ANNUAL REVIEW OF COUNTER FRAUD, BRIBERY AND ANTI-CORRUPTION STRATEGY AND ACTIVITIES, INCLUDING AN UPDATE ON THE NATIONAL FRAUD INITIATIVE

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1. Summary

This report outlines the measures undertaken to evaluate the potential for the occurrence of fraud, and how the Council manages these risks with the aim of prevention, detection and subsequent reporting of fraud, bribery and corruption. The Counter Fraud, Bribery and Anti-Corruption Strategy has also been reviewed. The strategy continues to underpin the Council's commitment to prevent all forms of fraud, bribery and corruption whether it be attempted on, or from within, the Council, thus demonstrating the continuing and important role the strategy plays in the corporate governance and internal control framework. This report also provides an update on the action plan to ensure continuous improvement providing an update to members in response to national and local issues.

2. Recommendations

A.   Members are asked to consider, and endorse with appropriate comment, the Counter Fraud, Bribery and Anti-Corruption Strategy and measures undertaken and detailed in this report to manage associated risks with the aim of prevention, detection and subsequent reporting of fraud, bribery and corruption.

REPORT

3. Risk Assessment and Opportunities Appraisal

3.1   The adoption and promotion of an effective Counter Fraud, Bribery and Anti-Corruption approach helps the Council encourage the detection of fraud and irregularities proactively and manage them appropriately.

3.2   In aligning the Council's Counter Fraud, Bribery and Anti-Corruption Strategy with CIPFA's Code of practice on managing the risks of fraud and corruption, the Council continues to apply best practice. Potential fraud risks are assessed across the Council and activities in place to mitigate these.

3.3   Internal Audit, working to the Public Sector Internal Audit Standards (PSIAS), has a responsibility to evaluate the potential for the occurrence of fraud and any subsequent management response. This report sets out some of the practices employed to evaluate and manage these risks including involvement with the National Fraud Initiative.

3.4   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

All revisions and activities can be met from within existing budgets.

5   Climate Change Appraisal

This report does not directly make decisions on energy and fuel consumption; renewable energy generation; carbon offsetting and mitigation; or on climate change adaption. Therefore, no effect to report.

6. Background

6.1   The Council sets itself high standards for both members and officers in the operation and administration of the Council's affairs and has always dealt with any allegations or suspicions of fraud, bribery and corruption promptly. It has in place policies, procedures and initiatives to prevent, detect and report on fraud, bribery and corruption, including a Speaking up about Wrongdoing policy, Anti Money Laundering (AML) procedures and guidance, all supported by an overarching Counter Fraud, Bribery and Anti-Corruption Strategy.

6.2   The Counter Fraud, Bribery and Anti-Corruption Strategy is contained in part five of the Constitution, last reviewed and updated in November 2020. In reviewing the Strategy, the updated 2020 Fighting Fraud and Corruption Locally has been considered and the Council's approach aligned to this. All proposed changes are identified in the Strategy in bold italic, underlined font

6.3   The Strategy can be located on the Council's website alongside Speaking up about Wrongdoing policies for both staff and the public and Anti Money Laundering (AML) procedures and guidance. A review of these has identified minor changes which have been reflected in the Strategy and supporting policies, procedures and guidance.

7. Issues

Counter Fraud, Bribery and Anti-Corruption Strategy

7.1   Shropshire's strategy clearly identifies the Council's commitment to an effective Counter Fraud, Bribery and Anti-Corruption approach as part of its overall Corporate Governance arrangements. This aligns with CIPFA's Code of practice on managing the risks of fraud and corruption and recognises that the strategy will enable the Council to:
- Acknowledge and understand fraud risks;
- Prevent and detect more fraud; and
- Pursue and punish fraud and recover losses.

7.2   The Strategy reflects best practice from the National Fraud Authority (NFA) Fighting Fraud Strategies and guidance from organisations such as ALARM (the National Forum for Public Sector Risk Management) and the IIA (Institute of Internal Auditors).

7.3   It is recognised that to reduce losses to fraud, bribery and corruption to an absolute minimum, a strategic approach with a clear remit covering all areas of fraud, bribery and corruption that may affect the Council is required. There needs to be a clear understanding of the importance of the links between policy work (to develop a counter fraud, bribery and anti-corruption culture, create a strong deterrent effect and prevent fraud, bribery and corruption by designing robust policies and systems) and operational work (to detect and investigate fraud, bribery and corruption and seek to apply sanctions and recover losses where they are found).

