



Audit and Standards Committee Report

Report of: Senior Finance Manager, Internal Audit

Date: 10th June 2021

Subject: Internal Audit Annual Fraud Report 2020/21

Author of Report: Stephen Bower, Internal Audit and Risk Manager

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 2020/21 and the proposed work for 2021/22.

Recommendations:

1. That the Audit and Standards Committee Members note the content of this report.
 2. 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.
 3. That the Audit and Standards Committee Members note the completed checklist for those responsible for governance (Appendix A).
-

Background Papers:

Category of Report: Open

* Delete as appropriate

If Closed, the report/appendix is not for publication because it contains exempt information under Paragraph (insert relevant paragraph number) of Schedule 12A of the Local Government Act 1972 (as amended).'

Statutory and Council Policy Checklist

Financial implications
YES /NO Cleared by: L Hunter
Legal implications
Yes /NO
Equality of Opportunity implications
YES /NO
Tackling Health Inequalities implications
YES /NO
Human rights implications
YES /NO
Environmental and Sustainability implications
YES /NO
Economic impact
YES /NO
Community safety implications
YES /NO
Human resources implications
YES /NO
Property implications
YES /NO
Area(s) affected
Corporate
Relevant Scrutiny Board if decision called in
Is the item a matter which is reserved for approval by the City Council?
YES /NO
Press release
YES /NO

Sheffield City Council

Report to the Council's Audit and Standards Committee

Fraud and Investigations

10th June 2021

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 this fits into the national picture.
2. This report shows the outcomes from the work undertaken in 2020/21 and highlights the work to be undertaken in 2021/22. All 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 in 2018 and ensure that the Council has in place adequate governance arrangements for the prevention, detection and prosecution of fraud against the Council. This potential fraud may be covered by employees and the wider general public. These policies have been reviewed again (May 2021) and no significant changes are recommended.
4. The Chartered Institute of Public Finance (CIPFA) produce an annual fraud and corruption tracker report, which 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.
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. A report was provided to the Audit and Standards Committee in January 2021 which highlighted the work which has been undertaken by Internal Audit and across the Council to ensure that the governance arrangements were working effectively during the Covid crisis, helping to minimise fraud.

Background

7. According to the National Fraud Authority (NFA), public sector fraud costs the British taxpayer around £20.3 billion per year, equating to roughly three pence of every pound spent by the government. Research by Policy Exchange finds that fraud and error during the COVID-19 crisis will cost the UK Government in the region of £4.6 billion. The government has awarded the Council a significant number of grants across the year to support the citizens and economy of Sheffield. The imperative was to distribute the grants at speed, with the necessity of speed taking precedence in their introduction, meaning the usual checks and balances were streamlined.
8. With such large sums of money being distributed it was perhaps not surprising, that organised criminals and opportunists would be drawn to these schemes. Sheffield has taken a balanced approach to ensure that money was paid out promptly whilst ensuring that checks were carried out prior to the awarding of monies and also in ensuring the post payment checks and where necessary recovery action has taken place.
9. The Cabinet Office is responsible for the National Fraud Initiative (NFI). This is a biennial process, 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. The Council last submitted the data to be matched in October 2020. Also, as a result of the large number of Covid grants paid out the Cabinet Office required additional data sets relating to these grants to be submitted at the beginning of 2021. The data was supplied by various services and contractors directly to a secure portal operated on behalf of the Cabinet Office. All data submissions were monitored by Internal Audit.
10. The first data matches were received in February 2021, with additional matches still being received as other organisations submitted their data to the exercise. The data matches relating to the Covid data has only recently been received and is being reviewed.
11. 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 in regard to 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

