

## AGENDA ITEM NO 10

### REPORT NO 181/21

#### ANGUS COUNCIL

#### SCRUTINY AND AUDIT COMMITTEE – 1 JUNE 2021

#### CORPORATE COUNTER FRAUD REVIEW 2020/21

#### REPORT BY CATHIE WYLLIE, SERVICE LEADER (INTERNAL AUDIT)

### ABSTRACT

This report summarises the activity undertaken by the Corporate Fraud Team (CFT) in the year to 31 March 2021.

### 1. RECOMMENDATIONS

It is recommended that the Scrutiny and Audit Committee:

- (i) review and scrutinise the contents of this report
- (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

### 2. ALIGNMENT TO THE ANGUS COMMUNITY PLAN / COUNCIL PLAN

This report supports 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 Plan and the Council Plan.

### 3. BACKGROUND

This report provides details of the work undertaken to protect the Council from the ongoing threat of fraud. The Council's Corporate Fraud Team (CFT) is a specialist team based within Strategic Policy, Transformation and Public Sector Reform charged with preventing, detecting, and investigating fraud.

Angus Council acknowledges its responsibility for ensuring the risks and negative impacts associated with fraud are managed effectively and any allegations of fraud and corruption are investigated by CFT staff in partnership with Council colleagues where appropriate.

The CIPFA Fraud and Corruption Tracker 2020 report indicates that the main types of external fraud facing local authorities are in Council Tax, Housing, Disabled Parking and Business Rates.

CFT activity in addressing fraud risks disrupts fraudulent schemes with the additional value of preventing future losses and greater harms.

### 4. 2020/21 OVERVIEW

#### Team resource

Supported by the Council's Change Fund an additional Counter Fraud Officer was appointed in May 2019 on a temporary basis until May 2021. This arrangement has been further extended to May 2022. This has provided the team with additional capacity to meet the demand for counter fraud services. Team capacity, including the additional post, is 3.6 FTE.

## Covid-19

The Covid-19 restrictions caused an interruption in aspects of counter fraud work most significantly in the suspension of investigatory meetings and in the issue of data matching correspondence to citizens. A member of the CFT was redeployed to work in the Council's Covid-19 emergency response centre from 1 April 2020 to 6 July 2020.

The CFT worked in various ways to address the new fraud threats brought about by Covid-19.

The CFT worked with colleagues in Revenues Division to address suspected fraud in the Small Business Support Grant scheme. Seven suspected fraudulent applications were referred to Police Scotland.

The CFT worked with colleagues in Strategic Policy & Economy to deal with suspected fraud in the Covid-19 business support scheme the Strategic Framework Business Fund (SFBF). Investigations and reviews into SFBF applications found four fraudulent applications and 3 instances where changes in circumstances had rendered the claims ineligible. The deletion of these intended payments prevented improper awards worth £73,500 being made. The 4 suspected fraudulent applications were referred to Police Scotland.

The CFT worked with other Scottish Councils to maintain a list of suspected fraud cases. The accumulated list was provided to Revenues and Strategic Policy & Economy officers to allow cross-checking prior to payment.

Intelligence received from third parties such as other councils, the Scottish Local Authority Investigator's Group, the National Anti-Fraud Network and Police Scotland was shared appropriately with services and employees.

The CFT contributed to a review of the Food Fund spending guidance.

## Corporate Fraud

Corporate Fraud includes instances where individuals seek to profit from their position as employees. Any such allegations are investigated in accordance with the Council's Employee Fraud Investigation Framework and Fraud Response Plan. The findings of the investigations are reported to management to allow appropriate action to be taken including disciplinary action and improvements to internal controls. These reports are sent to the Section 95 Officer and the Monitoring Officer, where appropriate.

2020/21 saw the CFT conclude 5 corporate fraud investigations with 3 cases ongoing as at the 31 March 2021. Matters concluded in 2020/21 included allegations of theft of Council property; missing monies from Council premises; and unjustified enhanced salary payments.

