

EAST RENFREWSHIRE COUNCIL
AUDIT AND SCRUTINY COMMITTEE

24 September 2020

Report by Chief Executive

MANAGING THE RISK OF FRAUD AND CORRUPTION –
FRAUD RESPONSE STATEMENT 2019/2020

PURPOSE OF REPORT

1. In order to demonstrate compliance with the Code of Corporate Governance, this Fraud Response Statement provides an overview of measures in place across East Renfrewshire Council to address Anti-Fraud, Bribery and Theft, managing the risk of fraud and corruption, and to provide an update on actions undertaken during 2019/2020 where appropriate.

RECOMMENDATIONS

2. It is recommended that the Audit & Scrutiny Committee note the content of the report and the work being undertaken across the Council in relation to managing the risk of fraud and corruption and the reporting already in place.

BACKGROUND

3. Following a review of the Code of Corporate Governance it was identified that an annual "Fraud Statement" would be prepared to provide an update on work to address fraud, bribery and theft within the Council. This report was due to be considered by the Audit and Scrutiny Committee in June 2020 but was delayed due to the current Covid019 pandemic.

4. The Council is committed to fighting fraud and bribery, whether attempted from inside or outside of the authority, in order to protect public funds. Suppliers, contractors, employees, members and service users are expected to act with integrity and without intention to commit fraud or bribery against the Council.

5. Within the Code of Governance work to address fraud, bribery and theft is undertaken in line with the Chartered Institute of Public Finance & Accountancy (CIPFA) Code on "managing the risk of fraud and corruption" which sets out the principles that define the governance and operational arrangements necessary for an effective counter fraud response. The Code is applicable to all public services organisations and is comprised of five key principles, which are to:

- acknowledge the responsibility of the governing body for countering fraud and corruption
- identify the fraud and corruption risks
- develop an appropriate counter fraud and corruption strategy
- provide resources to implement the strategy and
- take action in response to fraud and corruption.

6. A revised Anti-Fraud, Bribery and Theft Strategy written in line with the CIPFA Code above, was approved by the Corporate Management Team on 20th August 2019. The revised strategy aims to promote an attitude of zero tolerance to fraud. No fraud is acceptable, regardless of the value or scale.

7. In line with the CIPFA Code recommendations that a Fraud Statement is considered annually this report provides an overview of measures in place to address Anti-Fraud, Bribery and Theft and an overview of work undertaken during 2019/2020 where appropriate.

MEASURES IN PLACE TO ADDRESS ANTI-FRAUD, BRIBERY AND THEFT

8. The Anti-Fraud, Bribery and Theft Strategy, sets out a range of approaches within the Council to identify and minimise fraud and corruption risks. These include independent reviews of adequacy, efficiency and effectiveness of internal controls by Internal Audit, ensuring all recruitment is undertaken in line with the Recruitment and Selection Policy and that orders and contracts are awarded in accordance with the Council's approved Contract Standing Orders and Financial Regulations.

9. The Council has put in place a range of policies and procedures to support the Strategy to ensure that appropriate action is taken to prevent, detect and investigate fraud. A range of data and intelligence analysis will be undertaken to detect fraud (or attempted fraud) at the earliest opportunity and appropriate sanctions (including disciplinary, regulatory and criminal) will be taken. East Renfrewshire Council will investigate fraud referrals and seek appropriate redress where possible.

10. During 2019/2020 in addition to the Anti-Fraud, Bribery and Theft Strategy the "Guidance on Gifts and Hospitality" was updated to reflect the experience that a "gift" may include money, vouchers, a prize, gift (such as a hamper/alcohol/flowers/chocolates) or a bequest and to record this on the Gift Register if appropriate. Employees are regularly reminded about this and the last update was issued by the Chief Executive on 2nd December 2019 to remind everyone of how to accept, or if appropriate, decline, gifts and offers of hospitality.

11. It should be noted that the Fraud, Bribery and Theft Investigation Procedure, approved by Corporate Management Team in 2018, also forms part of this set of policies and procedures.

12. Following interest from a number of colleagues across the Council, the Chief Accountant provided comprehensive training and awareness raising sessions on how to prevent and identify money laundering.

13. It is important that East Renfrewshire Council has a trained, security focused workforce who are capable of identifying suspicious communications and requests, and more importantly how to react to these, is vital in creating an holistic approach to detecting potential fraud including, but not limited to: Online fraud; User account fraud; Phishing and ransomware; False invoicing; False IT Service support calls and/or emails

14. Both online and tutor led Information and Cyber Security Training provides employees with this focus for both their work and personal life. This work also stresses to employees that they are the Council's strongest defence against such threats and malicious actors who may be attempting to gain access to Council information, computing systems and networks. Employees are trained to always be suspicious and question, not just react, when something is unusual or not expected.

15. The Procurement Team are included in a working group with Scotland Excel looking at information that could be requested during tender stage and thereafter responses shared with Police Scotland. This working group has been established due to a recognition that fraud of all kinds, including procurement fraud, increased during the recession, that opportunist suppliers have emerged during Covid-19 and that cyber-fraud is on the rise with the new opportunities made possible by the Internet. There is also growing concern that organised crime is engaging in procurement fraud and appropriate steps have been taken to minimise the risk of this within East Renfrewshire Council.

