received • Head of Financial Services and Communications Team have been contacted to review controls in response to ongoing threats • Our controls are considered to be robust in line with last year's Audit Scotland communication and have been reviewed this year using the same criteria. • The CFT maintain regular contact with ICT services who inform staff of any upcoming malware, software or phishing threats via internal newflashes. There are IT training modules on the Council's e-learning platform as well as recently published security emails and short training videos.

National Fraud Initiative (NFI)

- 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 The most recent cycle of NFI activity has now been concluded with the new data set due to be available in January 2023. Therefore the usual table update on matches progressed has been removed as there has been limited activity since the last committee. The table updating the committee on matches progressed will be reinstated from the March 2023 meeting of the Committee onwards.

Internal Audit Development

- 3.16 The table below details progress against the action points in our Internal Audit development plan. All items have been addressed and no additional items have been added in quarter one.

Table 4: Internal Audit Development Key Actions:

Area For Improvement	Agreed Action	Progress Update	Timescale
	Nothing outstanding.		

- 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 2022– 23 – FQ1 22/23 (as at June 2022)			
BO115 We Are Efficient And Cost Effective			
Internal Audit Level of Satisfaction	Actual	100%	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 2022/23 audit plan is on track and the Counter Fraud Team is continuing with visits and pro-active work throughout Argyll and Bute.

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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