



CIPFA Code of Practice on Managing the Risk of Fraud and Corruption Assessment Tool – Summary of Recommendations

Undertaken by Leicestershire County Council Internal Audit Service
NOVEMBER 2015

A) **OVERALL CONCLUSION**

The organisation is meeting the standard set out in the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption. The leadership has acknowledged its responsibilities for managing the risks and it has robust arrangements in place to identify and manage risks. It has a counter fraud strategy, backed up by the resources and arrangements in place to carry it out. The organisation is proactive in managing fraud and corruption risks and responds effectively. Stakeholders can be confident in the approach taken by the organisation and meeting the standards of the counter fraud code contributes to good governance. Whilst no organisation is 'fraud proof', the organisation has taken robust steps to ensure its resilience. This high level of performance should be acknowledged within the organisation's annual governance report.

B) **SUMMARY CONCLUSIONS BY INDIVIDUAL THEME / PRINCIPLE**

PRINCIPLE	%	SUMMARY CONCLUSIONS
A - ACKNOWLEDGE RESPONSIBILITY	97%	The organisation is meeting the standard set out in the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption for Principle A. The leadership has acknowledged its responsibilities for managing the risks and it has robust arrangements in place to identify and manage risks. The organisation's high level of performance in this area means that it is taking robust steps to improve and maintain its resilience to fraud.
B - IDENTIFY RISKS	89%	The organisation is meeting the standard set out in the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption for Principle B. The organisation has comprehensive arrangements for fraud risk identification and assessment and is working to actively manage those risks. The organisation's high level of performance in this area means that it is taking robust steps to improve and maintain its resilience to fraud.
C - DEVELOP A STRATEGY	80%	The organisation is meeting the standard set out in the CIPFA Code of Practice on Managing the Risk of Fraud and

		Corruption for Principle C. The organisation has put in place a robust strategy to address its fraud and corruption risks and has defined responsibilities for implementation and oversight. The organisation's high level of performance in this area means that it is taking robust steps to improve and maintain its resilience to fraud.
D - PROVIDE RESOURCES	79%	The organisation has reached a good level of performance against Principle D of the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption. The organisation has put in place appropriately skilled resources and reviews its resourcing needs. There are some areas where more could be done to ensure that its counter fraud capability is able to operate effectively across the organisation and collaborative arrangements.
E - TAKE ACTION	70%	The organisation has reached a good level of performance against Principle E of the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption. The organisation is proactive in addressing its fraud risks and takes appropriate action to referrals. It has put in place arrangements to provide assurance and accountability over its performance and so is able to identify its strengths and weaknesses. There are some areas where improvements can be made to the effectiveness of its arrangements and to ensure they fully address the scope of the counter fraud strategy.

C) SUMMARY OF RECOMMENDATIONS

#	Ref to Assessment Tool	Recommendation
1	A2/1 C3/1 C3/7	A formal Loss Recovery Strategy should be developed and published. It is acknowledged that work is underway to publish a Loss Recovery Strategy as an appendix to the Anti-Fraud & Corruption Strategy. This will be reported to the Corporate Governance Committee in February 2016. This will set out the range of options available to the Council, criminal and civil, to seek redress / restitution / retribution in the event of fraud, corruption or other financial irregularity.
2	A3/4	The results of this internal assessment should influence the 2015/16 AGS (and beyond). This internal assessment should be repeated on a regular basis, say three-yearly.
3	B2/3	Continue to work with the Corporate Procurement Unit to establish formal training (procurement risks) for staff involved in procurement and commissioning. The wheels have been set in motion regarding this.
4	B4/2	Consider how the message that fraud is not a victimless crime and the harm caused by fraud can be conveyed to key stakeholders, for example through the Head of Internal Audit Service endorsing an information message for CIS (staff) and Leicestershire Matters (customers).

5	C3/2 C4/2	<p>To implement the remaining actions within the AF&C Strategy's two-year action plan 2015-2017:</p> <ul style="list-style-type: none"> • To monitor take up of the new e-learning module. • To assess and address the fraud risks associated with the Council becoming greater involved as a commissioner of services. • To assess and address the risks associated with partnership work, particularly where the Council is the lead accountable body.
6	C3/5	<p>The Council should explore ways to publicise its anti-fraud activities to staff, contractors and customers, including its commitment to tackle fraud and corruption, and the outcomes of successful cases. For example:</p> <ul style="list-style-type: none"> • Head of Internal Audit Service to endorse articles for CIS (staff), Leicestershire Matters (customers) advising of counter fraud activity that routinely takes place within LCC (e.g. NFI). • More proactive publication of successful prosecutions and a cultural change from the past where we were perhaps relieved if the press didn't pick up on a case (for fear of the bad publicity) with a new way of thinking that promotion of successful prosecutions or of successful counter fraud activity can act as a key deterrent.
7	C3/8	<p>Internal Audit Service should discuss with Legal Services whether civil loss recovery should ordinarily seek to also recover the costs of investigation, supplementary to actual fraud loss.</p>
8	D1/1	<p>The Head of Internal Audit Service should define a clear role(s) and responsibilities/boundaries for counter fraud activity within the Service.</p>
9	D2/1	<p>The Head of Internal Audit Service to begin to transfer fraud knowledge to other staff within the Service to mitigate the risk of a 'single point of failure'. This could, for example, be achieved through nominating an assistant to the operational lead who would take on the more routine duties.</p>
10	D2/2	<p>Should the Strategic HR Service decide to offer a traded investigation resource, Internal Audit Service should provide some basic training to HR Officers in areas such as file management protocol, loss recovery, criminal process, data protection etc.</p> <p>Should the Strategic HR Service decide to offer a traded investigation resource, it should consider having a member of HR staff undertake the CIPFA Accredited Counter Fraud Technician qualification.</p>
11	D2/3	<p>Delivery of actions planned to provide more in house training to:</p> <ul style="list-style-type: none"> - Internal Audit Service staff (by IAS) - Staff routinely involved in procurement and/or commissioning (by the Corporate Procurement Unit) - Strategic HR staff (by IAS)
12	D3/2	<p>Exploration of the adequacy of access rights that are in place covering outsourced activities, shared services (e.g. EMSS), consortia (e.g. ESPO), and partnership arrangements so that an investigator is able to conduct appropriate enquiries, if required.</p>

13	E1/1	The Council's supplementary counter fraud documents are referred to in the Anti-Fraud and Corruption Strategy (Section 11 - Further Information), but this link would be strengthened if they were directly hyperlinked to, so as to enable ready access. Recommendation, therefore, is to establish hyperlinks from the AF&C Strategy to the supplementary documents. This can be done at the same time that the Loss Recovery Strategy gets added to the AF&C Strategy as an appendix.
14	E2/4	To strengthen the link between counter fraud and risk management to ensure that considering fraud risk is an integral part of risk management within the organisation. To consider whether the risk of fraud and corruption as an organisational whole should be included on the Corporate Risk Register.
15	E4/3	To liaise with the County Solicitor at an early opportunity to determine whether there is necessity for an annual review of whistleblowing with findings of such a review reported to the Corporate Governance Committee, e.g. number of concerns reported, type of concern, action taken etc.
16	E5/1	The Head of Internal Audit Service to consider whether there should be an annual report to the CGC, possibly (but not necessarily) replacing the quarterly counter fraud updates, discussing adherence to the Anti-Fraud & Corruption Strategy.