

August 2018

Counter-Fraud Report 2017/18



Contents

Section	Page
1. Introduction.....	3
2. Background	3
3. CIPFA Code.....	4
4. Investigative Work 2017/18 and 2018/19 to date	5
5. Proposed Proactive Work 2018/19	6
6. Conclusion and Next Steps	6
7. Recommendations.....	6

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 2017;
- Provide information on the overall effectiveness of the Council's arrangements to counter fraud and corruption within the overall local government context.

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. The latest CIPFA Fraud and Corruption Tracker published in 2017 stated that across local authorities more than 75,000 frauds have been detected or prevented in 2016/17 with a total value of £336.2m. The number of fraud cases investigated or prevented dropped in 2017, but the average value per fraud increased from £3,400 to £4,500; the reason for this could be that local authorities are focusing on cases with a higher financial value.

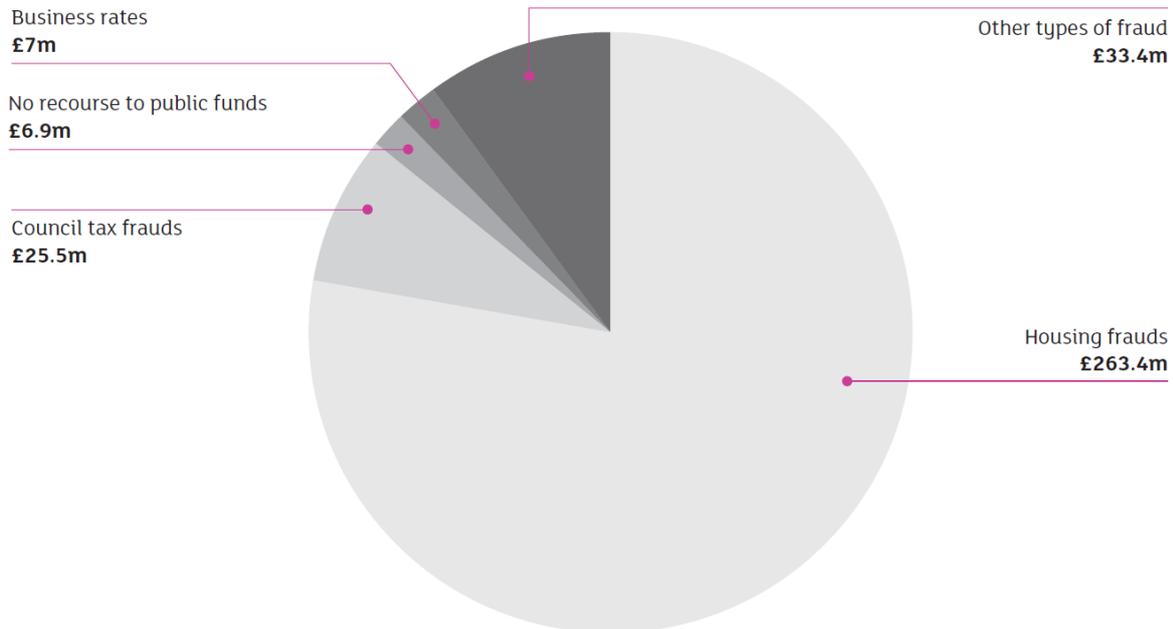
2.3. The survey also revealed the following:

- procurement, adult social care and council tax single person discount are perceived as the three greatest fraud risk areas
- adult social care fraud has shown the largest growth in the past year, with an estimated £5.6m investigated compared with £3.0m in 2016
- the highest number of investigations related to council tax fraud (76%) with a value of £25.5m
- the highest value area of fraud is housing with an estimated total of £263.4m
- 38% of organisations who responded have a dedicated counter-fraud service.

2.4. The estimated value of detected local government fraud is shown in the following chart:

Worcestershire County Council Internal Audit Services

Estimated value of fraud detected



- 2.5. It should be noted that the key fraud risk areas are therefore 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. 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. Key fraud risk areas are taken into account when developing the Council's internal audit plan.

