

Audit and Standards Committee Report

Title of Report:	Internal Audit Annual Fraud Report 2023/24
Date of Decision:	18 October 2024
Report To:	Audit and Standards Committee
Report Of:	Senior Finance Manager, Internal Audit
Report Author:	Stephen Bower, Internal Audit and Risk Manager.

Executive Summary: The purpose of this report is to inform the Audit and Standards Committee of the outcomes of the work undertaken by Internal Audit on fraud and corruption during 2023/24 and the proposed work for 2024/25.

Recommendations:

The Audit and Standards Committee is recommended to:

1. Note the content of this report.
2. Note that the Council's policies in relation to fraud and corruption have been reviewed and fulfil the required governance arrangements for the Council.
3. Note the completed checklist for those responsible for governance (Appendix A).



Does the report contain confidential or exempt information? No

Financial Implications: No - [Approved by: N/A]

Legal Implications: No - [Approved by: N/A]

Equality and Inclusion Implications: No - [Approved by: N/A]

Climate Change Implications: No - [Approved by: N/A]

Background Papers: None

Appendices:

Anti-fraud and Corruption Policy Statement and Strategy – Overarching document which draws together all of the Councils 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 corruption. This has been updated in line with the Council plan and its new values.

Fraud Risk - This document is designed to help managers in identifying fraud risks in their areas and to put forward strategies to manage and mitigate these risks, this has been updated for current risks.

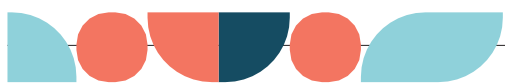
Fraud Response Plan – This document has been written to aid managers in dealing with potential fraud issues and to investigate these in line with the relevant Council Human Resources policies.

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

Bribery and Corruption Policy – This document was devised to fill a gap in the Council's 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 document is to aid checking of customers across the Council to comply with bribery and money laundering requirements.

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



Sheffield City Council

Report to the Council's Audit and Standards Committee

Fraud and Investigations

18 October 2024

Purpose of the Report

1. This is an annual report produced by Internal Audit to show the work that has been undertaken across the Council in relation to Fraud and Investigations. This report is to “those charged with governance” which in the case of Sheffield City Council is the Audit and Standards Committee, to show the work that has been undertaken within Internal Audit and how these fit into the national picture.
2. This report shows the outcomes from the work undertaken in 2023/24 and highlights the work to be undertaken in 2024/25. All of the Council's policies relating to fraud and corruption are available to all staff on the Intranet and have been embedded in the operation of the Council.
3. The Council has a full suite of policies which were fully revised and presented to this committee last year. They ensure that the Council has in place adequate governance arrangements for the prevention, detection, and prosecution of fraud against the Council. The policies have been reviewed this year, there are changes to the anti-money laundering policy following updates to the legislation. Changes have also been made to the overarching policy on fraud to bring this in line with the current values of the Council and its goals and ambitions. These policies have been included in the pack for your consideration. The other policies were also reviewed and updated, although the changes to these are minimal. They are included, as the committee should review all relevant policies from time to time. Potential fraud may be covered by employees and the wider public.
4. The most recent UK wide survey on Fraud and Corruption in local government was produced by Chartered Institute of Public Finance (CIPFA) in 2020, this correlates data from Councils and draws together an overall picture of fraud in Local Government across the country. Information from the CIPFA report is referenced in this report. The report was previously undertaken annually, and the Council contributed to this, however this exercise has not during or after the Covid pandemic. It is anticipated that the exercise and reporting process will recommence next year in line with the current Nation Fraud Initiative (NFI) cycle, which concludes this year.
5. At the end of this report, we have provided a checklist (Appendix A) similar to previous years to provide the Audit and Standards Committee with assurance on the robustness of the Council's Counter Fraud arrangements. This has been revised to take account of the work that has been undertaken during the year.
6. As a service we continue to monitor trends in Fraud. We have regular communications and reports from the National Anti-Fraud network (NAFN) (with whom we are a member) and action from our Bank, CIPFA and Action Fraud. Fraud accounts for 44% of all notified crime against the individual, and this is rising year on year. Much of the crime such as spam emails

etc goes unreported. The number of computer misuse cases has also risen by 92% in the past 4 years. In the current economic climate, some individuals may be tempted to commit fraud due to their circumstance. In addition, organised crime is continually engaged in fraud activity against the council such as bank mandate fraud. There is also a noted increase in attempts to obtain data from the Council. Internal Audit and the Council must be vigilant to such threats and to try to ensure that our controls are such as to minimise these threats.