7.4   The temptation may be to 'pick and choose' actions. However, the full range of integrated action must be taken forward with the Council's focus clearly on outcomes (e.g. reduced losses) and not just activity (i.e. the number of investigations, prosecutions, etc.).

7.5   The strategy continues to emphasise the Council's remit to reduce losses to fraud, bribery and corruption to an absolute minimum. It:
- Demonstrates links between 'policy' work and 'operational' work. Has robust arrangements and executive support to ensure counter-fraud, bribery and corruption measures are embedded throughout the Council.
- Shows agreement by both the political and executive authority for the Council's approach.
- Acknowledges fraud and identifies accurately the risk.
- Creates and maintains a strong structure to pursue its remit including:
  o Having the necessary governance, authority and support;
  o Providing for specialist training and accreditation;
  o Completing appropriate propriety checks;
  o Developing effective relationships with other organisations.
- Enables actions to tackle the problem by:
  o Integrating different actions;
  o Building a strong counter fraud and anti-corruption culture;
  o Having clear actions to deter any problem;
  o Acting to prevent fraud and corruption;
  o Early detection of any issues;
  o Investigating appropriately in accordance with clear guidance;

- o Having clear and consistent sanctions where fraud or corruption is proven;
  - o Having clear policies on redressing losses.
- Focuses on outcomes and not merely activity.

National Picture

CIFAS Fraudscape 2020

7.6 CIFAs is a fraud prevention service in the United Kingdom. It is a not-for-profit membership association representing organisations from across the public, private and voluntary sectors. In their 2020 fraudscape document, they report a 13% increase of fraudulent conduct in 2019, compared to the previous year. High risk areas of fraud include:
- Identity fraud fuelled not only by more advanced technological techniques such as vishing[1], phishing[2] and smishing[3], but also from the way we store personal information and the risk of data breaches.
- Data theft on line and
- Insider threat which showed a 13% increase on last year with the main cases involving dishonest actions by staff, such as cash theft from an employer or customer and employment application fraud, such as false qualifications and references.

7.7 The CIFAs report concluded that may of the key issues that face the UK's fraud prevention community are tied together by technology and the internet.

The Fighting Fraud and Corruption Locally (FFCL); A Strategy for the 2020s

7.8 The Fighting Fraud and Corruption Locally Strategy (FFCL) 2020 is England's counter fraud and corruption strategy for local government. It continues to be the definitive guide for council leaders, chief executives, finance directors, and all those with governance responsibilities. It is aimed at local authorities who undertake work in the counter fraud area. The Companion contains good practice and a checklist for local authorities to use as part of making sure they have the right processes and resources in place. The Council's Counter Fraud, Bribery and Anti-Corruption Strategy continues to be aligned to this checklist.

7.9 Following review against the revised FFCL Strategy improvements were made to the Council's Counter Fraud, Bribery and Anti-Corruption Strategy. These improvements build on the principles already adopted and in place.

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[1] The fraudulent practice of making phone calls or leaving voice messages purporting to be from reputable companies in order to induce individuals to reveal personal information, such as bank details and credit card numbers

[2] The fraudulent practice of sending emails purporting to be from reputable companies in order to induce individuals to reveal personal informtion, such as passwords and credit card numbers.

[3] Smishing is a portmanteau of "SMS" (short message services, better known as texting) and "phishing." When cybercriminals "phish," they send fraudulent emails that seek to trick the recipient into opening a malware-laden attachment or clicking on a malicious link. Smishing simply uses text messages instead of email.

7.10   The Strategy now includes a fourth pillar to Govern, setting out that the Council has executive support over controls and processes and robust arrangements to ensure counter fraud, bribery and anti-corruption measures are embedded throughout. Overall an additional theme to Protect is introduced that the Council and our residents will be protected.   We will do this by protecting against serious and organised crime, protecting individuals from becoming victims of crime and protecting against the harm that fraud can do to the community. Council responsibilities will also cover protecting public funds, from fraud and cyber-crime and from future frauds.