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.

Worcestershire County Council Internal Audit Services

- 3.3. CIPFA have produced a voluntary assessment tool that Councils are able to use to assess their performance against the Code. This will be completed in the next year and reported to the Audit & Governance Committee.
- 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:
 - Continued austerity
 - Continuing changes to service delivery
 - 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 Appendix 1. It should be noted that policies of this nature rarely need substantial changes.

4. Investigative Work 2017/18 and 2018/19 to date

- 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:
 - Ill Health Retirement - An investigation was conducted into an allegation that a former employee had fraudulently obtained early release of their pension on ill health grounds. Agreed processes had been followed and management have agreed further improvements to strengthen procedures.
 - European Regional Development (ERDF) grant - A grant was fraudulently obtained. Internal audit investigated this matter and provided evidence to the Police and Crown Prosecution Service. The grant applicant was charged and pleaded guilty to fraud at Worcester Crown Court on 18th April 2018. He was fined £1,000, ordered to pay £5,000 to the Council and £535 costs.
 - Conflict of Interests - An investigation was conducted into an internal conflict of interests situation. Internal Audit attended a disciplinary hearing in the role of investigating officer to report the findings from the investigation.
 - Direct Payments - Adult Services. An individual had been in receipt of direct payments for a number of years but they had not provided any recent bank statements. Moreover, the service user had acknowledged that she had not been entitled to the payments more recently. This matter has been reported to Action Fraud and action is being taken to recover £38,867.58 that she was not entitled to.
 - Headteacher Recruitment Process - An investigation was conducted into a Headteacher recruitment process. A report has been produced which

Worcestershire County Council

Internal Audit Services

recommends a number of improvements to the processes around resignations, delegation of the recruitment process, arrangements for reporting to governing bodies, salary determination, advertising of posts, shortlisting, interview and selection processes, ratification of appointment decision and agreement of salary.

5. Proposed Proactive Work 2018/19

5.1. 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. Therefore in addition to completing the CIPFA self-assessment tool it is proposed that during the coming year:

- A publicity programme is undertaken to promote the awareness of fraud and reinforce what staff should do if they suspect fraud. As part of this the Fraud Response Plan will be reviewed.
- Internal Audit will continue to support the review of policies as outlined in Appendix 1.
- Internal Audit will coordinate the submission of data to the Cabinet Office for the 2018 National Fraud Initiative. The results of this exercise, which are not expected before February 2019, will be reported to the Audit & Governance Committee in due course.

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. Internal Audit will continue to review individual fraud risk areas when preparing audit plans and undertake special investigations with outcomes reported to the Audit & Governance Committee.

7. Recommendations

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

Appendix 1: Position Statement against the fundamental counter fraud policies

	Policy	Date last reviewed	Action	Responsible Officer
1	Counter-fraud policy	March 2017	Next review February 2019	Chief Financial Officer
2	Whistleblowing policy	August 2018	Next review September 2019	Head of HR
3	Anti-money laundering policy	28 July 2018	Next Review 27 July 2019	Chief Financial Officer
4	Anti-bribery policy	Included in Counter fraud policy.	Next review February 2019	Chief Financial Officer
5	Anti-corruption policy	Included in Counter Fraud Policy.	Next review February 2019	Chief Financial Officer
6	Codes of conduct and ethics	Members' – July 2018	Next review July 2020	Monitoring Officer
		Officers' – updated October 2017	Next review October 2018	Head of HR
7	Gifts and hospitality policy and register	Policy included in Member Codes of Conduct. Policy and Register included in Officers' Code of Conduct	Next review July 2020	Monitoring Officer
8	Pecuniary interests and conflicts of interest policies and register	Included in Member and Officers' Codes of Conduct	Next review July 2020	Monitoring Officer
9	Information security policy	February 2017	Next review due September 2018	Information Governance and Compliance Manager
10	Cyber Crime and Security Incident policy.	Included in ICT Policy Suite – September 2017	Next review September 2018	Enterprise Architect