Glasgow City Council

Finance and Audit Scrutiny Committee

Report by Head of Audit and Inspection

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Internal Audit 2024/25 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 2024/25.

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

Recommendation:

Committee is asked to note the report.

Ward No(s):   Citywide: ☐

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

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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 2024/25.

1.2   The tables provided below cover various areas of performance, including the Internal Audit team establishment.

Table 1. Audit Team – Establishment

Analysis of staff	Sept 2024	Sept 2023
Number of Qualified staff (FTE*)	**14.7**	17.7
Number of staff with a recognised counter fraud qualification (FTE)	**4.6**	4.6
Number of Trainees (FTE)	**6**	5
Number of Graduate Apprentices (FTE)	**2**	2
Training Days (including professional qualification)	**126**	134
Training Days per Staff Member	**4.6**	4.6
Sickness absence per staff member (annual target 5 days)	**9.1**	2.4

* Full Time Equivalent

1.3   Table 1 shows that there has been a net reduction in the number of qualified staff from this same point last year. The recruitment market for qualified accountants and auditors remains very challenging and therefore when staff accept external opportunities, it is currently difficult to backfill these posts. Our focus remains on "growing our own" through our graduate and apprentice trainee program.

1.4   There has also been a spike in sickness absence, exceeding our target days. Management continue to apply the Council's Attendance Management Policies and we expect this figure to return to the levels seen in recent years.

1.5   However, these two factors have impacted the completion of the audit plan as outlined in Table 2 below.

Table 2. Internal Audit Key Priorities Performance Update

	KPIs	Quarters 1 & 2 2024/25	2023/24
1	Complete all required fieldwork to prepare the Annual Assurance Statement that is necessary to inform the council's Annual Governance Statement	At risk - Amber	Complete
2	Corporate Fraud & Investigations team – cover all key areas of the Corporate Fraud Workplan and report through Annual Assurance Statement	On track – Green	Complete
3	Maintain British Standards Institute ISO 9001:2015 accreditation	Not yet due	Compliant
4	Internal and External quality assessments against Public Sector Internal Audit Standards[1]	Not yet due	Compliant
5	Average client survey score at least 3 out of 4	3.57	3.31
6	Achieve Audit Glasgow income target	On track – Green	Achieved

1.6   The 2024/25 Internal Audit plan was agreed with the Committee on 20 March 2024. As set out in section 6, a number of changes to the plan are planned in order to respond to resource availability.

Table 3. Audit Team – Work and Efficiency

	Quarters 1 & 2 2024/25	Quarters 1 & 2 2023/24
Percentage of audits with fieldwork complete	9%	7%
Percentage of audits with fieldwork ongoing	40%	33%
Percentage of audits due to start	51%	60%

1.7   No new significant issues have been reported to date from the work undertaken in relation to the 2024/25 plan. Previous audit actions, including issues identified in the 2023/24 Annual Report , are regularly followed up and the status reported to this Committee.

1.8   The main issues reported in the 2023/24 Annual Report are provided in table 4 below, with an updated position statement from Internal Audit.

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[1] New Global Internal Audit Standards were issued in early 2024 which will be used as the basis for internal auditing for the UK Public Sector. However, sector specific interpretations are still awaited to make them suitable for the UK Public Sector use. These are expected in early 2025 with an effective date of 1 April 2025.

