



# **Fighting Fraud Checklist for Governance**

## **Protecting the public purse 2013**

**Sheffield City Council  
April 2014**

**Prepared by Internal Audit on  
Behalf of the Audit Committee**

## **Introduction**

The Audit Commission has traditionally produced a publication called protecting the public purse, which is a summary of all of the frauds and risk issues that have been identified in the previous year. The current publication was produced in November 2013 and covered the financial year 2012/13.

Appended to this document was a checklist which would allow councils to evaluate their arrangements. This document seeks to use the Audit commission publication as a basis for evaluating the arrangements in place within Sheffield City Council

This document has been prepared to highlight to the Councils Audit Committee which is referred to as “those charged with governance” that the Council has in place adequate arrangements for the mitigation detection and fraud that may occur within the Council.

General	Yes	No
1. Do we have a zero tolerance policy towards fraud?	✓	
<p><b><u>Actions</u></b></p> <p>The Policy Statement - Fraud &amp; Corruption incorporates a message from the Chief Executive which clearly states the 'zero tolerance' approach of the authority. It incorporates the fact that any instances of fraud or corruption will be treated as gross misconduct. The Policy Statement forms part of the Corporate Code of Conduct for Employees.</p> <p>The 'zero-tolerance' message was included in fraud awareness training events which were delivered to managers/employees across SCC. This message was also incorporated into a fraud awareness course available to staff on learning pool.</p>		
2. Do we have the right approach, and effective counter-fraud strategies, policies and plans? Have we aligned our strategy with Fighting Fraud Locally?	✓	
<p><b><u>Actions</u></b></p> <p>The following fraud related strategies, policies and plans are in place:</p> <ul style="list-style-type: none"> <li>Financial Regulations 2013</li> <li>Code of Conduct for employees</li> <li>Policy Statement – Fraud &amp; Corruption (Appendix to the above)</li> <li>Housing Benefit /Council Tax Benefit Fraud Strategy (HB/CTB)</li> <li>HB/CTB Prosecution Policy</li> <li>Money Laundering Policy</li> <li>Whistleblowing Policy</li> <li>Regulation of Investigatory Powers Act Policy</li> <li>Internal Audit Plan (incorporating pro-active and re-active counter fraud assignments)</li> <li>Finance Service Plan (including specific counter-fraud related deliverables)</li> <li>Fraud Response Plan</li> <li>Capita Fraud Team Workplan</li> <li>Risk Management Toolkit</li> <li>Fraud Risk Management guidance</li> <li>Annual Governance Statement (Fraud Risks)</li> </ul> <p>SCC performed a self-assessment of its approach to fraud and corruption based on CIPFA's Red Book 2, which contains much of the material published in April 2012 (Fighting Fraud Locally). Anti-Bribery policy is currently being developed.</p>		

3. Do we have dedicated counter-fraud staff?	✓	
<p><b><u>Actions</u></b></p> <p>Service Managers are responsible for the investigation of fraud within their respective areas. Internal Audit has accredited officers available to investigate larger scale allegations and provide advice to managers.</p> <p>There is a dedicated Housing Benefit Counter Fraud team located in Capita.</p>		
4. Do counter-fraud staff review all the work of our organisation?		✓
<p><b><u>Actions</u></b></p> <p>The Authority employs (via Capita) a dedicated HB / CTB fraud investigation team which receives allegations from various sources including Benefit assessment staff.</p> <p>Internal Audit maintains a resource to address fraud issues e.g. policy issues, serious allegations etc. and the Internal Audit plan contains a small number of counter fraud exercises to review specific fraud risks.</p> <p>Service Management has the primary responsibility for internal fraud investigation (with the support of Human Resources).</p> <p>Internal Audit operates a risk based approach to auditing and key risks are identified for inclusion in the audit plan in conjunction with Service management.</p> <p>Internal Audit has produced and implemented a 'fraud-watch' document which provides guidance on fraud indicators to auditors undertaking general risk based audit assignments. This ensures that the risk of fraud is formally considered / reported during every audit review.</p>		
5. Does a councillor have portfolio responsibility for fighting fraud across the council?		✓
<p><b><u>Actions</u></b></p> <p>Ben Curran is the Cabinet member for Finance and Resources. His responsibilities align to the resources portfolio which encompassed Internal Audit. There is no specific responsibility delegated to the post to cover fighting fraud across the Council. All members of the Cabinet and are responsible for fraud in their area, and held to account by the Council as a whole.</p>		

