Glasgow City Council

Finance and Audit Scrutiny Committee

Report by Head of Audit and Inspection

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Item 1

30th November 2022

Internal Audit 2022/23 Mid-Year Report

Purpose of Report:

The purpose of this report is to advise Members on the performance of the Internal Audit section during the first half of 2022/23.

The report also includes a summary of the work undertaken by the Corporate Fraud & Investigations team and details of Whistleblowing cases raised during the period.

Recommendation:

Committee is asked to note the report.

Ward No(s):	Citywide: ☐
Local member(s) advised: Yes ☐ No ☐	consulted: Yes ☐ No ☐

1. Internal Audit – Performance Update

1.1 The purpose of this report is to provide an overview of Internal Audit performance for the first half of the year ending 2022/23.

1.2 The tables provided below cover various areas of performance, including the Internal Audit team establishment and the Annual Service Plan and Improvement Report targets.

Table 1. Audit Team – Establishment

Analysis of staff	**Sept 2022**	Sept 2021
Number of Qualified staff (FTE*)	**16.7**	18.8
Number of staff with a recognised counter fraud qualification (FTE)	**5.5**	7
Number of Trainees (FTE)	**7**	5
Number of Graduate Apprentices (FTE)	**3**	0
Training Days (including professional qualification)	**57**	42
Training Days per Staff Member	**1.7**	1.4
Sickness absence per staff member (annual target 5 days)	**1.0**	3.6

* *Full Time Equivalent*

Table 2. Internal Audit Annual Service Plan and Improvement Report (ASPIR) targets

	ASPIR target	**Quarters 1 & 2 2022/23**	2021/22
1	Complete all required fieldwork to prepare the Annual Assurance Statement that is necessary to inform the council's Annual Governance Statement	**Not yet due**	Complete
2	Corporate Fraud & Investigations team – cover all key areas of the Corporate Fraud Workplan and report through Annual Assurance Statement	**Not yet due**	Complete
3	Maintain British Standards Institute ISO 9001:2008 accreditation	**Not yet due**	Compliant
4	Internal and External quality assessments against Public Sector Internal Audit Standards	**Not yet due**	Compliant
5	Audit Scotland annual review of Internal Audit against Public Sector Internal Audit Standards	**Not yet due**	Compliant
6	Average client survey score at least 3 out of 4	**3.12**	3.57

Table 3. Audit Team – Work and Efficiency

	Quarters 1 & 2 2022/23	Up to 10 September 2021/22
Percentage of audits with fieldwork complete	**12%**	9%
Percentage of audits with fieldwork ongoing	**32%**	27%
Percentage of audits due to start	**56%**	64%

1.3 The 2022/23 Internal Audit plan was agreed with the Committee on 23 March 2022. There have been no material changes to the plan to date, but it is kept under review and any proposed significant changes over the course of the remainder of the financial year will be notified to Committee.

1.4 No new significant issues have been reported to date from the work undertaken in relation to the 2022/23 plan. Previous audit actions, including the significant issues identified in the 2021/22 Annual Report, are regularly followed up and the status reported to this Committee.

1.5 The main issue arising from the 2021/22 Annual Report related to the Internal Audit work on ICT, including security and the wider ICT service. We continue to closely monitor progress of these issues. A number of the more significant security concerns are now progressing, although there remain areas of the action plan that are taking longer than originally envisaged. In terms of ICT service, we can see a notable improvement in the contract management arrangements within the Council, with some progress to individual ICT projects. However, most of the significantly delayed projects originally reported remain at "red" status, and service is still not at a satisfactory level generally.

2. Whistleblowing

2.1 Background

2.1.1 The purpose of this section of the report is to advise members of the number and range of Whistleblowing cases raised up to 30 September 2022, the subsequent enquiries undertaken and the outcome of the completed enquiries to date. It also provides an update on cases that were classed as ongoing at the end of 2021/22.

2.1.2 The Whistleblowing Policy was relaunched in 2018 with posters and leaflets distributed across the Council Family estate. All Whistleblowing allegations or issues received are noted and logged regardless of the source, which includes the dedicated Whistleblowing Hotline, email or letter, and may in some cases arise from general concerns raised by employees. Calls that do not relate to Glasgow City Council or partner organisations are passed on the appropriate agency, for example, another local authority, the Department for Work and Pensions or Police Scotland.

