



**STOCKPORT**  
METROPOLITAN BOROUGH COUNCIL

# Anti-Fraud, Bribery & Corruption - Annual Report 2020/21

Internal Audit - Annual Report 2020/21

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**Distribution:** Audit Committee  
Corporate Leadership Team (CLT)

**Date:** 14<sup>th</sup> July 2021

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## 1. What is an annual fraud report?

- 1.1 The purpose of this report is to present the work carried out during the past financial year to minimise the risk of fraud, bribery and corruption occurring in Stockport Council and to Stockport residents and other stakeholders. This supports the requirements of the Accounts and Audit Regulations 2015, which state that the Council must have measures in place “to enable the prevention and detection of inaccuracies and fraud.” In this context, we have taken fraud also to refer to cases of bribery and corruption.
- 1.2 The report also sets out planned work for 2021/22, highlights some of the current areas of fraud risk and provides a conclusion on the effectiveness of the Council’s arrangements to minimise the risk of fraud.
- 1.3 It is important to note that the prevention, detection and effective management of fraud risks is the responsibility of all services within the Council and not restricted to Internal Audit and Counter Fraud Services. The report highlights the positive overall work undertaken from colleagues in Insurance Services, Revenues & Benefits, Parking Enforcement, Stockport Homes and Trading Standards.
- 1.4 It is important to highlight that the risk and control environments (including areas around fraud prevention and detection) in the 202/21 financial year have been considerably impacted by the Covid 19 pandemic and the subsequent shift in changes to the working environment at Stockport Council.
- 1.5 Key fraud risk areas have changed and external drivers such as increased reliance on digital and technology, the distribution of significant numbers and values of business and discretionary grant to Stockport stakeholders and the impact on the wider economy have all increase fraud risks facing the Council.
- 1.6 Although recent Cipfa guidance entitled “Guidance for Head of Internal Audit Annual Opinions 2020/21” suggests “Avoiding diversion of internal audit staff on to counter fraud work, or other non-core audit work, beyond that which is already accommodated within the plan”, resources have been increased over the past 12 months in this key area, particularly around the management, issue and control of business grants.

## 2. Key mechanisms – policies and procedures

- 2.1 Effective policies and procedures are essential to ensure that all officers and members are aware of their roles and responsibilities in identifying and managing the risk of fraud. We continue to review and update these on an ongoing basis. All policies and associated documents are available on the Council’s intranet.

### Whistleblowing Procedure

2.2 The Council has a Whistleblowing Procedure available to all staff and members. The membership of the panel has been reviewed in the past 12 months.

#### Anti-Fraud, Bribery and Corruption Strategy

2.3 The Anti-Fraud, Bribery and Corruption Strategy has been extensively updated in the past resulting in the merger of the strategy and policy documents and the streamlining of supporting procedures. These will be further reviewed in 2021/22. The strategy incorporates:-

- The strategy;
- An Action Plan;
- A Response Procedure outlining the role of the Fraud and Irregularities Panel;
- Staff and management responsibilities for putting in place controls to minimise the risk of fraud and to encourage staff to report concerns at the earliest opportunity, using the whistleblowing reporting procedure if necessary.

#### Anti-money Laundering Policy

2.4 The policy was revised and updated to take into account the requirements of the 2017 Regulations on money laundering. Further light touch reviews will take place in the future to provide updates following internal changes or legislative changes.

### 3. Risk based planning to minimise the risk of fraud

3.1 The annual Internal Audit planning process includes a specific fraud risk assessment to ensure that all relevant risks are identified and to support the development of a programme of proactive anti-fraud work that minimises the risk of loss to the Council. The detailed plan of work for 2021/22 is included as Appendix 1 to this report.

3.2 Given the significant impact on the control and risk environment following the Covid 19 pandemic, the annual plan will be risk assessed quarterly and adjusted accordingly depending upon the risk outlook (including changes to fraud risk).

3.3 Risks are identified from a number of sources, including:

- CIPFA's annual Counter Fraud and Corruption Tracker Survey.
- "Fighting Fraud and Corruption Locally 2016-19" – the local government counter fraud strategy.
- Intelligence gained from networking with other authorities via the North West Fraud Group.
- Outcomes from previous Internal Audit reviews and investigations.
- Outcomes from the work of the Counter Fraud Officer.
- Feedback from managers on areas where they have identified control weaknesses that may increase the risk of fraud.

