

ANGUS COUNCIL

SCRUTINY AND AUDIT COMMITTEE – 13 JUNE 2024

CORPORATE COUNTER FRAUD REVIEW

REPORT BY CATHIE WYLLIE, SERVICE LEADER- INTERNAL AUDIT

1. ABSTRACT

- 1.1 This report provides a summary of the work undertaken by the Corporate Fraud Team (CFT) during the 12 months to 31 March 2024.

2. ALIGNMENT TO THE COUNCIL PLAN AND COUNCIL POLICIES

- 2.1 The contents of this report support the Council's zero tolerance approach to fraud and corruption, which in turn supports services in the delivery of corporate priorities set out in the Angus Community and Council Plans.

3. RECOMMENDATIONS

- 3.1 It is recommended that the Scrutiny and Audit Committee:
- (i) review and scrutinise the contents of this Report; and
 - (ii) note the results of the self-assessment against the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption, attached as Appendix 1.

4. BACKGROUND

- 4.1 Angus Council acknowledges its responsibility for ensuring the risks and negative impacts associated with fraud are managed effectively. The CFT is a specialist team which operates within the Internal Audit Service charged with preventing, detecting and investigating fraud.
- 4.2 The effect of fraud against the public sector is greater than financial; it damages trust in public bodies and compromises public services. Allegations of fraud and corruption are investigated by CFT staff in partnership with Council colleagues where appropriate.
- 4.3 Where appropriate the work of the CFT supports criminal investigations, internal disciplinary process, corrective action, preventative measures and seeks to promote a healthy culture in the organisation. CFT activity in addressing fraud risks disrupts fraudulent schemes with the additional value of preventing future losses and greater harms.
- 4.4 The rigorous approach taken to counter fraud work helps ensure that the Council experiences a low incidence of fraud relative to the scale of our operations. There is no room for complacency in the ongoing efforts to counter fraud. Crimes of dishonesty, predominantly theft and fraud, was the largest group of reported crime in Scotland accounting for 36% of crimes recorded in 2022/23.

5. CURRENT POSITION

Team resource

- 5.1 The CFT is resourced to meet the demand for counter fraud services with a capacity of 3.3 FTE.

Fraud risks

- 5.2 The current CIPFA Fraud and Corruption Tracker report indicates that the main types of external fraud facing local authorities are in Council Tax, Housing, Disabled Parking and Business Rates. The bulk of the work of the CFT is in investigating allegations of employee fraud. In addition, the CFT provide counter fraud advice to services where suspicions of fraud exist.

Employee and Corporate Fraud

- 5.3 The reporting period has seen 21 investigations concluded. Notable inquiries include the investigation of the misuse of Council resources, working time fraud and abuse of position allegations which each resulted in formal disciplinary process being followed. Other activity included investigations into allegations of non-adherence to Council procedures, working-time fraud, theft, missing monies, a fraudulent service application, working elsewhere whilst absent due to ill health and data manipulation.
- 5.4 Counter fraud work, where appropriate, triggers and supports the disciplinary process and supports management in addressing areas of concern.

Council Tax

- 5.5 Investigations are often led by the electronic comparison of different data sets. Using its data matching capabilities, the CFT targets fraud risks, helping to detect incorrectness and fraud, and recover public funds that are wrongly obtained.
- 5.6 In 2023/24, investigations including data matching initiatives have resulted in the removal of Council Tax discounts or exemptions amounting to £72,056. This figure does not include an estimate of future losses which would have accrued without CFT intervention.

National Fraud Initiative

- 5.7 The National Fraud Initiative is a biennial exercise that matches electronic data to prevent and detect fraud. Investigations in respect of the 2023/24 exercise are complete and have identified required corrective action in Blue Badge Disabled Parking and duplicate creditor payments. Separate NFI reports are prepared for this committee.

Tenancy

- 5.8 The CFT investigate tenancy fraud with colleague partners from the Housing Service. Effective investigation of tenancy fraud contributes to equity in access to housing, allows for the efficient management of housing stock, frees accommodation for those in genuine need and may reduce the need for costly temporary housing arrangements. The investigation of tenancy fraud allegations has led to the successful recovery of six Council properties in 2023/24.