Table 4. Update on 2023/24 Significant Issues

2023/24 Significant Issue	2024/25 Mid-Year update
ICT Service and Security	Progress continues to be made against the security action plan. The security stance is closely monitored by SIIT and Internal Audit. Whilst some key actions remain ongoing, the overall position is one of improvement. SIIT must continue to closely monitor the key security metrics and ensure CGI are progressing the remaining actions. There may also need to be decisions by Services in relation to certain applications that are end of life; and a number of actions are now being wrapped up within the Future of ICT project. **Open.**
SAP P1 Incident	Internal Audit has completed two assurance reviews in relation to the incident and reported these to FASC. No further work is planned in this area, but certain management actions are ongoing and will be monitored through the usual Internal Audit follow up process. **Closed.**
City Building Servitor Upgrade	Most of the operational issues have been addressed or work arounds implemented. Management have advised that associated risk is now reduced to a tolerable level. Internal Audit activity in 2024/25 is focussing on operational and strategic performance management. **Closed.**
City Building Investigation	A comprehensive action plan was agreed by the two Joint Venture Members. This is subject to monthly monitoring by a senior officer group. Internal Audit is engaged in follow up assurance activity on actions deemed completed. Of the 130 original actions, 57 have been signed off with the remaining 73 ongoing. An additional issue was raised in the 2023/24 Annual Report relating to CBG Executive Management culture. This is being closely monitored by Joint Venture partners. The CBG and CBC 2022/23 and 2023/24 accounts are not yet signed by the external auditor, which is having an adverse impact on the business. Senior Management from both JV Members continue to engage closely with the external auditor to expedite the sign off. **Open.**
Scottish Events Campus Limited (SEC)	The Health and Safety remediation plan is being monitored by the SEC Board, with enhanced assurance activity through the SEC Audit Committee. Internal Audit will monitor the ongoing programme of internal and external health and safety audits. **Open.**

2.   Whistleblowing

2.1   The 2023/24 Internal Audit Annual Report advised that there were eight whistleblowing cases ongoing as at 31st March 2024. Two of these remain ongoing, with the other six concluded.

2.2   During the first six months of 2024/25, 119 whistleblowing referrals were logged, compared with 129 to the same period in 2023/24. A summary of the categories of referrals received is highlighted in table 5 below.

Table 5: Whistleblowing referrals 2024/25
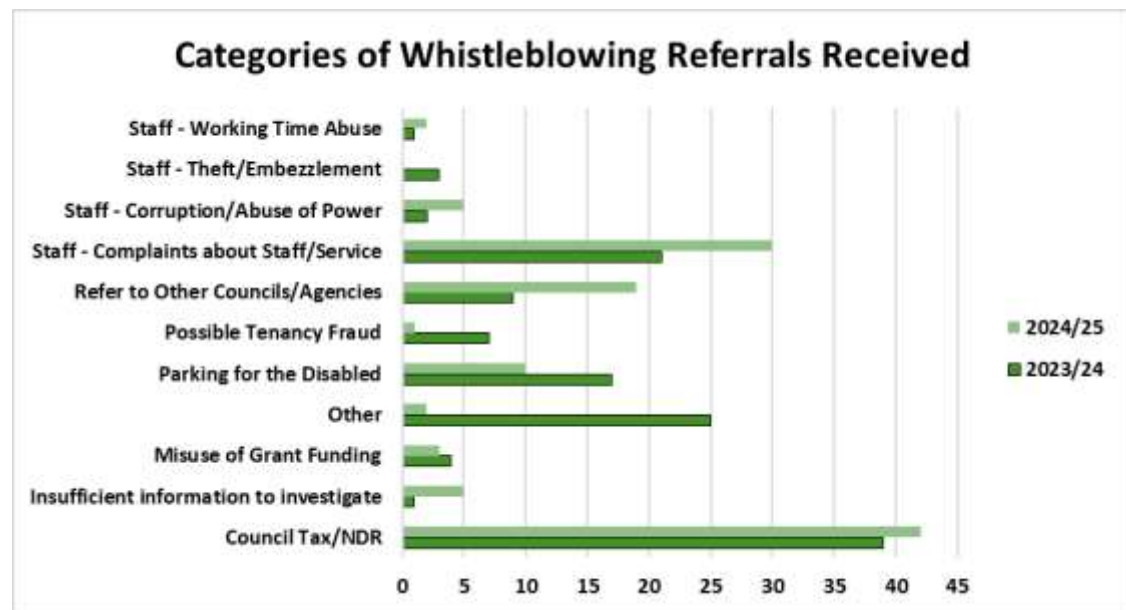
2.3   As at 30 September 2024, investigations for 101 of the referrals had been concluded, and 18 remained ongoing. The outcomes of these referrals are noted in table 6 below.
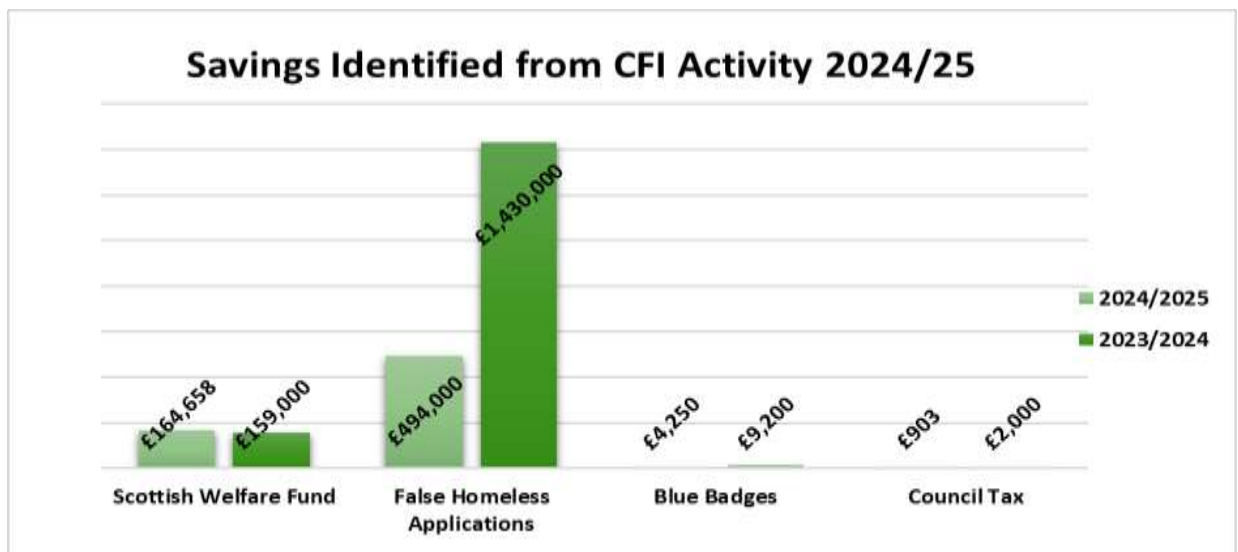
Table 6: Whistleblowing referrals – outcomes

