

## **Background**

1. Local authorities have responsibilities for the effective stewardship of public money and for safeguarding against losses due to fraud and corruption. The CIPFA 2018 Guidance on Audit Committees sets out the role of the audit committee regarding 'countering fraud and corruption'. In summary, the committee should understand the level of fraud risk to which the authority is exposed, and the implications for the wider control environment. This can be undertaken by having oversight of counter fraud plans, resources and their effectiveness. Effective counter fraud arrangements also link to the ethical standards for members and officers that the public expects.
2. This report is the third individual report designed to help meet this duty. Previously the counter fraud update was included in the Internal Audit update report. This report is designed to give assurances to committee members surrounding the counter fraud activities undertaken during the period October 2021 –March 2022 as part of the counter fraud and corruption assurance block within the Internal Audit Plan. This includes both the reactive and proactive approaches to the Council's zero tolerance to fraud and corruption.
3. Within the audit plan time is set aside to undertake investigations, or reactive work, to look into identified instances of fraud or theft, and to investigate concerns raised by staff or members of the public. In order to help to ensure controls are in place to prevent fraud from occurring, we also undertake targeted proactive reviews. These are developed from our understanding of the control environment, in addition to our awareness of new and emerging fraud risks.
4. The Public Sector Internal Audit Standards (PSIAS) set out that the primary responsibility for the prevention and detection of fraud lies with management. Auditors should have sufficient knowledge to recognise the indicators of possible fraud. This is addressed by having experienced auditors with a variety of qualifications, continuing professional development and attendance at targeted counter fraud training. We can never be complacent, as fraud risks continually evolve. We therefore regularly enhance and develop our counter fraud capability by reviewing the tools and techniques that we use to detect and prevent fraud from occurring in the first place.

## Reactive Anti-Fraud Work

5. Internal Audit are the corporate owners of the Councils' counter fraud policies. Following discussion at the November Corporate Governance and Audit Committee, the Whistleblowing Policy was updated so that members of the public can now raise their concerns through this route, consequently the Raising Concerns Policy was discontinued. The channels where concerns can be raised include the provision of a dedicated inbox, telephone line, post, and a 'do it online' form for members of staff. The table below illustrates the referrals received by directorate by the type of the concern raised between October 2021 and March 2022.

Referral type	Directorate					Total
	Adults & Health	Children & Families	City Development	Communities, Housing & Environment	Resources	
Payroll fraud					2	2
Economic and voluntary sector support fraud (Covid and other grants)	1			2	1	4
Staff conduct				2	2	4
Health and Safety				1		1
Corruption/maladministration				1	1	2
Theft		1				1
Mandate fraud	1			1		2
Non compliance with policies and procedures		1		1	2	4
Cheque fraud		1				1
Safeguarding		1				1
Value for money					1	1
<b>Total</b>	<b>2</b>	<b>4</b>	<b>0</b>	<b>8</b>	<b>9</b>	<b>23</b>

## Open Investigations

6. As at the 1<sup>st</sup> April 2022, 21 referrals were being investigated. Investigations are undertaken by either Internal Audit, Human Resources, staff within directorates or a combination of these. In all cases Internal Audit undertake a risk assessment upon receipt of the referral and determine the most appropriate investigative route.

## Closed Investigations

7. A total of 13 referrals were closed during the period. The outcomes are shown in the table below by directorate. Where appropriate, the investigation report included recommendations for improvement.

Referral type	Adults & Health	Children & Families	City Development	Communities, Housing & Environment	Resources	Total
Economic and voluntary sector support fraud (Covid and other grants)					1 not proven 1 proven ongoing recovery £40k	2
Staff conduct		1 not proven			1 proven No disciplinary action required <sup>1</sup>	2
Corruption/maladministration					1 not proven	1
Theft		1 not proven				1
Mandate fraud	1 referred to external body			1 proven £23k being recovered.		2
Non compliance with policies and procedures		1 not proven		1 not proven	1 not proven	3
Safeguarding		1 not proven				1
Value for money				1 (part proven)		1
<b>Total</b>	<b>1</b>	<b>4</b>	<b>0</b>	<b>3</b>	<b>5</b>	<b>13</b>

<sup>1</sup> Allegations not relevant to role undertaken within the council

8. The table below compares the number of referrals received by financial year. The referrals received during 2020-21 were higher than those in previous years, most notably due to concerns being raised regarding covid business grants. There are no trends in terms of specific fraud risks to draw members attention to.

