Chelmsford City Council Audit and Risk Committee

27th September 2023

Counter Fraud Strategy Action Plan Update

Report by:

Audit Services Manager

Officer Contact:

Elizabeth Brooks, Audit Services Manager, elizabeth.brooks@chelmsford.gov.uk

Purpose

This report provides an update on the work undertaken in relation to the Counter Fraud Strategy Action Plan to September 2023.

Recommendations

Committee are requested to note the content of this report.

1. Introduction

1.1. The 2022-24 Counter Fraud Strategy was approved by Committee in December 2022 with a corresponding action plan outlining how the strategy will be delivered. This report provides an update on the work undertaken since the last update to Committee in March 2023.

2. Update on Actions

2.1. Undertaking a role-based Bribery and Corruption risk assessment.

2.1.1. In addition to the Council's Fraud Risk Register as reported to Committee in March 2023, a separate Anti-Bribery and Corruption role-based risk assessment has been developed to identify the roles in the Council most at risk of bribery and corruption by considering levels of seniority, budgetary responsibility, influences over procurement arrangements and

the general nature of their duties (e.g., access to information and data, influence over policy decisions etc.). Once identified, these roles can then be monitored to ensure transparency over decisions, and any conflicts or failures to disclose are managed appropriately (which will be independently assessed by an Internal Audit review of Conflict of Interests in 2023/24) and also appropriate training can be directed/targeted according to the level of risk (see 2.2 - Training below).

2.1.2. Both the Anti-Bribery and Corruption Risk Assessment and Fraud Risk Assessment will be uploaded to the Council's new Lighthouse module to monitor the risks going forward, with formal review cycles suggested for February and August.

2.2. Develop training and awareness activities for new and existing staff and Members to underpin understanding of anti-fraud and corruption responsibilities.

2.2.1. The Council has recently obtained access to a new Learning Suite, which includes a training programme covering both Bribery and Corruption and Whistleblowing. These training modules will provide a good basis of understanding and act as an introduction to the Council's revised suite of Counter Fraud documents. It is intended that the modules will be rolled out initially to all officers who have access to a computer. Going forward it is intended that both modules will become mandatory for new starters.

2.2.2. Separate training and awareness will be provided to non-office based staff (e.g., Freighter House, Leisure Services) in due course in liaison with HR. Member-specific training is also being researched.

2.2.3. More specific training for those in roles with perceived higher risk of bribery and corruption (per the Anti-Bribery and Corruption Risk Assessment) will be investigated.

2.3. Roles and Responsibilities

2.3.1. The roll out of the new training modules will provide a good opportunity to publicise the Council's refreshed suite of Counter Fraud documents and remind all Members and Officers of their role and responsibility in preventing, detecting and reporting any suspected theft, fraud, bribery or corruption, which forms a key part of the Council's Counter Fraud and Corruption Strategy.

2.4. Fraud Response Plan/Whistleblowing

2.4.1. Further to the initial work undertaken on the refreshed Fraud Response Plan earlier in the year, this has now been finalised and aligned to the Council's Whistleblowing Policy, which in turn will be updated to reflect the Fraud Response Plan. In due course, references to Fraud in the Council's Constitution, Financial Rules, Practice Notes and HR Documents will also be updated to ensure they accurately reflect the Council's response to Fraud.

2.4.2. In addition, a "Reporting Fraud" Form will be added to the Council's Whistleblowing page.

2.5. NFI/Transparency Code

2.5.1. An NFI operations protocol outlining the roles and responsibilities across services for partaking in NFI exercises and investigating matches has been produced.

2.5.2. Work continues to be undertaken by services on the 2022/23 NFI matches to determine if the data highlights any fraud or error. In addition, fraud data which is required to be published annually in line with the Transparency Code has been updated and will be published on the Council's website. Going forward, this will be done every January.

2.6. Review of Safer Recruitment procedures to ensure they mitigate fraud and corruption risks

2.6.1. Internal Audit are currently carrying out a review of Safer Recruitment to ensure that the Council's policy and pre-employment vetting procedures sufficiently mitigate associated fraud and corruption risks. Committee will be updated on the outcome of the review in the Internal Audit Interim Report due in December 2023.

