

AUDIT AND SCRUTINY COMMITTEE

20 September 2021

1 PURPOSE AND SUMMARY

- 1.1 The purpose of this report is to make the Audit and Scrutiny Committee aware of a recently published counter fraud report 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 purpose of the Integrity Group is to improve the Council's resilience to fraud, theft, corruption, 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) Acknowledges the Audit Scotland Fraud and Irregularity Update 2020/21 published in July 2021;**
 - b) Requests that the Integrity Group considers the report as part of their counter fraud role and responsibilities and determines any Management Actions required in response for improvement and assurance purposes;**
 - c) Requests that the Integrity Group, at the same time, revisits the assessment of counter fraud controls associated with the covid-19-emerging-fraud-risks carried out during 2020/21, and assesses progress on any agreed actions; and**
 - d) Requests that the Integrity Group reports 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, corruption, or crime. 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 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.
- 3.4 The Integrity Group is an officer 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, theft, corruption, 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.
- 3.5 Internal Audit is required to give independent assurance on the effectiveness of processes put in place by Management to manage the risk of fraud.
- 3.6 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.
- 3.7 The Integrity Group carried out an assessment in 2020/21 of counter fraud controls associated with the covid-19-emerging-fraud-risks. The findings from which were reported to the Audit and Scrutiny Committee on 8 March 2021, along with the necessary actions to enhance the Council's resilience to fraud, theft, corruption, and crime.

4 AUDIT SCOTLAND FRAUD AND IRREGULARITY UPDATE 2020/21

- 4.1 The following report has been published by Audit Scotland in recent months relating to fraud risks and outcomes:
 - [Fraud and irregularity 2020/21 \(audit-scotland.gov.uk\)](https://www.audit-scotland.gov.uk) (published 1 July 2021) This report sets out a range of fraud risks emerging since the start of the Covid-19 pandemic. It also shares information about cases where internal control weaknesses in public bodies have led to fraud and irregularity.
- 4.2 This provides an opportunity for the Integrity Group to consider the recently published counter fraud report by Audit Scotland and determine any Management Actions required in response for improvement and assurance purposes.

- 4.3 There are similarities in the fraud risks reported in 2020 and 2021 by Audit Scotland. This provides an opportunity for the Integrity Group at the same time to revisit the assessment of counter fraud controls associated with the covid-19-emerging-fraud-risks carried out during 2020/21, and to assess progress on any agreed actions.
- 4.4 The Audit and Scrutiny Committee is recommended to assign some tasks to the Integrity Group associated with the recently published counter fraud report 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, theft, corruption or crime and this contributes to safeguarding the Council's resources for delivery of services, as part of protecting the public purse.

5.2 Risk and Mitigations

The process of identifying fraud risks by Management is based on the principles of the Council's Counter Fraud Policy and Strategy. Evaluation and monitoring of fraud risks and mitigations are facilitated through the Integrity Group.

5.3 Integrated Impact Assessment

There is no relevance to the Equality Duty or the Fairer Scotland Duty for this report. This is a routine report published by Audit Scotland for improvement and assurance purposes.

5.4 Sustainable Development Goals

The recommendations in this report will not directly impact any of the 17 UN Sustainable Development Goals, based on completion of the checklist. However, the application of practices associated with the Council's Counter Fraud Policy and Strategy is fundamental to ensuring an effective response to fraud, theft, corruption, or crime. This will make a difference to the UN Sustainable Development Goal 16 "Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels".

5.5 Climate Change

This report does not relate to any proposal, plan or project and as a result the checklist on Climate Change is not an applicable consideration.

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 Data Protection Impact Statement

There are no personal data implications arising from the content of this report.

5.8 Changes to Scheme of Administration or Scheme of Delegation

No changes are required to either the Scheme of Administration or the Scheme of Delegation as a result of the content in this report.

6 CONSULTATION

- 6.1 The 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 Director - Finance & Corporate Governance, Chief Legal Officer (and Monitoring Officer), Director – People Performance & Change, Clerk to the Council, and Communications team have been consulted on this report and any comments received have been taken into account.

Approved by

Jill Stacey, Chief Officer Audit and Risk Signature

Author(s)

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Background Papers: Audit Scotland publications on website

Previous Minute Reference: Audit and Scrutiny Committee 8 March 2021

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