- 3.4 Any findings from the reviews will be included within the quarterly Internal Audit progress reports.
- 3.5 Internal Audit liaise closely with Corporate Leadership Team (CLT), Senior Management Team (SMT), the Corporate Governance Group (CGG) and the Fraud and Irregularities Panel to ensure that managers give proper consideration to identifying fraud.
- 3.6 During the financial year the risk of fraud was identified as a corporate risk and quarterly updates on mitigating actions presented to CLT, CGG and the Audit Committee.
- 3.7 The Internal Audit Plan is supported by a resource to support the further roll out, implementation and development of the continuous auditing/monitoring model, using IDEA interrogation software. Continuous Auditing is the use of technology to provide a range of on-going control evaluations to continually risk assessment and test key controls. Technology plays a key role in the continuous audit process by automating the analysis of management information allowing for quick results that can then be examined. This model is already delivering more efficient assurance to service managers (in revenues and benefits and taxi licensing) through the production of regular exception reporting thus providing assurance in key system control areas or through the quick identification of possible errors or queries with management information systems. Furthermore, this approach is actively helping to prevent and detect fraud and error.

#### 4. Reporting and awareness raising to our stakeholders

- 4.1 Internal Audit report to the Audit Committee on a regular basis on corporate fraud issues. Any ongoing investigations or major incidents are also included within the regular Internal Audit progress reports taken to the Fraud and Irregularities Panel, CLT, CGG and the Audit Committee.
- 4.2 The Council subscribes to the National Anti-Fraud Network (NAFN), which promotes the sharing of information between Authorities and publishes regular bulletins on fraud cases and attempted scams. Internal Audit staff attend the CIPFA North West Fraud Group, which shares information on cases across the region and promotes best practice.
- 4.3 Other awareness raising activity during the year included:
  - Ongoing consultancy and support on processes around the issue and use of blue badges.
  - Input and guidance into changes in the management and control of personal budgets.
  - Regular attendance and input to the AGMA Counter Fraud Group including chairing and delivery of a key fraud workshop.
  - Regular National Anti-Fraud Network (NAFN) updates are circulated to key staff in the council and all schools.

#### 5. Work carried out in 2020/21

##### Internal Audit – Proactive work and investigations

- 5.1 The Corporate Fraud Officer left the Council in 2019/20. Counter fraud pro-active work and investigations were undertaken within the Internal Audit and Risk teams during the year.
- 5.2 A proactive review of Mandate Fraud was completed in the year. Recommendations have been made to improve the control environment to both prevent and detect potential fraud in the future. In addition, advice and guidance was provided to cross sector organisations on current fraud and scam issues via an overview presentation at the Cross-Sector Forum. Co-operation with Scambusters (GM Police) is also ongoing to develop a work programme to support Stockport residents. The National Fraud Initiative 2020 results and matches have recently been distributed to all Local Authorities. Internal Audit is in the process of reviewing high risk alerts and matches and is liaising with key contacts within the necessary service areas to investigate high risk cases.
- 5.3 One investigation was reported to the Fraud and Irregularities Panel in the period.

#### **Direct Payments**

- 5.4 Plans are in place to continue to support the direct payment audits and also to work with Social Care and Business Support colleagues to improve the effectiveness of the audit process going forwards to better inform social work reviews of DP clients. Following on from work begun last year, new processes are being developed and embedded.

#### **National Fraud Initiative (NFI)**

- 5.5 The Council is required by Law to provide set data to the Cabinet Office, who undertake the matching exercise. The returned matched data identifies anomalies which requires a review, based on the quality and areas matched. Internal Audit co-ordinate the data matching process, establish the level of review based on risk, provide training where required, and manage the overall process.
- 5.6 The results and data matches have recently been distributed to all Local Authorities. Internal Audit is in the process of reviewing high risk alerts and matches and is liaising with key contacts within the necessary service areas to investigate high risk cases.
- 5.7 The NFI database is also being used to provide additional checks around the issue of business and discretionary grants (see 5.17 below).

#### **Revenues and Benefits – Single Person Discount SPD**

- 5.8 This exercise will be undertaken as part of the NFI exercise identified above. A similar exercise the year before, identified 1,256 properties claiming Single Person Discounts, which they were not entitled to. These were cancelled, resulting in liability being increased by £249,941.68.

#### **Blue Badges**

- 5.9 Due to the COVID pandemic, the parking enforcement team has been utilised in other areas of the council to support track and trace and Containment project. Consequently, this has resulted in limited routine parking enforcement across most of the borough and no identified blue badge misuse in the period. This will be reintroduced in the future to ensure that parking enforcement staff and

Internal Audit, as part of joint working, continue to detect, deter and enforce instances of blue badge fraud and misuse. In the previous year a potential 40 cases were highlighted, one case resulting in a successful prosecution where the perpetrator used the blue badge of a deceased family member in order to evade parking fees.

