

For Publication

FIGHTING FRAUD AND CORRUPTION LOCALLY

Meeting: Standards and Audit Committee

Date: 21 September 2016

Cabinet portfolio: Governance

Report by: Internal Audit Consortium Manager

For publication

1.0 Purpose of report

- 1.1 To make Members aware of "The local government counter fraud and corruption strategy 2016 – 2019".'
- 1.2 To report an assessment of Chesterfield Borough Council's position against the Fighting Fraud and Corruption Locally checklist 2016 - 2019.

2.0 Recommendations

- 2.1 That the local government counter fraud and corruption strategy be noted.
- 2.2 That subject to any comments members may wish to make, the position shown in the 2016 – 19 Fighting Fraud and Corruption checklist and corresponding action plan be noted.

Report details

3.0 Background

3.1 Fighting fraud and corruption locally is a strategy for English local authorities' that is the result of collaboration by local authorities and key stakeholders from across the counter fraud landscape. The full strategy and the associated Companion document can be viewed by the following link :-

<http://www.cipfa.org/services/counter-fraud-centre/fighting-fraud-and-corruption-locally>

3.2 The strategy states that fraudsters cost the local tax payer millions of pounds each year and places the emphasis on council leaders, chief executive and finance directors to provide the local leadership to take action to protect the public purse. Council's must ensure that they are active in looking for and identifying fraud and embedding a counter fraud culture at the heart of their organisation.

Principles of fighting fraud locally

3.3 The key principles developed in fighting fraud locally are:-

- **Acknowledge:** acknowledging and understanding fraud risks and committing support and resource to tackling fraud in order to maintain a robust anti-fraud response.
- **Prevent:** preventing and detecting more fraud by making better use of information and technology, enhancing fraud controls and processes and developing a more effective anti-fraud culture.
- **Pursue:** punishing fraudsters and recovering losses by prioritising the use of civil sanctions, developing capability and capacity to investigate fraudsters and developing a more collaborative and supportive law enforcement response.

3.4 Local authorities can ensure their counter fraud response is comprehensive and effective by considering their performance against each of six themes:-

- Culture – creating a culture in which beating fraud and corruption is part of daily business
- Capability – ensuring that the range of counter fraud measures deployed is appropriate to the range of fraud risks
- Capacity – deploying the right level of resources to deal with the level of fraud risk
- Competence – having the right skills and standards
- Communication – raising awareness, deterring fraudsters, sharing information, celebrating successes
- Collaboration – working together across internal and external boundaries: with colleagues, with other local authorities, and

with other agencies; sharing resources, skills and learning, good practice and innovation, and information.

- 3.5 The strategy recommends that the starting point for each local authority is to perform its own risk assessment and fraud resilience check.

Risk Assessment and fraud resilience check

- 3.6 The 2016 – 19 Fighting Fraud and Corruption checklist has been completed by the internal Audit Consortium Manager and the Corporate Leadership Team (Appendix A).
- 3.7 When completing the checklist and identifying potential areas for further action, responses have been kept proportionate to the perceived risk within Chesterfield Borough Council and to the resources available. An action plan has been developed to address any issues arising (Appendix B)

CIPFA Fraud and Corruption Tracker Summary Report 2016

- 3.8 Also attached for information in the link below is CIPFA's Fraud and Corruption Tracker Summary Report 2016 that is an annual survey of the fraud and corruption detected in local authorities across the UK.

<http://www.cipfa.org/services/counter-fraud-centre/fraud-and-corruption-tracker>

4 Human resources/people management implications

- 4.1 Fraud awareness training would be beneficial to managers to raise awareness and to promote a strong anti-fraud culture. Training for service managers is in the process of being arranged so there is a time commitment involved.

5 Financial implications

- 5.1 It has been agreed by the Corporate Leadership Team and the Risk Management Group that part of the risk management budget can be used to provide fraud awareness training to managers.

6 Legal and data protection implications

6.1 There are no legal or data protection implications

7 Consultation

7.1 The report and its content have been discussed with the Corporate Leadership Team

8 Risk management

8.1 The completion of the fraud checklist is an aid to measure the Council's counter fraud and corruption culture and response. The review of governance arrangements in relation to fraud and the implementation of the action plan at appendix B will contribute towards the reduction of the risk of fraud and corruption occurring.

