

# Anti-Fraud, Bribery & Corruption - Annual Report 2022/23

Internal Audit - Annual Report 2022/23

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Corporate Leadership Team (CLT)

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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 2023/24, 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, Economy, Work and Skills, Parking Enforcement, Direct Payments, 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 2022/23 financial year have once again been considerably impacted by the ongoing cost of living crisis and the subsequent shift in changes to the working environments 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, discretionary grants and energy rebate grants to Stockport stakeholders and the impact on the wider economy have all increased fraud risks facing the Council.

## 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 consists of the Deputy Chief Executive (Section 151 Officer), Monitoring Officer and the Head of Internal Audit, Risk and Insurance.

### Anti-Fraud, Bribery and Corruption Strategy

- 2.3 The Anti-Fraud, Bribery and Corruption Strategy has been updated and reviewed in 2021/22. A light touch update is planned for 2023/24. 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 2023/24 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, cost of living crisis and the general macro-economic environment, the annual plan will be risk assessed on a six-monthly basis 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 proactive counter fraud audit work.
  - 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 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 2022/23

### Internal Audit – Proactive work and investigations

A range of counter fraud pro-active work and six investigations were undertaken within the Internal Audit and Risk service during the year.

A referral was made to Internal Audit from the Revenue and Benefits team. Support and advice were provided to clarify a case whereby a property owner had stated that a property was occupied by a tenant, managed through an agent and the subsequent arrangements were supported by a lease agreement. Based on this communication, the council tax liability at the property was redirected to the tenant. However, the alleged tenant has failed to make any payments. Further detailed investigations identified that the agent is linked to the property. We are therefore in the process of attempting to establish the relationship between the agent and the property owner, and if liability is being evaded by one or both parties.

- The Support Funds service requested Internal Audit advice regarding an application for housing benefit 'rent in advance payment'. If approved, this would have resulted in the Council administering an early payment to secure the applicant's deposit. A broad range of checks were undertaken which confirmed that the address did not exist on council tax records.

Additional checks on all related properties confirmed that none had been registered. The application was therefore considered fraudulent and consequently rejected.

- At the end of March 2022, an email was circulated to SMBC officers and Councilors, covering details of a confidential matter from a recent meeting. A joint investigation was undertaken by the Council's Monitoring Officer and Internal Audit, and the person(s) responsible were identified. As a result of this breach, recommendations were made by Internal Audit.
- In June 2022 Internal Audit were asked to investigate a data breach arising from confidential papers for the wrong case being included in a court bundle. We subsequently undertook an audit on the Norwel bundling system to ensure controls were strengthened to prevent future incidents.
- In July 2022 we supported colleagues in the Support Funds service to investigate potential fraudulent claims and payments for discretionary support funds. Whilst the investigation proved inconclusive, we recommended control improvements to ensure multiple payments could not be made in future to applications highlighting the same mobile phone number.
- In January 2023 we provided support to colleagues in the Taxi Licensing service to investigate allegations into the taxi vehicle testing service operated by Totally Local Company (TLC). We subsequently undertook an audit of the service at the request of TLC management. The outcome of which resulted in recommendations to improve various internal controls but did not substantiate the specific allegations made against specific individuals.

## 5.1 Direct Payments

A new Direct Payments Policy has been introduced and Internal Audit will support the Direct Payments Audit function should any cases of potential fraudulent requests for or use of Direct Payments be identified.

## 5.2 National Fraud Initiative (NFI)

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.

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 Blue Badges

This will be reintroduced in the future to ensure that parking enforcement staff and Internal Audit work in partnership to detect, deter and enforce instances of blue badge fraud and misuse. Parking enforcement officers continue to issue parking enforcement notices to vehicles using blue badges inappropriately, for example, using badges that are out of date or not correctly displayed.

## 5.4 Housing Stock (Managed by Stockport Homes)

Stockport Homes has a proactive approach to tackling housing fraud and money laundering and works to ensure that social / affordable housing properties are allocated and used in compliance with regulation, policy and legislation. This includes properties sold under the Right to Buy/Acquire and Shared Ownership schemes.