12. 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. It is likely that the level a fraud will have risen during 2020 as a result of the large volume of grants and other monies paid out by the government.
13. The level of fraud reported in Local Government in 2019 was approximately £253 million. This is down from £302m in the previous year whilst the average value per case has remained the same at £3,600. Figures for 2020 have not yet been made available.
14. The CIPFA report highlights that 71,000 frauds have been detected and prevented across local authorities in 2018/19, this has decreased from 2017/18.
15. 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 an often a shift in the fraudsters focus. Sheffield is not complacent and as part of the Internal Audit annual plan we look to ensure that where fraud is highlighted as a risk that adequate controls are in place.
16. Sheffield City Council has robust processes to try to prevent and detect fraud. These are available to all staff and have become embedded into Council processes. This should reduce the amount of fraud and aid in its early detection. The work of Internal Audit should also reduce the prevalence of frauds, by ensuring services and processes have robust controls in place.
17. The Housing Benefit and Council Tax service was successfully transferred from Capita to the Council in January 2020. Capita had previously undertaken data matching exercises for Council Tax Single Person Discount. This significantly reduces the risk of this type of fraud occurring, and had identified and subsequently corrected numerous incorrect discounts. Internal Audit understands that service management are reviewing processes within the service with the aim of implementing a new process in this area. Single person discount is part of the NFI process.

Reactive Work Undertaken in 2020/21

18. The level of reported fraud within the council during the year has reduced, this was expected as the level of activity within certain areas of the Council was also reduced. Activity was mainly focused a maintaining priority services and supporting the citizens of Sheffield and businesses during the pandemic. From a fraud point of view controls were focused to minimise any potential loss. It is noted that in many instances additional post payment checks were introduced to identify any losses. These checks have not identified any systematic or significant issues. Where issues have been identified these have been dealt with in the appropriate manner. As reported to the

Audit and Standards Committee in January 2021 the level of money still to be recovered remains small.

19. Internal Audit conducted 8 re-active investigations and assisted managers with a further 13 re-active investigations which arose in in 2020/21. Internal Audit also concluded investigation work on 2 re-active investigations and assisted managers with a further 10 investigations which had originated in 2019/20.
20. As the Council has such a large workforce covering a number of services there will always be a range of issues. These cases were from all portfolios and included theft of cash or assets, falsification of timesheets, financial abuse of service user, excessive use of internet during work time and behaviour breaching standards within the Code of Conduct. 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 a number of dismissals / resignations. In some cases it was also found that there was no or insufficient evidence of fraud for action to be taken.
21. During the course of investigations, any control and process issues / weaknesses identified were reported to management for action. In addition, where warranted, further work was undertaken in the form of additional audit work (business partnering reviews) to ensure that where practicable, suitable measures are in place to minimise the chances of reoccurrence.
22. 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.
23. Internal Audit also liaised with a number of outside organisations including various banks, HMRC, DWP and the Insolvency Service in relation to fraud allegations relating to COVID grant frauds or scams. As a direct result of the work undertaken £35,000 was recovered.
24. It should be noted that since April 2021 we have now become aware of a number of new issues which we are currently investigating. This has highlighted that management are still aware of the process and that as the council returns to business as usual that they are now able to focus in these areas. Internal audit will continue to work with management for a resolution.

25. Even during the Covid pandemic internal audit have liaised regularly with investigators in other Councils across Yorkshire. We continue to meet via Teams in order to share information and best practise.

Reactive work related to the Covid pandemic

26. As reported previously to the audit and standards committee in January 2021, the audit plan for 2020/21 has been under constant review. As the risks faced by the Council changed and so have the risks that we have examined. Following discussions with management some audits have been added to the plan to replace reviews which due to changes in activity could not take place this year. These new reviews have mainly focused upon areas which were affected by Covid. These changes should not affect the overall output number and coverage of the plan, but will allow for greater assurance where the potential risks are occurring and to ensure that adequate and effective probity is in place.

The Covid areas added to the plan included:

27. **Absence Recording and Monitoring for Covid 19**, to review the application and adherence to guidance regarding recording absences related to Covid 19. This will help ensure that absence is correctly recorded and managed.
28. **Decision making and the application of Category 1-4 decisions**, to review the agreement, roll-out and application of the emergency decision-making scheme. This will ensure that decisions were appropriately made and recorded.
29. **Corporate costs of the Covid 19 activity**, to review the corporate cost of the Covid 19 pandemic across the Council, including arrangements for monitoring additional spend and a review of returns completed and submitted to relevant parties.
30. **Use of credit cards and payment cards during the Covid 19 pandemic**, a review to assess arrangements for the use and monitoring of spend on credit cards across the portfolios (People and Place). To include a review and assessment of the process to accept the increased use of payment cards and handheld devices.
31. **Rough Sleepers - emergency hotel spending and monitoring**, a government directive was received for Local Authorities to find accommodation for all rough sleepers during the pandemic. This review will consider arrangements for sourcing, assigning and paying for emergency accommodation.
32. **Infection Control Fund - Support Package for Care Homes**, a review to assess the allocation process and governance arrangements for this grant.
33. **Payment of Providers - Arrangements for support during Covid**, to provide assurance to management that there are adequate controls in place to prepay providers, including effective and prompt reconciliations.

