

Anti-Fraud, Bribery and Corruption**APPENDIX A****NAS Anti-Fraud, Bribery
and Corruption Audit
Committee Progress Report
(Including Whistleblowing)****Date****31 December 2018**

1. Introduction

The Norfolk Audit Service (NAS) Anti-Fraud, Bribery and Corruption Strategy and Activity Plan continues to direct the proactive anti-fraud work undertaken by NAS.

Following production of the anti-fraud annual report (2017-2018) in July 2018; this report provides and update in respect of the significant pro-active and reactive anti-fraud, bribery and corruption activity undertaken during the current year.

Furthermore, an update in respect of the Councils Whistleblowing provision can be found in section 4 of this report.

1. Headline Information

- **A new Counter Fraud Hub has been agreed between the Norfolk Local Authorities that will assist with the detection of fraud and error in areas such as Council Tax Reduction Schemes, Business Rates, Adult Social Care and Mortality Fraud**
- **A new whistleblowing policy has been developed and agreed to meet national standards and best practice**
- **A working group has been established with the aim of ensuring that conflicts of interest and gifts and hospitality are robustly managed throughout the Council**
- **A survey has been developed and is being promoted to test staff awareness on fraud related matters within the Council and further promote the Council's Fraud, Bribery and Corruption e-learning**

Further details of all the activity undertaken during the period can be found in section 2 below.

2. Proactive Work Summary

The table below provides a summary of activities that have been completed during the reporting period. These follow the agreed plan of activity.

	Activity
1.	<p>The Councils whistleblowing policy has been updated and was approved by the Policy and Resources Committee on 26 November 2018. A link to the committee report can be found here. (see page 194)</p> <p>Updates to the policy included:</p> <ul style="list-style-type: none"> • A single combined policy and procedure for all those associated with the council to be aware of • Clear definitions relating to the legal protection available for whistle-blowers and the council's stance • Clear reporting lines to ensure that concerns can be reported freely and without fear of repercussion • Defined roles and responsibilities • Recognition of national organisations such as protect (formally public concern at work) and alignment with their recommendations • A new email address and updated whistleblowing hotline created for reporting concerns. <p>Work is currently ongoing to promote the new policy including an awareness campaign which has been developed with the assistance of Human Resources.</p> <p>Further details of whistleblowing disclosures and activity can be found in section 4. of this report.</p>
2.	<p>In October 2017 CIPFA made a presentation to the Council's Digital Innovation and Efficiency Committee relating to the potential for a Norfolk Counter Fraud Hub.</p> <p>It was proposed that the county and district councils form a group and share data to identify potential financial crime using technology provided by BAE Systems. Although expensive the benefits of such a system were understood.</p> <p>The potential frauds that the technology was able to identify was:</p> <ul style="list-style-type: none"> • Council Tax Reduction Scheme (CTRS) Fraud • Housing Tenancy Fraud • Business Rates Fraud <p>Significant progress has now been made in this area and a cost-effective solution has been identified via the Fraud Hub provided the Cabinet Offices National Initiative Fraud Hub. More details about NFI applications can be</p>

