



### **Audit Scotland report: Fraud and irregularity 2020/2021**

**Committee**            Audit and Standards

**Date of meeting**    27 August 2021

**Date of report**    18 August 2021

**Report by Acting Chief Executive**

#### **1. Object of report**

To advise the committee on the issue of an Audit Scotland report titled '*Fraud and irregularity 2020/2021*' and outline SPT's response to the key messages contained therein.

#### **2. Background**

In July 2021, Audit Scotland published a report titled '*Fraud and irregularity 2020/2021*'.

The report sets out a range of fraud risks emerging since the start of the Covid-19 pandemic along with suggestions of what public bodies may do to help reduce these risks. It aims to help public bodies identify and manage these risks.

The report shares information about cases where internal control weaknesses in public bodies have led to fraud and irregularity, to help prevent similar circumstances happening again.

The report can be found at:

<https://www.audit-scotland.gov.uk/report/fraud-and-irregularity-202021>

#### **3. Outline of findings**

##### Key messages

There are four key messages outlined in the Audit Scotland report:

##### *Significant challenges due to Covid-19*

Since the start of 2020/2021, the Covid-19 pandemic and the associated lockdowns have brought significant challenges across the public sector. Public bodies have sought to continue to deliver services in new working environments while at the same time experiencing an increase in demand for many services. The challenges during the last year include additional fraud risks for public bodies to identify and manage.

### *Wide range of action required to mitigate new risks*

The new fraud risks cover a variety of areas. This means a wide range of actions are required by public bodies to attempt to mitigate these risks.

### *Weaknesses in controls contribute to fraud and irregular activities*

Weaknesses in controls have contributed to a variety of fraud and irregular activities being identified across the Scottish public sector.

### *Counter-fraud hub*

Audit Scotland's counter-fraud hub contains useful counter-fraud information.

### Recommendation

The Audit Scotland report also includes the following recommendation:

Public bodies should ensure good governance and counter-fraud arrangements are in place, including:

- having in place appropriate governance and oversight arrangements for counter-fraud;
- regularly reviewing controls and governance arrangements to ensure they remain fit for purpose;
- being alert to emerging fraud risks and where appropriate working with others to help alleviate these risks;
- considering whether appropriate controls are in place to prevent the risks identified in this report materialising in their own organisation;
- considering whether the weaknesses in internal control that facilitated each case of fraud or irregularity identified in this report may also exist in their own organisations, and taking the required corrective action.

SPT has and continues to take action to mitigate key fraud risks identified in the Audit Scotland report, including:

- Senior management have discussed and agreed the organisation's risk appetite and associated approach to reopening of premises and services in accordance with the latest government guidance on Covid-19;
- a commitment to support staff during the pandemic. Staff wellbeing has been provided and signposted from:
  - Regular messages (emails) from the Chief Executive;
  - Intranet articles;
  - Digital wallpapers;
  - Senior management and HR correspondence;
- risk assessed services to identify the most vulnerable areas under the new working conditions, including digital system security for remote working and regularly communicated counter fraud measures and processes to staff, customers and stakeholders through emails, intranet articles and social media;

- Internal Audit continues to undertake reviews of systems of control and has provided advice on changes to existing controls, where appropriate;
- maintained procurement controls when buying goods and services which are required urgently and from new suppliers;
- maintained payroll and recruitment controls where new staff have joined the organisation.

#### 4. Conclusions

Audit Scotland published a report titled '*Fraud and irregularity 2020/2021*'.

SPT has and continues to take action to mitigate key fraud risks identified in the Audit Scotland report.

The workforce has continued to deliver vital services to our communities and has shown versatility to support these services.

#### 5. Committee action

The committee is asked to note the contents of this report and the Audit Scotland report titled '*Fraud and irregularity 2020/2021*'.

#### 6. Consequences

Policy consequences	<i>None.</i>
Legal consequences	<i>None.</i>
Financial consequences	<i>None.</i>
Personnel consequences	<i>None.</i>
Equalities consequences	<i>None.</i>
Risk consequences	<i>As detailed in the report.</i>

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