



# **Governance Checklist for Fraud 2017/18**

**Sheffield City Council  
June 2018**

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

## **Introduction**

The checklist allows Councils to evaluate their arrangements. This document seeks to evaluate the arrangements in place within Sheffield City Council.

This document has been prepared by Internal Audit to highlight to the Council's Audit and Standards Committee which is referred to as "those charged with governance" that the Council has in place adequate arrangements for the prevention, detection and investigation of 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 Council's new Anti-fraud and Corruption Policy Statement and Framework, has a statement that clearly states that the Council has a zero tolerance to fraud, and that it expects its employees to uphold the highest ethical standards and to strictly adhere to its anti-fraud framework and associated policies.</p> <p>As part of the Officers Code of Conduct, 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.</p> <p>Internal Audit is currently working with the learning, development and training section of Human Resources service to develop a new eLearning package will support the implementation of the anti-fraud policies across the Council.</p>		
	Yes	No
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:  Financial Regulations 2017  Code of Conduct for employees  Policy Statement – Fraud &amp; Corruption (Appendix to the above)  Regulation of Investigatory Powers Act Policy  Internal Audit Plan (incorporating pro-active and re-active counter fraud assignments)  Finance Service Plan (including specific counter-fraud related deliverables)  Annual Governance Statement (Fraud Risks)  Fraud awareness e-learning module. ( in development)</p> <p>The Council now has a full suite of policies for Anti-Fraud and corruption; these have been updated and are presented for endorsement by the Audit and Standards committee. The policies are up to date and are designed to fit together in a consistent manner to ensure that they comply with the latest relevant legislation and guidance.</p> <p><u>Anti-fraud and Corruption Policy Statement and Strategy</u> – New overarching document which draws together all of the Council's other policies in relation to the fraud and corruption. It follows the CIPFA Code in that it acknowledges the responsibilities of Officers and Members for countering fraud and corruption. It demonstrates how the Council will try to prevent fraud by identifying the fraud and corruption risk and then identifying strategies to mitigate these. It also sets out how the Council will pursue and take action against those who try to perpetrate fraud and</p>		

corruption.

Fraud Risk - This document is significantly updated from the previous document it is designed to help managers in identifying fraud risks in their areas and to put forward strategies to manage and mitigate these risks.

Fraud Response Plan – This document had been rewritten to aid managers dealing with potential fraud issues and to investigate these in line with the Council’s relevant HR policies.

Anti-Money Laundering Policy - This document has been fully revised to comply with the current legislation in this area. It set out what individuals need to do if they become aware of any potential money laundering activity.

Bribery and Corruption Policy – This is new document which has been devised to fill a gap in the Council’s current framework. By having this policy and adhering to it, it ensures that the Council has a defence should it or any of its employees be accused of bribery and corruption.

Know your Customer – This is a new document to assist when checking customers across the Council to comply with bribery and money laundering requirements.

Guidance to Schools – This is a new document that is being made available to schools so that they can more easily identify and mitigate the risks that they face in relation to fraud and corruption.

In addition there will be an eLearning package made available to employees for them to readily identify fraud risks and the actions that they need to take when they become aware of issues. There will also be a new reporting page on the internet to allow for fraud to be easily reported to the right areas.

	Yes	No
3. Do we have dedicated counter-fraud staff?	✓	

**Actions**

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.

Internal Audit has a limited resource for fraud investigation as outlined in the Annual Plan. At present there are two qualified fraud investigator in the service.

There are dedicated officers in Trading Standards and in Housing to investigate housing tenancy fraud.

	Yes	No
4. Do counter-fraud staff review all the work of our organisation?	✓	
<p><b><u>Actions</u></b></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. Internal Audit considers fraud risk for inclusion in the scope of each audit review.</p> <p>The Council has suitably qualified risk advisors who can support services in identifying and mitigating all types of risk across the Council.</p>		
	Yes	No
5. Does a councillor have portfolio responsibility for fighting fraud across the council?	✓	
<p><b><u>Actions</u></b></p> <p>The Deputy Leader and Cabinet Member for Finance and Resources have responsibilities that 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 are responsible for fraud in their area, and are held to account by the Council as a whole.</p> <p>Internal Audit has briefed the Deputy Leader on the work undertaken by Internal Audit in relation to Fraud Investigations.</p> <p>The Audit and Standards Committee receive reports on Fraud arrangements across the Council and are responsible for reviewing the effectiveness of the arrangements in place.</p>		

