

20 November 2023

Counter Fraud and Corruption Arrangements Update

Ward(s): All

Portfolios: All

Purpose: For Information

1. Aim

- 1.1 To ensure members are aware of the work being progressed in relation to the Counter Fraud Response Plan and allow any appropriate questions to be raised or clarification to be provided in relation to it.

2. Summary

- 2.1 This report provides an update to Audit Committee to make Committee members aware of the current position in relation to our Counter Fraud Response Plan and specifically provides an update on progress in relation to:
- 2b and 3b - Development of fraud risk assessment and fraud awareness sessions with high risk services and review of their fraud risks. Outputs to inform an updated fraud risk assessment.
 - 2 and 2c – Identifying required capacity for both proactive fraud work and formal fraud investigations.
 - 5 - Counter Fraud Policy Update.

3. Recommendations

- 3.1 Audit Committee are requested to note progress to date and to raise any relevant questions in relation to this.

4. Report detail – know

Background

- 4.1 Audit Committee at their meeting on 12 April 2021 received and approved an updated Counter Fraud and Corruption Policy and associated Response Plan, which set out details of the work that the council will take to embed that policy. An updated Response Plan and progress updates have also been provided to Audit Committee on 27 September 2021, 22 February and 21 November 2022, and 11 April 2023.

Current Position

4.2 Work has continued to take place to implement the actions set out in the Response Plan, summarised as:

- A consolidated draft risk register has been created and further work is in train as set out in this report. The training material and programme is being worked on.
- The Counter Fraud Policy is under review and will be reported to the Committee for consultation prior to finalising.
- The contracts for both proactive fraud work and fraud investigations with Solihull have been renewed for two years ending June 2025.
- A Finance restructure is in train which will provide additional inhouse capacity in relation to fraud work, with a new Assurance Manager role supported by an Assurance Lead role providing additional capacity to support risk management including fraud risk management and the counter fraud Response Plan.
- A full update on the position of all actions within the Response Plan is attached at Appendix 1.

Fraud Risk Assessment

4.3 The Response Plan includes a review to identify and assess fraud risks across the council to ensure all pertinent fraud risks are identified, appropriate controls have been developed and are, or will be, in place, and that these risks are included where required in the directorate risk registers.

4.4 Workshops have been held with individual teams in each Directorate to identify risks within each area. The risks and associated controls were assessed and scored using the council's risk management methodology. A total of 211 risks were identified, including a number of generic fraud risks across the organisation, such as the use of purchase cards, where the relevant policy or guidelines is set by one directorate but the activity and application of the associated controls and mitigating actions will be undertaken across the council. These risks were duplicated in the current version of the fraud risk register.

4.5 An update was presented to Director Group and CMT in March and the following actions agreed as next steps:

- a. Assign ownership of 'generic' fraud risks;
- b. Agree the process to moderate fraud risk assessments;
- c. Endorse the high-level training plan; and,
- d. Set parameters and timetable for identification of staff to attend fraud awareness training sessions.

4.6 Due to a number of changes in personnel and key absences, new fraud risk champions have had to be reassigned and these have now been identified. Generic fraud risks and risk champion lead training is being arranged to allow them to commence the review and moderation of fraud risks identified and progress the training and awareness raising sessions.

- 4.7 Going forwards, risks will be incorporated as appropriate into Directorate Risk Registers and the Strategic Risk Register.
- 4.8 Additionally, there have been a number of changes in the senior leadership team and following discussion, a joint corporate management team / directors group session is being convened in February 2024 in relation to strategic risk management (including fraud risk management).
- 4.9 The contract with Solihull Council's Counter Fraud & Investigations Team has been renewed to 30 June 2025 to complete and embed the fraud risk assessment and training process, provide support whilst internal fraud capacity is built and to provide investigative services as required..

5. Financial information

- 5.1 There are no direct financial implications associated with this update. As set out in the report resources to undertake both proactive and reactive fraud work have been put in place. Proactive counter fraud activity helps protect public monies intended to be used on delivering the council's corporate objectives.

6. Reducing Inequalities

- 6.1 There are no equality implications directly related to this report.

7. Decide

- 7.1 As this report is for information only there are no matters within this report for decision, however members are recommended to raise any appropriate questions to allow further clarification to be provided in relation to the update provided.

8. Respond

- 8.1 Any issues raised by Audit Committee in relation to this update will be considered by management and further action taken as required.

