

Fighting Fraud Locally – The Local Government Fraud Strategy - 2012 Review

SUMMARY

- 1.1 This report provides members with a synopsis of the update document co-ordinated by the National Fraud Authority (NFA) on tackling fraud in local government.

RECOMMENDATION

- 2.1 To note the report

REASONS FOR RECOMMENDATION

- 3.1 The Audit and Accounts Committee is responsible for providing assurance to the Council on the effectiveness of the governance arrangements, risk management framework and internal control environment.
- 3.2 Key elements of this national work are incorporated into our planned audit work.

SUPPORTING INFORMATION

Fighting Fraud Locally – The Local Government Fraud Strategy (2012)

- 4.1 On 4 April 2012, the National Fraud Authority (NFA) published its new strategy, "Fighting Fraud Locally: The Local Government Fraud Strategy (2012)". Included in that strategy was a checklist for those responsible for governance. This was brought before the Committee at the 27 June 2012 meeting.

Following the issue of the "Fighting Fraud Locally: 2012 Review" this checklist has been updated and is attached as Appendix 2.

Fighting Fraud Locally – 2012 Review

- 4.2 The review summarised activities carried out during 2012. These included;
- The development of two fraud awareness toolkits –
 - an internal resource for raising staff awareness which we will be implementing using the Council's e-learning facility (planned for October/November 2013)
 - an external resource for public awareness raising
 - Establishing a benchmarking exercise in conjunction with the Chartered Institute of Public Finance and Accountancy (CIPFA). Membership of this benchmarking group is by subscription only.
 - Credit referencing fraud investigation services are now available under a nationally accessible framework agreement via a Kent County Council contract
 - Insider Fraud Guide – a staff vetting guide has been published by CIFAS – The UK's Fraud Prevention Service
 - Fraud loss Profile Tool – this tool was published by NFA to help authorities understand the extent of their likely fraud loss, but this proved a very simplistic approach.
 - CIPFA developed a Good Practice Bank by developing a Fraud section on the TISonline Risk Management information stream
 - Good Practice Guides are in development
 - A compendium of Powers and Penalties has been compiled and will be updated during 2013

Fighting Fraud Locally – 2013 plans

- 4.3 The 2012 review listed a range of activities to be completed during 2013. These include:
- Fraud awareness campaign toolkits to be released
 - An update to the Compendium of Powers and Penalties
 - Good practice Guides to be added to the CIPFA Good practice bank
 - A pilot whistle-blowing helpline to be run in early 2013
 - Regional hubs to be developed
 - Research on information sharing, powers and incentives to be completed
 - Projects and pilots on new emerging risks to be undertaken e.g. grants and business rates
 - Closer working with the private sector

OTHER OPTIONS CONSIDERED

5.1 n/a

This report has been approved by the following officers:

Legal officer	n/a
Financial officer	n/a
Human Resources officer	n/a
Estates/Property officer	n/a
Service Director(s)	n/a
Other(s)	Chief Officer Group

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Background papers:	None
List of appendices:	Appendix 1 – Implications Appendix 2 – Fighting Fraud Locally Checklist for those responsible for governance

IMPLICATIONS

Financial and Value for Money

- 1.1 None directly arising

Legal

- 2.1 None directly arising

Personnel

- 3.1 None directly arising

Equalities Impact

- 4.1 None directly arising.

Health and Safety

- 5.1 None directly arising.

Environmental Sustainability

- 6.1 None directly arising.

Asset Management

- 7.1 None directly arising.

Risk Management

- 8.1 The effective management of risk is a core principle of good governance.

Corporate objectives and priorities for change

- 9.1 The functions of the Committee have been established to support delivery of corporate objectives by enhancing scrutiny of various aspects of the Council's controls and governance arrangements.

