

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 four of 2024/25.
- 1.2 Core activities together with a progress update statement are shown below:
- **2024/25 Audit Plan progress:** The plan is currently on track. In the event that this position was to change, we will flag it to the Committee as part of the quarterly updates.
 - **2024/25 Individual Audits undertaken:** Two audits have been completed during the period, **one has been assessed as providing high assurance and one substantial assurance.** There were no reports concerning the HSCP or LiveArgyll issued since the last Committee. **(Where HSCP and LiveArgyll Audits are included, these are provided for information only).**
 - **Scrutiny:** Planned work for 2024/25 has commenced in relation to the Council's Complaints processes. The first meeting of the Panel took place on 29th November 2024, arrangements are being made for the second with a date to be confirmed.
 - **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 to Housing for career and personal development for a two year period. The CFT have obtained a member of staff, again on secondment for the same time period who is progressing through the CIPFA Fraud Specialist Course. The team lead is currently progressing through year 3 of a Master in Accountancy course.
 - **Continuous Monitoring Programme Testing:** A number of auditable units are subject to continuous testing. There have been no new issues which we have 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 Two audits have been completed since the previous Committee in December 2024. In addition, visits were undertaken to Islay and Mull which are detailed in section 5 of the report, together with our work undertaken for the HSCP.

Audits Completed

- Oban Airport
- Data Security & Information Security

Audits in Planning / in Progress

reported to a future meeting of the Committee.

- Short-Term Lets
- Bridges Asset Management Plan and Inspection Regime – In draft
- Asbestos Management – In draft
- External Placements
- Trading Standards
- Leasing – Estates
- Stores
- Disclosure Checks - protecting vulnerable groups

- 3.2 In addition to those already in progress, indicative audits planned for Q1 2025/26 are:

- LGBF
- SPT Annual Claim
- Education Maintenance Allowance
- Payroll – iTrent
- Capital Programme

2024/25 Audit Plan

- 3.3
- Work is ongoing and is currently on track at this point in time.
 - A request has been made by senior management to cancel the planned review of 'New Roads and Street Works Coordination' as a recent exercise, as we understand, has been undertaken in this area. This will be noted as an amendment to the approved plan for 2024/25.
 - A request has been received from senior management to postpone the review of Eclipse post implementation review to the 2025-26 audit year and we have scheduled this into the draft 2025/26 audit plan. This will be noted as an amendment to the approved plan for 2024/25.

- A Request has been received by senior management to cancel the planned review of Roads and Flood Prevention, due to what we are advised is a national overview of this area and that staff will need to focus the resources on this piece of work. This will be noted as an amendment to the approved plan for 2024/25.
- A request has been made to add a review onto the HSCP Audit Plan in relation to Payroll Procedures which will be accommodated into our over all resource envelope.

Scrutiny

- 3.4 It was agreed by the Committee that the chosen subject area for the 2024/25 scrutiny review would be on the Council's complaints process. A report was submitted to the September 2024 Committee outlining the suggested approach and appointment of the Panel to undertake this work. The former Chairperson, Martin Caldwell has delivered a brief training session which was particularly useful for those new to the Committee but also increasing the resilience of the Committee to have suitably experienced Panel members. A Background and scoping document has been prepared and issued to the Panel members and it was agreed at a meeting on 29 November to progress the review. Officer input was provided to take forward outstanding issues and prepare a draft report. The draft report has now been issued for review and arrangements are being put in place to hold a meeting to discuss the content and reach final conclusions, a suitable date is to be confirmed.

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 investigator post was filled again on a secondment basis. The new member of staff has commenced the CIPFA Fraud specialist course with a view to finish by the middle of 2025.

Both team members will revert to substantive post circa September 2025.

Continued routine work is still progressing to 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.

Visits continue to play a vital role in the CFTs proactive and reactive work. Recent visits have taken place in Islay, Helensburgh, Campbeltown, Rosneath, Cove, Kilcreggan, and Arrochar.

A review is to take place this year for Oban with both non-domestic rates and Council tax to fall under this visit.

Partnership working with the DWP has resulted in several rebillings and adjustments to Council tax reduction schemes.

