
COUNTER FRAUD CONTROLS ASSESSMENT 2021/22

Report by Chief Officer Audit and Risk

AUDIT AND SCRUTINY COMMITTEE

14 February 2022

1 PURPOSE AND SUMMARY

- 1.1 The purpose of this report is to make the Audit and Scrutiny Committee aware of the findings and necessary actions arising from the Integrity Group's assessment of counter fraud controls.**
- 1.2 The Council is committed to minimising the risk of loss due to fraud, theft or corruption and to taking appropriate action against those who attempt to defraud the Council, whether from within the authority or from outside. 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.
- 1.3 The primary responsibility for the prevention, detection and investigation of fraud rests with Management, supported by the Integrity Group, whose purpose 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.
- 1.5 Assurances about the effectiveness of the Council's existing systems and arrangements for the prevention, detection and investigation of fraud can be taken from the outcomes contained within this report.

2 RECOMMENDATIONS

- 2.1 I recommend that the Audit and Scrutiny Committee:**
 - a) Acknowledge the findings from the Integrity Group's assessment of counter fraud controls 2021-22 in response to fraud risks; and**
 - b) Endorse the ongoing actions to enhance the Council's resilience to fraud, as summarised in the Action Plan in Appendix 1.**

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 at its meeting on 16 December 2021 approved a revised Counter Fraud Policy and Strategy 2021-2024, which had been endorsed by the Audit and Scrutiny Committee on 22 November 2021. 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 the Strategic Leadership 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, chaired by the Chief Officer Audit & Risk, which has 2 Director representatives from SLT and representatives from HR, Finance, Legal, IT, and Procurement 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.
- 3.8 The Audit and Scrutiny Committee on 20 September 2021 considered the Audit Scotland report 'Fraud and Irregularity Update 2020/21' (published 1 July 2021) and assigned some tasks to the Integrity Group associated with the Audit Scotland report and to request an assurance report thereon.

4 SELF-ASSESSMENT 2021/22 FINDINGS AND NECESSARY ACTIONS

- 4.1 The Integrity Group considered the Audit Scotland report 'Fraud and Irregularity Update 2020/21' on 18 October 2021 to determine any Management Actions required in response for improvement and assurance purposes. It noted the similarities in the fraud risks reported in 2020 and 2021 by Audit Scotland. It revisited the Counter Fraud Controls Assessment carried out during 2020/21 and asked for a progress update on the agreed Action Plan at its next meeting.
- 4.2 The Integrity Group on 6 December 2021 received a progress update on the Action Plan from each of the Integrity Group Action Owners along with further information on additional practices that have been introduced since the counter fraud controls assessment was carried out during 2020/21. The output from that is included within Appendix 1.
- 4.3 The Chief Officer Audit & Risk on 8 December 2021 arranged via the Strategic Leadership Team for the dissemination of the Audit Scotland 'Fraud and Irregularity Update 2020/21' to staff across the Council, and requested that relevant fraud risks be assessed and fraud risk mitigation actions be implemented as appropriate.
- 4.4 Assurances about the effectiveness of the Council's existing systems and arrangements for the prevention, detection and investigation of fraud can be taken from the outcomes contained within this report. The Integrity Group will continue to monitor progress with implementation of Actions, noting that some are continuous across all parts of the Council.

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**
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 **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 carried out the counter fraud controls self-assessment 2021/22 and has been consulted on this report as part of fulfilling its role in enhancing the Council’s resilience to fraud.
- 6.2 The Strategic Leadership 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 and appended Action Plan.
- 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 and 20 September 2021

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Contact us at fraud@scotborders.gov.uk

