
COUNTER FRAUD POLICY AND STRATEGY 2021-2024

Report by Chief Officer Audit and Risk

AUDIT AND SCRUTINY COMMITTEE

22 November 2021

1 PURPOSE AND SUMMARY

- 1.1 The purpose of this report is to present to members of the Audit and Scrutiny Committee a revised Counter Fraud Policy statement and Counter Fraud Strategy for consideration and endorsement in advance of their presentation to Council for approval.**
- 1.2 The Council is committed to minimising the risk of loss due to fraud, theft, corruption or crime and to taking appropriate action against those who attempt to defraud the Council, whether from within the authority or from outside.
- 1.3 The primary responsibility for the prevention, detection and investigation of fraud rests with Management, supported by the Integrity Group. Internal Audit provides advice and independent assurance on the effectiveness of processes put in place by Management. 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 counter fraud controls, and to monitor counter fraud strategy, actions and resources.
- 1.4 A revised Counter Fraud Policy statement (Appendix 1) and 3-year Counter Fraud Strategy (Appendix 2) are included for consideration and endorsement by the Audit and Scrutiny Committee in advance of their presentation to Council for approval. This will enable the Council to continue to refine its approach to tackling fraud, taking account of reducing resources, with a focus on prevention and detection and promotion of a counter fraud culture across the Council to improve its resilience to fraud.

2 RECOMMENDATIONS

- 2.1 **I recommend that the Audit and Scrutiny Committee:**
 - a) Considers the revised Counter Fraud Policy Statement (Appendix 1) and Counter Fraud Strategy (Appendix 2) and endorses them for full Council approval;**
 - b) Acknowledges the role and responsibilities of the Audit and Scrutiny Committee as set out in the Counter Fraud Policy Statement; and**
 - c) Notes the reporting for assurance purposes on the efficacy of counter fraud arrangements as set out in the Counter Fraud Policy Statement.**

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 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 safeguarding of the Council's resources, for delivery of services, as part of protecting the public purse.
- 3.3 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.
- 3.4 The 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 policy framework, performs self-assessments against best practice, agrees and monitors the implementation of improvement actions, and raises awareness as a method of prevention.
- 3.5 Internal Audit is required to give independent assurance on the efficacy 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 risks and to monitor counter fraud strategy, actions and resources.

4 COUNTER FRAUD POLICY STATEMENT

- 4.1 The Council's Counter Fraud Policy Statement at Appendix 1 outlines the key objectives and states the roles and responsibilities in tackling fraud; the primary responsibility for the prevention, detection and investigation of fraud rests with Management.
- 4.2 The Council's Counter Fraud Policy has been reviewed and refreshed to reflect the counter fraud developments that have been introduced during the last 3 years and the change in provision of resources.
- 4.3 The main changes in the Council's Counter Fraud Policy Statement can be summarised as follows:
 - Inclusion of reference to the main objective of tackling fraud which is safeguarding the Council's resources, for delivery of services, as part of protecting the public purse (Introduction section);
 - Inclusion of reference to taking account of reducing resources whilst having a continued focus on fraud prevention and detection (Introduction section);
 - Addition of reference to Integrity Group to reflect the key role it plays to support Management to fulfil their responsibilities in tackling fraud and

- to improve the Council's resilience to fraud, corruption, theft and crime (Roles and Responsibilities section);
- Inclusion of an additional responsibility of Senior Management i.e. nominate counter fraud champions to support them to fulfil these responsibilities in tackling fraud, to reflect the change in provision of resources to deliver the counter fraud policy and strategy (Roles and Responsibilities section);
- Removal of reference to Corporate Fraud & Compliance Officer role to reflect the change in provision of resources to deliver the counter fraud policy and strategy (Roles and Responsibilities section);
- Specify the content of the annual report to ensure it reflects the wider aspects of the Council's counter fraud framework for assurance purposes i.e. addition of outcomes of counter fraud controls assessments, and an overview of counter fraud activity during the year; this is to align with the role and responsibilities of the Integrity Group (Reporting for Assurance Purposes section);
- Removal of the Budget section; instead reference to the provision of staff resources to implement the strategy is included within the Counter Fraud Strategy;
- Integration of two sections, Quality Assurance and Review, to avoid duplication and incorporate the sources of assurance and lessons learned in the review process (Monitoring and Review section);

