

NORTH LINCOLNSHIRE COUNCIL

AUDIT COMMITTEE

COUNTER FRAUD POLICIES AND STANDARDS

1. OBJECT AND KEY POINTS IN THIS REPORT

- 1.1 To provide the Audit Committee with an appropriate level of assurance that counter fraud arrangements are adequate.
- 1.2 To consider and approve the Counter Fraud Strategy.

2. BACKGROUND INFORMATION

- 2.1 The Counter Fraud Strategy sets out the council's determination to deter prevent and detect fraud and safeguard its assets. The Strategy is revised periodically to reflect changes in legislation and recommended best practice guidance. This ensures that the council remains at the forefront of the prevention and detection of fraud and corruption.
- 2.2 The Strategy encompasses policies and procedures that collectively help drive down the risk of fraud and provide a framework to investigate instances of potential fraud. Year on year the Strategy has been significantly strengthened and reference is made throughout the document of the council's response to key publications that represent best practice. The Strategy also recognises the changing environment for the public sector and the economic conditions which increase the risk of fraud. It is vital the council's counter fraud arrangements remain strong. The main revision made is the removal of the Housing Benefits Prosecution policy following the transfer of such investigations to the DWP through the introduction of the Single Fraud Investigation Service in November. Other minor amendments (highlighted for ease of reference) have been made to the Strategy (attached as Appendix A). A further review will take place during 2015/16 following the implementation of an Audit, Risk, Fraud and Insurance Shared Service with NELC and the development of a dedicated fraud team. Consultation will take place with this Committee and Senior Officers on opportunities to integrate counter fraud strategies across both councils.
- 2.3 CIPFA's Code of Practice on Managing the Risk of Fraud and Corruption supports good practice in public sector governance. The

code outlines measures for an effective fraud response, including the importance of leadership, governance and operational arrangements. The code is attached at appendix B and recognises 5 core principles to manage the risk of fraud, namely:

1. Acknowledge the responsibility of the governing body for countering fraud and corruption
2. Identify the fraud and corruption risks
3. Develop an appropriate counter fraud and corruption strategy
4. Provide resources to implement the strategy; and
5. Take action in response to fraud and corruption.

CIPFA also issued guidance notes to support the implementation of the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption. These explain the importance of the principles and help the user apply them in practice. The publication provides guidance on relating the code to the different governance frameworks in operation in the public services. It contains good practice guidance that will assist councils to improve the effectiveness of their counter fraud arrangements. The self-assessment against the Code is attached in appendix C and shows a good level of compliance.

- 2.4 Internal Audit continues to focus on the delivery of a programme of proactive counter fraud work, including development activity and promotional work to raise awareness about fraud threats throughout the council, as well as involvement in a number of reactive investigations. The volume of unforeseen and irregularity work is 8% higher than last year; 173 days against the allocation set aside in the 2015/16 Audit Plan of 160 days. An update of the counter fraud plan is provided in appendix D.

Proactive work

- 2.5 The council fraud risk assessment and exposure profile have been reviewed and updated. Professional guidance and advice received from CIPFA has been considered and high risk areas (such as social engineering i.e. the manipulation of employees to divulge sensitive information) will be incorporated into the audit plan. Other proactive counter fraud work has included reviews of Home Choice Lincs, Highways Stores, Highways flexi & mileage Leisure facilities income, Leisure facilities Debtors, NL Business Network.
- 2.6 Matches for the 2014/16 National Fraud Initiative (NFI) data matching exercise were returned in January 2015. Seventy one reports containing 7,053 matches were returned. In December 2015 an additional 1,143 council tax matches were received. To date 6,496 of the 8,196 total matches have been investigated and in total savings of £124k (from 328 cases) have been identified:
- Approximately £50K benefit fraud has been identified, no further work will take place on these matches as this responsibility transfers to the DWP

- Creditor matches highlighted £22k of overpayments that had not already been identified and credit notes received or reduced future payments made
- Council tax incorrect single residents discount of £52k has been identified

Given the volume of matches and level of overpayments identified, these findings suggest that internal controls in all areas are sufficient and working effectively to reduce the risk of fraud or overpayment

Reactive work

2.7 In addition to ongoing investigations into cases started in 2014/15 Internal Audit has been made aware of 25 new cases of potential fraud and irregularity so far in 2015/16 (19% increase on 2014/15). These have been investigated by officers within the service or in conjunction with HR colleagues and/or the police. Key themes in the period are similar to the previous quarter and include the following:

- Inappropriate use of internet during working hours
- Failure to safeguard assets
- Flexi/ timesheet discrepancies
- Misuse of council data.

2.8 Referrals received via the Whistleblowers' hotline have increased steadily over the last few years:

Year	Referrals received	misdirected calls
2011/12	295	78
2012/13	297	81
2013/14	363	282
2014/15	359	302
2015/16 (April – Dec)	209	338

(High number of misdirected calls are due to the hotline number being quoted prominently on HB& CT notification letters – many calls taken relate to entitlement queries)

This would indicate that:

- The facility is properly promoted
- Users feel confident to use it.

From 1st November Benefit related calls have been re-routed to the DWP as a result of the development of the Single Fraud Investigation Service and since that date the number of calls has dropped significantly.

Housing Benefit Fraud Work

- 2.9 On the 1st November 2015 the council ceased to have responsibility for investigating Housing Benefit fraud allegations and it became the responsibility of the Department for Works and Pensions. All the members of the benefit fraud team who were in scope to transfer to DWP have opted to do so. In future all suspicions of housing benefit fraud have to be referred to the DWP and the council has amended its website to signpost members of the public to refer their allegations directly to DWP. A procedure has also been set up which allows members of staff in the council to refer benefit fraud allegations directly. All ongoing benefit fraud investigation cases have also been migrated across to DWP to allow the investigations to continue.
- 2.10 The council still has responsibility for the assessment and payment of housing benefit claims and it will continue to liaise with DWP in order to safeguard tax payers' money. A small fraud team has been retained by the Council in order to conduct Council Tax Reduction Scheme investigations amongst others, and will form part of the Audit, Risk, Fraud and Insurance Shared Service with NELC from 1st April 2016. Appointments have been made and the team is beginning to develop protocols and procedures share information with the DWP on future Benefits fraud cases. Other corporate fraud work will be reported to this Committee as the team develops its work plan for 2016/17.
- 2.11 As the council's responsibility to investigate benefit fraud ends it is worth considering how successful the team has been and between 2000 and 2015 it has achieved the following results:
- 309 successful prosecutions
 - 275 successful Administrative Penalties
 - 563 Formal Cautions issued
 - 4 new Council Tax Reduction Scheme Penalties issued since the introduction of CTRS
 - Over 2,500 taped interviews under caution conducted
 - Over 40,000 visits conducted (this also includes visits conducted by the VF team between 2001 and 2012 when part of the fraud team)
 - £13M's worth of fraudulent and incorrectly claimed benefit identified.

