



NORWICH
City Council

Committee name: Audit

Committee date: 11/07/2023

Report title: Annual Report on Counter-fraud Arrangements

Portfolio: Councillor Kendrick, Cabinet member for resources

Report from: Head of Legal and Procurement

Wards: All wards

OPEN PUBLIC ITEM

Purpose

The purpose of this report is to provide the Audit Committee with assurance on the arrangements the Council has in place to counter the risk of fraud activity, and those activities planned to strengthen the arrangements over the next year.

Recommendation:

It is recommended that the Audit Committee notes the annual report.

Policy framework

The council has five corporate priorities, which are:

- People live independently and well in a diverse and safe city.
- Norwich is a sustainable and healthy city.
- Norwich has the infrastructure and housing it needs to be a successful city.
- The city has an inclusive economy in which residents have equal opportunity to flourish.
- Norwich City Council is in good shape to serve the city.

This report meets the Norwich City Council is in good shape to serve the city priority

Report details

1. In 2022, the Council's internal audit service undertook a review of the arrangements the Council had in place to manage the risk of fraud and corruption. The audit provided a reasonable assurance opinion, and in line with good practice, recommended that in future the Council presents an annual report on its counter-fraud arrangements.

Developing this report

2. Following the internal audit, the Council undertook a benchmarking exercise against the CIPFA's "Fighting Fraud and Corruption Locally" strategy for how local government should manage the risks of fraud and corruption. In particular, the strategy includes a checklist of actions both individuals and the organisations should undertake.
3. The Council also reviewed the CIPFA Fraud and Corruption Tracker, a survey undertaken annually (until 2020) to identify those areas identified as most susceptible to the risk of fraud and corruption. This was used as the basis to undertake a fraud risk assessment at a service level and identify where further action may be required to manage the risk of fraud.
4. The findings of the internal audit, the benchmarking exercise and risk assessment were presented to the Council's Senior Leadership Team for consideration and review, prior to preparation of this annual report.

Management of the risk of fraud in the organisation

5. Sadly, the risk of fraud is ever-present in the public sector, and the risk can result in both financial and reputational loss for the Council.
6. The Council has a wide range of measures in place across the organisation to minimise the risk of theft, fraud and corruption on a day-to-day basis including:
 - a) Policies and procedures that are designed to minimise the risk of fraud and identify where it may have occurred
 - b) Codes and protocols that encourage good conduct
 - c) The work of internal audit and other agencies to evaluate the Council's arrangements
 - d) Participation in activities to detect fraud such as the National Fraud Initiative
 - e) Access to specialist resources for higher risk areas and to investigate potential fraud
7. Activity undertaken during the year to reduce the potential for fraud and corruption is as follows:

The anti-fraud and corruption policy environment

8. The Council has 3 main policies in place to establish its anti-fraud and corruption arrangements:

- a) The anti-fraud and corruption policy, which outlines the Council's general arrangements in place to manage the risk of fraud and corruption
 - b) The whistleblowing policy, which encourages staff and other key stakeholders to raise concerns where they see wrongdoing and sets out how the Council will handle such concerns
 - c) The money-laundering policy, which outlines the measures the council takes to minimise the risk of bribery and money-laundering, and how it will handle such concerns
9. All three policies have been subject to a light-touch review during the year to ensure that contact details remain relevant and the policies are up-to-date; they are all due for a more formal review during the 2023-24 financial year.

Assessing the risk of fraud in the organisation

10. This year, the Council has undertaken a risk-assessment of those areas identified by CIPFA in their most recent fraud and corruption tracker as being of higher susceptibility to fraud and corruption. In each area, the Council's standard risk template was used to evaluate the risk and the controls in place to manage the risk. In general, due to the procedures the Council already has in place to manage the risk of fraud, the Council's current risk score was within tolerable thresholds.
11. There are three service areas where the Council recognised through this exercise further activities to strengthen the control environment would be helpful. Due to the need to maintain confidentiality where there may be potential vulnerabilities, this public report does not contain specific details in relation to these areas.
12. The risk assessment was presented to the Council's Senior Leadership Team for their consideration and endorsement.
13. Processes and procedures were put in place by the council to manage the risk of fraud and error through the payment of covid-19 support grants. The Audit Committee received a report in November 2022 outlining the steps the Council had taken to manage this risk and how overpayments were being recovered where appropriate.

