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To all Members of the Overview and Scrutiny
Committee (Regulatory, Compliance and
Corporate Services)

Date: 9 January 2025
Our Ref: PGF
Your Ref:

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Dear Councillor

OVERVIEW AND SCRUTINY COMMITTEE (REGULATORY, COMPLIANCE AND CORPORATE SERVICES) - TUESDAY 14TH JANUARY, 2025

I refer to the agenda for the above meeting and now enclose the following report that was unavailable when the agenda was published.

Agenda No.	Item
5.	Counter Fraud Strategy (Pages 113 - 132) Report of the Executive Director of Corporate Services and Commercial

Yours sincerely,

PHIL PORTER

Chief Executive

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Report Title: Here

Counter Fraud Strategy

Date of meeting:	14 January 2025		
Report to:	Overview and Scrutiny Committee (Regulatory, Compliance and Corporate Services)		
Report of:	Executive Director of Corporate Resources and Commercial		
Portfolio:	Corporate Services		
Wards affected:	All		
Is this a key decision:	No	Included in Forward Plan:	No
Exempt/confidential report:	No		

Summary:

The Council has carried out a self-assessment against the Chartered Institute of Public Finance and Accountancy Code of Practice on Managing the Risk of Fraud and Corruption. One of the proposed actions that the Council should undertake is the development of a Counter Fraud Strategy which is attached for Members to consider for approval.

The proposed strategy is based on the CIFAS five pillars and includes roles and responsibilities as well as key priorities for the next three years. An action plan has been developed based on the key priorities.

The Council has made some progress on implementing actions to improve the Council's counter fraud approach which will be enhanced with the actions from the proposed Counter Fraud Strategy.

Recommendation(s):

- (1) Members to review, provide comments and recommend to Cabinet the approval of the proposed Counter Fraud Strategy and the responsibilities detailed in the document.
- (2) Note the progress on implementation of proposed counter fraud actions.

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1. The Rationale and Evidence for the Recommendations

Introduction

1.1 The Chartered Institute of Public Finance and Accountancy have provided guidance to the public sector on managing the risk of fraud and corruption titled Code of Practice on managing the Risk of Fraud and Corruption.

1.2 The document states:

“Leaders of public services organisations have a responsibility to embed effective standards for countering fraud and corruption in their organisations. This supports good governance and demonstrates effective financial stewardship and strong public financial management.”

1.3 The publications sets out that fraud and corruption are ever present risks to all organisations, be they public, private or not-for-profit. Fraud and corruption can have a significant negative impact on organisations through disruption to their services or undermining the achievement of their objectives. Official estimates have assessed the value of fraud loss in the public sector to be significant. Despite the risk, identifying adequate resource to manage the risk is a challenge for many across the public services. To help organisations recognise and address their fraud risks, CIPFA has produced a Code of Practice on Managing the Risk of Fraud and Corruption (“the Code”) which consists of five principles:

- Acknowledge the responsibility of the governing body for countering fraud and corruption.
- Identify the fraud and corruption risks.
- Develop an appropriate counter fraud and corruption strategy.
- Provide resources to implement the strategy.
- Take action in response to fraud and corruption.

2. Current progress

2.1 The Council completed in 2020/2021 an assessment against the CIPFA Code of Practice which was provided to Strategic Leadership Board for information.

2.2 The report highlighted the following good practice currently operated by the Council on Counter Fraud:

- Council’s Anti-Fraud, Bribery and Corruption Policy (‘the Policy’) has been approved by Cabinet and is regularly reviewed.
- There is a Policy statement from the Chief Executive
- The revised Policy includes examples of typical frauds
- The revised Policy outlines key roles and responsibilities across the organisation
- The organisation’s risk management policy includes generic guidance on risk.
- There is a framework of policies in place such as whistle blowing, employee behaviour and code of conduct.
- Awareness of policies and procedures is via intranet.
- Investigations involving Internal Audit are generally effective.

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- The Council is involved with the core National Fraud Initiative and additional optional activities.