2.1.3 Glasgow City Council cases are allocated to the most appropriate section within the Council or its partner organisations to carry out the enquiry. In all cases the section carrying out the investigation is asked to provide Internal Audit with an update on the outcome of their investigation. Allegations of

fraud or corruption are usually dealt with by Internal Audit, with or without Service involvement.

3.1 Outstanding 2021/22 Whistleblowing Cases

3.1.1 The 2021/22 Internal Audit Annual Report advised that there were 85 whistleblowing cases ongoing at the end of the 2021/22 financial year.

3.1.2 An update on the outcome of these cases is detailed in Table 4 below.

Table 4. Update on Outcome of 2021/22 Whistleblowing Cases

Outcome / Type of Incident	Total	Ongoing	Unfounded	Referred to Other Organisation	Procedural Change / Action by GCC	Insufficient Information / Decision Taken not to Investigate	Referred to ALEO
Cases involving GCC Employees	**20**	2	12	0	6	0	0
Other Cases	**65**	34	7	1	11	6	6
Total	**85**	**36**	**19**	**1**	**17**	**6**	**6**

3.3 Reported Cases since 1 April 2022

3.3.1 The Internal Audit Section logged 161 Whistleblowing cases up to 30 September 2022 which compares with 126 cases for the first half of 2021/22. Of the 161 total cases received, 137 were dealt with by the audit team and the other 24 referred to the Department for Work and Pensions (as they related to benefit fraud) or to other Public Organisations, where the allegation related to another public body (e.g. other Local Authority or Housing Association). As at 30 September 2022, 55 of the 137 cases being investigated by the audit team or services / ALEOs were classified as work in progress. A summary of the audit team / services / ALEOs cases and the outcomes of the completed cases is shown in the table on the following page.

Table 5. Whistleblowing cases dealt with by the audit team and service departments – Analysis of Case Types

Type of incident \ Outcome	Total	Ongoing	Disciplinary Action/ Resignation	Procedure Change / Action by GCC	Referred to Police Investigation	Referred to Other LAs/External Orgs	Referred to ALEOs	Decision Taken not to Investigate	Unfounded	Other
1.1 Cases involving GCC Employees										
Misuse of equipment, in particular vehicles and PCs	**2**	2	0	0	0	0	0	0	0	0
Working Time Abuse	**4**	4	0	0	0	0	0	0	0	0
Theft / Embezzlement	**6**	5	0	0	0	0	0	0	1	0
Breaches of the Council's rules about the procurement of goods, services and construction works	**1**	1	0	0	0	0	0	0	0	0
Abuse of position/power	**1**	1	0	0	0	0	0	0	0	0
Complaints about quality of service / staff	**23**	17	0	0	0	0	0	1	5	0
Corruption	**3**	2	0	0	0	0	0	0	1	0
Other	**6**	1	0	0	0	0	0	3	2	0
Sub Total	**46**	**33**	**0**	**0**	**0**	**0**	**0**	**4**	**9**	**0**
1.2 Other Cases										
Council Tax / NDR	**30**	17	0	1	0	2	0	3	7	0
Misuse of grant funding by external organisations or financial mismanagement of organisations in receipt of grant funding	**2**	1	0	0	0	0	0	0	1	0
Parking for the Disabled	**57**	1	0	51	0	0	4	1	0	0
Benefit Fraud – DWP	**20**	0	0	0	0	20	0	0	0	0
Tenancy Issues / Fraud	**2**	1	0	0	0	1	0	0	0	0
Other – Non Council	**4**	2	0	0	0	1	0	1	0	0
Sub Total	**115**	**22**	**0**	**52**	**0**	**24**	**4**	**5**	**8**	**0**
Total	**161**	**55**	**0**	**52**	**0**	**24**	**4**	**9**	**17**	**0**
		34%	**0%**	**32%**	**0%**	**15%**	**2%**	**6%**	**11%**	**0%**

3.3.2 Of the Whistleblowing incidents investigated by the audit team 46 involved Glasgow City Council employees, 23 of these related to complaints about the quality of service or behaviour of employees. Of the 106 cases concluded 16% (17 cases) were deemed to be unfounded after investigation and 49% (52 cases) resulted in changes to procedures or other action taken by the Council.