3. Next Steps

- Roll out training and awareness activities for staff and Members to underpin understanding of anti-fraud and corruption responsibilities.

- Upload of Fraud Risk Register and Anti-Bribery and Corruption to Lighthouse to monitor risks.

- Continue to monitor 2022/23 NFI matches to determine any trends/root causes and update Counter Fraud Risk Register accordingly.

- Produce Counter Fraud Annual Report for March Committee, covering the previous calendar year to demonstrate how the Council is meeting Fighting Fraud and Corruption Locally best practice.

4. Conclusion

4.1. A more detailed update on Counter Fraud Strategy Action Plan is provided below.

List of appendices:
Appendix 1 – Counter Fraud Strategy Action Plan Update

Background papers: None

Corporate Implications

Legal/Constitutional: The Council has a duty to maintain an effective internal provision to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance (Regulation 5 (Part 1) of the Accounts and Audit Regulations 2015).

Financial: None

Potential impact on climate change and the environment: None

Contribution toward achieving a net zero carbon position by 2030: None

Personnel: None

Risk Management: The scope of Internal Audit activities encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments to the Audit & Risk Committee, management and outside parties (e.g. External Audit) on the adequacy and effectiveness of governance, risk management, and control process for Chelmsford City Council.

Equality and Diversity: None

Health and Safety: None

Digital: None

Other: None

Consultees: Corporate Governance Group and Management Team August 2023

Relevant Policies and Strategies: None

Counter Fraud (CF) and Corruption Strategy Action Plan – Update

Action Ref	Action	Service Manager	Original Target Date	Sep 23 Update	Additional Notes
GOVERN: Having robust arrangements and executive support to ensure anti-fraud, bribery and corruption measures are embedded throughout the organisation.					
G1	Develop a Counter Fraud and Corruption Strategy which will be communicated throughout the Council and acknowledged by those charged with governance.				
ABC Policy	Management Team and Audit & Risk Committee are committed to preventing bribery by persons associated with the Council and to fostering a culture in which bribery is never acceptable.				
G1.1–1.4	Produce Counter Fraud and Corruption Strategy	E Brooks	Dec 22	Complete	Roll out of CF Suite – Autumn 23
G2	Assess the Council's fraud and corruption risks, have an action plan to deal with them and regularly report to Management Team and Members.				
ABC Policy	The nature and extent of the Council's exposure to external and internal risks of bribery will be assessed as part of the Council's risk management process. Any risk assessment is intended to be an on-going process based on regular communication and review.				
G2.1	Undertake a detailed risk assessment of the Council's activities susceptible to fraud and/or corruption	CGG	Complete	Complete	Upload to Lighthouse to monitor going forward
G2.2	Review and monitor including any additional actions required.	CGG	Ongoing	Ongoing	Formal Review Cycle Feb/August ahead of March/Sep ARC.
G2.3	Brief Management Team and Audit & Risk Committee on fraud risks and mitigation through Counter Fraud Reports and Principal Risk Register reviews.	E Brooks/A Chessell	Sep/Mar	Ongoing	Formal Review Cycle Feb/August ahead of March/Sep ARC.
G3	Present a regular report to Management Team and Audit & Risk Committee to compare the Council's progress against FFCL and Counter Fraud and Corruption Strategy	E Brooks	March thereafter	Mar-24	CF Annual Report – each March, covering prev calendar year
G4	Management Team and Audit & Risk Committee review regular reports to ensure that the Counter Fraud and Corruption Strategy is appropriate in terms of its fraud risk and resources	E Brooks	March thereafter	Mar-24	CF Annual Report – each March, covering prev calendar year
G5	Scrutinise weaknesses revealed by instances of proven fraud and corruption and feed back to departments to fraud proof systems.				
G5.1	Where fraud is identified, a report will be written outlining weaknesses identified and recommendations made to improve the control framework.	E Brooks	Ad hoc	Ad hoc	