Both officers continue to be proactive and make visits when information is received via the online portal

The CFT continue to link in with Internal Audit and Debt Recovery, and where necessary to assist, trace persons and open communication to long term debts for recovery. Several cases have resulted in large scale rebilling.

Second homes and Non-Domestic Rates are playing larger roles in the CFT team's investigations with several claims already adjusted. These will remain proactive areas.

The CFT now have an established referral system in place from council tax teams and have already liaised with this team going forward into 2025 for the review of the second and holiday home tax changes. The information already 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 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 NFI exercise continues to be a routine work area for the CFT. The 2022/23 exercise is now closed and the results are with Audit Scotland. The 2024/2025 exercise has commenced with matches already being progressed.

Since the inception of the CFT a total of £1,289,068 has been rebilled and £915,286 has been recovered. A recovery percentage of 71% has been achieved at the last review of the figures. Due to other commitments this quarter's recovery has still to be checked and updated.

Additional Updates from Quarter Three

- 3.6 A series of visits to Customer Service Points, Schools and Roads and Amenity services was undertaken across Islay and Mull. The premises visited were assessed against our standard work programmes for facility responsibility, school funds and general service provisions, both good practice and issues were identified during these visits and discussed with the officers whilst on location. A number of issues were escalated to management as a result of these visits:
- The Customer Service Points were found to be well managed in accordance with the Council's Customer Service Charter, minor issues regarding absence of a health and safety poster in one area and no appointed first aider in the other, the facility responsible officer, however, is a retained firefighter who has completed extensive first aid training.
 - The Schools visited were assessed for compliance with Education Management Circular (EMC) 1.10 School Funds Procedures. All funds were found to be operating effectively with robust recording of transactions and supporting information retained, there were, however some issues identified

around establishment of School Fund Committees and associated constitutions, and where a committee was in place, failure to hold regular meetings and formal elections to office bearers' posts. There was limited formal training in managing school funds, with administrators learning from their predecessors in most instances, whilst accurate records are maintained, these are not always in the format provided in EMC 1.10. Insufficient bank account signatories were established in one instance, receipts are not always issued upon receipt of income, income received was not always banked intact and it was unclear how long records were being kept, in some instances this was in excess of the current plus five-years requirement. A reciprocal arrangement was in place for auditing accounts of two primary schools, however, both schools are managed by the same Headteacher and this arrangement is not considered to be sufficiently independent. Appropriate advice was given where required.

- Roads and Amenity services office and depots were visited to assess general administrative and operational procedures. The general environment on both islands visited was found to be clean and tidy with grounds well maintained and no evidence of excess waste. The depots and waste amenity sites were maintained in an organised manner with appropriate signage in place. Work schedules were in place and timesheets were regularly prepared and submitted by employees. A number of issues were also highlighted as a result of visits undertaken, these include: depot security, diesel fuel accountability, purchase of petrol for machinery, absence of fuel and other inventory records, recording of driver hours, employee contractual arrangements, increased demand for service not acknowledged in work schedules, holiday records, overtime procedures and authorisation, access to burials system and usage of piers and harbours.

- 3.8 The Council has entered a ten-year programme to deliver the Rural Growth Deal (RGD) for Argyll and Bute. The Council, as the accountable body for this programme is required to allocate and account for distribution of the funding to partners, third parties and other bodies in accordance with the approved governance arrangements. The Council's Chief Internal Auditor has been appointed to coordinate audit activity throughout the programme, this will include liaison with partner auditors to obtain annual confirmation of regular and planned reviews of grant funded activities and a specific review of RGD within the Council's Annual Audit Plan at least every two years. Discussions regarding the audit input required have taken place and the first review will be included within the 2025/26 Internal Audit Plan. We will closely monitor the additional work associated with this appointment going forward and determine whether additional resources may be required.
- 3.09 Our work as the contracted Internal Auditors for the HSCP has been progressing well and priority has been given in this area given the availability of staff and work has now completed. We will continue to monitor progress to the HSCP's Audit and Risk Committee in relation to the implementation of recommendations made in previous reports.
- 3.10 Internal Audit staff continue to increase their skills and ultimately aim to complete appropriate professional qualifications at the end of their training programmes.