Background

7. According to the National Fraud Authority (NFA), public sector fraud costs the British taxpayer around £28 billion per year, equating to roughly four percent of government expenditure.
8. The Cabinet Office is responsible for the National Fraud Initiative (NFI). This is a biennial process (for Single Person discount fraud (SPD) in council tax this is undertaken annually), where data is supplied from a number of Council systems and is matched to data supplied from other Councils and third parties such as Department for Work & Pensions (DWP), Her Majesty's Revenue & Customs (HMRC) and the Student Loans Company. Any data matches are then supplied back to the Council to be investigated. Internal Audit coordinates and facilitates the process on behalf of the Council.
9. The Council last submitted the data to be matched in October 2022. This process went well and we submitted all data on time and following checking by the Cabinet office no issues were found with the data sets. Internal Audit also ensured that all relevant privacy notices were in place and that clients and staff were made aware that their data was to be used in this mandatory process.
10. The first data matches were received in February last year, with additional matches still being received and progress on these matches is reported in detail later in this report. It should be noted that other than a couple of complex cases, which came through at the end of last year, this work is now complete.
11. The Council has already responded to the Cabinet Office consultation for the 2024 exercise. The allows for lessons learnt to be fed into future exercises. The next date for submission will be September 2024.
12. The annual exercise takes place to match Single Person Discount (SPD) claims in Council tax. Matches in this area were received in January 2024 and work is well underway to review and action these. This process allows us to identify any individuals who may not have notified the Council of change in circumstances.
13. As reported previously the Council no longer investigates Housing Benefit fraud. These are undertaken by the Single Fraud Investigation Service (SFIS) which is part of the Department for Work and Pensions (DWP). This is mentioned, as some of the work referenced particularly regarding NFI includes figures relating to Housing Benefit fraud. Although these are identified within the Council, they are passed to the DWP for investigation and ultimate sanction, although recovery of any overpayment remains the responsibility of the Council.

National Picture

14. It is recognised that each pound lost to fraud represents a loss to the public purse and reduces the ability of the public sector to provide services to the people who need them. According to recent data from CIPFA the cost of fraud to the public sector is estimated to be at least £47bn.
15. The level of fraud reported in Local Government in 2023 was approximately £253 million. This is up about the same as the previous year and the average value remained constant at about £3,600.
16. The CIPFA report highlights 72,000 frauds have been detected and prevented across local authorities.
17. Fraud by its very nature is often difficult to detect. The better the controls that the Council has, the more that those wishing to undertake acts of fraud will look to target weaker and more vulnerable areas, which is why there is often a shift in the fraudsters focus year on year. Sheffield is not complacent and as part of the Internal Audit annual plan which this committee approved at the last meeting, we look to ensure that where fraud is highlighted as a risk that adequate controls are in place.
18. Sheffield City Council has robust processes built into systems to try to prevent and detect fraud. These are backed up by relevant anti-fraud polices, these are available to all staff and have become embedded into Council processes. These should reduce the amount of fraud and aid in its early detection.
19. Internal audit liaises with services where they are considering changes in working practices to ensure that fraud risks are identified, and controls included within their planned work. The routine work of Internal Audit should also reduce the prevalence of frauds, by ensuring services and processes have robust controls in place.
20. To aid this process Finance and Commercial Services has two groups to support services in the delivery for new processes and strengthened financial processes. The Financial Design Assurance (FDA) group reviews new systems and process which are to take place across the Council to ensure a robust approach to implementation and to ensure that the systems all align with one another and give value for money. The standards and policies group similarly reviews the Councils polices and financial standard to ensure that they are up to date and operate effectively. The Internal Audit service has representation on both groups and gives advice on the control framework and potential risk of fraud.

