

Audit Committee

Item No.....

Report title:	Anti-Fraud and Corruption Update
Date of meeting:	26 January 2017
Responsible Chief Officer:	Chief Legal Officer
Strategic impact	
The Committee takes a lead on the Council's Anti-Fraud and Corruption responsibilities and the implementation of that policy and strategy.	

Executive summary

This report provides an update for the Committee on the Council's Anti-Fraud and Corruption activity for the period from January 2016 to December 2016.

Key Messages:

- The Council's Anti-Fraud and Corruption Strategy is being updated (2.2)
- There are adequate resources to manage the risk of fraud and corruption (2.3)
- CIPFA have published the [Fighting Fraud Locally Strategy 2016-2019](#) (2.2)
- The Home Office and Department of Communities and Local Government (DCLG) have published guidance on Procurement and Organised Crime (2.3)
- All Members have been asked to undertake the e-learning via a Powerpoint version of the anti-fraud e-learning package (2.4)
- There are 701 completions for the Fraud Awareness eLearning and 391 completions for the Fraud Prevention eLearning from April 2014 to present. Reminders and new requests, to take the course, were issued in December 2016 (2.5)
- A relevant employee e-learning proposal is being drafted (2.6)
- School Governors, Headteachers and Finance Staff now have access to the Fraud Awareness and Fraud Detection and Prevention e-learning via the Schools learning hub (2.8)
- The 2015/16 transparency data for Fraud has been updated (2.11)
- NFI data has been submitted for 2016/2017 (2.12)
- A Countywide Campaign on the use of Blue Badges took place in November 2016 (2.18)

Recommendation:

The Audit Committee should consider the Anti-Fraud and Corruption Plan at **Appendix A** and; there has been adequate progress to date.

1. Proposal (or options)

- 1.1 The proposals are set out in the Executive summary above.

2. Evidence

- 2.1 This report provides an update for the Committee on Anti-Fraud and Corruption activity for the period from January to December 2016. The last update was presented to the Committee in January 2016. The profile of the Anti-fraud and Corruption arrangements remain high.
- 2.2 The Audit Committee approved the January 2014 edition of the Anti-Fraud and Corruption Strategy, its Policies and Guidance at the January 2014 meeting of the Committee. This is being updated to the latest best practice, including the recently published [Fighting Fraud Locally Strategy 2016-2019](#). The County Leadership Team will be consulted on the policy and strategy.
- 2.3 The Home Office and Department of Communities and Local Government (DCLG) have published guidance on Procurement and Organised Crime. The guidance will be considered and included in the Action Plan, presented at (**Appendix A**).
- 2.4 Adequate resources for Anti-Fraud and Corruption work were set out in the approved Internal Audit Plan for 2016-17 and proposed for the 2017-18 plan going forward. An Investigative Auditor post, to manage any unplanned, reactive investigative work, has been approved. This post is being advertised in January 2017.
- 2.5 A “power point” version of the Anti-fraud e-learning has been created and all Members were made aware of, and asked to undertake, the training in the Members Insight issued on 27 November 2015. Political Assistants were asked to remind Members that this course is available for completion and to advise the Member Support team when they have completed the course in November 2016.
- 2.6 NAS continue to target key finance roles across the authority to promote and increase completion of the e-learning:
- a. All Budget Manager Users and Finance staff have been requested to undertake the course(s) and to encourage staff they are responsible for to undertake them too. Reminders have been sent to users/staff who have not completed the course(s). Any new Budget Manager Users and Finance staff are also asked to undertake the course(s) (the latest reminder or first request was sent in December 2016).

At 30 November 2016 74% of staff who have access to the Budget Manager have completed the Fraud Awareness Course and 46%¹ have completed the Prevention and Detection Course.

- b. The completion of courses has increased across the authority at 30 November 2016. The total take up is shown in Table 3 below:

Table 3 - eLearning Take-up between 1 April 2014 to 30 November 2016

Directorates:	Fraud Awareness	Fraud Detection and Protection
Resources (inc. Finance)	308	222
Community and Environmental Services	256	105
Children's Services	63	43
Adults Services	46	15
Other	28	6
Total	701	391

- 2.7 A relevant e-learning proposal for Fraud Awareness will be presented to the Managing Director in early 2017.
- 2.8 From 1st April 2016 Headteachers, Governors and Finance staff in Norfolk Local Authority Schools have been able to access the Fraud Awareness and Fraud Prevention and Detection courses via the Schools Learning Hub. The course was adapted to incorporate examples which are meaningful to the schools setting. Take up of the courses can be seen in table 4, below.

