

Committee: Governance, Audit and Performance Committee
Title: Counter Fraud Strategy Action Plan Update and Associated Documents
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Summary

1. The 2022-24 Counter Fraud Strategy was approved by GAP in March 2022 with a corresponding action plan outlining how the strategy will be delivered. This included identifying fraud and corruption risks, ensuring there is sufficient skill and awareness across the Council to implement the strategy and developing policies and procedures in relation to the action required in response to fraud and corruption.
2. This report provides an update on the work due to be undertaken to September 2022, as set out in the last report to GAP (March 2022).

Recommendations

3. GAP Committee are requested to note the content of this report

Financial Implications

4. None

Background Papers

5. None

Impact

Communication/Consultation	CFWG/CMT September 2022
Community Safety	None
Equalities	None
Health and Safety	None
Human Rights/Legal Implications	None
Sustainability	None
Ward-specific impacts	None
Workforce/Workplace	None

Situation

6. Public sector 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.
7. The 2022 Counter Fraud Strategy was approved by GAP in March 2022 with a corresponding action plan outlining how the strategy will be delivered. This included identifying fraud and corruption risks, ensuring there is sufficient skill and awareness across the Council to implement the strategy and developing policies and procedures in relation to the action required in response to fraud and corruption.
8. A key part of the governance and delivery of the Counter Fraud Strategy is the Council's Counter Fraud Working Group who can provide operational oversight of the Council's counter-fraud activities across all areas of the Council, including those specifically recognised as high-risk areas i.e. Revenues, Benefits, Internal Audit, HR, Cyber Security/Information Governance, Democratic Services, Finance, Procurement, Housing, Insurance and Risk.
9. In the last report to GAP in March 2022, several actions were set out which were due to be undertaken to September 2022. This report provides an update on progress made against those areas.

a) Undertaking Council-wide Fraud Risk Assessment and reviewing any mitigating actions required arising from the assessment.

The Council had already identified Fraud as a risk in its Corporate Risk Register (21-CR-10), which was last reviewed and reported to CMT and GAP in January 2022.

To inform and underpin this Corporate Risk, the Counter Fraud Working Group (CFWG) are developing a more detailed Fraud Risk and Control Assessment (FRCA), breaking down the Council's overall fraud risk into 21 risk areas/categories. These have been defined predominantly by considering CIPFA's annual Counter Fraud and Corruption Tracker Survey (CFACT) and Fighting Fraud and Corruption Locally (FFCL), and then adapted to suit the Council's circumstances.

An initial inherent risk assessment (i.e. an indication of the Council's fraud risk profile before any local controls/other mitigation are considered) has been undertaken. The inherent risk rating considers the latest external sources indicating higher risk areas for all similar local authorities (CFACT/FFCL), and the scope and focus of UDC activities.

CFWG are now assessing the existing anti-fraud controls in place against each risk in order to provide a current and more accurate risk rating. This will include taking account of where officers may identify any control weaknesses that may increase the risk of fraud. Independent assurance can be provided by relevant Internal Audit assignments mapped against the controls identified. The FRCA is intended to be a live document which will continue to evolve with oversight

from CFWG. The intention is also to utilise the Council's Risk and Performance system, Pentana, for this purpose.

Where any existing control weaknesses are identified and/or where a fraud risk area is considered to be outside risk appetite (e.g. exceeding 'Medium'), further mitigations should be devised and as further relevant Internal Audit reports, or other sources of assurance, become available these will inform the control assessment, and therefore the current risk rating, in each fraud risk area.

Going forward, the assessment will consider new and emerging fraud risks and should inform the Internal Audit planning process for future years, ensuring that Internal Audit efforts in assessing anti-fraud controls and/or proactive anti-fraud reviews are directed to the highest risk areas.

In addition, CFWG are in the process of developing a separate Anti-Bribery and Corruption role-based risk assessment to identify the roles in the Council most at risk of bribery and corruption by considering amongst other things levels of seniority, budgetary responsibility, influences over procurement arrangements and the general nature of their duties (e.g. access to information and data, influence over policy decisions). By being role-based, the assessment can identify where appropriate compliance arrangements are required regardless of whether the role is filled by a Member, directly employed Officer, agency, interim, contractor or consultant. Once identified, these roles can then be monitored to ensure transparency over decisions, and any conflicts or failures to disclose are managed appropriately, and also appropriate training can be directed/targeted according to the level of risk.

Whilst this is a positive starting place to scope out current fraud and corruption risk and controls across the Council, further detailed work and evidence will be required to give a truly representative picture. It is proposed an update is provided to GAP Committee in March 2023.

b) Developing a new Whistleblowing Policy and producing a revised Fraud Response Plan aligned to new Counter Fraud and Corruption Strategy.

