

UPDATED FRAUD POLICY AND FRAUD RISK ASSESSMENT

Summary: The assurance review of Counter Fraud and Corruption (NN/22/04) was completed in March 2022 by Internal Audit and was given a 'limited assurance' level, although it should be noted that this was the same position across the whole audit consortium.

The main reason for this is that since resources previously allocated for the detection of fraud (2 x FTEs) were transferred to the DWP in April 2015 the Council has not had a dedicated fraud resource to lead on this area of work and whilst all officers have a responsibility to try to detect and mitigate fraud the Council no longer has any dedicated staffing to give this area the focus it requires.

The audit report made a number of recommendations designed to help strengthen the Council's approach to fraud and corruption.

The purpose of this report is to consider the recommendations contained within the audit report and make Members aware of the current fraud trends affecting the public sector. The report also contains the Council's fraud risk assessment that has been undertaken and the update to the Anti-fraud and Corruption Policy.

Conclusions: It is clear that there are improvements which can be made in relation to increasing fraud awareness across the Council. A number of improvements have been recommended as part of the fraud assessment process contained within this report. Implementation of the recommendations and improvements proposed will help address the issues identified within the recent audit.

Recommendations: The committee is requested to;

1. Approve updated Fraud and Anti-Corruption Policy;
2. Note the associated Fraud Risk Assessment for 2021/22;
3. Note the recommended improvement actions; and
4. Note the progress on the audit actions.

Cabinet Member(s)	Ward(s) affected
Cllr Eric Seward	All
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1. Introduction

- 1.1 The assurance review of Counter Fraud and Corruption (NN/22/04) was completed in March 2022 by Internal Audit and was given a 'limited assurance' level, although it should be noted that this was the same position across the whole audit consortium.
- 1.2 The main reason for this is that since resources previously allocated for the detection of fraud (2 x FTEs) were transferred to the DWP in April 2015 the Council has not had a dedicated fraud resource to lead on this area of work and whilst all officers have a responsibility to try to detect and mitigate fraud the Council no longer has any dedicated staffing to give this area the focus it requires.
- 1.3 The assurance review made a number of recommendations designed to help strengthen the Council's approach to fraud and corruption. The purpose of this report is to address the recommendations contained within the assurance review and to make Members aware of the current fraud trends affecting the public sector. The report also contains the Council's fraud risk assessment that has been undertaken and the update to the Anti-fraud and Corruption Policy.

2 Anti-fraud and Corruption Policy update

- 2.1 The assurance review made a number of recommendations, including updating the Anti-fraud and Corruption Policy to reflect the Council's new management structure. This has been undertaken by the Head of Internal Audit and the opportunity has also been taken to include best practice from the Local Government Fraud Strategy 'Fighting Fraud and Corruption Locally'.
- 2.2 The updated policy has been shared with the Corporate Leadership Team (CLT), Management Team (MT) and key staff ahead of this report being prepared for committee and comments and suggested amendments have been included as appropriate. The updated policy can be found within Appendix A.

3 Fraud risk assessment April 2022

- 3.1 A further issue from the assurance review focussed around the fact that the Council has not undertaken a fraud risk assessment and hence there are no plans in place to reduce all risks of fraud that may affect the Council.
- 3.2 It was therefore recommended that the Council undertake an assessment of the fraud and corruption risks that it faces, and put in place actions to mitigate them where required. Once complete the assessment is to be used to update Service Plans and determine whether a strategic risk should be added to the Corporate Risk Register (CRR). The assessment then needs to be signed off by GRAC as the Committee will have responsibility for risk management.
- 3.3 The rationale was that without an assessment, there is a potential that some risks of fraud or corruption have not been identified and responded to. The Fraud Risk Assessment can be found within Appendix C.