Outcomes of Whistleblowing Referrals

Category	Value
Unfounded	45
Referred to External Org/Police	19
Procedural Action by GCC	20
Ongoing	18
Disciplinary/Resignation	2
Decision Not to Investigate	15

3.   Corporate Fraud & Investigation (CFI) Team

3.1   During the first six months of 2024/25, the work of the CFI team has identified savings of almost £664k for the Council and the wider public purse – this is an decrease on the identified savings of £1.6m identified to the same period in 2023/24, mainly due to a decrease in referrals for both fraudulent homeless applications, which historically has been the highest value area of investigation. The savings for 2024/25 are noted in table 7 below.

Table 7: Corporate Fraud and Investigations activity 2024/25

Savings Identified from CFI Activity 2024/25

Chart showing savings by category for 2024/2025 and 2023/2024:
- Scottish Welfare Fund: £164,658 / £159,000
- False Homeless Applications: £494,000 / £1,430,000
- Blue Badges: £4,250 / £9,200
- Council Tax: £903 / £2,000

* There are additional blue badge savings relating to the use of paid bays by fraudulent blue badge users. These are not included in the figure above, however, assuming a reasonable use of the spaces identified, the continued fraudulent use identified could have resulted in loss of parking income to the Council of around £574,000.

4.   National Fraud Initiative 2022/23

4.1   After submitting data in October 2022 for the 2022/23 National Fraud Initiative (NFI), the Council received 22,918 matches to investigate. Further matches have been released since the initial release as NFI update the information. A total of 28,029 matches have now been received. A breakdown of these matches is shown in table 8 below.