3. OPTIONS FOR CONSIDERATION

- 3.1 The Committee is asked to consider whether the Counter Fraud Strategy will continue to provide sufficient assurance on the council's counter fraud arrangements in 2015/16 and 2016/17. Members are also asked to consider whether regular reports on proactive and reactive fraud work (similar to those shown in appendix D) will provide sufficient assurance on the adequacy of counter fraud arrangements.

4. ANALYSIS OF OPTIONS

4.1 The Counter Fraud Strategy complies with statutory requirements and professional guidance available and is designed to provide this Committee with the assurance required. The updates on counter fraud work carried out are designed to provide this Committee with the assurance required to fulfil its role effectively.

5. RESOURCE IMPLICATIONS (FINANCIAL, STAFFING, PROPERTY, IT)

5.1 Regular reviews of counter fraud arrangements should safeguard the council's assets and ensure that value for money is achieved in the use of resources. Minor costs associated with the telephone and publicity for the Hotline will continue to be maintained within the Finance Service budget.

5.2 An effective Counter Fraud Strategy demonstrates the council has appropriate arrangements in place to support the Annual Governance Statement and to promote good corporate governance.

6. OUTCOMES OF INTEGRATED IMPACT ASSESSMENT (IF APPLICABLE)

6.1 An Integrated Impact Assessment is not required.

7. OUTCOMES OF CONSULTATION AND CONFLICTS OF INTERESTS DECLARED

7.1 The Counter Fraud Strategy has been revised in consultation with relevant staff from Finance, Human Resources and Legal and Democratic Services to ensure compliance with relevant legislation and council procedures.

7.2 There are no conflicts of interests to declare.

8. RECOMMENDATIONS

8.1 That the Audit Committee considers:

- The assurance provided by the progress report on the adequacy of counter fraud arrangements, and
- Whether the counter fraud work programme delivers a sufficient level of assurance on the adequacy of counter fraud arrangements.

8.2 That the Audit Committee approves the Counter Fraud Strategy.

DIRECTOR OF POLICY AND RESOURCES

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Background Papers used in the preparation of this report :
CIPFA Code of Practice on Managing the Risk of Fraud and Corruption



Counter Fraud Strategy



www.northlincs.gov.uk

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Counter Fraud Strategy

1. Introduction

- 1.1 The public are entitled to expect the council to conduct its affairs with integrity, honesty and openness and demand the highest standards of conduct from those working for and with it. They also expect that the council will safeguard public funds and ensure that they are available and used for their intended purpose that of providing services for the citizens and service users of North Lincolnshire Council.
- 1.2 The Counter Fraud Strategy ('the Strategy') outlines the council's commitment to meeting these expectations by creating a culture of zero tolerance of fraud, theft and corruption and maintaining high ethical standards in its administration of public funds. This strategy also contributes to the achievement of the council's vision of 'Aspiring People, Inspiring Places.'
- 1.3 Specifically the council will ensure probity in local administration and governance by making sure that the opportunity for fraud, theft and corruption is reduced to the lowest possible risk with losses minimised and also taking positive action against all forms of fraud.

2. Purpose

- 2.1 As with other large organisations, the size and diverse nature of our services puts us at risk to loss due to fraud both from within the council and outside it. The public sector has experienced significant legislative change resulting in changes to resources, structure, service delivery and responsibilities. Fraud is estimated (according to the National Fraud Authority) to cost the UK economy £73bn each year with £20.6bn being suffered by the public sector. It is also recognised that during periods of recession the risk of fraud is further increased.
- 2.2 This Strategy sets out the council's approach in preventing and deterring fraud and the underpinning policies demonstrate how fraud once suspected or detected is reported and investigated and the sanctions and recovery that can be applied.
- 2.3 The Strategy meets the legislative requirement to have effective arrangements for tackling fraud. The content conforms to professional guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Association of Local Authority Risk Managers (ALARM)¹. It has also taken account of the National Fraud Authority/ National Crime Agency's Fraud Strategy, and other documents, and relevant legislation such as the Bribery Act 2010.

¹ including – Code of Practice for Managing the Risk of Fraud and Corruption, Protecting the Public Purse, Public Sector Internal Audit Standards.

Counter Fraud Strategy

- 2.4 There are several definitions of fraud because of the many ways that it can be committed. However in the widest sense it is

'An intentional act to deceive or damage another for personal gain'.

- 2.5 There are many types of fraud that can be committed and fraud is ever evolving. Some examples are theft, collusion, bribery, money laundering, and false accounting, counterfeiting, and claiming benefits to which there is no entitlement.

- 2.6 It is also important to point out that fraud can also be committed in person, via correspondence such as emails or via the internet, highlighting how fraudsters can use other forms of media to carry out their deception and do not need face to face contact in order to do so.

3. Scope

- 3.1 This Strategy applies to all cases of suspected or detected instances fraud both internally and externally. It also defines preventative measures taken to mitigate the risk of fraud occurring.

- 3.2 The scope of the Strategy extends to:

- Staff and elected members
- Contractors, agencies and suppliers
- Partners and other third parties including the voluntary sector who receive funding or support from, or deliver services on behalf of, the council
- Service users
- Staff and committee members of organisations funded by the council.

4. Linkages with other policies and procedures

- 4.1 This Strategy is supported by more detailed policies standards and procedures. These include:

- Whistleblowers' Charter
- Fraud Response Plan
- Internal Investigation and Prosecution policy
- Surveillance Policy
- ~~Housing Benefit Fraud Prosecution Policy~~
- Ant- Money Laundering Policy
- Bribery Act Reporting Policy.

- 4.2 The counter fraud framework consists of strategies, policies and functions that enable the council to have effective counter fraud arrangements. Some of the key ones are:

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- Code of Corporate Governance
- The Constitution including Contract Procedure Rules and Financial Regulations
- Finance Manual, and Procurement Manual
- Human Resources policies, particularly recruitment and selection, disciplinary induction and training
- Codes of conduct for councillors and officers, incorporating registers of interests and a Gift and Hospitality Code of Practice
- Risk Management Strategy
- IT Security Policy.