Table 4: e-learning uptake in LA Schools from 1st April 2016 is as follows:

No. of participants:	Fraud Awareness	Fraud Detection and Protection
Governors	17	5
Headteachers	6	3
Finance Staff	7	2
<i>No of LA schools</i>	<i>27</i>	<i>10</i>

- 2.9 NCC participated in the CIPFA Counter Fraud and Corruption tracker and the CIPFA Counter Fraud Benchmarking Club surveys in 2015. The results of the surveys were reviewed in early 2016 and no actions were identified for NCC.
- 2.10 Due to the low participation across the Home Counties it was agreed that NCC would not participate in the CIPFA Counter Fraud and Corruption tracker and the CIPFA Counter Fraud Benchmarking Club surveys in 2016 to allow priority to be given to delivering the 2016/17 internal audit plan and other work.
- 2.11 Mandatory information required by the [Code on Local Government Transparency](#) has been updated to reflect 2015-16 data, and will be updated again in June 2017 to reflect 2016-17 data. Work is in progress to

¹ Figures are based on all staff with access to Budget Manager. The Prevention and Detection course is aimed at Managers, reports used to establish these figures did not differentiate between Staff and Managers and therefore it would be expected that the percentage would be lower for this course across Budget Manager users.

investigate the further information that is recommended for publication in the Transparency Code. The outcome will be reported to a future meeting.

- 2.12 Data required for the 2016-17 National Fraud Initiative exercise was provided in October 2016 in line with the Cabinet Office timescales and data specifications. Matches are expected to be released in mid-January 2017. Data sets for 2016-17 remain unchanged:
- Creditors
 - Private Residential Care Homes
 - Insurance Claims
 - Direct Payment Personal Budgets
 - Payroll
 - Pensions
 - Concessionary Travel Passes
 - Blue Badges
- 2.13 Work on the 2014-15 exercise is being finalised. There are a small number of low value matches currently being investigated but no significant irregularities that cause concern have been reported.
- 2.14 An Unannounced Cash Spot Checks audit to ensure adequate processes are in place to sufficiently safeguard against misappropriation, misuse, loss and theft for cash held on site was undertaken in February and March 2016. The audit opinion was that internal controls assessed via Cash Spot Checks (Unannounced Visits) are Acceptable.
- 2.15 A high level review was undertaken on the Segregation of Duties on Key Financial Systems in November 2016 at the request of the Audit Committee Members. A management letter detailing the outcome of this review is due to be issued shortly.
- 2.16 During 2016/17 we have been developing the inclusion of anti-fraud awareness and completion of the fraud e-learning courses in our audits to enable us to establish the level of awareness across NCC and to inform our Anti-fraud Action plan. The results will be reported in our Annual Internal Audit report.
- 2.17 An audit of Gifts and Hospitality and of Conflicts of Interests is planned for 2016/17 Quarter 4.
- 2.18 A county wide campaign on the use of blue badges took place in November 2016. The purpose was to raise awareness of the correct use of badges and for any suspected misuse to be reported to NCC.
- 2.19 During the reporting period the Internal Audit Team have not attended any Disciplinary Action Review Group meetings.
- 2.20 The "Take Five" national campaign was promoted via the Friday Takeaway in November 2016. The campaign offered straight-forward and impartial advice to help everyone protect themselves from preventable financial fraud and was led by Financial Fraud Action UK Ltd.

- 2.21 Norfolk Audit Services plan for future work on Anti-Fraud and Corruption Activity is presented at **Appendix A**. Progress is considered satisfactory.
- 2.22 Technical details appear in **Appendix B**, for information.

3. Financial Implications

- 3.1. The expenditure falls within the parameters of the Annual Budget agreed by the Council.

4. Issues, risks and innovation

4.1. Risk implications

This report has fully taken into account any relevant issues arising from the Council's policy and Strategy for risk management and any issues identified in the corporate and departmental risk registers.

4.2. Resource Implications

Our resources for Anti Fraud Activity are set out in the Audit Plan agreed in January 2016. It includes 20 days for the "provision of advice and assistance", which is largely aimed at raising awareness and prevention. There is also provision of 40 days to provide specific audits that seek to detect Fraud. We have made no provision for investigations, although we may become involved in some during the course of the year and where we do we will in the first instance charge the relevant service, but there may be a charge on the contingency. Should there be a major investigation additional resource may be sought.

- 4.3. There are no implications with respect to:

- Legal
- Equality
- Human Rights
- Environmental
- Health and Safety.

5. Background

- 5.1. It is considered that with the proposed changes to Local Public Audit by the Government the scope of Internal Audit's work for public interest matters, such as fraud or corruption, may well become more significant as the External Auditor's role is limited through cost considerations to the mandatory and regulatory requirements.
- 5.2. Under section 17 of the Crime and Disorder Act 1998, the Council has a statutory general duty to take into account the crime and disorder

implications of all of its work, and to do all that it reasonably can to prevent crime and disorder in Norfolk. The Anti-Fraud and Corruption activity is directly aimed at fulfilling this statutory duty and this report sets out the activity for January to December 2016 and future plans with respect to this work.

5.3. **Background papers**

There were no background papers relevant to this report.