Reactive Work Undertaken in 2023/24

21. It is pleasing to note that the Council are not aware of any significant frauds taking place in the Council. That is not to say that the Council is complacent in this matter.
22. The level of investigations in 2023/24 increased on the previous year, this was expected as additional effort was put into fraud training and the number of managers who have undertaken this training has increased by about 50% on last year. Fraud awareness is therefore better considered across the organisation. We also had a number of cases which involved several individuals, and the investigations became more complex as they progressed. It is noted that many of issues investigated were involving misuse of data. GDPR

training is provided to all staff to help raise awareness in this area. It should be noted many of the issues raised were at a low level but were considered no less serious.

23. It was noted that there were a few breaches of the Code of Conduct which related to the abuse of position in relation to misuse of benefits/ allocation of resources which the Council considers very seriously.
24. Internal Audit conducted 24 re-active investigations and assisted managers with a further 21 re-active investigations which arose in 2023/24. Internal Audit also concluded investigation work on 2 re-active investigations and assisted managers with a further 6 investigations which had originated in 2022/23
25. As the Council has such a large workforce covering many services there will always be a range of issues. These investigation cases were from all directorates and included theft of cash or disappearance of assets, falsification of timesheets, and behaviour breaching standards within the Code of Conduct.
26. The types of frauds identified within the Council mirror those found nationally. South Yorkshire Police were notified and involved where appropriate. Following investigation, appropriate sanctions were applied where the issues were found to be proven. This resulted in several dismissals / resignations. In some cases, it was also found that there was no or insufficient evidence of fraud for action to be taken. It was also noted that in some cases, there were simple explanations for the issues investigated.
27. The Council also continues to be attacked by criminal gangs using various types of phishing exercise. These are often aimed at committing bank mandate fraud. As with all of these types of crime the criminals become ever more sophisticated. Work is ongoing in this area to ensure that the controls in place remain robust. Many of these issues are identified during normal processing and are prevented at source and are not investigated further.
28. The number of instances of computer misuse identified and investigated continues to increase. There were also instances of individuals undertaking secondary employment which were not disclosed contrary to the Councils requirements and was incompatible with their current roles.
29. During the course of investigations, any control and process issues / weaknesses identified were reported to management for action to prevent future occurrences.
30. Internal Audit continues to work closely with Human Resources. Human Resources often identify issues such as timesheet fraud as part of wider staffing issues and they have arranged a standard notification process for Internal Audit. There are also regular liaison meetings with Internal Audit, Human Resources, and the Monitoring Officer where investigations and governance issues are discussed. This ensures consistency of approach on these matters. Internal Audit has only a limited amount of qualified investigator resources and these are therefore targeted at the most appropriate cases.
31. Internal Audit also liaised with several outside organisations including various banks, HMRC and DWP in relation to fraud allegations.

Fraud work across the Council in 2023/24

32. Other services across the Council (note – they are not part of the Internal Audit service structure) also identify and address fraud and theft. Some of the work undertaken and the outcomes are summarised below.

Blue Badges

33. The misuse of blue badges not only has a cost attached to it but also prevents citizens of Sheffield who have need to use their badges from being able to do so.
34. Parking Services continues to remove blue badges where they are being abused. A recent change to the blue badge penalty system means that cautions can now be offered to the offender, as an alternative to prosecution. In the year 49 blue badges were confiscated for misuse and the car driver issued with a penalty notice. These were instances where the badge holder was not present when used. Upon request these were sent back to the badge holder with a reminder of their use.
35. The option to offer a caution has enabled a more cost-effective penalty which stays on record and can be used as evidence should the offender misuse a blue badge in the future and a prosecution pursued.
36. In 2023/24 no prosecutions took place, the service is currently preparing evidence for a number of cases to go to prosecution which will take place in due course. The service continues to enforce restrictions in a suitable manner, and they will be looking to impose the appropriate sanctions where these are required going forward. The service is currently intending to reintroduce prosecutions for offenders later in the year and publicity will shortly go out to remind the public that this will take place.
37. Nationally the estimated average value per blue badge fraud cases is £877m. It should however be noted that the cost is per case and is likely to be lower in Sheffield, as we do not currently have a congestion charge (Clean Air Zone charges do not apply to private motor vehicles) or the scale of parking fees seen in London, where blue badge fraud would cost the authority considerably more.