The Council's current Whistleblowing Policy has been updated (**see Appendix A**) in order to:

- Enable the Council to take action against any potential wrongdoing to achieve the highest possible standards of service, including honesty, openness and accountability.
- Provide a framework to encourage individuals to feel confident in raising concerns and provide avenues in which to raise them.
- Ensure that all disclosures raised are dealt with appropriately, consistently, fairly and professionally, without fear of reprisal or victimisation for reporting in good faith.
- Ensure that the Public Interest Disclosure Act 1998 is applied in all cases

A new Reporting Fraud 'button'/online form is also in the process of being developed to complement the Council's refreshed Whistleblowing Policy and making reporting fraud internally and externally easier/more accessible and to

capture information which may support an investigation more consistently. A Data Protection Impact Assessment is currently being undertaken to ensure that any information captured can be processed securely, confidentially and legally.

Refreshed training will also sit along the new policy, with the Council's Whistleblowing module being relaunched and made mandatory for all Councillors, permanent, temporary and casual employees and agency workers. The module will also continue to be used for all new starters as part of their mandatory induction training.

The Council's refreshed Fraud Response Plan (**see Appendix B**) outlines how allegations of corporate fraud/wrongdoing should be handled, however they are raised. The Fraud Response Plan sets out the framework for escalation, investigation and reporting outcomes to ensure that issues raised are handled consistently.

Both the Whistleblowing Policy and Fraud Response Plan are currently being quality assured by an independent expert.

More specific procedures relating to Council Tax/Tenancy Fraud are set out in separate policies, as these are handled by officers within the Revenues and Housing services. In addition, the Council has a separate Prevention of Money Laundering Policy as part of its Counter Fraud suite. These three policies are currently being reviewed by the Revenues Manager, Housing Options Policy Manager and AD Finance respectively (all of whom form part of CFWG) to ensure they are up to date and reflect current practice.

c) Collating NFI and Transparency Code statistics and developing an NFI operations protocol to ensure we are maximising the benefits of the exercises and participating in the most efficient manner.

The National Fraud Initiative (NFI) is an exercise that matches electronic data within and between public and private sector bodies to prevent and detect fraud. The Council is required to submit data to National Fraud Initiative on a regular basis. The last major exercise was in 2020/21, where 841 matches were generated for investigation across the authority including Housing, Finance, Revenues and Benefits. This can involve a considerable amount of officer time, however, as at September 2022, 68% of matches had been checked and cleared with no fraud identified.

The next major exercise is due to take place in Autumn 2022, with matches due to be released in early 2023.

The Council also participates in the Pan Essex Counter Fraud Data Matching System. This Counter Fraud Matching System is primarily used to identify Council Tax related fraud across Essex, which is investigated by Compliance Officers within the Revenue Service.

Transparency Code data will also be updated at year-end.

As part of the handover to the Council's new Audit Manager, an NFI operations protocol to ensure we are maximising the benefits of the exercises and participating in the most efficient manner.

d) Developing and refreshing training and awareness activities for staff and Members to underpin understanding of anti-fraud and corruption responsibilities.

To supplement the refreshed Whistleblowing Policy, the Council's Whistleblowing training module will be relaunched and made mandatory for all Councillors, permanent, temporary and casual employees and agency workers. The module will also continue to be used for all new starters as part of their mandatory induction training.

In addition, potential Anti-Bribery and Corruption Training online training has been identified, which will be mandatory for all Councillors, permanent, temporary and casual employees and agency workers and should be retaken every 2 years. Following the completion of the Bribery and Corruption Risk Assessment, more targeted training for specific roles will be identified and arranged by the CFWG.

e) Briefing staff on their role and responsibility in preventing and detecting fraud and publicising the new suite of policies.

A communications strategy will be agreed with the Chief Executive to brief all Councillors, permanent, temporary and casual employees and agency workers on their role and responsibility in preventing and detecting fraud and publicising the new suite of policies during October 2022.

10. A more detailed update on Counter Fraud Strategy Action Plan, along with work to be undertaken to March 2023 is provided at **Appendix C**.

Risk Analysis

Risk	Likelihood	Impact	Mitigating actions
Successful attempts of fraud and/or corruption may lead to significant financial loss, service disruption and/or reputational damage.	2	3	Delivery of actions in Action Plan to support the Council's Counter Fraud Strategy which aligns to Fighting Fraud and Corruption Locally best practice and strengthens the Council's resilience against fraud.

1 = Little or no risk or impact

2 = Some risk or impact – action may be necessary.

3 = Significant risk or impact – action required

4 = Near certainty of risk occurring, catastrophic effect or failure of project.