In addition to the formal investigative work carried out during 2020/21, the CFT has provided advice and support in several areas including Education and Lifelong Learning, and Children, Families & Justice.

## Council Tax

Council Tax is an area where the Council is exposed to loss due to fraud. This is largely where false information is provided to obtain reductions and / or discounts and exemptions or where changes in customer circumstances are not reported to the Council.

The CFT use data matching techniques provided by their colleague partners in the Council's Information Technology service to identify Council Tax fraud and incorrectness. In doing this the integrity of the Council's records is improved.

In 2020/21, internal data matching initiatives have resulted in the removal of Council Tax discounts or exemptions amounting to £33,824.

Supported by the Council's Change Fund a data matching initiative with a private sector partner has compared the Council Tax record with credit reference agency data and subsequent investigations have resulted in the removal of Council Tax discounts or exemptions amounting to £30,294 as at 31 March 2021.

#### National Fraud Initiative

The National Fraud Initiative (NFI) is a biennial counter fraud initiative, led by Audit Scotland, which matches individuals' electronic data, within and between public and private sector bodies to prevent and detect fraud. Business areas covered by the NFI include Housing, Payroll, Care Payments, Creditors, Disabled Parking and Licences. Included for the first time in 2020/21 is data for Business Rates and Covid-19 grants.

Participation in the National Fraud Initiative (NFI) is an integral part of the Council's corporate approach to the prevention and detection of fraud and error. NFI matches were received in the early part of 2021 and are being reviewed and investigated where required.

#### Benefit Fraud

The CFT also assist DWP with benefit investigations through the sharing of intelligence and during 2020/21 that work identified £9,282 of fraud and error in Housing Benefit and Council Tax.

#### Whistle-blowing

Work in reviewing the Whistle-blowing arrangements of the Council is ongoing and a draft Whistle-blowing Policy is the subject of consultation.

### **5. FUTURE PRIORITIES**

The resumption of a full counter fraud service as soon as is practically possible including housing tenancy fraud work.

The promotion of the work of the CFT by fraud awareness activity.

The investigation of matches received through the NFI 2020/21 exercise.

The ongoing use of internal data matching to identify fraud & incorrectness including seeking new opportunities in this work.

Self-assessment against national standards.

### **6. CONCLUSION**

2020/21 saw the CFT work to counter the fraud threats faced by Council with emphasis on the evidence based main fraud risks and the threats presented by the Covid-19 pandemic. The team will continue to work with service colleagues to prevent, detect and investigate suspicions of fraud. The work of the CFT will play a significant role in not only protecting public resources and assets but in encouraging fairness, process improvements and promoting a healthy culture within the Council.

### **7. FINANCIAL IMPLICATIONS**

During the financial year to 31 March 2021, the CFT identified recoveries in excess of £65k (2019/20 £151k) from investigative work and a further £9k (2018/19 £18k) of fraud and error in Housing Benefits and Council Tax through the sharing of intelligence with the Single Fraud Investigation Service (SFIS). Action is taken by Angus Council to recover these monies.

Preventative work in Covid-19 business support grants enabled the cancellation of unjustified payments totalling £73,500.

Additional financial benefits have accrued by the CFT's work in disrupting fraudulent activity, preventing fraud by fraud awareness action and by improving internal controls.

**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.

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

CIPFA Code of Practice	CIPFA Good Practice Guidance	Evidence	Action taken / <b>planned</b>
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.	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>Fin Regs 1.3 – includes zero tolerance stance.</p> <p>Counter-Fraud &amp; Corruption Strategy and Fraud Response Plan supported by CLT, commended by the S&amp;A Committee and approved by the P&amp;R committee, November 2018 (363/18).</p> <p>Oversight of counter fraud arrangements is provided by the S&amp;A Committee in response to twice yearly reports.</p> <p>Resources are provided for a Counter Fraud Team.</p>	Counter fraud performance made a key indicator in the Angus Council Annual Performance Report 2018/19.
A2 The organisation's leadership team acknowledge the importance of a culture that is resilient to the threats of fraud	The organisation's leadership team can support a counter fraud culture by:	Fin Regs 12.2 – includes member and officer responsibility to report.	Temporary Counter Fraud Officer appointed until May 2022. Post financed by

