

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 progressing as normal and subject to any unplanned absences or changes to resources the plan currently on track.
- **2024/25 Individual Audits undertaken:** Three audits have been completed during the period, 1 has been assessed as providing high assurance, 1 substantial assurance and 1 reasonable assurance. **(Where HSCP and LiveArgyll Audits are included, these are provided for information only).**
- **Scrutiny:** Planned work for 2024/25 has been agreed in relation to the Council's Complaints processes. A report outlining the approach proposed will be presented to the Committee for its consideration. It is anticipated that work in this area will commence in October 2024.
- **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. The team lead is currently progressing through year 2 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 Three audits have been completed since the previous Committee in June 2024. In addition, a further two verification audits were undertaken which are detailed in section 5 of the report

Audits Completed

- SPT Annual Claim – See section 3.8 for further details
- Education Maintenance Allowance (EMA)
- School Funds and Management of School Funds
- Adult Support and Protection (HSCP)
- Local Government Benchmarking Framework – See section 3.7 for further details

Audits in Planning / in Progress

reported to a future meeting of the Committee.

- Community Education
- Oban Airport
- Bridges Asset Management Plan and Inspection Regime
- IR 35 Compliance – Off Payroll work
- NDR

- 3.2 In addition to those already in progress, indicative audits planned for Q2 2024/25 are:

- Data Security & Information Security
- IT Risk Register and Mitigation Processes

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.

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 will be prepared for September 2024 outlining the suggested approach and appointment of the Panel to undertake this work. In terms of developing the skills required within the wider Committee membership, the former Chairperson, Martin Caldwell has offered to assist in this process. This will be particularly useful for those new to the Committee but also increasing the resilience of the Committee to have suitably experienced Panel members. Officer input will be provided as required and consistent with previous scrutiny reviews undertaken.

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 new member of staff will undertake the above CIPFA accreditation and is booked onto this course commencing in the latter half of 2024. Both team members will revert to substantive post circa sept 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 are planned for the local areas including Helensburgh, Rhu, Garelochhead and Tarbert in line with referrals and proactive work. Both officers continue to be proactive and make visits when necessary.

The team also aim to visit some of the more rural islands and areas to follow up on leads and are working closely with other council departments to assist in fraud awareness.

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

Second homes review is playing a larger role in the CFT team's investigations with several claims already adjusted. This will remain a proactive area.

The team now have an established referral system in place from council tax teams and the CFT have already liaised with this team going forward into 2024 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 located within this report. The next exercise will likely commence soon with data uploads likely to be submitted by the end of 2024.

Since the inception of the CFT a total of £1,152,747 has been rebilled and £850,000 has been recovered. A recovery percentage of 74% has been achieved at the last review of the figures.

Additional Updates from Quarter One

- 3.6 Staff continue to work from home or on a hybrid approach and this has proved to be successful, where on-site visits have been required due to the specific nature of the audit work, these have been undertaken.
- 3.7 A sample of data in respect of the Statutory Performance Indicators (SPI's) that are required to be returned by councils as part of the Local Government Benchmarking Framework (LGBF) must be reviewed by Internal Audit for submission to the Improvement Service by 31 August each year. Internal audit carry out this work in collaboration with colleagues in performance management. Internal Audit was provided with the full set of data from which to select indicators for review on 21 June and as large variances were reported in 'Teachers – Sickness Absence – including Covid', 'Sport and Leisure Management', 'Use of Libraries' and 'Museum Services' these indicators were selected for review. 'Other Local Government Employees – Sickness Absence – including Covid' was also reviewed alongside Teachers data due to large numbers involved. Errors were identified during the course of the review and amended by the relevant officers. The pro-forma has been updated to reflect the correct figures for submission to the Improvement Service.