2.3 The review has highlighted the following areas where development is required to meet the good practice note:

- Training and awareness sessions regarding the risk, prevention and detection of fraud should be undertaken by staff across the Council
- Fraud Risk Assessments should be undertaken across the Service areas to identify areas vulnerable to fraud and corruption, including for new activities.
- As part of a Fraud Risk Assessment, it is made clear where the harm caused by fraud lies.
- The Council should estimate its financial fraud loss from Fraud and Corruption.
- The organisation needs an up to date Counter Fraud Strategy that has been approved by the governing body which will outline the resources required to implement.
- Staff undertaking investigation work should have professional accreditation.
- There should be in place an annual review of the effectiveness of counter fraud activities.

2.4 Further progress has been completed with following a re-structure in the Risk and Audit Team and have currently:

- Developing Fraud Risk Assessments across each Service Area
- Developed and rolled out two Fraud awareness e-learning packages to all staff members
- Developed with HR to develop fraud awareness as part of the induction process
- Revised the Councils Anti-Fraud and Corruption Policy in 2023/2024
- Undertaken a benchmarking of resources across the Northwest
- Drafting a Sanction Policy with Legal Services and other relevant Service Areas.
- Developed a Counter Fraud Strategy detailed below.

3. Counter Fraud Strategy

3.1 CIFAS, a not for profit organisation fighting fraud across the public and private sector, has provided guidance on how to address fraud risks in the publication "Fighting Fraud and Corruption Locally 2020 is the updated counter fraud and corruption strategy for local government". The model outlined in the publication based on five principles has been widely used across the Local Government sector.

3.2 A Counter Fraud Strategy has been developed using the CIFAS five principles to "fight fraud". The five principles/ pillars are detailed below and are broadly aligned to the CIPFA principles highlighted above in 1.3.

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- 3.4 The strategy includes a section on the key roles and responsibilities to enable the strategy to be fully implemented including the role of Cabinet to the Strategy.
- 3.5 The strategy includes key priorities for the financial years 2024-2027, which highlights the proposed actions the Council will implement against the CIFAS five pillars detailed above. An action plan has been developed with action owners and proposed dates for completion.
- 3.6 The Strategy is attached as Appendix A and Action Plan at Appendix B.

4. Summary

- 4.1 The Council has carried out a self-assessment against the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption. One of the proposed actions that the Council should undertake as a result is a Counter Fraud Strategy.
- 4.2 The Council has made some progress on implementing actions to improve the Council's counter fraud approach which will be enhanced with the actions from the proposed Counter Fraud Strategy.

2. Financial Implications

There are no direct financial implications from the implementation of the strategy. In time through the implementation of an enhanced counter fraud approach where fraud is identified, and recovery action successfully taken or fraud is prevented there may be positive financial benefits to the Council.

3. Legal Implications

There are no direct legal implications from the approval of the strategy although Legal Services will be involved in developing the governance framework for counter fraud.

4. Corporate Risk Implications

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The risk of fraud is an ever present risk to organisations and companies particularly in the public sector. Enhancing our approach to counter fraud will help to ensure that public monies are spent supporting the Council priorities and not misused. Implementing the Counter Fraud Strategy will as part of many controls within the Council help to reduce the likelihood and impact of the fraud risk over time.

5 Staffing HR Implications

There are no staffing HR implications from the implementation of the strategy.

6 Conclusion

The Council has carried out a self-assessment against the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption. One of the proposed actions that the Council should undertake is the development of a Counter Fraud Strategy which is presented for approval.

The Council has made some progress on implementing actions to improve the Council's counter fraud approach which will be enhanced with the actions from the proposed Counter Fraud Strategy.

Alternative Options Considered and Rejected

Not having a Counter Fraud Strategy is one option considered and rejected as the Chartered Institute of Public Finance and Accountancy (CIPFA) have provided guidance to the public sector and failure to follow would likely lead to loss of reputation.