7.11   The 2020 Strategy comes with a refreshed checklist and this will be assessed against and reported on to a future Audit Committee to ensure that the Council continues to protect its assets and further improve its resilience to fraud and corruption. Following the 2016-19 action plan to date the following has been delivered:

Action Plan

Action	Implementation Date and Update
To proactively use the results of previous fraud risk assessments and publicly available information from recognised organisations to direct counter fraud resources in the annual Internal Audit Plan.	Completed and ongoing
To refresh the Council's suite of anti-fraud policies, strategies and procedures and to ensure that they continue to be relevant to national guidance.	Annually in November Completed and ongoing
To remind all staff and members of their role in sustaining a strong counter fraud, bribery and anti- corruption culture and the appropriate reporting channels where any fraud is suspected.	Annually in November Completed through directorates and management meetings
To undertake an annual Fraud Risk Assessment covering the Council's main areas of exposure to fraud and to use the results to influence the Council's approach moving forward.	Annually in October Completed and ongoing
To update the Council's e-learning module on Fraud Awareness and to promote its uptake by all employees.	Completed and ongoing
To be an active participant in the National Fraud Initiative (NFI) and to investigate robustly suspected cases of fraud identified through NFI and report outcomes to Audit Committee.	Biannually in November Completed and ongoing

Action	Implementation Date and Update
To refresh the Fraud Awareness pages on the web site and to engage with managers through targeted communications to emphasise their obligations to operate effective systems of internal control which are designed to reduce the risk to the Council of fraud, error or inadvertent loss.	Completed and ongoing annually in November
Refresh of the Council's Money Laundering Policy, communication of and training on.	Completed and ongoing

CIPFA tracker

7.12   The CIPFA Fraud and Corruption Tracker (CFaCT) is an annual survey of the fraud and corruption detected in local authorities across the UK. Its intention is to provide a more complete picture of local authorities' vigilance in respect of fraud.   It examines:

- Levels of fraud and corruption detected each financial year;
- Number of investigations undertaken;
- Types of fraud encountered;
- Emerging trends.

It is an up-to-date overview of all fraud, bribery and corruption activity across the UK public sector.

7.13   The CIPFA Fraud and Corruption Tracker (CFaCT) survey gives a national picture of fraud, bribery and corruption across UK local authorities and the actions being taken to prevent it. It aims to:

- help organisations understand where fraud losses could be occurring
- provide a guide to the value of detected and prevented fraud loss
- help senior leaders understand the value of anti-fraud activity
- assist operational staff to develop pro-active anti-fraud plans.

7.14   The Council has participated in this for the 2019/20 year.   CIPFA are now collating and analysing the responses and will publish the national report in early 2021, the outcome of which will then be shared with Audit Committee members.

CIPFA's Counter Fraud Assessment Tool

7.15   This tool is designed to help councils assess their counter fraud arrangements against the standards set out in CIPFA's Code of Practice on Managing the Risk of Fraud and Corruption, as published and reported to Audit Committee in November 2014. The tool is used as a basis for ongoing improvement and development planning, it also provides a basis for assurance on the adequacy and effectiveness of the Council's counter fraud arrangements. The action plan reported on within this report is reflective of the improvements identified when applying this tool.

7.16   Whilst no organisation is fraud proof, Shropshire Council continues to take robust steps to improve its resilience and to meet the standard set out in the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption. Leadership has acknowledged its responsibilities for managing 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 to carry it out, and is proactive in managing fraud and corruption risks and responds effectively. Stakeholders can be confident in the approach taken by the Council and meeting the standards of this code contributes to good governance.

National Fraud Initiative (NFI)

7.17   The National Fraud Initiative (NFI), run by the Cabinet Office, is an exercise that matches electronic data within and between public and private sector bodies to prevent and detect fraud. The Council continues to participate in this exercise. In July 2020 the NFI reported the exercise identified and prevented, £245m fraud and error[4], £215.8 in England of which:

- Pension fraud and overpayments (£55.5m)
- Fraudulently or wrongly received, council tax single person discount (£43.9m)
- Housing benefit fraud and overpayment (£35m)

7.18   The Council for the next round is currently submitting data for matching and once analysed the NFI will share the results for investigation and reporting to the Audit Committee.

7.19   The final national report in respect the 2018/20 data matching exercise is available on line.

Transparency requirements

7.20   Legislation on transparency applies to anti-fraud activities. The Local Government Transparency Code sets out the minimum data that local authorities should be publishing, the frequency with which it should be published and how it should be published. The Council has complied with these requirements, the results of which can be found on the web site.