School Placement

- 5.9 Fraud can arise in the allocation of school places and may occur where false declarations of pupil address are made.
- 5.10 Reactive and targeted proactive work in this area established seven prospective school places that were founded on false information where no automatic entitlement to a school place existed.

Fraud awareness

- 5.11 The counter fraud eLearning course is placed prominently on the Always Learning platform.
- 5.12 A notice for all staff to complete the Annual Corporate Governance eLearning was issued in April 2023. This eLearning includes a statement on the Council's counter fraud position and links to the Fraud Response Plan and counter fraud page on the corporate intranet.
- 5.13 Fraud awareness information including links to the eLearning package and electronic reporting was shared with senior leaders in February 2024 for promotion within their respective services.
- 5.14 Fraud awareness information was shared on the corporate intranet and Yammer during 2023/24.

CIPFA Code of Practice on Managing the Risk of Fraud and Corruption (Appendix 1)

- 5.15 This Code outlines steps a leadership team should follow to ensure the risk of fraud within their organisation is minimised. There are no specific actions arising from the completion of this self-assessment.

6. FUTURE PRIORITIES

- 6.1 To continue to provide counter fraud advice to services and respond to information requests from investigatory partners to assist with the prevention and detection of crime.
- 6.2 The continued promotion of the work of the CFT by fraud awareness activity.
- 6.3 Co-ordinating the upload of Council data to the 2024/25 National Fraud Initiative exercise.

- 6.4 The ongoing use of data matching to identify fraud & incorrectness.
- 6.5 Sharing best practice and monitoring the fraud risk areas as part of the Scottish Local Authorities Investigators Group (SLAIG).

7. FINANCIAL IMPLICATIONS

- 7.1 There are no direct financial implications arising from the recommendations of this report. Fraud and error identified through the work of the CFT does however make an important contribution to the Council's financial wellbeing.

8. RISK MANAGEMENT

- 8.1 There are no direct risk management implications arising from the recommendations of this report. The work of the CFT does however mitigate fraud risk and improve controls to counter the Council's fraud risk.

9. ENVIRONMENTAL IMPLICATIONS

- 9.1 There are no direct environmental implications arising from the recommendations of this report.

10. EQUALITY IMPACT ASSESSMENT, HUMAN RIGHTS AND FAIRER SCOTLAND DUTY

- 10.1 An Equality Impact Assessment has been carried out and is attached.

11. CONSULTATION (IF APPLICABLE)

- 11.1 This report was circulated for consultation to all Directors of the Council.

NOTE: No background papers, as detailed by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) were relied on to a material extent in preparing the above report.

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List of Appendices:

- 1. Self-assessment against the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption.
- 2. Equality Impact Assessment

Self-Assessment against CIPFA Code of Practice on Managing the Risk of Fraud & Corruption

CIPFA Code of Practice	CIPFA Good Practice Guidance	Evidence of compliance
<p>A1 The organisation's leadership team acknowledge the threats of fraud and corruption and the harm they can cause to the organisation, its aims and objectives and to its service users.</p>	<p>It is good practice for the responsibilities for managing the risk of fraud and corruption to be included in the organisation's scheme of delegation or terms of reference.</p>	<p>Fin Regs 1.3 – includes zero tolerance position.</p> <p>Counter-Fraud & Corruption Strategy and Fraud Response Plan supported by CLT, commended by the S&A committee and approved by the P&R committee. Strategy subject to review to be completed in 2024.</p> <p>Oversight of counter fraud arrangements is provided by the S&A committee in response to twice yearly reports.</p> <p>Resources are provided for a Corporate Fraud Team.</p>
<p>A2 The organisation's leadership team acknowledge the importance of a culture that is resilient to the threats of fraud and corruption and aligns to the principles of good governance.</p>	<p>The organisation's leadership team can support a counter fraud culture by:</p> <ul style="list-style-type: none"> • Providing visible support for counter fraud and corruption activity. • Recognising the risk of fraud and corruption and the harm it can cause to the organisation and to those the organisation helps and/or protects. • Including reference to counter fraud and corruption activities in the principles of good governance and standards 	<p>Counter-Fraud & Corruption Strategy and Fraud Response Plan supported by CLT and in place (see A1).</p> <p>Annual Governance Reminder introduced by the Chief Executive includes counter fraud information and learning.</p> <p>Counter fraud arrangements are considered as part of the Annual Governance Statement.</p> <p>Resources are provided for a Corporate Fraud Team to prevent, detect, investigate and raise awareness of fraud.</p> <p>Employee Code of Conduct in place including the Nolan Principles. Counter fraud arrangements are considered as part of the Annual Governance Statement.</p> <p>Fin Regs 12.2 – includes member and officer responsibility to report.</p>

