Inverclyde
council

Municipal Buildings, Greenock PA15 1LY

Ref: DS

Date: 9 October 2020

A meeting of the Audit Committee will be held on Tuesday 20 October 2020 at 3pm within the Municipal Buildings, Greenock.

This meeting is by remote online access only through the videoconferencing facilities which are available to Members and relevant Officers. The joining details will be sent to Members and Officers prior to the meeting.

In the event of connectivity issues, Members are asked to use the *join by phone* number in the Webex invitation.

Please note this meeting will be recorded.

GERARD MALONE
Head of Legal & Property Services

BUSINESS

1.	**Apologies, Substitutions and Declarations of Interest**	**Page**
PERFORMANCE MANAGEMENT		
2.	**Internal Audit Progress Report – 3 February to 25 September 2020** Report by Corporate Director Environment, Regeneration & Resources	**P**
3.	**Internal Audit Annual Report and Assurance Statement 2019/2020** Report by Corporate Director Environment, Regeneration & Resources	**P**
4.	**External Audit Action Plans – Current Actions** Report by Corporate Director Environment, Regeneration & Resources	**P**
5.	**Annual Review of Risk Management Activity 2019/2020** Report by Corporate Director Environment, Regeneration & Resources	**P**
NEW BUSINESS		
6.	**Audit Scotland National Report: National Fraud Initiative 2018/19** Report by Corporate Director Environment, Regeneration & Resources	**P**
The documentation relative to the following item has been treated as exempt information in terms of the Local Government (Scotland) Act 1973 as amended, the nature of the exempt information being that set out in paragraph 1, 3 & 6 of Part I of Schedule 7(A) of the Act.		

PERFORMANCE MANAGEMENT 7. **Appendix relative to Item 2 providing information on a special investigation**	**P**

Please note that because of the current COVID-19 (Coronavirus) emergency, this meeting will not be open to members of the public.

The reports are available publicly on the Council's website and the minute of the meeting will be submitted to the next standing meeting of the Inverclyde Council. The agenda for the meeting of the Inverclyde Council will be available publicly on the Council's website.

In terms of Section 50A(3A) of the Local Government (Scotland) Act 1973, as introduced by Schedule 6, Paragraph 13 of the Coronavirus (Scotland) Act 2020, it is necessary to exclude the public from the meetings of the Committee on public health grounds. The Council considers that, if members of the public were to be present, this would create a real or substantial risk to public health, specifically relating to infection or contamination by Coronavirus.

Enquiries to – **Diane Sweeney** – Tel 01475 712147

Inverclyde council

Report To:	Audit Committee	**Date:**	**20.10.2020**
Report By:	Corporate Director Environment Regeneration and Resources	**Report No:**	**AC/06/20/SA/APr**
Contact Officer:	Andi Priestman	**Contact No:**	**01475 712251**

Subject: INTERNAL AUDIT PROGRESS REPORT – 3 FEBRUARY TO 25 SEPTEMBER 2020

1.0 PURPOSE

1.1   The purpose of this report is to enable members to monitor the performance of Internal Audit, to discharge their scrutiny and performance monitoring roles and gain an overview of the overall control environment throughout the Council.

1.2   The Monitoring Report from 3 February to 25 September 2020 is attached as an Appendix to this report since its content is essential to the understanding of the Council's control environment.   Appendix 1

2.0 SUMMARY

2.1   There were 4 internal audit reports finalised since the last Audit Committee meeting in February 2020:

- Residents Parking Scheme
- Governance of Community Organisations
- Refugee Integration Scheme
- Off Payroll Working (IR35) Regulations

2.2   These reports contained 16 issues categorised as follows:

Red	Amber	Green
0	11	5

2.3   The fieldwork for the 2019/20 plan is complete and the report for the remaining audit is at draft report stage.

2.4   The fieldwork for the 2020/21 is underway and the status is as follows:

Stage	Number of Reports
Final Report	0
Draft Report	1
Fieldwork Complete	0
Fieldwork in Progress	2
Planning	2
Not started/deferred	9
Total	14

2.5   In relation to Internal Audit follow up, there were no actions due for completion by 31   Appendix 2
      August 2020. The current status report is attached at Appendix 2.

2.6   The CMT has reviewed and agreed the current status of actions.

3.0   RECOMMENDATIONS

3.1   It is recommended that Members agree to note the progress made by Internal Audit in
      the period from 4 February to 25 September 2020.

      Scott Allan
      Corporate Director Environment, Regeneration and Resources

4.0 BACKGROUND

4.1 In April 2019, the Audit Committee approved the current Internal Audit Annual Plan which detailed a programme of activity to be undertaken during 2019-20. The Internal Audit Annual Audit Plan for 2020-21 was approved by Audit Committee at the February 2020 meeting.

4.2 Internal Audit regularly reports findings and action plans to relevant Council Officers and the Audit Committee as part of the annual audit plan. A follow up process is in place to allow follow up of current internal audit actions to be co-ordinated and updated by Internal Audit on a monthly basis with regular reporting to CMT and the Audit Committee.

5.0 CURRENT POSITION

5.1 There were 4 internal audit reports finalised since the last Audit Committee meeting in February 2020:

- Residents Parking Scheme
- Governance of Community Groups
- Refugee Integration Scheme
- Off Payroll Working (IR35) Regulations

5.2 The fieldwork for the 2019/20 plan is complete and the report for the remaining audit is at draft report stage.

5.3 The fieldwork for the 2020/21 plan is underway and the current status of the plan is as follows:

Stage	Number of Reports
Final Report	0
Draft Report	1
Fieldwork Complete	0
Fieldwork in Progress	2
Planning	2
Not started/deferred	9
Total	14

5.4 In relation to Internal Audit action plans, there are 16 current action points being progressed by officers. There were no actions due for completion by 31 August 2020. The current status report is attached at Appendix 2.   Appendix 2

5.5 The CMT has reviewed and agreed the current status of actions.

6.0 IMPLICATIONS

Finance

6.1 There are no direct financial implications arising from this report.

Financial Implications:

One off Costs

Cost Centre	Budget Heading	Budget Years	Proposed Spend this Report	Virement From	Other Comments
N/A					

Annually Recurring Costs/ (Savings)

Cost Centre	Budget Heading	With Effect from	Annual Net Impact	Virement From (If Applicable)	Other Comments
N/A					

Legal

6.2 There are no direct legal implications arising from this report.

Human Resources

6.3 There are no direct HR implications arising from this report.

Equalities

6.4 There are no direct equalities implications arising from this report.

Repopulation

6.5 There are no direct repopulation implications arising from this report.

7.0 CONSULTATIONS

7.1 Relevant officers have been consulted in the preparation of this report.

8.0 LIST OF BACKGROUND PAPERS

8.1 File of completed internal audit reports: Available from Andi Priestman, Chief Internal Auditor.

Inverclyde council

Audit Committee Report
Report on Internal Audit Activity from
3 February to 25 September 2020

1   Audit work undertaken in the period

Reports issued since last update

1.1   In each audit, one of 4 overall opinions is expressed:

Strong	In our opinion there is a ***sound*** system of internal controls designed to ensure that the organisation is able to achieve its objectives.
Satisfactory	In our opinion ***isolated*** areas of control weakness were identified which, whilst not systemic, put some organisation objectives at risk.
Requires improvement	In our opinion ***systemic and/or material*** control weaknesses were identified such that some organisation objectives are put at significant risk.
Unsatisfactory	In our opinion the control environment was considered ***inadequate*** to ensure that the organisation is able to achieve its objectives.

1.2   Detailed findings and recommendations reported to management are currently graded using the following criteria:

Red	• In our opinion the control environment is insufficient to address the risk and this could impact the Council as a whole. • Corrective action must be taken and should start immediately. • Overseen to completion by Corporate Management Team.
Amber	• In our opinion there are areas of control weakness which we consider to be individually significant but which are unlikely to affect the Council as a whole. • Corrective action must be taken (some exceptions may be agreed with IA) within reasonable timeframe. • Overseen to completion by Head of Service.
Green	• In our opinion the risk area is well controlled or our audit highlighted areas for minor control improvement and/or areas of minor control weakness. • Process improvements/efficiencies may be actioned at management discretion in consultation with Internal Audit (IA). • Managed by service owner.

1.3   There were 4 audit reviews finalised since the February Audit Committee, which are identified below, together with a summary of the gradings of the issues identified. In Section 2 we have provided a summary of the main findings from the review.

Reports finalised since previous Audit Committee	**Grading**			
	Red	**Amber**	**Green**	**Total Number of Issues**
Residents Parking Scheme	0	3	1	**4**
Governance of Community Groups	0	2	2	**4**
Refugee Integration Scheme	0	6	0	**6**
Off Payroll Working (IR35)	0	0	2	**2**
Total	**0**	**11**	**5**	**16**

Other activities

Risk Management

1.4 Risk Management is the subject of separate reporting to Audit Committee and a full report is submitted separately on an annual basis.

Internal Audit Action Plan Follow Up

1.5 The current status of Internal Audit Action plans is set out as an attachment at Appendix 2 to this report.

2 Summary of main findings from reports issued since previous Audit Committee

2.1 We have provided below a summary of the key findings from the final reports issued after 31 January 2020.

Residents Parking Scheme

2.2 Decriminalised parking enforcement was introduced in Inverclyde in October 2014. However, after objections from the public and a review of the situation, a Residents' Parking Permit Scheme was introduced into some parts of Greenock Town Centre on 25/04/2016. This scheme has now evolved to include four designated zones within Greenock town centre area and a further area in Wemyss Bay.

The permit scheme allows residents within the designated zones, on proof of residency and vehicle ownership, to park unrestricted by means of a virtual parking permit. The scheme is administered and delivered by Imperial Civil Enforcement Ltd (ICES) on behalf of Inverclyde Council.

2.3 The objective of this audit was to provide management and the Audit Committee with an assessment of the adequacy and effectiveness of the governance, risk management and controls surrounding the key risks faced by Inverclyde Council in relation to Residents' Parking Permit Scheme.

2.4 The review focused on the high level processes and procedures in relation to Residents' Parking Permit Scheme and concentrated on identified areas of perceived higher risk, such as non-compliance with terms and conditions and lack of documentary proof on renewal or change of circumstances.

2.5 The overall control environment opinion for this audit review was **Satisfactory.** There were 3 AMBER issues identified as follows:

Non-Compliance with Terms and Conditions (Amber)

The terms and conditions provide the framework for the Residents' Parking Permit Scheme which is administered and delivered by Imperial Civil Enforcement Solutions Ltd (ICES) on behalf of Inverclyde Council. The administration process undertaken by ICES includes the issue of virtual permits, validating documentation regarding residency and vehicles, renewal procedures and maintaining the permit database.

2 Summary of main findings from reports issued since previous Audit Committee (Continued)

Through discussions with staff and audit testing, the following areas of non-compliance with the terms and conditions were identified:

- Acceptance of documentary evidence as proof of residency or vehicle ownership which is not listed on the approved list of documents.
- No routine checks are conducted on renewal to ascertain whether an applicant has three or more outstanding Penalty Charge Notices (PCN's).
- No assessment is carried out re the provision of "off road" parking.
- No current checks to validate vehicle documents in relation to insurance, MOT and road fund licence.

If applications are processed without adherence to the terms and conditions of the scheme, there is a risk that permits are issued which are not valid and where there is no entitlement.

Lack of documentary proof on renewal or change of circumstances (Amber)

When applying for a Residents' Parking Permit, applicants are required to provide documentary proof of residency and vehicle ownership from an approved list of documents. However, through discussions with staff it was established that:

- At renewal, permit holders only require to confirm that there has been no change of circumstances and are not required to provide any further documentary evidence.
- In circumstances where a change of vehicle occurs, no proof of ownership is requested.

In the absence of a robust permit renewal and change of circumstances process, there is a risk that permits are issued where entitlement no longer exists.

Management have advised that since the introduction of Permit Smarti in January 2020, proof of residency and vehicle ownership will also be required at renewal and through notification of a change of circumstances.

Absence of quality control checks and management information (Amber)

The Service Level Specification agreed between ICES and Inverclyde Council states at paragraph 2 (19) that ICES will be responsible for providing management information on both an annual and monthly basis including number of new applications, renewals, changes to vehicles and average time to process.

Through discussion with staff, both at Inverclyde Council and ICES, it was identified that no management information has been produced by ICES since the inception of the permit scheme in April 2016.

In addition, no routine or random sampling of applications has been undertaken by IC to ensure any errors or omissions are corrected in a timely manner.

Where management information is not produced and reviewed, there is a risk that management may be unable to demonstrate compliance with relevant policies and procedures, or areas of non-compliance are not identified and corrected. In addition, in the absence of routine or random sampling of applications, there are risks that errors or omissions occur which are not detected leading to the issue of permits where there is no entitlement.

2 **Summary of main findings from reports issued since previous Audit Committee (Continued)**

As a result of the audit, management have advised that since November 2019, management information is now being supplied on a monthly basis by ICES in line with the Service Level Specification. In addition, with the introduction of Permit Smarti in January 2020, Council staff now have 6 "read only" permissions, allowing them to monitor and sample applications processed by ICES.

2.6 The review identified 4 issues, three of which we consider to be individually significant and an action plan is in place to address all issues by 31 October 2020.

Governance of Community Groups

2.7 All community groups within Inverclyde need to be managed if they are to function effectively. Good governance ensures the overall direction, effectiveness, supervision and accountability of each of these groups. Within Inverclyde there are currently 6 self-managed community centres which are supported by the Council in providing community learning and development services to their local communities.

2.8 The objective of this audit was to provide management and the Audit Committee with an assessment of the adequacy and effectiveness of the governance, risk management and controls surrounding the key risks faced by Inverclyde Council in relation to Governance of Community Groups.

2.9 The review focused on the high level processes and procedures in relation to Governance of Community Groups and concentrated on identified areas of perceived higher risk, such as all relevant governance requirements have not been identified or set up completely and accurately or adequate procedures are not in place to ensure that effective and challenging monitoring of governance procedures is being carried out.

2.10 The overall control environment opinion for this audit review was **Satisfactory.**   There were 2 AMBER issues identified as follows:

Creation and Monitoring of Outcomes (Amber)

All community groups should have outcomes that link into the Local Outcome Improvement Plan (LOIP) included within their Service Level Agreement which are then monitored on an ongoing basis to ensure that activities undertaken are in line with the agreed outcomes.

However, through discussions with staff, it was identified that the Service Level Agreements have not been reviewed since 2013 and therefore are currently not aligned to the LOIP. Therefore monitoring of activity is not able to be carried out. In addition, 2 community groups do not have a Service Level Agreement in place.

Where outcomes are not aligned to the LOIP, there is a risk that activities may be undertaken which do not achieve community planning expectations.

Where key performance indicators have not been reviewed or put in place, and targets do not exist or are not sufficiently challenging, there is a risk that management may not be able to monitor performance of activities to ensure they are on track or ensure remedial action is taken where necessary to address any issues identified.

2   Summary of main findings from reports issued since previous Audit Committee (Continued)

Adequacy of monitoring arrangements (Amber)

The role of the Development Officer is to carry out quarterly review visits including sample checks of the governance of the community groups within Inverclyde to ensure that activities undertaken are in line with the agreed outcomes.

Through discussions with staff, it was identified that there is currently only one officer who completes these reviews with operational guidance on how to apply the monitoring framework currently being completed. In addition, limited monitoring was being carried out due to Service Level Agreements being revised. Also, although the Service Manager and Development Officer meet regularly to discuss key issues arising, these meetings are not formalised.

Where a single person dependency exists, there is a risk that monitoring is not carried out or reporting deadlines may be missed should the Development Officer be absent from her position.

Where operational guidance on how to apply the monitoring framework for the governance of community groups has not been completed, there is a risk that staff may carry out processes incorrectly in the absence of key members of staff.

2.11   The review identified 4 issues, two of which we consider to be individually significant and an action plan is in place to address all issues by 30 November 2020.

Refugee Integration Scheme

2.12   Over recent years the Health & Social Care Partnership (HSCP) has participated in Home Office schemes to resettle refugees within the local community. Inverclyde has seen the arrival of refugees from Afghanistan and Syria. The Refugee Integration Team is currently supporting approximately 124 individuals across 35 families.   It is important that refugees receive appropriate support from various organisations, including the HSCP, especially as the Council plans to accept more refugee families.   The support given to refugees must be based on assessments of their needs. Services delivered by HSCP teams and external organisations must also be provided collaboratively and in ways which focus on refugees assessed needs. Over five years the Council would receive Home Office grants amounting to approximately £82,000 for a family of four refugees, including two school aged children. In addition, both the Council and Home Office expect the promotion of positive outcomes for refugees whilst also demonstrating best value when spending specific grants.

2.13   The objective of this audit was to provide management and the Audit Committee with an assessment of the adequacy and effectiveness of the governance, risk management and controls surrounding the key risks faced by Inverclyde Council in relation to the refugee integration scheme.

2.14   The review focused on the high level processes and procedures in relation to the refugee integration scheme and concentrated on identified areas of perceived higher risk, such as not completely and accurately assessing refugees' needs for public services and not adequately embedding partnership working within the refugee integration scheme.