Housing Tenancy and Right to Buy Fraud

38. It is difficult to fully determine the number of fraudulent tenancy cases as often the tenants hand back their tenancy when they are aware of an investigation taking place. This means that lengthy and costly legal action is avoided and the houses are once more available to be used by the citizens of Sheffield who need them. The Council will always take the appropriate legal action if fraud can be proven, even if the tenancy has been given up.
39. These cases are investigated by the Housing Fraud Team (this is a small team which is part of the housing service and has 2 qualified investigators), including Right to Buy cases.
40. The service had 69 active cases at the start of the year, down by 28% on the previous year. The back log of cases has been reduced even though the number of cases rose to 116 new cases against 80 in the previous year. Of these 115 cases were closed in the year.
41. 22 properties were returned as tenants quit whilst under investigation. 3 further properties were abandoned during an investigation. This is in line with the previous years and means that 25 properties could be re-let. These properties allowed for the potential 88 individuals to

be rehoused. The value of these properties in terms of retention value is £2.046 million, this is based on the rent generated and the cost of placing individuals in other accommodation.

42. The service has 4 cases (3 Criminal and 1 Civil) currently in the process of prosecution and a further 6 cases where evidence is being prepared.
43. 7 Right to Buy properties were stopped with an estimated saving of £327,920 (this is based on the discount that would have been given).
44. The service is part of the Yorkshire and Humberside Tenancy Fraud Forum where issues and best practice are discussed. The service also takes the opportunity to brief the wider housing team on issues and this has allowed staff in the service to highlight potential issues whilst conducting their normal duties. The right to buy surveyors are now well aware of issues and to report them promptly, thus stopping sales.

In the current year, the service is intending to work with the Sheffield universities to highlight the potential risk to overseas students becoming the victims of unlawful subletting.

Bank Mandate Fraud

45. Bank mandate fraud continues to be a significant issue. Although we have robust controls in place to detect and prevent this, the Council is still targeted by organised criminal gangs who undertake phishing exercises. Methods are becoming more sophisticated, but our knowledge of this threat continues to develop. Alerts from neighbouring Local Authorities as well as the National Anti-Fraud Network (NAFN) and the police are regularly circulated to the relevant service areas.

Whistleblowing

46. The number of whistleblowing issues reported remains low. The current policy and processes are under review and the service has obtained resources to develop these and roll them out across the Council shortly. This has the potential to raise the number of frauds reported. Internal Audit are also publishing its direct fraud line as the Council moves to its new SharePoint sites.

Pro-Active Fraud Work 2023/24

47. Four pieces of pro-active counter fraud work have been undertaken by Internal Audit during the year. These involved a piece of work to examine the fraud controls in the various methods to make payments, Clean Air Zone Charges, Clean Air Zone Exemptions and the proposed closure of the Council's cashiers office. A further review was undertaken to review specific controls in certain high-level systems. These did not identify any instances of fraud being undertaken and showed strong fraud controls in place.
48. Recommendations have been made in these areas where required, to improve control processes. Follow-ups of previous year's reviews were undertaken, and adequate progress had been made and reported to the Audit and Standards Committee via the Recommendation Tracker report.
49. In addition, there was work on data matches relating to the NFI exercise which are reported later.

The Counter-Fraud Plan for 2024/25

50. The councils internal audit department continues to have an active role in the prevention detection and prosecution of fraud across the council. It will continue to support services through business partnering activity to ensure that we have a robust governance framework in place.
51. The internal audit plan for 2024/25 includes four pieces of pro-active work:
- Review and update the Council fraud risk assessments undertaken in services.
 - Review of the processes for managing Housing Tenancy Fraud.
 - Review of the Councils arrangements to ensure that it is compliant with the failure to prevent fraud offence.
 - Review of the arrangements to prevent fraud in the Councils registry office.