6. Do we receive regular reports on how well we are tackling fraud risks, carrying out plans and delivering outcomes?	✓	
<p><b><u>Actions</u></b></p> <p>The Annual Governance Statement provides a level of assurance that fraud risks have been identified and addressed.</p> <p>The Internal Audit Plan is endorsed by the Audit Committee on an annual basis and the Chief Internal Auditor produces an annual report which includes information on counter fraud activities.</p> <p>An annual Risk Management report is submitted to the Audit Committee.</p> <p>An annual Fraud Report, based on the Audit Commission publication, Protecting the Public Purse, is submitted to the Audit Committee.</p> <p>Individual investigation reports are provided for serious incidents.</p>		
7. Have we assessed our management of counter-fraud work against good practice?	✓	
<p><b><u>Actions</u></b></p> <p>A full review of SCC practice compared against CIPFA's 'Red Book 2' was completed.</p>		
8. Do we raise awareness of fraud risks with:		
■ new staff (including agency staff);	✓	
■ existing staff;	✓	
■ elected members; and	✓	
■ our contractors?	✓	
<p><b><u>Actions</u></b></p> <p>Fraud is specifically covered in the Officer code of Conduct. It is a requirement that all agency staff must comply with the code and it is the appointing manager's responsibility to ensure that the individuals concerned are fully compliant with the code at the start of their appointment. Specific short term appointments such as those or polling clerks may not cover, the code, but specific fraud issues pertinent to these posts are specifically raised with the individuals concerned.</p> <p>A programme of awareness training was provided in 2009/10 and 2010/11. This training has been delivered to more than 600 employees across SCC and Sheffield Homes.</p> <p>A specific training session was organised for the Audit Committee in February 2010 and all members were invited. Members may also be given access to the ELearning package.</p>		

Fraud awareness is not currently included in the corporate induction programme beyond the requirement to read the Code of Conduct for employees (incorporating the Policy Statement – Fraud & Corruption).

An e-learning fraud awareness course has been produced and made available to all staff with access to Learning Pool for whom a development need is identified (including new recruits). The Package will be updated in the year 2014/15 and will be re-emphasised to the appropriate managers.

Commercial fraud risks are addressed by a requirement for contractors to comply with all current legislation (and indemnity provision) being incorporated into the standard terms and conditions. In addition specific anti-competitive and anti-bribery conditions apply to the contracting process.

9. Do we work well with national, regional and local networks and partnerships to ensure we know about current fraud risks and issues?	✓	
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**Actions**

SCC maintains membership with Core Cities and the South & West Yorkshire Investigators Group. SCC is an active participant in the Audit Commission National Fraud Initiative including pilot projects.

Internal Audit & Capita (contractor capacity) work directly with the Department of Work and Pensions, the Local Authority Investigation Officer Group and the National Anti-Fraud Network.

The National Anti-Fraud Network and the Financial Crime Information Network provide bulletins on current fraud risks. Internal Audit staff are members of professional bodies such as CIPFA, Institute of Internal Auditors and CIMA. These bodies provide periodic updates in areas such as fraud risks. These updates are cascaded throughout the team as appropriate.

10. Do we work well with other organisations to ensure we effectively share knowledge and data about fraud and fraudsters?	✓	
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**Actions**

As 9 above plus:

A formal Service Level Agreement is in place for working arrangements with Department of Work and Pensions.

The Audit Commission National Fraud Initiative (NFI) operates under formal arrangements and provides for the sharing of data between local authorities and other participating organisations.

