



Committee and Date

Audit Committee

22 March 2012

10.00 am

Item

16

Public

PROTECTING THE PUBLIC PURSE - COUNTER FRAUD SELF-ASSESSMENT

Responsible Officer Chris Kalinowski
e-mail: chris.kalinowski@shropshire.go.uk Tel: 01743 252007

1. Summary

The Audit Commission published "Protecting the Public Purse 2011, Fighting fraud against local government" in November 2011. This contained a checklist for those responsible for governance to assess their organisations counter fraud arrangements. Members are asked to review and comment on the self-assessment questionnaire attached to this report which will allow them to assess the effectiveness of the Council's counter fraud arrangements and identify any further improvements that could be made.

2. Recommendations

Members are asked to:

- A. Consider and comment as appropriate on the attached self-assessment checklist and identify any amendments required.
- B. Identify if there is any further work, actions or training required as a result of the completion of the self-assessment checklist.

REPORT

3. Risk Assessment and Opportunities Appraisal

- 3.1 Counter fraud arrangements are essential to fulfilling an effective Counter Fraud, Bribery and Anti-Corruption Strategy; the Council proactively encourages the detection of fraud and irregularities and the appropriate management of them.

- 3.2 Effective counter fraud arrangements act as a deterrence to fraud and corruption which in turn results in fewer losses, lower insurance premiums and a reduction in time spent on investigations.
- 3.3 The recommendations contained in this report are compatible with the provisions of the Human Rights Act 1998. There are no direct environmental, equalities, consultation or climate change consequences of this proposal.

4. Financial Implications

- 4.1 There are no financial implications.

5. Background

- 5.1 The Audit Commission published “Protecting the Public Purse 2011, Fighting fraud against local government” in November 2011. This contained a checklist for those responsible for governance to assess their organisations counter fraud arrangements.
- 5.2 Members of the Audit Committee, at its training session on the 2nd February 2012, conducted an initial self-assessment of the Council’s Counter Fraud arrangements. The Section 151 Officer and the Audit Service Manager have completed a review of the initial self-assessment questionnaire for members to consider, discuss and amend as they require. A copy of the draft self-assessment questionnaire is attached for Members to review at **Appendix A**.
- 5.3 The initial outcome of the self-assessment was that whilst our counter fraud arrangements are good we identified four areas to further improve the effectiveness of our counter fraud arrangements, these are:
 - 1) Review Shropshire Council’s counter fraud strategy in line with the National Fraud Authority’s forthcoming “Fighting Fraud Locally” when it is published.
 - 2) Conduct a specific Fraud Risk Assessment using the CIPFA tool “FRED 2” (Fraud Risk Evaluation Diagnostic Tool).
 - 3) Develop a formal Counter Fraud Action Plan.
 - 4) Conduct a review of our housing tenancy fraud prevention and detection arrangements in line with National Fraud Authority guidance.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)

Audit Commission “Protecting the Public Purse 2011, Fighting fraud against local government” in November 2011

Cabinet Member (Portfolio Holder) Keith Barrow (Leader of the Council) and Brian Williams (Chairman of Audit Committee)

Local Member N/A

Appendices Draft Counter Fraud Self-Assessment Checklist

| |
|--|
| |
|--|

DRAFT COUNTER FRAUD SELF-ASSESSMENT CHECKLIST

| | Question | Yes/ No | Evidence |
|----|--|----------------|---|
| 1. | Do we have a zero-tolerance policy towards fraud? | Yes | Clearly stated in the Counter Fraud, Bribery and Anti-Corruption Strategy. |
| 2. | Do we have the right approach, and effective counter-fraud strategies, policies and plans? Have we aligned our strategy with “ <i>Fighting Fraud Locally?</i> ” | Yes Yes | Strategy is based on best practice guidance: <ul style="list-style-type: none"> • CIPFA’s “Red Book”. • Cabinet Office “Fighting Fraud Together”. Covering report to Counter Fraud, Bribery and Anti-Corruption Strategy explains that our policy has been aligned with “Fighting Fraud Together”, awaiting publication of “ <i>Fighting Fraud Locally?</i> ”. |
| 3. | Do we have dedicated counter-fraud staff? | Yes | Internal Audit <ul style="list-style-type: none"> • Deliver corporate counter fraud service. • Average 150 day fraud contingency (flexibility to change with demand). • Trained and experienced Investigation staff (including CIPFA “Investigatory practice” qualification) • Knowledge of all Council systems and processes. Housing Benefits Fraud Team <ul style="list-style-type: none"> • Trained & experienced specialist benefits investigators. |
| 4. | Do counter-fraud staff review all the work of our organisation? | Yes | Internal Audit review the work of the whole organisation on a risk based approach. |