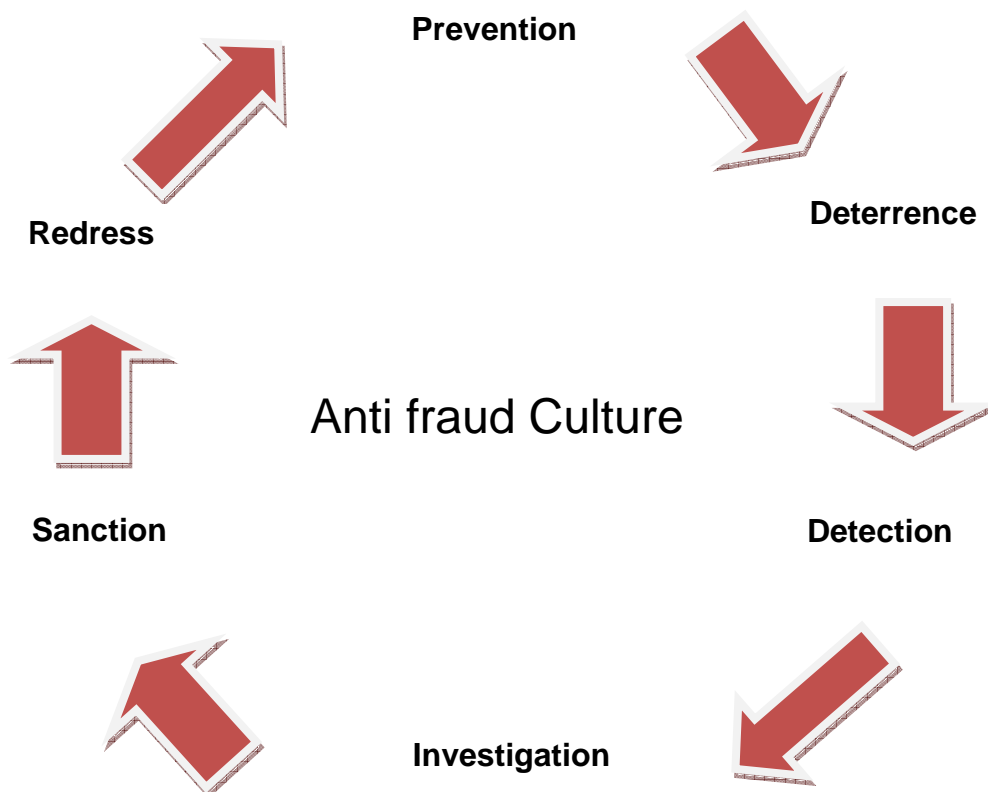
5. Managing the risk of fraud

- 5.1 Everyone has an important role to play in managing the risk of fraud. All Members and employees of the council are expected to
- Abide by relevant codes of conduct, council policies and procedures; including declaration and registration of relevant interests or offer of gifts or hospitality.
 - Lead by example to ensure the council's zero tolerance approach to fraud is achieved.
 - Report any suspicion of fraud.

All suspicions of fraud should be reported using the mechanisms described in the Whistleblowers' Charter. This includes a fraud hotline (01724 296666) and email Hotline@northlincs.gov.uk and online form for the confidential reporting by staff or members of the public of irregularities. ~~The council also has a benefit fraud hotline (01724 296137/8), to allow members of the public to report concerns about individuals who are suspected of abusing the benefits system.~~

- 5.2 The Audit Committee are responsible for ensuring the risk of fraud is adequately managed. This includes approving this Strategy, receiving regular reports from ~~the Counter Fraud Team and~~ Internal Audit on counter fraud activities, and reports from External Audit. These sources provide assurance to the Audit Committee that the risk of fraud is being minimised.
- 5.3 The council is determined to create an anti fraud culture and is achieved by adopting the approach shown in the diagram overleaf.

Counter Fraud Strategy



5.4 The risk of fraud is reduced by:

- **Identifying high risk areas**

Internal Audit works with the Counter Fraud Team to maintain a fraud risk assessment and exposure profile which informs the audit plan of reviews each year. Professional guidance on new or emerging risks is also considered.

- **Implementing systems of internal control**

Managers are responsible for implementing and maintaining effective controls in the systems for which they are responsible, and for deterring, preventing and detecting fraud. They must also monitor compliance with any policies and procedures for which they are responsible.

5.5 Internal Audit is responsible for providing assurance to managers and the council on the effectiveness of control systems and will provide advice and support in the design of new systems and procedures. Audit work is planned to ensure controls over areas identified at a high risk of fraud are effective and auditors will be alert to the risk of fraud in their work. A programme of proactive anti-fraud work will also be undertaken in each year including:

- Maintaining a current fraud risk assessment and exposure profile and carrying out associated audits of high risk areas to mitigate the risk.
- Evaluating policies and procedures in place to counter fraud and assist others in raising awareness of fraud and irregularity when it occurs.

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- Advice on new and changing systems to 'design out' any potential for fraud and irregularity.
- Council wide communications advising on risks encountered and regular newsletters highlighting issues for staff and the citizens of North Lincolnshire and reminding everyone to be vigilant to the risk of fraud.

5.6 Publicity and awareness are an integral part of creating an anti fraud culture, as well as effective prevention and deterrent tools. As such the council is committed to ensuring that awareness levels are as high as they can be across the council. The Strategy is widely available on both the intralinc and the internet, and summary materials are provided in the form of council wide communications. A survey approach is used to determine levels of awareness and issue further publicity material when required. In addition the outcomes of specific risks and investigations are publicised where appropriate to further enhance the deterrent effect and reduce the risk of further fraud occurring.

6. Prevention and deterrence

6.1 Fraud can be costly to any organisation, both in terms of reputational risk and financial losses. The council is determined to prevent fraud from occurring wherever possible through effective systems of internal control and combining with others to prevent and combat fraud.

Internal Control Systems

6.2 The Director of Policy and Resources has a statutory responsibility under Section 151 of the Local Government Act 1972, to ensure proper arrangements are made for the council's financial affairs. In addition, under the Accounts and Audit Regulations 2015, as the 'responsible financial officer' he is required to determine the accounting control systems which shall include:

"measures to enable the prevention and detection of inaccuracies and fraud,"

"identification of the duties of officers dealing with financial transactions and the division of responsibilities of those officers in relation to significant transactions."

6.3 The council has well established policies, procedures and processes which incorporate efficient and effective internal controls to safeguard the council's resources. Managers are responsible for ensuring there is adequate and effective internal control to reduce the risk of fraud e.g. accurate records are kept and preserved, a management/audit trail is maintained, appropriate segregation of duties and management checks. The existence, appropriateness, and effectiveness of these internal controls is independently monitored and reported upon by the

Counter Fraud Strategy

council's Internal Audit Service and reviewed by the Director Policy and Resources.

