

Report Title: Counter Fraud Strategy

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| Date of meeting: | 6 February 2025 | | |
| Report to: | Cabinet | | |
| Report of: | Executive Director of Corporate Services and Commercial | | |
| Portfolio: | Corporate Services | | |
| Wards affected: | All | | |
| Is this a key decision: | No | Included in Forward Plan: | Yes |
| Exempt/confidential report: | No | | |

Summary:

The Council has carried out a self-assessment against the Chartered Institute of Public Finance and Accountancy (CIPFA) publication “*Code of Practice on Managing the Risk of Fraud and Corruption*” 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.

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.

CIFAS, a not for profit organisation fighting fraud across the public and private sector, has also 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, detailed below, and broadly aligned to the CIPFA has been widely used across the Local Government sector.

- Govern
- Acknowledge
- Prevent

- Pursue
- Protecting itself and residents

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) Cabinet to approve the proposed Counter Fraud Strategy and the responsibilities detailed in the document.

(2) Note the progress on implementation of proposed counter fraud actions to date.

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.
- 2.2 This 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.
 - The Council is involved with the core National Fraud Initiative and additional optional activities.
- 2.3 The review highlighted the following areas where development was required to meet good practice :
- 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 As a result of this, the following progress including a re-structure within the Risk and Audit Team has been made in respect of :
- Developing Fraud Risk Assessments across each Service Area
 - The development and rolling out of two Fraud awareness e-learning packages to all staff members

- The development with HR of fraud awareness information as part of the induction process
- The Councils Anti-Fraud and Corruption Policy was revised in 2023/2024
- Undertaking 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 also 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*”.
- 3.2 The model outlined in the publication based on five principles/ pillars, detailed below and broadly aligned to the CIPFA principles in 1.3, has been widely used across the Local Government sector to be incorporated into Counter Fraud Strategies.



- 3.3 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.
- 3.4 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.
- 3.5 The Strategy is attached as Appendix A.

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

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.

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| Equality Implications: |
| There are no equality implications. |
| Impact on Children and Young People: |
| There is no impact to Children and Young People |
| 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 Services & Commercial (FD.7903/25) and the Chief Legal and Democratic Officer (LD.6003/25) have been consulted and any comments have been incorporated into the report.

(B) External Consultations

None

Implementation Date for the Decision:

Following the expiry of the “call-in” period for the Cabinet decision.

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Appendices:

The following appendices are attached to this report:

- Counter Fraud Strategy

Background Papers:

None