Equality Implications:
There are no equality implications.
Impact on Children and Young People:
There is no direct impact to Children and Young People by the adoption of the strategy.
Climate Emergency Implications:
The recommendations within this report will have a neutral impact.

What consultations have taken place on the proposals and when?

(A) Internal Consultations

The Executive Director of Corporate Resources and Customer Services (FD7902/25) and the Chief Legal and Democratic Officer (LD6002/25) have been consulted and any comments have been incorporated into the report.

(B) External Consultations

None.

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Implementation Date for the Decision:

With immediate effect. The Chair of the Overview and Scrutiny Committee has given approval under Rule 46 of the Overview and Scrutiny Procedure Rules for the 'call-in' period to be waived in respect of the executive decision

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Appendices:

The following appendices are attached to this report:

- Counter Fraud Strategy
- Action Plan

Background Papers:

None



Sefton Council Counter Fraud Strategy



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1. Introduction

Sefton Metropolitan Borough Council ("the Council") recognises the potentially significant risk that fraud and corruption pose to the achievement of the Council's aims and objectives, Sefton 2030 Vision, Sefton Council Corporate Plan 2023/26, and the adverse impact it can have on the provision of public services for the people and communities of Sefton.

The term "fraud" typically describes activities such as theft, corruption, money laundering, conspiracy, bribery and extortion.

The Council has an Anti-Fraud, Bribery and Corruption policy which is the mechanism for achieving the Council's commitment to protecting the public purse and promoting a strong ethical and counter fraud structure.

This Counter Fraud Strategy sets out the Council's approach to combatting fraud and corruption over the next three years.

2. The Strategic Approach

The Council's overarching objective will create a culture where fraud and corruption are unacceptable.

The Council is committed to minimising fraud and corruption through a strategic approach consistent with that outlined in the Local Government Fraud Strategy 'Fighting Fraud and Corruption Locally (FFCL) – a strategy for the 2020's', the principles of which are summarised below as the five key pillars of activity.

The pillars

Govern - The Council will:

- Develop robust arrangements and Council wide support to ensure anti-fraud, bribery and corruption measures are embedded throughout the Council.
- Have a holistic approach to tackling fraud which is part of good governance.
- Develop a more effective anti-fraud culture.

Acknowledge - The Council will:

- Assess and understand the fraud risks and ensure that they are communicated to the Strategic Leadership Board and appropriate Member Committee.
- Commit the appropriate support and resources to tackling fraud and corruption demonstrating a robust anti-fraud response.
- Communicate the risks to those charged with governance.

Prevent- The Council will:

- Make the best use of information and technology.
- Enhance fraud controls and processes.

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- Assess the full range of fraud risks ensuring that the range of counter fraud measures deployed is appropriate.
- Raise awareness internally and externally, deterring fraudsters, sharing information and celebrating successes.

Pursue - The Council will:

- Prioritise fraud recovery and use of civil sanctions.
- Develop capability and capacity to investigate and punish offenders.
- Collaborate across local authorities and other agencies to aid the ongoing development of the Council's Fraud response.

Protect - The Council will:

- Recognise the harm that fraud can cause to the people and communities of Sefton and protect them from fraud. This will cover protecting public funds and protecting the organisation from fraud and cybercrime.
- Ensure that resources employed on tackling the full range of counter fraud and corruption activity have the appropriate skills and competence.

3. Ownership - Key roles and responsibilities:

Responsibilities for the implementation for the strategy lies with the following:

- **Cabinet Members** provide formal approval of the Counter Fraud strategy and the Anti-Fraud, Bribery and Corruption Policy.
- **Audit and Governance Committee (A&G):**
 - Consider the Council's internal control systems, risk management and corporate governance issues.
 - Review the assessment of fraud risks and potential harm to the council from fraud and corruption.
 - Monitor the implementation and effectiveness of the Council's policies on whistleblowing, fraud, bribery, corruption, money laundering and the Council's complaints process and review, as necessary.
 - To monitor the counter-fraud strategy, actions and resources.
- **Executive Leadership Team (ELT)** to monitor and to be accountable for the delivery of the strategy.
- **Strategic Leadership Board (SLB)**
 - To cooperate with the counter fraud team to ensure that the councils counter fraud framework is embedded within their areas of responsibility.
 - To undertake planned work to prevent and detect fraud perpetrated against the Council using the National Fraud Initiative (NFI) and other data.
 - Develop a counter fraud improvement plan and provide an annual