Table 8. National Fraud Initiative 2022/23

Priority	Match Type	Total Number of Matches Received	
High	Council Tax Reduction Scheme Matches	3,586	
	Benefit Matches	365	
	Pension Matches	3,111	
	Payroll Matches	207	
	Blue Badge Matches	1,752	
	Creditors	17,352	
	Procurement Matches	31	
	Total High Priority Matches		**26,404**
Medium	Council Tax Reduction Scheme Matches	121	
	Benefit Matches	52	
	Non Domestic Rates	219	
	Licensing Matches	1	
	Pension Matches	1	
	Blue Badge Matches	1	
	Total Medium Priority Matches		**395**
Low	Council Tax Reduction Scheme Matches	1,050	
	Benefit Matches	13	
	Procurement Matches	69	
	Payroll Matches	98	
	Total Low Priority Matches		**1,230**
	Total Matches		**28,029**

4.2   In total staff have investigated, or are in the process of investigating, 9,041 matches as detailed in table 9 below. The approach is to prioritise the higher priority matches in the first instance. However, if we identify a systemic data issue with a category of matches, then we will move on and refocus on other categories.

Table 9 – Summary of work undertaken

Investigation Details	Number of Cases		Value	
Total of on-going Investigations		**1,071**		
Errors Identified	56			
Matches Cleared	7,914			
Total of Completed Investigations		**7,970**		
Benefit Overpayments			£35,317	
Pension Overpayments			£50,919	
Total Value of Errors identified				**£86,236**

4.3   We have also cancelled 1,025 blue badges which are no longer valid and therefore cannot be fraudulently used.

4.4 Audit Scotland issue a self appraisal checklist and encourage all participating bodies to use the checklist to assess their involvement in the NFI prior to and during the NFI exercises. There are two parts to the checklist – (A) designed to assist Audit Committee members when reviewing, seeking assurance over, or challenging the effectiveness of the Council's participation in the NFI, and (B) for staff involved in planning and managing the NFI exercise. Suggested responses to the checklist are included at Appendix 1.

5. Audit Glasgow

5.1 As part of the Audit Glasgow initiative, we continue to undertake audit assignments and provide support to other public sector organisations. We anticipate income in the current year to be in the region of £174,000. A full internal audit service is provided to Shetland Islands Council, Scottish Canals and Loch Lomond and Trossachs National Park Authority. 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. 2024/25 Audit Plan

6.1 Since the 2024/25 Internal Audit plan was agreed in March 2024, a number of members of the team have left to take up opportunities in other services/organisations. As noted at 1.3, backfilling vacant qualified accountant and auditor posts is currently very challenging. We have developed a strategy to respond to these recruitment and retention challenges, however the reduced resources available in 2024/25 require us to make amendments to the agreed audit plan.

6.2 It is also important that we take an agile approach to the areas we intend to review to ensure that we make the best use of our resources and that we focus on the higher risk areas of the control environment. For some of the areas we intended to review there have been changes or delays to systems or projects, which mean it would no longer be appropriate or useful to undertake the planned audit during 2024/25.

6.3 We have therefore undertaken a risk based review and intend to amend the 2024/25 plan to remove the audits noted below. These audits will not be undertaken during 2024/25 but will be considered for inclusion in the 2025/26 plan.

Table 10 – Amendments to the 2024/25 Internal Audit plan

Area	Audit Title
Section 95	Treasury
Revenues and Benefits	Water Direct
Procurement	Corporate Procurement Manual
Procurement	One Time Vendor Use
ICT	AI Strategy
ICT	ERP Replacement - IT Arrangements
ICT	Supply Chain IT Assurance
ICT	Security Working Group (SWG) Validation
ICT	Mobile Device Management
ICT	Security Assessment Framework
General Assurance	Revised Payroll Structure
General Assurance	SEEMIS Data Management
General Assurance	Purchasing of Supplies
General Assurance	School Travel Assistance
General Assurance	Workforce and Succession Planning

6.3 We have also removed the flexible capacity in the plan, meaning that if any additional work is required during the year, we may have to make further adjustments to the plan. In addition to the changes noted above we have also made a small number of amendments to the budgeted number of days for some audits. Despite these resourcing constraints, the intention is still to provide an annual opinion that is unrestricted in terms of scope.