### Housing Stock (Managed by Stockport Homes)

- 5.10 Two fraudulent applicants were removed from the housing register, preventing them from obtaining social housing. This is an approximate saving of £6,480 based on a Cabinet Office calculation of approximately £3,240 per application removed from the housing list, less Housing Fraud Officer costs. Please note this figure is much lower than recent years due to a change in practices. It was agreed between Housing Fraud and the Registrations & Allocations Teams that the Registration Team would carry out further checks at registration stage to reduce numbers of applications being sent for fraud checks. Having more anti-fraud controls at the very beginning of the process has meant that checks required by Housing Fraud have reduced.
- 5.11 Housing investigations were conducted into 179 reports of social housing fraud, including unlawful subletting and abandonment of properties. 16 properties were recovered (0 by Court action). This is an approximate saving of £372,000 based on a Cabinet Office calculation of approximately £23,250 per year to house a family in temporary accommodation, less the Housing Fraud Officer costs.

Stockport Homes has procedures in place to check that every right to buy applicant is genuine, and a possible 20 applications were prevented as they failed to satisfy counter fraud checks. The average cost per property sold in 2020/21 was £148,114.58, giving a total possible saving of £2,962,291.60. However, tenants submit applications to establish the value of any discount, with little or no intention of progressing, therefore the actual number of possible fraudulent applications will be lower.

- 5.12 There are 28 investigations ongoing into reports of social housing fraud. Other investigations include those into applications to assign or succeed to a tenancy: of the 36 applications checked, 7 were prevented due to suspected fraud.

### Trading Standards

- 5.13 Every year Stockport's Trading Standards Service receives around 8,500 service requests – the vast majority of these being received direct from the Citizens Advice Consumer Service. Of these typically 2,000 are direct referrals and a further 6,000 are notifications (for information purposes only). Requests are also received direct from other Trading Standards services, the police, other agencies, internally or direct from consumers. The service requests fall under a wide range of consumer legislation, with many having an element of fraud. The more substantial investigations around fraudulent activity tend fall into three main categories.

### Doorstep Crime / Rogue Traders

Typically, we will investigate around a hundred cases each year involving householders who have agreed and been conned into paying an extortionate price for very poor-quality work on their property. This can involve roofing, driveways, fencing, building work or

garden maintenance. This kind of crime often targets some of the most vulnerable members of our community (the elderly and infirm in particular), with residents sometimes paying out thousands of pounds for work that is never finished or carried out and what work is done is sub-standard and worth considerably less than quoted / paid for or is of such poor quality that it has to be completely re-done.

The team have recently secured a £22,000 refund to a Stockport victim of a rogue trader – a doorstep ‘roofer’. The elderly victim had been conned out of his life savings for work that was not required or completed. We are prosecuting another rogue trader in relation to an extremely vulnerable victim who has been targeted repeatedly by doorstep criminals and paid out excessive amounts of money for unnecessary and shoddy work. We are investigating another similar incident that may result in enforcement action.

### **Car Traders**

We investigate many complaints where the seller has misdescribed vehicles – this can be altering the mileage reading, falsifying the service history, selling a vehicle in a dangerous or unroadworthy condition or supplying parts that are counterfeit or stolen. This activity not only leaves the customer with a vehicle (or parts) worth substantially less than what they paid but can also compromise the safety of the travelling public. Often these complaints require long and complex investigations to pull together the necessary evidence to prosecute those responsible. We are seeing an increase in traders carrying out wholly inadequate checks and relying heavily on MOTs carried out months previously, then failing to offer remedies when misdescriptions and faults relating to safety arise.

Following a lengthy investigation, we have recently referred a file to our legal team for the institution of legal proceedings relating to a local mechanic who charges for unnecessary work and often has not even done the work they allege is required. There are multiple victims and another North West Trading Standards department has previously prosecuted the defendant for similar offences.

### **Counterfeiting**

This is sometimes seen as a “victimless crime” by members of the public, but this is far from the truth. We deal with complaints concerning all manner of counterfeit goods including fake car parts, perfume, clothing, DVDs, handbags, tobacco and alcohol. The public sometimes do not see this as an issue as they often know the goods they are buying are fake, but often what they do not appreciate is that suppliers are frequently linked to organised crime groups and that legitimate retailers can suffer greatly as a result of their actions. We do get plenty of instances of consumers buying fake products which they thought were genuine (for example, a consumer purchased a handbag which turned out to be counterfeit for £800). Finally, it is important to realise that fake products are produced under no controls whatsoever and can compromise consumer safety (perfume, car parts, vodka).