Internal Audit maintains an informal working arrangement with South Yorkshire Police.

11. Do we identify areas where our internal controls may not be performing as well as intended? How quickly do we then take action?	✓	
<p><b><u>Actions</u></b></p> <p>The annual Internal Audit Plan includes 'risk-based' audits based on a risk assessment and discussion with Service Directors. Each of these reviews includes an assessment of the internal controls within scope to identify instances in which they are not present or not working effectively. Auditors consider fraud indicators for each assignment.</p> <p>Where appropriate recommendations are made to improve internal controls at the conclusion of each review, implementation is confirmed with the client and followed up.</p> <p>A small number of pro-active counter fraud reviews are included in the Internal Audit Plan that focus on activities where, due to the nature of the service, the risk of fraudulent activity is heightened. At the conclusion of appropriate re-active investigations, systems and controls are reviewed to identify weaknesses and to recommend improvements to prevent future instances of fraud.</p>		
12. Do we maximise the benefit of our participation in the Audit Commission National Fraud Initiative and receive reports on our outcomes?	✓	
<p><b><u>Actions</u></b></p> <p>The Council has been a participant in the NFI since 1995. Data matches are circulated to all relevant service areas and Capita for examination and resolution. Internal Audit maintains a coordinating and advisory role in addition to responsibility for examination of some data matches.</p> <p>SCC participated in the NFI Council Tax, single person discount data matching exercise for the first time in 2012 (two yearly exercise)</p> <p>SCC has taken part in a NFI pilot exercise to data match Self Directed Support (Direct Payments) with other local authority and central government data.</p>		
13. Do we have arrangements in place that encourage our staff to raise their concerns about money laundering?	✓	
<p><b><u>Actions</u></b></p> <p>SCC has adopted a detailed Anti Money Laundering Policy. This document includes an appendix which contains guidance to staff and is available via the Intranet. Incidents are reported to Internal Audit and in turn the Serious Organised Crime Agency.</p>		

14. Do we have effective arrangements for:		
■ reporting fraud?; and	✓	
■ recording fraud?	✓	
<p><b><u>Actions</u></b></p> <p>Financial Regulations require Executive Directors to ensure that Internal Audit (on behalf of Section 151 officer) is notified of all incidents of financial irregularity. Internal Audit records each reported incident and compiles the Audit Commission annual Fraud and Corruption survey.</p> <p>Although the above controls are in place, full compliance cannot be assured. A review of this process is to be undertaken by Internal audit during 2014/15.</p>		
15. Do we have effective whistle-blowing arrangements? In particular are staff:		
■ aware of our whistle-blowing arrangements?	✓	
■ have confidence in the confidentiality of those arrangements?	✓	
■ confident that any concerns raised will be addressed?	✓	
<p><b><u>Actions</u></b></p> <p>SCC has adopted an extensive Whistleblowing Policy (See it – Say it) that contains an explanation on whistleblowing arrangements and the reporting access routes including the details of designated contact officers. The Human Resources Service maintains a central register of allegations. Whistle Blowing allegations are all reviewed and where appropriate fully investigated by someone independent of the area.</p> <p>Although the above controls are in place, full compliance cannot be assured.</p>		
16. Do we have effective fidelity insurance arrangements?	✓	
<p><b><u>Actions</u></b></p> <p>SCC's fidelity insurance covers every employee to a limit of £10M.</p>		



