
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 2023/24.

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

- **2023/24 Audit Plan progress:** Internal Audit and the Counter Fraud staff have been working on a referral which has been resource intensive and together with some staff sickness this has resulted in some slippage of the audit plan. We have agreed that additional resource will be made available in an attempt to catch up and address this slippage. This position will be closely monitored and it is expected that the plan will be brought back on track subject to available resources being in place for the full period of the approved plan. One review relating to Building Cleaning has been postponed at the request of the service department due to resources, together with a review within the Education Service due to staff sickness and ongoing external inspections.
- **2023/24 Individual Audits undertaken:** Eighteen audits have been completed during the period, 7 have been assessed as providing high assurance, 9 substantial assurance and 2 reasonable assurance. **(Where HSCP and LiveArgyll Audits are included these are provided for information only).**
- **Scrutiny:** Planned work for 2023/24 in relation to 'Fly Tipping' will commence in January 2024 and those on the previous Panel will be contacted once a meeting can be arranged.
- **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. The established CFT team member is on secondment for career and personal development on a two year period. The CFT have obtained a member of staff, again on secondment for the same time period.
- **Continuous Monitoring Programme Testing:** A number of auditable units are subject to continuous testing. There have been no new issues which we have been identified this quarter.
- **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 Eighteen audits have been completed since the previous Committee in September 2023.

Audits Completed

- Fleet - Hire of Vehicles
- Compliance Review – Period Products
- Planning
- Pupil Registration
- Oban Airport
- Risk Management – HSCP
- Financial Management Arrangements – HSCP
- Establishment Visits x 11 – LiveArgyll

Audits in Planning / in Progress

reported to a future meeting of the Committee

- Piers and Harbours
- Learning and Disability Care Packages
- Scottish Social Services Council (SSSC) Registration
- Pupil and Public Transport
- Freedom of Information Requests

3.2 In addition to those already in progress, indicative audits planned for Quarter 4 2023/24 are:

- Client Funds
- Financial Ledger
- Cloud Based Computer Services
- Stores

3.3 2023/24 Audit Plan

- Work is progressing on the approved plan and with work ongoing outlined in paragraphs 3.1 – 3.2.
- A request has been made by senior management to postpone the planned review on Building Cleaning and similarly a review within the Education service due to staff sickness and external inspections which are ongoing. We will consider these areas in future plans and would note this as an amendment to the current Plan for 2023/24.

Scrutiny

- 3.4 It was agreed in June 2023 that scrutiny work for 2023/24 will focus on the outstanding review concerning 'Fly Tipping'. Work had previously been postponed until data became available to the Panel. Discussions have been ongoing with staff within the Council in order that data can be made available and arrangements will be made in early January to schedule a meeting of the Panel to conclude on this review.

Counter Fraud

- 3.5 "The CFT is progressing well with both team members fully CIPFA accredited fraud investigators. The current investigator has taken on a 2 year secondment to empty homes for further skills development. The investigators post was filled again on a secondment basis. The member of staff will undertake the above CIPFA accreditation in due course. Both team members will revert to substantive post circa sept 2025.

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 the team are still exceeding their target. In addition, the team are raising awareness of the Council's zero tolerance to fraud and this will help act as a deterrent to fraud being perpetrated in the first place.

The team aimed to visit Mull, however, due to the cross over with staff this has yet to take place. The proactive aim is to gather any new evidence or any further investigative requirements.

A large review of the Helensburgh area is underway and due to the size of the area, this review is ongoing and continues to be labour intensive.

The team now have an established referral system in place from council tax teams as additional resources have fed through via the use of summer students which has supported this development. The information shared in the short space of time has resulted in rebilling and adjustments of accounts. Together we aim to keep accurate records and update accounts where error or missing information is held. This approach will continue as the method of collaborative and interdepartmental working has been helpful.

The team lead is also working directly with DWP and other agencies where appropriate to conclude a long term investigation. The CFT will investigate all other evidential resources to close this account and provide Sheriff Officers the information required.

The CFT continue to work closely with the empty homes team to support each other in our remits. Work and communication between each department is key in identifying and finding appropriate solutions to enable empty homes to return to residency or open market.