We have recently prosecuted a business owner for the sale of counterfeit tobacco however, the co-defendant pleaded not guilty and the matter is set for trial later this year. We have a significant prosecution in process in relation to a counterfeit clothes seller.

We are participating in a national HMRC-funded illicit tobacco disruption initiative and have seized over 52,000 illicit cigarettes and over 14kg of hand rolling tobacco in Stockport since January this year. The total street value of the haul totals approximately £30,000. The trade in illicit cigarettes and tobacco contributes to an underground economy worth billions of pounds. Not only is it



illegal, the trade adversely affects public funds. Tobacco duty makes an important contribution to public finances. Evasion of tobacco duty both denies the Exchequer of revenues and blunts the effectiveness of tobacco duty as a tool to reduce smoking.

### **Food and Animal Feed Fraud**

This is deliberate and intentional criminal activity within the food supply chain ranging from one off acts of dishonesty by an individual to organised illegal activity by sophisticated criminal networks. Food fraud affects the safety and authenticity of food, drink and animal feed and can be seriously harmful to consumers, food businesses and the wider food industry.

Products that have a high profit but a low likelihood of detection including saffron, coffee and wheat tempt criminals. Fraud takes place in various forms including counterfeit (copies of popular high value items such as extra virgin olive oil and parmesan cheese, substitution (replacing a food or ingredient with another similar but inferior substance e.g. water, salt and glucose in milk), misrepresentation (wrongly portraying the quality, safety, origin or freshness through the marketing or labelling of a product e.g. Organic to be from a particular country).

Trading Standards prosecute where there is sufficient evidence and penalties range from fines to custodial sentences. It is also worth bearing in mind that Trading Standards will use Proceeds of Crime Legislation to go after the criminal assets. In previous financial years a number of confiscations were obtained and in excess of £90,000 has been recovered from convicted criminals as this was found to be the benefit from unlawful conduct.

### **Insurance Claims**

- 5.14 Robust in-house counter fraud checks and joint working between internal and external claims handlers on insurance claims identified seven high risk (red) claims and eight medium risk (amber) claims.
- 5.15 Of these claims all fifteen have been repudiated to date. The value of reserves placed on the claims we have successfully defended to date is £377,431 (red claims) and £129,634 (amber claims) so overall £507,065. This year, a significant proportion of the savings relate to one red risk claim where a successful discontinuance has protected a large amount of tax payers money. £37,176 of the total reserves are non-recoverable as relate to payments to our external solicitors who helped us secure these outcomes.
- 5.16 The service continues to treat potential fraudulent claims very seriously and uses a range of key fraud indicators to highlight and consequently investigate any concerns. We are now working more closely with other local authorities to share best practice regarding fraud detection and prevention. Plus we are building strong links with neighbouring authorities to identify cross border fraud concerns.

### **Business and Discretionary Grants**

- 5.17 In response to the Covid 19 pandemic, national lockdown resulted in large numbers of businesses temporarily closing down, particularly those in the retail, tourism and hospitality sectors. Consequently, financial support was made available for qualifying

companies, delivered through the Small Business Grant Fund and the Retail, Leisure and Hospitality Grant Fund. The Council was responsible for administering these grant payments. Internal Audit supported this by advising on new controls to administer the funds, utilising IDEA interrogation software to undertake testing of business rates grants and staff assisting in the verification of results and queries. This work began during the end of the 2019/20 financial year so a full update will be provided in next year’s annual report (along with normal update reports to CLT, CCG and audit committee).

When the country first went into lockdown, the government initially introduced two business grants, expanding to a discretionary grant shortly after. From the outset, Internal Audit worked with the service’s administering these grants, to undertake a combination of 14 daily checks, to identify possible fraud and error. A total of over 7000 payments were made, valued at over £65,000,000.

Once the initial grants had finished, they were replaced with 5 new grants, three of these evolving through the different phases of lockdown and restrictions, with a further three grants then being added at a later date. Internal Audit again worked with the service’s administering these grants, undertaking the similar verifications tests and improving on the first-round checks. Nearly 16,000 further payments have been made, totalling nearly £47,000,000.

Internal Audit, Revenue and Benefits, Intelligence from partners and third parties e.g. banks, NAFN, NATIS etc have identified £527,203 claimed in error, or possible fraud. Of this, £118,907 has been successfully recovered by the Council. Further attempts are being made to recover the remaining balances, although 4 cases are with the police, or agencies undertaking investigations for local and organised crime. 4 cases, totalling £37,203 have been identified in the last few weeks, as a result of our internal processes and intelligence from other agencies. We are also undertaking bank checks, and it’s expected further cases may be identified.