Action Ref	Action	Service Manager	Original Target Date	Sep 23 Update	Additional Notes
G5.2	*Follow up to be undertaken to assess the progress of implementation of recommendations to assess improvement of the control framework.*	E Brooks	Ad hoc	Ad hoc	
ACKNOWLEDGE: *Accessing and understanding fraud risks; Committing the right support and tackling fraud and corruption; Demonstrating that it has a robust anti-fraud response; Communicating the risks to those charged with governance.*					
A1	**Undertake an assessment against the internal and external risks and horizon scan future potential fraud and corruption risks. Specifically consider the risks of fraud and corruption in the Council's overall risk management process.**				
A1.1	*Undertake a detailed risk assessment of the Council's activities susceptible to fraud and/or corruption.*	CGG	Complete	Complete	*Upload to Lighthouse to monitor going forward*
A1.2	*Review and monitor including any additional actions required.*	CGG	Ongoing	Ongoing	*Formal Review Cycle Feb/August ahead of March/Sep ARC.*
A1.3	*Brief Management Team and Audit & Risk Committee on fraud risks and mitigation through Counter Fraud Reports and Principal Risk Register reviews.*	E Brooks/A Chessell	Sep/Mar	Ongoing	*Formal Review Cycle Feb/August ahead of March/Sep ARC.*
PREVENT: *Making the best use of information and technology; Enhancing fraud controls and processes; Developing a more effective anti-fraud culture; Communicating its activity and successes.*					
PRE1	**Put in place arrangements to promote and ensure probity and propriety in the conduct of activities and prevent and detect fraud and corruption and for monitoring compliance with standards of conduct across the Council covering: Codes of conduct including behaviour for counter fraud, anti-bribery and corruption, Register of Interests, register of gifts and hospitality, as well as a mechanism for ensuring that this is effective and reported to Management Team and Audit & Risk Committee.**				
ABC Policy	**The procedures to prevent bribery by persons will be proportionate to the bribery risks faced and to the nature, scale and complexity of the Council's activities. They will be clear, practical, accessible, effectively implemented and enforced, and embedded in the Council's working arrangements through appropriate communication, including training. The policy, control arrangements, risk management processes and other related policies and procedures designed to prevent bribery and corruption will be monitored, reviewed and improved where necessary on a regular basis.**				
PRE1.1	*Remind all staff and Members of their role and responsibility in preventing and detecting fraud through promotion of the Counter Fraud and Corruption Strategy.*	Management Team (MT)	Ongoing	In Progress Target: Oct-23	*Comms alongside roll out of CF suite and training – Autumn 23*
PRE1.2	*The roles within the Council most at risk of bribery and corruption will be identified and risk assessed by considering levels of seniority, budgetary responsibility, influences over procurement arrangements and the general nature of their duties.*	E Brooks	Mar-23	Complete	*Assessment completed, upload to Lighthouse to monitor going forward*

Action Ref	Action	Service Manager	Original Target Date	Sep 23 Update	Additional Notes
PRE1.3	Remind service managers of their responsibility in monitoring these roles to ensure transparency over decisions and manage any conflicts or failures to disclose appropriately.	MT	Ongoing	In Progress Target: Oct-23	*Comms alongside roll out of CF suite and training – Autumn 23*
PRE1.4	Develop training and awareness activities for new and existing staff and Members to underpin understanding of anti-fraud and corruption responsibilities.	E Brooks/ K Knowles	Jun-23	In Progress Target: Oct-23	*Training Suite Rollout – Autumn 23*
PRE1.5	Remind service managers of their responsibility for establishing and supporting an anti-fraud culture in their services, ensuring all their team members are aware of relevant policies and procedures relating to anti-fraud and bribery, code of conduct etc and adopting a robust control environment, including ensuring any internal audit recommendations are implemented promptly through inclusion in service plans to be monitored and actions reported locally.	MT	Ongoing	In Progress Target: Oct-23	*Comms alongside roll out of CF suite and training – Autumn 23*
PRE1.6	Independent assurance on the effectiveness of the governance, risk management and control environment relating to fraud and corruption to be provided by Internal Audit.	E Brooks	Ongoing	Ongoing	
PRE2	**Undertake recruitment vetting of staff prior to appointment by risk assessing posts and undertaking the checks recommended.**				
ABC	**A proportionate and risk-based approach will be taken in respect of persons and other organisations that perform services for or on behalf of the Council.**				
PRE2.1	Review of Safer Recruitment procedures to ensure they mitigate fraud and corruption risks.	D Wootton/E Brooks	TBC	In Progress Target: Oct-23	*Report due October 2023*
PRE2.2	Remind service managers of their responsibility for undertaking due diligence to evaluate the background, experience and reputation of business partners.	MT	Ongoing	In Progress Target: Oct-23	*Comms alongside roll out of CF suite and training – Autumn 23*
PRE2.3	Written agreements and contracts will provide references to the Bribery Act 2010 and the Council's Counter Fraud and Corruption Strategy and the expectation that they will operate at all times in accordance with such policy.	A Chessell	Complete	Complete	
PRE3	**Ensure that there is a zero-tolerance approach to fraud and corruption and independent whistle-blowing policy.**				

