

September 2017

Counter Fraud Report 2016/17



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Worcestershire County Council

Internal Audit Services

1. Introduction

1.1. The purpose of this report is to:

- Review the delivery of counter fraud work since March 2016;
- Provide information on the overall effectiveness of the Council's arrangements to counter fraud and corruption.

2. Background

- 2.1. In administering its responsibilities, Worcestershire County Council takes a zero tolerance stance against fraud, corruption and theft, both from within the Council and from external sources. The Council is committed to an effective anti-fraud and corruption culture, by promoting high ethical standards and encouraging the prevention and detection of fraudulent activities.
- 2.2. There are currently no national fraud statistics that relate just to County Councils. In January 2017 the latest Local Authority national fraud statistics reported by The European Institute for Combatting Corruption and Fraud (TEICCAF), which includes information provided by significant proportion of local authorities were that 67 cases fraud were investigated with a total value of £212m. The majority of this related to benefits, housing and council tax which are not the direct responsibility of county councils. The statistics suggest that the incidence of fraud in county councils is relatively low compared to other types of local authority.
- 2.3. Nevertheless the Council cannot be complacent and it is important that high standards of probity and its good reputation for protecting the public purse are maintained. The minimisation of losses to fraud and bribery is essential for ensuring that resources are used for their intended purpose.

3. CIPFA Code

- 3.1. CIPFA have setup a Counter Fraud Centre to promote best practice in preventing fraud and have published a voluntary Code of Practice – Managing the Risk of Fraud and Corruption. The Code has five key principles which are to:
- Acknowledge the responsibility of the governing body for countering fraud and corruption.
 - Identify the fraud and corruption risks.
 - Develop an appropriate counter fraud and corruption strategy.
 - Provide resources to implement the strategy.
 - Take action in response to fraud and corruption.
- 3.2. The Code also makes it clear that leaders of the Council have a responsibility to embed effective standards for countering fraud and corruption within the Council. Part of this process includes a statement in the annual governance statement regarding adherence to the code, which has been done.
- 3.3. There is now a voluntary assessment tool which was produced in October 2015 that Councils are able to use to assess their performance against the Code. Appendix 1 shows the Council's current position against the Code's Principles. The current level

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of compliance with the code is satisfactory and will be further strengthened by further publicity during 2017/18, reminding staff to be aware to the risk of fraud and what to do should they suspect any fraudulent practices.

3.4. CIPFA's Code of Practice details a number of policies as a minimum requirement. These policies form the foundation for a sound anti-fraud culture and will become increasingly important in identifying and reporting potential fraud in an environment of:

- Continuing changes to service delivery e.g. commissioning of services;
- Reduced staffing;
- Changes to the control environment;
- Greater local autonomy;
- Changes to roles and responsibilities

3.5. The current status of these core policies is shown in the table below:

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	Policy	Date last reviewed	Action	Responsible Officer
1.	Counter fraud policy	February 2013	Currently under review	Chief Financial Officer
2.	Whistleblowing policy	December 2015	A new policy has been commissioned by Human Resources and is planned to be completed by September 2017.	Head of HR
3.	Anti-money laundering policy	Currently being reviewed and an updated policy will be report to Audit and Governance Committee in December 2017		Chief Financial Officer
4.	Anti-bribery policy	Included in Counter fraud policy.		Chief Financial Officer
5.	Anti-corruption policy	Included in Counter Fraud Policy.		Chief Financial Officer
6.	Codes of conduct and ethics	Members' – March 2017	March 2019	Monitoring Officer
		Officers' – Currently under review	A new policy has been commissioned by Human Resources and is planned to be completed by September 2017.	Head of HR
7.	Gifts and hospitality policy and register	Included in Codes of Conduct.		Monitoring Officer
8.	Pecuniary interest and conflicts of interest policies and register	Included in Codes of Conduct		Monitoring Officer
9.	Information security policy	February 2017	Next review February 2018	Corporate Information Manager
10.	Cyber security policy.	Included in ICT Policy Suite – February 2016	Next review February 2018	Enterprise Architect