Fighting Fraud with reduced Resources	Yes	No
17. Have we reassessed our fraud risks since the change in the financial climate?	✓	
<p><b><u>Actions</u></b></p> <p>The Internal Audit plan is produced on an annual basis, the formulation of this plan incorporates new and emerging risks including those associated with the current financial climate.</p> <p>Within the planning process Executive Directors and/or Service Directors are consulted on the risks affecting their service areas.</p> <p>In addition to the above, Directors / Service Heads are required to re-assess fraud risks on an annual basis for completion of the Annual Governance Statement.</p>		
18. Have we amended our counter-fraud action plan as a result?	✓	
<p><b><u>Actions</u></b></p> <p>The counter-fraud action plan has been reviewed to dedicate resources in to those areas of the Council where maximum benefit can be derived from the resources deployed. The level of Internal Audit resource allocated to proactive fraud has been reviewed due to diminished is allocated in line with the other risks faced. We have maintained an appropriate level of resource for proactive and reactive fraud investigation within the plan.</p> <p>Face to face fraud awareness training and subsequently an eLearning package were delivered to improve staff knowledge and general alertness to acts of irregularity. This package will be updated and reemphasised to managers in the new year.</p>		
19. Have we reallocated staff as a result?	✓	
<p><b><u>Actions</u></b></p> <p>Counter fraud resource, in terms of FTE, has been reduced as a result of budget pressures in Capita and Internal Audit.</p> <p>Internal Audit has increased vigilance against the risk of fraud at the end of each audit, a review will take place by the Audit manager to identify any potential fraud issues, that will be considered as part of the audit planning process (or where relevant for immediate action) . In the event of a large scale investigation resources would be diverted from mainstream audit functions.</p>		

Current risks and issues	Yes	No
<b>Housing tenancy</b>		
20. Do we take proper action to ensure that we only allocate social housing to those who are eligible?	✓	
<p><b><u>Actions</u></b></p> <p>A revised lettings policy was presented to Cabinet on 20<sup>th</sup> March 2013. There is a vetting and validation process in place to confirm identity and eligibility of each individual prior to the letting of any property.</p>		
21. Do we take proper action to ensure that social housing is occupied by those to whom it is allocated?	✓	
<p><b><u>Actions</u></b></p> <p>Home visits and day to day contact with tenants provides assurance on occupancy however resources been allocated to recover properties identified. The NFI process also identifies issues with tenancies.</p> <p>The 2014/15 Internal Audit plan includes a review of internal controls in respect of Housing Tenancy Fraud and the application of new offences.</p>		
<b>Procurement</b>		
22. Are we satisfied our procurement controls are working as intended?	✓	
<p><b><u>Actions</u></b></p> <p>Internal Audit conducted audits in this area in 2013/14. The reviews covered the Purchase to Payment review covering the creditors systems. Other reviews covered specific aspects of the process such as the procurement of external legal advice. The audits resulted in Internal Audit issuing an opinion on the risk of the service not achieving its objectives of 'Medium – Low'.</p> <p>Several audits have been included within the 2014/15 Internal Audit plan to cover this area.</p>		
23. Have we reviewed our contract letting procedures since the investigations by the Office of Fair Trading into cartels, and compared them with best practice?	✓	
<p><b><u>Actions</u></b></p> <p>Aspects of contract letting feature in the Internal Audit annual plan. During 2012/13 Internal Audit conducted the following reviews; Commercial Services, Use of Consultants, Contract Waivers. All audits covering the letting or management of contracts now include testing in this area.</p>		

## Recruitment

24. Are we satisfied our recruitment procedures:

■ prevent us employing people working under false identities;

✓

■ confirm employment references effectively;

✓

■ ensure applicants are eligible to work in the UK; and

✓

■ require agencies supplying us with staff to undertake the checks that we require?

✓

### Actions

The Council has in place controls to ensure that all of the above areas are covered, this included a requirement for the Council's Agency Staff provider to complete the appropriate propriety checking.

The number of appointments made by the Council has fallen significantly in recent years. Many of the Schools for instance have transferred to Academy status and these are not separate from the controls and auditing regimes of the Council.

Internal Audit has completed testing in this area as part of its normal auditing work, and no issues have been found in the performance of the controls linked to the above areas.

The National Fraud Initiative matches payroll records against Immigration records every two years and reports any instances of potential illegal working for investigation. The most recent NFI exercise reports were delivered in February 2013 and there were no Immigration matches identified.

