
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 three 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 and that two reviews are postponed until 2023-24 for organisational reasons.
- **Individual Audits undertaken:** Nine audits have been completed during the period. Two audit has been assessed as providing high assurance, seven as substantial assurance, none reasonable assurance and none as limited assurance. (HSCP Audits 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. Two issues have been identified in quarter two and management have responded to previous quarter notifications.
- **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 Nine audits have been completed since the previous Committee in September 2022. Three audits are currently in progress and will be to follow.

Audits Completed

- Performance Management (HSCP) – For Information Only
- Directions (HSCP) - For Information Only
- Commissioning (HSCP) - For Information Only
- Heritage Assets
- Externally Funded Projects

- Early Years – Covid Funding
- Private Sector Grants & Housing Adaptations
- Oban Airport
- Campbeltown Aqualibrium

Audits in Progress

reported to a future meeting of the Committee

- Procurement
- Events Management
- Management of Debt & Debt Recovery
- Client Funds

3.2 In addition to those already in progress indicative audits planned for Quarter 4 2022/23 are:

3.3 **2022/23 Audit Plan**

- Customer Service Centre
- Payroll
- Building Standards
- Cyber Security
- Burial Records
- Counselling in Schools
- Equality and Socio-Economic Impact Assessment

3.4 The audit of Learning and Physical Disability Care Packages has been postponed until April 2023, this review will now cover a much wider remit and include governance and management and will be included in the 2023-24 internal audit plan. This approach has been deemed appropriate by the relevant service and internal audit.

Scrutiny

3.5 Work has been completed on the 2021/22 scrutiny plan. Scrutiny topics for the 2022/23 plan will cover consultations and a draft Terms of Reference has been produced and the review team identified, the first meeting has been scheduled in order to progress the review. This report will be reported back to a future meeting of the Committee once it has been completed. Progress will also shortly commence on residual follow up on the previous review on 'Fly Tipping'.

Counter Fraud

3.6 The CFT is progressing well with both team members 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.

- 3.7 The CFT have spent time on preparing 'data uploads' from the Council which feed into the National Fraud Initiative (NFI) matching service, it is anticipated that any matches will be provided to the team in January 2023 to allow work to commence on following these up locally.

Additional Updates from Quarter Two

- 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 has commenced 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.

Continuous Monitoring

- 3.10 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 two new findings within the quarter that require to be reported.

Table 2: Continuous Monitoring Findings

Auditable Area	Areas Tested	Issues Identified	Management comment / action
Payroll Expenses	Expenses are appropriately supported by receipts	Claims are still being approved without the appropriate paperwork.	This has been highlighted to Creditors and HR who have then passed onto Payroll.
Payroll Expenses	Claims for expenses incurred greater than 6 months are authorised by Executive Director	Claims over 6 months old are still being approved without appropriate authorisation.	As above

3.11 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

3.12 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 3: National Reports

National Report	Issued To	Detail	Management response/ Action taken
The National Fraud Initiative in Scotland 2022	Counter Fraud Team	The overall level of identified public sector fraud and error in Scotland has fallen slightly, according to the results of a national counter-fraud exercise.	<p>The Council continues to demonstrate commitment to counter fraud including investment of time and effort into the NFI by participating in the 2023/24 exercise. High-risk matches will continue to be prioritised in accordance with the guidance provided, however, matches provided as a result of the NFI exercise have often been identified and resolved by officers prior to being made available for review on the NFI application.</p> <p>The Audit and Scrutiny Committee continue to be updated on counter fraud activities including progress with the NFI exercise by way of quarterly reports and an annual report. The self-appraisal checklist has been completed and is submitted as a separate paper to this Committee for review.</p> <p>The Council's Counter Fraud Team have had a very successful first two years and as a result no specific areas for improvement have been identified by local auditors.</p>

Best Value Assurance Report Shetland Islands Council	Chief Executive	Shetland Islands' leaders need to increase their pace and focus to deliver urgent change. The Accounts Commission is not confident the Council is able to show it is financially sustainable.	This report was considered by SMT 27 September where it was agreed that no actions are required.
Scotland's councils' approach to addressing climate change	Executive Director Douglas Hendry	Scotland's councils must put tackling climate change at the heart of decision-making. Councils have a critical role in helping Scotland achieve its national climate change goals, in particular reducing CO2 emissions and adapting and transforming services. Climate change must be central and integral to all council activity.	This report will be considered, in the first instance, by the Climate Change Board (CCB). The CCB will identify any steps which require to be taken by the Council.
Tackling child poverty	Chief Officer HSCP	Longer-term joint planning is needed to address child poverty in Scotland, which has increased since targets were set in 2017.	Actions to tackle child poverty are ongoing and co-ordinated via the Argyll & Bute Child Poverty Action Group. A report will be prepared to provide information on local actions and the Child Poverty Action Plan Review 2021-22.
Best Value Assurance Report Comhairle nan Eilean Siar	Chief Executive	Councillors at Comhairle nan Eilean Siar must provide leadership and clear priorities if the organisation is to improve public services and address significant financial and workforce challenges.	This report was considered by SMT in October where it was agreed that the content was useful but no actions are required.

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 currently being on track.

Table 5: Internal Audit Team Scorecard

Internal Audit Team Scorecard 2022– 23 – FQ2 22/23 (as at September 2022)			
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%	
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 604108)

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