9. Review

- 9.1 The formal review of the Counter Fraud and Corruption Policy is undertaken every two years, with the next review now in train. Updates regarding the progress of Response Plan actions will continue to be regularly reported to Audit Committee.

Background papers

Counter Fraud Response Plan reports to Audit Committee

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Counter Fraud Response Plan – Updated Position as at November 2023

Ref	Implementation Action Plan	Responsible Officer and Associated Timing	Current Position
1	Audit Committee receive and review counter fraud arrangements, including a proposed work programme of fraud activity.	Head of Finance and Assurance (April 2021)	Provided to Audit Committee in April 2021, with further updates in September 2021, February and November 2022, April and November 2023. Further Update planned for April 2024.
2	<p>Fraud Work Programme (Q13 & Q26) – this action plan.</p> <p>2.a. Reviewing / identifying required capacity, business case, and development – incl. balance of internal v external fraud resources – for both proactive fraud work and support to fraud investigations.</p> <p>2.b. Development of Fraud Risk Assessment, with the outcome incorporated into Directorate Risk Registers (DRR), and summary of DRR fraud risks to be provided to AC as part of SRR updates.</p> <p>2.c. Develop / put in place capacity for formal fraud investigation.</p> <p>2.d. Consider areas of publication of proven fraud / corruption (Q8 & 20).</p> <p>2.e. Consolidated reporting of fraud related statistics</p>	<p>Head of Finance and Assurance (April 2021)</p> <p>Head of Finance and Assurance (June 2021)</p> <p>SMBC fraud capacity (October 2021 onwards)</p> <p>Head of Finance and Assurance (June 2021)</p> <p>Head of Finance and Assurance and SMBC (September 2022)</p>	<p>As above.</p> <p>Contract with Solihull Council (SMBC) renewed until 30 June 2025. Finance restructure incorporates some additional capacity in relation to risk and fraud risk management – once in place (expected by latest April 2024) then further internal capacity building can be considered.</p> <p>In train – Directorate risk assessment workshops have taken place. Initial council wide risk assessment collated and presentation to Directors Group and CMT. Update report to Audit Committee 11 April 2023. Incorporation into DD & SRR during 2023/24. Further report due April 2024.</p> <p>Contract with Solihull Council (SMBC) to provide this capacity for an initial 2 year period has been renewed until 30 June 2025.</p> <p>Areas of proven fraud / corruption are published where relevant e.g. Insurance. Work underway alongside 2.e below.</p> <p>Review ongoing, outcome to be incorporated into the work for item 2.d. above. Capacity has been focussed on risk assessments and fraud related statistics are being collated alongside this. Revised deadline of Summer 2024 once internal capacity in place.</p>

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2.f.	Explore data matching and data analytics opportunities (Q28 & Q29)	Head of Finance and Assurance / SMBC	NFI data matching in place. To be incorporated into 2.d/2.e.
2.g.	Formal reporting of NFI outcomes (Q30)	Head of Finance and Assurance / Internal Audit – in line with NFI timetable	Completed every 2 years. Formal report to be presented April 2024.
2.h.	Review of Anti-Money Laundering Policy and Arrangements and Criminal Finance Act. Consultation. Report to Audit Committee.	Head of Finance and Assurance / SMBC (April 2022)	Completed.
2.i.	Recruitment vetting - Consideration will be given to utilising additional checks, such as from Cifas Internal Fraud Database, a fraud prevention service.	Head of Finance and Assurance and Head of HR (December 2021)	Completed.
3	Training:		Completed and Ongoing - Fraud training session for Audit Committee members provided on 22 February 2022 and April 2023. Training planned for Audit Committee April 2024 (all council members to be invited).
3.a.	Consideration of further training requirements for Audit Committee Members	SMBC (February 2022)	
3.b.	Fraud Awareness sessions with high risk services and review of their fraud risks. Outputs to inform an updated fraud risk assessment.	SMBC (to June 2023)	See 2.b above.
3.c.	Roll out of e-learning training to Officers at G12 and above and all staff working with control systems staff, with requirement for annual undertaking.	Head of Finance and HR Training officers (April 2021)	Completed. Review of training in hand.
4	Annual Review and report to Audit Committee on planned and reactive activity. To ensure full compliance with Fighting Fraud Locally requirements.	Head of Finance – annually	Formal update provided to Audit Committee in February 2022 and April 2023. Further planned for June 2024 (alongside AGS).
5	Schedule further review / refresh / update of Policy	Head of Finance – every 2 years	Policy currently being reviewed.