2   Summary of main findings from reports issued since previous Audit Committee (Continued)

2.15   The overall control environment opinion for this audit review was **Satisfactory.**   There were 6 AMBER issues identified as follows:

Financial management and monitoring of the refugee integration scheme (Amber)

The Council receives regular Home Office grants when it resettles refugees. For a family of four refugees, including two children, the Council would receive grants amounting to approximately £82,000 over five years. These grants are pooled and used to pay for the Refugee Integration Team along with support costs, such as interpreter services. However, we have identified some issues regarding the management of this expenditure as follows:

- There are no formal reconciliations of grants due for refugee families being matched to grant claims and income actually received;
- Over the last five years Education Services has not regularly received its share of these Home Office grants, although we understand that grants totalling £70,630 were transferred to Education Services during 2017/18 and 2018/19; and
- There is a need to establish more detailed budgetary control arrangements, especially in relation to setting annual budgets and more formally identifying recurring spending pressures.

Without adequately addressing weaknesses in the financial management of the refugee resettlement scheme it will be more difficult for officers to comply with all relevant Council policies and to fully implement Home Office funding instructions.

Complying with procurement procedures for the refugee integration scheme (Amber)

A proportion of Home Office resettlement grants are used to procure goods and services for refugees such as redecorating rented accommodation, buying furniture and providing cookery classes. Through discussions with officers we have identified the following issues:

- There is considerable uncertainty regarding the extent to which the Refugee Integration Team has always fully and adequately documented its compliance with corporate procurement procedures over recent years; and
- The main external contractors used by the Refugee Integration Team have not been subject to regular and formal contract monitoring reviews.

Without adequately documenting compliance with corporate procurement procedures it will be more difficult for officers to demonstrate that they have obtained best value when administering the refugee integration scheme.

Adequacy of policy and procedural documentation for managing the refugee integration scheme (Amber)

There is no comprehensive Council policy covering the integration of refugees into the local community, although work undertaken by the multi-partner Migration Steering Group (MSG) could be used to develop a local policy.

2 **Summary of main findings from reports issued since previous Audit Committee (Continued)**

However, we have identified some issues which require to be addressed as follows:

- setting capacity limits to determine the annual number of refugees which can reasonably be accepted each year;
- specifying the criteria to be used for capping the number of refugees with complex care needs;
- outlining the support which will be provided to refugees or asylum seekers who either do not receive Home Office funding or who do not have recourse to public funds; and
- specifying positive outcomes for refugees in respect of their learning English and accessing education and employment support.

In addition, we have identified some issues regarding the operational procedures used by the Refugee Integration Team as the procedures do not adequately specify the support services provided to refugees following their first year of arrival. Also, the procedures do not fully cover procurement processes or claiming Home Office grants.

In the absence of a comprehensive local policy it will be more difficult for the Migration Steering Group to deliver positive outcomes for local refugees.

Whenever gaps exist in operational procedures there is a risk that staff follow incomplete and out of date processes.

<ins>Adequacy of partnership working arrangements in relation to the refugee integration scheme (Amber)</ins>

Various factors determine the success of stakeholders' efforts to adequately integrate refugees into the local community. Up until March 2019 a Migration Steering Group (MSG) met regularly to progress issues arising from integration activities. Following staff changes the MSG was due to reconvene during March 2020 but this was postponed due to Covid-19. Through discussions with officers we have identified a number of issues which the MSG could examine, including:

- confirming and documenting the primary roles and responsibilities of MSG participants by consolidating the work already undertaken;
- creating an appropriate framework in which to proactively manage the immigration status of each refugee well in advance of their fifth anniversary of arriving in the UK;
- developing communication arrangements which seek to resolve the underlying causes of occasional but recurring service delivery issues;
- ensuring the ongoing provision of halal meat across local schools; and
- assessing the effectiveness of the services provided to refugees, such as the quality of English tuition.

Issues which arise from refugee integration activities may not be resolved in the absence of effective communications amongst relevant stakeholders.

2   **Summary of main findings from reports issued since previous Audit Committee (Continued)**

Adequacy of management information regarding services for refugees (Amber)

When working with refugee families the Refugee Integration Team exchanges information with public and private services providers. The effective oversight of these services requires the regular and meaningful management information, however in these respects we have identified some issues, including:

- the need to re-introduce regular reporting to relevant Council Committees on the strategic challenges and successes arising from the refugee resettlement scheme;
- the Team's ability to fully assist refugees with benefit claims may be limited as relevant officers do not have access to the current Welfare Rights case management system;
- senior managers need to specify the management information which they regularly require from all relevant officers;
- the Team is required to hold some information about refugee families on the HSCP's network computer drive rather than fully utilising the SWIFT system; and
- there is a need to confirm that the replacement SWIFT system will, to some extent, allow for the Team's information processing requirements.

In the absence of relevant management information it may be more difficult to effectively oversee the Team's activities or regularly report strategic issues to elected members.

The effectiveness of services provided to refugees may be reduced when information systems do not adequately allow for the Team's processes or cannot be accessed by its staff.

Efforts to effectively manage the risks associated with vulnerable refugee children and adults may be compromised when the SWIFT system is not fully utilised and thus complicating the sharing of relevant information.

Adequacy of information governance and management arrangements (Amber)

The Refugee Integration Team works closely with various internal and external stakeholders and thus holds and shares refugees' personal information. From our fieldwork we have identified some information governance issues as follows:

- data sharing protocols are not in place with the Council services and most external organisations which the Team deals with;
- relevant information regarding refugee children is shared with selected Education staff and whilst this is appropriate in respect of pupils we understand that information regarding their families is also shared with those same staff. There is a need to seek advice from relevant officers regarding the necessities of this practice whilst also complying with child protection and data protection laws; and
- a detailed plan to fully implement the Council's data retention policy has not yet been developed.

Without regularly reviewing operational practices it may be more difficult to demonstrate compliance with all relevant legislation and the Council's information governance policies.

2.16   The review identified 6 issues which we consider to be individually significant and an action plan is in place to address all issues by 31 October 2020.

2 **Summary of main findings from reports issued since previous Audit Committee (Continued)**

Off Payroll Working (IR35)

2.17 In April 2017 new legislation was introduced requiring the Public Sector to assess whether workers provided via an intermediary and up to this point paid outside of payroll would have been subject to PAYE if not paid via the intermediary.

The intermediary could be their own personal services company, an agency or a third party paying the intermediary. The legislation is referred to as Off Payroll Working in the Public Sector but is commonly referred to as IR35.

The new legislation will ensure that individuals who work through their own company but who would have been taxed as employees had they been engaged directly pay employment taxes on their income.

2.18 The objective of this audit was to provide management and the Audit Committee with an assessment of the adequacy and effectiveness of the governance, risk management and controls surrounding the key risks in relation to off-payroll working (IR35).

2.19 The overall control environment opinion for this audit review was **Satisfactory.** Areas of good practice were identified as follows:

When the legislation came into force on 1 April 2017, HR carried out an exercise in conjunction with Finance & Procurement to ensure that posts which fell within the scope of IR35 had an online assessment carried out using the HMRC toolkit and a copy was retained as evidence.

However some areas to strengthen the control environment were identified as follows:

- The CSA returns identified that although IR35 guidance was issued by OD/HR to Heads of Service for dissemination, there was a lack of awareness of the guidance issued and refresher guidance is would be welcomed by managers.
- Although the Council has a Recruitment & Selection Policy in place this policy has not been updated to reflect requirements relating to IR35 Regulations.

2.20 The review identified 2 GREEN issues and an action plan is in place to address both issues by 31 October 2020.

3 Audit Plan for 2020/2021 – Progress to 25 September 2020

Planned Audit Coverage	Not started	Planning	TOR Issued	Fieldwork in Progress	Fieldwork Complete	Draft Report	Report Finalised	Reported to Audit Committee
Risk-Based Reviews								
Homelessness	✓							
Corporate Procurement – Off Contract Spend		✓	✓	✓	✓	✓		
Taxi Licensing	✓							
Overtime		✓						
Garden Waste Permits Income		✓	✓					
Limited Scope Financial Reviews								
Cash and Banking	✓							
Creditors	✓							
Project Assurance Reviews								
Greenock Ocean Terminal								
Parent Pay	✓							
Project Post-Implementation Reviews								
Alcohol and Drugs Partnership Redesign	✓							
CLD 3 Year Plan	✓							
Regularity Audits								
Employee Expenses – Quarterly Checks	✓							
Client Accounts – Quarterly Checks	✓							
Corporate Purchase Cards – Quarterly Checks		N/A	N/A	✓				
Corporate Governance								
Annual Governance Statement 2019-2020	Complete - Input provided by CIA.							
Other Work								
Council Tax Reduction Scheme/Discounts/Exemptions	Visits are carried out to establish the validity of discounts and exemptions – see section 4							
National Fraud Initiative	Work on the 2018/19 Data Matching Exercise is complete.							
SPOC Liaison with DWP	Ongoing – see paragraph 4 for detailed activity.							
Inverclyde IJB	20 days allocated to IJB audit plan. One audit is complete.							

4 Corporate Fraud Activity

4.1 The undernoted table sets out progress to date on corporate fraud activity in the period 3 February to 23 March 2020:

Council Tax Reduction Scheme 3 February to 23 March 2020		
Number of Home Visits	**Number of Errors Identified and Corrected**	**Total Overpayment/Future Savings**
56	0	£0
Council Tax Reduction Scheme – Year to 31 March 2020		
Number of Home Visits	**Number of Errors Identified and Corrected**	**Total Overpayment/Future Savings**
153	46	£43,161/ £30,354

National Fraud Initiative 2018-2019 Exercise

Matches have now been investigated by Internal Audit and Services and the exercise is now complete.

Matches received	Number Investigated	No issues	Fraud	Error	Value of Fraud/Error
Housing Benefit					
385	385	373	11	1	£18,283.03
Blue Badge					
201	201	84	0	117	£0
Care Homes					
45	45	45	0	0	£0
Personal Budgets					
7	7	7	0	0	£0
Council Tax Reduction Scheme					
735	729	711	10	6	£16705.91
Procurement					
38	38	38	0	0	£0
Payroll					
67	67	64	0	3	£1556.60
Creditors					
1254	1241	1241	0	0	£0
VAT					
56	56	56	0	0	£0
TOTALS					
2788	**2769**	**2731**	**21**	**127**	**£36,545.54**

Recheck Report – Single Person Discount (Refreshed in January 2020)					
3799	1613	1579	24	10	**£30,615.41**

Stock and Inventory Quarterly Checks – 2019-2020

Quarterly checks are complete. No significant issues have arisen.

Employee Expenses Quarterly Checks – 2019-2020

Quarterly checks are complete. A new Travel and Subsistence policy was approved in September 2019. Compliance with the new policy will be undertaken as part of the 2020-2021 Annual Audit Plan.

Corporate Purchase Cards Quarterly Checks – 2020-21

Quarterly checks are underway.

4 Corporate Fraud Activity (Continued)

4.2 The status of NFI cases being reviewed by Corporate Fraud since the last Audit Committee are set out below:

NFI Enquiries					
Number of Enquiries	Fraud Established	No Fraud	Referred to Finance	Referred to External Agency	Ongoing
29	3	13	10	0	3

4.3

SPOC Liaison 3/2/20 – 25/9/20		
DWP Referrals	2 this period	37 to date
LAIEF requests actioned	4 this period	60 to date

4.4

Whistleblowing/Referrals

Files closed/being investigated since the last Audit Committee are as follows:

File Ref	Description	Status
19/20 19-199	Employee Fraud – timekeeping/ duties irregularity.	Irregularities identified - recommendations made to management to improve control environment.
19/20 19/221	Discrepancies in Client Accounts.	Summary of findings and recommendation included at Section 6 of the report.
19/20 19/286	Allegation that local shop is not complying with physical distancing.	Referred to Enforcement.
20/21 20/23	Potential Employee Conflict of Interest.	Referred to Service. No irregularity identified.

4.5 In addition, the status of other enquiries received between 3/2/20 and 25/9/20 is as follows:

Blue Badge Enquiries					
Number of Enquiries	Misuse Identified		No misuse	Ongoing	
19	16		2	1	
Council Tax Referrals (Whistleblower/Services)					
Number of Enquiries	Fraud Established	No Fraud	Referred to Finance	Referred to External Agency	Ongoing
6	0	0	4	0	2
Other Enquiries (Services)					
Number of Enquiries	Fraud		No Fraud	Ongoing	
8	0		8	0	

5 Ad hoc activities undertaken since the previous Audit Committee

5.1 From time to time, management will request the assistance of Internal Audit in certain activities that are in addition to the annual Operational Plan. Examples of such activities include investigations of alleged irregularities, review of changes in system procedures etc.

5   **Ad hoc activities undertaken since the previous Audit Committee (Continued)**

5.2   Contingency has been made available in the Operational Plan for such ad hoc activities. Since the previous Audit Committee, ad hoc activity undertaken in the period is as follows:

- Providing relevant information in relation to FOI requests.
- Investigations as set out at sections 4.2 to 4.5 of the report.
- Provision of ongoing advice and support to service processes impacted by the pandemic eg new business grants process, electronic authorisation of financial payments, care home sustainability process and input though CRMT on cyber security and anti-fraud alerts for employees and wider community.

INVERCLYDE COUNCIL INTERNAL AUDIT

**REPORT TO AUDIT COMMITTEE ON
STATUS OF INTERNAL AUDIT ACTION PLAN POINTS (RED AND AMBER ONLY)
AT 31 AUGUST 2020**

Summary: **Section 1** **Summary of Management Actions due for completion by 31/08/2020**

There were no actions due for completion by 31 August 2020.

Section 2 **Summary of Current Management Actions Plans at 31/08/2020**

At 31 August 2020 there were no audit reports delayed due to management not finalising the action plan within agreed timescales.

Section 3 **Current Management Actions at 31/08/2020**

At 31 August 2020 there were 16 current audit action points.

Section 4 **Analysis of Missed Deadlines**

At 31 August 2020 there were 5 audit action points where the agreed deadline had been missed.

Section 5 **Summary of Action Plan Points by Audit Year**

INVERCLYDE COUNCIL INTERNAL AUDIT
REPORT TO AUDIT COMMITTEE ON
STATUS OF INTERNAL AUDIT ACTION PLAN POINTS (RED AND AMBER ONLY)
SUMMARY OF MANAGEMENT ACTION PLANS DUE FOR COMPLETION BY 31.08.2020

SECTION 2

Directorate	No. of Actions Due	No. of Actions Completed	Deadline missed Revised date set*	Deadline missed Revised date to be set*
Health and Social Care Partnership (HSCP)	0			
Education, Communities and Organisational Development	0			
Environment, Regeneration & Resources	0			
Total	**0**			

* These actions are included in the Analysis of Missed Deadlines – Section 4

SECTION 2

CURRENT ACTIONS BY DIRECTORATE

HSCP	
Due for completion October 2020	6
Due for completion November 2020	1
Due for completion June 2021	1
Total Actions	**8**
Education, Communities and Organisational Development	
Due for completion October 2020	1
Due for completion November 2020	2
Completion date to be advised	2
Total Actions	**5**
Environment, Regeneration and Resources	
Due for completion October 2020	3
Total Actions	**3**
Total current actions:	**16**

INVERCLYDE COUNCIL INTERNAL AUDIT
REPORT TO AUDIT COMMITTEE ON
STATUS OF INTERNAL AUDIT ACTION PLAN POINTS (RED AND AMBER ONLY)
CURRENT MANAGEMENT ACTIONS AS AT 31.08.2020

SECTION 3

HSCP

Action	Owner	Expected Date
Stock and Inventory Control (March 2019)		
Adequacy of Stock Controls within Inverclyde Centre for Independent Living (Amber) Funding has been secured to procure a new stock control system which will be used for ICIL equipment. As an interim measure, managers have carried out a manual stock check and a year-end stock check will be carried out by end of March.	**Service Manager (Innovation and ICIL)**	**30.06.2021***
HSCP Contract Management (July 2019)		
Adequacy of Contract Management Framework documentation (Amber) The finalised guidance will be formally reviewed for its effectiveness within a year of its being applied in practice.	**Service Manager (Quality and Development)**	**30.11.2020**
Refugee Integration Scheme (August 2020)		
Financial Management and Monitoring of the Refugee Integration Scheme (Amber) Management will: • establish formal arrangements for claiming Home Office grants; • undertake spot checks to confirm that all relevant grants were claimed from the Home Office; • confirm the accuracy of unspent grant monies for the two refugee resettlement schemes which operated up until 31st March 2020; • establish more detailed budgetary control arrangements for the current Home Office resettlement scheme; • undertake a review of the roles and responsibilities for financial tasks currently undertaken by the Refugee Integration Team and Finance staff; and • formal arrangements will be detailed within version controlled procedures.	**Service Manager (Children & Families & New Scots Service)**	**31.10.2020**
Complying with Procurement Procedures (Amber) Management will undertake a thorough review of the Refugee Integration Team's arrangements for documenting its compliance with corporate procurement procedures and contract monitoring arrangements.	**Service Manager (Children & Families & New Scots Service)**	**31.10.2020**