<b>Data as of the 4<sup>th</sup> June 2021</b>			
<b>Status</b>	<b>Number</b>	<b>Recovered</b>	<b>Outstanding</b>
<b>Fully Recovered</b>	10	£115,000	£0
<b>Instalments</b>	4	£3,907	£36,093
<b>Action Fraud/NATIS/NAFN/Police</b>	4	-	£55,000
<b>Under Investigation*</b>	6	-	£57,203
<b>No payment has been made</b>	22	-	£260,000
<b>Total</b>	<b>46</b>	<b>£118,907</b>	<b>£408,296</b>

## 6. Future developments and areas of risk

- 6.1. The Internal Audit Plan 2021/22 contains a Fraud Risk Assessment, and this is included in Appendix One. As outlined in 3.2 the consequences of the Covid 19 pandemic has presented new and emerging risks that means that fraud risks will continue to change and evolve throughout the year. The Fraud Plan will be regularly reviewed and if necessary updated to reflect this changing risk environment.
- 6.2 The Head of Internal Audit, Risk and Insurance is an active member of the North West Chief Audit Executive's Counter Fraud Sub-Group and the CIPFA North West, Audit, Risk and Governance Group. This demonstrates that the service is adding value on the subject of counter fraud on a regional basis.
- 6.3 This report is supported by a CIFAS Fighting Fraud and Corruption Locally self-assessment (see Appendix 2). The objective of this is to outline the council's progress against laid down criteria and to put in place an action plan to mitigate any areas of improvement.
- 6.4 The Head of Internal Audit, Risk and Insurance is currently looking at the provision of counter fraud services to the council. A number of options are being reviewed with the aim of achieving the following objectives:
- Providing a counter fraud function that is able to carry out both reactive and proactive work to a high standard, including issuing sanctions and prosecuting, where relevant.
  - Providing service resilience not available with a single in-house member of staff.
  - Avoiding recurring future costs of recruitment and obtaining economies of scale around training and development.
  - Keeping up to speed with emerging topical fraud risks and maximizing opportunities for networking and data sharing with other local authorities and the wider public sector.
- 6.5 The Head of Internal Audit is currently in ongoing discussions with the Head of Internal Audit at Warrington/Salford Council with a view to procuring or buying in external fraud expertise and resource to supplement the overall coverage currently delivered at Stockport. The future aim is to buy in resources as and when required, for example, to support complex fraud investigations and deliver counter fraud services that may be referred from internal departments.

## 7. Conclusion

- 7.1 Despite the significant changes to the risk and control environments over the last 12 months, the Internal Audit and Fraud function, along with other key services, have continued to undertake a wide range of positive activities to help mitigate the risk of financial loss from fraud. This is even more critical given the ongoing Covid 19 pandemic and the potential fraud risks that may arise from the changes that the council is experiencing.

- 7.2 Positively, the number of actual fraud cases identified in Stockport continues to be low in comparison with other authorities. In order to maintain this position, there are programmes of work in place across the Council to identify and investigate fraud risks and there is effective communication between the services involved.
- 7.3 My conclusion is that the Council had effective measures in place during 202/21 to enable the prevention and detection of inaccuracies and fraud. Work will continue in 2020/21 to ensure that the Council has all the necessary policies and procedures in place to create and promote an environment where fraud, bribery and corruption are not tolerated.

## REVISED COUNTER FRAUD AUDIT PLAN 2021/22

## APPENDIX ONE

Audit Review	Days	Risks context	Planned Coverage	Audit Category
Covid 19 Business and Discretionary payments	N/A	Due to the high value and volume of grants paid during the pandemic and in such a short timeframe, it was acknowledged that there was a high level of risk that fraudulent claims could be submitted. Internal Audit received regular feedback from fraud intelligence services, highlighting potential methods fraudsters could be using to claim grants. A fraud watchlist was developed in order that all grant payments could be checked against the potentially fraudulent companies and details who had submitted applications in other Local Authorities.	As part of the delivery of all grants paid during the covid pandemic, the Department for Business, Energy and Industrial Strategy (BEIS) advises as best practice that an audit review highlighting the strength of counter fraud controls and any lessons learned is undertaken.	Financial Systems / Counter fraud audit
Counter fraud audit of Residential and Nursing Home Care	15	<p>The Council has recognised concerns around certain types of potential social care fraud, these are documented below:</p> <ul style="list-style-type: none"> <li>Financial Abuse: Where an individual in care has monies misappropriated. Often committed by friends/relatives, who may hold power of attorney. Potentially resulting in the Council paying for individuals residential and/or nursing home care, as individuals are unable to pay.</li> <li>Undeclared Capital: An individual who has more than £23,250 of savings, are not entitled to funding. However, in some cases individuals can obtain funding that they are not entitled to, by concealing capital and hiding additional monies.</li> <li>Deprivation of Capital: when an individual</li> </ul>	The overall objective of the review will be to increase the Councils understanding of the potential risks/threats within social care fraud and where possible strengthen controls to try and minimise opportunities for fraud.	Counter Fraud Audit

