

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 4 of 2025/26.

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

- **2025/26 Individual Audits undertaken:** Three audits have been completed during the period, one substantial assurance, one reasonable assurance and one limited assurance. (Where HSCP and LiveArgyll Audits are included, these are provided for information only).
- **2025/26 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.
- **Scrutiny:** Planned work for 2025/26 has been agreed by the Committee along with those who will serve on the Panel, the Panel met on the 4th February 2026 and agreed a scope for work to commence. An initial report will be prepared once the field work has been completed.
- **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. All CFT team members have completed the accredited CIPFA Fraud Specialist Course. The team lead is currently progressing through year 4 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 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 Three audits have been completed since the previous Committee in December 2025.

Audits Completed

- Oban Airport - Fuel
- Street Lighting
- Capital Programme – Management and Monitoring

Verification Audit Work Completed

- N/A

Audits in Planning / in Progress

reported to a future meeting of the Committee.

- Payroll – iTrent – liaising with external Audit and Client for further information
- Performance Management Arrangements and Reporting
- Whistleblowing
- LiveArgyll Building/Property Maintenance
- Rural Growth Deal

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

- All items are now either in planning or in progress.

2025/26 Audit Plan

- 3.3 Work is ongoing and is currently on track at this point in time. Four amendments to the plan should be noted and that relates to the strategic Procurement review, Project Management, Roads Reconstruction Programme and Eclipse review which has been postponed to another audit plan when the work will be more appropriate to be undertaken.

Scrutiny

- 3.4 It was agreed by the Committee that the chosen subject area for the 2025/26 scrutiny review would be on the Council's preparedness for the Bio-Municipal Waste (BMW) Landfill Ban. A background and scoping document has been agreed with Panel members and work will now commence to bring an initial report back to a future meeting of the Panel.

Counter Fraud

- 3.5 The CFT is progressing well with both team members fully CIPFA accredited fraud investigators. The team now consists of 2 full time staff after completing secondments. Both team members are fully trained under the accredited CIPFA fraud course.

- 3.6 Routine work continues and is progressing to track the full income due and to be recovered as part of this ongoing work. Based on the amount of additional billing, even accounting for a degree of non-recovery, the indications are that the team are anticipating exceeding their annual 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.
- 3.7 Visits continue to play a vital role in the CFTs proactive and reactive work. Recent visits have taken place in Mull, Campbeltown and Tarbert. Work continues within Helensburgh, and a large portion of work will see the team revisit Oban. Efforts during autumn of 2025 were delayed due to Storm Amy and travel out to the islands will recommence spring 2026. Both officers continue to be proactive and make visits when information is received via the online portal and other islands will soon be visited.
- 3.8 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.
- 3.9 Second homes and Non-Domestic Rates are playing larger roles in the CFT's investigations with several claims already adjusted. These will remain proactive areas. The team is currently working in partnership in order to undertake a review of rental licenses.
- 3.10 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.
- 3.11 The NFI exercise continues to be a routine work area for the CFT. The 2024/2025 extra data uploads in September 2025 have been matched timeously and have been closed. The main part of the matching exercise is coming to a close and most of the matching has been closed ready for compilation back with Cabinet Office. Any remedial or conclusive work will be completed when and where appropriate. Any reviews brought to light will be actioned in due course.
- 3.12 Since the inception of the CFT a total of £1,581,713 has been rebilled and £1,059,674 has been recovered. A recovery percentage of 68% has been achieved at the last review of the figures. Recent large rebilling has been passed to other agencies, and this takes time to process and progress payment plans.

Additional Updates from Quarter Three

- 3.13 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.

- 3.14 Our work as the contracted Internal Auditors for the HSCP has been progressing well and priority has been given in this area due to staff availability, therefore, we have been able to complete our work for 2025/26. We will continue to monitor and report progress to the HSCP’s Audit and Risk Committee in relation to the implementation of recommendations made in previous reports.
- 3.15 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

- 3.16 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 1: Continuous Monitoring Findings

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

- 3.17 A process is in place whereby management are advised of continuous monitoring findings and, where appropriate, requested to take remedial action. Due to the volume of continuous monitoring tests carried out the decision was made to report by exception only.

National Reports

- 3.18 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 two of 2025/26 due to be reported in quarter three.

Table 2: National Reports

National Report	Issued To	Detail	Management response/ Action taken
Local government performance: Spotlight on culture and leisure services Audit Scotland	LiveArgyll General Manager	<p>Councils are spending less on culture and leisure services, reviewing the services they offer and increasing or introducing charges. Yet gaps in the data collected at a local and national level means we don't have a full understanding of the impact of these decisions on health, wellbeing and prevention.</p>	<p>The Aleo Model has allowed Leisure and Culture services to flourish since it's introduction in 2017, however like most partially funded service org's we face significant unavoidable cost pressure which cannot be offset by price growth alone.</p> <p>Charging for services remains a contentious issue. liveArgyll's pricing model is underpinned by a low cost /high volume strategy and has been extremely successful in supporting our charitable objectives of growth and participation. Significant proportions of the demographic are now more active more often. Sensitive pricing has allowed the Company to grow income whilst the Council's contribution to the cost of service has reduced year on year in real terms reflected in the fact there has been no increase to Annual Services payment since 2021. A more structured approach to funding with multi-year settlements in place is needed which would allow improved planning and better use of IIA's and consultations.</p> <p>Put very simply an Investment in Leisure is an investment in Community Health and Well-being and undoubtedly reduces the strain on other Health Budgets. More focus and resources are needed on preventative and health creation activity. Council's and HSCP's have the opportunity to break the cycle of continuous year on year drip-feeding funding into treatment activity by re-directing resource and investing in high quality leisure services.</p>