- 6.4 Specific policies such as the Anti Money Laundering Policy are designed to prevent fraudsters laundering the proceeds of crime through the council by placing limits on the amounts of cash that will be accepted and specifying the checks that will be made when high cash values are received.
- 6.5 A key preventative measure against fraud, theft and corruption is at the recruitment stage by establishing, as far as possible, the previous record of potential employees, in terms of their propriety and integrity. In this regard, temporary employees and casual workers should be treated in the same manner as permanent employees, and all recruitment carried out in accordance with council policy.

Combining with others to prevent fraud

- 6.6 Successfully working with other agencies to combat fraud is a key trigger to the development of the National Fraud Authority (now National Crime Agency NCA) and is emphasised in their national strategy 'Fighting Fraud Together' and public sector guidance 'Fighting Fraud Locally'.
- 6.7 The council is committed to co-operating with other organisations, including the police, to prevent fraud. There are a variety of arrangements in place, which facilitate the regular exchange of information between the council and other organisations for the purpose of preventing and detecting fraud. These involve national, regional and local networks of investigators such as **DWP Single Fraud Investigation Service Officers**, other internal auditors, trading standards officers, **housing benefits investigators** etc.
- 6.8 The council is a member of the National Anti-Fraud Network (NAFN) which facilitates intelligence gathering, collation and dissemination on fraud and corruption issues. Professional advice provided through CIPFA membership is also utilised.
- 6.9 The council widely publicises its zero tolerance approach to fraud e.g. statements in contracts, on claim forms, and in publicity literature to deter fraud. Action taken against proven fraudsters is also publicised whenever possible to demonstrate the council's determination to take decisive action, seek full recovery and serve as a deterrent to others.

7. Detecting and investigating fraud

- 7.1 It is the responsibility of, the Council Management Team (CMT), Directors, senior officers and managers to maintain good control systems and ensure that all employees comply with these systems.

Counter Fraud Strategy

These controls should allow for the prompt detection of anomalies which, if fraudulent, would be referred to Internal Audit to investigate **in conjunction with the Counter Fraud Team.**

- 7.2 Internal Audit has a planned programme to undertake a cyclical programme of audits to test the adequacy of counter fraud measures, based on a risk assessment model that is updated periodically. Data matching and analytical review techniques are also undertaken. This is recognised as an important tool in the prevention and detection of fraud, and is used by many other public bodies. The council participates in the National Fraud Initiative (NFI), which is a national data matching exercise between systems and across a range of bodies to detect and correct any consequential under or over payments to the public purse. Internal Audit also matches data between council systems as part of their counter fraud work.
- 7.3 Despite the best efforts of managers and auditors to detect fraud through the operation and review of internal controls, some frauds are discovered by chance or "tip off", either through the alertness of staff or from a member of the public. In such cases there is a requirement within the council's Financial Regulations for staff to:
- Report actual or suspected instances of fraud or money laundering to Internal Audit.
 - Report findings to the police **only** when advised to do so by Internal Audit.
- 7.4 The council's confidential reporting procedure (Whistleblowers' Charter) provides a clear path for individuals to raise concerns of malpractice in any aspects of the council's work, without the fear of recrimination or victimisation. The Charter is intended to encourage and enable staff to raise serious concerns. Employees reporting concerns in this way are afforded certain rights through legislation (Public Interest Disclosure Act 1998). The action to be taken when there is suspicion of fraud, bribery or money laundering is set out in the Fraud Response Plan, the Anti Money Laundering Policy and Bribery Act Reporting Policy.
- 7.5 Reporting suspected irregularities is essential and ensures:
- Consistent treatment of information regarding fraud and corruption,
 - The Fraud Response plan is carried out properly,
 - Investigation by an independent and experienced audit / **counter fraud** team, and engagement of all relevant parties,
 - The interests of the council are protected, and
 - Internal control implications are considered.

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- 7.6 The Head of Audit, Risk and Insurance² will work with Service Directors and specifically the Director of Policy and Resources to decide on the type and course of the investigation. This will include referring cases to the police where necessary and in consultation with the Head of Audit, Risk and Insurance. Internal Audit has developed a protocol, which covers when referrals are to be made, how they will be managed and the role the two parties will play in the investigation. All investigations will be carried out in accordance with the Fraud Response Plan and in conjunction with Human Resources and Legal as appropriate. ~~Cases of benefit fraud are covered by the Benefit Fraud Prosecution Policy.~~ The council will ensure management action is always taken and may prosecute offenders, after carrying out disciplinary procedures where appropriate. Any internal proceedings do not prejudice a criminal case.
- 7.7 Internal Audit **and the Counter Fraud Team** has experienced staff, to undertake fraud investigations. All allegations of fraudulent activity are reviewed and subject to a risk assessment. In all cases control issues will be reviewed and weaknesses identified. Some cases are followed up with a full investigation, in line with the Investigation and Prosecution policy others are better dealt with as management issues. Where appropriate departments shall:
- Report allegations swiftly
 - Record all evidence received
 - Ensure that evidence is sound and adequately supported
 - Secure all evidence collected
 - Where appropriate, contact other agencies, e.g. police (via Internal Audit), **DWP SFIS**
 - Report to senior management, and where appropriate, support the council's disciplinary procedures
- 7.8 Where surveillance is required as part of an investigation appropriate authorisation is required. The Surveillance Policy signposts to the relevant legislation under which the surveillance should be documented and authorised. Applications for surveillance in potentially criminal cases are made in accordance with the Regulation of Investigatory Powers Act as set out in the council's RIPA Policy and are now subject to approval by the Magistrates Court.
- 7.9 The council's external auditors also have powers to independently investigate fraud and corruption.

8 Sanction and recovery action

- 8.1 In all cases of proven fraud or corruption appropriate disciplinary, prosecution and recovery action will be taken. Application of sanctions promotes the council's 'zero tolerance' of fraud, and also acts as a deterrent to others to commit fraud.

² From 1st April 2016 Head of Audit and Assurance

Counter Fraud Strategy

- 8.2 Where allegations are substantiated an employee will be subject to the council's disciplinary procedures. These could range from management counseling and warnings to dismissal in the most serious cases. Referral to the police will not necessarily prohibit action under the disciplinary procedure. In most cases disciplinary action will be concluded prior to referral to the police.
- 8.3 Cases that are referred to the police could result in cautions, prohibition orders and ultimately custodial sentences for the most serious offences. Criminal prosecution may be sought for serious housing benefits cases and other sanctions of cautions and administrative penalties may also be applied.

