

ANGUS COUNCIL

SCRUTINY AND AUDIT COMMITTEE – 15 JUNE 2023

CORPORATE COUNTER FRAUD REVIEW 2022/23

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 2023.

1. RECOMMENDATIONS

1.1 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

2. ALIGNMENT TO THE ANGUS COMMUNITY 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 Council Plan and Angus Community Plan.

3. BACKGROUND

3.1 The CFT is a specialist investigative team which operates within Strategic Policy, Transformation & Public Sector Reform charged with preventing, detecting, and investigating fraud.

3.2 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.

3.3 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. CFT activity in addressing fraud risks disrupts fraudulent activity with the additional value of preventing future losses.

4. 2022/23 OVERVIEW

4.1 Fraud awareness

The counter fraud eLearning course is placed prominently on the Always Learning platform.

A reminder notice for all staff to complete the Annual Governance eLearning was issued in April 2022. 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.

Fraud awareness information including links to the eLearning package and electronic reporting was shared with senior leaders for promotion within their respective services.

Fraud awareness information was shared on the corporate intranet and Yammer during 2022/23.

Fraud awareness training has been held with officers from Housing and Procurement & Commissioning teams.

4.2 Fraud risks

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

A Fraud Risk Assessment document has been produced and arrangements are in place for it to be incorporated into the Council's Risk Management process.

4.3 Team resource

The Council ensures a resource is provided to prevent, detect and investigate fraud and the CFT has a resource of 3.3 FTE to meet this requirement.

4.4 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 Service 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.

2022/23 saw the CFT formally investigate 10 cases in respect of allegations of corporate fraud. Matters identified for examination in 2022/23 included allegations of working-time abuse, forged fit notes, undeclared conflicting interests, inappropriate access to Council systems, and secondary employment undertaken whilst absent due to ill-health.

In addition to the formal investigative work carried out during 2022/23, the CFT has provided advice and support in several areas including Education and Lifelong Learning, Children, Families & Justice, Finance, and Business Support.

4.5 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.

To identify fraud and incorrectness the CFT use data matching techniques involving the electronic comparison of different datasets. These services are provided by IT Service colleague partners and external providers to identify Council Tax fraud and incorrectness. In doing this the integrity of the Council's records is improved, Council Tax accounts are corrected, and additional revenues secured.

In 2022/23, data matching initiatives have resulted in the removal of Council Tax discounts or exemptions amounting to £122,649.

4.6 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.

Participation in the National Fraud Initiative (NFI) is mandatory for the Council and is an established part of the corporate approach to the prevention and detection of fraud and error. NFI matches were received in the early part of 2023 and are being reviewed and investigated where required. A report on the outcome of these investigations will come to this Committee in due course.

4.7 Housing tenancy

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 is genuine need and reduces the need for costly temporary housing arrangements. The investigation of tenancy fraud allegations has led to the successful recovery of three Council properties in 2022/23.

4.8 School placement

Fraud can arise in the allocation of school places and may occur where pupil changes in address are not declared or false declarations of change of address are received.

Reactive and targeted proactive work in this area established three school places that were founded on false information where no automatic entitlement to a school place existed.

4.9 Serious Organised Crime (SOC)

The Council has strengthened its response arrangements to the threat of SOC. Awareness sessions with Police Scotland partners were provided for frontline workers and leaders in addition to a session focussing on SOC in the waste sector. SOC awareness has been shared on the corporate intranet and Yammer.

5. FUTURE PRIORITIES

5.1 The planned integration of the Fraud Risk Assessment into the Risk Management Process Handbook and interactive Angus Council Risk Summary.

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

5.3 The investigation of matches received through the NFI 2022/23 exercise.

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

6. CONCLUSION

2022/23 saw the CFT work to counter the fraud threats faced by Council with emphasis on the evidence based main fraud risks. 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

7.1 During the financial year to 31 March 2023, the CFT identified recoveries in excess of £134k (2021/22 £135k) from investigative work. This figure does not take into account future losses which would have accrued without CFT intervention. Action is taken by relevant Angus Council Services to recover these monies.

7.2 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.

8. EQUALITY IMPACT ASSESSMENT

An Equality Impact Assessment it not required, as this report is providing reflective information for elected members.

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.

REPORT AUTHOR: Ewan Ritchie, Team Leader – Counter Fraud
EMAIL DETAILS: ChiefExec@angus.gov.uk

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 & Corruption

CIPFA Code of Practice	CIPFA Good Practice Guidance	Evidence	Action taken
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 & Corruption Strategy and Fraud Response Plan supported by CLT, commended by the S&A Committee and approved by the P&R committee (363/18).</p> <p>Oversight of counter fraud arrangements is provided by the S&A Committee in response to twice yearly reports.</p>	Resources have been provided for a Counter Fraud Team to prevent, detect and investigate fraud.
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>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 	<p>Fin Regs 12.2 – includes member and officer responsibility to report.</p> <p>Counter-Fraud & 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>	

CIPFA Code of Practice	CIPFA Good Practice Guidance	Evidence	Action taken
	<ul style="list-style-type: none"> • Including reference to counter fraud and corruption activities in the principles of good governance and standards of conduct adopted by the organisation • 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 	<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>	