Fraud E-learning

52. Following the change of the Councils system to deliver E-learning a new package has been introduced. This has been promoted to all staff and has been made part of the managers mandatory learning. As of the first of July, 2533 or 28.3% of all staff had undertaken the training. In relation to manager's a total of 928 or 74% of all designated managers had undertaken the training.
53. The Fraud E-Learning package has been developed to give support to officers and members in understanding fraud risks and putting in place measures to prevent/ reduce the prevalence of fraud. The package has been tailored to the needs and processes of the Council. The package will be reviewed in the following year to ensure that it is relevant and up to date.
54. In addition, all staff are required to confirm on an annual basis that they have read and understood the fraud responsibilities as part of the process to sign off the Officers Code of Conduct.
55. This Fraud E-Learning package will support the implementation of the Councils Anti-fraud policies.

Internal Audit Resources

56. Internal Audit now has three accredited counter fraud specialists, who undertake work in the fraud area, in addition to their other audit duties. This allows for flexibility in resourcing the natural peaks and troughs for the workload. One member of staff has been trained to Counter Fraud Technician level in year. Training has been agreed to update one existing members of staffs qualification and more training will be provided to new staff at the appropriate time.
57. In 2024/25 the resources made available for fraud work is 255 days or 16% of the total days available. This is marginally lower than the previous year.
58. The internal audit plan covers the following areas:

- Time for investigations (this is an allocation of time from which individual investigations are allocated).
- Time to undertake work on the National Fraud Initiative.
- Pro-active fraud reviews.
- Time to undertake an annual review of the Housing Benefits processes.

National Fraud Initiative (NFI)

59. The Council (SCC) has a statutory duty to supply a number of data sets covering such areas as payroll, pensions, creditors, housing tenants, blue badge holders, resident parking permits and right to buy. These were supplied to the Cabinet Office in October 2022 (next data set due this year – timetable still to be provided by the Cabinet Office).
60. The data match reports were released by the NFI team at the end of January 2023 and the initial focus was to allocate the reports to the relevant service areas with the aim to review the high fraud risk matches by 31st March 2023.
61. Internal Audit co-ordinated the release of the matches to the relevant service areas for review and further investigation, where required.
62. Service area training was undertaken via Teams, which worked much better than the face-to-face training offered in previous exercises.
63. Match work and processing was monitored throughout the year, with guidance and support being provided when needed. Outcomes were also monitored and followed up to verify accurate completion.
64. At the conclusion of the 2022/23 exercise numerous services across SCC have reviewed over 3,700 of the nearly 12,000 matches received. At the time of writing this report 20 matches remain under investigation. The majority of these matches fall within Housing and the Council Tax Support service areas. Due to the complex nature of the matches, the investigations can often be lengthy and it is to be expected that some investigations are still ongoing.
65. The only reports to yield financial outcomes in this exercise were the Housing Benefit, Council Tax Support, and pension gratuities reports.
66. Nearly 1,000 customer records were updated following the review of deceased record matches.
67. In total, fraud and errors the NFI 2022/23 exercise identified 53 errors and frauds with a value of over £52,000. Over £20,000 has been / is in the process of being recovered. A summary of the areas in which these errors and frauds were identified follows.

Housing Benefit matches

68. Within the Housing Benefit reports 5 errors were identified when matching to student loans and taxi licence data. These cases resulted in overpayments of £17,740 being identified. This

is similar to the number and value identified in the 2020/21 exercise (6 cases totalling £12,685).

Council Tax Support matches

69. Council Tax Support reports identified 8 fraud / error cases, with overpayments to a value of £3,600 being identified. The majority of these cases were matched with other Local Authority data, with the remaining cases matched to pension and taxi licence data. This represents a decrease in the number of cases and value identified in the 2020/21 exercise (27 cases totalling over £42,000)

Pension Gratuities matches

70. Pension gratuities identified 40 cases, totalling £31,140 where payments had continued to be made after the individual had passed away. This is a decrease on those identified in the 2020/21 exercise (97 cases totalling nearly £77,000).
71. The current policy remains that gratuities overpayments are not recovered but instead written off.