The CFT along with audit staff have been working on a specific matter which has been resource intensive and work on that has, for the moment been concluded.

The NFI exercise continues to be a routine work area for the CFT. New data from HMRC has been uploaded and teams have been requested to match this data.

Additional Updates from Quarter Two

- 3.6 The majority of 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, including lone worker best practice.
- 3.7 Work is well underway in the preparation of the draft Internal Audit Plan for 2024/25. Information has been requested from senior management to assist us and we intend to prepare an initial draft for consideration by the relevant Department Management Teams (DMT) in December 2023. We have also engaged with the Audit and Scrutiny Committee as part of this process and have been able to include one of the suggestions based on 'risk' and corporate alignment into the draft plan.
- 3.8 A draft Internal Audit Plan for 2024/25 and indicative plans covering 2025/26 and 2026/27 have also been prepared for presentation to the Audit and Risk Committee of the HSCP. We have again, consulted with senior managers of the HSCP in the preparation of this plan and once approved will be in place before the start of the next financial year.
- 3.9 Internal Audit have been liaising with our colleagues in IT where we have been closely monitoring the cyber incident at Comhairle nan Eilean Siar (Western Isles Council) in order to glean any areas for learning or consideration. This incident has had a significant effect on the Western Isles Council including, as reported, unavailability to access their 'back-up' data. It also highlight the threats and potential effects such incidents can have on public bodies and will continue to monitor this incident for any learning and/or risk mitigation purposes.

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

Auditable Area	Areas Tested	Issues Identified	Management comment / action
		No issues to report	

- 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 2023/24 and due to be reported in quarter two 2023/24.

Table 3: National Reports

National Report	Issued To	Detail	Management response/ Action taken
Adult Mental Health	IJB Chief Officer & Head of Acute and Complex Care	Accessing adult mental health services in Scotland remains slow and complicated for many people. In particular, ethnic minority groups, people living in rural areas and those in poverty all face additional barriers.	Issued to Chief Officer HSCP and Head of Acute and Complex Care on 2 October 2023 Awaiting Response

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 The new NFI exercise has been released after some technical delays from the Cabinet Office. This exercise will be conducted throughout the year by officers and matches checked and closed accordingly. NFI have announced more data releases in the coming month and any matches will be addressed when these become available. The current NFI matches are below in the NFI section of this report. The CFT are reviewing the information received from the NFI matching service, work has commenced to follow these up locally. 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.

New HMRC data has been uploaded and released back to us, and teams have been contacted to start matching this data.

Table 4: National Fraud Initiative Progress at 19/11/2023

Operational Area	Total Matches	Recommended/Very High / High/Medium Risk Matches	Matches Complete	* WIP	Match Description
CT to Elect 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	20	11	19	0	HB records to records in other authorities / other datasets including student loans, payroll and pensions to identify undeclared income and capital.
Payroll	143	2	2	0	Payroll records to other datasets including other payrolls and pensions to ensure employee is not receiving additional income.
Blue Badges	238	204	227	0	Blue badge records to DWP data to identify deceased claimant with valid badge.
Housing Waiting list	233	214	206	1	Housing waiting list records to other organisations HBCTR and tenant data to identify undisclosed changes in circs or false info.
Council Tax Reduction	270	149	270	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	26	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	36	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.

* Work in Progress

Overall Summary of Matches

Matches Complete	Work In Progress	Cleared	Frauds	Errors	Total Value £	Recovering	Recovering Value £
2149	1	2056	0	93	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: updated 22/11/23

Area For Improvement	Agreed Action	Progress Update	Timescale
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	March 2024
Update Internal Audit Manual in include evaluation of internal audit reports against the Local Government (Scotland) Act 1973 exemption criteria.	Add paragraph to the IA Manual to evaluate whether reports being submitted to committee should be considered for exemption under the Local Government (Scotland) Act 1973 .	In progress	March 2024

- 3.16 Internal Audit scorecard data provided below 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

Internal Audit Team Scorecard 2023– 24 – FQ2 23/24 (as at September 2023)			
BO115 We Are Efficient And Cost Effective			
Internal Audit Level of Satisfaction	Actual	91%	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 2023/24 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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