	Activity
	<p>found at NFI at this link and NFIMatters</p> <p>Negotiations are currently taking place in respect of initiating the hub and further details will be provided to the Audit Committee once the Hub is active.</p>
3.	<p>During the financial year an increasing number of incidents have been identified whereby fraudsters have attempted to use NCC bank account details for direct debit instruction. The fraud involves using the account details to set up DD's for items such a vehicle licenses through the DVLA and then claiming a refund by cheque, thus inflicting a financial loss on NCC.</p> <p>the fraud is possible due to account details being published so that service users can make payments to the Council. Due to banking procedures (such as refunds) it is not possible to prevent DD's altogether.</p> <p>To mitigate this risk, we have been working with the Banking and Treasury Officer and the following procedures have been implemented:</p> <ul style="list-style-type: none"> • No direct debit requests will be automatically agreed • The bank will report all requests to the Council who will review the request and take the appropriate action • Any fraudulent request will be recorded and where necessary reported to the correct organisation. <p>We will continue the monitor the volume of requests which is expected to decline with the new procedures in place.</p>
4.	<p>Following a recent audit, a working group has been established with the aim of ensuring that conflicts of interest and gifts and hospitality are robustly managed throughout the Council.</p> <p>The group has identified new ways of working to mitigate and monitor this area of risk including:</p> <ul style="list-style-type: none"> • Proactively seeking declarations using a risk-based methodology. • Requiring staff groups to acknowledge awareness of related policies and procedures • Completing eLearning • Raising awareness through NCC media outputs <p>The group work is ongoing, and it is intended the new initiatives will be implemented by the next financial year.</p>
5.	<p>The IA has met/liased with the following departments/personnel throughout NCC to discuss fraud, bribery and corruption issues during the period:</p> <ul style="list-style-type: none"> • Educator Solutions (ES) HR Business Partners. • Lead HR Business Partners.

	Activity
	<ul style="list-style-type: none"> • NP Law Solicitors. • Head of Operations, Integrated Care (West Locality). • Head of Procurement. • Client Services Exchequer Manager. • Director for Public Health • Banking and Treasury department • Adult Social Care leads <p>The purpose of these meetings was to enhance NCC's counter fraud culture, promote the reporting lines for raising concerns, identify areas for counter fraud activity and assess potential investigations.</p>
6.	<p>A new fraud and bribery eLearning course was launched in March 2018.</p> <p>The course was designed to provide basic fraud and bribery awareness and promote the reporting lines for concerns to be raised in accordance with the councils Anti-Fraud, Bribery and Corruption policy.</p> <p>To date 447 staff have completed the course and we continue to promote the course through surveys, discussions with departments and publications such as Norfolk Manager.</p> <p>The eLearning has also been agreed to be rolled out as part of the work being completed under conflicts of interest (see section 4 above).</p>
7.	<p>We have joined the Norfolk Against Scams Partnership (NASP) in cooperation with Norfolk Trading Standards.</p> <p>NASP is a partnership of organisations committed to taking a stand against scams and aims to make Norfolk a scam free county.</p> <p>Being scammed or targeted by fraud can have a devastating impact on some of the most vulnerable people in Norfolk and we will be raising scam awareness in Norfolk schools as part of this collaboration.</p> <p>Work is currently ongoing to agree a charter and once complete awareness materials will be circulated to Schools via Schools Finance on a regular basis as part of our commitment to the partnership.</p> <p>Further information about NASP can be found on their website:</p> <p>https://www.norfolk.gov.uk/business/trading-standards/scams/norfolk-against-scams-partnership</p>
8.	<p>Proactive liaison has been completed with the Client Services Exchequer Manager to discuss internal fraud risks relating to Direct Payments made by the Council for Adult Social Care.</p>

	Activity
	<p>Several new processes and initiatives have been agreed including enhanced pre-employment screening and the potential for data analytics to enhance internal controls and identify outliers.</p> <p>The IA will continue to monitor this risk, assist with evaluating new systems along with NAS Auditors and report any significant findings to the Audit Committee.</p>
9.	<p>The IA continues to liaise with the fraud teams at Broadland District, South Norfolk Council and Kings Lynn & West Norfolk Council.</p> <p>The purpose of the liaison is to promote joint working and identify areas of local and national risk that have impact across the county.</p> <p>Some of the themes discussed include:</p> <ul style="list-style-type: none"> • Provision of a county wide fraud hub • National initiatives • Mitigation of fraud risks
10.	<p>We have provided articles for the inclusion in the Councils internal communication; Norfolk Manager.</p> <p>The articles covered the following topics:</p> <ul style="list-style-type: none"> • The national picture relating to fraud risk. • Prosecutions at other Councils. • Training videos on fraud prevention techniques • Management responsibility for tackling fraud and bribery concerns. • The national fraud initiative. <p>By providing articles of this nature it is intended that managers have a better understanding of the risks that are associated within the topic areas so appropriate measures can be applied to mitigate the risk of fraud and bribery from occurring.</p>
11.	<p>We have work with departments to complete and submit the required data submission for the National Fraud Initiative 2018/2019.</p> <p>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.</p> <p>The data provided by NCC includes areas such as payroll records, creditors records, pension records, direct payment records and other data.</p> <p>The NFI will match the data provided against data from other organisation and release the results of this to NCC in January/February 2019.</p>