* See Analysis of Missed Deadlines – Section 4

INVERCLYDE COUNCIL INTERNAL AUDIT
REPORT TO AUDIT COMMITTEE ON
STATUS OF INTERNAL AUDIT ACTION PLAN POINTS (RED AND AMBER ONLY)
CURRENT MANAGEMENT ACTIONS AS AT 31.08.2020

SECTION 3

HSCP (Continued)

Action	Owner	Expected Date
Refugee Integration Scheme (August 2020)		
Adequacy of Policy and Procedural Documentation (Amber) Management will: • develop a local policy regarding the integration of refugees in conjunction with the Migration Steering Group (MSG); • review and update operational procedures; and • ensure both the policy and operational procedures are consistent with relevant Scottish Government policies and Home Office Funding Instructions and approved by the relevant Council Committees.	**Service Manager (Children & Families & New Scots Service)**	**31.10.2020**
Adequacy of Partnership Working Arrangements (Amber) Management will: • reconvene the Migration Steering Group (MSG) as soon as reasonably practicable; • examine the various issues which were identified during the audit; and • create MSG sub-groups in order to examine complex issues and to draft appropriate action plans.	**Service Manager (Children & Families & New Scots Service)**	**31.10.2020**
Adequacy of Management Information (Amber) Management will: • clarify with CMT the appropriate report cycle to prepare reports regarding the refugee strategy for relevant Council committees; • explore the benefits of access to the current Welfare Rights case management system for relevant staff within the Refugee Integration Team; • develop a management information suite to be regularly produced by the Refugee Integration Co-ordinator and Finance staff in order to fully oversee the refugee integration scheme; • further utilise the SWIFT system for case management; • confirm that the replacement SWIFT system will, to the extent possible, allow for the Refugee Integration Team's information processing requirements.	**Service Manager (Children & Families & New Scots Service)**	**31.10.2020**

* See Analysis of Missed Deadlines – Section 4

INVERCLYDE COUNCIL INTERNAL AUDIT
REPORT TO AUDIT COMMITTEE ON
STATUS OF INTERNAL AUDIT ACTION PLAN POINTS (RED AND AMBER ONLY)
CURRENT MANAGEMENT ACTIONS AS AT 31.08.2020

SECTION 3

HSCP (Continued)

Action	Owner	Expected Date
Refugee Integration Scheme (August 2020)		
Adequacy of information governance and management arrangements (Amber) Management will: • develop appropriate data sharing protocols with the Council services and external organisations which the Refugee Integration Team deals with; and • develop a data retention plan for the personal information held by the Refugee Integration Team.	**Service Manager (Children & Families & New Scots Service)**	**31.10.2020**

Education, Communities and Organisational Development

Action	Owner	Expected Date
HR Safe Recruitment Checks (November 2019)		
Monitoring the timeliness of processing of HR safe recruitment checks (Amber) HR management will review these issues as part of the work being undertaken in respect of Good Work Plan legislation along with the internal review/short life work group involving HR and Home Care. This work will be balanced with examining available national benchmarking data in order to identify whether Inverclyde is in line with average timescales and subject to available resources within HR.	**HR and OD Manager**	**31.10.20**
Education Control Self Assessment (January 2020)		
Inefficient Use of ICT Systems (Amber) Once the pilot has been completed, the corporate transition will be implemented for the remaining schools.	**Head of Education**	**To be advised***
Staff will be given corporate e-mail address access and use of corporate printers.	**Head of Education**	**To be advised***

* See Analysis of Missed Deadlines – Section 4

INVERCLYDE COUNCIL INTERNAL AUDIT
REPORT TO AUDIT COMMITTEE ON
STATUS OF INTERNAL AUDIT ACTION PLAN POINTS (RED AND AMBER ONLY)
CURRENT MANAGEMENT ACTIONS AS AT 31.08.2020

SECTION 3

Education, Communities and Organisational Development (Continued)

Action	Owner	Expected Date
Governance of Community Organisations (May 2020)		
Creation and Monitoring of Outcomes (Amber) Management will ensure that: • a revised Service Level Agreement is put in place for all community groups which should include key performance indicators, targets and outcomes that are in line with the locality planning priorities set in the LOIP; and • monitoring of agreed outcomes is included within the governance arrangements on a quarterly basis.	**Service Manager, CLD, Community Safety & Resilience and Sport**	**30.11.2020***
Adequacy of Monitoring Arrangements (Amber) Management should ensure that: • appropriate contingency arrangements are put in place in the event that the Development Officer is absent for an extended period of time, including development of operational guidance; • the monitoring process is updated to reflect revised KPIs and activities; and • once outcomes have been agreed, a wider range of sample checks are carried out within the quarterly review with management oversight.	**Service Manager, CLD, Community Safety & Resilience and Sport**	**30.11.2020***

Environment Regeneration and Resources

Action	Owner	Expected Date
Residents Parking Scheme (March 2020)		
Non-Compliance with Terms and Conditions (Amber) Management will ensure that all applications and renewals processed are fully compliant with the terms and conditions of the Residents' Parking Permit Scheme.	**Team Leader**	**31.10.2020**
Lack of Documentary Proof on Renewal or Change of Circumstances (Amber) Management will satisfy themselves that procedures are introduced to ensure that the same standards are applied at renewal and change of circumstances as at first application.	**Team Leader**	**31.10.2020**

* See Analysis of Missed Deadlines – Section 4

INVERCLYDE COUNCIL INTERNAL AUDIT
REPORT TO AUDIT COMMITTEE ON
STATUS OF INTERNAL AUDIT ACTION PLAN POINTS (RED AND AMBER ONLY)
CURRENT MANAGEMENT ACTIONS AS AT 31.08.2020

SECTION 3

Environment Regeneration and Resources (Continued)

Action	Owner	Expected Date
Residents Parking Scheme (March 2020)		
Absence of Quality Control Checks and Management Information (Amber) Management will ensure that both ICES and Inverclyde Council introduce a programme of routine sampling of permit applications on a regular basis to confirm that the terms and conditions of the scheme are fully applied.	**Team Leader**	**31.10.2020**

* See Analysis of Missed Deadlines – Section 4

Report	Action	Original Date	Revised Date	Management Comments
Stock and Inventory Control (March 2019)	**Adequacy of Stock Controls within Inverclyde Centre for Independent Living (Amber)** Funding has been secured to procure a new stock control system which will be used for ICIL equipment. As an interim measure, managers have carried out a manual stock check and a year-end stock check will be carried out by end of March.	**31.12.19** **31.03.20**	**30.06.21**	The procurement exercise is now complete. The new system will be implemented by June 2021.
Education CSA (January 2020)	**Inefficient Use of ICT Systems (Amber)** Once the pilot has been completed, the corporate transition will be implemented for the remaining schools.	**14.08.20**	**To be advised**	The pilot exercise was undertaken however the rollout to remaining schools was halted as a result of responding to COVID-19. A revised schedule will be discussed and implemented with ICT.
Education CSA (January 2020)	Staff will be given corporate e-mail address access and use of corporate printers.	**14.08.20**	**To be advised**	The pilot exercise was undertaken however the rollout to remaining schools was halted as a result of responding to COVID-19. A revised schedule will be discussed and implemented with ICT.

Report	Action	Original Date	Revised Date	Management Comments
Governance of Community Organisations (May 2020)	**Creation and Monitoring of Outcomes (Amber)** Management will ensure that: • a revised Service Level Agreement is put in place for all community groups which should include key performance indicators, targets and outcomes that are in line with the locality planning priorities set in the LOIP; and • monitoring of agreed outcomes is included within the governance arrangements on a quarterly basis.	30.06.20	30.11.20	Due to COVID-19 centres have all been closed and this action has not been able to be progressed. Management have been engaging with the management boards around the impact of Covid-19 especially about the current financial position and review this on a weekly basis. Funding levels are likely to be reviewed in the coming months which will impact on agreements.
Governance of Community Organisations (May 2020)	**Adequacy of Monitoring Arrangements (Amber)** Management should ensure that: • appropriate contingency arrangements are put in place in the event that the Development Officer is absent for an extended period of time, including development of operational guidance; • the monitoring process is updated to reflect revised KPIs and activities; and • once outcomes have been agreed, a wider range of sample checks are carried out within the quarterly review with management oversight.	30.06.20	30.11.20	This is linked to the creation and monitoring of outcomes action above which has been impacted by COVID-19.

**INVERCLYDE COUNCIL INTERNAL AUDIT
REPORT TO AUDIT COMMITTEE ON
STATUS OF INTERNAL AUDIT ACTION PLAN POINTS (RED AND AMBER ONLY)
SUMMARY OF ACTION PLAN POINTS BY AUDIT YEAR**

SECTION 5

The following table sets out the total number of agreed actions raised by audit year together with their completion status as at 31 August 2020.

Audit Year	Total Agreed Actions	Total Actions Completed	Total Current Actions Not Yet Due*		
			Red	Amber	Green
2013/2014	116	116	0	0	0
2014/2015	77	77	0	0	0
2015/2016	52	52	0	0	0
2016/2017	66	66	0	0	0
2017/2018	53	49	0	0	4
2018/2019	45	39	0	1	5
2019/2020	34	18	0	15	1
Total	**443**	**417**	**0**	**16**	**10**

*This part of the table sets out the total number of current actions not yet due at the date of the follow up report. The AMBER actions are included in Section 3 of the follow up report.

Inverclyde council

Report To:	Audit Committee	Date:	20.10.2020
Report By:	Corporate Director Environment, Regeneration and Resources	Report No:	AC/08/20/SA/APr
Contact Officer:	Andi Priestman	Contact No:	01475 712251
Subject:	INTERNAL AUDIT ANNUAL REPORT AND ASSURANCE STATEMENT 2019/2020		

1.0 PURPOSE

1.1 The purpose of this report is to present the Internal Audit Annual Report and Assurance Statement for 2019/2020, which forms part of the Council's Annual Governance Statement.

2.0 SUMMARY

2.1 The Internal Audit Annual Report 2019/2020 is attached as an Appendix to this report for consideration by Committee. The report concludes that the majority of Inverclyde Council's established internal control procedures operated as intended to meet management's control requirements for each area reviewed by Internal Audit. The overall audit opinion is **Generally Satisfactory with some improvement needed.**

Appendix 1

2.2 It is also highlighted that, based on the results of the ongoing audit follow up process during 2019/2020, management has continued to make good progress in implementing agreed action plans arising from Internal Audit reviews.

3.0 RECOMMENDATIONS

3.1 It is recommended that the Audit Committee review and consider the Internal Audit Annual Report and Assurance Statement.

Scott Allan
Corporate Director
Environment, Regeneration and Resources

4.0 BACKGROUND

4.1 Public Sector Internal Audit Standards (PSIAS) require that the Chief Internal Auditor provides a written statement to the Section 95 Officer to support the Annual Governance Statement. This report should present an opinion as to the overall adequacy and effectiveness of the organisation's internal control environment.

4.2 The report should also:
- Disclose any qualifications to that opinion, together with reasons for the qualification;
- Present a summary of the audit work undertaken to formulate the opinion including reliance placed on the work by other assurance bodies;
- Draw attention to any issues the Chief Internal Auditor judges particularly relevant to the preparation of the statement on internal control; and
- Compare the work undertaken with work planned.

4.3 The Accounting Code of Practice ("ACOP") requires that the Section 95 Officer produces a signed Annual Governance Statement as part of the Council's Annual Report. This report is subject to External Audit scrutiny as part of the year-end audit process.

5.0 CURRENT POSITION

5.1 The Internal Audit Annual Report 2019/2020 is attached as an Appendix to this report for consideration by Committee. The report concludes that the majority of Inverclyde Council's established internal control procedures operated as intended to meet management's control requirements for each area reviewed by Internal Audit. The overall audit opinion is **Generally Satisfactory with some improvement needed.**

5.2 It is also highlighted that, based on the results of the ongoing audit follow up process during 2018/2019, management has continued to make good progress in implementing agreed action plans arising from Internal Audit reviews.

6.0 IMPLICATIONS

6.1 There are no direct financial implications arising from this report.

Financial Implications:

One off Costs

Cost Centre	Budget Heading	Budget Years	Proposed Spend this Report	Virement From	Other Comments
N/A					

Annually Recurring Costs/ (Savings)

Cost Centre	Budget Heading	With Effect from	Annual Net Impact	Virement From (If Applicable)	Other Comments
N/A					

Legal

6.2 There are no direct legal implications arising from this report.

Human Resources

6.3 There are no direct HR implications arising from this report.

Equalities

6.4 There are no direct equalities implications arising from this report.

Repopulation

6.5 There are no direct repopulation implications arising from this report.

7.0 CONSULTATIONS

7.1 Not applicable. This report summarises the work carried out during 2019-2020 which have been included in separate progress reports to Audit Committee.

8.0 LIST OF BACKGROUND PAPERS

8.1 Internal Audit Progress Reports to Audit Committee in August and October 2019, and January and February 2020.

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Internal Audit Annual Report and Assurance Statement 2019/2020

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25 May 2020

INTERNAL AUDIT ANNUAL REPORT AND ASSURANCE STATEMENT 2019/2020

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SECTION 1 – INTRODUCTION

Purpose of this report

1.1 Public Sector Internal Audit Standards (PSIAS) require that the Chief Internal Auditor provides a written statement to the organisation to inform the Annual Governance Statement. This report constitutes the required statement. As required by PSIAS, this report presents the opinion of the overall adequacy and effectiveness of Inverclyde Council's risk management, control and governance processes, based on the work Internal Audit has performed. The scope of internal audit work, the responsibilities of Internal Audit, and the assurance given on the adequacy and effectiveness of the Internal Control System of Inverclyde Council are explained further in Section 4 of this report.

Main objectives of Inverclyde Council's Internal Audit Team

1.2 Internal Audit is an assurance function that primarily provides an independent, objective opinion to the Council on the control environment. The overall objective of Internal Audit is to review, appraise and report on the adequacy of internal controls as a contribution to the proper, economic, efficient and effective use of resources. A secondary objective is to advise management on improvements in internal control systems.

Scope of Inverclyde Council's Internal Audit Team

1.3 The scope of Internal Audit allows for unrestricted coverage of the Council's activities and unrestricted access to records and assets deemed necessary by auditors in the course of an audit.

Acknowledgements

1.4 The assistance provided by Council staff in the course of the work undertaken by Internal Audit during 2019/2020 is gratefully acknowledged.

SECTION 2 – ASSESSMENT OF RISK MANAGEMENT, CONTROLS AND GOVERNANCE

Scope

2.1   The work undertaken by Internal Audit in 2019/2020 is summarised in Section 3 of this Report.

2.2   The overall assessment arising from work undertaken is summarised in paragraphs 2.3 to 2.4 below. In interpreting this assessment, consideration needs to be given to the respective responsibilities of Management and Internal Audit and the related limitations on the assurance that Internal Audit can provide (as explained in Section 4).

Overall assessment

On the basis of Internal Audit work carried out in 2019/2020, the majority of Inverclyde Council's established internal control procedures appeared to operate as intended to meet Management's requirements for the individual systems reviewed by Internal Audit. On the basis of selective testing of key controls it can be concluded that, in the main, controls were generally operating as expected during the period under review, although it does need to be recognised that a number of recommendations were made by Internal Audit to improve controls. The overall opinion is **Generally Satisfactory with some improvement needed.**

The significant incident in late March 2020 and the Council's responses as a Category 1 responder during the COVID-19 pandemic tested how well the Council's risk management, governance and internal controls framework is operating. There were examples of innovations, new business processes and solutions, and new technology being embraced in order to deliver services to the community in its role as a Category 1 responder to carry out the following three essential functions: Caring for the Vulnerable; Liaising with Resilience Partners; and Supporting Economic Recovery. This was achieved using amended governance arrangements, new ways of decision-making, leadership and implementation including virtual meetings, conference calls, and systems remote access. It will be important for the Council, at the appropriate time, to carry out a post-incident review and highlight any lessons learned.

Other matters

2.3   Summaries of the issues arising in relation to each system or activity covered by Internal Audit work in 2019/2020 have been reported separately to the Audit Committee. Appropriate responses to the recommendations made in internal audit reports have been obtained. When actioned, the recommendations made in the Internal Audit reports should provide management with additional comfort that the system of control operates as intended. It is therefore imperative that the agreed actions are implemented by management.

2.4   A monthly follow up process was put in place in January 2008 and continues to operate effectively. All actions arising from internal and external audit reviews are captured within a follow up database and are subject to follow up and validation by the CMT and the Chief Internal Auditor on a regular basis, with reporting on progress to the Audit Committee.

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SECTION 3 – INTERNAL AUDIT WORK CONDUCTED

Internal audit approach

3.1   The internal audit work has been conducted in accordance with an established methodology that promotes quality and conformance with the Public Sector Internal Audit Standards and the agreed Internal Audit annual audit plan.

Progress on the 2019/2020 internal audit plan

3.2   The Annual Internal Audit Operational Plan 2019/2020 was discussed and agreed with the Audit Committee on 23 April 2019.

