

A18. Audit Scotland Fraud and Irregularity 2020/21

The committee considered a report by the Internal Audit, Risk, and Corporate Fraud Manager which provided an overview of a report published by Audit Scotland in July 2021 sharing risks and case studies to support the Scottish public sector in the prevention of fraud.

The review set out a range of key fraud risks that had emerged since the start of the Covid-19 pandemic and provided a number of recommendations that public bodies should have in place to ensure good governance, and which would ensure that counter-fraud arrangements were in place. It also provided information about cases where internal control weaknesses had led to fraud and irregularity with a view to preventing similar issues occurring elsewhere. During 2020/21 external auditors had reported 13 cases of fraud and irregularity across Scotland valued at £0.4m (compared to a national budget of £49bn).

The national report set out 7 recommendations that public bodies should have in place. These were:-

- Having in place appropriate governance and oversight arrangements for counter-fraud.
- Regularly reviewing controls and governance arrangements for counter-fraud to ensure they remain fit for purpose.
- Being alert to emerging fraud risks and where appropriate working with others to help alleviate these risks.
- Considering whether appropriate controls are in place to prevent the risks identified in this report materialising in Falkirk Council.
- Considering whether the weaknesses in internal control that facilitated each case of fraud or irregularity identified in this report may also exist in Falkirk Council, and taking the required corrective action.
- Auditors should confirm that appropriate governance arrangements for the prevention and detection of fraud are in place and that appropriate reviews and amendments of controls have taken place in response to new ways of working.
- Auditors should confirm that internal controls are sufficiently strong to prevent the types of fraud and irregularity highlighted in this report.

The report provides Falkirk Council's Internal Audit, Risk, and Corporate Fraud sections actions, both current and planned for each recommendation.

Additionally, Audit Scotland had grouped the fraud related risks reported to include:-

- Covid-19 funding and re-opening of premises and services;
- Health and Wellbeing;
- IT and cybercrime;
- Governance;
- Procurement;
- Payment; and
- Payroll and recruitment.

The programme of work undertaken by Internal Audit had reported, or would be reporting on, these risk areas in 2020/21 and or 2021/22. A summary of the reviews and the related assurance categories were appended to the report.

Members highlighted the importance of raising awareness to all managers, and not just to senior managers. Often, members suggested it was smaller, less obvious, issues that could cause most damage. The Internal Audit, Risk and Corporate Fraud Manager explained that the team actively sought to raise the profile of corporate fraud across the Council and to inform Services of issues. There was a good culture within the Council of Services notifying Internal Audit of concerns and if, for example there had been changes in client's bank accounts which may be a signifier of an issue. Nevertheless, Mrs Wright added that there was always room for improvement.

The committee asked what mechanisms were in place to measure how and to what extent Services had taken the recommended fraud risk actions onboard. Mrs Wright stated she intended to work alongside the Corporate Risk Co-Ordinator to create a fraud assurance statement. This would allow Services to highlight what fraud prevention was already in place and intended actions. While it was challenging to cover all potential areas of fraud Mrs Wright confirmed that each of the 7 fraud areas highlighted by Audit Scotland had been covered or would be covered.

Following on from a question about what processes were in place to allow lessons to be learned from closed fraud investigations, the Internal Audit, Risk, and Corporate Fraud Manager stated this was difficult due to the difference in nature of allegations received. However, if a matter was investigated a report would be produced which would be shared with the relevant operational area and a management action plan would be developed. Internal Audit would at a later stage review management actions against the plan.

Decision

The Committee:-

- (1) noted the report and the Internal Audit, Risk, and Corporate Fraud Team response to it; and**
- (2) noted that Services will be asked to review their governance arrangements for the prevention and detection of fraud.**