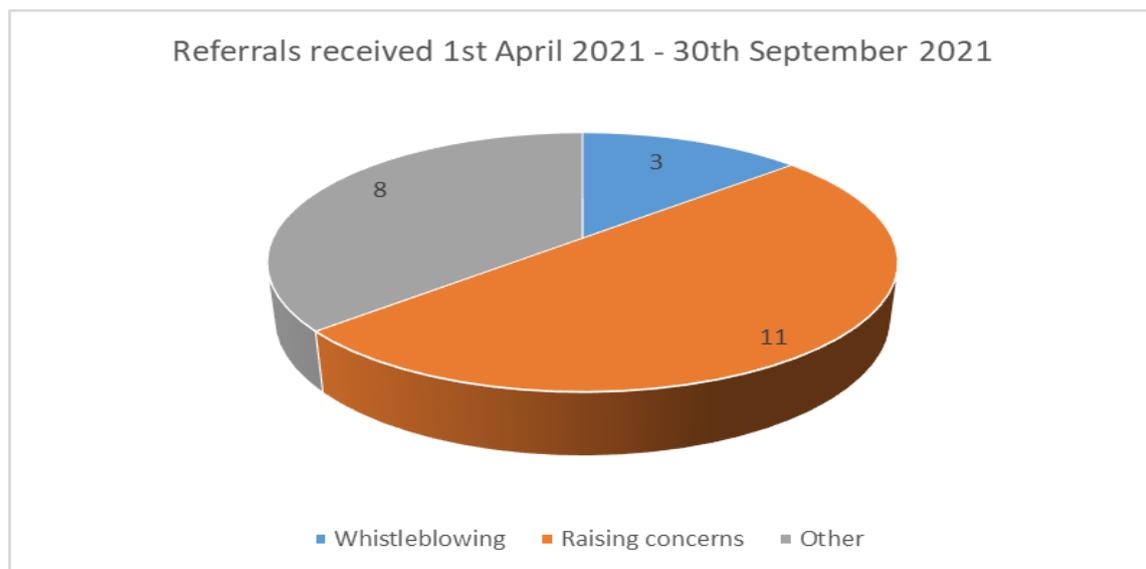


### **Background**

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 second 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 April 2021 – September 2021 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. These referrals provide us with an opportunity to explore areas in addition to those covered in the risk based Internal Audit plan. 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. Recommendations are raised, where appropriate, from both types of review, where gaps in controls or compliance, or where opportunities for improvement are identified.
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**

- Internal Audit are the corporate owners of the Councils' counter fraud policies. Included in this suite of policies are the Whistleblowing and Raising Concerns Policies. These policies provide channels for members of staff and the public to raise their concerns about wrongdoing. These channels include the provision of a dedicated inbox, telephone line, by post, and a 'do it online' form for members of staff.
- The following graph summarises the number of referrals received (22) by Internal Audit in the period by referral route.



- The referrals received through the 'other route' relate to those shared by external agencies, for example the National Anti Fraud Network, or other council services seeking advice or assistance. The table below illustrates the referrals received by directorate by the type of the concern raised.

## Appendix 1 Counter Fraud Update Report

	Directorate					
	Communities Housing & Environment	Resources	Children & Families	Adults & Health	City Development	Total
<b>Description of referrals received</b>						
Payroll fraud		1				1
Insurance		1				1
Economic and voluntary sector support fraud (Covid and other grants)	1	2			1	4
Housing tenancy - RTB, abandonment, sub letting, succession	2					2
Staff conduct			1	1	1	3
Misuse of council funds					1	1
Health and Safety	1		1			2
Corruption/maldadministration	1	1	2	1	1	6
Theft	1	1				2
<b>Total</b>	<b>6</b>	<b>6</b>	<b>4</b>	<b>2</b>	<b>4</b>	<b>22</b>