Update on Regulation of Investigatory Powers Act 2018 (RIPA) Activity

7.21   RIPA continues in force for the purposes of investigatory powers relating to directed surveillance and the use of covert human intelligence sources (CHIS); from April 2019, the Investigatory Powers Act 2016 (IPA) became the primary piece of legislation governing the Council's use of investigatory powers for the lawful acquisition of communications and data about communications. The Investigatory Powers Commission has also created a powerful new Investigatory Powers Commissioner (IPC) to oversee how these powers are used.

7.22   All Council applications to acquire communications data are processed through the National Anti-Fraud Network who act as the Council's Single Point of Contact (SPoC). National Anti-Fraud Network (NAFN) engages with the applicant and the Office for Communications Data Authorisations (OCDA) to obtain

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[4] 1/4/18 to 4/4/20

authorisations on the Council's behalf. A senior manager at service manager level or above within the Council must be made aware of all applications before they are submitted to NAFN for processing.

7.23 The IPCO conducted an inspection at the Council in April 2020, the findings from which appear on the exempt part of this agenda under the regular Committee update.

Whistleblowing Policy

7.24 The Council has a whistleblowing policy for the public and one for its employees. Both policies have been reviewed and updated in respect of key contacts and staff information. There have been no changes proposed to the process of 'blowing the whistle'. An annual reminder is circulated to all employees to raise awareness as to the availability of this policy.

7.25 The Whistleblowing Policy is available to staff via the Intranet pages and is also available to them, along with members and the public, via the web-site; allowing it to be accessed from any computer. This is particularly important as it allows staff to access the policy outside of a work environment, where they may be reluctant to be seen accessing the Whistleblowing policy.

Anti-Money Laundering (AML) Procedure

7.26 The Council's Anti-Money Laundering procedure and guidance have been reviewed, they continue to reflect The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 and require no updates this year. Feedback on the training available on the Council's electronic training tool, Leap into Learning, continues to be very positive. The AML Officer and her deputies continue to stay aware of their requirements. In addition, Directors continue to spread awareness, identify any money laundering risks in their areas to be shared at least annually with the AML Officer and to identify employees who need training.

Serious Organised Crime Checklist

7.27 Organised crime includes drug trafficking, human trafficking, child sexual exploitation, high value fraud and cyber-crime. Organised crime groups may seek to benefit from public services in different ways, including to raise money through fraudulent activity and to use businesses / services used by local authorities to launder criminal proceeds. In this way public money can be lost to local authorities and can ultimately fund other illegal activity.

7.28 In 2017, the Home Office provided a Serious and Organised Crime report and checklist which highlighted that assessing the risk from serious and organised crime and corruption is essential in allowing the Council to identify areas of concern, potential vulnerabilities and to act to strengthen processes and structures that safeguard public money. The checklist evaluates our response and activities in relation to:
- Awareness, Strategy, Guidance and Training
- Risk Management
- Communication and Information/ Intelligence Sharing

- Whistleblowing
- Assurance
- Operational controls for
  - Licensing
  - Planning/ Development management
  - Social Housing
  - Procurement
  - Insider threat

7.29   Directors, Heads of Service and key Procurement Officers have completed and continue to evidence activities against the checklist providing a balanced assessment of the Council's exposure to the risks. In the main, at this high level, risks appear well managed and where improvements can be made, actions have been highlighted as part of an improvement plan.

7.30   The Council's Commissioning and Assurance Board continues to oversee operational management of these actions.

Awareness and training
7.31   Fraud awareness training introduced in 2018 on the Council's eLearning tool, Leap into Learning continues to result in positive feedback from recipients. Questions explore awareness and knowledge of counter fraud procedures including the availability of the whistleblowing policy.

Qualified officers
7.32   Internal Audit has officers trained, up to date and capable of undertaking investigations in a professional manner as the need arises. One officer has the Advanced Professional Certificate in Investigative Practice, two officers are accredited CIPFA Counter Fraud Technicians Course. In total over a third of the Audit team have qualifications or considerable experience in conducting investigations. Given current demands, time has been focused on investigations over proactive prevention work. Balanced against this is that lessons learnt from investigations are used to inform management of control issues and the need for improvements to prevent reoccurrences. These reports are shared with Directors.