- update on performance against the improvement plan.
- Undertake a fraud risk assessment for their area of responsibility, share contents with their teams and refresh on a regular basis.
- Investigate relevant NFI data matches and allow sufficient resources to undertake NFI work.
- Cooperate on cross council counter fraud initiatives.
- Develop a counter fraud culture ensuring that policies and procedures within their areas minimise the risk of fraud.
- **Wholly Owned Companies** – The Council will engage with each of the wholly owned companies to encourage them to adopt the Counter Fraud Strategy reflecting their different operating requirements.
- **Executive Director of Corporate Services and Commercial** is responsible for the maintenance of an Anti-Fraud, Bribery and Corruption policy which should be presented to Cabinet for approval.
- **Chief Internal Auditor** has responsibility for providing strategic direction and monitoring day to day performance of the counter fraud team.
- **Audit Manager** has responsibility for day to day management of the counter fraud function.

4. Key priorities for the financial years 2024-2027

Govern

- **Establish Fraud Awareness and Education:** Introduce regular updates aimed at management teams and develop learning modules for all staff and Elected Members to raise awareness of fraud and corruption risks.
- **Implement Counter Fraud Framework:** Refresh and renew all fraud policies and procedures under a comprehensive Counter Fraud Framework.
- **Set Resilience Goals:** Identify and approve specific goals for the organisation's resilience to fraud and corruption risks.
- **Enhance Communication and Whistleblowing Mechanisms:** Propose a plan to communicate the potential harm from fraud to all stakeholders and evaluate the effectiveness of the Council's whistleblowing arrangements, implementing improvements where necessary.
- **Reporting:** enhance reporting processes for counter fraud through the Council's governance framework.

Acknowledge

- **Fraud Risk Assessment and Resource Utilisation:** Develop a detailed fraud risk assessment in collaboration with SLB and review available Counter Fraud resources to ensure optimal utilisation.
- **Resilience Goals and Risk Management Practices:** Identify specific goals for the organisation's resilience to fraud and corruption risks and establish embedded risk management practices as the key to effective controls.

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- **Addressing fraud and corruption risks:** Identify actions to address key fraud and corruption risks and consider proactive measures for fraud detection and assurance. Develop a fraud risk register based on the output from the fraud risk assessments.
- **Strategy Delivery and Performance Monitoring:** Establish arrangements for regular accounting of the strategy's delivery, enabling performance monitoring and accounting for significant deviations from the strategy.
- **Resources:** Deploy the appropriate resources to deal with the level of fraud risk identified.

Prevent

- **Partnerships and Collaborations:** Develop and enhance relationships with Enforcement Partners and Local Authority neighbours. Identify organisations to work closely with to help prevent fraud risks.
- **Internal Controls and Audit:**
 - Will develop a fraud internal control framework to help prevent fraud occurring and/or to aid early detection.
 - The counter fraud team will undertake ad hoc reviews using NFI data and other information to identify whether fraud has taken place against the organisation and to assess the effectiveness of the fraud internal controls.
 - Will be an annual counter fraud audit undertaken by the internal audit team.
- **Innovative Review:** Consider innovative projects around data sharing with other authorities. We will continue our involvement with the NFI. Review the benefits of fraud forums and benchmarking groups. Will be a range of responses and actions appropriate for the organisation's risks.
- **Publicity and Communication:** Improve publicity by refreshing information on websites, ensuring regular communication of fraud risks, and enhancing the use of social media. Publicise the organisation's anti-fraud and anti-corruption activities, commitment, and outcomes of successful cases to staff, contractors and customers.