In 2022-23, Stockport Homes completed 418 fraud checks to identify:  
potential misuse of social / affordable housing by way of tenancy fraud  
any fraudulent applications for social / affordable housing to prevent people obtaining a social / affordable home illegally

Every tenant applying for the Right to Buy (RTB) or Right to Acquire (RTA) is required to prove their identity at an anti-fraud/money laundering meeting with the SHG Home Ownership Team. The consequences of becoming a homeowner are also highlighted to tenants, including exploring long term affordability.

In 2022-23, the Council received 144 RTB applications and 55 property sales completed in that year. All RTB / RTA applicants underwent a fraud check to ensure the sales were genuine and not subject to fraud.

Fraud checks are also carried out as part of the shared ownership sales process to ensure eligibility criteria have been met and to ensure that affordable housing product is not being subject to housing fraud / money laundering. The checks include verifying source of funds for deposits / approving mortgage arrangements and checking ID of all parties involved.

## 5.5 Trading Standards

Stockport Council's Trading Standards team receives around 5000 service requests every year. The majority of these contacts are complaints from members of the public via national Citizens Advice. Complaints centre on unfair trading and illegal business activity such as rogue trading, many of which have an element of fraud and we are finding that this aspect is increasing. We use the intelligence received to direct our work under criminal legislation. We are unable to investigate every complaint and have to prioritise the most serious cases, using others to help us plan our prevention work. We may not take direct action in relation to an individual complaint but investigate around 40% of all complaints received.

### **Doorstep Crime / Rogue Traders**

Many of the consumer complaints received are from 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, in particular the elderly and infirm. Residents sometimes pay out thousands of pounds for work that is never finished or carried out. What work is done is often sub-standard and worth considerably less than quoted or paid for. Sometimes the work is of such poor quality that it has to be completely re-done.

The service currently has a number of investigations involving fraud offences, at various stages in the prosecution process. One of our recently concluded investigations resulted in the immediate 10-month imprisonment of the director / manager of an asbestos company and an £80,000 fine for the company. The convictions for fraud related to the display of fake air test certificates, waste transfer, insurance and training documents on the company's website. The website also bore false statements that the company was licensed by the Health and Safety Executive and, bore trade association logos of which they were not members. This false information gave the impression that the business was credible and that workers were adequately trained and competent in relation to asbestos removal.

### **No Cold Calling zones**

A number of successful Zones in Stockport have been set up to help combat doorstep crime incidents and empower homeowners to confidently deal with cold callers. The Zone's coverage range in size from a few houses to several hundred. Funding from the Safer Stockport Partnership has recently secured the creation of the six new Zones taking the total up to 17.

Lamppost Signage in the Zones and window clings for all residents ask cold callers not to canvass for trade at people's homes. Analysis and evaluation have shown a significant reduction in victims of doorstep crime and rogue traders within those localities with residents reporting they feel more confident saying 'No'. Residents are encouraged to keep an eye out for each other, use crime prevention measures at the door and report details about cold callers working in the zone to Citizens Advice Consumer Service and Greater Manchester Police.



Residents in the Zones are given packs containing advice on security and how to avoid falling victim to rogue traders. The pack also contains a two-way window sticker telling cold callers to respect the homeowner's wishes and not to knock on their doors. Householders are encouraged to report any unsolicited visits and the pack contains contact numbers of who to phone for support and help.

### **Car Traders**

The service investigates 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.

### **Counterfeiting**

Counterfeiting is the theft of someone else's trademark by producing products in exact imitation of the legitimate, high value items. The service deals with complaints concerning all manner of counterfeit goods including fake car parts, perfume, clothing, DVDs, handbags, tobacco and alcohol. One consumer purchased a 'designer' handbag for £800, which turned out to be counterfeit.

Some members of the public do not see the sale of counterfeit items as a crime if they know they are buying a fake e.g., a bottle of 'Tom Ford' perfume for £10 (retails at around £140). Fake products are produced under no controls whatsoever and, can compromise consumer safety particularly items such as perfume, car parts and alcohol. Further, suppliers are nearly always linked to organised crime groups and legitimate retailers can suffer greatly because of their actions. In relation to tobacco products, counterfeiting denies the Exchequer of revenues and therefore public funds as well as blunting the effectiveness of tobacco duty as a tool to reduce smoking.