Promoting good conduct

14. The Council has codes of conduct in place for both staff and councillors. The Councillor Code of Conduct was subject to review during the year and is now aligned to the Local Government Association Model Code of Conduct for Councillors. Training for new staff and councillors includes expected standards of conduct and behaviour.
15. The Council has sought to raise awareness of the anti-fraud suite of policies during the year. This has included a briefing session for all managers and team leaders, new posters around City Hall to promote the importance of staff raising concerns and a new section on the intranet to inform staff on how to report and raise concerns. Members of the public can use simple web-forms on the website to highlight potential issues, which are then directed to the correct service in the Council.

16. Training has been made available via the Council's e-learning platform, learning room. Reports have been run to identify take-up of the training, which has identified the need for further promotion and awareness. Specific training needs are also being reviewed in procurement, revenues and housing given their higher risk nature to the Council.

The Work of Internal Audit

17. The Council's internal audit team review the effectiveness of procedures at the Council to minimise the risk of fraud and error. The internal audit plan is developed using a risk-based approach, which takes into account the potential risk of fraud to systems. Their findings are reported to the Council's senior leadership team and Audit Committee, with recommendations put in place to address potential weaknesses in the internal control environment.
18. The Head of Internal Audit's Opinion will be presented to the Audit Committee alongside this annual report.
19. During the year, the Internal Audit service evaluated the Council's anti-fraud and corruption arrangements. The recommendations from the review, and current implementation status, are attached at Appendix A to this report.

The National Fraud Initiative and fraud investigations

20. The National Fraud Initiative (NFI) is a national exercise to compare data across public sector bodies. This data can then show cases where due to inconsistencies in applications or information held, there may be the risk of fraud.
21. When someone is awarded single person discount, the claim is proactively checked to ensure that it is legitimate. However, individual circumstances can change which means to people continuing to receive a discount they may no longer be entitled to. The NFI exercise identified 972 potentially incorrect single person discount cases, which were all checked. This resulted in the removal of 364 single person discounts, amounting to a £297,271 financial saving shared between the County Council, Police and Norwich City Council.
22. 14 investigations were undertaken with respect to council tax support, which resulted in £37,860 of wrongly claimed support being identified in the year.

Access to specialist resources

23. The Council has a long established arrangement with Anglia Revenues Partnership to provide specialist resources in respect of revenues fraud assessment and investigation. The team at ARP undertake such work on behalf of a number of authorities and are thus able to operate with a high degree of specialism.
24. In February, the Council extended the arrangements with ARP in order to strengthen its practices in respect of housing fraud. Although the Council has historically had a low number of housing fraud cases reported, using ARP adds additional capacity and specialism to reviewing cases where these arise. ARP are now beginning to receive and investigate potential housing fraud cases such as sub-letting.

25. During the year, the Council received two whistleblowing allegations raising concerns related to the activities of staff members. Both were referred to the Council's internal audit service, who have specialist trained staff to investigate, and the investigations are currently underway. As part of good practice in reporting fraud, each case, the portfolio holder and Chair of the Audit Committee were informed of the investigation taking place.
26. The Council has been appraising its approach to the Regulation of Investigatory Powers Act (RIPA) during the year. RIPA compliant-practices allow authorities to undertake covert surveillance, which can assist in investigating fraud and other illicit activity. Due to the covert and therefore potentially intrusive nature of such activity, strict processes have to be followed in the way that it is undertaken. The Council temporarily suspended its use of RIPA powers whilst the robustness of its approach was reviewed. A range of staff have now been provided training on the use of RIPA; a new policy has been developed and an action plan developed to support the implementation of robust practices in the organisation.