Pursue

- **Proactive Programme Development:** Develop a targeted proactive programme of Counter Fraud activities based on identified risks from the Fraud Risk Assessments.
- **Collaborative Efforts:** Develop a programme for closer collaboration with entities such as the Department for Work and Pensions (DWP), Police, etc.
- **Sanctions Policy and Approach:** Develop a Corporate Sanctions Policy and consider the organisation's overall approach to sanctions, including the prosecution of offences. Different approaches may be applied for different types of fraud.
- **Case Management and Loss Recovery:** Develop procedures for raising cases and feeding them into reporting mechanisms. Set out the organisation's

overall approach to the recovery of losses resulting from fraud, including the potential recovery of investigation costs.

Protect

- **Formulate a Fraud Response Plan:** Create a comprehensive plan to address fraud, outlining the roles and responsibilities of employees, managers, and the public in case of suspected fraudulent activities.
- **Leverage Legal Powers and Collaborate:** Utilise all legislative powers available to the Council for prosecution, enforcement of penalties and civil recovery. Consider collaboration with other Local Authorities for effective implementation.
- **Establish a Reviewing Body and Link Objectives:** Determine a responsible body for reviewing the strategy's performance and making recommendations. Align this strategy with the organisation's overall business objectives and the goal of enhancing resilience to fraud.
- **Assign Responsibilities:** Designate an individual with the primary responsibility for executing the strategy, along with others, who have the appropriate skills and competence, will play significant roles in its implementation.
- **Review:** A review of the Counter Fraud framework and its implementation to be undertaken by Internal Audit as part of the annual audit plan.

5. Monitoring the Strategy

Monitoring on the implementation of the strategy will take place on a quarterly basis within the Audit and Risk Performance report being presented to ELT and Audit and Governance Committee. An annual report on counter fraud will be provided to ELT and Cabinet outlining performance on counter fraud activities including the implementation of the strategy.

Review Date: June 2027

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Counter Fraud Strategy Action Plan 2024/25 to 2025/26

Counter Fraud Action Plan				
No	Action	Responsible	Target Date	Progress/Comments
1. Govern				
1.1	Establish Fraud Awareness and Education: Introduce regular updates aimed at management teams and develop learning modules for all staff and Elected Members to raise awareness of fraud and corruption risks.	Counter Fraud Investigator	31 March 2025	
1.2	Implement Counter Fraud Framework: Refresh and renew all fraud policies and procedures under a comprehensive Counter Fraud Framework.	Audit Manager	31 March 2025	
1.3	Set Resilience Goals: Identify and approve specific goals for the organisation's resilience to fraud and corruption risks.	Chief Internal Auditor	31 March 2025	
1.4	Enhance Communication and Whistleblowing Mechanisms: Propose a plan to communicate the potential harm from fraud to all stakeholders and evaluate the effectiveness of the Council's whistleblowing arrangements, implementing improvements where necessary.	Chief Internal Auditor/ Chief Legal Officer	31 March 2025	
1.5	Reporting: enhance reporting processes for counter fraud through the Council's governance framework.	Chief Internal Auditor	31 March 2025	
2. Acknowledge				
2.1	Fraud Risk Assessment and Resource Utilisation: Develop a detailed fraud risk assessment in collaboration with SLB and review available Counter	Counter Fraud Investigator/	31 March 2025	

Counter Fraud Action Plan				
No	Action	Responsible	Target Date	Progress/Comments
	Fraud resources to ensure optimal utilisation.	Audit Manager/ Chief Internal Auditor		
2.2	Resilience Goals and Risk Management Practices: Identify specific goals for the organisation's resilience to fraud and corruption risks and establish embedded risk management practices as the key to effective controls.	Audit Manager	31 March 2025	
2.3	Addressing fraud and corruption risks: Identify actions to address key fraud and corruption risks and consider proactive measures for fraud detection and assurance. Develop a fraud risk register based on the output from the fraud risk assessments.	Strategic Leadership Board	31 March 2026	
2.4	Strategy Delivery and Performance Monitoring: Establish arrangements for regular accounting of the strategy's delivery, enabling performance monitoring and accounting for significant deviations from the strategy.	Chief Internal Auditor	31 March 2026	
2.5	Resources: Deploy the appropriate resources to deal with the level of fraud risk identified.	Executive Director of Corporate Resources and Customer Services	31 March 2026	
3. Prevent				
3.1	Partnerships and Collaborations: Develop and enhance relationships with Enforcement Partners and Local Authority neighbours. Identify organisations to work closely with to help prevent fraud risks.	Counter Fraud Investigator	31 March 2026	

