
AUDIT SCOTLAND COUNTER FRAUD REPORTS

Report by Chief Officer Audit and Risk

AUDIT AND SCRUTINY COMMITTEE

28 September 2020

1 PURPOSE AND SUMMARY

- 1.1 The purpose of this report is to make the Audit and Scrutiny Committee aware of recently published counter fraud reports by Audit Scotland and the Management Actions required in response for improvement and assurance purposes.**
- 1.2 Having robust fraud prevention and investigation arrangements in place contributes to safeguarding the Council's financial resources, for delivery of services, as part of protecting the public purse. A focus on prevention and detection and promotion of anti-fraud culture across the Council, taking account of reducing resources, are associated with the Counter Fraud Strategy endorsed by this Committee and approved by the Council in 2018.
- 1.3 The Corporate Fraud Steering Group (Integrity Group) is a forum which has representatives from across the Council's Services to support Management to fulfil their responsibilities in tackling fraud. Its purpose is to improve the Council's resilience to fraud, corruption, theft and crime. One way it can achieve that is self-assessing the Council's arrangements against best practice and agreeing any appropriate actions to continuously improve the arrangements in place.
- 1.4 Part of the Audit and Scrutiny Committee's role is to oversee the framework of internal financial control including the assessment of fraud risks and to monitor counter fraud strategy, actions and resources.

2 RECOMMENDATIONS

- 2.1 I recommend that the Audit and Scrutiny Committee:**
- a) Acknowledge the Audit Scotland counter fraud reports published in recent months;**
 - b) Request that the Corporate Fraud Steering Group (Integrity Group) of officers consider all three reports as part of their counter fraud role and responsibilities; and**
 - c) Request that the Corporate Fraud Steering Group (Integrity Group) carry out an assessment of counter fraud controls associated with the covid-19-emerging-fraud-risks and report back to the Committee on findings and necessary actions.**

3 BACKGROUND

- 3.1 The size and nature of the Council's services, as with other large organisations, puts the Council at risk of loss due to fraud, theft or corruption. The Council's Counter Fraud Policy states the roles and responsibilities in tackling fraud; the primary responsibility for the prevention, detection and investigation of fraud rests with Management.
- 3.2 Establishing a counter fraud culture is fundamental to ensuring an effective response to fraud, theft, corruption or crime and the leadership part played by Corporate Management Team and Senior Management is key to establishing counter fraud behaviours within the organisation, its partners, suppliers and customers.
- 3.3 The Corporate Fraud Steering Group (Integrity Group) is a forum which has representatives from across the Council's Services to support Management to fulfil their responsibilities in tackling fraud. Its purpose is to improve the Council's resilience to fraud, corruption, theft and crime. It oversees the counter fraud policy framework, agrees and monitors the implementation of counter fraud improvement actions, raises awareness as a method of prevention, and performs self-assessment checks against best practice.
- 3.4 Internal Audit is required to give independent assurance on the effectiveness of processes put in place by Management to manage the risk of fraud.
- 3.5 Part of the Audit and Scrutiny Committee's role is to oversee the framework of internal financial control including the assessment of fraud vulnerabilities and to monitor counter fraud strategy, actions and resources.
- 3.6 Tackling fraud is not a one-off exercise; it is a continuous process across all parts of the Council because the service delivery processes it underpins are continuous. Tackling fraud is an integral part of good governance within the Council and demonstrates effective financial stewardship and strong public financial management.

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- 4.1 One way to improve the Council's resilience to fraud, corruption, theft and crime is through engaging with national forums to share intelligence, lessons learned and best practice, carrying out a self-assessment of the Council's arrangements and agreeing any appropriate actions to continuously improve the arrangements in place.
- 4.2 The following reports have been published by Audit Scotland in recent months relating to fraud risks and outcomes:
 - <https://www.audit-scotland.gov.uk/report/fraud-and-irregularity-update-201920> (published 30 June 2020) A summary of the cases of fraud and other irregularities at public bodies reported by external auditors for the financial year 2019/20. Covid-19 raises risk of public-sector fraud.
 - <https://www.audit-scotland.gov.uk/report/the-national-fraud-initiative-in-scotland-201819> (published 9 July 2020) Scotland's public finances have been boosted after a data-sharing exercise identified over £15 million of potential fraud and errors across the public sector. But auditors have warned that the Covid-19 pandemic has brought additional fraud risks.

- <https://www.audit-scotland.gov.uk/report/covid-19-emerging-fraud-risks> (published 23 July 2020) The Covid-19 pandemic has brought significant challenges across the Scottish public sector as bodies seek to deliver services for individuals, communities and businesses in an extremely difficult time, bringing greater risks of fraud.
- 4.3 This provides an opportunity for the Corporate Fraud Steering Group (Integrity Group) to consider the recently published counter fraud reports by Audit Scotland and determine any Management Actions required in response for improvement and assurance purposes.
- 4.4 The Audit Committee is recommended to assign some tasks to the Corporate Fraud Steering Group (Integrity Group) associated with the recently published counter fraud reports by Audit Scotland and to request an assurance report thereon.

5 IMPLICATIONS

5.1 Financial

Effective internal control systems are designed to prevent and detect fraud and this contributes to safeguarding the Council's financial resources, for delivery of services, as part of protecting the public purse.

5.2 Risk and Mitigations

The process of identifying fraud risks is based on the principles of the Corporate Risk Management Policy and Framework. Evaluation and monitoring of fraud risks and mitigations are facilitated through the Corporate Fraud Steering Group (Integrity Group), and regular communications and training are offered by the Corporate Fraud and Compliance Officer. Oversight is provided by the Audit and Scrutiny Committee.

5.3 Integrated Impact Assessment

Equality, diversity and socio-economic factors are accommodated by way of all alleged frauds being investigated and pursued in accordance with the appropriate legislation. This is a routine good governance report for assurance purposes, not a new or revised policy or strategy for decision and, as a result, completion of an integrated impact assessment is not an applicable consideration.

5.4 Acting Sustainably

There are no direct economic, social or environmental issues in this report.

5.5 Carbon Management

No direct carbon emissions impacts arise as a result of this report.

5.6 Rural Proofing

This report does not relate to new or amended policy or strategy and as a result rural proofing is not an applicable consideration.

5.7 Changes to Scheme of Administration or Scheme of Delegation

No changes are required as a result of this report.

6 CONSULTATION

- 6.1 The Corporate Fraud Steering Group (Integrity Group) has been consulted on this report as part of fulfilling its role in enhancing the Council's resilience to fraud.

- 6.2 The Corporate Management Team, who play a key leadership role in establishing counter fraud behaviours within the organisation, its partners, suppliers and customers, has been consulted on this report.
- 6.3 The Executive Director Finance & Regulatory, Chief Legal Officer (and Monitoring Officer), Service Director HR & Communications, Clerk to the Council, and Communications team have been consulted on this report and any comments received have been incorporated.

Approved by

Jill Stacey, Chief Officer Audit and Risk Signature

Author(s)

Name	Designation and Contact Number
Jill Stacey	Chief Officer Audit and Risk Tel 01835 825036

Background Papers: Scottish Borders Council’s Counter Fraud Policy Statement and Counter Fraud Strategy; Audit Scotland website

Previous Minute Reference:

Note – You can get this document on tape, in Braille, large print and various computer formats by using the contact details below. Information on other language translations can also be given as well as provision of additional copies.

Contact us at Corporate Fraud fraud@scotborders.gov.uk