CIPFA Code of Practice	CIPFA Good Practice Guidance	Evidence of compliance
	<p>of conduct adopted by the organisation.</p> <ul style="list-style-type: none"> • Ensuring the organisation is responsive to new fraud and corruption risks. • Embedding strong counter fraud controls and systems within the organisation. • Providing visible support and resourcing for fraud awareness activity. • Supporting counter fraud and corruption training throughout the organisation • Ensuring that other governance papers, strategies and policies include fraud and corruption risks wherever relevant. 	

CIPFA Code of Practice	CIPFA Good Practice Guidance	Evidence of compliance
<p>A3 The governing body acknowledges its responsibility for ensuring the management of its fraud and corruption risks and will be accountable for the actions it takes through its governance reports.</p>	<p>The governing body should ensure that there is a clear programme of work in accordance with the Code to manage the risk of fraud and corruption.</p> <p>The organisation's leadership team can also provide strong and genuine support by delegating appropriate authority to counter fraud professionals</p>	<p>Adoption of this CIPFA self-assessment.</p> <p>Remit of the S&A committee. 6 monthly counter fraud reports to that committee.</p> <p>Local Code of Corporate Governance includes reference to counter-fraud work.</p> <p>Annual Governance Statement approved as part of the final accounts process.</p> <p>Corporate Fraud Team operating within Internal Audit.</p>
<p>A4 The governing body sets a specific goal of ensuring and maintaining its resilience to fraud and corruption and explores opportunities for financial savings from enhanced fraud detection and prevention.</p>	<p>Could include:</p> <ul style="list-style-type: none"> • Formal fraud risk management process • Production, maintenance and review of a fraud strategy • Formal fraud awareness activity • Clear directions on actions to be taken if fraud or corruption is discovered 	<p>A Fraud Risk Assessment document has been produced for incorporation into the Council's Risk Management process.</p> <p>Counter-Fraud & Corruption Strategy sets out how the Council will seek to detect fraudulent activity. Stated goal of zero-tolerance in the Counter Fraud and Corruption Strategy.</p> <p>Fraud awareness activity.</p> <p>Directed actions in the Counter-Fraud & Corruption Strategy, Fraud Response Plan, Whistleblowing Policy and Employee Fraud Investigation Framework.</p> <p>Resources are provided for a Corporate Fraud Team.</p> <p>Internal and external data matching exercises undertaken using CT SPD and internal records.</p> <p>Participation in the biennial National Fraud Initiative.</p>