	Yes	No
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 and Standards Committee on an annual basis and the Senior Finance Manager (Internal Audit) produces an annual report which includes information on counter fraud activities.</p>		
	Yes	No
7. Have we assessed our management of counter-fraud work against good practice?	✓	
<p><b><u>Actions</u></b></p> <p>A new code of practice was produced by CIPFA at the end of March 2016 and this checklist reviews the Council's policies against the requirements of the Code.</p> <p>Internal Audit have also attended National Anti-Fraud Network Conference and South and West Yorkshire investigators forums where best practice is shared and this is incorporated into our methods of working.</p> <p>All of the Council's suite of fraud and corruption policies have been reviewed and updated to ensure that we have a consistent and comprehensive anti-fraud framework for the Council.</p>		
	Yes	No
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 of polling clerks may not cover the full code, but specific fraud issues pertinent to these posts are specifically raised with the individuals concerned.</p>		

Additional training has been provided to key staff on request. In addition there is an online training programme for fraud that is currently in development.

Once the new policies have been endorsed a campaign will be launched to highlight to all staff and the wider public the Council's how to report fraud.

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.

	Yes	No
9. Do we work well with national, regional and local networks and partnerships to ensure we know about current fraud risks and issues?	✓	

**Actions**

Sheffield City Council maintains membership with Core Cities and the South & West Yorkshire fraud Investigators Group.

There are effective working arrangements in place between the Council and Department for Work and Pensions (DWP) to cover the requirements brought in as a result of the new Single Fraud Investigation Service (SFIS) This was reviewed in 2016 and was found to be working satisfactorily.

The National Anti-Fraud Network (NAFN) 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.

CIPFA has now become the lead Accountancy Body for fraud governance arrangements in local Government following the demise of the Audit Commission. Internal Audit ensures that ensures that the Council complies with CIPFA guidance.

The Internal Audit Service is required to comply with the Public Service Internal Audit Standards. As part of the requirements of the standards, a peer review was undertaken in 2017 and the service was found to meet the requirements of the standard.

	Yes	No
10. Do we work well with other organisations to ensure we effectively share knowledge and data about fraud and fraudsters?	✓	
<p><b><u>Actions</u></b> As 9 and 10 above plus:</p> <p>The Cabinet Office National Fraud Initiative (NFI) operates under formal arrangements and provides for the sharing of data between local authorities and other participating organisations. As part of the South and West Yorkshire investigators group, information on fraud issues is shared on a regular basis. A shared portal has been developed by Cheshire Council to allow this to be undertaken in an easier way.</p> <p>We also use the online reporting system to Action Fraud.</p>		
	Yes	No
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 risks 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 focuses on activities where, due to the nature of the service, the risk of fraudulent activity is heightened.</p> <p>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 both within the relevant service area and corporately.</p> <p>A number of audits were undertaken following investigations to provide assurance to service areas where flawed internal controls had been identified during the investigation process.</p>		



	Yes	No
12. Do we maximise the benefit of our participation in the Cabinet Office 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 and validates the outcomes prior to the conclusion of each exercise.</p> <p>Internal Audit is to examine areas from the NFI where significant numbers of new matches have been identified to ensure that the procedures in place are adequate to minimise the risk of fraud.</p>		
	Yes	No
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 has been revised and includes an appendix which contains guidance to staff and is available via the Intranet. Incidents are reported to Internal Audit and in turn the National Crime Agency where appropriate.</p>		
	Yes	No
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 the Section 151 officer) is notified of all incidents of financial irregularity. Internal Audit records each reported incident.</p> <p>Perceived Money Laundering attempts against SCC have also been reported promptly to Action Fraud.</p> <p>Although the above controls are in place, full compliance cannot be assured. Work is ongoing to raise awareness of fraud reporting. This work is continual as staff are always moving and new issues are always arising.</p> <p>A key issue to be reviewed going forward is to identify and record not only proven fraud activity, but also areas which are serious instances where actual fraud is</p>		