9 Equalities Impact Assessment (EIA)

9.1 Not Applicable

10 Alternative options and reasons for rejection

10.1 Not Applicable

11 Recommendations

11.1 That the local government counter fraud and corruption strategy be noted.

11.2 That subject to any comments members may wish to make, the position shown in the 2016 – 19 Fighting Fraud and Corruption checklist and corresponding action plan be noted.

12 Reasons for recommendations

12.1 To inform Members of the local government counter fraud and corruption strategy 2016 – 2019 and to provide an assessment of

Chesterfield Borough Councils counter fraud and corruption culture and response.

Decision information

Key decision number	
Wards affected	All
Links to Council Plan priorities	Value or Money

Document information

Report author	Contact number/email
Jenny Williams – Internal Audit Consortium Manager	01246 345468 Jenny.williams@chesterfield.gov.uk
Background documents These are unpublished works which have been relied on to a material extent when the report was prepared.	
Appendices to the report	
Appendix A	Fighting Fraud and Corruption Locally 2016 – 19 Checklist
Appendix B	Fraud checklist action plan

Appendix A

Fighting Fraud and Corruption Locally 2016 – 19 Checklist

A local authority is self-regulating in respect of counter fraud. It should aim to show that it undertakes realistic self-assessment and has identified and understands the major risks. It should acknowledge the problems and put in place plans which can demonstrate that it is taking action with visible outcomes. It should aim to create a transparent process and report the results to the corporate management team and those charged with governance.

You are encouraged to use this checklist to measure your counter fraud and corruption culture and response.

	Issue	Arrangements Fit for Purpose/Working		<u>COMMENTS</u>
1.	The local authority has made a proper assessment of its fraud and corruption risks, has an action plan to deal with them and regularly reports to its senior Board and its members.	Y		There is a fraud risk register in place that was reported to the Risk Management Group in March 2016. Internal Audit Consortium Manager reports quarterly to the Standards and Audit Committee to confirm no fraud detected. Internal audit regularly tests the operation of internal controls in key areas.
2.	The local authority has undertaken an assessment against the risks in Protecting the Public Purse: Fighting Fraud Against Local Government (2014) and has also undertaken horizon scanning of future potential fraud and corruption risks.	Y		Standards and Audit committee members received a report in February 2014 that was an assessment against the risks in Protecting the Public Purse 2013. KPMG presented the findings of the 2014 report to Members. The fraud risk register will be kept up to date with emerging fraud risks e.g. Cyber fraud.
3.	There is an annual report to the audit committee, or equivalent detailed assessment, to compare against Fighting Fraud and Corruption Locally (FFCL) 2016 and this checklist.	Y		This report completes the checklist

4.	There is a counter fraud and corruption strategy applying to all aspects of the local authority's business which has been communicated throughout the local authority and acknowledged by those charged with governance.	Y		The Anti- fraud Bribery and Corruption Strategy was approved by the Standards and Audit Committee in 2013 and has been reviewed and updated in July 2016 for approval in September 2016 following which it will be promoted to staff.
5.	The local authority has arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business.	Y		Internal control arrangements throughout the Council are assessed by internal audit. There is employee and Members Codes of Conduct in place, registers of gifts and hospitality and a requirement to declare any business interests. The Council's constitution sets out how it operates, how decisions are made and the procedures which are followed to ensure such decisions are transparent.
6.	The risks of fraud and corruption are specifically considered in the local authority's overall risk management process.	Y		The Risk Management Group considered the fraud risk register in March 2016 and it was agreed that this would be reviewed by the group on an annual basis
7.	Counter fraud staff are consulted to fraud-proof new policies, strategies and initiatives across departments and this is reported upon to committee.	Y		Counter fraud staff have moved over to the DWP however managers including the Internal Audit Consortium Manager have the opportunity to comment on draft policies
8.	Successful cases of proven fraud/corruption are routinely publicised to raise awareness.	Y		The investigation of benefit fraud has moved to the DWP. No other fraud identified in recent years but publication would be considered if appropriate.
9.	The local authority has put in place arrangements to prevent and detect fraud and corruption and a mechanism for ensuring that this is effective and is reported to committee.	Y		Management are responsible for ensuring that there are adequate systems in place to prevent fraud and corruption. Internal audit assess the internal controls in place and the operation of these controls. Internal audit report quarterly to the Standards and Audit Committee to state if any fraud