Internal Audit have two staff members who are undertaking formal professional training; training is at differing stages but is progressing as expected at this time. The aim is to develop and retain professional staff on the completion of the qualifications and increase resilience within the 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 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 identified.	

- 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 quarters two and three of 2024/25 due to be reported in quarter three 2024/25.

Table 3: National Reports

National Report	Issued To	Detail	Management response/ Action taken
The 2023/24 audit of Aberdeen City Council	Chief Internal Auditor	All Scottish councils must learn from the weaknesses that allowed an Aberdeen City Council employee's £1.1 million fraud go undetected over 17 years.	The Chief Internal Auditor has been liaising with the Revenues and Benefits Manager to assess the Council's position. Findings indicate that internal controls are robust with strong segregation of duties and reconciliations in place, however, areas for improvement were also identified, including, improved pre-payment monitoring and reinforcement of the Counter-

			fraud message to employees. A report has been prepared and submitted to ELT by the Head of Financial Services.
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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 previous NFI exercise has been completed and results are being compiled by Audit Scotland. Any follow up matches will be addressed if necessary. This exercise was conducted throughout the year by officers and matches checked and closed accordingly. NFI provided additional data releases over the course of the exercise and matches are addressed when these become available.

Existing users have been reviewed and new users added where requested, all users have been and will continue to be 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.

3.16 The new NFI exercise for 2024/25 has commenced with the data uploads so far submitted to the Cabinet office for review and therefore data matching when released. The new NFI matches will appear in the table below as and when they have been released and checked.

Table 4: National Fraud Initiative Progress at 03/02/2025

Operational Area	Total Matches	Recommended/Very High / High/ Medium Risk Matches	Matches Complete	* WIP	Match Description
CT to Elect Register	2422	0	2	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	85	0	0	0	
CT to HMRC Household Composition	1112	0	0	0	
Housing Benefits	10	TBC	0	0	

					to identify undeclared income and capital.
Payroll	298	TBC	0	0	Payroll records to other datasets including other payrolls and pensions to ensure employee is not receiving additional income.
Blue Badges	200	TBC	0	0	Blue badge records to DWP data to identify deceased claimant with valid badge.
Housing Waiting list	260	TBC	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	248	TBC	0	0	CTR records with records in other authorities / other datasets including; student loans, payroll and pensions to identify undeclared income and capital
Creditors	2340	TBC	75	0	Analyses Creditors data to identify possible duplicate vendors and payments, VAT errors or fraud and multiple vendors sharing a bank account.
Procurement	67	TBC	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.
Business Rates	0	TBC	0	0	Business rates records within and between authorities to identify those fraudulently claiming small business bonus scheme and grants

* Work in Progress

Overall Summary of Matches

Matches Complete	Work In Progress	Cleared	Frauds	Errors	Total Value £	Recovering	Recovering Value £
77	0	77	0	0	0	0	0

Internal Audit Development

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

Table 5: Internal Audit Development Key Actions: updated 31/1/25.

Area For Improvement	Agreed Action	Progress Update	Timescale
Review Continuous Monitoring Programme	<p>Continuous monitoring tests will be reviewed following audit of Debt recovery to assess value of existing tests carried out.</p> <p>Consider adding test to review date taken to process invoices from date of receipt within the Council (not at Creditors)</p>	In progress	March 2025

3.18 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 2024– 25 – FQ3 24/25 (as at January 2025)			
BO115 We Are Efficient and Cost Effective			
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	80%	
Percentage of audit recommendations accepted by management	Actual	100%	G →
	Target	100%	

4 CONCLUSION

4.1 The 2024/25 audit plan is progressing as anticipated at this stage in the year, together with the Counter Fraud Team 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 – protected characteristics – None
- 5.5.2 Socio-Economic Duty – None
- 5.5.3 Islands – None
- 5.6 Climate Change – None
- 5.7 Risk – None
- 5.8 Customer Service – None
- 5.9 The Rights of the Child (UNCRC) – None

For further information please contact Internal Audit (01546 604108)

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