## Personal budgets

25. Where we are expanding the use of personal budgets for adult social care, in particular direct payments, have we introduced proper safeguarding proportionate to risk and in line with recommended good practice?

✓

### Actions

A review of SDS Operational Controls was completed during 2012/13. Progress on the issues contained in the report was reported to the audit committee in November 2013 and subsequent to this Internal Audit has carried out a Follow-up report of this area to confirm the information provided. The result of this is that significant process has been made in this area, however some issues remain to be completed.

A number of audits have been scheduled for completion in 2013/14 concerning Adult Social Care including Safeguarding in Sheffield Health and Social Care Trust.

26. Have we updated our whistle-blowing arrangements, for both staff and citizens, so that they may raise concerns about the financial abuse of personal budgets?	✓	
<p><b><u>Actions</u></b></p> <p>The SCC Whistleblowing Policy is intended to be used to report inappropriate behaviour by members / officers of the council including financial malpractice. The highest risks relating to personal budgets are associated with misuse by service user and abuse by service providers and family members.</p> <p>The SCC website has a simple link (2 clicks from the homepage) which gives access to advice on 'Reporting Abuse'. This specifically refers to financial abuse and provides links to the Council, South Yorkshire Police and specialist support organisations.</p>		
<p><b>Council tax discount</b></p>		
27. Do we take proper action to ensure that we only award discounts and allowances to those who are eligible?	✓	
<p><b><u>Actions</u></b></p> <p>Currently undertaking a review of the new Council Tax Support which is Local Authority administered and replaced Council tax benefit in 2013/14.</p> <p>The Council Tax and Business Rates systems (including discounts) are regularly reviewed by Internal Audit as part of the assurance provided on the Council's main financial systems.</p> <p>SCC is participated in the National Fraud Initiative, Single Person Discount data matching exercise during 2014/15 and data is to be provided in line with the requirements. The previous examination of matches two years ago resulting in the identification of circa. £156k in collectable income.</p>		
<p><b>Housing benefit</b></p>		
28. When we tackle housing benefit fraud do we make full use of:		
<ul style="list-style-type: none"> <li>■ National Fraud Initiative;</li> </ul>	✓	
<ul style="list-style-type: none"> <li>■ Department for Work and Pensions Housing Benefit matching service;</li> </ul>	✓	
<ul style="list-style-type: none"> <li>■ internal data matching; and</li> </ul>	✓	
<ul style="list-style-type: none"> <li>■ private sector data matching?</li> </ul>		✓

## Actions

SCC participates fully in the main biennial NFI exercise and during 2012/13 the NFI, Single person Discount exercise. Capita and Internal Audit have in the past utilised the DWP HBMS service to identify potentially fraudulent claims however this process has been temporarily paused within contract management arrangements and with the agreement of the DWP.

A new e-communication system (ATLAS) has been introduced by the DWP to provide local authorities with up to date information on changes in circumstances affecting Benefit claims. Capita has utilised private sector data matching techniques to identify potential Housing Benefit fraud in addition to obtaining credit referencing agency data during individual investigations.

<b>Emerging fraud risks</b>	<b>Yes</b>	<b>No</b>
29. Do we have appropriate and proportionate defences against emerging fraud risks:		
■ business rates;	✓	
■ Right to Buy;	✓	
■ Social Fund and Local Welfare Assistance;	✓	
■ council tax reduction;	✓	
■ schools; and	✓	
■ grants?	✓	

## Actions

Emerging fraud risks are taken into account in the formulation of the Internal Audit annual plan in addition to other identified risks. Examination of emerging risks is included in the scope of planned audits or scheduled for specific future review. For example, a specific review of the Local Council Tax Support and Hardship Fund is currently being progressed. The Social Fund and Local Welfare Assistance scheme has been identified for future audit. Risks relating to Business Rates will be included within the scope of the Main Financial Systems review (National Non Domestic rates) and the risks relating to schools were examined in a number of themed reviews in this area (note that academy schools are outside the scope of council governance and auditing regimes and will have their own arrangements in place).