Action Ref	Action	Service Manager	Original Target Date	Sep 23 Update	Additional Notes
ABC	**All incidents of bribery or suspected bribery will be reported to Audit & Risk Committee**				
PRE3.1–3.3	*Review Council's Whistleblowing Policy*	E Brooks	Jan-23	Complete	*References to Fraud in the other Council docs will be checked to ensure they accurately reflect the Council's response to Fraud.*
PRE3.4	*Promote awareness of new Policy internally and externally*	MT	Ongoing	In Progress Target: Oct-23	*Comms alongside roll out of CF suite and training – Autumn 23*
PRE3.5	*Align training to new Policy and promote refresher training*	E Brooks/ K Knowles	Jun-23	In Progress Target: Oct-23	*Training Suite Rollout – Autumn 23*
PRE3.6	*Whistleblowing Team respond in line with Policy and record concerns and outcomes.*	TBC	Ongoing	Ongoing	
PRE3.7	*Monitoring Officer will provide regular anonymised report to Governance Committee*	L Browne	Ongoing	Ongoing	
PRE4	**Consult counter fraud staff to review new policies, strategies and initiatives across departments and this activity will be reported to Management Team and Audit & Risk Committee**				
PRE4.1	*Remind service managers that new policies, procedures, strategies etc that may be connected to a fraud and/or corruption risk should be reviewed by the CGG for comments/amendments and to inform the Counter Fraud Risk Register.*	MT	Ongoing	In Progress Target: Oct-23	*Comms alongside roll out of CF suite and training – Autumn 23*
PRE4.2	*CGG Counter Fraud activity will be included in the Counter Fraud Report to Management Team and Audit & Risk Committee.*	E Brooks	Sep/Mar	Mar-24	*CF Annual Report – each March, covering prev calendar year*
PRE5	**Ensure the fraud response plan covers all areas of counter fraud work and is linked to the audit plan and communicated to Management Team and Audit & Risk Committee**				
PRE5.1-5.3	*Produce Fraud Response Plan aligned to new Counter Fraud and Corruption Strategy and including specialist fraud areas i.e Prevention of Money Laundering.*	E Brooks	Mar-23	Complete	*Reporting Fraud Form to be added to Council's Whistleblowing Page. References to Fraud in the other Council docs will be checked to ensure they accurately reflect the Council's response to Fraud.*