	Activity
	<p>Any significant findings will be reported to the Audit Committee and/or considered for further investigation.</p>
12.	<p>We were requested to assist an external organisation who provide children's services with assistance and an investigatory review of systems and functions during April and May 2018.</p> <p>As a result of our work, the organisation was able to take specific action in relation to our findings.</p> <p>We will continue to work with external organisation when required to assist with matters of expertise.</p>
13.	<p>In May 2018 the Chartered Institute of Public Finance and Accountancy (CIPFA) launched the fourth Counter Fraud and Corruption tracker (CFaCT).</p> <p>The results of the national survey were released by CIPFA in October 2018 and revealed the following:</p> <ul style="list-style-type: none"> • The total estimated value of fraud detected or prevented by local authorities in 2017/18 is £302m, £34m less than last year's total. • The average value per fraud has also reduced from £4,500 in 2016/17 to £3,600 in 2017/18. • The number of frauds detected or prevented has risen to 80,000 from the 75,000 cases found in 2016/17. • The number of serious or organised crime cases doubled to 56 in 2017/18. • The amount lost to business rates fraud increased significantly to £10.4m in 2017/18 from £4.3m in 2016/17. • Blue Badge fraud also increased by £3m to an estimated value of £7.3m for cases prevented/detected in 2017/18. • For 2017/18, the three greatest areas of perceived fraud risk are procurement, council tax single person discount (SPD) and adult social care. • For 2017/18, the four main types of fraud (by volume) that affect local authorities are council tax, housing, Blue Badge fraud and business rates. <p>The outcomes of the survey will inform future counter fraud activity and an antifraud audit topic is currently in progress around pre-contract procurement.</p> <p>CIPFA Recommends that:</p> <ul style="list-style-type: none"> • Public sector organisations need to remain vigilant and determined in identifying and preventing fraud in their procurement processes. Their survey showed this to be one of the prime risk areas and

	Activity
	<p>practitioners believe this fraud to be widely underreported</p> <ul style="list-style-type: none"> • Effective practices on detecting and preventing adult social care fraud should be shared and adopted across the sector. Data matching is being used by some authorities with positive results • All organisations should ensure that they have a strong counter-fraud leadership at the heart of the senior decision-making teams and practitioners should be supported in presenting business cases to resource their work effectively • Public sector organisations should continue to maximise opportunities to share data and to explore innovative use of data, including sharing with law enforcement • The importance of the work of the fraud team should be built into both internal and external communications plans. Councils can improve their budget position and reputations by having a zero tolerance approach. <p>A full copy of the report has been provided at Appendix B for the information of the Audit Committee.</p>
14.	<p>The following policies are currently under review to assess their provisions for fraud resilience:</p> <ul style="list-style-type: none"> • Code of Conduct and Behaviour Policy <p>Comparative work against other local government organisations is being completed to identify areas for improvement and best practice.</p> <p>It is intended that this work will inform a wider review intended to strengthen the Councils position for the investigation financial anomalies.</p>
15.	<p>The Investigative Auditor (IA) has attended the following training events:</p> <p>IIA: Internal Audit Course ACAS: Conducting Investigations Course.</p> <p>The purpose of this training was to gain awareness of internal audit and internal disciplinary processes to and encourage ways of working together.</p>

3. Looking Ahead

The table below provides the Audit committee with the proactive Counter Fraud work scheduled to occur for the remainder of the financial year.