Audit Review	Days	Risks context	Planned Coverage	Audit Category
		recognises that they require care and deliberately 'gift' monies/asset(s) to friends/relatives.		
Counter fraud audit of payments	15	This is a potentially high risk area, for example, claiming payment for goods / services not provided, delivering goods / services of substandard quality, overpricing, duplicate invoicing.	We will undertake a counter fraud audit of the key risks areas to ensure these are being properly mitigated	Counter fraud audit
Counter fraud audit of bank mandates	10	Mandate fraud is change of bank account scams, payment diversion fraud or supplier account takeover fraud.  This is an increasing risk, according to UK national fraud & cyber-crime, businesses lost a total of £99m to mandate fraud in 2018-19, and the CIPFA Fraud & corruption tracker reports 322 cases were detected in local authorities during 2018-19.	We will undertake a counter fraud audit of the key risk areas to ensure these are being properly mitigated.	Counter fraud audit
National Fraud Initiative	30	NFI matches data across organisations and systems to help public bodies identify anomalies which may signify fraudulent claims and transactions. The Council is required by law to participate in NFI.	Co-ordination and investigation of the data matches identified from the exercise.	Counter fraud audit
<b>Total</b>	<b>70</b>			

## CIFAS – Fighting Fraud and Corruption Locally – Self Assessment

## APPENDIX TWO

Ref	Area	RAG Rating 19-20	Response
1	The local authority has made a proper assessment of its fraud and corruption risks, has an action plan to deal with them and regularly reports to its senior Board and its members.	G	The head of internal audit carries out an annual evaluation of the council's fraud risks, both internal and external. This forms part of the annual risk based planning process. Consequently, the key risks arising from this exercise are reported to senior managers, the Audit Committee and are included in the annual audit plan. This process is undertaken bi-annually and any changes to the fraud risk environment are reflected in the revised plan, which is approved by the audit committee. We rely on our strategic housing partner to address their fraud risks.
2	The local authority has undertaken an assessment against the risks in Protecting the Public Purse: Fighting Fraud Against Local Government (2014) and has also undertaken horizon scanning of future potential fraud and corruption risks.	G	Intelligence is obtained from a wide range of sources to identify emerging risks. These include: the North West Fraud Group, CIPFA Counter Fraud Centre, National Anti-Fraud Network, Action Fraud, National Fraud Intelligence Bureau, external audit, our external partners for housing.
3	There is an annual report to the audit committee, or equivalent detailed assessment, to compare against Fighting Fraud and Corruption Locally (FFCL) 2016 and this checklist.	G	This checklist will remain as part of the annual fraud report.
4	There is a counter fraud and corruption strategy applying to all aspects of the local authority's business which has been communicated throughout the local authority and acknowledged by those charged with governance.	G	A revised Corporate Counter Fraud Strategy was approved by CLT and Audit Committee in November 2017 and is due for review in 2021.
5	The local authority has arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business.	G	There are Officers' and Members' Codes of Conduct; Registers of Interests and Gifts and Hospitality; anti-bribery clauses in contracts; whistleblowing policies and procedures and a recently revised money laundering policy. The most recent NFI exercise has included matches of payroll and creditors to Companies House data – these were investigated as part of the 2018-19 and 19-20 workplan. An Internal Audit review was carried out on the Council's Gifts and Hospitality arrangements and issued in March 2019. Internal Audit are currently supporting the implementation of the findings, which includes a formal review of the procedures and the guidance issued to staff.
6	The risks of fraud and corruption are specifically considered in the local authority's overall risk management process.	G	The annual fraud risk assessment forms part of the annual planning process. This is considered by the Corporate Governance Group and CLT, prior to approval by the Audit