Record updates

72. The customer service team were able to update the records of 799 blue badge holders who had passed away. Deceased information also enabled 129 records across rehousing and housing benefits to be updated accordingly.
73. It should be noted that some of the matches were received late (from the Cabinet Office) in Housing Benefit and Council Tax teams and this delayed the checking as a new resource within the service area needs to be put in place. Also additional matches were released in year, without prior notice which also delayed the process.
74. **NFI 2024/25**
75. Planning for the NFI 2024/25 began in May 2024. Internal Audit will work closely with individual service areas and the Information Management team to ensure compliance with the data protection requirements.
76. Based on the previous exercise, the final specifications for the individual data extracts are expected in July 2024, with submission to the NFI team in early October 2024 and results in late January 2025.
77. Internal Audit is aware of the resource pressure throughout Council service areas and is mindful that reviewing the NFI data matches can put services under strain for sometimes little perceived outcome.
78. It is intended that the resulting reports will provide the basis for audit work in the Internal Audit Annual Plan for both 2024/25 and 2025/26,

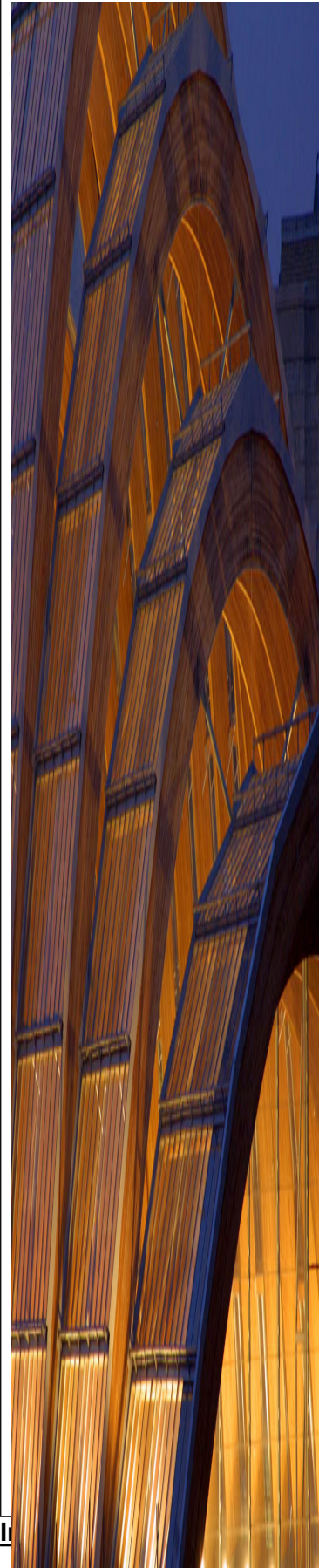
Checklist for 'Those Responsible for Governance'.

79. A checklist similar to previous years is included at Appendix A.

80. The tolerance of fraud within an organisation is a key element of a counter fraud framework. SCC has formally adopted a Policy Statement on Fraud and Corruption that underlines a zero tolerance to such acts. Fraud awareness training has been provided to services throughout the Council.

Recommendations

81. That the Audit and Standards Committee Members note the content of this report.
82. That the Audit and Standards Committee Members note that the Council's policies in relation to fraud and corruption have been reviewed and fulfil the required governance arrangements for the Council.
83. That the Audit and Standards Committee Members note the completed checklist for those responsible for governance (Appendix A).



Governance Checklist for Fraud 2023/24

**Sheffield City Council
July 2024**

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



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 Councils 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><u>Actions</u></p> <p>The Council’s Anti-fraud and Corruption Policy Statement and Framework, contains 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 & 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 has produced an eLearning training section for Human Resources service (an additional page on the GoLearn platform) which supports the implementation of the counter-fraud policies across the Council. This is mandatory training for all managers and so far, 2533 (28.3% of the total) members of staff have completed the training. This rises to 74% of all managers for who this is a mandatory course. This is up a third on last year.</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><u>Actions</u></p> <p>The following fraud related strategies, policies and plans are in place:</p> <ul style="list-style-type: none"> Financial Regulations 2024 Code of Conduct for officers Policy Statement – Fraud & Corruption (appendix to the above) Internal Audit Plan (incorporating pro-active and re-active counter fraud assignments) Internal Audit Service Plan (including specific counter-fraud related deliverables) Annual Governance Statement (fraud risks) Fraud awareness e-learning module on GoLearn platform 		



The Council has a full suite of policies for Anti-Fraud and Corruption; these were updated and endorsed by the Audit and Standards committee in 2024. The policies are designed to fit together in a consistent manner to ensure that they comply with the latest relevant legislation and guidance.