Counter Fraud Action Plan				
No	Action	Responsible	Target Date	Progress/Comments
3.2	Internal Controls and Audit: <ul style="list-style-type: none"> Will develop a fraud internal control framework to help prevent fraud occurring and/or to aid early detection. The counter fraud team will undertake ad hoc reviews using NFI data and other information to identify whether fraud has taken place against the organisation and to assess the effectiveness of the fraud internal controls. Will be an annual counter fraud audit undertaken by the internal audit team. 	Audit Manager/ Chief Internal Auditor	31 July 2025	
3.3	Innovative Review: Consider innovative projects around data sharing with other authorities. We will continue our involvement with the NFI. Review the benefits of fraud forums and benchmarking groups. Will be a range of responses and actions appropriate for the organisation's risks.	Counter Frud Investigator	31 March 2026	
3.4	Publicity and Communication: Improve publicity by refreshing information on websites, ensuring regular communication of fraud risks, and enhancing the use of social media. Publicise the organisation's anti-fraud and anti-corruption activities, commitment, and outcomes of successful cases to staff, contractors and customers.	Counter Fraud Investigator	31 March 2025	
4.1 Pursue				
4.1	Proactive Programme Development: Develop a targeted proactive programme of Counter Fraud activities based on identified risks from the Fraud Risk Assessments.	Counter Fraud Investigator	31 March 2025	
4.2	Collaborative Efforts: Develop a programme for closer collaboration with entities such as the Department for Work and Pensions (DWP), Police, etc.	Counter Fraud Investigator	31 Dec 2026	

Counter Fraud Action Plan				
No	Action	Responsible	Target Date	Progress/Comments
4.3	Sanctions Policy and Approach: Develop a Corporate Sanctions Policy and consider the organisation's overall approach to sanctions, including the prosecution of offences. Different approaches may be applied for different types of fraud.	Chief Monitoring Officer and Chief Personnel Officer	31 March 2026	
4.4	Case Management and Loss Recovery: Develop procedures for raising cases and feeding them into reporting mechanisms. Set out the organisation's overall approach to the recovery of losses resulting from fraud, including the potential recovery of investigation costs.	Audit Manager	31 March 2026	
5. Protect				
5.1	Formulate a Fraud Response Plan: Create a comprehensive plan to address fraud, outlining the roles and responsibilities of employees, managers, and the public in case of suspected fraudulent activities.	Counter Fraud Investigator	31 March 2025	
5.2	Leverage Legal Powers and Collaborate: Utilise all legislative powers available to the Council for prosecution, enforcement of penalties and civil recovery. Consider collaboration with other Local Authorities for effective implementation.	Counter Fraud Investigator/ Audit Manager	31 March 2026	
5.3	Establish a Reviewing Body and Link Objectives: Determine a responsible body for reviewing the strategy's performance and making recommendations. Align this strategy with the organisation's overall business objectives and the goal of enhancing resilience to fraud.	Chief Internal Auditor	31 March 2025	
5.4	Assign Responsibilities: Designate an individual with the primary responsibility for executing the strategy, along with others, who have the appropriate skills and competence, will play significant roles in its implementation.	Chief Internal Auditor	31 March 2025	
5.5	Review: A review of the Counter Fraud framework	Audit	31 March 2025	

Counter Fraud Action Plan				
No	Action	Responsible	Target Date	Progress/Comments
	and its implementation to be undertaken by Internal Audit as part of the annual audit plan.	Manager/ Chief Internal Auditor		

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