Ref	Area	RAG Rating 19-20	Response
			Committee. The risk management process considers fraud risks.
7	Counter fraud staff are consulted to fraud-proof new policies, strategies and initiatives across departments and this is reported upon to committee.	G	Internal Audit and Counter Fraud staff are consulted on a wide range of service redesigns and high-risk projects. This provides for independent challenge and the opportunity to propose measures to design out fraud through improved controls.
8	Successful cases of proven fraud/corruption are routinely publicised to raise awareness.	G	Successful cases are publicised where appropriate e.g insurance cases of fundamental dishonesty.
9	The local authority has put in place arrangements to prevent and detect fraud and corruption and a mechanism for ensuring that this is effective and is reported to committee.	G	The Corporate Counter Fraud service is the vehicle for carrying out proactive counter fraud work. This service now sits within the Internal Audit, Risk and Insurance function. The work of the service is reported to Audit Committee quarterly and as part of the annual Internal Audit Fraud report.
10	The local authority has put in place arrangements for monitoring compliance with standards of conduct across the local authority covering: <ul style="list-style-type: none"> <li>– codes of conduct including behaviour for counter fraud, anti-bribery and corruption</li> <li>– register of interests</li> <li>– register of gifts and hospitality.</li> </ul>	G	All of these are in place and are reviewed regularly and presented to Audit Committee for approval.
11	The local authority undertakes recruitment vetting of staff prior to employment by risk assessing posts and undertaking the checks recommended in FFCL 2016 to prevent potentially dishonest employees from being appointed.	A	Recruitment vetting is carried out as a standard part of the recruitment process. Posts requiring further pre-employment checks are identified accordingly on SAP.
12	Members and staff are aware of the need to make appropriate disclosures of gifts, hospitality and business. This is checked by auditors and reported to committee.	A	Members and officers are regularly reminded of the need to complete the gifts and hospitality register where required. This area is reviewed periodically by Internal Audit as part of the Strategic Audit Plan: outcomes of reviews will be reported to Audit Committee. Following an internal audit review, plans are in place to consider the streamlining and digitalisation of the process for capturing and monitoring declarations. Furthermore, the limits for declaration have been increased to reflect the risk appetite of the organisation. Following the development of the system to capture the required information, there is a rollout plan to all staff.
13	There is a programme of work to ensure a strong counter fraud culture across all departments and delivery agents led by counter fraud experts.	A	Proactive audits take place and findings and recommendations are made. An e-learning module will be considered for future implementation, along with a plan for the delivery of workshops. Consideration to be given as to how the above will be addressed with

Ref	Area	RAG Rating 19-20	Response
			suppliers and partners.
14	There is an independent whistle-blowing policy which is monitored for take-up and can show that suspicions have been acted upon without internal pressure.	A	The policy is maintained by HR. Referrals are investigated in conjunction with HR and Internal Audit. Currently there is no central monitoring of referral numbers or actions arising. Consideration will be given to a process for analysing and reporting upon referral numbers and actions arising.
15	Contractors and third parties sign up to the whistle-blowing policy and there is evidence of this. There should be no discrimination against whistle-blowers.	A	The policy applies to all employees, Councillors and contractors on Council business either working for the Council on Council premises, for example, agency staff, builders and drivers. The policy also covers suppliers and those providing services under a contract with the Council in their own premises for example, care homes. There are also separate but complementary confidential reporting arrangements in place for school based staff.
16	Fraud resources are assessed proportionately to the risk the local authority faces and are adequately resourced.	R	The Counter fraud service moved to Internal Audit in 2016. This now provides the authority with a dedicated resource at corporate level. The resources are assessed annually as part of the audit planning process. This is approved by the Audit Committee. During 2019 the role became fully embedded in the internal audit function to provide for a greater degree of flexibility in terms of recruitment and skills. In addition discussions have been held with other counter fraud service providers to deliver a partnership approach to the service thus allowing for greater and more flexible access to a broader range of counter fraud skill. This discussion is ongoing. Benchmarking counter fraud resources with similar LA's has determined that SMBC are at the lower end of resource and team size.
17	There is an annual fraud plan which is agreed by committee and reflects resources mapped to risks and arrangements for reporting outcomes. This plan covers all areas of the local authority's business and includes activities undertaken by contractors and third parties or voluntary sector activities.	G	A fraud plan is agreed annually by Audit Committee. The flexible plan is based on a fraud risk assessment that is reviewed biannually and includes both internal and external risks.
18	Statistics are kept and reported by the fraud team which cover all areas of activity and outcomes.	G	We report on a quarterly basis, all activities and outcomes to CLT and the Audit Committee. The annual fraud plan provides a detailed overview of all fraud related activities, identified by both the fraud team and services e.g. trading standards.
19	Fraud officers have unfettered access to premises and documents for the purposes of counter fraud investigation.	G	Access to internal documents is covered in both the constitution and the audit charter. There have been no instances within the period where fraud officers were not able to