9. Training

- 9.1 The council recognises that the success and credibility of its Counter Fraud Strategy will depend largely on how effectively it is communicated throughout the organisation and beyond. To this end, details of the Strategy have been provided to all Members and all employees and have been included on induction programmes. A booklet has been designed for this purpose.
- 9.2 The council will provide relevant training to managers with responsibility for internal control systems, and encourages managers to contact Internal Audit when changes to systems and procedures which could affect internal controls are proposed. Breaches of procedure and misconduct will be dealt with seriously. If appropriate, disciplinary action may be taken.
- 9.3 Officers who are involved in investigating fraud and corruption will be provided with suitable training.
- 9.4 Internal Audit **and the Counter Fraud Team** raises fraud awareness, both in relation to this Strategy and to give guidance on fraud prevention and detection. Fraud related issues will be publicised periodically with details of the outcomes of some of its investigations. These newsletters are also displayed on the Intranet.
- 9.5 It is the responsibility of Directors and service managers to communicate the Counter Fraud Strategy to their staff and to promote a greater awareness of fraud within their departments.

10 Review and monitoring effectiveness

- 10.1 The current version of this Strategy can be found on intralinc and the council website along with supporting information and procedures. In October 2014 CIPFA launched a Code of Practice on Managing the Risk of Fraud and Corruption to support good practice in public sector governance. The code outlines measures for an effective fraud

Counter Fraud Strategy

response, including the importance of leadership, governance and operational arrangements. The code recognises 5 core principles to manage the risk of fraud, namely:

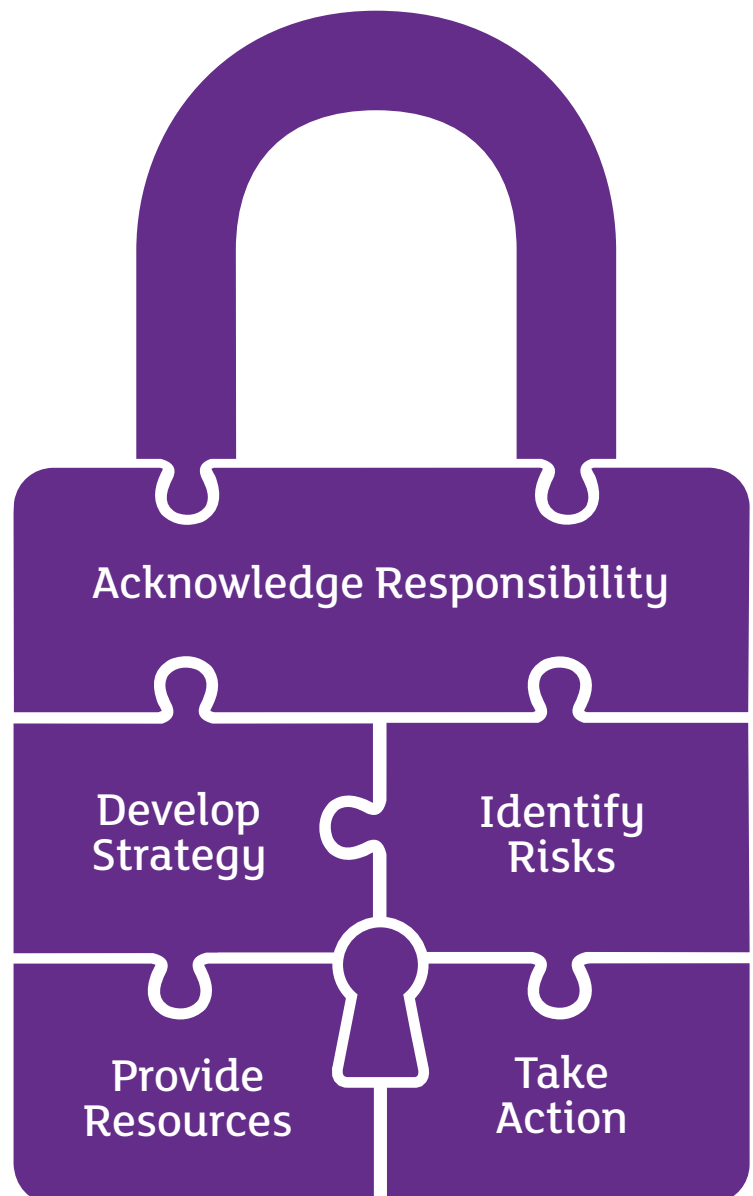
1. Acknowledge the responsibility of the governing body for countering fraud and corruption
2. Identify the fraud and corruption risks
3. Develop an appropriate counter fraud and corruption strategy
4. Provide resources to implement the strategy; and
5. Take action in response to fraud and corruption.

Guidance notes to support the implementation of the CIPFA Code of Practice contains good practice guidance to assist councils improve the effectiveness of their counter fraud arrangements. The Strategy and all supporting procedures will be reviewed as it is deemed appropriate but not less frequently than every 12 months, against best practice available.

- 10.2 The above review and other planned works to review the effectiveness of and compliance to the appendices is contained within the counter fraud section of the audit plan. Responsive action required to raise awareness following reviews will be arranged through all appropriate means of communication including council wide alerts, eLearning, desk top campaigns and the newsletter.
- 10.3 Progress will be monitored by the Audit Committee and various points in the year and will be reported as part of the Annual Governance Statement.

Code of practice on

managing the risk of fraud and corruption



Code of practice on managing the risk of fraud and corruption

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From 1 January 2015, CIPFA will be at 77 Mansell St, London E1 8AN. There will be no change to CIPFA phone numbers, email and web addresses.

Code of practice principles

Leaders of public services organisations have a responsibility to embed effective standards for countering fraud and corruption in their organisations. This supports good governance and demonstrates effective financial stewardship and strong public financial management.

The five key principles of the code are to:

- acknowledge the responsibility of the governing body for countering fraud and corruption
- identify the fraud and corruption risks
- develop an appropriate counter fraud and corruption strategy
- provide resources to implement the strategy
- take action in response to fraud and corruption.

A Acknowledge responsibility

The governing body should acknowledge its responsibility for ensuring that the risks associated with fraud and corruption are managed effectively across all parts of the organisation.

Specific steps should include:

- A1** The organisation's leadership team acknowledge the threats of fraud and corruption and the harm they can cause to the organisation, its aims and objectives and to its service users.
- A2** The organisation's leadership team acknowledge the importance of a culture that is resilient to the threats of fraud and corruption and aligns to the principles of good governance.
- A3** The governing body acknowledges its responsibility for ensuring the management of its fraud and corruption risks and will be accountable for the actions it takes through its governance reports.
- A4** The governing body sets a specific goal of ensuring and maintaining its resilience to fraud and corruption and explores opportunities for financial savings from enhanced fraud detection and prevention.

B Identify risks

Fraud risk identification is essential to understand specific exposures to risk, changing patterns in fraud and corruption threats and the potential consequences to the organisation and its service users.