In the last couple of years, the team have seized around 62,000 illegal cigarettes, 1500 vapes and 28kg of hand rolling tobacco. These hauls have an estimated street value of around £50,000.

In the last 12 months, we have successfully applied to Stockport's Licensing Committee to revoke the alcohol licence of two premises after we caught them with counterfeit tobacco, hand rolling tobacco and vapes. A third business surrendered its alcohol licence prior to the review hearing.

We are also now starting to pursue property owners of premises for money laundering offences in cases where the property owner is aware of criminal activity taking place in their premises.

### **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).

The service will prosecute where there is sufficient evidence with penalties range from fines to custodial sentences. The Proceeds of Crime legislation will also be used to pursue criminal assets and this route has successfully confiscated in excess of £90,000 from one convicted criminal whose assets were from unlawful conduct.

### **‘Short’ Weights and Measure**

The service enforces UK weights and measures legislation in Stockport. Business that weighs or measure goods to sell to customers must use equipment that is both suitable and, accurate to within a small, permitted tolerance of error. The type of equipment includes fuel pumps, fruit and veg or butchers’ scales, spirit optics and beer measures, weighbridges and fabric measures of length. We investigate complaints of short weight or measure, sometimes due to a deliberate act by a business to make more money and defraud consumers.

Most packaged foods are required to bear a weight marking and this must again be accurate to within a small permissible tolerance of error.

With the high price of fuel, food and drink and general cost of living crisis, it has never been more important that consumers receive the quantity of product they have paid for. We will investigate allegations of short weight or measure and prosecute where appropriate. We also participate in some national and regional ‘shopping basket’ surveys to identify any issues.

## 5.6 Insurance Claims

Robust in-house counter fraud checks and joint working between internal and external claims handlers on insurance claims identified five high risk (red) claims and one medium risk (amber) claims.

Of these claims all six have been repudiated to date. The value of reserves placed on the claims we have successfully defended to date is £71,770 (red claims) and £18,744 (amber claims) so overall £90,514. We will continue to rigorously defend the claims should our decisions be challenged.

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. Since the last annual fraud report, we have recruited to a new solicitor post within the insurance team. Their role is to oversee all liability claims pre and post litigation, one of their key objectives is to identify potential fraudulent claims. Then they employ successful strategies to monitor and manage these suspected cases whilst working closely with external partners, other Local Authorities and our insurers.

## 5.7 Business and Discretionary Grants

Identification and recovery continue for possible fraudulent claimed grants, grants claimed or paid in error for Small Business Grant Fund, Retail, Leisure and Hospitality Grant Fund, and the numerous Local Restrictions Support Grant.

Colleagues from Internal Audit, Revenue and Benefits, Economy, Work & Skills, working on intelligence from partners and third parties (banks and NAFN), has resulted in £526k being identified as potentially fraudulent, error or non-compliance, of which £139.832 has been successfully recovered by the Council. Further attempts are being made to recover the remaining balances. It is important to note that the sums outlined above are lower than other organisations and this is due to the proactive controls and checks put in place prior to any payments being made.

In addition to the above, a further £190,249 has been returned voluntarily by a number of organisations, and with what's been recovered above, this year the Council has returned over £320K back to BEIS.

Data as of 31st March 2023	Number	Recovered	Outstanding
Status			
Fully Recovered	10	£109,009	-
Instalments	11	£30,832	£83,907
Action Fraud/NATIS/NAFN/Police	8	-	£86,500
Under Investigation*	1	-	£10,000
No payment has been made	19	-	£206,036
<b>Total</b>	<b>49</b>	<b>£139,832</b>	<b>£386,443</b>

## 5.8 Energy Support grants

Government announced a package of support known as the Energy Bills Rebate to help households with rising energy bills, which was a £150 non-repayable energy rebate for households in England, based on meeting a set criterion. Local Authorities were given the responsibility to distribute this monies, along with a share of £144 million for discretionary funding to support households who are in need but are not eligible for the energy rebate, known as the Discretionary Fund.