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			access all relevant premises and documents.
20	There is a programme to publicise fraud and corruption cases internally and externally which is positive and endorsed by the council's communication team.	A	Successful fraud cases e.g. insurance are publicised both internally and externally. A fraud Communications plan should be considered to provide direction on publicising positive outcomes and communicating initiatives to the public.
21	All allegations of fraud and corruption are risk assessed.	G	Currently all cases are assessed on an individual bases, but should the cases outweigh the resources then an informal risk assessments will be undertaken. However there is a need to formalise the process to ensure key statistics can be used in the annual report e.g. number overall referrals compared to number investigated.
22	The fraud and corruption response plan covers all areas of counter fraud work: – prevention – detection – investigation – sanctions and redress	A	The work of the Counter Fraud team now covers all of these areas.  A statement on Corporate Sanctions should be drafted that will formalise the approach to sanctions and redress. This will cover each major area of fraud risk and set out the relevant legislation, referral mechanisms, appropriate types of sanction and appeal procedures. If relevant this will be referred to in the revised Anti-Fraud, Bribery and Corruption Policy.
23	The fraud response plan is linked to the audit plan and is communicated to senior management and members.	G	This forms part of the overall annual risk based internal audit plan. The plan is reported to management and Audit Committee and is appropriately linked: for example, audit reviews that include fraud risks in their scope are referenced in the fraud plan.
24	Asset recovery and civil recovery is considered in all cases.	R	Recovery action is undertaken for insurance related fraud. Also see criteria 22. If relevant this will be referred to in the revised Anti-Fraud, Bribery and Corruption Policy.
25	There is a zero tolerance approach to fraud and corruption which is always reported to committee.	G	This is formalised in the Anti-Fraud, Bribery and Corruption Policy and Statement, which is reviewed and approved on a regular basis by senior management and Audit Committee.
26	There is a programme of proactive counter fraud work which covers risks identified in assessment.	G	The work of the Counter Fraud Unit is derived from the fraud risk assessment and includes an element of proactive counter fraud work e.g. reviews of high risk areas, workshops and training.
27	The fraud team works jointly with other enforcement agencies and encourages a corporate approach and co-location of enforcement activity.	A	The Counter Fraud Service continually explores ways of improving working relationships and the flow of intelligence with other enforcement functions (e.g. Parking Enforcement, Public Protection), but this has not progressed as far as considering co-location.  Need to review arrangements with other agencies e.g. quarterly meeting with GMP and

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			DWP etc.
28	The local authority shares data across its own departments and between other enforcement agencies.	A	Data sharing takes place in key fraud risk areas, for example between the CFU, Revenues and Benefits and Stockport Homes, to identify links between Right to Buy, sub-letting and benefits fraud.  SMBC will consider extending this further, particularly with GM colleagues but depending upon the capacity and willingness of other bodies to develop these arrangements.
29	Prevention measures and projects are undertaken using data analytics where possible.	A	Data analytics are not currently used to scope and assess all preventative work, as there is not currently the data available to do this. However scope does exist to utilise IDEA in high risk areas e.g. ASC, and will be considered further following completion of the ASC redesign project and full implementation of Liquid Logic.
30	The local authority actively takes part in the National Fraud Initiative (NFI) and promptly takes action arising from it.	G	We actively take part in each NFI exercise. Resource from Internal Audit is used to supplement the Counter Fraud Service and has been allocated to following up matches from the exercise and ensuring that they are being investigated effectively.
31	There are professionally trained and accredited staff for counter fraud work. If auditors undertake counter fraud work they too must be trained in this area.	R	Staff are not currently trained to CIPFA Fraud Technician accreditation. However appropriate training and skills, in terms of investigation, interviewing etc will be considered if demand increases. See criteria 16.
32	The counter fraud team has adequate knowledge in all areas of the local authority or is trained in these areas.	G	The service has developed the skills across most areas of current fraud risk and continue to explore new areas and knowledge of fraud risk.
33	The counter fraud team has access (through partnership/other local authorities/or funds to buy in) to specialist staff for: <ul style="list-style-type: none"> <li>– surveillance</li> <li>– computer forensics</li> <li>– asset recovery and financial investigations.</li> </ul>	G	There are staff within the Council who are trained / qualified to do asset recovery / financial investigations. There is no specialist resource for surveillance or computer forensics, but the likelihood of needing this service is low: a decision would be made as part of any relevant investigation as to whether this resource should be procured externally.
34	Weaknesses revealed by instances of proven fraud and corruption are scrutinised carefully and fed back to departments to fraud proof systems.	G	If relevant, a controls report is issued after an investigation that identifies the control weaknesses that led to the fraud and the measures that should be taken to reduce the risk.