3.3   Progress against planned audit work for the year to 31 March 2020 can be summarised as follows:-

Planned audit coverage	Status
Risk Based Reviews	
Governance of Community Groups	Completed
Safe Recruitment – Pre Employment Checks	Completed
Refugee Integration Scheme Arrangements	Fieldwork Complete
Waste Management	Completed
HSCP Contract Management	Completed
Limited Scope Finance Reviews	
Sundry Debtors	Fieldwork
Corporate Fraud Reviews	
Tipping Permits	Completed
Residents Parking Scheme	Completed
Employee Expenses – Quarterly Checks	Completed
Regularity Audits	
CSA – Education	Completed
Stock/Inventory Controls – Quarterly Checks	Completed
Corporate Purchase Cards – Quarterly Checks	Completed
Other Work	
National Fraud Initiative	Completed – results reported to Cabinet Office
IJB Audit Plan	Completed – reported to IJB Audit Committee

3.4   The total number of issues raised is set out in the following table:

Report	Red	Amber	Green	Overall Grading
Governance of Community Groups	0	2	2	Satisfactory
Safe Recruitment – Pre Employment Checks	0	1	4	Satisfactory
Waste Management	0	1	1	Satisfactory
HSCP Contract Management	0	1	2	Satisfactory
Tipping Permits	0	1	3	Satisfactory
Residents Parking Scheme	0	3	1	Satisfactory
CSA - Education	0	1	2	Satisfactory
Employee Expenses – Quarterly Checks	N/A	N/A	N/A	N/A
Stock/Inventory Controls – Quarterly Checks	N/A	N/A	N/A	N/A
Corporate Purchase Cards – Quarterly Checks	N/A	N/A	N/A	N/A
Total	**0**	**10**	**15**	

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Progress on Implementation of Action Plans

3.5 A number of action plans were agreed in relation to the reports generated for the 2019/2020 annual audit plan. The following table sets out the total number of actions agreed for each report issued and the status of completion at 31 May as follows:

Report	No of Actions Agreed	No of Actions Complete at 31/5/19	No of Actions Revised at 31/5/19	No of Actions Not Due at 31/5/19
Governance of Community Groups	4	0	0	4
Safe Recruitment – Pre Employment Checks	5	0	1	4
Waste Management	2	2	0	0
HSCP Contract Management	5	4	0	1
Tipping Permits	4	3	0	1
Residents Parking Scheme	5	1	0	4
CSA - Education	6	3	1	2
Total	**31**	**13**	**2**	**16**

3.6 It is encouraging to note that of the 31 agreed actions subject to follow-up procedures, 13 out of 15 actions (87%) which were due for completion by 31 May 2020 have now been fully implemented. All actions are subject to ongoing follow up by Internal Audit and are included within the Internal Audit action plan follow up reports to the Corporate Management Team and the Audit Committee on a regular basis.

Performance Measures

3.7 The following performance measures were in place for 2019/2020:

Measure	Description	Target	Actual
1. Final Report	Percentage of final reports issued within 2 weeks of draft report.	100%	86%
2. Draft Report	Percentage of draft reports issued within 3 weeks of completion of fieldwork.	90%	57%
3. Audit Plan Delivery	Percentage of audits completed v planned.	85%	86%
4. Audit Budget	Percentage of audits completed within budgeted days.	80%	80%
5. Audit Recommendations	Percentage of audit recommendations agreed.	90%	100%
6. Action Plan Follow Up	Percentage of action plans followed up – Internal and External Audit.	100%	100%
7. Customer Feedback	Percentage of respondents who rated the overall quality of internal audit as satisfactory or above.	100%	100%
8. Staff compliance with CPD	Number of training hours undertaken to support CPD.	140	195
9. Management engagement	Number of meetings with CMT and DMTs as appropriate.	4 per quarter	14

Inverclyde council

Corporate Fraud Activity

The undernoted table sets out corporate fraud activity in the period 1 April 2019 to 31/3/2020:

Council Tax Reduction Scheme 1/4/2019 to 31/3/2020		
Number of Home Visits	**Number of Errors Identified and Corrected**	**Total Overpayment/Future Savings**
97	46	£43,160.68 / £30,353.73
National Fraud Initiative 2019-2020		
Total matches reported – 2788 Total matches processed to 31/3/20 – 2788 Total matches in progress – 10 Fraud – 19 cases Error – 127 cases Total outcomes to 31/3/20 - £27,719 Recheck exercise: Total matches received – 3799 Total matches processed – 1594 Total matches in progress – 53 Fraud – 24 cases Error – 10 cases Total outcomes to 3/3/20 - £30,616		
Investigations 1/4/2019-31/3/2020		
National Fraud Initiative	127	
Whistleblowing/Service/Other Referrals	158	
SPOC Referrals 1/4/2019 to 31/3/2020		
DWP	23	
LAIEF	60	

Ad hoc assignments

3.8 Internal Audit undertook the following ad hoc assignments during 2019/20:

Ad hoc assignment	Status
Co-ordination of Annual Governance Statement and supporting self-assessment processes for 2019/2020.	Completed
Providing input to FOI requests as appropriate.	Completed

Reliance by external audit

3.9 During the year under review, liaison has taken place with the Council's External Auditors through joint attendance at the Audit Committee, meetings, ad hoc discussions and the sharing of audit plans and reports. External audit have indicated that they intend to place reliance on specific areas of Internal Audit work for the purposes of their external audit where appropriate.

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SECTION 4 – SCOPE, RESPONSIBILITIES AND ASSURANCE

Approach

4.1   The internal audit work has been conducted in accordance with an established methodology that promotes quality and conformance with the Public Internal Audit Standards and the agreed annual audit plans. The overall scope of the internal audit work encompasses Inverclyde Council's risk management practices, governance practices and internal controls.

4.2   The Annual Audit Plan is based on a formal risk assessment which is revised on an ongoing basis to reflect evolving risks and changes within the Council. The Internal Audit Annual Audit Plan 2019/2020 was discussed and agreed at the Audit Committee on 23 April 2019. In addition, consultation on the content and coverage of the audit plan took place with Corporate Directors, and the Chief Executive.

Responsibility and reporting lines of the Chief Internal Auditor

4.3   The Chief Internal Auditor reports functionally to the Council's Monitoring Officer and has a right of access and freedom to report in her own name to all officers and members and particularly those charged with governance. The adoption of these arrangements enables the Council to conform with the reporting line requirements of the International Standard on Auditing ("ISA") (UK and Ireland) 610 and the Public Sector Internal Audit Standards which were adopted by Local Government in the United Kingdom on 1 April 2013.

4.4   The Chief Internal Auditor also has a specific responsibility to the Council's s95 Officer to provide assurances which informs the preparation of the Annual Governance Statement for inclusion in the Council's Annual Accounts.

The work of Internal Audit

4.5   Internal Audit is an independent appraisal function established by the Council for the review of the internal control system as a service to the organisation. It objectively examines, evaluates and reports on the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of resources.

4.6   In accordance with the principles of Corporate Governance, the Chief Internal Auditor reports with independence and impartiality to the Council's Audit Committee on a regular basis. The Chief Internal Auditor prepares an annual report containing a view on the adequacy and effectiveness of the systems of internal controls.

4.7   The Internal Audit team operates in accordance with an established methodology that promotes quality and conformance with the Public Sector Internal Audit Standards. Internal Audit undertakes an annual programme of work approved by the Council's Audit Committee. The Annual Audit Plan is based on a formal risk assessment, which is revised on an ongoing basis to reflect emerging risks and changes within the Council.

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SECTION 4 – SCOPE, RESPONSIBILITIES AND ASSURANCE (CONTINUED)

4.8   All Internal Audit reports identifying system improvements or non-compliance with expected controls are brought to the attention of management and include agreed action plans. It is management's responsibility to give proper consideration to Internal Audit reports and take appropriate action on audit recommendations. The Chief Internal Auditor is required to confirm that appropriate arrangements are made to determine whether action has been taken on Internal Audit recommendations or that management has understood and accepted the risk of not taking action. Management progress on implementing significant actions, which have been categorised as Red or Amber, is reported to the Corporate Management Team on a bi-monthly basis, and to the Council's Audit Committee on each committee cycle.

Responsibilities of Management and Internal Audit

4.9   It is Management's responsibility to maintain systems of risk management, internal control and governance.

4.10   Internal Audit is an element of the internal control framework established by management to examine, evaluate and report on accounting and other controls over operations. Internal Audit assists management in the effective discharge of its responsibilities and functions by examining and evaluating controls. Internal Audit cannot be held responsible for internal control failures.

4.11   Internal Audit's role includes assessing the adequacy of the risk management, internal controls and governance arrangements put in place by management and performing testing on a sample of transactions to ensure those controls were operating for the period under review.

Basis of the internal audit assessment

4.12   In accordance with the Public Sector Internal Audit Standards, the assessment on risk management, control and governance is based upon:

- Internal Audit work undertaken by the Internal Audit Team during the year to 31 March 2020 (in accordance with the annual audit plan approved by the Audit Committee);

- The assessments of risk completed during the preparation and updating of the annual audit plan;

- Reports issued by Audit Scotland, the Council's External Auditors; and

- Internal Audit's knowledge of the Council's governance, risk management and performance management and monitoring arrangements.

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Limitations on the assurance that Internal Audit can provide

4.13 It should be noted that the assurance expressed within this report can never be absolute. It is not a guarantee that all aspects of risk management, internal control and governance are adequate. The most that internal audit can provide to the Corporate Director Environment, Regeneration and Resources, s95 Officer and Audit Committee is reasonable assurance based on the work performed.

4.14 There are inherent limitations as to what can be achieved by internal control and consequently limitations to the conclusions that can be drawn from this engagement. These limitations include the possibility of faulty judgment in decision making, of breakdowns because of human error, of control activities being circumvented by the collusion of two or more people and of management overriding controls. Also there is no certainty that internal controls will continue to operate effectively in future periods or that the controls will be adequate to mitigate all significant risks which may arise in future.

4.15 Organisations and their internal control needs differ by type, size, culture and management philosophy. One organisation's internal control system may be very different from another's in relation to similar processes. Also, decisions made in designing internal controls inevitably involve the acceptance of some degree of risk. As the outcome of the operation of internal controls cannot be predicted with absolute assurance any assessment of internal control is judgmental.

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Satisfactory	Controls evaluated are adequate, appropriate and effective to provide reasonable assurance that risks are being managed and objectives should be met. • A limited number of Amber rated issues may have been identified, but generally only green issues have been found in individual audit assignments. • None of the individual assignment reports have an overall opinion of ***Requires Improvement or Unsatisfactory***.
Generally Satisfactory with some improvement needed	A few specific control weaknesses were noted: generally however, controls evaluated are adequate, appropriate and effective to provide reasonable assurance that risks are being managed and objectives should be met. • A number of Amber rated issues identified in individual audit assignments that collectively do not significantly impact the system of internal control. • Red rated issues that are isolated to specific systems or processes. • None of the individual assignment reports have an overall opinion of ***Unsatisfactory***.
Major improvement needed	Numerous specific control weaknesses were noted. Controls evaluated are unlikely to provide reasonable assurance that risks are being managed and objectives should be met. • A high number of Amber rated issues that collectively have a significant impact on some parts of the system of internal control but are not widespread. • A number of Red rated issues that collectively have a significant impact on some parts of the system of internal control but are not widespread. • A small number of individual assignment reports have an overall opinion of ***Requires Improvement or Unsatisfactory***.
Unsatisfactory	Controls evaluated are not adequate, appropriate or effective to provide reasonable assurance that risks are being managed and objectives should be met. • Amber and Red rated issues identified in individual assignments that collectively are widespread to the system of internal control. • A high number of individual assignment reports have an overall opinion of ***Requires Improvement or Unsatisfactory***.

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AGENDA ITEM NO. 4

Report To:	Audit Committee	Date:	20.10.2020
Report By:	Corporate Director Environment Regeneration and Resources	Report No:	AC/07/20/SA/APr
Contact Officer:	Andi Priestman	Contact No:	01475 712251
Subject:	EXTERNAL AUDIT ACTION PLANS - CURRENT ACTIONS		

1.0 PURPOSE

1.1 The purpose of this report is to advise members of the status of current actions from External Audit Action Plans at 31 August 2020.

2.0 SUMMARY

2.1 The Chief Internal Auditor co-ordinates follow up reporting on current actions arising from External Audit Action Plans on a monthly basis with regular reporting to CMT and the Audit Committee.

2.2 There were three actions due for completion since the last Audit Committee meeting in February 2020 and all have been reported as completed by management.

2.3 There are no current external audit actions being progressed by officers.

3.0 RECOMMENDATIONS

3.1 It is recommended that members note the progress to date in relation to the implementation of external audit actions.

Scott Allan
Corporate Director Environment Regeneration and Resources

4.0 BACKGROUND

4.1 External Audit regularly report findings and action plans to relevant Council Officers and the Audit Committee as part of their annual audit plan.

4.2 A follow up process is in place to allow follow up of current external audit actions to be co-ordinated and updated by Internal Audit on a monthly basis with regular reporting to CMT and the Audit Committee.

5.0 CURRENT STATUS

5.1 There was three actions due for completion since the last Audit Committee meeting in February 2020 and all have been reported as completed by management.

5.2 There are no current external audit actions being progressed by officers.

5.3 The CMT has reviewed and agreed the current status of actions.

6.0 IMPLICATIONS

6.1 **Finance**

There are no direct financial implications arising from this report.

One off Costs

Cost Centre	Budget Heading	Budget Years	Proposed Spend this Report	Virement From	Other Comments
N/A					

Annually Recurring Costs/ (Savings)

Cost Centre	Budget Heading	With Effect from	Annual Net Impact	Virement From (If Applicable)	Other Comments
N/A					

6.2 **Legal**

There are no direct legal implications arising from this report.

6.3 **Human Resources**

There are no direct HR implications arising from this report.

6.4 **Equalities**

There are no direct equalities implications arising from this report.

6.5 **Repopulation**

There are no direct repopulation implications arising from this report.

7.0 CONSULTATIONS

7.1 Relevant Officers were asked to provide updates to the report as appropriate.

8.0   LIST OF BACKGROUND PAPERS

8.1   External Audit reports. Copies available from Andi Priestman, Chief Internal Auditor.

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Report To:	Audit Committee	Date:	20.10.2020
Report By:	Corporate Director Environment, Regeneration and Resources	Report No:	AC/09/20/SA/APr
Contact Officer:	Andi Priestman	Contact No:	01475 712251
Subject:	ANNUAL REVIEW OF RISK MANAGEMENT ACTIVITY 2019/2020		

1.0 PURPOSE

1.1 The purpose of this report is to present to Committee progress made in 2019/2020 in developing and monitoring a strategic approach to managing risks faced by the Council.

1.2 This approach forms part of the Council's overall Corporate Governance Framework.

2.0 SUMMARY

2.1 During 2019/2020 the Council continued to value the importance of maintaining the momentum on risk management and progress has been made in the following areas:

- Ongoing review and update of strategic and operational risk registers by Services.
- Maintaining a risk register for the Financial Strategy which allows management to consider the risks to the overall financial position arising from matters contained within the Financial Strategy.
- Maintaining risk management as a key aspect of the Strategic Planning and Performance Management Framework.
- Continuing the advancement of emergency planning, crisis management and business continuity within the Council and fulfil the Council's legislative requirements under the Civil Contingencies Act 2004 in conjunction with the Joint Civil Contingencies Service.
- Promoting the e-learning module on Risk Management for employees as part of the Brightwave corporate training platform.
- A number of fraud risk reviews were included in the 2019/2020 Internal Audit Plan and progress has been reported on a regular basis to Audit Committee.
- Developed a specific risk register surrounding the key operational risks in relation to the EU Exit process.
- Developed a specific risk register surrounding the key operational risks surrounding the COVID-19 pandemic event.

2.2 It is considered important to actively progress the risk management process to achieve further improvement. We continue to review progress against the Audit Scotland BV toolkit relating to Risk Management and initiatives will be undertaken in 2020/2021 where appropriate to ensure the Council meets the requirements of the guidance.

3.0 RECOMMENDATIONS

3.1 It is recommended that Members note the progress made in 2019/2020 in developing, implementing and monitoring a coherent corporate approach to managing risks faced by the Council.

Scott Allan
Corporate Director Environment, Regeneration and Resources

4.0 BACKGROUND

4.1 The role of Internal Audit in Risk Management is defined as contributing to the management of risk by evaluating and providing assurance on risk management processes. The assurance extends principally to two main areas, firstly that major business risks are being managed and secondly that the Risk Management and Internal Control Framework is operating effectively.

4.2 The responsibility for managing risk lies not with Internal Audit but with service management, with corporate consistency being supported through the Corporate Management Team by the Chief Internal Auditor.