Stockport Councils' council Tax system supplier, CIVICA, updated the software to allow the Council to make automated payments to anyone meeting these criteria, who paid by direct debit. As a result of this, the Council made 89,148 automated payments, totalling £11,559,870, back to the accounts used for direct debits.

Where the direct debit details were not held, Revenue and Benefits team, along with Internal Audit, utilising IDEA, manually process 16,738 payments, totalling £2,526,205. 8 internal and 1 external check were undertaken on each application, resulting in rejecting 4581 applications due to bank details, personal details not matching, not meeting the required criteria, or where they were identified as a duplicate payment. No fraud or errors to date have been identified.

At the end of 2022/23, this was extended to two further non-repayable schemes known as the Energy Bill Support Scheme (£400) and the Alternative Fuel Payment (£200), which are for people who don't have a direct relationship with an energy company, e.g., purchase bottled gas (living on a boat or caravan), live in a care home etc. Internal Audit is working with Crisis support team, who are administering this grant, to support the processes and reduce the risk of fraud, error, by undertaking additional checks when required, and offer advice on specific cases.

Data as of the 20th June 2023	Awaiting Validation	On Hold	Awaiting Payment	Paid	Cancelled	Rejected
<b>Total</b>	<b>3</b>	<b>8</b>	<b>23</b>	<b>320</b>	<b>10</b>	<b>8</b>


Awaiting Validation = Case has not been reviewed  
 On Hold = Awaiting additional supporting information  
 Awaiting Payment = Successful/processed for payment  
 Cancelled = Insufficient supporting evidence/can reapply  
 Rejected = does not meet criteria/cannot reapply

## 6 Future developments and areas of risk

- 6.1. The Risk Based Internal Audit Plan 2023/24 contains a Fraud Risk Assessment, and this is included in Appendix One. The Fraud Plan has been regularly reviewed 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.
- 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 2022/23 to enable the prevention and detection of inaccuracies and fraud. Work will continue in 2023/24 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 2023/24

## APPENDIX ONE

Audit Review	Days	Risks context	Planned Coverage	Audit Category
Counter fraud of Direct Payments	10	Direct Payments continues to be a high-risk area for the Council in terms of potential fraud. Nationally, there has been a rise in the number of fraud cases identified in adult social care, particularly around where direct payments were not being used to pay for the care of the vulnerable adult. New procedures have been developed and the service has appointed new DP auditors to verify claims.	Internal Audit will continue to undertake substantive audit testing of individual direct payment cases.  The service will continue to help develop processes and controls that prevent and detect fraud and allow clear referrals to counter fraud for review.	High
Counter fraud audit of Council Tax Refunds and Deductions	10	A fraudulent claim to obtain single person discount when more than one person actually lives in the household; falsely claiming to be a student.  Council Taxpayer fails to declare income correctly, failing to inform the Council about a change in circumstance that would reduce the amount of the CTR.	We will undertake a review of the processes in place to mitigate against risks of fraudulent practices and evaluate the effectiveness of the new procedures. This will include acting upon the NFI outcomes and work with partners to highlight SPD anomalies.	Medium
Counter fraud audit of bank mandates	10	Mandate fraud is when an employee is tricked or coerced into changing a regular payment mandate such as a direct debit, standing order or bank transfer and redirecting the funds into the fraudster's account. 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	20	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>50</b>			

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

## APPENDIX TWO

Ref	Area	RAG Rating 22-23	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 approved by 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 reviewed in 2021/22.
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 issue of fraud is highlighted in the Council's Annual Governance Statement (AGS).
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 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.



Ref	Area	RAG Rating 22-23	Response
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	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: – codes of conduct including behaviour for counter fraud, anti-bribery and corruption – register of interests – register of gifts and hospitality.	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. 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. A template form is currently being developed for staff. A form for members has been completed.
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 was rolled out corporately in the period. Consideration to be given as to how the above will be addressed with 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 the Monitoring Officer. Referrals are investigated by the Whistleblowing Panel. 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.

Ref	Area	RAG Rating 22-23	Response
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 six years ago. 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 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 assessment will be undertaken.

Ref	Area	RAG Rating 22-23	Response
			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.	G	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 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.

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			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: – surveillance – computer forensics – asset recovery and financial investigations.	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.