

## Appendix A - Protecting the Public Purse 2012

### Checklist for those responsible for governance (Extract from Audit Commission full national report)

General		Yes	No	Action
1	Do we have a zero-tolerance policy towards fraud?	✓		<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 and Sheffield Homes. 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 <i>Fighting Fraud Locally</i> ?	✓		<p>The following fraud related strategies, policies and plans are in place:</p> <ul style="list-style-type: none"> <li>Financial Regulations 2012</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 (<i>Fighting Fraud Locally</i>). Anti-Bribery policy is currently being developed.</p>
3	Do we have dedicated counter fraud staff?	✓		<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 the organisation?		✓	<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	Do we receive regular reports on how well we are tackling fraud risks, carrying out plans and delivering outcomes?		✓	<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>
6	Have we assessed our management of counter fraud work against good practice?		✓	<p>A full review of SCC practice compared against CIPFA's 'Red Book 2' was completed.</p>

7	<p>Do we raise awareness of fraud risks:</p> <ul style="list-style-type: none"> <li>• With new staff (including agency staff)?</li> <li>• With existing staff?</li> <li>• With elected members?</li> <li>• With our contractors?</li> </ul>	✓	<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.</p> <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 &amp; Corruption).</p> <p>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).</p> <p>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.</p>
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8	Do we work well with national, regional and local networks and partnerships to ensure that we know about current fraud risks and issues?	✓	<p>SCC maintains membership with Core Cities and the South &amp; West Yorkshire Investigators Group. SCC is an active participant in the Audit Commission National Fraud Initiative including pilot projects.</p> <p>Internal Audit &amp; 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 the Institute of Rating, Revenues and Valuation. These bodies provide periodic updates in areas such as fraud risks. These updates are cascaded throughout the team as appropriate.</p> <p>Internal Audit's previous subscription to CIPFA's Better Governance forum was cancelled as a cost-saving measure.</p>
9	Do we work well with other organisations to ensure we effectively share knowledge and data about fraud and fraudsters?	✓	<p>As 8 above plus:</p> <p>A formal Service Level Agreement is in place for working arrangements with Department of Work and Pensions.</p> <p>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.</p> <p>Internal Audit maintains an informal working arrangement with South Yorkshire Police (Commercial Branch).</p>

10	Do we identify areas where our internal controls may not be performing as well as intended? How quickly do we then take action?	✓		<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>
11	Do we maximise the benefit of our participation in the Audit Commission NFI and receive reports on outcomes?	✓		<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 co-ordinating 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.</p> <p>SCC is currently taking part in a NFI pilot exercise to data match Self Directed Support (Direct Payments) with other local authority and central government data.</p>
		<b>Yes</b>	<b>No</b>	<b>Action</b>
12	Do we have arrangements in place that encourage our staff to raise their concerns about money laundering?	✓		<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>

13	Do we have effective arrangements for: <ul style="list-style-type: none"> <li>• Reporting fraud</li> <li>• Recording fraud and</li> <li>• Whistle-blowing?</li> </ul>		✓	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. 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. Although the above controls are in place, full compliance cannot be assured.
14	Do we have effective fidelity insurance arrangements?	✓		SCC's fidelity insurance covers every employee to a limit of £10M.
		<b>Yes</b>	<b>No</b>	<b>Action</b>
15	Have we re-assessed our fraud risks since the change in the financial climate?	✓		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. Within the planning process Executive Directors and/or Service Directors are consulted on the risks affecting their service areas. 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.
16	Have we amended our counter fraud action plan as a result?	✓		The level of Internal Audit resource allocated to counter fraud activity was increased over recent years. This was undertaken to improve the counter fraud framework and also in response to emerging issues. Additional pro-active reviews were introduced to examine internal controls in areas facing fraud risks. Face to face fraud awareness training and subsequently an e-learning package were delivered to improve staff knowledge and general alertness to acts of irregularity.