Officer Contact

If you have any questions about matters contained or want to see copies of any assessments, eg equality impact assessment, please get in touch with:

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Anti-fraud Action Plan

For each element of the Strategy there are various actions planned and these are set out below, new ones are underlined>. Resources have been allocated to this plan from within the existing audit team and are considered adequate. Progress has been delayed in the reporting period due to managing vacancies within the team

Prevention Actions	Committee Target Date
<p>Continue to:</p> <ul style="list-style-type: none"> • promote and encourage all staff to undertake the ‘Fraud Awareness’ e-learning course and the “Fraud Prevention and Detection” e-learning package for all managers. • promote the Anti-fraud and Corruption Policy Strategy and associated policies. • develop & promote Anti-fraud work to raise fraud risk awareness across the authority, which include posters, attending team meetings and items in key publications such as Norfolk Manager and Horizon • seek to improve our use of data, information and intelligence to further focus our counter-fraud work, in partnership with other teams within NCC, including the Risk Management Officer. • assess processes against CIPFA Guidance on Managing the risk of fraud and corruption, and any subsequent publications • to follow the lessons from the approach encouraged by TEICAFFs Protecting the English Purse to promote high levels of transparency and accountability in our approach to countering fraud • work with the wholly owned companies, including NorseCare Ltd, to maintain consistent prevention measures 	Ongoing
<p>Be alert to:</p> <ul style="list-style-type: none"> • risks of fraud, particularly in growing risk areas, such as Social Care and Direct Payments • risks of organised crime, particularly for procurement 	Ongoing
<p>Review and update the Anti-Fraud and Corruption policy, strategy and supporting documents to incorporate the latest best practice annually</p>	Annually
<p>Improving evidence available to support the processes and controls for procurement risk identification and assessment and for consideration to be given to including a summary of fraud risks identified and reported as part of audits to Audit Committee as part of the half yearly update</p>	June 2017

Engage with BDO to use their expertise and knowledge to facilitate developing the use of data analytics to support audit work.	June 2017
To explore the development of and strengthen Gifts and Hospitality recording referencing best practice	June 2017
Consider increasing the number of qualified Investigators in the Internal Audit team	January 2017
Add Text and On-line referral to the 'How to Contact Us section of the Anti-Fraud Strategy and facilitate these options	June 2017
Investigate encouraging the introduction of Anti-Fraud and Corruption champions within departments. <i>Role to include promotion of anti-fraud, to encourage participation in completion of Anti-fraud e-learning and to identify roles at risk of, and support training sessions to raise awareness of the risk bribery and corruption, across their department.</i>	January 2018
Complete a member survey of anti-fraud and corruption arrangements during 2017/18	January 2018
Investigate and consider the benefits of introducing CIPFA Whistleblowing e-learning	January 2018
Detection Actions	
Participation in the 2016-17 NFI exercise – all key matches to be investigated at a minimum by end April 2017	June 2017
Anti-fraud audits are included in the 2016/17 audit plan: <ul style="list-style-type: none"> • Segregation of duties on Key Financial Systems (end Qtr 3) • Gifts and Hospitality (Qtr 4) • Conflicts of Interest (Qtr 4) 	June 2017

Investigations Actions	
An annual review of our investigation methodology and our reports	June 2017
A annual review the Fraud Response plans	June 2017

Anti-Fraud Technical Details

Section 1 - Prevention

- 1.1 The County Council has clear procedures for the processes to be followed for Cash Handling, Gifts and Hospitality, Conflicts of Interest and Segregation of duties.
- An Unannounced Cash Spot Checks audit to ensure adequate processes are in place to sufficiently safeguard against misappropriation, misuse, loss and theft for cash held on site was undertaken in February and March 2016. The audit confirmed there were adequate internal controls for Cash.
 - A high level review was undertaken on the Segregation of Duties on Key Financial Systems in November 2016 at the Audit Committee Members. A management letter detailing the outcome of this review is due to be issued shortly.
 - An audit of Gifts and Hospitality and of Conflicts of Interests are planned for 2016/17 Quarter 4.
- 1.2 Promotion of the Anti-fraud Awareness and Detection and Prevention courses via targeted emails to finance roles and inclusion of Anti-fraud awareness in audit work.

Section 2 – Detection

- 2.1 The Cabinet Office administrator the bi-annual National Fraud Initiative exercise (NFI) to help detect fraud, overpayments and errors which NCC participate in. Data for 2016/17 exercise was submitted in October 2016, and matches are expected to be released at the end of January 2017. Work on the 2014-15 exercise is being finalised. There are a small number of low value matches currently being investigated. No significant issues have been identified to date and this indicates a positive outcome for NCC.

Section 3 – Investigation

- 3.1 NAS will be recruiting an Investigative Auditor in January 2017.
- 3.2 NAS has engaged the services of a Counter Fraud Officer from Broadland District Council.

Section 4 – Anti-Fraud Benchmarking

- 4.1 Results of the TEICCAF 2015/16 detected fraud survey are due to be published in the “Protecting the English Public Purse 2016” in January 2017. The report is expected to contain a checklist for those responsible for combatting fraud and corruption which will be considered for NCC.
- 4.2 The CIPFA Fraud and Corruption Tracker 2016 report has been received and no action has been identified to be taken by NCC.