Specific steps should include:

- B1** Fraud risks are routinely considered as part of the organisation's risk management arrangements.
- B2** The organisation identifies the risks of corruption and the importance of behaving with integrity in its governance framework.
- B3** The organisation uses published estimates of fraud loss, and where appropriate its own measurement exercises, to aid its evaluation of fraud risk exposures.
- B4** The organisation evaluates the harm to its aims and objectives and service users that different fraud risks can cause.

C Develop a strategy

An organisation needs a counter fraud strategy setting out its approach to managing its risks and defining responsibilities for action.

Specific steps should include:

- C1 The governing body formally adopts a counter fraud and corruption strategy to address the identified risks and align with the organisation's acknowledged responsibilities and goals.
- C2 The strategy includes the organisation's use of joint working or partnership approaches to managing its risks, where appropriate.
- C3 The strategy includes both proactive and responsive approaches that are best suited to the organisation's fraud and corruption risks. Proactive and responsive components of a good practice response to fraud risk management are set out below.

Proactive

- Developing a counter-fraud culture to increase resilience to fraud.
- Preventing fraud through the implementation of appropriate and robust internal controls and security measures.
- Using techniques such as data matching to validate data.
- Deterring fraud attempts by publicising the organisation's anti-fraud and corruption stance and the actions it takes against fraudsters.

Responsive

- Detecting fraud through data and intelligence analysis.
 - Implementing effective whistleblowing arrangements.
 - Investigating fraud referrals.
 - Applying sanctions, including internal disciplinary, regulatory and criminal.
 - Seeking redress, including the recovery of assets and money where possible.
- C4 The strategy includes clear identification of responsibility and accountability for delivery of the strategy and for providing oversight.

D Provide resources

The organisation should make arrangements for appropriate resources to support the counter fraud strategy.

Specific steps should include:

- D1 An annual assessment of whether the level of resource invested to counter fraud and corruption is proportionate for the level of risk.
- D2 The organisation utilises an appropriate mix of experienced and skilled staff, including access to counter fraud staff with professional accreditation.
- D3 The organisation grants counter fraud staff unhindered access to its employees, information and other resources as required for investigation purposes.
- D4 The organisation has protocols in place to facilitate joint working and data and intelligence sharing to support counter fraud activity.

E Take action

The organisation should put in place the policies and procedures to support the counter fraud and corruption strategy and take action to prevent, detect and investigate fraud.

Specific steps should include:

- E1 The organisation has put in place a policy framework which supports the implementation of the counter fraud strategy. As a minimum the framework includes:
 - Counter fraud policy
 - Whistleblowing policy
 - Anti-money laundering policy
 - Anti-bribery policy
 - Anti-corruption policy
 - Gifts and hospitality policy and register
 - Pecuniary interest and conflicts of interest policies and register
 - Codes of conduct and ethics
 - Information security policy
 - Cyber security policy.
- E2 Plans and operations are aligned to the strategy and contribute to the achievement of the organisation's overall goal of maintaining resilience to fraud and corruption.
- E3 Making effective use of national or sectoral initiatives to detect fraud or prevent fraud, such as data matching or intelligence sharing.
- E4 Providing for independent assurance over fraud risk management, strategy and activities.
- E5 There is a report to the governing body at least annually on performance against the counter fraud strategy and the effectiveness of the strategy from the lead person(s) designated in the strategy. Conclusions are featured in the annual governance report.

Applying the code in practice

Where organisations are making a statement in an annual governance report about their adherence to this code, one of the following statements should be approved according to whether the organisation conforms with the code or needs to take further action.

The statement should be approved by the governing body and signed by the person responsible for signing the annual governance report¹.

Statement 1

Having considered all the principles, I am satisfied that the organisation has adopted a response that is appropriate for its fraud and corruption risks and commits to maintain its vigilance to tackle fraud.

Or

Statement 2

Having considered all the principles, I am satisfied that, subject to the actions identified below, the organisation has adopted a response that is appropriate for its fraud and corruption risks and commits to maintain its vigilance to tackle fraud.

Actions to be taken to manage the risk of fraud:

Action:	Responsibility:	Target date:

¹ Guidance notes on the implementation of the code to support evaluation are available at www.cipfa.org.

Glossary

As the code can apply to a wide range of organisations generic terms are used to describe governance and leadership responsibilities.

Governing body:

The person(s) or group with primary responsibility for overseeing the strategic direction, operations and accountability of the organisation. Examples include, the Board, Council.

The organisation's leadership team:

Leadership team: comprises the governing body and management team.

Examples or relevant roles include, cabinet members, chair of board, accounting officer, chief executive, executive directors, vice-chancellor, principal, headteacher.



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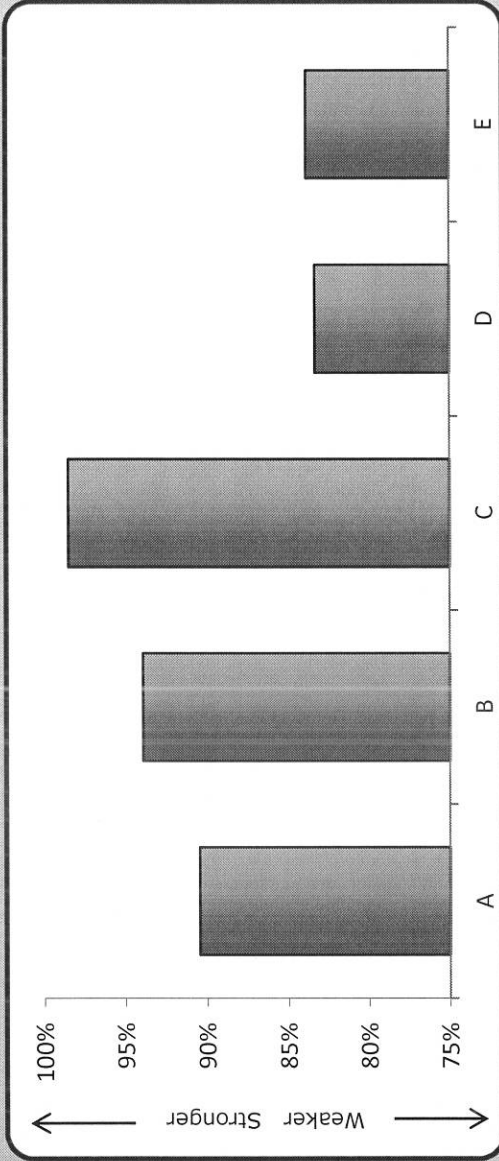
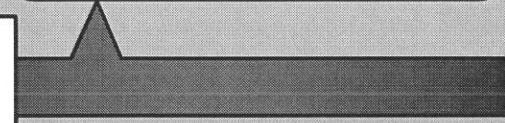