5 COUNTER FRAUD STRATEGY

- 5.1 The Counter Fraud Strategy at Appendix 2 outlines the approach that will be adopted within Scottish Borders Council to tackle fraud, in support of the Counter Fraud Policy Statement.
- 5.2 The Council's Counter Fraud Strategy is based upon the national counter fraud standard CIPFA's Code of Practice on 'Managing the Risk of Fraud and Corruption' published in December 2014. The five elements of the code are to:
- acknowledge the responsibility of the governing body for countering fraud and corruption
 - identify the fraud and corruption risks
 - develop an appropriate counter fraud and corruption strategy
 - provide resources to implement the strategy
 - take action in response to fraud and corruption
- 5.3 The Council's Counter Fraud Strategy has been reviewed and refreshed to reflect the counter fraud developments that have been introduced during the last 3 years and the change in provision of resources.
- 5.4 The main changes in the Council's Counter Fraud Strategy can be summarised as follows:
- Inclusion of a reference to the Council's new Appraisal Process and Competency Framework (Counter Fraud and Corruption Culture section)
 - Addition of references to remit of the Integrity Group to reflect the key role it plays to support Management to fulfil their responsibilities in tackling fraud and to improve the Council's resilience to fraud, corruption, theft and crime (Plans and Policies, Deter and Detect, Response Action and Investigations sections)
 - Inclusion of references to the change in approach for provision of resources to implement the strategy e.g. Management will nominate counter fraud champions, support from Audit & Risk (Deter and Detect, Training and Awareness sections).

- Integration of two sections, Action and Investigations, to avoid duplication in setting out the reactive aspects of tackling fraud and corruption when it is suspected or has occurred (Response Action and Investigations section);
- Addition of Management and Integrity Group second line responsibilities to check the efficacy of arrangements and implement appropriate improvements (Monitoring and Review section)

6 IMPLICATIONS

6.1 Financial

Effective internal control systems are designed to prevent and detect fraud and this contributes to safeguarding of the Council's resources, for delivery of services, as part of protecting the public purse. The Counter Fraud Strategy takes account of reducing resources, as the Audit & Risk service like all other Council services has to achieve the FF2024 financial savings assigned to the Services, therefore a different staff resource model is required. The developments that have been undertaken over the past 5 years (including work on the Business World ERP system), as evidenced through the self-assessments using the counter fraud maturity model, and duties reallocated to other areas reduces the requirement for a full time Corporate Fraud & Compliance Officer post in the future. The Business World ERP system and further planned investment in digital transformation presents the opportunity for Internal Audit to increase the use of data analytics, thus enabling counter fraud compliance and internal audit assurance to be combined into one continuous activity.

6.2 Risk and Mitigations

Management are responsible for identifying fraud risks, designing and maintaining effective controls proportionate to the risks. Evaluation and monitoring of fraud risks and mitigations are facilitated through the Integrity Group on behalf of the Corporate Management Team. Elected Member oversight is provided by the Audit and Scrutiny Committee.

The new staff resource model is designed to spread the duties over multiple roles thereby removing the risks associated with one individual being solely responsible. The roles and responsibilities and resource requirements to implement the strategy are set out in the Counter Fraud Strategy. Management will nominate counter fraud champions to support them to fulfil these responsibilities in tackling fraud. Partially dependent on directorate business support officers being a permanent model to incorporate the remaining duties into their current activity. Internal Audit will provide the resource to be the key contact for NFI, and carry out the combined counter fraud compliance and internal audit assurance. Management at a Service level will provide the resource for investigating NFI data matches and progressing outcomes.

6.3 Integrated Impact Assessment

- (a) There is no relevance to Equality Duty or the Fairer Scotland Duty for this report, based on the completion of the Integrated Impact Assessment (IIA); a full IIA is not required. This revised Counter Fraud Policy statement and 3-year Counter Fraud Strategy will enable the Council to continue to refine its approach to tackling fraud, taking account of reducing resources, with a focus on prevention and detection and promotion of a counter fraud culture across the Council to improve its resilience to fraud.

- (b) Equality, diversity and socio-economic factors are accommodated by way of all alleged frauds being investigated and pursued in accordance with the appropriate legislation.

6.4 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”.

6.5 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.

6.6 Rural Proofing

The revised Counter Fraud Policy and Strategy is unlikely to have a different impact in rural areas, based on completion of the checklist.

6.7 Data Protection Impact Statement

All counter fraud activity will be carried out in accordance with appropriate legislation; this includes the Data Protection Act 2018.

6.8 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.

7 CONSULTATION

- 7.1 The Integrity Group has been engaged in the review of the counter fraud policy and strategy and has been consulted on this report and appendices (policy and strategy) as part of fulfilling its role in enhancing the Council’s resilience to fraud.
- 7.2 The Corporate Management Team, which plays a key leadership role in establishing counter fraud behaviours within the organisation, its partners, suppliers and customers, has been consulted on this report and appendices (policy and strategy).
- 7.3 The Director - Finance & Corporate Governance, Chief Legal Officer (and Monitoring Officer), Director – People Performance and 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: Appropriate Internal Audit files

Previous Minute Reference: Audit and Scrutiny Committee 10 May 2021

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Contact us at fraud@scotborders.gov.uk