The Improvement Service has now published its [National Benchmarking Overview Report 2022-23](#) providing a high-level analysis of the performance of councils both during 2022-23 and over the longer-term. It recognises the efforts and achievements delivered across local government and sets out the challenges facing councils in the context of current funding and workforce pressures, growing demand and ongoing impacts from the Covid pandemic and cost-of-living crisis. The Accounts Commission reinforce the importance of the LGBF in delivering best value and effective and transparent reporting of performance. In a recent blog entitled "[Benchmarking and good public performance reporting matter](#)", they state that the report indicates that "the pace of improvement in councils is slowing, with 2022-23 the first year that the rate of decline in indicators has overtaken the rate of improvement. This is against a backdrop of growing financial, demand and workforce pressures". It is expected that councils continue to use the LGBF as part of their approach to self-evaluation and performance reporting using the underlying principles of transparency, comparison, trends, driving decision-making and effective scrutiny.

- 3.8 The Strathclyde Concessionary Travel Scheme (SCTS) is founded on the provision of the Transport Act 1985, which allows authorities to make concessionary travel schemes in certain circumstances. The SCTS is administered by Strathclyde Partnership for Transport (SPT) on behalf of the SCTS Joint Committee consisting of 12 local authorities to issue travel cards which entitles the holder to discounted travel by reason of age or disability, and provide reimbursement of fare reductions on rail, subway and ferry services. Argyll and Bute Council operates two ferry routes that qualify for concessionary fares within the SCTS. Internal Audit are required to provide a certificate of accuracy on an annual basis to confirm that the details pertaining to the number of concessionary passengers carried and the equivalent standard fares are consistent with the quarterly claims for reimbursement of the difference between the concessionary fare charged and the standard fare. The data and supporting information for quarter 4 2023/24 claim was provided to Internal Audit for review and found to provide an accurate representation of the number of passengers and value of fares charged, and the reimbursement value was found to have been calculated in

accordance with the SCTS requirements. The certificate of accuracy was therefore issued on 27 May 2024.

- 3.9 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.
- 3.10 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 we hope to complete this work shortly. 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.
- 3.11 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

- 3.12 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.	

- 3.13 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

- 3.14 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 of 2023/24 and quarter one of 2024/25 due to be reported in quarter one 2024/25.

Table 3: National Reports

National Report	Issued To	Detail	Management response/ Action taken
Integration Joint Boards' Finance and Performance 2024	Chief Officer/Chief Finance Officer	Community health and social care faces unprecedented pressures and financial uncertainty.	This report makes several recommendations that will be reviewed in detail to consider actions to be taken to address them. A summary paper will be prepared and considered by the IJB's Senior Leadership Team, Audit and Risk Committee and Finance and policy Committee.

National Fraud Initiative (NFI)

- 3.15 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.
- 3.16 The current 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. The NFI matches are detailed below. 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 29/07/2024

Operational Area	Total Matches	Recommended/Very High / High/Medium Risk Matches	Matches Complete	* WIP	Match Description
CT to Elect Register	2155	0	2155	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	402	0	402	0	
CT to HMRC Household Composition	935	0	38	0	
Housing Benefits	21	11	20	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	140	0	Payroll records to other datasets including other payrolls and pensions to ensure employee is not receiving additional income.
Blue Badges	238	204	238	0	Blue badge records to DWP data to identify deceased claimant with valid badge.
Housing Waiting list	233	214	233	0	Housing waiting list records to other organisations HBCTR and tenant data to identify undisclosed changes in circs or false info.
Council Tax Reduction	307	157	278	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	33	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	38	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	214	0	187	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 £
3876	0	3783	0	93	60,450	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 31/03/24.

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	October 2024
Update internal audit report template to include key audit milestones.	A table will be added to the internal audit report template to provide readers with the planned and actual reporting dates, this will allow better monitoring of any delays in responses which has been requested by DMT.	Completed and will be used for internal audit reports issued 2024-25 onwards	Completed

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 – FQ1 24/25 (as at June 2024)			
BO115 We Are Efficient and Cost Effective			
Internal Audit Level of Satisfaction	Actual	100%	G ↑
	Target	80%	
Review of Strategic Risk register	Status	On Track	G →
	Target	On Track	
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. Resource has been focused on the HSCP contract in this last quarter.

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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5 September 2024