Print



Statements

90%



Acknowledge Responsibility

Identify Risks

Develop a Strategy

Provide Resources

Take Action

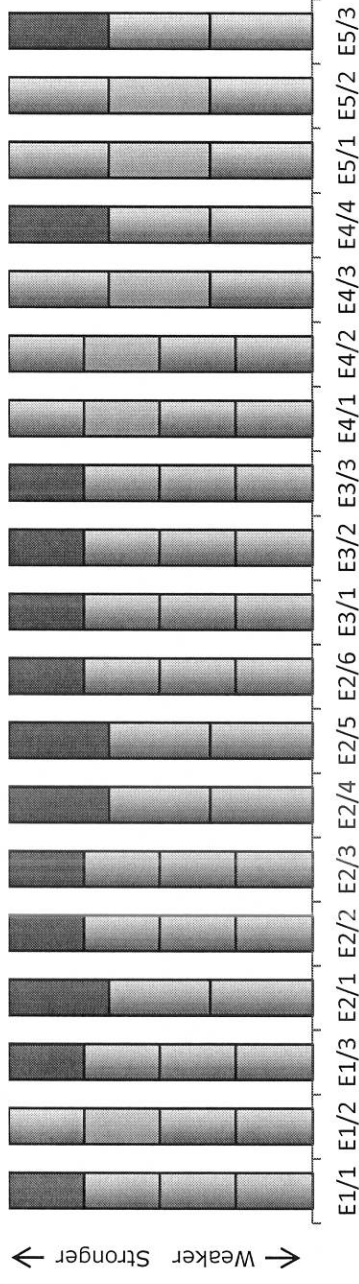
SUMMARY

The organisation is meeting the standard set out in the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption. The leadership has acknowledged its responsibilities for managing the risks and it has robust arrangements in place to identify and manage risks. It has a counter fraud strategy, backed up by the resources and arrangements in place to carry it out. The organisation is proactive in managing fraud and corruption risks and responds effectively. Stakeholders can be confident in the approach taken by the organisation and meeting the standards of the counter fraud code contributes to good governance. Whilst no organisation is 'fraud proof', the organisation has taken robust steps to ensure its resilience. This high level of performance should be acknowledged within the organisation's annual governance report.

Take Action

84%

The organisation is meeting the standard set out in the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption for Principle E. It is actively implementing the actions identified in its counter fraud strategy and responding effectively to the risks emerging. It reviews its performance and has arrangements in place to provide assurance and accountability. The organisation's high level of performance in this area means that it is taking robust steps to improve and maintain its resilience to fraud.



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Statements

Acknowledge
Responsibility

Identify
Risks

Develop a
Strategy

Provide
Resources

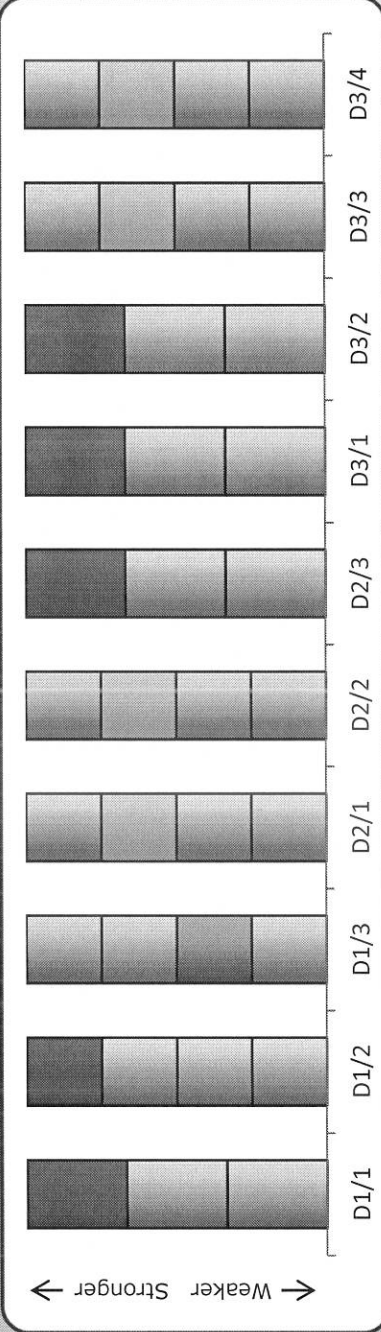
**Take
Action**

SUMMARY

Provide Resources

83%

The organisation is meeting the standard set out in the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption for Principle D. The organisation has put in place a robust process for reviewing its capacity and capability which aligns to its counter fraud strategy. The organisation's high level of performance in this area means that it is taking robust steps to improve and maintain its resilience to fraud.



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Statements

Acknowledge Responsibility

Identify Risks

Develop a Strategy

Provide Resources

Take Action

SUMMARY

Develop a Strategy

99%



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Statements

Acknowledge Responsibility

Identify Risks

Develop a Strategy

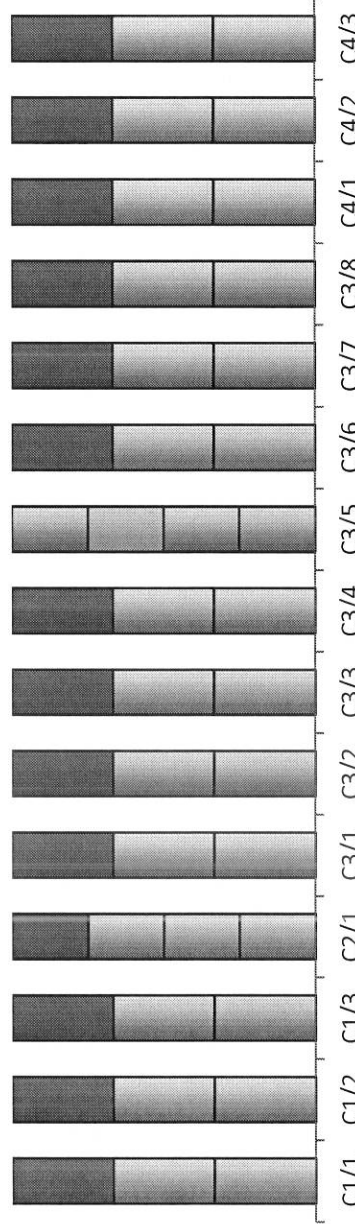
Provide Resources

Take Action

SUMMARY

The organisation is meeting the standard set out in the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption for Principle C. The organisation has put in place a robust strategy to address its fraud and corruption risks and has defined responsibilities for implementation and oversight. The organisation's high level of performance in this area means that it is taking robust steps to improve and maintain its resilience to fraud.