4. Corporate Fraud & Investigation (CFI) Team

4.1 Some elements of the Corporate Fraud workplan which require site/home visits were suspended in previous years due to the Covid-19 pandemic, however the full workplan has now resumed.

4.2 In the first half of 2021/22 the CFI team have undertaken investigations in a number of key areas. These include identifying and investigating false Council Tax discounts/reductions and false homeless applications. The team also responds to reports of the misuse of Blue Badges and a variety of whistleblowing allegations.

4.3 As part of their work, the CFI team uses data from the National Fraud Initiative – more details can be found in section 5.

4.4 The results of the work carried out by CFI in the year to the end of September 2022 are detailed in Table 6. It should be noted that the wider benefits of the team's work are not necessarily captured in these direct financial savings. There will be other indirect savings to the Council (and indeed wider public purse), and there is also a disruption/deterrent value to the work.

Table 6. CFI – Summary of Work 1 April 2022 to 30 September 2022

Work Area	No of cases fraud found	Estimated Savings/Prevented payment £
Blue Badge Fines	58	1,740
Blue Badge Impound Fees	15	2,250
Scottish Welfare Fund	83	93,670
False Homeless Applications	21	546,000
25% Discount Council Tax (including NFI SPD match)	62	78,833
Council Tax Reduction Scheme	19	37,581
NDR (False Empty Property and Charity Cases and Small Business)	14	57,057
Total indicative savings / benefit to GCC	**272**	**817,131**

5. NATIONAL FRAUD INITIATIVE 2020/21

5.1 After submitting data in October 2020 for the 2020/21 National Fraud Initiative (NFI), the Council received 19,205 matches to investigate in early 2021. Further matches have been released during the year as NFI update the information. A total of 19,916 matches have now been received. A breakdown of these matches is shown in Table 7 below.

Table 7. National Fraud Initiative 2020/21

Priority	Match Type	Total Number of Matches Received	
High	Council Tax Reduction Scheme Matches	4,038	
	Benefit Matches	473	
	NDR Small Business Relief	67	
	Pension Matches	3,028	
	Payroll Matches	256	
	Blue Badge Matches	1,256	
	Creditors	8,840	
	Procurement Matches	27	
	COVID-19 Business Grants	154	
	Total High Priority Matches		**18,139**
Medium	Council Tax Reduction Scheme Matches	223	
	Benefit Matches	98	
	NDR Small Business Relief	448	
	Pension Matches	1	
	Blue Badge Matches	2	
	Total Medium Priority Matches		**772**
Low	Council Tax Reduction Scheme Matches	887	
	Benefit Matches	39	
	Procurement Matches	70	
	Payroll Matches	9	
	Total Address Only Matches		**1,005**
	Total Matches		**19,916**

5.2 In total staff have investigated, or are in the process of investigating, 4,852 matches as detailed in Table 8 below.

Table 8 – Summary of work undertaken

Investigation Details	Number of Cases		Value	
Total of on-going Investigations		**20**		
Errors Identified	43			
Fraud cases Identified	228			
Matches Cleared	4,561			
Total of Completed Investigations		**4,832**		
Benefit Overpayments			£131,154	
Council Tax Reduction Scheme Overpayments			£124,956	
NDR Small Business Relief Overpayments			£131,823	
Total Value of Errors / fraud identified				**£387,933**

6. Audit Glasgow

6.1 As part of the Audit Glasgow initiative, we continue to undertake audit assignments and provide support to other public sector organisations. This has generated income of £520,000 over the lifetime of the project to date, and we anticipate income in the current year to be in the region of £160,000. A full internal audit service is provided to Shetland Islands Council, Scottish Canals and Loch Lomond and Trossachs National Park Authority. The contract with Shetland Islands Council was re-tendered in May 2022 and Audit Glasgow has recently been confirmed as the successful bidder for a further three year period (plus option of two-year extension). Other ad hoc work is provided for other Scottish Local Authorities, however we continue to ensure our main focus is on delivering the Internal Audit function to the Council and wider Council family.

6.2 At the Chartered Institute of Public Finance and Accountancy (CIPFA) Scottish Annual Awards ceremony, the Internal Audit team were announced as the winners of the CIPFA Scotland Public Finance Team of the Year 2022 for their provision of the internal audit service to Shetland Islands Council.

7. Recommendation for Committee

7.1 Committee is asked to note the content of this report.