CIPFA Code of Practice	CIPFA Good Practice Guidance	Evidence of compliance
<p>B1 Fraud risks are routinely considered as part of the organisation's risk management arrangements.</p>	<p>Fraud risk identification could include:</p> <ul style="list-style-type: none"> • Compare identified risks with other similar organisations • Fraud risk workshops within departments • Fraud risk review conducted by internal audit, external audit or specialist consultant 	<p>Fraud risks - highlighted in the CIPFA Fraud Tracker - known and reported to S&A.</p> <p>Sharing best practice and monitoring the fraud risk areas as part of the Scottish Local Authorities Investigators Group (SLAIG).</p> <p>Senior Managers questionnaire on Fraud Risks.</p> <p>A Fraud Risk Assessment document has been produced for incorporation into the Council's Risk Management process.</p>
<p>B2 The organisation identifies the risks of corruption and the importance of behaving with integrity in its governance framework.</p>		<p>Zero tolerance position and member and officer responsibility to report fraud stated in Fin Regs 1.3 and 12.2.</p> <p>Codes of Conduct for councillors and staff.</p> <p>Local Code of Corporate Governance which sets out the principle of "behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law".</p> <p>Annual Governance Statement.</p> <p>Integrity is one of the Council's stated values.</p>
<p>B3 The organisation uses published estimates of fraud loss, and where appropriate its own measurement exercises, to aid its evaluation of fraud risk exposures.</p>	<p>The organisation can use estimates of fraud loss and any measurement exercise to quantify the potential losses that different fraud risks cause.</p>	<p>Work of Corporate Fraud Team includes review of published information including the CIPFA reports Fraud and Corruption Tracker.</p> <p>Fraud risks - highlighted in the CIPFA Fraud Tracker - known and report to S&A.</p>

CIPFA Code of Practice	CIPFA Good Practice Guidance	Evidence of compliance
<p>B4 The organisation evaluates the harm to its aims and objectives and service users that different fraud risks can cause.</p>	<p>Reputational damage to the organisation or damage to specific service objectives</p>	<p>Counter fraud work contributes to the Council's priorities including:</p> <ul style="list-style-type: none"> • Inequality reduction (Housing, School Placement, Blue Badge) • Safe communities (Housing) • Effectiveness & Efficiency (Advice to services, local taxation and resource allocation) <p>Risk management guidance includes that fraud risks must be considered as part of the development of all risk registers.</p> <p>A Fraud Risk Assessment document has been produced for incorporation into the Council's Risk Management process.</p>
<p>C1 The governing body formally adopts a counter fraud and corruption strategy to address the identified risks and align with the organisation's acknowledged responsibilities and goals.</p>		<p>Counter-Fraud & Corruption Strategy and Fraud Response Plan supported by CLT, commended by the S&A committee and approved by the P&R committee, November 2018 (363/18).</p> <p>Strategy references the core activities required to address risks e.g., Culture, Deterrence, Detection, and Investigation.</p>
<p>C2 The strategy includes the organisation's use of joint working or partnership approaches to managing its risks, where appropriate.</p>		<p>'Working with Partners' section within the Counter-Fraud & Corruption Strategy.</p> <p>External data matching exercises undertaken using CT SPD and internal records.</p>

CIPFA Code of Practice	CIPFA Good Practice Guidance	Evidence of compliance
<p>C3 The strategy includes both proactive and responsive approaches that are best suited to the organisation's fraud and corruption risks.</p>	<p><u>Proactive</u></p> <ul style="list-style-type: none"> • Develop a counter fraud culture • Prevent fraud through internal control measures • Use techniques to validate data • Publicise counter fraud policy and actions <p><u>Responsive</u></p> <ul style="list-style-type: none"> • Detecting fraud through data and intelligence analysis • Implement effective reporting arrangements • Investigate fraud referrals 	<p><u>Proactive</u></p> <ul style="list-style-type: none"> • Partnership work with internal colleagues • Online fraud reporting form • Robust internal controls • Continuous auditing • Intranet publicity <p><u>Responsive</u></p> <ul style="list-style-type: none"> • Data matching – internal and National Fraud Initiative. • Fraud response plan • Whistleblowing • Recovery of losses • Disciplinary action • Specialist investigations
<p>C4 The strategy includes clear identification of responsibility and accountability for delivery of the strategy and for providing oversight.</p>	<p>The strategy should-</p> <ul style="list-style-type: none"> • Allow for measurement • Identify the key fraud risks • Be considered by audit committee 	<p>Counter-Fraud & Corruption Strategy and Fraud Response Plan supported by CLT, commended by the S&A Committee and approved by the P&R committee, November 2018 (363/18).</p> <p>A Fraud Risk Assessment document has been produced for incorporation into the Council's Risk Management process.</p> <p>S&A committee oversight.</p>
<p>D1 An annual assessment of whether the level of resource invested to counter fraud and corruption is proportionate for the level of risk.</p>	<p>An annual assessment should be conducted to review whether the level of resource invested is proportionate for the level of risk.</p>	<p>Internal Audit assessment.</p> <p>External Audit comment.</p> <p>Annual Governance Statement.</p>