5.0 CURRENT POSITION

5.1 During 2019/2020 the Council continued to value the importance of maintaining the momentum on risk management and progress has been made in the following areas:

- Ongoing review and update of strategic and operational risk registers by Services.
- Maintaining a risk register for the Financial Strategy which allows management to consider the risks to the overall financial position arising from matters contained within the Financial Strategy.
- Maintaining risk management as a key aspect of the Strategic Planning and Performance Management Framework.
- Continuing the advancement of emergency planning, crisis management and business continuity within the Council and fulfil the Council's legislative requirements under the Civil Contingencies Act 2004 in conjunction with the Joint Civil Contingencies Service.
- Promoting the e-learning module on Risk Management for employees as part of the Brightwave corporate training platform.
- A number of fraud risk reviews were included in the 2019/2020 Internal Audit Plan and progress has been reported on a regular basis to Audit Committee.
- Developed a specific risk register surrounding the key operational risks in relation to the EU Exit process.
- Developed a specific risk register surrounding the key operational risks surrounding the COVID-19 pandemic event.

5.2 It is considered important to actively progress the risk management process to achieve further improvement. We continue to review progress against the Audit Scotland BV toolkit relating to Risk Management and initiatives will be undertaken in 2020/2021 where appropriate to ensure the Council meets the requirements of the guidance.

6.0 IMPLICATIONS

6.1 There are no direct financial implications arising from this report.

Financial Implications:
One off Costs

Cost Centre	Budget Heading	Budget Years	Proposed Spend this Report	Virement From	Other Comments
N/A					

Annually Recurring Costs/ (Savings)

Cost Centre	Budget Heading	With Effect from	Annual Net Impact	Virement From (If Applicable)	Other Comments
N/A					

Legal

6.2   There are no direct legal implications arising from this report.

Human Resources

6.3   There are no direct HR implications arising from this report.

Equalities

6.4   There are no direct equalities implications arising from this report.

Repopulation

6.5   There are no direct repopulation implications arising from this report.

7.0   CONSULTATIONS

7.1   Not applicable. This report summarises the work carried out during 2019-2020.

8.0   LIST OF BACKGROUND PAPERS

8.1   Risk Management Strategy. Copy available from Andi Priestman.

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Report To:	Audit Committee	**Date**:	20.10.2020
Report By:	Corporate Director Environment Regeneration and Resources	**Report No:**	AC/10/20/SA/APr
Contact Officer:	Andi Priestman	**Contact No**:	01475 712251
Subject:	AUDIT SCOTLAND NATIONAL REPORT: NATIONAL FRAUD INITIATIVE 2018/19		

1.0 PURPOSE

1.1 The purpose of this report is to inform Members of the Audit Scotland Report "National Fraud Initiative 2018/19" published in July 2020 and to provide an overview of the key messages and recommendations raised in the report and how these issues are being addressed by the Council.
Appendix 1

2.0 SUMMARY

2.1 The National Fraud Initiative (NFI) is now well established with the 2018/2019 exercise being the 7th biennial exercise since 2006. The NFI enables public bodies to take advantage of computer data matching techniques to detect fraud and error.

2.2 The NFI works by using data matching to compare a range of information held on bodies' systems to identify potential inconsistencies or circumstances that could indicate fraud or error which are called 'matches'. A match does not automatically mean that there is a fraud or error and investigations are required to enable the correct conclusion to be drawn for each match. Bodies investigate these and record on a secure web application appropriate outcomes based on their investigations.

2.3 In terms of key messages, the report identified the following:

- The Covid-19 pandemic has brought significant challenges across the public sector as bodies seek to deliver services for individuals, communities and businesses in an extremely difficult time. Since the start of the pandemic, the risk of fraud and error has increased as organisations become stretched and controls and governance are changing.
- Since the last report in July 2018, outcomes valued at £15.3m have been recorded. The cumulative outcomes from the NFI in Scotland since the first exercise in 2006/07 are now £143.6m. Across the UK, the cumulative total of NFI outcomes are now £1.93bn.
- NFI outcomes in Scotland have fallen by £2.4m in the 2018/19 exercise, despite an increase in participating bodies. Reduced levels of outcomes could be due to less fraud and error in the system, strong internal controls or less effective detection of fraud and error.
- Most organisations demonstrate a strong commitment to counter-fraud and the NFI. Some could act more promptly and ensure that sufficient staff are in place to investigate matches, prevent frauds and correct errors.

2.4 Since the last exercise in 2016/17, the areas with significant changes are as follows:

- Council Tax Discounts – £4.9m, which is an increase of £0.5m
- Pensions – £3.2m, which is a reduction of £2.2m
- Housing Benefit - £2.8m, which is an increase of £0.7m
- Blue badges – £1.8m, which is a reduction of £0.7m
- Housing Waiting Lists - £0.7m which is an increase of £0.5m
- Creditors - £0.6m, which is a reduction of £0.5m
- Residential Care homes - £0.4m, which is a reduction of £0.5m
- Council Tax Reduction Scheme - £0.3m, which is a reduction of £0.2m

2.5 From a local perspective, outcomes valued at £36,545 have been recorded for the 2018/2019 exercise:

Area	No of Cases	Fraud	Error	Financial Outcome
HB Claimants	12	11	1	£18,283
Council Tax Reduction Scheme	16	10	6	£16,706
Payroll	3	0	3	£1,556
Blue Badges	117	0	117	-

2.6 The report recommends that:

- All participants should be aware of emerging fraud risks, e.g. due to Covid-19, and take appropriate preventative and detective action.
- All participants in the NFI exercise should ensure that they maximise the benefits of their participation. They should consider whether it is possible to work more efficiently on the NFI matches by reviewing the guidance section within the NFI secure web application.
- Audit committees, or equivalent, and staff leading the NFI should review the NFI self-appraisal checklist. This will ensure they are fully informed of their organisation's planning and progress in the 2020/21 NFI exercise.
- Where local auditors have identified specific areas for improvement, participants should act on these as soon as possible.

2.7 In response to the recommendations, a copy of the completed self-appraisal checklist is attached at Appendix 2. This highlights the good progress the Council has made in undertaking counter-fraud activities.   Appendix 2

2.8 In relation to council tax single person discount (SPD) matches, the Council has participated in a recheck exercise through the NFI. To date, this has resulted in overpayments of £30,615 which are in the process of being recovered.

3.0 RECOMMENDATIONS

3.1 It is recommended that the Audit Committee notes the contents of this report and agrees that a further update report is submitted to the February 2021 Audit Committee outlining the Council's progress with the 2020-2021 exercise.

Scott Allan
Corporate Director Environment Regeneration and Resources

4.0 BACKGROUND

4.1 The NFI in Scotland is now well established with this being the 7th biennial exercise since 2006/07. The NFI enables public bodies to take advantage of computer data matching techniques to detect fraud and error. The NFI remains the largest national fraud detection and prevention scheme that can provide data matches within and between public bodies. Its key features are that it:

- acts as a deterrent to potential fraudsters.
- identifies errors and fraud thus enabling appropriate action to recover money and/or press criminal charges.
- can provide assurances, similar to a regular health check, that systems are operating well and can also identify where improvements are required.
- operates across boundaries between public bodies in different sectors and countries.
- represents value for money in terms of the efficiencies deliverable through centralised data processing and identifying targeted high priority matches.

4.2 The NFI works by using data matching to compare a range of information held on bodies' systems to identify potential inconsistencies or circumstances that could indicate fraud or error which are called 'matches'. A match does not automatically mean that there is a fraud or error and investigations are required to enable the correct conclusion to be drawn for each match. Bodies investigate these and record on a secure web application appropriate outcomes based on their investigations.

4.3 Public bodies spend billions of pounds of taxpayers' money for the benefit of the Scottish population, providing services and financial assistance to all citizens including those that need them the most. Systems underpinning public spending can be complex and errors can happen. Unfortunately, there are also some individuals who seek to exploit the systems and fraudulently obtain services and benefits to which they are not entitled.

4.4 Data sharing enables bodies to match data internally and externally. Technology provides an efficient way to connect discrete data sets and can therefore limit the gaps available for fraudsters to manipulate and can help identify those that have. It also supports bodies to identify and implement process and control improvements that should reduce future errors and the costs of correcting these errors.

4.5 Audit Scotland, working closely with public bodies, external auditors and the Cabinet Office, has completed another major data sharing and matching exercise. The National Fraud Initiative (NFI) exercises make a significant contribution to the security and transparency of public sector finances by confirming that services are provided to the correct people and by reducing fraud and error.

5.0 CURRENT STATUS

5.1 In terms of key messages, the report identified the following:

- The Covid-19 pandemic has brought significant challenges across the public sector as bodies seek to deliver services for individuals, communities and businesses in an extremely difficult time. Since the start of the pandemic, the risk of fraud and error has increased as organisations become stretched and controls and governance are changing.
- Since the last report in July 2018, outcomes valued at £15.3m have been recorded. The cumulative outcomes from the NFI in Scotland since the first exercise in 2006/07 are now £143.6m. Across the UK, the cumulative total of NFI outcomes are now £1.93bn.
- NFI outcomes in Scotland have fallen by £2.4m in the 2018/19 exercise, despite an increase in participating bodies. Reduced levels of outcomes could be due to less fraud and error in the system, strong internal controls or less effective detection of fraud and error.

5.0 CURRENT STATUS (CONTINUED)

- Most organisations demonstrate a strong commitment to counter-fraud and the NFI. Some could act more promptly and ensure that sufficient staff are in place to investigate matches, prevent frauds and correct errors.

5.2 Since the last exercise in 2016/17, the areas with significant changes are as follows:

- Council Tax Discounts – £4.9m, which is an increase of £0.5m
- Pensions – £3.2m, which is a reduction of £2.2m
- Housing Benefit - £2.8m, which is an increase of £0.7m
- Blue badges – £1.8m, which is a reduction of £0.7m
- Housing Waiting Lists - £0.7m which is an increase of £0.5m
- Creditors - £0.6m, which is a reduction of £0.5m
- Residential Care homes - £0.4m, which is a reduction of £0.5m
- Council Tax Reduction Scheme - £0.3m, which is a reduction of £0.2m

5.3 From a local perspective, outcomes valued at £36,545 have been recorded for the 2018/2019 exercise:

Area	No of Cases	Fraud	Error	Financial Outcome
HB Claimants	12	11	1	£18,283
Council Tax Reduction Scheme	16	10	6	£16,706
Payroll	3	0	3	£1,556
Blue Badges	117	0	117	-

5.4 The report recommends that:

- All participants should be aware of emerging fraud risks, e.g. due to Covid-19, and take appropriate preventative and detective action.
- All participants in the NFI exercise should ensure that they maximise the benefits of their participation. They should consider whether it is possible to work more efficiently on the NFI matches by reviewing the guidance section within the NFI secure web application.
- Audit committees, or equivalent, and staff leading the NFI should review the NFI self-appraisal checklist. This will ensure they are fully informed of their organisation's planning and progress in the 2020/21 NFI exercise.
- Where local auditors have identified specific areas for improvement, participants should act on these as soon as possible.

5.5 In response to the recommendations, a copy of the completed self-appraisal checklist is attached at Appendix 2. This highlights the good progress the Council has made in undertaking counter-fraud activities. Appendix 2

5.6 In relation to council tax single person discount (SPD) matches, the Council has participated in a recheck exercise through the NFI. To date, this has resulted in overpayments of £30,615 which are in the process of being recovered.

6.0 IMPLICATIONS

6.1 **Finance**

There are no direct financial implications arising from this report.

One off Costs

Cost Centre	Budget Heading	Budget Years	Proposed Spend this Report	Virement From	Other Comments
N/A					

Annually Recurring Costs/(Savings)

Cost Centre	Budget Heading	With Effect from	Annual Net Impact	Virement From (If Applicable)	Other Comments
					Housing Benefits/Council Tax reduction stopped or reduced – total overpayments being recovered at 5.3.

6.2 **Legal**

There are no direct legal implications arising from this report.

6.3 **Human Resources**

There are no direct HR implications arising from this report.

6.4 **Equalities**

There are no direct equalities implications arising from this report.

6.5 **Repopulation**

There are no direct repopulation implications arising from this report.

7.0 CONSULTATIONS

7.1 Relevant Officers were asked to provide updates to the report as appropriate.

8.0 LIST OF BACKGROUND PAPERS

8.1 Audit Scotland National Report: National Fraud Initiative 2018/19 – July 2020

National Fraud Initiative 2018/19
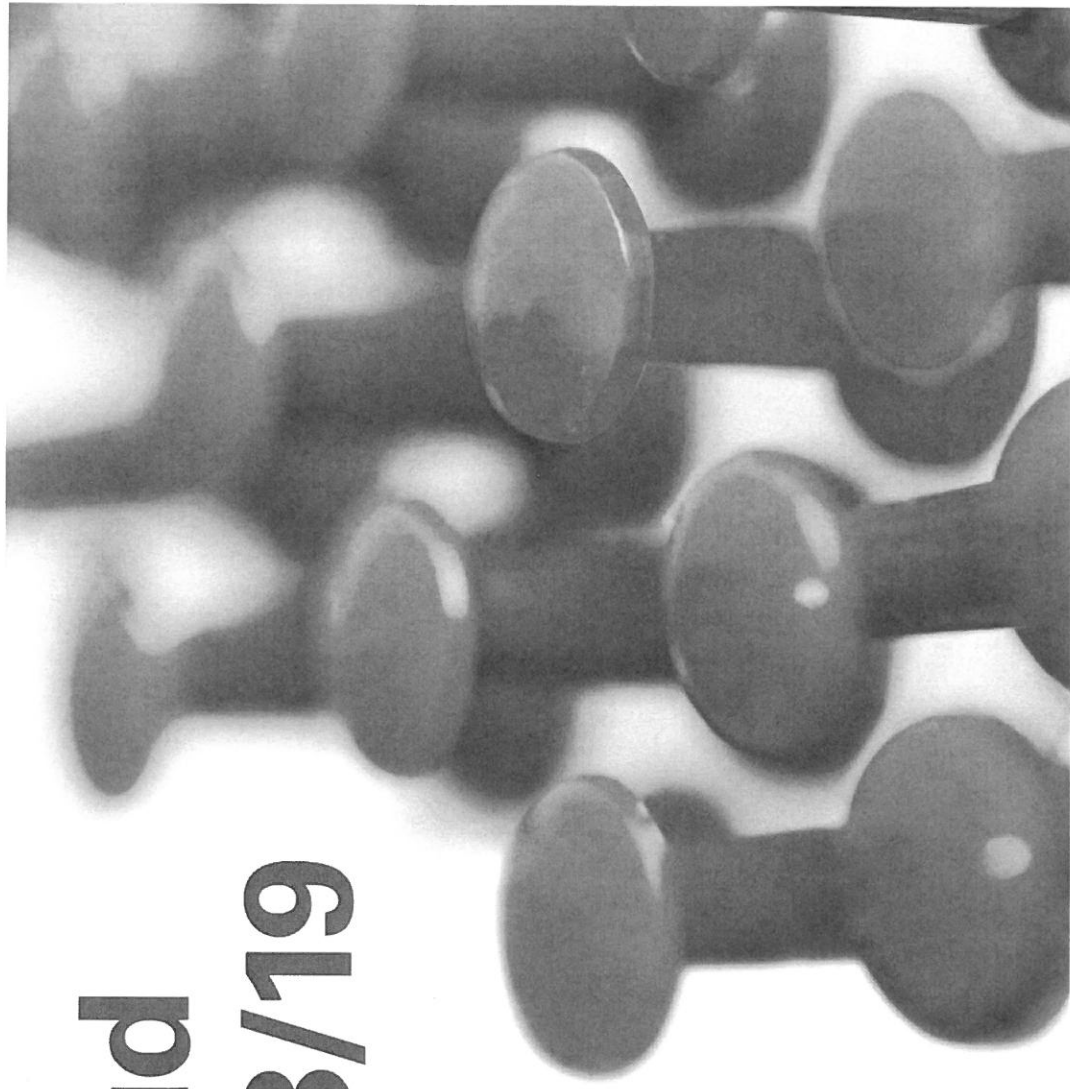
AUDIT SCOTLAND

Covid-19 raises risk of public-sector fraud
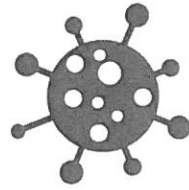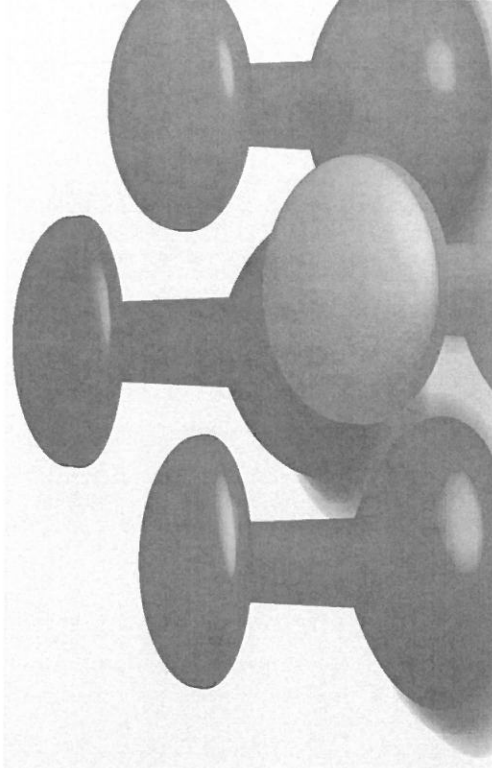
1. Covid-19

The Covid-19 pandemic has brought significant challenges across the public sector as bodies seek to deliver services for individuals, communities and businesses in an extremely difficult time. Since the start of the pandemic, the risk of fraud and error has increased as organisations become stretched and controls and governance are changing.