Anti-fraud and Corruption Policy Statement and Strategy – Overarching document which draws together all of the Councils 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 corruption. This has been updated in line with the Council plan and its new values.

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Bribery and Corruption Policy – This document was devised to fill a gap in the Council’s 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 document is to aid checking of customers across the Council to comply with bribery and money laundering requirements.

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

Investigations Guidance – This provides information to support managers who are required to formally investigate allegations made against employees.

	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. It should be noted that as the cases are becoming more complex more input is needed from Internal audit. Internal audit has obtained approval to train more staff in this area,

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



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

Resource is also provided from service areas across the Council to undertake work on the NFI matches and with any resulting investigations.

	Yes	No
4. Do counter-fraud staff review all the work of our organisation?	✓	

Actions

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.

Service management has the primary responsibility for internal fraud investigation (with the support of Human Resources).

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.

The Council has suitably qualified risk advisors within Internal Audit who can support services in identifying and mitigating all types of risk across the Council.

	Yes	No
5. Does a councillor have directorate responsibility for fighting fraud across the council?	✓	

Actions

The Strategy and Resources Committee of the Council is responsible for cross cutting developments and of the Council's budget and financial policy framework.

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.

	Yes	No
6. Do we receive regular reports on how well we are tackling fraud risks, carrying out plans and delivering outcomes?	✓	



	Yes	No
<p><u>Actions</u></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>		
7. Have we assessed our management of counter-fraud work against good practice?	✓	
<p><u>Actions</u></p> <p>A code of practice was produced by CIFAS in 2021 and this checklist reviews the Council's policies against the requirements of the Code.</p> <p>Internal Audit are members of the National Anti-Fraud Network (NAFN) and South and West Yorkshire Investigators Group (SWYFG) forums where best practice is shared, and this is incorporated into our methods of working.</p> <p>The Council has a suite of fraud and corruption policies to ensure that we have a consistent and comprehensive anti-fraud framework for the Council.</p>		
8. Do we raise awareness of fraud risks with:		
■ new staff (including agency staff);	✓	
■ existing staff;	✓	
■ elected members; and	✓	
■ our contractors	✓	
<p><u>Actions</u></p> <p>Fraud is specifically covered in the Officer's 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> <p>Additional training has been provided to key staff on request. An online training programme for fraud is available on the GoLearn platform.</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</p>		



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 of the Single Fraud Investigation Service (SFIS).

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 is the lead accountancy body for fraud governance arrangements in Local Government. Internal Audit ensures that the Council complies with CIPFA guidance.

The Internal Audit Service of the Council 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 2021 and the service was found to generally conform. Which is the highest accreditation.

	Yes	No
10. Do we work well with other organisations to ensure we effectively share knowledge and data about fraud and fraudsters?	✓	

Actions

As 9 and 10 above plus:

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.

We also use the online reporting system to Action Fraud.

	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?	✓	

Actions



As noted in the main body of the report Finance and Commercial Services has developed two groups, the financial design assurance group and the policy and standards group which coordinate the development of new financial systems and review and update financial policies and processes.

The majority of the annual Internal Audit Plan contains risk-based audits. A risk assessment is undertaken and discussions held with Service Directors to establish key risks. Each of the audits 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.

Where appropriate recommendations are made to improve internal controls at the conclusion of each review, implementation is confirmed with the client and followed up.

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. 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.

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.

	Yes	No
12. Do we maximise the benefit of our participation in the Cabinet Office National Fraud Initiative and receive reports on our outcomes?	✓	

Actions

The Council has been a participant in the NFI since 1995. Data matches are circulated to all relevant service areas for review and investigation where needed. 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.

Internal Audit examines 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.

	Yes	No
13. Do we have arrangements in place that encourage our staff to raise their concerns about money laundering?	✓	

Actions

The Council 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.