### Open Investigations

8. As at the 30<sup>th</sup> September 2021, 12 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

9. A total of 33<sup>1</sup> 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.

	Directorate					
	Communities, Housing & Environment	Resources	Children & Families	Adults & Health	City Development	Total
<b>Referrals closed by outcome</b>						
Disciplinary action including dismissal	1					1
Resigned	2					2
Allegation proven		2	1	1		4
Unable to prove or disprove, recommendations raised.		3	2	1		6
Allegation not proven	2	4	2	1	3	12
NFA taken, as service already addressed issues or insufficient evidence to investigate	2	1	2			5
Referred to another external body to investigate	1	1	1			3
<b>Total</b>	<b>8</b>	<b>11</b>	<b>8</b>	<b>3</b>	<b>3</b>	<b>33</b>

<sup>1</sup> This figure includes referrals that were reported in the previous financial year.

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

10. 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 risk based 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)**

11. 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.

12. Internal audit has overall responsibility for monitoring the progress of this exercise and ensuring that the NFI system is updated. 15,712 matches have been received and 10,805 have been closed. Seven errors have been identified resulting in the recovery of £27,049<sup>2</sup>.

### **Covid 19 Business Grants**

13. We have continued to undertake post payment assurance checks 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 and those grant payments identified as being higher risk. We are liaising with colleagues, partners and relevant external bodies where the legitimacy of grant payments is unclear. Recovery action is being taken where appropriate. As these grants are provided to the Council to distribute to businesses, any recovery of funds will be required to be paid back to government.

### **Direct Payment review**

14. An audit is underway which is reviewing the arrangements in place to prevent and detect fraudulent or erroneous direct payments made to individuals. The results will be reported to committee in the next Counter Fraud Update Report.

### **Raising awareness**

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 June we raised awareness of fraud risks to staff via Insite. This promotion was

---

<sup>2</sup> One a council tax support overpayment and six were housing benefits overpayments.

## Appendix 1 Counter Fraud Update Report

timed to coincide with World Whistleblower's Day (23<sup>rd</sup> June) and reminded staff of our counter fraud policies and how to raise concerns.

16. We have developed a counter fraud training package for inclusion on the Performance and Learning System. This includes information on the key fraud risks to the authority, indicators of fraud, our counter fraud policies, and how to raise any concerns. This is now being tested on the Performance and Learning System and is scheduled for inclusion in the live system shortly.

### **Self Assessment of Counter Fraud Arrangements and Strategy development**

17. We have undertaken an assessment of our arrangements against the CIPFA Counter Fraud Assessment Tool. The key areas of this assessment consider how as a council we:

- Acknowledge responsibility
- Identify risks
- Develop a strategy
- Provide resources
- Take Action

18. The output from this was that the Council has reached a good level of performance against the code and has put in place effective arrangements in many aspects and is taking positive action to manage fraud risks and actively working to improve its resilience. This identified that there are further opportunities to strengthen our approach through the development of a Counter Fraud and Corruption Strategy and Response Plan. This is attached to the update report at Appendix 2 and was discussed with members at the counter fraud workshop. A delegated decision to approve this will be taken by the Chief Officer, Financial Services. The strategy will replace the Policy Statement on Fraud and Corruption.

19. An area we have identified following this year's review that we would like to develop, is to establish the role of a Counter Fraud Champion. Our vision is that a member in this role would help to raise awareness of fraud, bribery and corruption within the Council, and endorse the sharing of information on emerging fraud risks and best practice on counter fraud activities. This was discussed at the counter fraud workshop and we would like to invite expressions of interest in this role.

### **Whistleblowing Policy review**

20. As part of our programme of review of the suite of counter fraud policies, we have undertaken a review of the Whistleblowing Policy against best practice and legislation. Minor amendments have been made to the policy and were discussed with members at the counter fraud workshop. The Raising Concerns Policy will be discontinued, as members of the public have now been included within the remit of the Whistleblowing Policy which will be available on the Council's Internet site. This is attached at Appendix 3. A delegated decision to approve this will be taken by the Chief Officer, Financial Services.

## Appendix 1 Counter Fraud Update Report

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

21. 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.
  
22. 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 March 2021). In addition, there has been no use of the powers to obtain communications data over the same period.