4 Update on audit actions

- 4.1 The recommendations made as part of the assurance review are summarised below including updates regarding progress against each.
- 4.2 The audit highlighted the following areas where two 'urgent' recommendations have been made.
1. An assessment of fraud and corruption risks be undertaken, with Members informed of the outcomes and an action plan put in place to respond to the risks identified. This recommendation is actioned as per this report to GRAC – particularly Appendices B and C attached.
 2. A review of the resources required for counter fraud work be undertaken. CLT discussed the position regarding a dedicated resource to manage fraud risks at its meeting of 17th May 2022. This discussion recognised that historically the Council had a small team of 3 FTEs, subsequently reduced to 2 FTEs, before TUPE transfer of this team to the DWP in April 2015 where Benefit Fraud investigation was centralised in a national team. Since this time, the authority did not have a dedicated fraud resource, but sought to manage such risks through existing staff systems and processes. As no clear Business Case had been made through the assurance review for a dedicated fraud resource relative to the scale of fraud/risk face by the authority, and in the absence of any New Burdens or other funding from Government to support the employment of a Fraud Officer(s), CLT did not think a strong financial case had been made to employ additional staff for this purpose. CLT therefore proposed that relevant staff be given further training of fraud risks and that this issue be reviewed further in 12 months time.
- 4.3 The audit has highlighted the following areas where four 'important' recommendations have been made;
1. An annual report be presented to Governance, Risk and Audit Committee on the Council's progress in combating fraud risks. Agreed with auditors to include within the Monitoring Officers Annual report.
 2. Training sessions for counter fraud and corruption to be rolled out across the Council. Records for training sessions to be formally recorded and monitored. Discussed and agreed with HR, detailed training for key staff currently being trialled with Revenues and Benefits staff to ensure scope is appropriate prior to a wider rollout in June/July 2022.
 3. A programme of work be introduced to improve the counter fraud culture within the Council. Draft attached at Appendix C.
 4. An annual action plan to carry out all required counter fraud work be put in place and agreed by committee. Draft attached at Appendix C.
- 4.4 The audit has also highlighted the following areas where three 'needs attention' recommendations have been made.
1. Fraud risks be considered as part of the process for creating new policies, strategies and initiatives across the Council. Complete – signed off with Internal Audit 31/03/22. Updates provided to CLT/MT/OMT/CDU to remind them of this requirement.

2. The Council registers with Government Counter Fraud Profession Knowledge Hub the Fighting Fraud and Corruption Locally regional network. Complete – signed off with Internal Audit 31/03/22.
 3. The Council's Counter Fraud, Corruption and Bribery Strategy to be revised, to include the Council's tolerance to fraud and corruption. Draft attached at Appendix A.
- 4.5 As can be seen from the above a number of recommendations have already been signed off and significant progress has been made against each of the others with the expectation that all recommendations will be able to be signed off once the above documents have been reviewed and agreed by GRAC on 14 June 2022.

5 Corporate Plan Objectives

- 5.1 Having a strong governance framework underpins the entire Corporate Plan and Delivery Plan but the area of fraud and corruption is particularly relevant to 'Financial sustainability and Growth' work stream.

6 Financial and resource implications

- 6.1 As identified within the Fraud Risk Assessment there are training requirements Council-wide along with more focused training for certain key areas such as Revenues, Benefits and Exchequer. This process will be managed through the Skillgate training resource.
- 6.2 Promotion of the updated Anti-fraud and Corruption Policy can be undertaken via staff updates and through team meetings and this policy needs to be read and acknowledged by all new starters.
- 6.3 There have been previous discussions (pre-Covid) with partners across Norfolk regarding a shared fraud resource across the county and also data sharing work but these discussions stalled as a result of the pandemic and have not yet re-commenced so there is no understanding of the costs/benefits which might be realised by the District Council through such an arrangement.

7 Medium Term Financial Strategy

- 7.1 Anything which the Council can do to minimise fraud is good in terms of protecting the public purse and ensuring the Council has adequate funds to finance corporate priorities.

8 Legal implications

- 8.1 There are no legal implications as a result of this report.

9 Communication issues

- 9.1 As per a number of the actions contained within Appendix C, communications will be important in terms of increasing fraud awareness across the authority and the improvements recommended cover a range of methods including training, staff briefings etc and these will be progressed in line with the timetable outlined.

10 Risks

- 10.1 There is a dedicated risk assessment contained at Appendix C.

11 Conclusions and Recommendations

- 11.1 It is clear that there are improvements which can be made in relation to increasing fraud awareness across the Council and a number of improvements have been recommend as part of the fraud assessment process. Implementation of the recommendations and improvements proposed will help address the issues identified within the recent audit.

Recommendations

The committee is requested to;

1. Approve updated Fraud and Anti-Corruption Policy;
2. Note the associated Fraud Risk Assessment for 2021/22;
3. Note the recommended improvement actions; and
4. Note the progress on the audit actions.