			Detailed data and performance information is available at Aleo and Council level. Cosla's white paper on the future of Leisure services acknowledges the requirement for improved use of data at national level and the requirement for a central repository. ALEO's need to be able to evidence the significant positive impacts they make to users' daily lives.
<u>Delayed Discharges: A symptom of the challenges facing health and social care</u>	Chief Officer HSCP	Delays in discharging patients from hospital affect people's physical and mental health, and make it harder to admit others to hospital. Delayed discharges are a symptom of wider pressures across health and social care in Scotland.	<p>We will take this report through our Audit and Risk committee.</p> <p>An item will be tabled on our IJB relating to flow, discharge and our whole system plan.</p> <p>We will continue to engage through existing forums with SG and COSLA (e.g. via Health and Social Care Scotland) to progress the joint actions.</p> <p>We will work with our carers centres and carers lead to understand our performance around involving carers in discharge planning.</p>
<u>Community Health and Social Care: Performance 2025</u>	Chief Officer HSCP	<p>A lack of comprehensive and consistent national performance information makes it difficult to assess the impacts of integration.</p> <p>Our briefing and data tool are designed to support Integration Authorities (IAs) and Health and Social Care Partnerships (HSCPs) in comparing how services are performing locally</p>	No action required for IJBs, but we will consider this report through our Audit and Risk committee as we usually would with relevant Audit Scotland reports.

		<p>and across Scotland.</p> <p>Our aim is to highlight the need for better performance information, supporting benchmarking and self-assessment using the national information that's available.</p>	
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National Fraud Initiative (NFI)

- 3.19 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.
- 3.20 The previous NFI exercise has been completed and results published by Audit Scotland. This exercise was conducted by officers and matches checked and closed accordingly. NFI provided additional data releases over the course of the exercise and matches were addressed when these became available.
- 3.21 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. Progress in investigating matches will be monitored monthly by the Counter Fraud team and reported quarterly to the Audit and Scrutiny Committee.
- 3.22 New HMRC data has been uploaded and released back to us, the respective teams have been contacted to start matching this data.
- 3.23 The 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. More uploads have been given to Cabinet office during November 2025 and will be matched once released.

Table 4: National Fraud Initiative Progress at 08/02/2026

Operational Area	Total Matches	Recommended/Very High / High/ Medium Risk Matches	Matches Complete	* WIP	Match Description
CT to Elect Register	2422	0	2422	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 rising 18s	85	0	85	0	
CT to Other datasets	1106	0	1106	0	
CT to DDRI Deceased Persons	517	0	517	0	
CT to HMRC Household Composition	904	0	38	2	
Housing Benefits	13	9	11	0	HB records to records in other authorities / other datasets including student loans, payroll and pensions to identify undeclared income and capital.
Payroll	300	107	66	0	Payroll records to other datasets including other payrolls and pensions to ensure employee is not receiving additional income.
Blue Badges	200	200	200	0	Blue badge records to DWP data to identify deceased claimant with valid badge.
Private Residential Care Homes	22	22	22	0	Private residential care home records to identify deceased and ensure payments are stopped.
Housing Waiting list	262	258	234	0	Housing waiting list records to other organisations HBCTR and tenant data to identify undisclosed changes in circs or false info.
Personal Budgets	1	1	1	0	Personal budget records to identify deceased and ensure payments are stopped.
Council Tax Reduction	638	174	230	0	CTR records with records in other authorities / other datasets including; student loans, payroll and pensions to identify undeclared income and capital
Creditors	2340	0	1126	0	Analyses Creditors data to identify possible duplicate vendors and payments, VAT errors or fraud and multiple vendors sharing a bank account.

Procurement	67	0	14	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	154	0	154	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 £
6,226	2	6,146	0	80	62,726	0	0

Internal Audit Development

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

Table 5: Internal Audit Development Key Actions: updated 13/02/26

Area For Improvement	Agreed Action	Progress Update	Timescale
Review Continuous Monitoring Programme	The Continuous Monitoring Programme will be reviewed to assess value of existing tests carried out and establish where these can be enhanced with greater use of data analytics.	In progress	September 2026
Follow-up Performance Reporting	Develop performance reporting dashboard on Power BI	Complete	March 2026

3.25 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 2025– 26 – FQ3 25/26 (as at December 2025)			
BO115 We Are Efficient and Cost Effective			
Internal Audit Level of Satisfaction	Actual	96.3%	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 2025/26 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 Customer Service – None
- 5.6 Risk – None
- 5.7 Climate Change – None
- 5.8 Fairer Scotland Duty – None
- 5.9 Equalities – protected characteristics – None
- 5.10 Consumer Duty – None
- 5.11 Island Communities – None
- 5.12 Children’s Rights and Wellbeing – None

For further information please contact Internal Audit (01546 604108)

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