

March 2016

Counter Fraud Report 2015/16



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1. Introduction

1.1. The purpose of this report is to:

- Review the delivery of counter fraud work during 2015/16;
- 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. In July 2015 the latest national fraud statistics reported were that:

- The number of detected cases fell by more than 18 per cent to over 84,000 while their value increased by more than 11 per cent to greater than £207 million
- The number of detected cases of non-benefit (corporate) fraud decreased by greater than 8 per cent to more than 57,000, while their value increased by greater than 63 per cent to more than £97 million.

It is important that the County Council maintains high standards of probity and has a good reputation for protecting the public purse. 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 report regarding adherence to the code.

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.

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3.4. CIPFA's Code of Practice details the following policies as a minimum requirement:

	Policy	Date last reviewed	Action	Responsible Officer
1.	Counter fraud policy	February 2013	Review by March 2017	Internal Audit
2.	Whistleblowing policy	December 2015	Review by March 2017	Internal Audit
3.	Anti-money laundering policy	2013	Review by March 2017	Chief Financial Officer
4.	Anti-bribery policy	Included in Counter fraud policy.	Review by March 2017	Internal Audit
5.	Anti-corruption policy	Included in Counter Fraud Policy.	Review by March 2017	Internal Audit
6.	Gifts and hospitality policy and register	Included in Codes of Conduct	Review by March 2017	Monitoring Officer
7.	Pecuniary interest and conflicts of interest policies and register	Included in Codes of Conduct	Review by March 2017	Monitoring Officer
8.	Codes of conduct and ethics	Members' - 2015 Officers' - 2015	Review by March 2017 Review by October 2017	Monitoring Officer Human Resources
9.	Information security policy	June 2015	Review by March 2016	ICT
10.	Cyber security policy.	Being written	Review by March 2016	ICT

3.5. It is recognised that these policies will become increasingly important in identifying and reporting potential fraud in an environment of:

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

4. Investigative Work 2015/16

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 are reported to the Audit and Governance Committee.

4.2. Investigations In Progress:

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- None.

4.3. Completed Investigations:

- Internal Audit has been involved in two instances of missing cash. In one case, following an investigation, the matter has been reported to the police and they have made an arrest and are currently carrying out their own investigations and in the other it was not possible to identify a suspect and so advice has been provided to the service to address the system weaknesses that were identified.
- There has been an allegation of obtaining grant monies by submitting fraudulent documentation, which has also been referred to the police and their investigations are on-going at this time.
- Internal Audit has also been asked by management to investigate an officer who was allegedly claiming additional hours without working those hours; following Internal Audit's investigation this case is currently going through the disciplinary process.
- Finally, Internal Audit has provided advice and support on two occasions where the service has then investigated, once for procurement irregularities and once for inappropriate claiming of overtime. In the first instance the procurement exercise was stopped and re-procured in accordance with the Council's policies and procedures and management guidance/training was given to the officer involved. In the other it appeared that the overtime claims had not been made fraudulently but in error however, prior to a disciplinary hearing taking place the officer resigned.

5. Proactive Work 2015/16

- 5.1. Internal Audit has reviewed and updated the Fraud Response Plan which describes the action individuals should take if they suspect fraud or corruption. The Fraud Response Plan is included at Appendix 2.
- 5.2. The County's testing on the 2014/15 National Fraud Initiative (NFI) data matches identified one overpayment to a care home of just over £11,000, which has since been recovered.
- 5.3. We are in the process of developing data analytics to improve the detection of fraud; this includes training in the use of Fiscal, used originally to identify duplicate payments but now with a new module for proactive fraud investigations.

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.

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- 6.3. Internal Audit will continue to review individual fraud risk areas and aim to increase awareness with the highest likely fraud risks.
- 6.4. For the policies required by the CIPFA Code, Internal Audit will liaise with the policy owner to ensure that it is up to date.

7. Recommendations

7.1. That the Audit and Governance Committee:

- 7.1.1. Are asked to note the report and the suggested actions.

