

## Audit Scotland report: Fraud and irregularity annual report 2022/2023

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**Date of meeting** 8 September 2023

**Date of report** 14 August 2023

### Report by Chief Executive

#### 1. Object of report

To advise the committee on the publication of an Audit Scotland report titled '*Fraud and irregularity annual report 2022/2023*' and outline SPT's response to the key messages and recommendations contained therein.

#### 2. Background to report

The report sets out examples of the various categories of fraud and irregularity reported during 2022/2023 and the control weaknesses which contributed to these cases.

The Audit Scotland report encourages public bodies to consider case studies and reflect whether the same control weaknesses exist in their own systems. Public bodies are also encouraged to regularly review their counter-fraud arrangements to ensure they remain effective against both existing and newly emerging types of fraud and irregularity.

The full report (previously issued to members) can be found at: [https://www.audit-scotland.gov.uk/uploads/docs/report/2023/as\\_230713\\_fraud\\_irregularity.pdf](https://www.audit-scotland.gov.uk/uploads/docs/report/2023/as_230713_fraud_irregularity.pdf)

#### 3. Outline of proposals

The following control weaknesses contributed to the fraudulent and irregular activity identified in the Audit Scotland report:

- Lack of management checking;
- No independent confirmation with the customer before changing bank account details;
- Not following procedures;
- A lack of segregation of duties;
- Weak authorisation processes;
- Lack of awareness of potential fraud risks; and
- Poor security arrangements.

#### Recommendation outlined in the report

Public bodies should ensure they have effective counter-fraud arrangements. This includes:

- undertaking a fraud risk assessment to identify areas at risk;
- having effective counter-fraud governance arrangements;
- having a counter-fraud strategy and regularly reviewing counter-fraud plans;
- regular assessment and review of internal controls; and
- considering the control weaknesses identified in this report.

#### SPT response to the recommendation in the report and counter-fraud arrangements

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

- understanding of fraud risks;
- counter fraud strategy in place;
- governance arrangements are in place with oversight of counter-fraud arrangements;
- appropriate fraud prevention and detection processes in place;
- regularly carrying out a fraud risk assessment to identify vulnerable areas;
- Internal Audit regularly review and evaluate internal controls to ensure they operate effectively and can adapt to new or emerging risks;
- staff are appropriately trained in their area of work;
- processes and procedures are in place to report any suspected fraud or error with effective fraud response arrangements in place;
- review instances of fraud or error for any lessons that could be learnt;
- use data analytics to help identify weakness in controls;
- participate in data matching from the National Fraud Initiative (NFI) and analytical procedures to help identify fraud or error;
- work collaboratively with partners to prevent and detect fraud; and
- continue to enhance digital systems and protect them utilising the latest guidance from bodies such as the National Cyber Security Centre is followed.

#### **4. Committee action**

The Committee is asked to note the contents of this report and the Audit Scotland report titled '*Fraud and irregularity annual report 2022/2023*' and SPT's response to the recommendation made therein.

#### **5. 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>None.</i>

Climate Change, Adaptation & Carbon consequences      *None.*

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**Name**    Valerie Davidson  
**Title**     **Chief Executive**

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