Annual Fraud Plan

27. Throughout this report, reference has been made where further action is needed to develop the management potential risk of fraud and corruption. This has been developed into an action plan as attached at Exempt appendix B to this document (this document is exempt to allow inclusion of items that relate to specific fraud risk areas)
28. The action plan will be supplemented by the work undertaken day-to-day to manage the risk of fraud through internal control mechanisms, and to investigate allegations and evidence of fraud having occurred.
29. A key element of the annual fraud plan will be to monitor government announcements related to the emerging Economic Crime and Corporate Transparency Act. This Act is likely to have effect during 2024 and will create a formal offence where organisations fail to take reasonable action to prevent fraud occurring. The guidance on what constitutes "reasonable" steps to prevent fraud will be published in due course.

Implications

Financial and resources

30. Any decision to reduce or increase resources or alternatively increase income must be made within the context of the council's stated priorities, as set out in its Corporate Plan 2022-26 and budget.
31. Whilst there are no proposals in this report that would increase or decrease resources, effective management of fraud risk naturally contributes to the authority incurring minimal losses as a result of fraudulent activity.

Legal

32. The Council has a statutory duty to put in place arrangements for the proper administration of its financial affairs. This inevitably means it is obligated to ensure it takes appropriate steps to minimise the risk of fraud, corruption and error.

Statutory considerations

Consideration	Details of any implications and proposed measures to address:
Equality and diversity	None
Health, social and economic impact	None
Crime and disorder	The Council is obligated to consider the impact of its decisions on crime and disorder. This report outlines steps the Council has taken in year to reduce the risk of fraud occurring, and the outcomes where it has been investigated.
Children and adults safeguarding	None
Environmental impact	None

Risk management

Risk	Consequence	Controls required
Failure to put in steps to prevent fraud or corruption occurring	Financial loss to the authority from fraudulent or corrupt behaviour	Internal control systems to minimize the risk of fraud occurring
Failure to properly investigate fraud	Fraudulent / criminal behaviour goes unchecked, leading to increased incidence	Reports of fraudulent behaviour are appropriately investigated and recovery action taken where appropriate.

Other options considered

33. None

Reasons for the decision/recommendation

34. It is recognised good practice for the Audit Committee or equivalent to receive an annual report on fraud activity

Background papers: none

Appendices:

Appendix A: Implementation of Internal Audit Recommendations

Appendix B: Annual Fraud Plan (NOT FOR PUBLICATION by virtue of Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972)

Contact officer:

Name: Leah Mickleborough, Head of Legal and Procurement

Email address: leahmickleborough@norwich.gov.uk



If you would like this agenda in an alternative format, such as a larger or smaller font, audio or Braille, or in a different language, please contact the committee officer above.

Appendix A: Implementation of Audit Recommendations

Recommendation (summarised)	Current Position
The Council should undertake a full and detailed assessment of its fraud risks (deadline: March 2023)	Complete - The Council has undertaken the assessment, which is attached to this report, which was benchmarked against the CIPFA fraud risk indicators
Once the risk assessment has been undertaken, assess whether the level of resource is proportionate to the risk (deadline: June 2023)	Complete – the risk assessment was reviewed by the Council’s Senior Leadership Team who are satisfied that the current resource allocation is proportionate
Prepare an annual fraud plan and present this to the audit committee (deadline: July 2023)	To be presented to the Audit Committee in July 2023
For the RIPA and CCTV action plan to be completed (deadline: July 2023)	In progress. A co-ordinator for this work has been appointed and is overseeing implementation of recommendations
Amend the risk management policy to include reference to fraud and corruption risks (original deadline: June 2023)	This is yet to be undertaken – will be monitored through future follow-up of internal audit recommendations
The Council needs to ensure that the risk of fraud and corruption is considered in new strategies and policies (original deadline: June 2023)	The strategy team will be incorporating this into guidance on developing new policies and strategies.
The anti-money laundering policy required updating for changes in contact details (deadline: June 2023)	Complete
To obtain details on take-up of anti-fraud and corruption e-learning (deadline: March 2023)	Complete