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**Appendix 1: Position Statement against the CIPFA code as at
March 2016.**

Principle	Position	Proposed Action	Target Date	Responsibility
1. Acknowledge the responsibility of the governing body for countering fraud and corruption	The Council has an Anti-fraud and corruption policy which was approved by Audit & Governance Committee in September 2013.	Review policy and obtain A&G approval	March 2017	Internal Audit
2. Identify the fraud and corruption risks	The Risk Management strategy does not make reference to identifying fraud and corruption risks.	When the strategy is next reviewed more specific information on identifying fraud and corruption should be included	March 2017	Corporate Risk Management Group
3. Develop an appropriate counter fraud and corruption strategy	Strategy exists and was last updated 2013.	Needs to be reviewed.	March 2017	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

Appendix 2: Fraud Response Plan



FRAUD RESPONSE PLAN

INTRODUCTION

1. The Council has a **zero tolerance** to all forms of fraud, corruption and theft. This means we will apply the toughest sanctions where fraud is proven – disciplinary and criminal.
2. This Fraud Response Plan is part of the **Anti-Fraud and Corruption Policy** and our aim is to reduce fraud and loss to an absolute minimum and keep it there.
3. You should follow this response plan if you are a staff member, councillor, partner, contractor or Worcestershire resident. We all have a responsibility to report any suspicion of fraud and to cooperate in any investigation, if necessary. If you work for the Council and fail to report your suspicions, you may be in breach of our Anti-Fraud and Corruption Policy and action may be taken against you or your organisation.
4. **Fraud** is a crime and involves a deception which is deliberate and intended to provide a direct or indirect personal gain – for example: false expenses, exaggerated pay claims, altering accounting records, bogus invoices, forged cheques, fixing tender results, contract irregularities etc.
5. **Corruption** is the deliberate misuse of your position for direct or indirect personal gain such as: offering, giving, requesting or accepting a bribe or reward which influences your actions or someone else's.
6. **Theft** is where someone steals cash or other property belonging to someone else with no intention of returning it.
7. This guidance only tells you what to do if you suspect fraud - for other concerns you should refer to: the Anti-fraud and Corruption Strategy or you can report fraud suspicions using the Council's Whistleblowing Policy.

WHAT YOU SHOULD DO IF YOU SUSPECT FRAUD

8. Immediately report your suspicions to:
- your line manager (or more senior manager if you think they may be involved)
 - the Internal Audit department – Garry Rollason, Chief Risk and Assurance Manager.
 - the Council's Confidential Fraud Reporting Line on 01905 766570.

9. Top Tips

Don't	Do
Delay – report the matter quickly.	Record your suspicions – write down what you have found, seen and heard.
Approach or accuse individuals directly – you may alert them and evidence may be destroyed.	Keep any evidence you have in a safe place.
Tell anybody else – you don't know who may be involved.	Tell us who you are – we will want to talk to you as you may know more than you realise.
Investigate yourself – you may spoil the evidence and prevent a criminal prosecution.	Keep calm.

SAFEGUARDS

10. **Harassment, bullying or victimisation** – if you have raised your concerns in good faith we will take action to prevent you from reprisal.
11. **Confidentiality** – if you feel it is necessary we will try to protect your identity – this will not be possible if the investigation leads to criminal action.
12. **Anonymous referrals** – we do not encourage these as it affects our ability to investigate, but we will always look into any case of suspected fraud.
13. **Malicious referrals** – if we find that your referral is malicious or has been made for personal gain, we will take action against you under the Council's Disciplinary Policy or relevant agreement if you work for one of our partners.

INVESTIGATION

14. All suspected fraud must be referred to Internal Audit.
15. Internal Audit will assess the initial information and decide how to proceed, in conjunction with the Chief Financial Officer.

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16. Following best practice guidelines, Internal Audit will investigate most cases of suspected fraud – management may investigate low level fraud involving an employee after consultation with Internal Audit.

POTENTIAL OUTCOMES

17. **Criminal Prosecution** – the Chief Risk and Assurance Manager, on advice from Legal Services where necessary, will authorise the referral to the police for investigation.
18. **Disciplinary Action** – at the end of the investigation Internal Audit will produce an outcome report. If this involves an employee and fraud is proven, the likely outcome will be dismissal. If fraud is not proven there may still be matters which need to be considered under the Council's disciplinary procedures.
19. **Recovery through Civil or Criminal Proceedings** – we will seek to recover all losses subject to legal advice and where it is cost effective to do so. We will recover any loss caused by an employee through salary, pension or insurance.
20. **Weaknesses in the System of Controls** – we will produce an Action Plan to address any system or management weaknesses and to reduce the risk of fraud and error in the future.