Risk Area	Action required to enhance existing Fraud Risk Controls 2020/21	Integrity Group Action Owner	Progress Update 2021/22
Procurement	The roll-out of the Supplier Relationship Management module in Business World system will allow suppliers to access portal to update their bank and other details.	Commercial & Commissioned Services Manager	Contract data migration to new system by 31 December 2021, with supplier engagement rollout thereafter. Contract owner training rollout commencing January 2022 and likely to run throughout the calendar year. Expect to move from project to business as usual on a rolling basis from 1 April 2022, recognising it is likely that adoption of contract and supplier management (CSM) will realistically take a period of time beyond that. Internal Audit will include assurance audit of CSM in Annual Plan 2022/23.
	Internal Audit carry out annual review of Business World key controls.	Chief Officer Audit & Risk	Internal Audit Report on Business World Key Controls issued to Management 30 April 2021; Executive Summary to Audit and Scrutiny Committee 10 May 2021. Procure to Pay – Substantial Assurance (with exception of GL07s – Limited Assurance)
Covid-19 Funding	Learning lessons from initial phases to apply to new specific Covid-19 grant funding being administered on behalf of the Scottish Government.	Director Resilient Communities	Ongoing in new phases. Actions are progressing associated with the recommendations from Internal Audit Report on Scottish Government Support Grants issued to Management 13 September 2021; Executive Summary to Audit and Scrutiny Committee 20 September 2021.
	Ongoing staff vigilance on checks and controls.	Director Resilient Communities	Ongoing in new phases. SBC has opted in to the Housing Benefit Award Accuracy Initiative with DWP since 2020/21 to target potentially unreported HB changes.
	Ongoing engagement by Internal Audit in SLAIG to keep up to date on areas of fraud, and with Services administering new funds.	Chief Officer Audit & Risk	Principal Internal Auditor attends Scottish Local Authority Investigators Group (SLAIG) meetings quarterly. Internal Audit Report on Scottish Government Support Grants to Management 13 September 2021; Executive Summary to Audit and Scrutiny Committee 20 September 2021. Limited Assurance on 3 of the 4 grants reviewed; Substantial Assurance on the Spring Support Payment Grants.
Payroll-Recruitment	Internal Audit carry out annual review of Business World key controls.	Chief Officer Audit & Risk	Internal Audit Report on Business World Key Controls issued to Management 30 April 2021; Executive Summary to Audit and Scrutiny Committee 10 May 2021. Payroll – Comprehensive assurance

Risk Area	Action required to enhance existing Fraud Risk Controls 2020/21	Integrity Group Action Owner	Progress Update 2021/22
IT-Cyber Crime	Continued periodic emails reminding staff of their responsibilities, and guidance on what to do.	IT Client Manager	Increase frequency to Monthly.
	Following the publication of the report relating to the SEPA cyber-attack during December 2020 the digital office has provided textual guidance and gap analysis highlighting the main weaknesses with SEPAs preparedness and response.	IT Client Manager	To work with CGI to review the report and provide assurance that any identified gaps do not exist within the SBC infrastructure. Completion date February 2022.
	Ongoing monitoring of the effectiveness of the technical and organisational controls. Ransomware attacks are becoming extremely sophisticated; delivery mechanisms (such as email) are bypassing technical and filtering controls by using sophisticated code to create malicious URL links. More focus required on staff/user security awareness/education.	IT Client Manager	IT Client Manager attends both Scottish Local Authority Information Security Group (SLAISG) and Scottish Government Public Sector Cyber Resilience Network quarterly meetings. In partnership with CGI it has been agreed that a Cyber Security Maturity Assessment (CSMA) will be undertaken to determine the effectiveness of current controls and identify areas where resilience against persistent threats could be improved. Completion date April 2022.
Health & Wellbeing	Ongoing staff and other stakeholder communications to remind them of the wellness supports that are available, and ongoing supervision and training.	Director People, Change & Performance	Fortnightly staff communications. The employee helpline, occupational health and various HR policies, as well as eLearning videos, are designed to support staff manage the risks posed by, and impact of, fraud or other legal financial issues they encounter.
Wider Risk	Ongoing cascading of public awareness campaigns from the Scottish Government, Action Fraud, NCSC and others to alert people to the dangers via staff and other stakeholder communications.	Director People, Change & Performance	Fortnightly staff communications are used to capture other relevant alerts.