CIPFA Code of Practice	CIPFA Good Practice Guidance	Evidence of compliance
D2 The organisation utilises an appropriate mix of experienced and skilled staff, including access to counter fraud staff with professional accreditation	Training needs to be provided to ensure that counter fraud staff have the skills, experience and accreditation to conduct their work.	Corporate Fraud Team staff are appropriately qualified, skilled and experienced. Ongoing consideration is given to the training requirements of counter fraud staff.
D3 The organisation grants counter fraud staff unhindered access to its employees, information and other resources as required for investigation purposes.		Internal Audit Charter (reviewed annually and approved by S&A).
D4 The organisation has protocols in place to facilitate joint working and data and intelligence sharing to support counter fraud activity.		Data sharing register. Service Level Agreement with Department for Work & Pensions. Corporate Fraud Team work with partners including the DWP, NFI, National Anti-Fraud Network, Police Scotland and others to share intelligence to support counter fraud activity.
E1 The organisation has put in place a policy framework which supports the implementation of the counter fraud strategy. As a minimum the framework includes: <ul style="list-style-type: none">• Counter fraud policy• Whistleblowing policy		Policy in place Policy in place
<ul style="list-style-type: none">• Anti-money laundering policy• Anti-bribery policy		Policy in place Policy in place
<ul style="list-style-type: none">• Anti-corruption policy• Gifts & hospitality policy & register		Counter-fraud & corruption strategy and fraud response plan in place. Fin Regs / Code of Conduct

CIPFA Code of Practice	CIPFA Good Practice Guidance	Evidence of compliance
<ul style="list-style-type: none"> Pecuniary interest and conflicts of interest policies and register 		In place for elected members & staff
<ul style="list-style-type: none"> Codes of conduct and ethics 		In place for elected members & staff
<ul style="list-style-type: none"> Information Security Policy 		<p>Policy in place.</p> <p>Internal audit undertook a rolling programme of GDPR compliance reviews in services between 2021/22 and 2023/24 which provided substantial assurance in each audit.</p>
<ul style="list-style-type: none"> Cyber security policy <p>The above policies are available to staff from the intranet.</p>		<p>Not formally in place</p> <p>Internal Audit undertook a review of cyber security in 2023 to assess the effectiveness of controls in place for remote access. The report was issued in August 2023 and provided substantial assurance.</p>
<p>E2 Plans and operations are aligned to the strategy and contribute to the achievement of the organisation's overall goal of maintaining resilience to fraud and corruption.</p>	<p>A proactive plan can be developed to achieve early detection of fraud and corruption</p>	<p>Key risks are addressed thus contributing to the overall goal.</p> <p>Proactive work will continue to be planned as a response to the key fraud risks faced by the Council.</p>
<p>E3 Making effective use of national or sectoral initiatives to detect fraud or prevent fraud, such as data matching or intelligence sharing.</p>		<p>National Fraud Initiative</p> <p>Scottish Local Authority Investigator's Group</p> <p>National Anti-Fraud Network</p> <p>Scottish Local Authority Chief Internal Auditor's Group</p>

CIPFA Code of Practice	CIPFA Good Practice Guidance	Evidence of compliance
<p>E4 Providing for independent assurance over fraud risk management, strategy and activities.</p>		<p>Internal Audit annual report</p> <p>External Audit report to Members</p> <p>The team undertaking the 2020 PSIAS External Quality Assessment review was supplied with counter fraud arrangements and concluded compliance with the requirements of the PSIAS.</p>
<p>E5 There is a report to the governing body at least annually on performance against the counter fraud strategy and the effectiveness of the strategy from the lead person(s) designated in the strategy. Conclusions are featured in the annual governance report.</p>		<p>Internal Audit annual report</p> <p>Annual Governance Statement</p> <p>6-monthly counter-fraud report to S&A committee.</p>