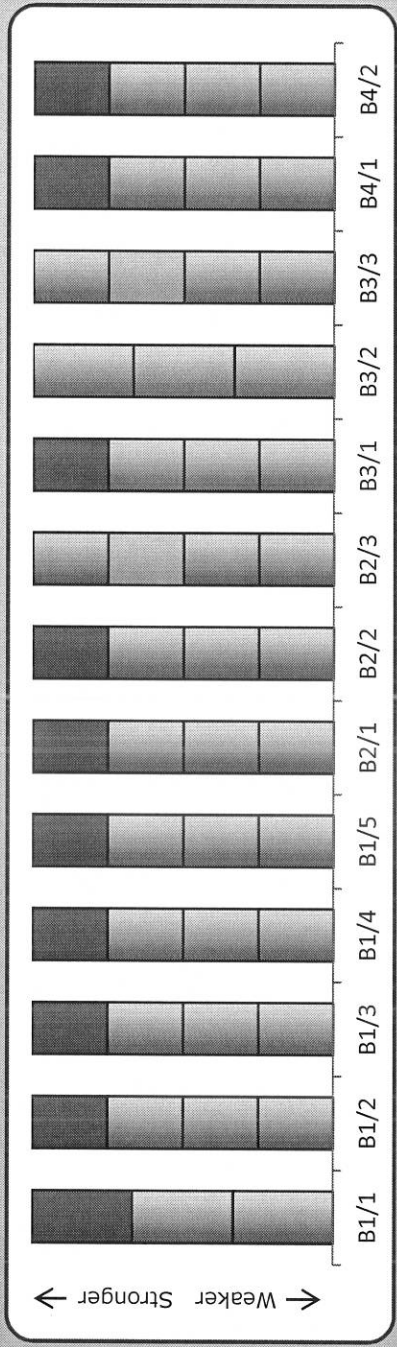
↑ Weaker Stronger ↓



Identify Risks

94%

The organisation is meeting the standard set out in the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption for Principle B. The organisation has comprehensive arrangements for fraud risk identification and assessment and is working to actively manage those risks. The organisation's high level of performance in this area means that it is taking robust steps to improve and maintain its resilience to fraud.



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Acknowledge Responsibility

Identify Risks

Develop a Strategy

Provide Resources

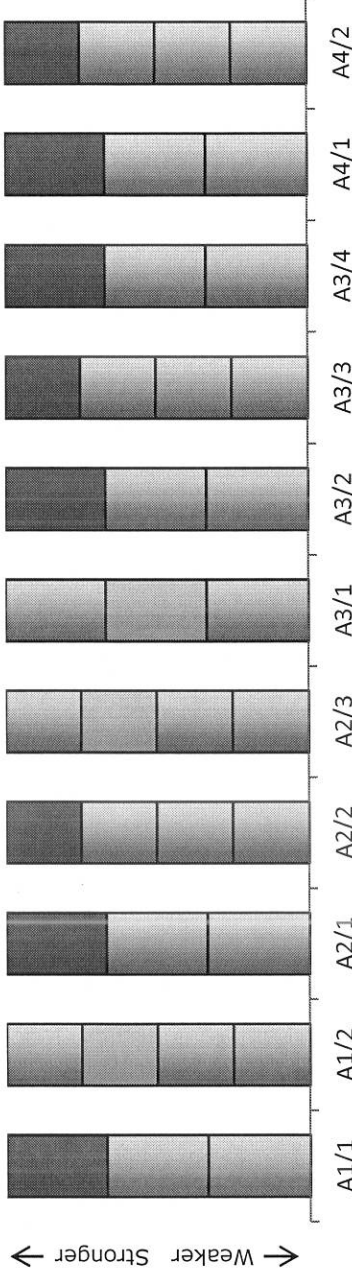
Take Action

SUMMARY

Acknowledge Responsibility

90%

The organisation is meeting the standard set out in the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption for Principle A. The leadership has acknowledged its responsibilities for managing the risks and it has robust arrangements in place to identify and manage risks. The organisation's high level of performance in this area means that it is taking robust steps to improve and maintain its resilience to fraud.



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Statements

Acknowledge Responsibility

Identify Risks

Develop a Strategy

Provide Resources

Take Action

SUMMARY

Internal Audit Plan 2015/16 Counter Fraud Summary

Area	Scope	Planned Days	Progress
Creating and maintaining the anti fraud culture			
Counter Fraud Strategy/risk assessments	Keeping the strategy current, and ensuring risk assessments are up to date	5	The revised Strategy was approved at the January Audit Committee meeting. Staff awareness and training has been postponed until the counter fraud approach has been determined after transfer of some resource to the Single Fraud Investigation Service in October 2015.
Publicity	Continued development of system, promotional and awareness raising activities, refresh to risk assessments, and strategy	5	As above.
Money Laundering	Provision of the system set up client identification checks with services	5	The councils approach was reviewed in 2014/15 and amendments made to the counter fraud strategy and cashiers procedures. Targeted eLearning training for those staff in high risk areas will be developed once the counter fraud structure has been determined
Prevention			
Designing out fraud	Advice in areas where changes to systems are proposed	20	In 2015/16 systems for home choice lincs and Highways stores have been reviewed.
Deterrence			
Fraud Newsletter and Council Wide Communications	Publication of a quarterly newsletter and issue of alerts and council wide communications	5	The newsletter is now a regular item with articles covering current national and local counter fraud topics. Other departments across the council such as Benefits, Trading Standards and Insurance have provided articles. The police also provide updates as appropriate.
Detection			
Data Matching – National Fraud Initiative (NFI) and Data Hub	Audit assistance in the annual exercise of data matching.	40	The 2012/14 exercise is now completed, resulting in fraud/savings of £124K. Council tax/electoral roll matches were recently received these have not been sent to the new counter fraud team to address as yet, spurious matches are being filtered out. To date no data has been provided for the Humber Region Information Hub. Time has been set aside to use IDEA to identify potential fraud areas.
Hotline	Audit response to allegations received via the hotline	40	There had been an increase in calls/emails since 2013/14 with an average of 60 per month being received. However since the an answer phone message was introduced to reduce spurious calls in September and the transfer of staff to the DWP Single Fraud Investigation Service in November calls have reduced by almost 90%.The hotline is continually publicised via the Fraud Focus newsletter and on the council website.
Investigation			
Proactive – misuse of council funds audits	Rolling programme of audits of potential misuse of council funds.	10	Areas included in the 2015/16 Audit plan include Highways flexi and timesheets.
Proactive – investigation of income collection areas	Income based audits	30	Areas for audits this year include, Leisure Facilities Income, NL local business network and TLMS debtors.
Reactive Investigations		As required	