<b>2019-20</b>	<b>2020-2021</b>	<b>2021-2022</b>
46	74	45

### **Proactive Anti-Fraud Work**

9. To help ensure that there is an effective counter fraud culture in place within the council, we have included time in the counter fraud block of the Internal Audit Plan to undertake proactive fraud reviews. These reviews consider areas identified through various methods, including the use of best practice publications and our internal risk assessments.

### **National Fraud Initiative (NFI)**

10. The NFI is an exercise conducted by the Cabinet Office every two years that matches electronic data within and between public and private sector bodies to prevent and detect fraud and error. Relevant teams within the Council (for example, Internal Audit, Benefits, Housing and Tenancy Fraud) have been working through the matches on a risk basis.

11. Internal audit has overall responsibility for monitoring the progress of this exercise and ensuring that the NFI system is updated. 17,205 matches have been received and 14,848 have been closed. Nineteen errors have been identified resulting in the recovery of £35,465<sup>2</sup>

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<sup>2</sup> The errors relate to Housing Benefit and Council Tax Reduction Scheme overpayments

### Covid 19 Business Grants and Council Tax Rebate scheme

12. We have continued to undertake post payment assurance on the Covid business grants. This work is being undertaken in accordance with government requirements. Various data streams are being used to inform our post payment testing. This includes information from a number of different sources comprising NFI bank account and company status validation checks, data provided through the Government's 'Spotlight' system, and data on grant payments identified as higher risk through our analysis. We are investigating those businesses deemed to be higher risk and we are liaising with colleagues, partners and relevant external bodies where the legitimacy of grant payments is unclear. A separate paper has been produced on this work for members.

13. We have attended the project board for the Council Tax Rebate scheme to provide advice on counter fraud controls. This has included liaison with the Cabinet Office on the use of Spotlight for bank verification checks and attending government webinars on the use of this tool.

### Direct Payment review

14. Direct payment fraud is a recognised fraud risk, with CIPFA estimating that £4.9m was lost nationally to direct payment fraud in 2019/20. The council has a Direct Payment Audit Team within the Adults and Health Directorate, who are responsible for the audit of both adults and children's direct payments. The fraud prevention and detection controls falling under the remit of the Direct Payments Audit team were reviewed and found to be robust and operating well in practice. Recommendations were made to further strengthen the control environment, including working with other authorities to share data (where permitted by legislation) due to the cessation of the National Fraud Initiative mandatory data match.

### Awareness Raising

15. Included in our counter fraud arrangements are the regular communications to staff of current fraud risks, and the signposting of where to report any concerns. During November we raised awareness of fraud risks to staff via Insite. This promotion was timed to coincide with International Fraud Awareness Week and reminded staff of our counter fraud policies and how to raise concerns.

16. The 'Tackling Fraud and Corruption' toolkit on Insite has been refreshed to coincide with the launch of the Counter Fraud and Corruption Strategy and Fraud Response Plan, and the revised Whistleblowing Policy. This includes a foreword from Cllr Kamila Maqsood in the role of Counter Fraud Champion as we explore how we engage and increase awareness around the counter fraud arrangements. The 'Reporting Fraud, Bribery and Corruption' page on the public facing website was also updated.

17. We have developed a counter fraud training package for inclusion on the Performance and Learning System. This aims to provide staff with an understanding of the importance of tackling fraud, bribery and corruption and includes information on the key fraud risks to the authority, indicators of fraud, our counter fraud policies, and how to raise any concerns. The training includes key fraud facts/figures, and scenarios that are relevant to staff and their roles within the council. Prior to this being launched, key staff within the council were able to complete this within a test environment and provide feedback which was fed into the training. The training is now available for all staff to complete, and this was communicated through the Best Council Leadership Team and the Manager Communications email issued to appraising managers on a weekly basis.

### **Counter fraud policy framework**

18. As part of our refresh programme of the suite of counter fraud policies, we have undertaken a review of the Anti Money Laundering Policy against legislation, in conjunction with the Money Laundering Awareness Officer in Legal Services. Alongside the policy review we have examined controls within higher risk areas to assess their adequacy. This work is continuing and an update will be provided in the next counter fraud report together with the updated policy.

### **Regulation of Investigatory Powers Act 2000**

19. In the most recent inspection report issued by the Office of Surveillance Commissioners, it was recommended that Members should receive regular reports about the use of the Council's surveillance powers under RIPA.

20. The Head of Service (Legal) has confirmed that there have been no applications for directed surveillance or covert human intelligence source (CHIS) authorisations since the previous update was provided (which covered the period to September 2021). In addition, there has been no use of the powers to obtain communications data over the same period.