				and corruption has been identified in the areas reviewed
10.	<p>The local authority has put in place arrangements for monitoring compliance with standards of conduct across the local authority covering:</p> <ul style="list-style-type: none"> - codes of conduct including behaviour for counter fraud, anti-bribery and corruption - register of interests - register of gifts and hospitality. 	Y		<p>Codes of conduct are included within the Constitution.</p> <p>Officers are required to declare any interests.</p> <p>There is an Anti- Fraud Bribery and Corruption Strategy</p> <p>Officers are required to declare and record any offers of gifts and hospitality and if they were accepted or not.</p>
11.	<p>The local authority undertakes recruitment vetting of staff prior to employment by risk assessing posts and undertaking the checks recommended in FFCL 2016 to prevent potentially dishonest employees from being appointed.</p>	Y		<p>Standard recruitment procedures are in place to vet staff prior to them being employed.</p> <ul style="list-style-type: none"> • taking up at least two references (and more if need be, to cover the last five years of the employee's working life), one of which must be the current or most recent employer; • investigating any gaps in the employment history; • investigating any unusual or abrupt reasons for leaving an earlier job; • vetting applicants for jobs which the service has decided required this; • DBS checks where appropriate • Verification of qualifications • Right to work checks
12.	<p>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.</p>	Y		<p>Managers are required to complete a gifts and hospitality register and declaration of business interests form every 6 months</p> <p>The Members declaration of gifts and hospitality register over £50 appears on the Council's website along with any further voluntary declarations</p>

				<p>Internal audit periodically audit gifts and hospitality</p> <p>Consideration could be given to reminding staff vire Aspire on an annual basis of the requirement to make declarations where appropriate (see action plan)</p>
13.	There is a programme of work to ensure a strong counter fraud culture across all departments and delivery agents led by counter fraud experts.		Part	<p>There are no counter fraud experts but internal audit cover the whole of the organisation.</p> <p>Managers could be provided with fraud awareness training to promote a strong counter fraud culture (see action plan)</p>
14.	There is an independent whistle-blowing policy which is monitored for take-up and can show that suspicions have been acted upon without internal pressure.	Y		<p>There is a Confidential Reporting Whistle Blowing policy in place that was last reviewed and updated in January 2016, the policy is on the intranet.</p> <p>All whistle blower complaints are treated seriously and investigated in line with policy. The Monitoring Officer is responsible for ensuring that this takes place.</p>
15.	Contractors and third parties sign up to the whistle-blowing policy and there is evidence of this. There should be no discrimination against whistle-blowers.	Y		<p>The policy applies to contractors working for the council on council premises, for example agency staff, builders and drivers. It also covers suppliers and those providing services under a contract with the council in their own premises.</p>
16.	Fraud resources are assessed proportionately to the risk the local authority faces and are adequately resourced.	Y		<p>The council has no counter fraud specialists but the internal audit plan covers all of the Council's activities.</p> <p>A specialist resource would be bought in if required</p>
17.	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 local authority's		Part	<p>No specific fraud plan but the annual internal audit plan covers all of the Council's activities based on a risk assessment. This is considered proportionate to the risk.</p>