CIPFA Code of Practice	CIPFA Good Practice Guidance	Evidence	Action taken / planned
and corruption and aligns to the principles of good governance.	<ul style="list-style-type: none"> <li>• Providing visible support for counter fraud and corruption activity.</li> <li>• 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</li> <li>• Including reference to counter fraud and corruption activities in the principles of good governance and standards of conduct adopted by the organisation</li> <li>• Ensuring the organisation is responsive to new fraud and corruption risks</li> <li>• Embedding strong counter fraud controls and systems within the organisation</li> <li>• Providing visible support and resourcing for fraud awareness activity</li> <li>• Supporting counter fraud and corruption training throughout the organisation</li> <li>• Ensuring that other governance papers, strategies and policies</li> </ul>	<p>Counter-Fraud &amp; Corruption Strategy and Fraud Response Plan in place (see A1).</p> <p>Employee Code of Conduct in place including the Nolan Principles.</p> <p>Counter fraud arrangements are considered as part of the annual governance statement.</p> <p>Corporate Fraud Team based within Internal Audit.</p> <p>Resources are provided for a Counter Fraud Team to raise fraud awareness.</p> <p>e-learning training materials.</p>	<p>the Change Fund and filled internally from May 2019.</p> <p>On-line counter fraud training developed by the Team Leader Counter Fraud and made available to all council staff through Always Learning.</p> <p>The CFT supported colleagues in Revenues and Strategic Policy &amp; Economy to identify fraudulent grant applications made during the Covid-19 pandemic.</p>

CIPFA Code of Practice	CIPFA Good Practice Guidance	Evidence	Action taken / planned
	include fraud and corruption risks wherever relevant		
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>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>Fin Regs 1.3</p> <p>Fin Regs 12.2</p> <p>Adoption of this CIPFA self-assessment.</p> <p>Remit of Scrutiny &amp; Audit committee.</p> <p>Local Code of Corporate Governance includes reference to counter-fraud work.</p> <p>Annual Governance Statement.</p>	<p>Local Code of Corporate Governance published June 2020.</p> <p>Annual Governance statement approved as part of the final accounts process.</p>

CIPFA Code of Practice	CIPFA Good Practice Guidance	Evidence	Action taken / planned
<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"> <li>• Formal fraud risk management process</li> <li>• Production, maintenance and review of a fraud strategy</li> <li>• Formal fraud awareness activity</li> <li>• Clear directions on actions to be taken if fraud or corruption is discovered</li> </ul>	<p>Counter-Fraud &amp; Corruption Strategy sets out how the council will seek to detect fraudulent activity.</p> <p>Fraud Response Plan.</p> <p>Employee Fraud Investigation Framework.</p> <p>Corporate Fraud Team.</p> <p>Corporate Fraud team annual plan of work.</p> <p>E-learning training materials.</p>	<p>Stated goal of zero-tolerance in the Counter Fraud and Corruption Strategy.</p> <p>Internal data matching exercises undertaken using CT SPD and internal records.</p> <p><b>Discharge of the output of the 2020/21 National Fraud Initiative.</b></p> <p>Fraud Awareness e-learning has been published on the Always Learning portal and publicised on the intranet. <b>Targeted publicity planned in high risk areas.</b></p> <p>The CFT used an external provider to match credit data with Council Tax records to identify fraud and incorrectness.</p>
<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"> <li>• Compare identified risks with other similar organisations</li> </ul>	<p>6 monthly counter fraud reports to S&amp;A.</p> <p>Senior Managers questionnaire on Fraud Risks in July 2015.</p>	<p>Fraud risks - highlighted in the CIPFA Fraud Tracker - known and reported to S&amp;A.</p> <p>Directors' assessment of fraud risks sought in the Annual Governance Questionnaire.</p>