7.   Department of Work and Pensions – Memorandum of Understanding

7.1 A Memorandum of Understanding (MOU) is in place between the Department for Work and Pensions (DWP) and Local Authorities (LAs) which sets out the framework and operating policy through which LAs access and use DWP, HM Revenue and Customs (HMRC) and Home Office data, provided to LAs by the DWP.

7.2 The DWP undertook a compliance audit in May 2024 to provide assurance that the Council was meeting the DWP's security standards. The audit was undertaken using pre-visit questionnaires and an online call to discuss and scrutinise the evidence provided. Officers involved in the audit included colleagues from CBS, CGI and Internal Audit.

7.3 The audit noted a number of areas of good practice, including having robust procedures in place to ensure completion of DWP specific training. A small number of recommendations were also made which outline ways in which the controls in place could be further strengthened. Officers have reviewed these areas and are making changes to arrangements where appropriate.

8.   Global Internal Audit Standards (GIAS)

8.1   The Public Sector Internal Audit Standards (PSIAS) have been in place for a number of years and act as a mandatory framework for Internal Audit services in the public sector. On 9 January 2024, the Institute of Internal Auditors released the new GIAS to guide the professional practice of internal auditing. They are principle-based and serve as a basis of elevating, and evaluating the quality of, internal audit functions worldwide. The Relevant Internal Audit Standard Setters (RIASS) agreed to use the new GIAS as the basis for internal auditing for the UK Public Sector.

8.2   The GIAS will apply to the UK public sector from 1 April 2025 and will involve some changes to existing processes and documentation to ensure compliance. The UK Public Sector Internal Auditing Standards Advisory Board (IASAB) is reviewing the GIAS with a view to drawing sector specific interpretations and developing revised material suitable for use in the UK public sector. As part of this, a Code of Practice for the Governance of Internal Audit in Local Government is currently out for consultation.

8.3   Internal Audit work during 2024/25 will continue to be carried out in accordance with the Public Sector Internal Audit Standards (PSIAS), however the principles of the GIAS and any changes resulting from them will be taken account of during the year. The five-yearly External Quality Assessment (EQA) remains a key component of the GIAS – Internal Audit's next EQA is scheduled for 2025/26, so it will be a priority task to quickly understand the requirements of GIAS and ensure compliance in advance of the next assessment. Further updates will be provided to the Committee as the new framework is finalised, and Internal Audit implements the transition plan.

9.   Recommendation for Committee

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

National Fraud Initiative Self Assessment Checklist (draft)

Part A: For those charged with governance (with management comment)	Yes/no/partly	Is action required?	Who by and when?
Leadership, commitment and communication			
1. Are we aware of emerging fraud risks and have we taken appropriate preventative and detective action?	Yes Built into the Internal Audit planning process	No	
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 Executive Director of Finance is named contact. Process managed by Internal Audit. Good awareness of roles and responsibilities.	No	
3. Is the NFI an integral part of our corporate policies and strategies for preventing and detecting fraud and error. And do we make reference to NFI in our governance codes and statements?	Yes Built into Internal Audit plan and annual and mid year reporting.	No	
4. Does our Key Contact have sufficient authority and time to ensure that NFI is delivered effectively?	Yes Executive Director of Finance, delegated to Internal Audit.	No	
5. Has the approach to follow up of different NFI match types been clearly set out and reported as part of the bodies NFI planning process?	Yes Approach outlined in Mid Year and Annual Internal Audit reporting.	No	
6. Are NFI progress and outcomes reported regularly to senior management and elected/board members (eg, the audit committee or equivalent)?	Yes Reported twice yearly to FASC via Mid Year and Annual Internal Audit reports.	No	
7. 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?	Yes External provider contracted for Single Person Discount cases and NFI data is provided to them.	No	