2. Outcomes

Since we last reported on the National Fraud Initiative (NFI) in Scotland in June 2018, outcomes in Scotland valued at £15.3 million have been recorded. The cumulative outcomes from the NFI in Scotland since the first exercise 2006/07 are now £143.6 million. Across the UK, the cumulative total of NFI outcomes are now £1.93 billion.
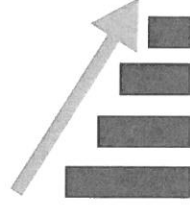
3. Results

NFI outcomes in Scotland have fallen by £2.4 million to £15.3 million in the 2018/19 exercise, despite an increase in participating bodies. Reduced levels of outcomes could be due to less fraud and error in the system, strong internal controls or less effective detection of fraud and error.
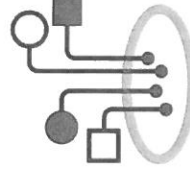
4. Process

Most organisations demonstrate a strong commitment to counter-fraud and the NFI. Some could act more promptly and ensure that sufficient staff are in place to investigate matches, prevent frauds and correct errors.

Recommendations

1. Covid-19 risks

All participants should be aware of emerging fraud risks, eg due to Covid-19, and take appropriate preventative and detective action.

2. Maximise the benefits

All participants in the NFI exercise should ensure that they maximise the benefits of their participation.

They should consider whether it is possible to work more efficiently on the NFI matches by reviewing the guidance section within the NFI secure web application.

3. Self-appraisal checklist

Audit committees, or equivalent, and staff leading the NFI should review the NFI self-appraisal checklist ⊙.

This will ensure they are fully informed of their organisation's planning and progress in the 2020/21 NFI exercise.

4. Take action

Where local auditors have identified specific areas for improvement, participants should act on these as soon as possible.

1. Fraud risks associated with Covid-19

The Covid-19 pandemic has brought significant challenges across the public sector as bodies seek to continue to deliver services for individuals, communities and businesses in an extremely difficult time. This includes additional fraud risks that will be important for public bodies to identify and manage.

Good governance and sound controls are essential in such crisis situations. The risks include, but are not limited to:

public-sector staff working remotely

an increase in cyber-crime as more public-sector staff connect remotely
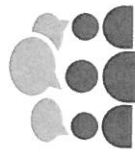
public-sector staff working under extreme pressure
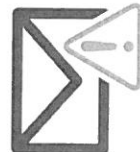
an increase in phishing emails and scams trying to get staff working under pressure to click on links which allow fraudsters access to public-sector systems

government stimulus packages to support individuals and businesses being provided quickly with a lower level of scrutiny and due diligence than has previously been in place for similar schemes.

2. National Fraud Initiative outcomes

The NFI is a counter-fraud exercise across the UK public sector which aims to prevent and detect fraud. The NFI uses data sharing and matching to help confirm that services and payments are provided to the correct people.

An NFI outcome describes the overall amounts for fraud, overpayments and error that are detected by the NFI exercise and an estimate of future losses that it prevents.

NFI outcomes

18/19

£15.3 million
NFI outcomes in Scotland from the 2018/19 exercise

These are split between outcomes for the 2018/19 exercise (£13.5 million) and late outcomes from the 2016/17 exercise (£1.8 million)

Since 06/07

£143.6 million
NFI outcomes cumulatively in Scotland since 2006/07

UK NFI outcomes
£244.7 million
from the 2018/19 exercise

£1.93 billion
cumulatively since 2006/07

The background of the NFI is contained in **Appendix 1.**

Trends in outcomes between 2016/17 and 2018/19 exercises

Outcomes in Scotland have fallen by £2.4 million to £15.3 million

Number of matches generated has fallen by 76,562 to 580,393

Number of participating bodies has increased by 11 to 124

The decrease in outcomes is partly down to immigration data not being included in the 2018/19 exercise due to restrictions placed on it by the Home Office following the recent review into the treatment of the Windrush generation. Following the review, the Home Office decided to temporarily suspend sharing immigration data until it had considered the findings of the review and reflected those findings in its policies and procedures.

Reduced levels of outcomes and matches could be due to less fraud and error in the system, strong internal controls or less effective detection of fraud and error.

Having fewer matches provides some assurance there do not appear to be significant problems in the areas covered by the exercise. However, participants still benefit from the deterrent effect the NFI creates.
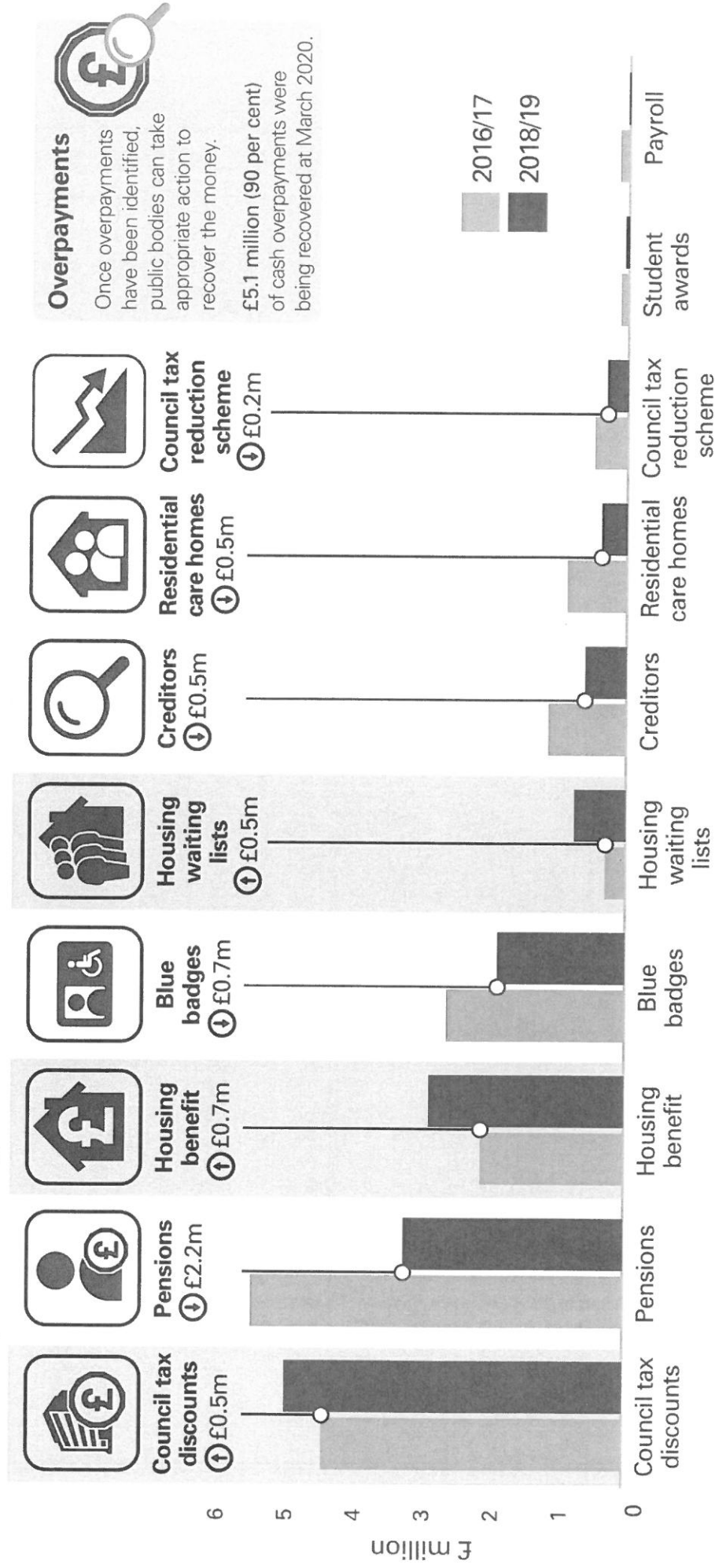
Although the main purpose of the NFI is to ensure funds and services are provided to the correct people, the review of NFI matches may also identify that a customer is entitled to additional services or payments.

Details of the Scottish NFI participants are on our **FraudHub** ⊕

3. Results

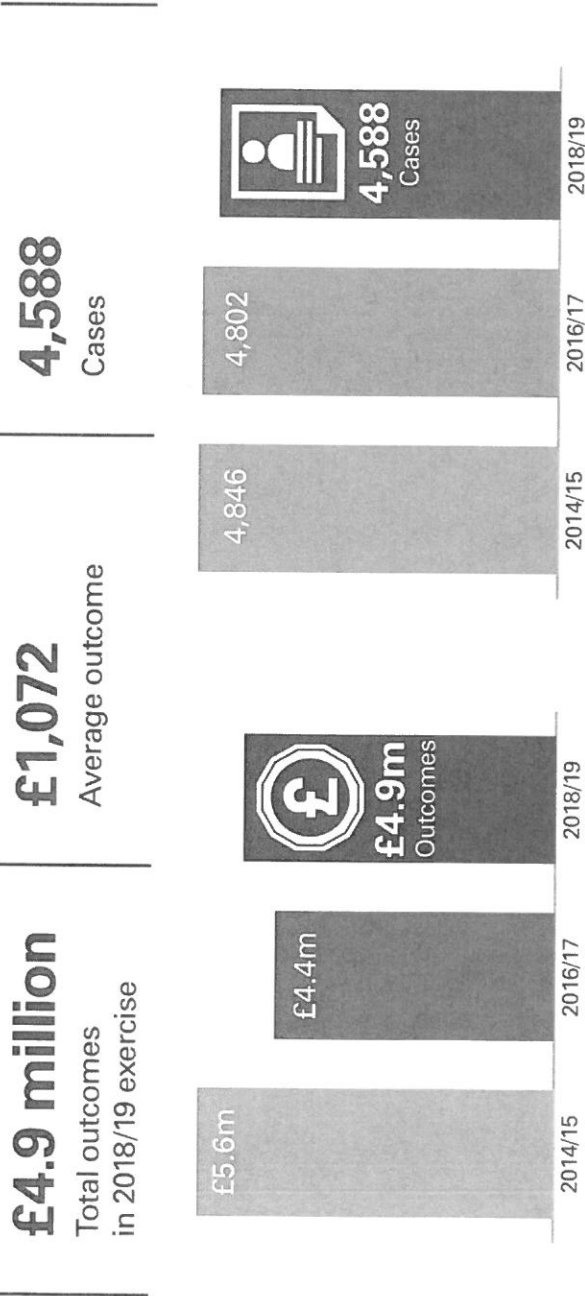## How the latest outcomes compare to the last exercise

The areas with significant changes are:

Overpayments

Once overpayments have been identified, public bodies can take appropriate action to recover the money.

£5.1 million (90 per cent) of cash overpayments were being recovered at March 2020.

Council tax discounts ⊕ £0.5m

Pensions ⊕ £2.2m

Housing benefit ⊕ £0.7m

Blue badges ⊕ £0.7m

Housing waiting lists ⊕ £0.5m

Creditors ⊕ £0.5m

Residential care homes ⊕ £0.5m

Council tax reduction scheme ⊕ £0.2m

2016/17
2018/19

£ million

6
5
4
3
2
1
0

Council tax discounts · Pensions · Housing benefit · Blue badges · Housing waiting lists · Creditors · Residential care homes · Council tax reduction scheme · Student awards · Payroll

Council tax discounts

People living on their own, or with no countable adults in the household, are eligible for a 25 per cent single person discount (SPD) on their annual council tax bill.

£4.9 million
Total outcomes
in 2018/19 exercise

£1,072
Average outcome

4,588
Cases

£5.6m — 2014/15
£4.4m — 2016/17
£4.9m Outcomes — 2018/19

4,846 — 2014/15
4,802 — 2016/17
4,588 Cases — 2018/19

The 2018/19 NFI exercise found that the total council tax discount incorrectly awarded across Scottish councils totalled £4.9 million. This is an average outcome of £1,072 for each case compared with £916 per case in the 2016/17 NFI.

Five councils used alternative data matching or verification for SPD data matching during 2018/19.

Case study

East Dunbartonshire Council

An NFI match between a council tax reduction claimant and a pension recipient identified that a second undeclared adult was residing with the council tax reduction claimant.

Investigations identified that the pension recipient had been staying in, and jointly owned, the property since 1983. The pension recipient moved out of the property in 2013 and later returned in 2018.

As a result a council tax reduction overpayment of £2,200 plus a council tax SPD outcome of £9,800 were identified.

Council tax data is matched to:

☑ Electoral register
☐

Pensions

For the Scottish Public Pensions Agency (SPPA) and councils that administer pensions, the NFI is an efficient and effective way of checking that they are only paying pensions to people who are alive.

£3.2 million
Total outcomes in 2018/19 exercise

£2.2 million
Reduction on the 2016/17 NFI exercise

£32,600
Average outcome for each case

Pension outcomes have fallen due to the 'tell us once' reporting process having become more embedded over the last two years, and SPPA carrying out 6-monthly mortality screening.

Pension outcomes across the UK have fallen by 59 per cent from £143.7 million in 2016/17, to £59.1 million in 2018/19.

£4.6m	£5.4m	£3.2m Outcomes	
2014/15	2016/17	2018/19	
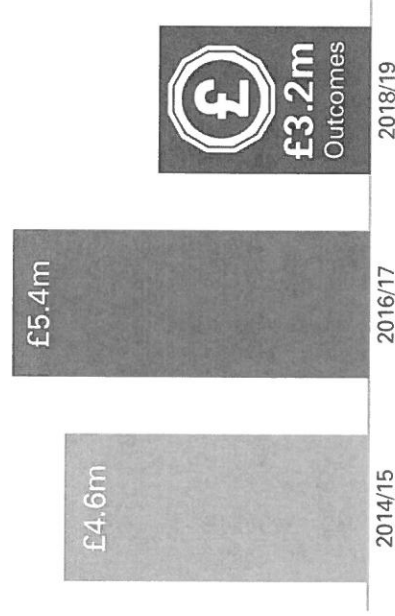
Note: Due to a formula error in the NFI computer system, pension outcomes in the 2016/17 exercise were overstated by £0.9 million. The figure has been adjusted accordingly.

Case study

Dundee City Council

An NFI match indicated that a pensioner had died. Investigations revealed that the pensioner had been living in Canada and had died in 2016.

A pension of just under £22,000 had been paid since the date of death. It was also established that the pensioner's widow has also since died. The overpaid pension has been partially offset against the widow's pension.

Tell us once

'Tell us once' is a service that lets you report a death to most government organisations when registering the death.

Pension data is matched to:

- Deceased person
- Payroll
- Housing benefits
- Injury benefits
- Amberhill data

Amberhill is a system used by the Metropolitan Police to authenticate documents presented for identity.

Housing benefit

The NFI provides councils and the Department for Work and Pensions (DWP) with the opportunity to identify a wide range of benefit frauds and errors. Housing benefit helps people on low incomes pay their rent.

£2.8 million
Total outcomes in 2018/19 exercise

£2,292
Average individual value of overpayments

1,238
Cases

£3m

£2.1m

£2.8m
Outcomes

| 2014/15 | 2016/17 | 2018/19 |

868 710 **1,238**
Cases

| 2014/15 | 2016/17 | 2018/19 |
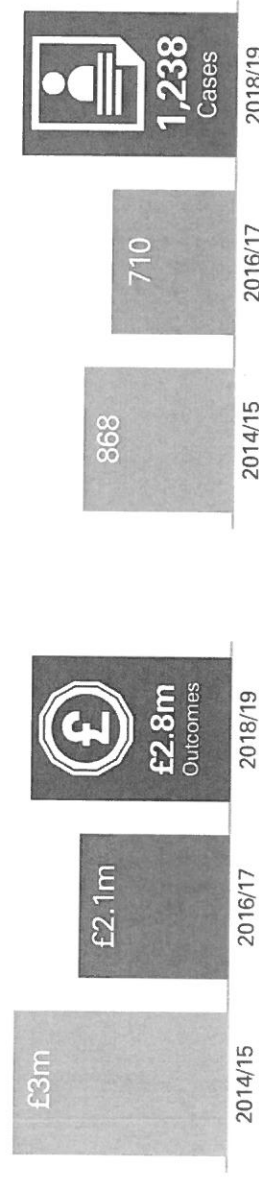
The value and number of housing benefit cases recorded with overpayments has risen from £2.1 million from 710 cases in the 2016/17 NFI, to £2.8 million from 1,238 cases in the 2018/19 NFI.

Although the number of benefit cases has risen, along with an increase in outcomes, the average individual value of overpayments has fallen from £2,923 in the 2016/17 NFI exercise to £2,292 in 2018/19.

One possible reason for the decline in the average value of individual overpayments of the 2018/19 outcomes is that the DWP and councils are now using real-time information (RTI) payroll and pension information, to help ensure any overpayments are picked up more quickly.