	business and includes activities undertaken by contractors and third parties or voluntary sector activities.			
18.	Statistics are kept and reported by the fraud team which cover all areas of activity and outcomes.	Y		Housing Benefit fraud investigation has gone to the DWP. National Fraud Investigation results are reported to the Standards and Audit Committee. The Audit Commission's annual fraud and corruption survey used to be completed before their abolition. Now the European Institute for Combatting Fraud and Corruption (TEICCAFF) annual survey is completed.
19.	Fraud officers have unfettered access to premises and documents for the purposes of counter fraud investigation.	Y		Chesterfield Borough Council does not have any specific fraud officers. Internal audit have these rights of access if required.
20.	There is a programme to publicise fraud and corruption cases internally and externally which is positive and endorsed by the council's communication team.	Y		Benefit fraud now rests with the DWP. Consideration would be given to publicising fraud and corruption cases where appropriate
21.	All allegations of fraud and corruption are risk assessed.	Y		Any receipts of fraud and corruption allegations would be thoroughly investigated and the police consulted at an early stage. No fraud and corruption allegations have been received in recent years
22.	The fraud and corruption response plan covers all areas of counter fraud work: – prevention – detection – investigation – sanctions – redress		Part	There is no specific fraud and corruption response plan. Internal controls are in place to minimise the risk of fraud and corruption and internal audit regularly check that these controls are operational.
23.	The fraud response plan is linked to the audit plan and is communicated to senior management and members.		Part	There is no specific fraud response plan, internal audit would investigate following their special investigation procedures.

				<p>A specialist resource would be bought in if required. The National Fraud Agency and/or police would be informed and consulted.</p> <p>Results of the NFI data matching exercise are reported to members via an internal audit report</p>
24.	Asset recovery and civil recovery is considered in all cases.	Y		This would be considered if the situation arose
25.	There is a zero tolerance approach to fraud and corruption which is always reported to committee.	Y		A zero tolerance approach is specified in the anti- fraud, bribery and corruption policy. Any identified incidences would be reported to Committee
26.	There is a programme of proactive counter fraud work which covers risks identified in assessment.		Part	<p>The Audit Commission's fraud and corruption modules are completed in respect of the main financial system audits.</p> <p>The internal audit plan is based on risk assessment which takes in to account the risk of fraud/ any management concerns.</p>
27.	The fraud team works jointly with other enforcement agencies and encourages a corporate approach and co-location of enforcement activity.		Part	<p>There is no dedicated fraud team.</p> <p>Internal audit is a member of the Midlands and Nottinghamshire audit groups. Special investigations and frauds are discussed by these groups.</p>
28.	The local authority shares data across its own departments and between other enforcement agencies.	Y		<p>This would be done if the situation arose</p> <p>NFI requires data sharing</p> <p>TEICCAFF Fraud Survey completed annually</p>
29.	Prevention measures and projects are undertaken using data analytics where possible.		Part	Results of surveys used to identify new fraud areas
30.	The local authority actively takes part in the National Fraud Initiative (NFI) and promptly takes action arising	Y		NFI results are investigated and acted upon. Internal audit verify that this is taking place and report the results to the

	from it.			Standards and Audit Committee.
31.	There are professionally trained and accredited staff for counter fraud work. If auditors undertake counter fraud work they too must be trained in this area.		N	The Council does not have any professionally trained and accredited staff. If a fraud arose internal audit would investigate in the first instance with early contact with the Police and /or National Fraud Agency. A specialist resource would be bought in if necessary.
32.	The counter fraud team has adequate knowledge in all areas of the local authority or is trained in these areas.		Part	The council does not have a counter fraud team however the internal audit team has knowledge of all the Council's operations
33.	The counter fraud team has access (through partnership/other local authorities/or funds to buy in) to specialist staff for: – surveillance – computer forensics – asset recovery – financial investigations		Part	The Council does not have a counter fraud team The internal audit consortium has used DCC IA in the past in respect of computer forensics specialist knowledge Specialist resources would be bought in as appropriate
34.	Weaknesses revealed by instances of proven fraud and corruption are scrutinised carefully and fed back to departments to fraud proof systems.	Y		This would occur if the situation arose

Fighting Fraud and Corruption Locally 2016 – 19 Checklist – Action Plan

Identified Weakness	Action	Officer	Implementation Date
Staff are not reminded on a regular basis of the need to make appropriate disclosures of gifts, hospitality and business.	Staff are reminded of this requirement by the placement of an article on Aspire/staff Bulletin on an annual basis	Communications Manager	December 2016
Managers have not received any fraud awareness training that would aid in promoting a strong anti- fraud culture.	Part of the risk management budget is to be utilised to provide fraud awareness training to managers	Internal Audit Consortium Manager	December 2016