CIPFA Code of Practice	CIPFA Good Practice Guidance	Evidence	Action taken
<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>Fin Regs 1.3</p> <p>Fin Regs 12.2</p> <p>Adoption of this CIPFA self-assessment.</p> <p>Remit of Scrutiny & 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 2022.</p> <p>Annual Governance statement approved as part of the final accounts process.</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>Counter-Fraud & Corruption Strategy sets out how the council will seek to detect fraudulent activity.</p> <p>Stated goal of zero-tolerance in the Counter Fraud and Corruption Strategy.</p> <p>Fraud Response Plan.</p> <p>Employee Fraud Investigation Framework.</p> <p>Corporate Fraud Team.</p>	<p>A Fraud Risk Assessment document has been produced and arrangements are in place for it to be incorporated into the Council's Risk Management process.</p> <p>Internal and external data matching exercises undertaken using CT SPD and internal records.</p> <p>Discharge of the output of the 2022/23 National Fraud Initiative.</p> <p>Fraud Awareness has been shared in person, by electronic means and counter fraud e-Learning has been shared with senior leaders for distribution.</p>

CIPFA Code of Practice	CIPFA Good Practice Guidance	Evidence	Action taken
<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>6 monthly counter fraud reports to S&A.</p> <p>Senior Managers questionnaire on Fraud Risks in July 2015.</p> <p>Revised Risk Management Guidance approved November 2019.</p>	<p>Fraud risks - highlighted in the CIPFA Fraud Tracker - known and reported to S&A.</p> <p>A Fraud Risk Assessment has been drafted, and arrangements have been made to incorporate it into the Council's Risk Management arrangements.</p>
<p>B2 The organisation identifies the risks of corruption and the importance of behaving with integrity in its governance framework.</p>		<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&A committee in June 2022 (158/22).</p>

CIPFA Code of Practice	CIPFA Good Practice Guidance	Evidence	Action taken
<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&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"> 1.Create equity (Housing, education, blue badge, local taxation). 2.Enable resilient and safe communities (Housing). 3.Elimate inefficiency (Advice to services, local taxation, 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 and arrangements are in place for it to be incorporated into the Council's Risk Management process.</p>

CIPFA Code of Practice	CIPFA Good Practice Guidance	Evidence	Action taken
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 & Corruption Strategy and Fraud Response Plan supported by CLT, commended by the S&A Committee and approved by the P&R committee (363/18).</p> <p>Counter-Fraud & Corruption Strategy references the core activities required to address risks e.g., Culture, Deterrence, Detection, and Investigation.</p>	
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.	External data matching exercises undertaken using CT SPD and internal records.

CIPFA Code of Practice	CIPFA Good Practice Guidance	Evidence	Action taken
<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"> • Fraud awareness activity • Partnership work with internal colleagues • Online fraud reporting form • Robust internal controls <p><u>Responsive</u></p> <ul style="list-style-type: none"> • Data matching – internal and external including the NFI. • Fraud response plan • Whistleblowing • Recovery of losses • Disciplinary/legal action • Specialist investigations 	<p>Continuous auditing will be further developed by Internal Audit during 2022/23.</p>

CIPFA Code of Practice	CIPFA Good Practice Guidance	Evidence	Action taken
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"> • Allow for measurement • Identify the key fraud risks • Be considered by audit committee 	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.
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.	A CFT officer achieved a CIPFA Certificate in Fraud Risk Management.
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).	

CIPFA Code of Practice	CIPFA Good Practice Guidance	Evidence	Action taken
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.	The CFT has worked 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.
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 • Anti-money laundering policy • Anti-bribery policy • Anti-corruption policy 		Policy in place Policy in place Policy in place Policy in place Counter-Fraud & Corruption Strategy and Fraud Response Plan	
<ul style="list-style-type: none"> • Gifts & hospitality policy & register • Pecuniary interest and conflicts of interest policies and register 		Fin Regs / Code of Conduct In place for elected members & staff	2020/21 Internal audit of Gifts & Hospitality and Registers of Interest reported in October 2020 gave Comprehensive assurance over this.

CIPFA Code of Practice	CIPFA Good Practice Guidance	Evidence	Action taken
<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 		Policy in place	<p>Internal Audit reviewed the policy. in 2020/21 as a consultancy project to consider the adequacy of steps taken in response to Covid and increased home working. The conclusion was that arrangements were adequate.</p> <p>Internal audit undertakes an annual rolling programme of GDPR compliance across all services</p>
<ul style="list-style-type: none"> Cyber security policy <p>The above policies are x-referenced and are available to staff from the intranet.</p>		Contained within the Information Security Policy.	Internal Audit undertook a review of cyber security in 2023 to assess the effectiveness of controls in place for remote access. The draft report was issued at 7 June 2023
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.	A proactive plan can be developed to achieve early detection of fraud and corruption	Key risks are addressed thus contributing to the overall goal.	Proactive work will continue to be planned as a response to the key fraud risks faced by the council.

CIPFA Code of Practice	CIPFA Good Practice Guidance	Evidence	Action taken
E3 Making effective use of national or sectoral initiatives to detect fraud or prevent fraud, such as data matching or intelligence sharing.		National Fraud Initiative Scottish Local Authority Investigator's Group National Anti-Fraud Network Scottish Local Authority Chief Internal Auditor's Group	National Fraud Initiative 2022/23 exercise matches received and are being reviewed / actioned.
E4 Providing for independent assurance over fraud risk management, strategy and activities.		Internal Audit annual report External Audit report to Members The PSIAS External Quality Assessment team was supplied with counter fraud arrangements and concluded compliance with the requirements of the PSIAS.	
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.		Internal Audit annual report Annual Governance Statement 6-monthly counter-fraud report to S&A committee	