CIPFA Code of Practice	CIPFA Good Practice Guidance	Evidence	Action taken / planned
	<ul style="list-style-type: none"> <li>• Fraud risk workshops within departments</li> <li>• Fraud risk review conducted by internal audit, external audit or specialist consultant</li> </ul>	Revised Risk Management Guidance approved November 2019.	<b>The Risk Management strategy is being implemented with directorate training planned. A target end date of 31 December 2021 is in place for all risk registers to be active on Pentana.</b>
B2 The organisation identifies the risks of corruption and the importance of behaving with integrity in its governance framework.		<p>Fin Regs 1.3</p> <p>Fin Regs 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>Local Code of Corporate Governance annually updated in line with Delivering Good Governance 2016 and approved by S&amp;A committee in June 2020 (163/20).</p> <p><b>A Whistle Blowing arrangements review is ongoing with target end date 31 July 2021.</b></p> <p><b>An assessment of responses to the Senior Managers Fraud Risks questionnaire.</b></p>

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<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 counter fraud team includes review of published information including the CIPFA reports Fraud and Corruption Tracker and Fighting Fraud Locally.</p>	<p>Fraud risks - highlighted in the CIPFA Fraud Tracker - known and reported to S&amp;A.</p>
<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> <ol style="list-style-type: none"> <li>1. Inequality reduction (Housing, Education, Blue Badge)</li> <li>2. Sustainable communities (Housing)</li> <li>3. Effectiveness, Efficiency &amp; Fairness (Advice to services, local taxation, resource allocation, responsibility &amp; accountability)</li> </ol> <p>Risk management guidance includes that fraud risks must be considered as part of the development of all risk registers.</p>	

CIPFA Code of Practice	CIPFA Good Practice Guidance	Evidence	Action taken / planned
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>Counter-Fraud &amp; Corruption Strategy and Fraud Response Plan supported by CLT, commended by the S&amp;A Committee and approved by the P&amp;R committee, November 2018 (363/18).</p> <p>Counter-Fraud &amp; Corruption Strategy references the core activities required to address risks e.g. Culture, Deterrence, Detection, and Investigation.</p>	<b>Counter-Fraud &amp; Corruption Strategy to be reviewed.</b>
C2 The strategy includes the organisation's use of joint working or partnership approaches to managing its risks, where appropriate.		'Working with Partners' section within the Counter-Fraud & Corruption Strategy.	

CIPFA Code of Practice	CIPFA Good Practice Guidance	Evidence	Action taken / <b>planned</b>
<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"> <li>• Develop a counter fraud culture</li> <li>• Prevent fraud through internal control measures</li> <li>• Use techniques to validate data</li> <li>• Publicise counter fraud policy and actions</li> </ul> <p><u>Responsive</u></p> <ul style="list-style-type: none"> <li>• Detecting fraud through data and intelligence analysis</li> <li>• Implement effective reporting arrangements</li> <li>• Investigate fraud referrals</li> </ul>	<p><u>Proactive</u></p> <ul style="list-style-type: none"> <li>• Partnership work with internal colleagues</li> <li>• Online fraud reporting form</li> <li>• Robust internal controls</li> <li>• Intranet publicity</li> </ul> <p><u>Responsive</u></p> <ul style="list-style-type: none"> <li>• Data matching – internal and NFI.</li> <li>• Fraud response plan</li> <li>• Whistleblowing</li> <li>• Recovery of losses</li> <li>• Disciplinary/legal action</li> <li>• Specialist investigations</li> </ul>	<p>Continuous auditing will be further developed by Internal Audit during 2021/22.</p> <p>The CFT have been working collaboratively with Revenues and Economic Development to review and identify potential fraud within Covid-19 grant applications.</p>