17	Have we reallocated staffing as a result?	✓		Counter fraud resource, in terms of FTE, has been reduced as a result of budget pressures in Capita and Internal Audit. The Chief Internal Auditor has increased vigilance against the risk of fraud with the introduction of the 'fraud watch' process applied to all risk based audits. In the event of a large scale investigation resources would be diverted from mainstream audit functions. The feasibility of resource sharing with Core City Authorities is being explored.
18	Do we take proper action to ensure that we only allocate social housing to those who are eligible?	✓		The social housing allocations process was audited in 2009 and is being re-reviewed in 2012/13. A revised lettings policy was presented to Cabinet on 20 <sup>th</sup> March 2013.
19	Do we take proper action to ensure that social housing is occupied by those to whom it is allocated?	✓		A pilot exercise funded by the DCLG to identify unauthorised occupation of Council property was undertaken by Sheffield Homes resulting in the recovery of 6 tenancies. Home visits and day to day contact with tenants provides assurance on occupancy however resources have not been allocated to detect tenancy fraud. The 2013/14 Internal Audit plan includes a review of internal controls in respect of Housing Tenancy Fraud and the application of new offences.
20	Are we satisfied our procurement controls are working as intended?	✓		Internal Audit conducted two audits in this area in 2011/12. The Purchase to Payment review covered the creditors systems whilst the 'Standing Orders-Waivers and Tendering' review dealt with the front end procurement processes. Both audits resulted in Internal Audit issuing an opinion on the risk of the service not achieving its objectives of 'Medium – Low'. Three audits have been included in the 2013/14 audit plan, these being, E-Business MyBuy, Purchasing Budget Monitoring (Communities) and a Purchase to Payment main financial systems review.



21	<p>Have we reviewed our contract letting procedures since the investigations by the Office of Fair Trading into cartels and compared them to best practice?</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.</p> <p>In 2013/14 the following reviews are scheduled; Sheffield Contract Management System (Information Technology) review, E-Business MyBuy review and Kier LLP Succession Planning.</p>
22	<p>Are we satisfied that our recruitment procedures achieve the following:</p> <ul style="list-style-type: none"> <li>• prevent us employing people working under false identities?</li> <li>• confirm employment references effectively?</li> <li>• ensure that applicants are eligible to work in the UK?</li> <li>• require agencies supplying us with staff to undertake the checks we require?</li> </ul>	✓		<p>Internal Audit completed a propriety review of a sample of 20 new starters in July 2011. No significant issues were identified. A Human Resources Starters &amp; Leavers (inc VS/VER) review was completed in 2012/13.</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 2013 and there were no Immigration matches identified.</p> <p>SCC uses one agency to source temporary staff (Reed). A Value for Money review of the Use of Agency staff is scheduled in 2013/14.</p>
23	<p>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?</p>	✓		<p>An Internal Audit review of the Self Directed Support Programme was completed in November 2011. A review of SDS Operational Controls was completed during 2012/13 and a Counter Fraud examination of SDS payment controls is in the process of completion.</p> <p>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.</p>

<b>24</b>	Have we updated our whistleblowing arrangements, for both staff and citizens, so that they may raise concerns about the financial abuse of personal budgets?	✓		<p>The SCC Whistleblowing Policy is intended to be used to report inappropriate behaviour by members / officers of the council including financial malpractice.</p> <p>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>
<b>25</b>	Do we take proper action to ensure that we only award discounts and allowances to those who are eligible?	✓		<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>A data matching exercise was undertaken by Capita in 2010/11 comparing SCC SPD data against Experian data.</p> <p>This exercise resulted in 327 ineligible discounts being cancelled generating an extra £39,537 in council tax income.</p> <p>SCC participated in the National Fraud Initiative, Single Person Discount data matching exercise during 2012/13 and the examination of matches resulting in the identification of circa. £156k in collectable income.</p>

26	<p>When we tackle Housing and Council Tax benefit fraud do we make full use of:</p> <ul style="list-style-type: none"> <li>• National Fraud Initiative (NFI)</li> <li>• Department of Work and Pensions</li> <li>• Housing Benefit matching service(HBMS)</li> <li>• Internal data matching</li> <li>• Private sector data matching?</li> </ul>	✓		<p>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.</p>
27	<p>Do we have appropriate and proportionate defences against emerging fraud risks</p> <ul style="list-style-type: none"> <li>• Business rates</li> <li>• Right to buy</li> <li>• Social Fund and Local Welfare Assistance</li> <li>• Local Council Tax Support</li> <li>• Schools</li> <li>• Grants?</li> </ul>	✓		<p>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 has been included in the 2013/14 Internal Audit plan. 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 e.g. Financial Management – Protecting Public Money, concluded in March 2012.</p>

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