34. **Free Early Learning (FEL) - top up payments to providers**, to provide assurance to management that there are adequate controls in place to make 'top' up payments to providers, including effective and prompt reconciliations.
35. **Personal Protective Equipment (PPE) procurement and recharging**, to provide assurance that arrangements for the procurement of PPE for South Yorkshire are robust, and that appropriate charging mechanisms are in place to equitably apportion costs.
36. **Staff Expenses in relation to Covid 19 costs**, to provide assurance to management that there are adequate and consistent controls to prevent fraudulent staff claims.

Several other reviews have also been undertaken this year to support management, for example:

- Supporting the Incident Management Group (IMG)
- Non-SCC Volunteer Expenses Process, to support management in the development of non-SCC volunteer expenses process. Also, undertaking appropriate testing to ensure adherence to the defined process.
- Discretionary Grants Process, to support management in the development of the grant process, including the Post Assurance checking process and reporting requirements to BEIS.

Although some of this work is still ongoing, much of the work has now been completed and reported to management. From this work we are not aware of any organised criminal activity. Any issues will be brought to the attention of the Audit and Standards Committee through the normal monitoring and reporting arrangements.

Fraud work across the Council in 2020/21

37. Other services across the Council also identify and address fraud and theft. Some of the work undertaken and the outcomes are summarised below.

Blue Badges

38. 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. 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.
39. In 2020/21 no persecutions took place. It should be noted that traffic restrictions were lifted for part of the year and also that traffic volumes were reduced. 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.
40. Nationally the estimated average value per Blue Badge fraud case is significant. 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 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

41. 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.
42. In 2020/21, 155 new cases were opened which is a significant rise from the 65 new cases in the previous year. These cases were investigated by the separate fraud team in Housing Services including Right to Buy cases. The cases investigated included 10 cases of obtaining property by deception, four cases of right to buy fraud, including one by deception. There were 134 cases of unlawful subletting.
43. Although many of these cases are ongoing 55 cases were closed in the years. This resulted in 16 properties being recovered due to three properties being abandoned and 11 others where the tenancy was handed back. This allowed these properties to be re let. There were 38 cases where no action was required and a further three where there was no evidence.
44. In relation to right to buys, three cases were stopped prior to valuation with the properties valued at £270,000 and a discount of almost £64,000 was also prevented.
45. Housing Fraud casework has been hampered during the lockdown restrictions as we have not been able to carry out visits (as in normal procedures).
46. Legal action has also been delayed due to the service not being able to carry out interviews under caution. Four cases are now in the process for prosecution. During the year three cases were successfully prosecuted (one for unlawful subletting and unlawful eviction, one for unlawful subletting and for not residing as main and principal). The total awarded costs amounted to £4549.66, but more importantly three properties were made available.
47. An information sharing agreement is now in place between the Housing Fraud team and the Home Office Immigration Enforcement Team. The local Police have also requested Housing Fraud officers join a new community tasking team. In 2021/22 there are plans to work with Sheffield Universities to prevent overseas students becoming victims of unlawful subletting.
48. In 2021/22 additional work is planned for the Housing Fraud Team, including:

- Working with Rehousing teams re fraud prevention and reviewing current procedures.
- Training Trading Standards officers on use of National Anti-Fraud Network (NAFN).
- Briefings with local area policing teams on housing fraud.
- Housing Fraud briefings/refresher for SCC colleagues.

Bank Mandate Fraud

49. 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

50. The number of whistleblowing issues reported remains low. The new policy introduced in 2018 has been publicised. As whistleblowing is often seen as a last resort, it may be that the other Council processes are sufficient to allow for issues to be raised without the need to use the whistleblowing policy. Work will be undertaken to promote this policy over the next few months as the fraud E learning implementation is rolled out.