Case study

Renfrewshire Council

An NFI match resulted in a joint investigation by the council and the Department for Work and Pensions. This investigation identified that a benefit claimant had failed to declare their occupational pension since 2013, their earnings while working as a 'bank staff' employee and all of their bank accounts.

The undeclared occupational pension and earnings resulted in a housing benefit overpayment of £6,682.35 and a council tax reduction adjustment of £1,633.91.

The council has reported the matter to the Procurator Fiscal, for consideration of proceedings.

Housing benefit data is matched to:

- Student loans
- Right to buy (in England)
- Payroll
- Licences
- Pensions
- Deceased person
- Housing benefits
- Amberhill data
- Housing tenants

Blue badges

The blue badge parking scheme allows people with mobility problems to park for free at on-street parking meters, in 'pay and display' bays, in designated blue badge spaces, and on single or double yellow lines in certain circumstances.
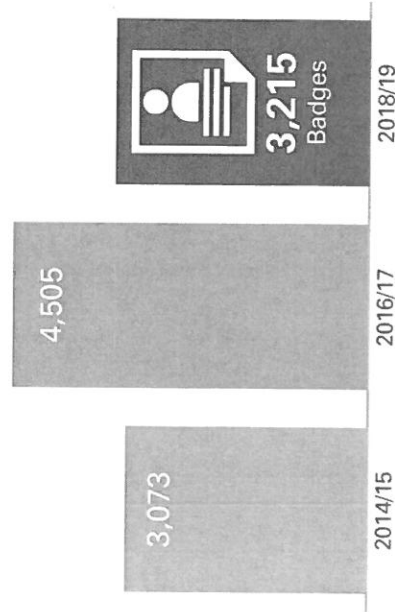
£1.8 million
Total outcomes in 2018/19 exercise

3,215
Total number of blue badge outcomes in 2018/19 exercise

1,290
Decrease from NFI 2016/17 exercise

The 2018/19 NFI exercise identified 3,215 blue badge outcomes, which is a decrease of 1,290 (40 per cent) since the last exercise.

Badges are sometimes used or renewed improperly by people after the badge holder has died. It is an offence for an unauthorised person to use a blue badge.

3,215
Badges

2014/15 — 3,073

2016/17 — 4,505

2018/19 — 3,215

Blue badge data is matched to:

Deceased person

Amberhill data

Housing waiting lists

The aim of the NFI using housing waiting list data is to identify possible cases of waiting list fraud. This happens when an individual has registered on the waiting list but there are possible undisclosed changes in circumstances or false information has been provided. This was a new data set for the 2016/17 NFI exercise. Social housing provides affordable accommodation, allocated according to need. It usually provides a more secure, long-term tenancy when compared to private renting.

£0.7 million
Total outcomes in 2018/19 exercise

230
Cases

Councils identified 230 cases where applicants were removed from waiting lists. Stirling Council identified 185 (80 per cent) of these cases.

The estimated value of these cases is £0.7 million. This is based on a calculation of the annual estimated cost of housing a family in temporary accommodation and the likelihood a waiting list applicant would be provided a property.

230 cases

2016/17	2018/19
90	230
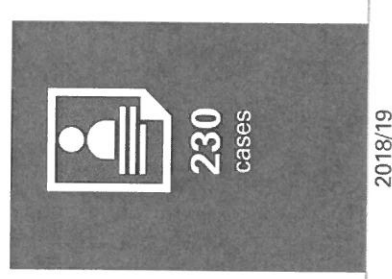
Housing waiting list data is matched to:

- Waiting list
- Deceased persons
- Housing benefit
- Amberhill data
- Housing tenants
- Right to buy (in England)

Creditors

The NFI provides an efficient way to check for duplicate payments and that payments are only made to appropriate creditors. A creditor is a person or an organisation that a public body pays money to for a good or service.

£0.6 million
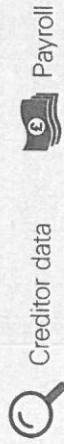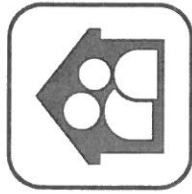Total outcomes in 2018/19 exercise

100%
Recovery action is taking place

147
Cases
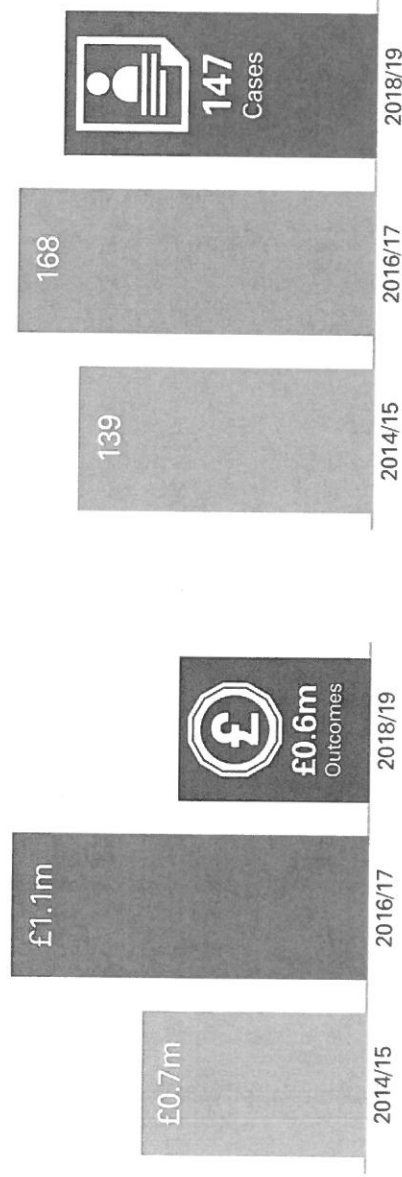
The 2018/19 NFI exercise has resulted in 147 creditor outcomes of £0.6 million compared to 168 outcomes worth £1.1 million in 2016/17. Recovery action is taking place for 100% of these overpayments.

£0.7m — 2014/15
£1.1m — 2016/17
£0.6m Outcomes — 2018/19

139 — 2014/15
168 — 2016/17
147 Cases — 2018/19

Creditor data is matched to:

Creditor data　　Payroll

Payments to residential care homes

The NFI identifies cases where a care home resident has died, but the council may not have been notified and so continue to make payments.

£0.4 million
Total outcomes
in 2018/19 exercise

71%
Overpayments are being
recovered

35
Cases

£0.9m

2016/17

£0.4m
Outcomes

2018/19

£0.1m

2014/15

8

2014/15

100

2016/17

35
Cases

2018/19
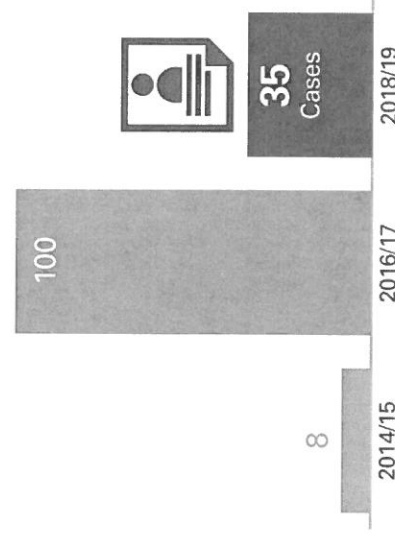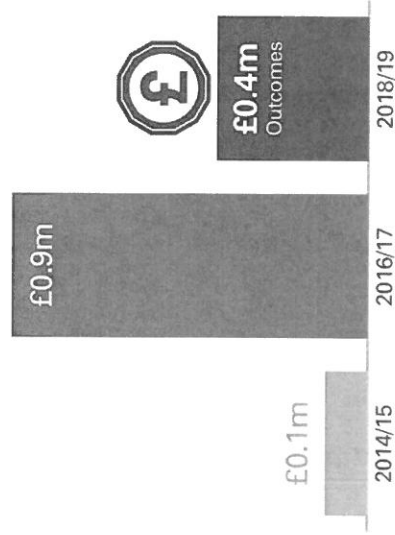
Councils have identified 35 cases of overpayments valued at £0.4 million to care providers for residents who have died.

71 per cent of these overpayments are being recovered.

Despite the number of overpayments having fallen since 2016/17, the average value of overpayment has risen from £8,651 to £10,500.

Residential care home data is matched to:

Deceased persons   Amberhill data

Council tax reduction

Council tax reduction helps those on low incomes to pay their council tax bills. The NFI provides councils with the opportunity to identify a range of council tax reduction frauds and errors.

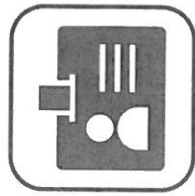## £0.3 million
Total outcomes in 2018/19 exercise

280
Cases

£0.5m

£0.3m
Outcomes

2016/17　　2018/19

115

2016/17

280
Cases
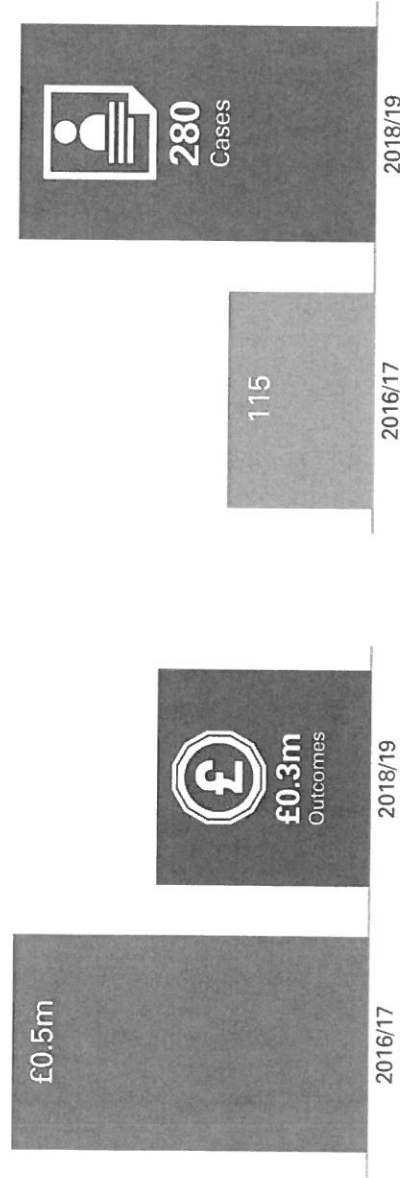
2018/19

The 2016/17 NFI was the first time council tax reduction data sets were included within the NFI.

Outcomes of £0.3 million were identified in the 2018/19 NFI, a fall of £0.2 million from the £0.5 million reported in 2016/17.

Councils have identified more than double the number of cases in 2018/19 but each with a smaller value, suggesting fraud and error is being picked up more quickly.

Council tax reduction data is matched to:

- Council tax reduction
- Right to buy (in England)
- Payroll
- Licences
- Pensions payroll
- Deceased persons
- Housing benefits
- Amberhill data
- Housing tenants

Other data matches

Payroll

£20,000
Total outcomes in 2018/19 exercise

8
Cases

The NFI also matches all participating bodies' employee payroll data as well as those of MSPs and councillors in order to identify cases of potential payroll fraud. The 2018/19 NFI identified eight cases valued at £20,000 compared to 13 cases valued at £0.1 million in the 2016/17 exercise.

Past NFI exercises have identified larger outcomes in both payroll and student awards. This is partly due to immigration data not being included in the 2018/19 exercise.

Student awards

£50,000
Total outcomes in 2018/19 exercise

2
Case

The NFI provides the Student Awards Agency Scotland (SAAS) with matches identifying cases where individuals may not be eligible for student funding, for example, through identity fraud. The 2018/19 NFI exercise only identified two outcomes, a reduction of 3 from the 2016/17 exercise.

Case study

Student Award Agency Scotland (SAAS)

An individual applied for student funding with a counterfeit Slovakian identity card. The applicant was awarded a tuition fee loan of £5,500.

The applicant was arrested, and facial recognition software identified a second false identity that had also been used by this individual.

The applicant made a full admission and is currently being detained in prison. It is expected that they will be deported from the UK following completion of their 12 month prison sentence.

4. Process

Matches benefiting other public bodies

One key benefit of a UK-wide data matching exercise is that it enables matches to be made between bodies and across national borders. Data provided by Scottish participants for the 2018/19 NFI exercise helped other public bodies, both within and outwith Scotland, to identify 884 outcomes worth £1.7 million. This is an increase of £0.6 million from 2016/17.
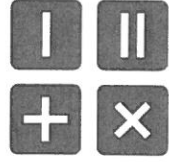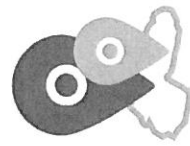
	Local government	Central government	NHS	Colleges	Total
	£854,760	£759,879	£120,408	£12,672	£1,747,719
	415	388	75	6	884
2016/17	2016/17	2016/17	2016/17	2016/17	2016/17
	£520,948	£438,206	£155,566	£7,073	£1,121,793
	232	254	77	5	568

Most of these outcomes relate to housing benefits, housing waiting lists and council tax reductions where, for example, payroll data from a health board may allow a council to identify a housing benefit overpayment.

Matches

For those public bodies taking part in the NFI which may not always identify significant outcomes from their own matches, it is important to appreciate that other bodies and sectors may do so.

Costs and benefits of participating in the NFI

£123,000+

Average outcome for each public body in Scotland for the 2018/19 NFI

£120 – £30,000

Estimated costs of NFI to public bodies

£213,750

Audit Scotland costs

	No. of bodies reported	Cost range
Local government	4	£10,000 – £30,000
NHS	8	£120 - £6,000
Central government	10	£400 - £10,179
Colleges	7	£150 - £10,000

Audit Scotland funds the cost of the NFI system and the biennial data matching for Scottish public-sector bodies

Participating bodies incur costs following up and investigating matches. Participating bodies also incur costs for pilot work and additional services such as the AppCheck[1] pre-application screening.

Many bodies do not keep separate records for NFI costs as it is just one of many counter-fraud activities they are doing. Those that did have records were able to estimate that their costs ranged from £120 to £30,000. This compares favourably with the average outcome for each public body in Scotland of over £123,000 for the 2018/19 NFI.

Overall, the £15.3 million of outcomes from the 2018/19 NFI outweigh the costs.

Note: 1. Appcheck is a data matching service used at point of applications for a service or benefit.

How bodies work with the NFI

External auditor review of NFI arrangements
A higher percentage of participating public bodies managed their roles in the 2018/19 NFI exercise satisfactorily compared to the 2016/17 NFI exercise.
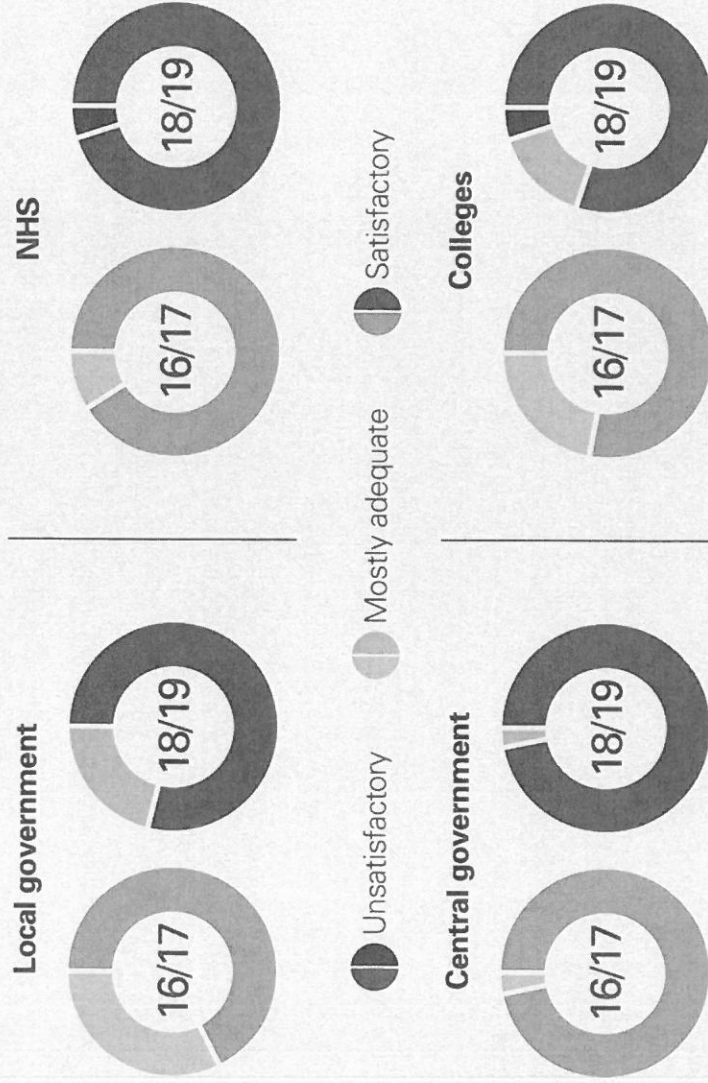
Auditors reviewed each body's planning and progress with the NFI, and provided recommendations for improvement where appropriate.