Shropshire Council counter fraud risks and plans
7.33   In terms of *potential* for fraud, the counter fraud risk assessment has been refreshed and shared across all directorates. There is no change to the high-risk area of housing benefits. Cybercrime and grants joins the high risk ones reflecting the value and quantity of business grants being manged and the increased reliance on IT for all stakeholders.   Thirteen medium risk areas continue to be identified; the list of risks is:

   High
   - Housing benefits
   - Cybercrime
   - Grants (mainly due to COVID business grants)

Medium
- Payroll, fraudulent travel, expense, overtime and timesheets
- Pension continues after death
- Employee commits benefit fraud
- Inappropriate and incorrect contract awards
- False invoicing
- Debtors; claiming false exemptions, failing to raise a debt, suppressing recovery action
- Theft of cash
- Council tax discounts
- NDR reliefs
- Parking abuse including blue badge use/disabled parking
- Direct payments / personal budgets
- Property and taxi licenses
- Schools diversion of resources

7.34   There are several steps in place, continuing, planned or underway to help to explore, identify and mitigate these fraud risks:

- Housing benefit investigations are referred to the Department of Work and Pensions Single Fraud Investigation Service for action. Housing Benefits, Internal Audit and Human Resources officers continue to jointly risk assess any employees that are suspected of benefit fraud to consider if internal investigations are required or Council assets within the employee's control may be at risk. A review of Housing Benefits is currently underway.

- The 2020/21 NFI exercise including data matching for payroll, pensions, creditors, housing benefit, council tax, personal budgets, blue badge parking permits, direct payments continues. The results of which will be worked through to identify any control risks and deal with any potential fraudsters.

- To support the allocation of grants to businesses during the COVID pandemic, increased due diligence has been applied through the NFI database; companies house enquiries and by using Spotlight, a Government initiative to reduce losses from fraud and error.

- To reduce the risk of cybercrime and the impact it would have on all areas of the Council, a full IT risk assessment is conducted and audit reviews planned and completed in these specialist areas. This does not form part of the risk assessment on fraud. A recent Cyber Risk Assessment audit review has reported reasonable assurance. It looked to ensure that appropriate management arrangements were in place to mitigate cyber related risks associated with new ways of working resulting from the Covid19 pandemic.

- Internal Audit resources have been deployed to provide assurance and advice in respect of new initiatives such as; changes to management of

Adult direct payments; business grant allocations and personal protection equipment contracts and allocations;

- The current year audit plan includes several internal audit reviews that have been conducted, or are planned, to help ensure appropriate controls are in place, and are operational, to counter the fraud risks identified from the risk assessment:

  - Income collection
  - Purchase Ledger
  - Counter fraud work and review of policies
  - Medium, Term Financial Strategy
  - Housing Benefits
  - Budget Management
  - Capital management
  - Data analytics
  - Financial Evaluations
  - Payroll
  - National non-domestic rates
  - Cash office
  - Leave records and management
  - School cross cutting reviews
  - IT reviews, i.e. internet; remote servers; encryption; Sharepoint; wireless.
  - Contracts and tendering, e.g. Highways; IT
  - Final Grant claims, e.g. Strengthening Families Grant
  - Personal budgets; Direct payments

7.35 In summary, the Audit Committee are asked to consider and take assurances as to the level of counter fraud activity undertaken within the available resources.

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

CIPFA: Code of practice on managing the risks of fraud and corruption, October 2014
The Bribery Act 2010
NFA Fighting Fraud Together, the strategic plan to reduce fraud
Fighting Fraud Locally: The Local Government Fraud Strategy 2020
The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017
Regulation of Investigatory Powers Policy (Version4 09/2015) adopted with effect from 1 October 2015
CIPFA Fraud and Corruption Tracker (CFaCT) survey report 2020
National Fraud Initiative (NFI) Report 2020
Home Office Serious and Organised Crime report and checklist 2017
Cifas Fraudscape 2020 Full Digital Report

Cabinet Member (Portfolio Holder) Peter Nutting (Leader of the Council) and Peter M Adams (Chairman of Audit Committee)

Local Member n/a

Appendices: Counter Fraud Bribery and Anti-Corruption Strategy