The Counter-Fraud Plan for 2021/22

51. The councils internal audit department will continue 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 place.

52. The internal audit plan for 2021/22 includes four pieces of proactive work which will be mainly to follow up all matches received as part of the national fraud initiative which is described later.

53. The 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, in the follow up of matches
- Time to undertake an annual review of the Housing Benefits processes.

54. Approximately 18% of available resources (or 241 days) are allocated to counter-fraud matters. Internal Audit continues to allocate the same proportion of their total available resource to counter-fraud related work as last year.

Fraud E-learning

55. The Fraud E-Learning package has been produced by Internal Audit and is now available to all staff and Councillors on the Councils learning development hub. This will be promoted over the coming months and take up rates will be monitored to ensure that there is adequate coverage across the Council.

56. 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.

57. The package covers the following areas:

- Introduction to fraud
- Fraud Definition
- Fraud types
- How to prevent Fraud
- Reporting Fraud
- How to respond to fraud
- National Fraud Initiative (NFI)
- Bribery
- Money Laundering
- Frequently Asked Questions
- Further Information

58. This package will support the policies agreed by this Committee in 2019 and their implementation was supported by the Executive Management Team. All of these documents are readily available on the intranet and have been widely distributed.

National Fraud Initiative (NFI)

59. The Council 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 2020.

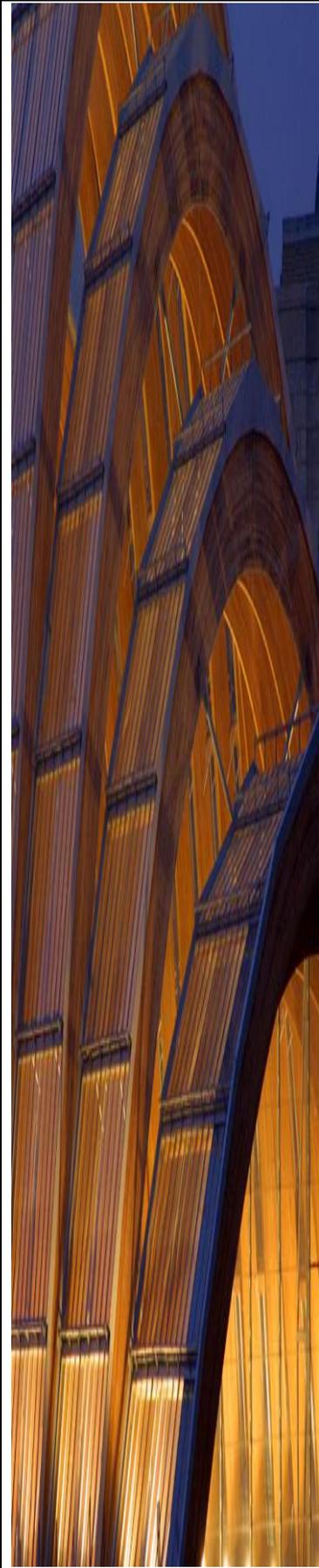
60. Internal Audit ensured that SCC complied with the data privacy requirements and liaised with various SCC services and schools to ensure accurate data was submitted in advance of the deadline. For the first time the Cabinet Office advised that they would charge financial penalties to any Local Authority who either submitted poor quality data or submitted data after the given deadline. SCC met the data quality threshold and submitted the data in advance of the deadline, so were not penalised.
61. The national exercise is undertaken to collate this information electronically and where appropriate to provide data matches. These matches were provided in January 2021 (with additional matches expected throughout the year). These matches may identify fraud or input error, but in most cases the matches are a result of timing differences in the data matching process.
62. The National Fraud Initiative (NFI) for 2020/21 initially returned nearly 10,000 data matches for the Council.
63. Internal Audit have provided support and training to service areas where needed, as the secure portal was updated following a previous consultation.
64. In addition to the standard NFI, the Cabinet Office mandated the submission of Covid grant data, which SCC supplied in December 2020. The matches were due to be released in March but due to delays encountered the NFI team did not release the matches until mid-May. A total of 146 matches were received following in excess of 9,000 grants being issued.
65. Work on both the standard and Covid grant NFI exercises will continue throughout 2021/22. Internal Audit will continue to monitor and review outcomes, in order to sign off the required declaration that the exercise has been undertaken appropriately.