indicated, but not proven.		
	<b>Yes</b>	<b>No</b>
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	✓	
<b><u>Actions</u></b>		
<p>SCC has adopted an extensive Whistleblowing Policy 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>It is noted that during the current year the number of whistleblowing actions with the potential to uncover fraud has risen. These are always dealt with in confidence and followed up promptly.</p> <p>The whistleblowing arrangements are to be re-emphasised to staff as part of the roll out of the suite of anti-fraud policies.</p> <p>Regular meetings now take place with between Internal Audit, the Head of HR, and the Monitoring Officer to review Whistleblowing and Investigation cases.</p>		
	<b>Yes</b>	<b>No</b>
16. Do we have effective fidelity insurance arrangements?	✓	
<b><u>Actions</u></b>		
<p>SCC has adequate fidelity insurance cover.</p> <p>There is an annual requirement to complete a pro-forma for the fidelity guarantee insurance. This is undertaken by the Insurance Section with input from Internal Audit. This has recently been completed for the forthcoming year and accepted by the insurance company.</p>		

Fighting Fraud with reduced Resources	Yes	No						
17. Are we confident that we have sufficient counter-fraud capacity and capability to detect and prevent fraud, once the SFIS has been fully implemented?	✓							
<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. The resources are kept under review as there is very little capacity in the system should a major incident (or a number of smaller incidents) occur.</p>								
Current risks and issues	Yes	No						
<b>Housing tenancy</b>								
18. 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>The lettings policy ensures that there is a vetting and validation process in place to confirm identity and eligibility of each individual prior to the letting of any property. The Housing Service has a small team in place to investigate any instances of potential tenancy fraud, such as sub-letting and will follow these up and recover properties and prosecute where appropriate.</p>								
<table border="1"> <thead> <tr> <th data-bbox="228 1344 1145 1453"></th> <th data-bbox="1145 1344 1295 1453">Yes</th> <th data-bbox="1295 1344 1474 1453">No</th> </tr> </thead> <tbody> <tr> <td data-bbox="228 1453 1145 1563">19. Do we take proper action to ensure that social housing is occupied by those to whom it is allocated?</td> <td data-bbox="1145 1453 1295 1563">✓</td> <td data-bbox="1295 1453 1474 1563"></td> </tr> </tbody> </table>				Yes	No	19. Do we take proper action to ensure that social housing is occupied by those to whom it is allocated?	✓	
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<p><b><u>Actions</u></b></p> <p>Home visits and day to day contact with tenants provides assurance on occupancy however resources have been allocated to recover properties identified. The NFI process also identifies issues with tenancies.</p> <p>A recent workshop was arranged in Housing to ensure that all potential tenancy frauds are identified and investigated in the most effective manner, by individual elements of the service, working more closely together.</p>								

<b>Procurement</b>	<b>Yes</b>	<b>No</b>
20. Are we satisfied our procurement controls are working as intended?	✓	
<p><b><u>Actions</u></b></p> <p>Internal Audit work was planned in this area in 2017, but has been deferred to 2018 at the request of the Head of Service.</p>		
	<b>Yes</b>	<b>No</b>
21. Have we reviewed our contract letting procedures to ensure they are in line with best practice?	✓	
<p><b><u>Actions</u></b></p> <p>Aspects of contract letting feature in the Internal Audit annual plan. Internal Audit conducted the following reviews: Commercial Services, Use of Consultants, and Contract Waivers. All audits covering the letting or management of contracts now include testing in this area.</p> <p>A review of the areas of devolved procurement across the Council was examined as part of the 2016/17 plan.</p>		
<b>Recruitment</b>	<b>Yes</b>	<b>No</b>
22. 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?	✓	
<p><b><u>Actions</u></b></p> <p>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.</p> <p>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.</p> <p>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 2017</p>		

and there were no immigration matches identified.

Work has been undertaken in 2018 to review the vetting arrangements for new employees, and this is being discussed with HR. A further review to examine the arrangements for contracts is to take place later in the year.

Council tax discount	Yes	No
23. Do we take proper action to ensure that we only award discounts and allowances to those who are eligible?	✓	

**Actions**

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.

Capita undertake an annual exercise to review the application of single person discounts. This includes checking with third parties and has consistently controlled the validity of this discount.

Other fraud risks	Yes	No
24. Do we have appropriate and proportionate defences against emerging fraud risks:		
■ Business rates;	✓	
■ Right to Buy;	✓	
■ Council Tax Reduction;	✓	
■ Schools	✓	
■ Grants	✓	
■ PIP – Personal Independent Payment	✓	
■ Blue Badge Fraud.	✓	

**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.

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