Some bodies could be more pro-active in their approach to the NFI. All colleges were included in the 2018/19 exercise for the first time. Three colleges only submitted data after receiving several prompts from auditors. They cited resourcing and IT issues as the reasons. One of these colleges did not subsequently review any matches it received.

We recommend that all bodies use our checklist ⊕ to self-appraise their involvement in the NFI before and during the 2020/21 NFI exercise.

Local government — 16/17, 18/19

NHS — 16/17, 18/19

Central government — 16/17, 18/19

Colleges — 16/17, 18/19

● Unsatisfactory   ● Mostly adequate   ● Satisfactory

NFI pilot activity – non-domestic rates

A **pilot** ⊕ was undertaken with the Scottish Government and seven Scottish councils in order to help identify businesses inappropriately claiming Small Business Bonus Scheme (SBBS) relief. The SBBS assists small businesses in Scotland to pay their rates.

The seven participating councils provided 81,827 ratepayer records which were matched across councils and with data from Companies House in order to identify SBBS fraud. The pilot identified £412,974 in incorrect awards being identified.

If similar levels of incorrect awards were identified across all Scottish councils, the extrapolated value could be in the region of £1.9 million.

Some system weaknesses were also identified, and recommendations have been issued for improvements where appropriate.

Due to the success of this pilot, the Scottish Government is considering a national roll-out of this data matching exercise across all Scottish councils.

Small Business Bonus Scheme fraud

Scottish Government

+

x7 Scottish councils
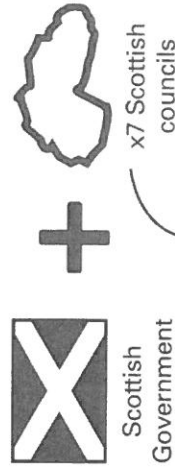
→ 81,827 ratepayer records

→ **Matched across councils and with data from Companies House**

→ **£412,974** incorrect awards identified

Future developments

The Covid-19 pandemic and the resulting emergency support packages have led to a greater risk of fraud. Audit Scotland has been working with the Cabinet Office to identify, develop and promote data matching facilities to help address some of this increased fraud risk. Work will continue in this area into the 2020/21 NFI exercise.

The 2020/21 NFI is due to start in late summer 2020. Data sets have been reviewed following a period of consultation with participants.

Audit Scotland continues to work with the Cabinet Office in developing new ways to prevent and detect fraud. This includes piloting new data matching in respect of NHS patient prescription exemptions.
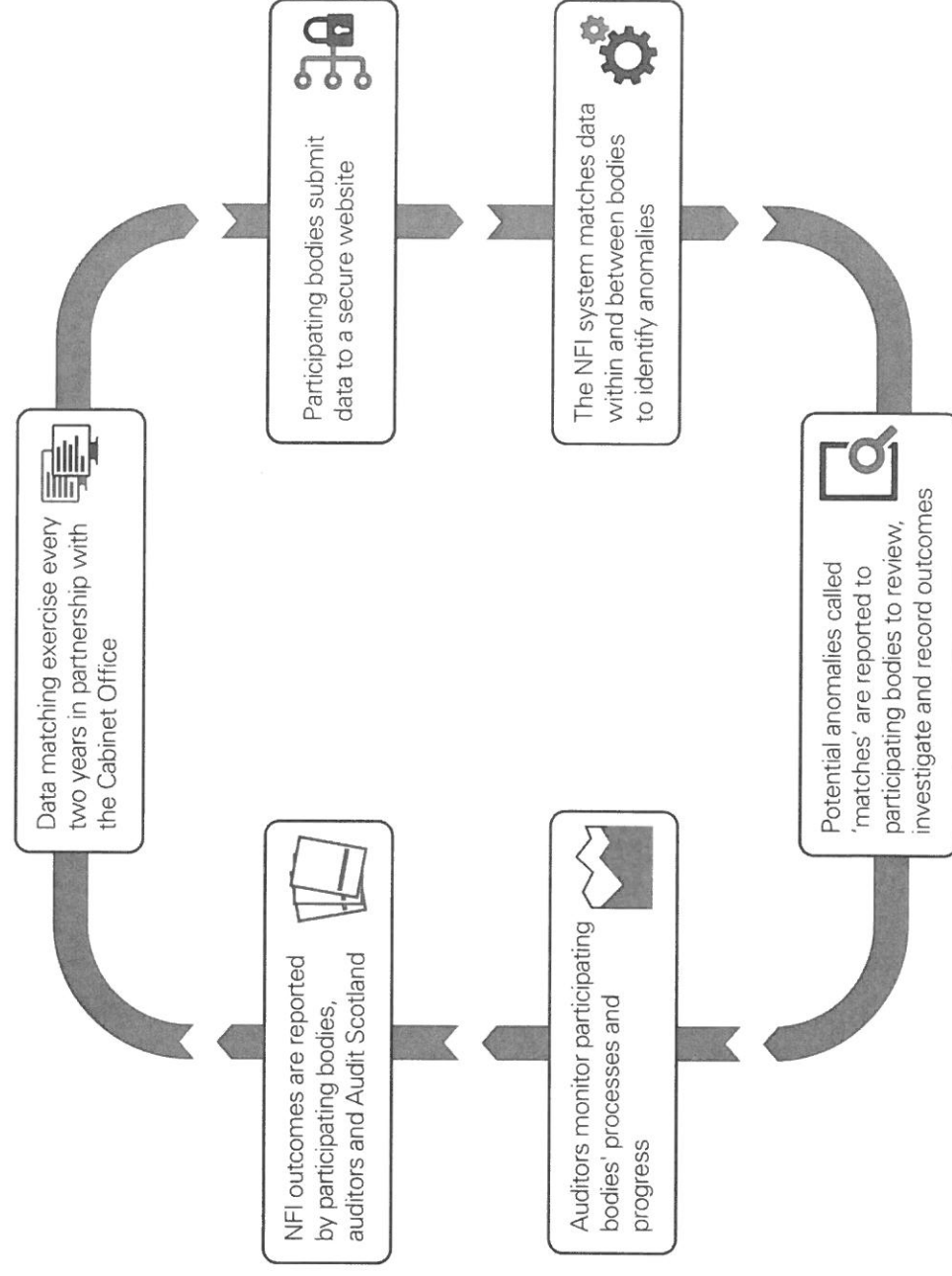
Audit Scotland continues to work with the Scottish Government in promoting and enhancing participation in the NFI across Scotland.

Appendix 1. Background to the NFI

The NFI is a counter-fraud exercise across the UK public sector which aims to prevent and detect fraud. The Cabinet Office oversees it and Audit Scotland leads the exercise in Scotland, working with a range of Scottish public bodies and external auditors. The NFI takes place every second year.

The NFI enables public bodies to use computer data matching techniques to detect fraud and error.

We carry out the NFI process under powers in The Criminal Justice and Licensing (Scotland) Act 2010. It is important for all parties involved that this exercise is properly controlled and data handled in accordance with the law. The Audit Scotland **Code of Data Matching Practice** ⊕ includes a summary of the key legislation and controls governing the NFI data matching exercise.

Data matching exercise every two years in partnership with the Cabinet Office

Participating bodies submit data to a secure website

The NFI system matches data within and between bodies to identify anomalies

Potential anomalies called 'matches' are reported to participating bodies to review, investigate and record outcomes

Auditors monitor participating bodies' processes and progress

NFI outcomes are reported by participating bodies, auditors and Audit Scotland

Appendix 2. Estimation bases

The figures used in this report for fraud, overpayments and errors include outcomes already delivered (actual amounts participants have recorded) and estimates. Estimates are included where it is reasonable to assume that incidents of fraud, overpayments and errors would have continued undetected without NFI data matching.

Details of estimate calculations used in the report are shown below.

Data match	Basis of calculation of estimated outcomes
Council tax single person discount	Annual value of the discount cancelled multiplied by two years.
Housing	£93,000 per property recovered, based on average four-year fraudulent tenancy. Includes: temporary accommodation for genuine applicants; legal costs to recover property; re-let cost; and rent foregone during the void period between tenancies.
Housing benefit	Weekly benefit reduction multiplied by 21 weeks.
Pensions	Annual pension multiplied by the number of years until the pensioner would have reached the age of 85.
Payroll	£5,000 for each employee who is dismissed or resigns as a result of NFI matching, or £10,000 for each resignation or dismissal for employees who have no right to work in the UK.
Council tax reduction scheme	Weekly change in council tax discount multiplied by 21 weeks.
Housing waiting lists	£3,240 for each case based on the annual estimated cost of housing a family in temporary accommodation and the likelihood a waiting list applicant would be provided a property.
Residential care homes	Weekly cost of residential care multiplied by 14 weeks.
Social care/personal budgets	Monthly social care payment multiplied by three months. Monthly reduction in personal budget payment multiplied by three months.
Blue badges	Number of badge holders confirmed as having died multiplied by £575 to reflect lost parking and congestion charge revenue.
Other immigration	£50,000 for someone removed from the UK.

National Fraud Initiative 2018/19

This report is available in PDF and RTF formats, along with a podcast summary at:
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AUDIT SCOTLAND

Part A for those charged with Governance Leadership Commitment and Communication	Yes/No/Partly	Is action Required?	Who and By When
1 Are we aware of emerging fraud risks, eg due to Covid-19, and taken appropriate preventative and detective action?	Yes	Yes - regular updates are received through NAFN which are circulated to relevant services within the Council. The Internal Audit Annual Audit Plan for 2020/21 includes an allocation of resource to undertake post-assurance work in relation to Covid-19. Ongoing support has also been provided to services involved in the Business Grants process and through the CRMT.	Chief Internal Auditor Ongoing
2. Are we committed to NFI? Has the council/board, audit committee and senior management expressed support for the exercise and has this been communicated to relevant staff?	Yes	The responsibility for overseeing the NFI lies with Internal Audit. Internal Audit will review all aspects of NFI for the coming 2020/2021 exercise. A report will be presented to the February Audit Committee outlining how the Council is engaging with the 2020/2021 exercise.	Chief Internal Auditor 28 February 2021
3. Is the NFI an integral part of our corporate policies and strategies for preventing and detecting fraud and error ?	Yes	The NFI is included within the Council's Anti-Fraud, Corruption and Irregularity Policy which was last updated in 2017.	N/A
4. Have we considered using the point of application data matching service offered by the NFI team, to enhance assurances over internal controls and improve our approach to risk management?	Yes	This has been trialled by the Corporate Fraud team as appropriate but did not appear to yield any additional results. This will be considered again as part of the 2020/21 NFI exercise.	Chief Internal Auditor Ongoing
5. Are the NFI progress and outcomes reported regularly to senior management and elected/board members (eg, the audit committee or equivalent)?	Yes	Regular reports on NFI progress are presented to Audit Committee at each Committee cycle. Reports are presented to senior management on an annual basis regarding progress in each exercise.	Chief Internal Auditor Ongoing
6. Where we have not submitted data or used the matches returned to us, eg council tax single person discounts, are we satisfied that alternative fraud detection arrangements are in place and that we know how successful they are?	N/A	All required data sets are submitted.	N/A
7. Does internal audit, or equivalent, monitor our approach to NFI and our main outcomes, ensuring that any weaknesses are addressed in relevant cases?	Yes	The responsibility for overseeing the NFI lies with Internal Audit. Internal Audit will review all aspects of NFI for the coming 2020/2021 exercise. A report will be presented to the Audit Committee outlining how the Council is engaging with the 2020/2021 exercise. Outcomes of the NFI exercise are used to inform potential audit areas for future annual audit plans.	Chief Internal Auditor 28 February 2021
8. Do we review how frauds and errors arose and use this information to improve our internal controls?	Yes	Outcomes of the NFI exercise are used to inform potential audit areas for future annual audit plans. As part of the 2020/21 Annual Internal Audit Plan we will carry out a review of Creditors and post-assurance work in relation to Business Grants.	Chief Internal Auditor 28 February 2021
9. Do we publish, as a deterrent, internally and externally the achievements of our fraud investigators (eg, successful prosecutions)?	Yes	Published on website and during fraud awareness training internally.	N/A

Part B For the NFI Key contacts and users Planning and Preparation			
1.Are aware of emerging fraud risks, eg due to Covid-19, and taken appropriate preventative and detective action?	Yes	Yes - regular updates are received through NAFN which are circulated by the Corporate Fraud team to relevant services within the Council.	Chief Internal Auditor Ongoing
2. Are we investing sufficient resources in the NFI exercise?	Yes	As part of the 2020/21 exercise the Corporate Fraud team will carry out review of dataset owners across the Council to ensure sufficient resources are in place.	Chief Internal Auditor Ongoing
3. Do we plan properly for NFI exercises, both before submitting data and prior to matches becoming available? This includes considering the quality of data.	Yes	Quality checks on data are carried out regularly.	N/A

4. Is our NFI Key Contact (KC) the appropriate officer for that role and do they oversee the exercise properly?	Yes	The responsibility for overseeing the NFI lies with Internal Audit. Internal Audit will review all aspects of NFI for the coming 2020/2021 exercise. A report will be presented to the Audit Committee outlining how the Council is engaging with the 2020/2021 exercise.	Chief Internal Auditor 28 February 2021
5. Do KCs have the time to devote to the exercise and sufficient authority to seek action across the organisation?	Yes	Sufficient allocation of resource for the NFI work is included within the 2020/21 Internal Audit Annual Audit Plan. Progress reports are submitted to Audit Committee on a regular basis.	Chief Internal Auditor Ongoing
6. Where NFI outcomes have been low in the past, do we recognise that this may not be the case the next time, that NFI can deter fraud and that there is value in the assurances that we can take from low outcomes?	Yes	This is recognised in terms of the matches received. Resources for the Corporate Fraud team's workplan are reviewed in light of the matches received and the level of outcomes for earlier exercises.	Chief Internal Auditor Ongoing
7. Do we confirm promptly (using the online facility on the secure website) that we have met the fair processing notice requirements?	Yes	This exercise was carried out and confirmed using the online facility.	Chief Internal Auditor Complete
8. Do we plan to provide all NFI data on time using the secure data file upload facility properly?	Yes	Internal Audit co-ordinates the NFI exercise and a timetable is in place to meet timescales for data upload for the 2020-2021 exercise.	Chief Internal Auditor 31 October 2020
9. Have we considered using the the point of application data matching service offered by the NFI team to enhance assurances over internal controls and improve our approach to risk management?	Yes	This has been trialled in the past but did not yield many results. This will be considered as part of the 2020/21 NFI exercise.	Chief Internal Auditor 28 February 2021
Effective Follow up Matches			
10 Do all departments involved in NFI start the follow-up of matches promptly after they become available?	Yes	Progress is monitored and followed up by the Corporate Fraud Team.	Chief Internal Auditor Ongoing
11. Do we give priority to following up high-risk matches, those that become quickly out-of-date and those that could cause reputational damage if a fraud is not stopped quickly?	Yes	A full review of protocols for all services has been carried out by Internal Audit to ensure compliance. High risk matches have been fully discussed with all services and they are aware to prioritise these. This will be monitored by the Corporate Fraud Team.	Chief Internal Auditor Ongoing
12 Are we investigating the circumstances of matches adequately before reaching a 'no issue' outcome, in particular?	Yes	A full review by Corporate Fraud team has been conducted to ensure all services are investigating adequately. We are satisfied that all services are full investigating matches before reaching a "no issue" outcome.	N/A
13. (In health bodies) are we drawing appropriately on the help and expertise available from NHS Scotland Counter-Fraud Services?	N/A		
14. Are we taking appropriate action in cases where fraud is alleged (whether disciplinary action, penalties/cautions or reporting to the Procurator Fiscal)? Are we recovering funds effectively?	Yes	Appropriate reports to PF, disciplinary action are taken, debt recovery procedures in place.	N/A
15. Do we avoid deploying excessive resources on match reports where early work (eg, on high-risk matches) has not found any fraud or error?	Yes	Reviews of results undertaken and resources based on the outcomes achieved will be deployed to other recommended or high risk matches. The Corporate Fraud team will review all services to ensure compliance.	Chief Internal Auditor Ongoing
16. Where the number of high-risk matches is very low, are we adequately considering the medium and low-risk matches before we cease our follow-up work?	Yes	The Corporate Fraud team have reviewed each service to ensure they consider the "All Matches" report. All services are aware of the "all matches" report.	N/A
17. Overall, are we deploying appropriate resources on managing the NFI exercise?	Yes	The Corporate Fraud team review resources to ensure appropriate resources are being deployed.	N/A
Recording and Reporting			
18. Are we recording outcomes properly in the secure website and keeping it up to date?	Yes	The Corporate Fraud team have carried out a full review of this area to ensure compliance.	N/A
19. Do staff use the online training modules and guidance on the secure website, and do they consult the NFI team if they are unsure about how to record outcomes (to be encouraged)?	Yes	Officers have found the online training helpful and if required they have been informed to consult with Internal Audit for further training/assistance. Internal Audit have also raised awareness of the online training modules with all services.	N/A
20. If, out of preference, we record some or all outcomes outside the secure website, have we made arrangements to inform the NFI team about these outcomes?	N/A	All outcomes are reported in secure website.	N/A