Updated checklist for those responsible for governance

Expected control	Present control	Future action
The Council has made a proper assessment of its fraud and corruption risks and has an action plan to deal with them and regularly reports this to its senior board and its members	Areas susceptible to fraud are assessed when the Annual Internal Audit plan is devised. Each department should assess any fraud risks as part of the risk management procedure within the annual business planning process.	To require all Teams to include an assessment of their fraud vulnerability within their Business Plan risk register
The Council has undertaken an assessment against the risks in Protecting the Public Purse and has also undertaken horizon scanning of future potential fraud risks	A report on "Protecting the Public Purse" is presented to committee each year, complete with an assessment of the effectiveness of anti-fraud activity.	Annual reports will continue
There is an annual report to the Audit Committee or equivalent detailing an assessment against the local government strategy Fighting Fraud locally and this checklist	This is the first report.	Annual reports will continue
There is a counter fraud and corruption strategy applying to all aspects of the council's business which has been communicated throughout the council and this has been acknowledged by those charged with governance	The Council's Anti-Fraud and Corruption Strategy is approved by members and is reviewed on a three year rolling cycle	A review of the Anti-Fraud and Corruption Strategy is to take place during 2013. This strategy is to be issued to all new staff undergoing corporate induction
The Council has arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business	The Council has a number of policies and strategies already in place – Financial Procedure Rules, Anti-Fraud and Corruption Strategy, Fraud Response Plan, Anti-Money Laundering Policy, Confidential Reporting Code	These key strategies and policies are subject to review on a three yearly basis, unless circumstances dictate that an interim update is required
The risk of fraud and corruption is specifically considered in the Council's overall risk management process	Fraud is identified as a corporate risk. A guide to fraud risk is in development.	The risk of fraud is to be included in the risk register of each business plan
Counter Fraud staff are consulted to fraud proof new policies, strategies and initiatives across Departments and this is reported upon to Committee	We do not have a stand-alone counter-fraud team, the counter fraud team work within Internal Audit (Governance and Assurance section).	A team member has been asked to work with the Transformation Team as part of the One Derby One Council programme.

Expected control	Present control	Future action
The Council has put in place arrangements to prevent and detect fraud and corruption and a mechanism for ensuring this is effective and this is reported to Committee	The Council's Anti-Fraud and Corruption Strategy and Fraud Response Plan are in place, as is the Confidential Reporting Code which allows staff to "whistleblow". Any investigated Fraud is reported to Audit and Accounts Committee.	The Anti-Fraud and Corruption Strategy is undergoing review ready for re-release in 2013
<p>The Council has put in place arrangements for monitoring compliance with standards of conduct across the council covering</p> <ul style="list-style-type: none"> Codes of conduct including behaviour for counter fraud, anti-bribery Register of interests Register of gifts and hospitality 	<p>The following are in place:</p> <ul style="list-style-type: none"> Employee and member code of conduct Register of interests Register of Gifts and Hospitality 	Policies and codes are subject to periodic review
The Council undertakes recruitment vetting of staff prior to employment by risk assessing posts and undertaking checks to prevent potentially dishonest employees from being appointed	A pre-employment checking regime is in place, with financial vetting of those appointed to financially sensitive posts taking place.	The pre-employment checking regime is subject to periodic audit, to ensure that it is working effectively
Members and staff are aware of the need to make appropriate disclosures of gifts, hospitality and business, This is checked by auditors and reported to Committee.	This is detailed in the Codes of Conduct.	Policies and codes are subject to periodic review
There is a programme of work to ensure a strong counter fraud culture across all department and delivery agents led by counter fraud experts	This falls under the remit of the Anti-Fraud Working group.	Fraud awareness training is being developed by use of a 6 monthly newsletter and a video
Successful cases of proven fraud/corruption are routinely publicised to raise awareness	Internally and through the local media.	This will continue in the future
There is an independent Whistleblowing Policy which has been measures against the BSI, which is monitored for take up and it can be shown that suspicions have been acted upon without internal pressure	The Confidential Reporting Code has been approved by members and is reviewed on a 3 year rolling cycle	Policies and codes are subject to periodic review
Contractors and third parties sign up to the Whistleblowing Policy and there is evidence of this. There is no evidence of	The Confidential Reporting Code covers contractors and other third parties.	Policies and codes are subject to periodic review

