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**REPORT TO: AUDIT AND SCRUTINY COMMITTEE ON 1 SEPTEMBER 2021**

**SUBJECT: AUDIT SCOTLAND REPORT- FRAUD AND IRREGULARITY  
2020/21**

**BY: DEPUTE CHIEF EXECUTIVE (EDUCATION, COMMUNITIES AND  
ORGANISATIONAL DEVELOPMENT)**

**1. REASON FOR REPORT**

- 1.1 To inform the Committee of a recent Audit Scotland publication entitled 'Fraud and Irregularity - 2020/21'.
- 1.2 This report is submitted to Committee in terms of Section III (I) (8) of the Council's Scheme of Administration relating to consideration of reports prepared by the Accounts Commission/Audit Scotland.

**2. RECOMMENDATIONS**

**2.1 The Committee is asked to consider and note:**

- (i) the key messages contained within the Audit Scotland report, which considers fraud risks that have emerged across the public sector since the start of the pandemic; and**
- (ii) the Council's response in terms of being alert to the risks highlighted the report, and that the Information Assurance Group is reviewing actions already taken and any further actions required to ensure systems of control are adapted in response to new ways of working and remain 'fit for purpose'.**

**3. BACKGROUND**

- 3.1 In July 2021, Audit Scotland published a report entitled 'Fraud and Irregularity 2020/21'. The report sets out a range of fraud risks emerging since the start of the COVID -19 pandemic and also shares information about cases where internal control weaknesses in public bodies have led to fraud and irregularity.

3.2 The key messages from the report are:

- The public sector including local government has faced significant challenges due to the pandemic;
- A wide range of actions have been required to mitigate new risks emerging;
- A small number of weaknesses in controls leading to fraud have been noted by external auditors, albeit the combined monetary value of these, at £400,000, is low relative to the annual Scottish budget of £49 billion.
- Audit Scotland maintains a counter fraud 'hub' providing guidance on fraud risk and mitigations.

3.3 The report considers a number of themes, covering how Covid -19 additional funding support has been managed, the impact of the pandemic on governance arrangements, and ICT and cyber issues in relation to changed exposures e.g. from home working and scams such as phishing. Key controls within main financial systems are also considered as are the health and wellbeing of staff. The Council's response to each of these areas has been considered with examples of responses taken or planned provided as **Appendix 1**.

3.4 The process of adapting and maintaining internal controls is a management responsibility and changed ways of working determine the extent to which controls are revised and updated. This process is not static and controls are routinely reviewed and revised as required. Internal audit and external audit separately review selected controls in line with their agreed risk based audit plans. This provides independent assurances on the adequacy and effectiveness of controls in place.

3.5 A full copy of the report is available at: [https://www.audit-scotland.gov.uk/uploads/docs/report/2021/as\\_fraud\\_irregularity\\_2021.pdf](https://www.audit-scotland.gov.uk/uploads/docs/report/2021/as_fraud_irregularity_2021.pdf)  
Given the breadth and nature of the findings, the Information Assurance Group is scheduled to review the report to assess the issues raised and the council's response in each case, with the intention to develop an action plan where it is considered that improvements are necessary to existing systems of control. A copy of the action plan will be provided to a future meeting of this committee.

#### **4. SUMMARY OF IMPLICATIONS**

**(a) Corporate Plan and 10 Year Plan (Local Outcomes Improvement Plan (LOIP))**

Fraud and irregularity has the potential to impact on the council's ability to deliver on its key strategic outcomes. As such it is recognised and accepted that systems of control are essential to mitigate against this risk.

**(b) Policy and Legal**

No implications directly arising from this report.

**(c) Financial implications**

No implications directly arising from this report.

**(d) Risk Implications**

The report references the need for ongoing review and updating of controls where systems are subject to change and the council is alert to these risks.

**(e) Staffing Implications**

No implications directly arising from this report.

**(f) Property**

No implications directly arising from this report.

**(g) Equalities/Socio Economic Impact**

No implications directly arising from this report.

**(h) Consultations**

There have been no consultations in respect of this report.

**5. CONCLUSION**

- 5.1 The Council has a good awareness of the issues identified by Audit Scotland and is reviewing its own practices against the themes highlighted in the report. An action plan of any further mitigating measures that are required will be presented to a future meeting of this Committee.**

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Background Papers: Audit Scotland report

Ref: AS /asc/010921 / SPMAN-1042990102-74/SPMAN-1042990102-75