Due to reactive investigation priorities and available resource it may not be possible to complete all the stated tasks during the period.

Activity	Quarter 4 2018/19
Reviews and investigation of matches following the release of NFI data.	•
Roll out of the upcoming whistleblowing campaign	•
A review of the 2018 Fraud Survey results including planning for any proactive activity to raise awareness required as a result	•
Furtherance of the NFI fraud hub and associated needs such as investigation provision.	•
Completion of actions as part of ongoing conflict of interest review including eLearning.	•
Attendance at the Local Government Anti-Fraud Conference 2019	•
Production of the Anti-Fraud, Bribery and Corruption Annual Report 2018-19	•

4. The Effectiveness of the Whistleblowing Policy - Update

The Chief Legal Officer and Chief Internal Auditor champion the Whistleblowing Policy. It is their role to ensure the implementation, integrity, independence and effectiveness of the policy and procedures on whistleblowing. It is important to create a culture of confidence for employees to report those concerns, track the outcome of whistleblowing reports, provide feedback to whistle-blowers and take reasonable steps to protect whistle-blowers from victimisation. Not all reported concerns will fall within whistleblowing law, but they are all taken seriously.

Norfolk Audit Service is responsible for receiving and progressing all disclosures made to the Council under the NCC Whistleblowing Policy.

Over the course of the financial year we have been active in raising awareness for the whistleblowing processes and procedures in place at the Council. This has included an article in Norfolk manager in November and December 2018. Because of this activity, a marked increase in the number of referrals made to NAS can be seen (from 5 in 2017/18 to 13 during the current year). The reason for this increase is understood to be the enhanced understanding for reporting matters so that they are recorded effectively. This is seen as a positive step in understanding matters that affect workers and service users alike.

A summary of the Whistleblowing cases received can be found below:

WB Cases received 2018 to date	Cases closed	Total cases on-going
13	5	8

The types of referrals received vary greatly however, the top recurring themes are as follows;

- (a) Care Providers and duty of care
- (b) Bullying and Harassment
- (c) Fraud & Corruption and use of public funds

The role of Norfolk Audit Service in dealing with Whistleblowing complaints is to assess to the disclosures and ensure these matters are addressed by either investigating the matter where it relates to fraud and corruption or; forwarding to the correct department for review and investigation by that department if appropriate.

We also liaise with Whistleblowers as an independent point of contact to ensure segregation of duties and that matters have been resolved to their satisfaction.

Where a whistleblowing referral is received we will inform the appropriate Executive Director of the referral to ensure the matters are addressed effectively.

Lessons learned from whistleblowing cases are reported. Periodic and an annual report on Whistleblowing will be reported to the Policy and Resources Committee.

During the next quarter the risk assessment of an employee suffering a detriment will be considered so that appropriate mitigations can be put in place and monitored. Research has identified there can be a number of contributing factors that can be considered.

Additional resources have been identified for January 2019 to assist with progressing cases and the development of the function.

5. Reactive Investigation Update

The below tables provide a summary of the fraud cases investigated during the current financial year.

The “**Fraud Detected**” column represents cases that resulted in either a sanction or other corrective action to mitigate the risk of reoccurrence:

Cases brought from 2017/2018	Total referrals received 2018/2019 to date	Cases closed - Fraud Detected	Cases closed – No Further action	Total cases on-going

2	6 (instances of referrals for bank direct debit fraud have been recorded as 1, see section 2 (item 3) for further details)	3	3	2
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From the referrals received:

- 1 case related to Norfolk Schools
- 2 cases related to adult social care
- 1 case related to a private company within the supply chain.
- 4 cases related to internal matters

A summary of any financial loss and/or any recovery action will be provided in the 2018-2019 Anti-Fraud, Bribery and Corruption annual report at the end of the financial year.

Contact

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