8. Does internal audit, or equivalent, monitor our approach to NFI and our main outcomes, ensuring that any weaknesses are addressed in relevant cases?	Yes Process is managed and overseen by Internal Audit, in conjunction with services (eg SPFO and CBS).	No	
9. Do we review how frauds and errors arose and use this information to improve our internal controls?	Yes Any trends will be captured by Internal Audit and built into planning process.	No	
10. Do we need and have access to fraud investigation officers to enable frauds to be followed up fully?	Yes Corporate Fraud & Investigations team is within Internal Audit.	No	
11. Do we publish, as a deterrent, internally and externally the achievements of our fraud investigators (eg, successful prosecutions)?	Yes Summary results published in Annual and Mid Year Internal Audit reports. There have been no cases which have resulted in prosecution in recent NFI exercises, however, this would be considered for any relevant cases.	No	

Part B: For NFI Key Contacts and users	Yes/no/ partly	Is action required?	Who by and when?
Planning and preparation			
1. Are we aware of emerging fraud risks and taken appropriate preventative and detective action?	Yes Built into Internal Audit annual planning process.	No	
2. Are we investing sufficient resources in the NFI exercise?	Yes Internal Audit, CBS and Payroll undertake most of the investigation work. Overall progress monitored by Internal Audit.	No	

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 and being clear about the approach to follow up of different match types.	Yes This is considered by the Internal Audit management team with approach summarised in Mid Year and Annual Reports.	No	
4. 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 For example, creditors matches have historically been low outcome but we still investigate a sample each cycle.	No	
5. Do we confirm promptly (using the online facility on the secure website) that we have met the fair processing notice requirements?	Yes This is confirmed by Internal Audit.	No	
6. Do we plan to provide all NFI data on time using the secure data file upload facility properly?	Yes This is built into the audit workplan.	No	
Effective follow up of matches			
7. Do all departments involved in NFI start the follow up of matches promptly after they become available?	Yes Plans are in place to ensure that matches are investigated once available. Usually undertaken by Internal Audit, CBS or SPFO.	No	
8. 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?	Partially Approach is determined by Internal Audit management, and outlined in the Mid Year and Annual Reports.	Yes	There was a delay to investigating the new HMRC matches in the most recent exercise. Lessons learned incorporated into planning for next cycle.
9. Are we investigating the circumstances of matches adequately before reaching a 'no issue' outcome, in particular?	Yes Approach is well established and works well.	No	
10. Are we drawing appropriately (in health bodies) on the help and expertise available from NHS Scotland Counter Fraud Service?	N/A	N/A	

11. 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 No recent cases which have involved reporting to the Procurator Fiscal, however, this would be considered where relevant. Funds are recovered wherever possible.	No	
12. Do we deploy resources in proportion to risks, and scale down work on match reports where early work has not found any fraud or error?	Yes Approach is managed by Internal Audit. Where matches are not generating results and indications are that data is flawed, resources will be focused on other categories of matches. This is outlined in reporting to FASC.	No	
13. 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 Where results are found on matches, work will continue on medium and low priority matches until no further results are being achieved.	No	
14. Overall, are we deploying appropriate resources on managing the NFI exercise?	Yes Any resourcing issues will be escalated to CMT and FASC for awareness. Progress is monitored by Internal Audit.	No	
Recording and reporting			
15. Are we recording outcomes properly in the secure website and keeping it up to date?	Yes Outcomes are recorded where appropriate. High level stats reported to FASC.	No	

16. Do staff use the online training modules and guidance on the secure website, and do they consult the Cabinet Office NFI team if they are unsure about how to record outcomes (to be encouraged)?	Yes Used where required, experience of other staff considered first.	No	
17. If, out of preference, we record some or all outcomes outside the secure website, have we made arrangements to inform Audit Scotland and the Cabinet Office NFI team about these outcomes?	N/A The only instance of this is the SPD exercise which is contracted out to an external provider, and while they have been provided with the NFI data, most of their work involves the use of credit check companies, so results cannot be attributed to NFI data.	No	