

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 2023/24.

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

- **2023/24 Audit Plan progress:** The plan has now been completed and work has commenced on the 2024/25 audit plan.
- **2023/24 Individual Audits undertaken:** six audits have been completed during the period, 1 have been assessed as providing high assurance, 2 substantial assurance and 2 reasonable assurance, with one to be confirmed. **(Where HSCP and LiveArgyll Audits are included, these are provided for information only).**
- **Scrutiny:** Planned work for 2023/24 in relation to 'Fly Tipping' has been completed following a meeting of the Scrutiny Panel in February 2024 and reported and considered by the Audit and Scrutiny Committee in March 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 Six audits have been completed since the previous Committee in March 2024.

Audits Completed

- Freedom of Information (FOI)
- Client Funds Progress Review
- Financial Ledger
- Scottish Social Services Council (SSSC) Registration
- Learning and Disability Care Packages
- Cloud Based Computer Services

Audits in Planning / in Progress

reported to a future meeting of the Committee.

- Education Maintenance Allowance
- SPT Annual Claim

3.2 In addition to those already in progress, indicative audits planned for Q1 2024/25 are:

- Community Education
- School Funds and Management of School Funds
- Local Government Benchmarking Framework

3.3 2023/24 Audit Plan

- Work has been fully completed on the approved plan and outlined in paragraphs 3.1.
- 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 to ensure data was made available in January for further analysis and consideration at a meeting of the Panel to conclude on this review. In February 2024 the Scrutiny Panel met, along with staff responsible for this area of activity within the Council. The final report was prepared for consideration by the Audit and Scrutiny Committee in March 2024. A subject area for scrutiny in 2024/25 was agreed by the Committee and which relates to complaints, a report will be prepared for the September Committee to take forward this scrutiny 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 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.

The team aimed to visit Mull, Tarbert and Lochgilphead in the next coming months with a proactive aim to gather any new evidence due to ongoing investigations.

A large number of referrals are having to be sent to the DAB Assessors due to the nature of the information, and these will be followed up in due course. There is still a back log from Covid so there are delays.

Helensburgh is still being reviewed and efforts are still being made to trace long term investigations, Operational demands means this will likely continue toward the end of 2024.

Second homes review is beginning to play a larger role in the CFT team's investigations with several claims already adjusted.

The CFT have also assisted debt recovery to trace persons and allow communications between both parties.

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. Pending any other data release from Cabinet Office, the 2022/23 exercise is coming to a close.

Since the inception of the CFT a total of £1,119,584 has been rebilled and £796,759 has been recovered. A recovery percentage of 71% has been achieved at the last review of the figures.

Additional Updates from Quarter Four

- 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 Year- end stock checks were reinstated in 2023/24, visits to yards and stores took place across the Council area to verify stock quantities and values presented to Financial Services for presentation in the annual accounts. We found that comprehensive instructions were issued to relevant employees, stock was measured or counted at the arranged time close to year-end, items were stored safely and securely, regular monitoring is in place to ensure adequate supplies are available to meet demands throughout the year and year-end values were submitted to financial services. Testing identified some differences in quantities and values presented to Financial Services but these were not material. Whilst it is difficult to measure salt for road treatment, the areas visited employed the method of calculation inconsistently, this has been addressed by issue of additional instructions.
- 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.
- 3.9 As part of our work for the HSCP, audit plans 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 have been approved so these will be in place before the start of the new financial year. Work for 2023/24 has been fully completed.
- 3.10 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 highlights 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

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 has 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.	

- 3.11 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 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
None			

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. NFI have provided new data throughout 2023/24 and these have been matched and closed.

This exercise is now coming to a close.

- 3.14 The current NFI exercise has been released after some technical delays from the Cabinet Office. This exercise is 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 current 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 19/05/2024

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	2	
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	139	1	Payroll records to other datasets including other payrolls and pensions to ensure employee is not receiving additional income.
Blue Badges	238	204	237	0	Blue badge records to DWP data to identify deceased claimant with valid badge.
Housing Waiting list	233	214	231	2	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	135	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 £
3706	5	3613	0	93	60,450	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 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	June 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 – FQ4 23/24 (as at March 2024)			
BO115 We Are Efficient and Cost Effective			
Internal Audit Level of Satisfaction	Actual	93%	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 complete, the 2024/25 audit plan has commenced 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 – 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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