

Presentation to Corporate Governance Committee

Mitigating the Risk of Fraud within the County Council



17 November 2015

Sponsors – Members (Cabinet Lead Member for Resources)

Strategically – the Chief Executive

Oversight – the Corporate Governance Committee is responsible for monitoring the adequacy and effectiveness of the arrangements in place for ensuring an adequate internal control environment and for combating fraud and corruption.

Operational – Head of Internal Audit Service

The general criminal offences of fraud as defined by the Fraud Act 2006 can include:

- deception whereby someone knowingly makes false representation
- or they fail to disclose information
- or they abuse a position.

In October 2015 the Office for National Statistics (ONS) estimated that there were more than five million incidents of fraud in England and Wales in the last year.

There is evidence that certain types of fraud are on the increase (e.g. procurement fraud, cyber crime, mandate fraud, direct payments).

Revise the Council's counter fraud documents, e.g. Anti-Fraud & Corruption Strategy and Procedures, Anti-Bribery, Anti-Money Laundering.

Compliments work undertaken by the County Solicitor regarding the Employee Code of Conduct, Declaration of Personal Interests, Gifts & Hospitality and Whistleblowing.

The Council's whole suite of counter fraud documentation is now up-to-date, relevant and fit-for-purpose.

The Council has a 'zero tolerance' approach to all forms of fraud, corruption and financial irregularity.

Each year we undertake a Fraud Risk Assessment (FRA) to understand, through dialogue with key managers, what the Council's main fraud risks are and to further understand how they are being managed. This, along with intelligence received regarding 'emerging' fraud risks, enables us to direct finite internal audit resources into higher risk areas.

As a result of the results of the 2014 FRA, we have undertaken and / or have planned targeted work surrounding procurement fraud, blue badges, mandate fraud and direct payments.

New mandatory e-learning module on fraud awareness

Corporate induction process

Targeted publicising of the suite of counter fraud policies and procedures

Conduit between the core and departments to disseminate urgent fraud alerts e.g. NAFN alerts, phishing alerts, Trading Standards alerts, mandate fraud

**National Fraud Initiative (NFI) data matching exercise –
seeks to identify potential anomalies and highlight where
there is a high risk of fraudulent activity**

**We have sophisticated audit interrogation software (IDEA)
which enables us to analyse data within the organisation,
e.g. duplicate payments.**

A partnership of all Leicestershire authorities was successful in bidding for DCLG funding to develop collaborative counter fraud initiatives. These include:

- Leicester, Leicestershire & Rutland Intelligence (Information Sharing) Hub
- Insurance Fraud
- Fraud Application for Smartphones

These initiatives are at varying stages and for each, the lead authority is Leicester City Council.

We are working in conjunction with the Corporate Procurement Unit (CPU) to identify major fraud risks and to ensure that the Council's controls are sufficiently robust.

Using the CIPFA Counter Fraud Centre's publication, 'Managing the Risk of Procurement Fraud' we have together looked to map best practice against current practice and an action plan has been drawn up, owned by CPU, to further strengthen processes in key risk areas.

We have work underway / proposed surrounding direct payments, nationally flagged up as a high fraud risk area:

- Cash Payments – is spending in line with care plans?
- Direct Payment Cards – new initiative
- Raising fraud awareness with social work / direct payments support teams

CIPFA self-assessment toolkit – enables organisations to measure their level of fraud resilience

2015 Fraud Risk Assessment – results to CGC in February 2016 and will influence 2016/17 Internal Audit Plan

Member endorsement of the Council's new Loss Recovery Strategy and ensure that 'zero tolerance' is embedded throughout the Council.

We will continue to seek new opportunities to use data matching as a key fraud prevention technique (e.g. with Cabinet Office re. Companies House directorships)

- Further promotion of zero tolerance approach - all suspected fraud will be channeled through the County Solicitor for a decision what further action is to be taken, e.g. referral for criminal prosecution, recovery of losses under civil proceedings
- Raising awareness that zero tolerance should not be solely restricted to financial fraud – e.g. recruitment, school admissions
- Strengthen the Council's internal disciplinary process to ensure that, where disciplinaries surround potential fraud or financial irregularity, this zero tolerance approach is taken into account

Officers to contact

Neil Jones, Head of Internal Audit Service, Corporate Resources

 **0116 305 7629**

 **neil.jones@leics.gov.uk**

Scott Brownlow, Senior Auditor / Counter Fraud Lead, Corporate Resources

 **0116 305 7610**

 **scott.brownlow@leics.gov.uk**