	Yes	No
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14. Do we have effective arrangements for:		
■ reporting fraud; and	✓	
■ recording fraud	✓	
<u>Actions</u>		
<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 the Council 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 issues where actual fraud is indicated, but not proven.</p> <p>The Council has developed a process to allow staff to easily report any concerns, this is currently being piloted and lessons learned will be incorporated into the final process from next year.</p>		
	Yes	No
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	✓	
<u>Actions</u>		
<p>The Council 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. Whistleblowing allegations are all reviewed and where appropriate fully investigated by someone independent of the area.</p> <p>Regular meetings take place with between Internal Audit, the Head of Human Resources, and the Monitoring Officer to review whistleblowing and investigation cases.</p> <p>The Council has developed a process to allow staff to easily report any concerns, this is currently being piloted and lessons learned will be incorporated into the final process from next year.</p>		
	Yes	No
16. Do we have effective fidelity insurance arrangements?	✓	



Actions

The Council has adequate fidelity insurance cover.

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, Treasury Management and Financial Systems Support. This has recently been completed for the forthcoming year and accepted by the insurance company.

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?

✓

Actions

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 regularly reviewed as there is very little capacity in the system should a major incident (or several smaller incidents) occur.

Current risks and issues

Yes

No

Housing tenancy

18. Do we take proper action to ensure that we only allocate social housing to those who are eligible?

✓

Actions

The lettings policy ensures that there is a vetting and validation process in place to confirm identity and eligibility of everyone prior to the letting of any property. The Housing service has a fraud team in place to investigate any instances of potential tenancy fraud, such as sub-letting and to follow these up and recover properties and prosecute where appropriate.

This area will be reviewed as part of this year's Audit plan.

Yes

No

19. Do we take proper action to ensure that social housing is occupied by those to whom it is allocated?

✓

Actions

Home visits and day to day contact with tenants provides assurance on occupancy however resources have been allocated to recover properties identified. The National Fraud Initiative (NFI) exercise also identifies potential issues with tenancies, which are further investigated by the Housing Fraud team.

Procurement

Yes

No

20. Are we satisfied our procurement controls are working as intended?

✓

Actions

Internal Audit work in this area has previously not identified any significant weaknesses.		
	Yes	No
21. Have we reviewed our contract letting procedures to ensure they are in line with best practice?	✓	
<p><u>Actions</u></p> <p>Aspects of contract letting feature in the Internal Audit annual plan. All audits covering the letting or management of contracts now include testing in this area. New legislation is to be introduced in 2024 and work will be undertaken on this implementation.</p>		
	Yes	No
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><u>Actions</u></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>Some audit work on alternative recruitment highlighted issues in this area, however this is a small element of recruitment and recommendations have been made and are being implemented.</p>		
	Yes	No
23. Do we take proper action to ensure that we only award discounts and allowances to those who are eligible?	✓	
<p><u>Actions</u></p> <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>Council Tax team 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.</p> <p>The National Fraud Initiative matches payroll and pension records against Council Tax Support records every two years and reports any potentially fraudulent claims for this discount. Action is taken where appropriate.</p>		
	Yes	No
Misuse of Data		



24. Do we take proper action to ensure that we have adequate controls in place to ensure the proper use of data.	✓	
<p><u>Actions</u></p> <p>All staff undertake mandatory GDPR training and access is revoked if this is not undertaken.</p> <p>The Council has an acceptable usage policy and GDPR policy included in the Officer Code of Conduct.</p> <p>Regular training and updates are given to staff on the use of Council data.</p> <p>All systems have access controls and audit logging in place.</p> <p>Key system has enhanced monitoring of user activity.</p> <p>Prompt action is taken including the suspension of access whilst investigations into any misuse takes place.</p>		
Other fraud risks	Yes	No
25. Do we have appropriate and proportionate defences against emerging fraud risks:		
■ Business rates	✓	
■ Right to Buy	✓	
■ Council Tax Scheme;	✓	
■ Schools	✓	
■ Grants	✓	
■ PIP – Personal Independent Payment	✓	
■ Blue Badge fraud	✓	
■ Bank mandate fraud	✓	
<p><u>Actions</u></p> <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.</p> <p>Notifications of emerging fraud risks are regularly received from the National Anti-Fraud Network (NAFN) and the police. These are reviewed and distributed by Internal Audit.</p>		