Action Ref	Action	Service Manager	Original Target Date	Sep 23 Update	Additional Notes
PRE5.4	*Promote awareness of new Fraud Response Plan internally and externally*	MT	Ongoing	In Progress Target: Oct-23	*Comms alongside roll out of CF suite and training – Autumn 23*
PRE6	**Ensure that the Council actively takes part in mandatory NFI exercises and promptly takes action arising from it.**				
PRE6.1	*Produce an NFI operations protocol outlining roles and responsibilities for partaking in exercises, including prompt review of matches.*	E Brooks	Mar-23	Complete	
PRE6.2	*CGG will consider if the data highlights any weakness/root causes and update Counter Fraud Risk Register accordingly.*	CGG	Ongoing	Ongoing	
PRE7	**Publicise successful cases of proven fraud/corruption to raise awareness**	CGG	Ad hoc	Ad hoc	
PURSUE: Prioritise fraud recovery and use of civil sanctions; Developing capability and capacity to punish offenders; Collaborating across geographical and sectoral boundaries; Learning lessons and closing the gaps.					
PU1	**Reporting statistics maintained by the Counter Fraud team which cover all areas of activity and outcomes.**				
PU1.1	*Transparency Code and NFI statistics will be collated annually and reported to Management Team and Audit & Risk Committee*	E Brooks	Mar Annually	Mar-24	*CF Annual Report – each March, covering prev calendar year. Transparency will be updated January*
PU1.2	*Statistics will be reviewed by CGG to determine any trends/root causes and update Counter Fraud Risk Register accordingly.*	CGG	Ongoing	Ongoing	
PU2	**Developing a programme of proactive counter fraud work which covers risks identified in the fraud risk assessment.**				
PU2.1	*Internal Audit will align their Internal Audit Plan with Fraud Risk Assessment*	E Brooks	Ongoing	Ongoing	
PU2.2	*Individual audit scopes will consider the Fraud Risk assessment and consider the prevention and detection of fraud.*	E Brooks	Ongoing	Ongoing	
PU3	**Collaborating with other Council services and external enforcement agencies, encouraging a corporate approach and co-location of enforcement activity**				

Action Ref	Action	Service Manager	Original Target Date	Sep 23 Update	Additional Notes
PU3.1	*CGG will continue meet quarterly in line with its terms of reference and programme of work.*	E Brooks	Ongoing	Ongoing	
PU3.2	*CGG Counter Fraud activity will be included in the Counter Fraud Report to Management Team and ARC*	E Brooks	Sep/Mar	Mar-24	*CF Annual Report – each March, covering prev calendar year*
PU3.3	*CGG to consider engagement plan with external agencies.*	CGG	Mar 23	Complete	*As part of Fraud Response Plan*
PU4	**Undertake prevention measures and projects using data analytics where possible.**				
PU4.1	*Internal Audit to consider use of data analytics in its key financial systems review and other counter fraud work where applicable.*	E Brooks	Ongoing	Ongoing	
PU5	**Ensure that there are professionally trained and accredited staff for counter fraud work, with adequate knowledge in all areas of the Council and the counter fraud team has access to specialist staff for surveillance, computer forensics, asset recovery and financial investigations where required.**				
PU5.1	*Skills analysis to be undertaken by the CGG with training needs identified.*	CGG	Mar-23	Complete	*Training Suite Rollout – Autumn 23*
PU5.2	*Training undertaken as required or identified skills gap to be considered for inclusion in the fraud risk assessment.*	CGG	Ongoing	Ongoing	*Training Suite Rollout – Autumn 23*
PU5.3	*CGG to consider engagement plan with external specialist support where required.*	CGG	Mar 23	Complete	*As part of Fraud Response Plan*
PROTECTING ITSELF AND ITS RESIDENTS: Recognising the harm that fraud can cause in the community. Protecting itself and its residents from fraud.					
PRO1	**Assess fraud resources proportionately to the risk the Council faces and are adequately resourced.**				
PRO1.1	*Resource analysis undertaken to be undertaken by CGG with any gaps identified.*	CGG	Mar-23	Mar-24	*To be produced alongside Audit Plan process.*
PRO1.2	*Capacity gaps to be considered for inclusion in the fraud risk assessment.*	CGG	Mar-23	Mar-24	*To be produced alongside Audit Plan process.*

Action Ref	Action	Service Manager	Original Target Date	Sep 23 Update	Additional Notes
PRO1.3	*CGG to consider engagement plan with external support where required.*	CGG	Mar-23	Complete	*As part of Fraud Response Plan*
PRO2	**Develop a fraud plan which is agreed by Management Team and Audit & Risk Committee, reflecting resources mapped to risks and arrangements for reporting outcomes. This plan covers all areas of the Council's activities including those undertaken by contractors and third parties**				
PRO2.1	*Fraud plan to be reviewed by CGG*	E Brooks	Sep/Mar	Mar-24	*To be produced alongside Audit Plan process.*
PRO2.2	*Fraud plan will be included in the Counter Fraud Report to Management Team and Audit & Risk Committee*	E Brooks	Sep/Mar	Mar-24	*To be produced alongside Audit Plan process.*