Expected control	Present control	Future action
discrimination for those who whistleblow		
Fraud resources are assessed and adequately resourced.	Counter Fraud is part of the Internal Audit remit and an element of fraud response is part of the Internal Audit annual plan	To be monitored and reassessed should the transfer of benefit investigations to the DWP highlight a change in the resources required
There is an annual fraud plan which is agreed by committee and reflects resources mapped to risks and arrangements for reporting outcomes. This plan covers all areas of the Council's business and includes activities undertaken by Contractors and third parties or voluntary sector activities.	There is no specific annual fraud plan. However, the Internal Audit annual plan does provide cover for all areas of Council activity.	The Internal Audit annual plan does not cover Contractors, third parties or voluntary sector activities but does cover payments to these groups.
Statistics are kept and reported by the Fraud team which cover all areas of activity and outcomes, benchmarking where appropriate.	Statistics are maintained of all work relating to NFI, the annual fraud survey, investigations carried out and referrals made. These are benchmarked with colleagues through the Midlands Fraud group.	This activity will continue
Fraud officers have unfettered access to premises and documents for the purposes of counter fraud investigation	Financial Procedure Rules give Internal Audit access to all documents	The development of the EDRMS (electronic document retrieval and management system) will make access simpler to arrange
There is a programme to publicise fraud cases internally and externally which is positive and endorsed by the Council's Communication Team	The Head of Governance & Assurance works with the Communications Team on such issues.	An anti-fraud newsletter is in development, as is a fraud awareness video
All allegations of fraud and corruption are risk assessed	The Internal Audit fraud report database carries out a risk assessment of each referral	The database will continue to be developed
The written fraud response plan covers all areas of counter fraud work; prevention, detection, deterrence, investigation, sanctions and redress	The Fraud Response Plan is approved by members and is reviewed on a 3 year rolling cycle along with the Anti-Fraud and Corruption Policy/Strategy.	The Fraud response plan is due to be reviewed in 2013
The fraud response plan is linked to the Audit Plan and is communicated to senior management and members	The annual IA plan (approved by members) includes provision for auditors to carry out or assist with fraud investigations. The fraud response plan is reviewed on a 3 yearly basis.	Policies and codes are subject to periodic review
Asset recovery and civil recovery is considered in all cases and is linked to a written sanctions policy	We have a corporate prosecution policy and Benefits Investigation have a written sanctions policy. In cases where prosecutions are	This recovery of assets work is to continue

Expected control	Present control	Future action
	taken, where appropriate, the Council makes an application for recovery of any financial loss.	
There is a zero tolerance approach to fraud and corruption that is reported to Committee	The Council states that it has a zero tolerance approach in the Anti Fraud and Corruption Strategy. This is reviewed and reported to Committee every 3 years	Policies and codes are subject to periodic review
There is a programme of proactive counter fraud work which covers risks identified in assessment	This is being devised by the Anti Fraud Working group	Fraud awareness training is being developed, as is a newsletter and video. An e-learning package awaits access problems being resolved
The Fraud team works jointly with other enforcement agencies and encourages a corporate approach and co-location of enforcement activity	The Council works closely with other enforcement agencies, particularly the Economic Crime Unit of Derbyshire Constabulary.	The Council actively welcomes co-operative approaches to reducing the risk of fraud
The Council shares data across its own departments and between other enforcement agencies	Data matching exercises are carried out when and where the service fair processing notice permits. We are engaged in the NFI process. BIU carry out matching work through the HBMS service.	Data is shared with other authorities on a case-by-case basis. Investigating whether data sharing with out authorities within CMAP would be beneficial.
Prevention measure and projects are undertaken using data analytics where possible	Data matching exercises are used to highlight areas of audit activity.	Data matching reports are constantly reviewed to increase their effectiveness
The Council actively takes part in the NFI and promptly takes action	Yes	This work will continue
There are professionally trained staff for counter fraud work trained by professionally accredited trainers using the Counter Fraud Accreditation Board. If other staff undertake counter fraud work they must be trained in this area	The BIU staff are Professionalism in Security (PINS) trained. Four internal auditors have the CIPFA Certificate in Investigatory Practice (CCIP) qualification.	The need for further training will be assessed against the call on current staff.
The counter fraud team has adequate knowledge in all areas of the Council or is trained in these areas	We don't have a separate counter fraud team but there are trained staff working within the Internal Audit team	The counter-fraud staff in Internal Audit also carry out regular audits, giving them knowledge of Council functions. This is to continue.
<p>The Counter Fraud Team has access (via partnership / other Las / or funds to buy in) where appropriate to specialist staff for;</p> <ul style="list-style-type: none"> • Surveillance • Computer forensics • Asset recovery • Financial investigations 	Internal Audit has computer forensics capabilities and works with Derbyshire Constabulary on such issues. Benefits Investigation does surveillance, but also has access through the DWP. Trading Standards buys in computer forensics.	Changes to RIPA have reduced scope for surveillance but forensics are available in-house. More specialist services (asset recovery etc) would need to be assessed for cost-effectiveness

Expected control	Present control	Future action
Weaknesses revealed by instances of proven fraud and corruption are looked at and fed back to Departments to fraud proof systems.	After each fraud investigation, a report is sent to management highlighting areas where procedures require amendment to reduce or remove the risk of further fraud.	Each investigation report which produces recommendations is subject to follow-up by Internal Audit to ensure that remedial action is taken