| | Question | Yes/ No | Evidence |
|----|---|----------------|---|
| 5. | Do we receive regular reports on how well we are tackling fraud risks, carrying out plans and delivering outcomes? | Yes | Regular reports received on: <ul style="list-style-type: none"> • Internal and External Audit Plans. • Audit work – review controls and reduce risks. • Fraud risks not specifically reported, emerging risks incorporated into the Audit Plan. • Fraud investigation outcomes report to each Audit Committee. |
| 6. | Have we assessed our management of counter-fraud work against good practice? | Yes | <ul style="list-style-type: none"> • Housing Benefits Fraud Team is assessed externally by the Audit Commission • Housing Benefits Fraud Team is assessed internally by Internal Audit • Internal Audit processes have been modified in line with CIPFA's Certificate in Investigatory Practice. • Shared learning through Chief Internal Auditor Networks. |
| 7. | Do we raise awareness of fraud risks? | | |
| a) | With new staff (including agency staff)? | Yes | Staff Induction. Whistleblowing Policy. |
| b) | With existing staff? | Yes | Meritec fraud awareness training module (online and manual). |
| c) | With elected members? | Yes | Member Training. |
| d) | With our contractors? (and the public) | Yes | Whistleblowing Policy |
| 8. | Do we work well with national, regional and local networks and partnerships to ensure we know about current fraud risks and issues? | Yes | <ul style="list-style-type: none"> • National Anti-Fraud Network. • Audit Commission NFI. • Chief Auditor Networks (CCAN & MCCIAG). • Chair of MCCIAG Fraud Group. |
| 9. | Do we work well with other organisations to ensure we effectively share knowledge and data about fraud | Yes | <ul style="list-style-type: none"> • NFI – we respond promptly to all requests. • NAFN – we use and raise fraud bulletin alerts and work with |

| | Question | Yes/ No | Evidence |
|-----|--|-----------|--|
| | and fraudsters? | | <ul style="list-style-type: none"> teams to improve preventative controls. Joint Working with DWP investigation staff. Other Authorities (joint investigations). |
| 10. | Do we identify areas where our internal controls may not be performing as well as intended? How quickly do we then take action? | Yes | <ul style="list-style-type: none"> Audit investigation reports and investigation management reports. Action plans require implementation dates which are followed up for management confirmation of implementation. Assurance levels on routine audit work – “unsatisfactory” and “limited” highlighted to Audit Committee. |
| 11. | Do we maximise the benefit of our participation in the Audit Commission National Fraud Initiative and receive reports on the matches investigated? | Yes | <ul style="list-style-type: none"> Results of NFI reported separately to Audit Committee. Shared learning with MCCIAG. Audit Commission presentation on NFI at MCCIAG fraud group. |
| 12. | Do we have arrangements in place that encourage our staff to raise their concerns about money laundering? | Yes | <ul style="list-style-type: none"> Money Laundering Policy in place. Training provided to all cashier staff at HQ sites. Money Laundering Training programme being devised for all relevant staff. |
| 13. | Do we have effective whistleblowing arrangements? | Yes | <ul style="list-style-type: none"> Whistleblowing policy in place. Annual reminder to staff. Hotline in Audit. Increased number of hotline calls to Audit. |
| 14. | Do we have effective fidelity insurance arrangements? | Yes | <ul style="list-style-type: none"> Policy reviewed annually. Cover set for specific officers up to their authorisation limits. |
| 15. | Have we reassessed our fraud risks since the change in the financial climate? | Partially | <ul style="list-style-type: none"> Risk based audit needs assessment includes fraud element. Awareness & experience of increase in minor fraud. |