Checklist for 'Those Responsible for Governance'.

66. A checklist similar to previous years is included at Appendix A.
67. 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

68. That the Audit and Standards Committee Members note the content of this report.
69. 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.
70. That the Audit and Standards Committee Members note the completed checklist for those responsible for governance (Appendix A)



Governance Checklist for Fraud 2020/21

**Sheffield City Council
June 2021**

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

Introduction

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 is currently working with the learning, development and training section of Human Resources service to develop a new eLearning package will support the implementation of the counter-fraud policies across the Council.</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: Financial Regulations 2019 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) Finance Service Plan (including specific counter-fraud related deliverables) Annual Governance Statement (fraud risks) Fraud awareness e-learning module</p> <p>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 2018. The policies have been reviewed and are still fit for purpose. The policies are designed to fit together in a consistent manner to ensure that they comply with the latest relevant legislation and guidance.</p>		

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.

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.

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.

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.

Internal Audit has a limited resource for fraud investigation as outlined in the Annual Plan. At present there are two 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 portfolio responsibility for fighting fraud across the council?	✓	

Actions

The Deputy Leader and Cabinet member for Finance and Resources has responsibilities that align to the Resources portfolio which encompassed Internal Audit. There is no specific responsibility delegated to the post to cover fighting fraud across the Council. All members of the Cabinet are responsible for fraud in their area, and are held to account by the Council as a whole.

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?	✓	

Actions

The Annual Governance Statement provides a level of assurance that fraud risks have been identified and addressed.

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.

	Yes	No
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 CIPFA in 2016 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>		
	Yes	No
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 learning development hub.</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>		

	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?	✓	
<p><u>Actions</u></p> <p>Sheffield City Council maintains membership with Core Cities and the South & West Yorkshire Fraud Investigators Group.</p> <p>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).</p> <p>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.</p> <p>CIPFA is the lead accountancy body for fraud governance arrangements in Local Government. Internal Audit ensures that the Council complies with CIPFA guidance.</p> <p>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 2017 and the service was found to generally conform.</p>		
	Yes	No
10. Do we work well with other organisations to ensure we effectively share knowledge and data about fraud and fraudsters?	✓	
<p><u>Actions</u></p> <p>As 9 and 10 above plus:</p> <p>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.</p> <p>We also use the online reporting system to Action Fraud.</p>		
	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

The majority of the annual Internal Audit Plan contains risk-based audits. A risk assessment is undertaken and discussion held 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
14. Do we have effective arrangements for:		
■ reporting fraud; and	✓	
■ recording fraud	✓	
<p><u>Actions</u></p> <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>		
	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	✓	
<p><u>Actions</u></p> <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>		

	Yes	No
16. Do we have effective fidelity insurance arrangements?	✓	
<p><u>Actions</u></p> <p>The Council has adequate fidelity insurance cover.</p> <p>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 Group (FSSG). This has recently been completed for the forthcoming year and accepted by the insurance company.</p>		
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?	✓	
<p><u>Actions</u></p> <p>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 a number of smaller incidents) occur.</p>		
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?	✓	
<p><u>Actions</u></p> <p>The lettings policy ensures that there is a vetting and validation process in place to confirm identity and eligibility of each individual 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.</p>		
	Yes	No
19. Do we take proper action to ensure that social housing is occupied by those to whom it is allocated?	✓	
<p><u>Actions</u></p> <p>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</p>		

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?	✓	

Actions

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.

Recruitment	Yes	No
22. Are we satisfied our recruitment procedures:		

<ul style="list-style-type: none"> ■ prevent us employing people working under false identities; 	✓	
---	---	--

<ul style="list-style-type: none"> ■ confirm employment references effectively; 	✓	
--	---	--

<ul style="list-style-type: none"> ■ ensure applicants are eligible to work in the UK; and 	✓	
---	---	--

<ul style="list-style-type: none"> ■ require agencies supplying us with staff to undertake the checks that we require? 	✓	
---	---	--

Actions

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.

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.

Council tax discount	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.</p>		
Other fraud risks	Yes	No
24. 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>		

This page is intentionally left blank