16. Specific controls are in place across all processes, in particular “higher risk” (for example payment or cash involved) to ensure risk of loss through fraud is minimised. This includes processes to prevent fraudsters seeking to elicit funds from council through misleading/false information.

17. There is a “segregation of responsibilities” including checks upon System User access are all in place. This approach protects both employees and mitigates the risk of Internal or External Fraud being perpetrated against the Council.

18. Communications and sharing of information is vital in sharing information in relation to potential frauds. Local Authorities, on behalf of the Government, manage the process and payment of Business Grants. Potential scams have been identified with the Council sharing this information. Joint local authority intelligence sharing via the local authority network regarding a fraudulent text, issued in relation to “Crisis Grants” enabled the Council to issue social media messages and warning to residents to prevent fraud.

19. The Revenue Teams work closely with the Department of Work and Pensions (DWP) Fraud & Error Services (FES) in relation to potential Housing Benefit fraud. The team also receive “alerts” through the National Anti-Fraud Network (NAFN).

20. Despite the challenge of Covid-19 and physical access to buildings, checks have continued to be performed to minimise the risk of unauthorised access to data.

REPORTING AND POTENTIAL FRAUD 2019/2020

21. The Audit and Scrutiny Committee provides a scrutiny role in relation to the application of the Anti-Fraud, Bribery and Theft Strategy. The investigation of suspected fraud or bribery is normally carried out by the Internal Audit team.

22. As part of the Intern Audit Progress report considered every 3 months by the Audit and Scrutiny Committee the Chief Internal Auditor provides an update on the requests for assistance which are always dealt with using Internal Audit “contingency”. In 2019/20 a total of five potential fraudulent incidents were reported as outlined below –

- Quarter 1 (April to June) 2019 – one potential fraud, and whilst there was no financial loss to the Council and the money involved was relatively low, the matter was reported to Police Scotland.
- Quarter 2 (July – September) 2019 - two incidents related to theft of council assets from council premises, both were reported to Police Scotland
- Quarter 3 (October – December) 2019 – two incidents relating to potential fraud – one an anonymous allegation which potentially could have been fraudulent and the other involved a cash discrepancy of £20.00

- Quarter 4 (January – March) 2020 – no report of work in relation to fraud or financial loss

23. East Renfrewshire Council has an effective approach to the National Fraud Initiative (NFI). The NFI is a counter-fraud exercise across the UK public sector which aims to prevent and detect fraud. Data matching is an effective and efficient way to identify areas for further investigation by connecting discrepancies between different data sets, which include the Electoral Register, HMRC information on pensions and income, Student Loans, immigration and Department of Work and Pensions (DWP) records.

24. East Renfrewshire has a single point of contact for NFI and a well-established internal network of departmental contacts. A comprehensive report outlining the National Fraud Initiative – update 2019/20 will be considered by the Audit and Scrutiny Committee on 24th September 2020.

25. During the Covid-19 pandemic the UK Government responded with measures to mitigate the economic and social impact including “business grants” which are administered by the Economic Development Team within the Environment Department. Sadly, there is always the potential that fraudsters will try to take advantage of these emergency measures. The fraud threat posed during emergency situations is higher than at other times, and all public bodies were attuned to the risks facing their organisations and the public sector.

26. The Economic Development, Creditors and Internal Audit Teams worked together to take the appropriate steps to reduce the threat of widespread fraud in relation to the Business Grants by integrating appropriate controls into the application and appraisal process, payments process and carrying out post-event assurance work to check for fraud and to ensure funding is used for its intended purpose. This included collecting data on who was applying, who was paid, ensuring applicants knew how their data would be used and their legal obligations for grant funding and having robust “claw back” agreements in place to be able to recover funds that were paid out incorrectly or used inappropriately. A sample of high risk grant awards for fraud has been undertaken and where relevant the Team will invoke the claw back agreement and pursue recovery. To date (August 2020) a total of 990 applications have been received of which 826 grants have been awarded. The Economic Development Team are currently working closely with Police Scotland on those suspected fraudulent applications. No payments have been made in relation to these applications.

27. In the event of any potential fraud or concern being identified, appropriate escalation is in place through local management, East Renfrewshire Council senior management, Internal Audit and Police Scotland involvement where appropriate.

FINANCE AND EFFICIENCY

28. There are no financial implications of this report although it is hoped that by strengthening the approach to anti-fraud, theft and bribery and streamlining the associated documents will minimise the risk to the Council of any financial or reputational risk.

CONSULTATION

29. A range of colleagues from across the Council including the Head of Accountancy, Chief Auditor, Chief Legal Officer, Chief Procurement Manager, Senior Revenues Manager, Senior Compliance Assistant, Environmental Health, Trading Standards and Business Development Team Leader have also been consulted as appropriate.

CONCLUSION

30. This Fraud Response Statement provides an overview of measures in place across East Renfrewshire Council to address Anti-Fraud, Bribery and Theft, managing the risk of fraud and corruption, and to provide an update on actions undertaken during 2019/2020. This report provides the evidence to demonstrate full compliance with the Code of Corporate Governance.

RECOMMENDATIONS

31. It is recommended that the Audit & Scrutiny Committee note the content of the report and the work being undertaken across the Council in relation to managing the risk of fraud and corruption.

Lorraine McMillian Chief Executive
September 2020

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KEY WORDS

The Fraud Response Statement 2019/2020 outlines the work being undertaken across the Council in relation to managing the risk of fraud and corruption.

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