4. Investigative Work 2016/17

- 4.1. The Council does not have a significant number of irregularities. However, the size and complexity of the Council means that it is inevitable that there will be a small number of irregularities to be investigated. Any significant issues arising from investigations are reported to the Audit and Governance Committee.
- 4.2. The following investigations completed by Internal Audit since the previous report:
- In 2015 there was an allegation against a company suspected of obtaining grant monies by submitting fraudulent documentation. This has been referred to the police and following their investigations passed to the Crown Prosecution Service (CPS) and we are currently awaiting the their decision.
 - An investigation was conducted into an officer working in the Development Control Team who appeared to delay reporting a conflict of interest. Prior to a disciplinary hearing taking place, the officer resigned.
- 4.3. There have also been a number of investigations undertaken by management supported by HR:
- Theft by a care worker from a service user. Reported to Police and pleaded guilty at Court.
 - Two cases where timesheets had not been completed correctly resulting in either a written warnings or the employee resigning.
 - One instance of an employee undertaking private work during work time. They were dismissed but reinstated on appeal.
- 4.4. There is one allegation currently being investigated by Internal Audit. This involves a service user receiving a Direct Payment, which may have been claimed fraudulently. We are liaising with the service and the Department for Work and Pensions.

5. Proactive Work 2016/17

- 5.1. Internal Audit has reviewed the Fraud Response Plan, which describes the action individuals should take if they suspect fraud or corruption, and no changes were necessary. The Fraud Response Plan can be found at:
http://www.worcestershire.gov.uk/info/20003/council_democracy_and_councillor_information/1076/internal_audit/2
- 5.2. The 2016/17 National Fraud Initiative (NFI) data matching exercise identified over 10,000 matches for the 'Key' Reports and recommended investigating over 3,200 matches. So far the County has investigated over 3,300 matches and testing on these has identified overpayments to care homes of just over £40,000, and overpayments to deceased Pensioners of over £10,000, which have been, or are in the process of being, recovered. This is an increase on the previous exercise where the overpayments were approximately £11,000 and £5,000 respectively. There have also been a number of Blue Badges and Concessionary Transport Passes that have been cancelled as a result of the NFI information.

6. Conclusion and Next Steps

- 6.1. The Council has a low level of detected fraud when compared with levels reported nationally. This is due to the focus on having robust controls in place to deter fraud.
- 6.2. Nonetheless, it remains essential to continue to encourage a strong anti-fraud culture both through improving the awareness of staff, members and the public and also improving the way fraud is detected. This can be demonstrated by Cabinet acknowledging the responsibility of the governing body for countering fraud and corruption. A report to the Audit and Governance Committee and Cabinet proposing an updated anti-fraud policy will be presented by the Chief Financial Officer in due course. This will provide an opportunity for the Council to confirm its commitment to protecting the public purse and a platform for further publicity.
- 6.3. Internal Audit will continue to review individual fraud risk areas when preparing audit plans, undertake special investigations where appropriate and support the Chief Financial Officer in reviewing the Anti-Fraud and Corruption Strategy.

7. Recommendations

- 7.1. The Audit and Governance Committee are asked to note the report.

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**Appendix 1: Position Statement against the Principles of the CIPFA
Code as at August 2017.**

Principle	Position	Proposed Action	Target Date	Responsibility
1. Acknowledge the responsibility of the governing body for countering fraud and corruption	The Chief Financial Officer is currently reviewing the Anti-fraud and corruption strategy.	None	September 2017	Chief Financial Officer
2. Identify the fraud and corruption risks	The Risk Management strategy now makes reference to identifying fraud and corruption risks.	None	Complete	Corporate Risk Management Group
3. Develop an appropriate counter fraud and corruption strategy	The Chief Financial Officer is currently reviewing the Anti-fraud and corruption strategy.	None	Complete	Internal Audit
4. Provide resources to implement the strategy	The internal audit plan includes provision for investigations and for pro-active work.	No further action.		
5. Take action in response to fraud and corruption.	Where this has been identified it has been investigated and reported to the police/action fraud.		On going	Internal Audit