| | Question | Yes/ No | Evidence |
|-----|--|-----------|---|
| | | | <ul style="list-style-type: none"> • Flexibility of audit plan to respond to demand. |
| 16. | Have we amended our counter-fraud action plan as a result? | Partially | <ul style="list-style-type: none"> • Audit plan responds to changes following the application of the needs assessment. • Improvement plan specific to fraud will be drafted as a result of this exercise. |
| 17. | Have we reallocated staff as a result? | Yes | <ul style="list-style-type: none"> • Fraud contingency increased during 2011/12 in response to demand. • Internal Audit staff allocated to investigations based on skill requirements and competing pressures. |
| 18. | Do we take proper action to ensure that we only allocate social housing to those who are eligible? | Yes | <ul style="list-style-type: none"> • HomePoint manage applications • Landlord Services Check at offer stage: <ul style="list-style-type: none"> ➤ photo ID ➤ other forms of ID e.g. driving license, passport, marriage certificate etc. ➤ birth certificates ➤ benefit claims |
| 19. | Do we ensure that social housing is occupied by those to whom it is allocated? | Yes | <ul style="list-style-type: none"> • Property Inspection checklists • 4 week and 9 month visit for all new tenants • Tenancy Audit - proportion of tenants visited every month • Target tenants that don't report any repairs, or if access issues such as meter readings, gas checks etc. |
| 20. | Are we satisfied our procurement controls are working as intended? | Yes | <ul style="list-style-type: none"> • Procurement reviewed at each audit • Specific Contract Rules audit • Procurement investigation management reports • Project advice: |

| | Question | Yes/ No | Evidence |
|-----|---|---------|---|
| | | | <ul style="list-style-type: none"> ➤ Highways maintenance, ➤ Leisure outsourcing. |
| 21. | Have we reviewed our contract-letting procedures since the investigations by the Office of Fair Trading into cartels and compared them with best practice? | Yes | This was reviewed by Head of Audit and Council's Procurement Officer when report issued |
| 22. | Are we satisfied our recruitment procedures achieve the following? | | |
| a) | Do they prevent us employing people working under false identities? | Yes | List of eligible proof of identity documents is provided to appointing managers. |
| b) | Do they confirm employment references effectively? | Yes | HR responsible for obtaining references as part of the recruitment process. |
| c) | Do they ensure applicants are eligible to work in the UK? | Yes | Work permits checked for all non UK citizens as part of the recruitment process. |
| d) | Do they require agencies supplying us with staff to undertake the checks that we require? | Yes | Standard clause in agency contracts. |
| 23. | Where we are expanding the use of personal budgets for adult social care, in particular direct payments, have we introduced proper safeguarding proportionate to risk and in line with recommended good practice? | Yes | <ul style="list-style-type: none"> • Detailed monitoring of 1st Quarter bank statements • Risk assessment to establish future monitoring (3, 6 or 12 monthly) • Robust cyclical monitoring process in place • Direct Payments reviewed by Audit last year (reasonable), Personal Budgets planned for March this year. |
| 24. | Have we updated our whistleblowing arrangements, for both staff and citizens, so that they may raise concerns about the financial abuse of personal budgets? | Yes | <ul style="list-style-type: none"> • Joint Protection of Vulnerable Adults Policy & procedures set in 2009 with T&WC • Details on Website, reporting available: <ul style="list-style-type: none"> ➤ Online ➤ Email ➤ Telephone |

| | Question | Yes/ No | Evidence |
|-----|--|----------------|---|
| 25. | Are we effectively controlling the discounts and allowances we give to council taxpayers? | Yes | <ul style="list-style-type: none"> • Council Tax Visiting Officers • Periodic Re-declaration letters • NFI – data matching (SPD to Electoral register) • Desk top reviews – students, 2nd homes, carers. • Benefits Fraud Team |
| 26. | When we tackle housing and council tax benefit fraud do we make full use of the following? | | |
| a) | National Fraud Initiative? | Yes | We subscribe and make frequent use of the service. |
| b) | Department for Work and Pensions Housing Benefit matching service? | Yes | The Housing Benefit fraud team work closely with the DWP |
| c) | Internal data matching? | Yes | E.g. licencing and electoral registration data. |
| d) | Private sector data matching? | No | |