

**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 four 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 one review is postponed until 2023-24 for organisational reasons and the second review relating to car parking is not now required as a departmental review has been undertaken.
- **Individual Audits undertaken:** Four audits have been completed during the period. Three audits have been assessed as providing high assurance, none as substantial assurance, none reasonable assurance and one as limited assurance. (Where HSCP Audits are included these are provided for information only).
- **Counter Fraud:** The Counter Fraud Team (CFT) 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. No new issues have been identified this quarter 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 Four audits have been completed since the previous Committee in December 2022. One audit is currently in progress and will be to follow.

**Audits Completed**

- Procurement
- Events Management
- Client Funds

- Customer Service Centre

### **Audits in Planning / in Progress**

reported to a future meeting of the Committee

- Purchasing Cards
- Building Standards
- Cyber Security
- Management of Debt & Debt Recovery
- Burial Records
- Counselling in Schools
- Equality and Socio-Economic Impact Assessment
- Payroll

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

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

- No further outstanding items to be progress on the amended plan.

3.4 The audit of Learning and Physical Disability Care Packages has been postponed until April 2023, this review will be 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. In addition, it was deemed that due to an internal review of parking this would not require to be covered by internal audit. These remain the amendments to the original plan approved by the Committee.

### **Scrutiny**

3.5 Scrutiny topics agreed for the 2022/23 plan were consultations and a follow-up review of Fly Tipping. A Terms of Reference has been produced for the Consultations review and a team identified, two meetings have taken place and attended by senior officers supporting the Panel. This report will be submitted to a future meeting of the Committee once it has been completed. Progress and follow up work on the 'Fly Tipping' review has been postponed until data becomes available to the Panel. It is now likely that this will be in the summer of 2023 but we will keep the Panel updated so this can commence as soon as possible.

### **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. The team have recently visited Oban which has resulted in the rebilling of a number of accounts. A revisit to Bute and Dunoon is due within February and work is planned in other areas which include Helensburgh and the Islands early in the new financial year.

The new NFI exercise for 2022/23 has just been released after some technical delays from Cabinet Office. This exercise will be conducted throughout the year by officers and matches checked and closed accordingly.

- 3.7 The CFT are reviewing the information received from the National Fraud Initiative (NFI) matching service, work has commenced to follow these up locally.

### **Additional Updates from Quarter Three**

- 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 now been completed and a report forms part of the March papers to the Committee.

### **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 no new findings within the quarter that require to be reported.

**Table 2: Continuous Monitoring Findings**

<b>Auditable Area</b>	<b>Areas Tested</b>	<b>Issues Identified</b>	<b>Management comment / action</b>
		None identified	

- 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 four 2022/23.

**Table 3: National Reports**

<b>National Report</b>	<b>Issued To</b>	<b>Detail</b>	<b>Management response/ Action taken</b>
No new reports			

### **National Fraud Initiative (NFI)**

3.13 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.

3.14 All required datasets for the 2022-23 exercise have now been uploaded to the NFI application and some matches were released for review on 29 January 2023 – there was a delay in Cabinet Office releasing all the data. Existing users have been reviewed and new users added where requested, all users have been informed that matches are available for review and progress will be monitored monthly by the Counter Fraud team and reported quarterly to the Audit and Scrutiny Committee. As of 17 February, most of the NFI exercise data has now been released, and initial work has started.

**Table 4: National Fraud Initiative Progress at 12/02/2023**

<b>Operational Area</b>	<b>Total Matches</b>	<b>Recommended/Very High / High Risk Matches</b>	<b>Matches Complete</b>	<b>WIP</b>	<b>Match Description</b>
CT to Electoral Register	1155	0	1155	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	208	0	208	0	
Housing Benefits	11	5	0	0	HB records to records in other authorities / other datasets including student loans, payroll and pensions to identify undeclared income and capital.
Payroll	141	0	0	0	Payroll records to other datasets including other payrolls and

					pensions to ensure employee is not receiving additional income.
Blue Badges	238	204	0	0	Blue badge records to DWP data to identify deceased claimant with valid badge.
Housing Waiting list	200	182	0	0	Housing waiting list records to other organisations HBCTR and tenant data to identify undisclosed changes in circs or false info.
Council Tax Reduction	259	138	0	0	CTR records with records in other authorities / other datasets including; student loans, payroll and pensions to identify undeclared income and capital
Creditors	589	0	0	0	Analyses Creditors data to identify possible duplicate vendors and payments, VAT errors or fraud and multiple vendors sharing a bank account.
Procurement	38	0	0	0	Payroll records to Companies House and creditors data to identify employees who appear to have a personal interest in a company that the authority has traded with.

### Overall Summary of Matches

Matches Complete	Work In Progress	Cleared	Frauds	Errors	Total Value £	Recovering	Recovering Value £
1,363	0	1,363	0	0	0	0	0

### Internal Audit Development

3.15 The table below details progress against the action points in our Internal Audit development plan.

**Table 5: Internal Audit Development Key Actions:**

Area For Improvement	Agreed Action	Progress Update	Timescale
Clearer referencing of findings referred to in the Annual Audit Report and that within the Annual Governance Statement (AGS) and Vice Versa	Once the AGS has been reviewed, work will then commence on updating the Internal Audit Annual Report so that clearer referencing can be accommodated between both documents for ease of use.	Work commenced on the review of the AGS	August 2023
Create SharePoint list to track audit actions.	Information recorded on the Access DB will be transferred to a new SharePoint list allowing officers to update progress themselves. New actions will be added to this list when audit reports are published.	Complete	March 2023

Review Continuous Monitoring Programme	Continuous monitoring tests will be reviewed following audit of Debt recovery to assess value of existing tests carried out.  Consider adding test to review date taken to process invoices from date of receipt within the Council (not at Creditors)	In progress	June 2023
Update format of template for quarterly reporting of progress in implementing audit actions.	Data extracted from the new SharePoint list will be exported to Excel and manipulated into a format that can be copied to the cover report template on word.	Template and formulae updated, these will be tested Q1 2023 report.	June 2023

3.16 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 6: Internal Audit Team Scorecard**

<b>Internal Audit Team Scorecard 2022– 23 – FQ3 22/23 (as at December 2022)</b>			
<b>BO115 We Are Efficient And Cost Effective</b>			
Internal Audit Level of Satisfaction	Actual	95%	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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**16 March 2023**