CIPFA Code of Practice	CIPFA Good Practice Guidance	Evidence	Action taken / <b>planned</b>
C4 The strategy includes clear identification of responsibility and accountability for delivery of the strategy and for providing oversight.	The strategy should- <ul style="list-style-type: none"> <li>• Allow for measurement</li> <li>• Identify the key fraud risks</li> <li>• Be considered by audit committee</li> </ul>	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).	Continued S&A oversight.
D1 An annual assessment of whether the level of resource invested to counter fraud and corruption is proportionate for the level of risk.	An annual assessment should be conducted to review whether the level of resource invested is proportionate for the level of risk.	Internal Audit assessment.  External Audit comment.  Annual Governance Statement.	6 monthly reports to S&A summarise counter fraud activity in the period and emerging risks.  The CFT report to the Service Leader internal audit and the annual internal audit plan will include an annual assessment of resource vs risk.  <b>Further assessment of resource will follow in stage 2 of the organisational structure review.</b>
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.	Counter fraud team staff are appropriately qualified, skilled and experienced.	Ongoing consideration is given to the training requirements of counter fraud staff.

CIPFA Code of Practice	CIPFA Good Practice Guidance	Evidence	Action taken / planned
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 DWP.	<b>The CFT will continue to work with partners including the DWP, NFI, the National Anti-Fraud Network, Police Scotland and others to share data and intelligence to support counter fraud activity.</b>
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"> <li>• Counter fraud policy</li> <li>• Whistleblowing policy</li> <li>• Anti-money laundering policy</li> <li>• Anti-bribery policy</li> </ul>		Policy in place  Policy in place  Policy in place  Policy in place	<b>Draft Whistle-blowing Policy being consulted on with target end date 31 July 2021.</b>  <b>Review of Counter Fraud &amp; Corruption Strategy and the Fraud Response Plan scheduled.</b>

CIPFA Code of Practice	CIPFA Good Practice Guidance	Evidence	Action taken / <b>planned</b>
<ul style="list-style-type: none"> <li>• Anti-corruption policy</li> <li>• Gifts &amp; hospitality policy &amp; register</li> <li>• Pecuniary interest and conflicts of interest policies and register</li> <li>• Codes of conduct and ethics</li> <li>• Information Security Policy</li> <li>• Cyber security policy</li> </ul> <p>The above policies are x-referenced and are available to staff from the intranet.</p>		<p>Counter-fraud &amp; corruption strategy and fraud response plan</p> <p>Fin Regs / Code of Conduct</p> <p>In place for elected members &amp; staff</p> <p>In place for elected members &amp; staff</p> <p>Policy in place</p> <p>Not formally in place but contained within the Information Security Policy.</p>	<p>2020/21 Internal audit plan includes a review of Gifts &amp; Hospitality and Registers of Interest.</p> <p>2019/20 Internal Audit plan included a review of compliance with the policy. Work has been delayed due to Covid-19 and will be undertaken in 2020/21.</p> <p><b>The need for a separate Cyber Security Policy will be assessed when the Information Security Policy is re-written.</b></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><b>Proactive work will continue to be planned as a response to the key fraud risks faced by the council.</b></p>

CIPFA Code of Practice	CIPFA Good Practice Guidance	Evidence	Action taken / planned
E3 Making effective use of national or sectoral initiatives to detect fraud or prevent fraud, such as data matching or intelligence sharing.		<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>	<p><b>National Fraud Initiative 2020/21 exercise matches received and are being reviewed / actioned.</b></p>
E4 Providing for independent assurance over fraud risk management, strategy and activities.		<p>Internal Audit annual report</p> <p>External Audit report to Members</p>	<p>The PSIAS External Quality Assessment team was supplied with counter fraud arrangements and concluded compliance with the requirements of the PSIAS.</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>Internal Audit annual report</p> <p>Annual Governance Statement</p> <p>6-monthly counter-fraud report to S&amp;A committee</p>	