To the Chair and Members of the Audit Committee

INTERNAL AUDIT TEAM – FRAUD RISK REGISTER AND COUNTER FRAUD INITIATIVES REPORT

EXECUTIVE SUMMARY

1.   This report builds on the annual Counter Fraud Report submitted to Audit Committee in July 2016 and is intended to give the Audit Committee:

  •   an understanding of the fraud risks that the Council is currently exposed to;

  •   an assessment of the Council's current compliance with the CIPFA Code of Practice for Managing Fraud and Corruption;

  •   an understanding of the innovative work being undertaken in the field of data matching and data analytics to prevent and detect fraud for the Council.

2.   The Council has identified, 30 high level types of fraud (fraud risks) to which it is exposed. Inherent risk ratings have been assessed for all of these risks and work is underway to agree final residual risk ratings for all risks. New and emerging fraud risks continue to emerge all the time, particularly in the field of cyber-crime / cyber-fraud. Maintaining resilience to these risks is key to protecting the public purse and the interests of the Council and the citizens that it serves.

3.   The Council has assessed itself as compliant with the Code of Practice on Managing Fraud and Corruption. 2 actions remain ongoing at the time of this report but are not considered to fundamentally affect compliance with the code. These actions are to: finish the assessment of residual fraud risk (see above) and to launch the previously delivered face to face fraud training undertaken in February / March 2016 in electronic format to the rest of the Council.   These actions are considered to be progressed to a sufficient stage to meet the requirements of the code or are covered by (in the case of the electronic training) by other training provisions delivered in the last 12 months.

4.   The Council, via Internal Audit Services, undertakes data matching and data analysis to help to analyse risks, particularly fraud risks, and to detect fraud and error. These were covered in the Counter Fraud Report for 2015/16 brought to the Audit Committee in July 2016. This kind of work and analysis makes use of some of the extensive data sets held by the Council to identify fraud, error and other anomalies. This work is innovative and different to normal audit activity and attempts to make the best use of developments in technology to benefit the Council and its citizens by ensuring the public purse is protected and in maximising opportunities to detect fraud as it occurs.

EXEMPT REPORT

5.   This report is not exempt

RECOMMENDATIONS

6.   The Audit Committee is asked to support the draft fraud risk register for the Council, support further developments in the field of data matching and data analytics and note the Council's assessment of its compliance with the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption.

WHAT DOES THIS MEAN FOR THE CITIZENS OF DONCASTER?

7.   Fraud and corrupt activity divert scarce resources away from Council services. They cost the tax payer money that could have been used for the benefit of local citizens. Maintaining a strong counter fraud stance helps to minimise fraud losses and deter fraudulent activity

Background

8.   Doncaster Council aims to foster a zero tolerance approach to fraud and seeks to educate staff on identifying fraudulent behaviour, educate managers to assess the risks of fraud in their areas and to detect and investigate fraud where it is identified. The Council's commitment to combatting fraud and corruption is contained in the Anti-Fraud, Bribery and Corruption Framework (AFBC Framework) which is approved by the Audit Committee.

OPTIONS CONSIDERED AND REASON FOR RECOMMENDED OPTION

9.   Not applicable

IMPACT ON THE COUNCIL'S KEY OUTCOMES

	Outcomes	Implications
	All people in Doncaster benefit from a thriving and resilient economy. • *Mayoral Priority: Creating Jobs and Housing* • *Mayoral Priority: Be a strong voice for our veterans* • *Mayoral Priority: Protecting Doncaster's vital services*	The safeguarding of public monies and the recovery of overpayments (fraud and error), ensures that monies are available to fund essential services and reduce the pressure on the Council's finances.
	People live safe, healthy, active and independent lives. • *Mayoral Priority:* Safeguarding our Communities • *Mayoral Priority:* Bringing down the cost of living	The safeguarding of public monies and the recovery of overpayments (fraud and error), ensures that monies are available to fund essential services and reduce the pressure on the Council's finances.

	People in Doncaster benefit from a high quality built and natural environment. • *Mayoral Priority: Creating Jobs and Housing* • *Mayoral Priority: Safeguarding our Communities* • *Mayoral Priority: Bringing down the cost of living*	None
	All families thrive. • *Mayoral Priority: Protecting Doncaster's vital services*	None
	Council services are modern and value for money.	The safeguarding of public monies and the recovery of overpayments (fraud and error), ensures that monies are available to fund essential services and reduce the pressure on the Council's finances.
	Working with our partners we will provide strong leadership and governance.	Working with our partners to combat fraud and corruption is important to protect the overall public purse. The Council works with St Leger Homes to combat tenancy fraud and actively participates in the National Fraud Initiative to identify and combat fraud across the public sector.

RISKS AND ASSUMPTIONS

10.   Failure to address fraud and corruption risks causes:-

- reputational damage to the Council from fraud and corrupt practices;
- diverts scarce resources away from priority services to the detriment of our citizens

LEGAL IMPLICATIONS

11.   The Council is obliged to minimise the loss of resources resulting from fraud and corruption. It is also obliged to publish the data in the Annual Fraud Report under the requirements of the Transparency Agenda. This information will be published on the Council's website.

FINANCIAL IMPLICATIONS

12.   Failure to minimise and effectively deter and combat fraud and corruption detracts from Council funds and therefore Council service delivery.

HUMAN RESOURCE IMPLICATIONS

13.   None

TECHNOLOGY IMPLICATIONS

14.   None

EQUALITY IMPLICATIONS

15.   Every citizen in Doncaster is affected by fraud in the UK economy both as a result of fraud committed against them and fraud committed against the Council. Whilst every citizen is affected, fraudsters generally target citizens with protected characteristics such as the young, the elderly, those with mental health issues or those with learning disabilities.

CONSULTATION

16.   None

BACKGROUND PAPERS

17.   The Council's Anti-Fraud, Bribery and Corruption Framework

18.   The annual Counter Fraud Report presented to the Audit Committee in July 2016

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Appendices

Appendix 1 – Internal Audit – Counter Fraud Report – Fraud Risks Addendum

Steve Mawson
Chief Financial Officer
& Assistant Director of Finance

Internal Audit –

Counter Fraud Report –

Fraud Risks Addendum

CONTENTS

1. Introduction

1.1. This report is produced by Doncaster Council to raise awareness of the work the Council undertakes to manage the risk of fraud and corruption. This report is a supplementary / addendum report to the Counter Fraud report brought to Audit Committee in July 2016.

1.2. Doncaster Council employs over 9,700 people (including authority schools) and has a yearly revenue gross expenditure of over £660m and capital spending of over £133m (these figures are from the 15/16 Draft Statement of Accounts).

1.3. Like any organisation of this size, the Council can be vulnerable to fraud and corruption, both from within and from outside the organisation. The Council aims to minimise its risk of loss due to fraud and corruption recognising that any loss incurred is carried by the honest majority and that it has a duty to the public to protect the resources under its control.

1.4. The Council complies with the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption released in late 2014. This report contains:

1.4.1. An identification and assessment of the fraud risks that the Council is exposed to at inherent level (Appendix A)

1.4.2. An assessment of the Council's counter fraud arrangements in line with the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption (Appendix B)

1.4.3. Details of Internal Audit led initiatives undertaken to prevent and detect fraud using techniques such as data matching and through partnership working.

2. What is fraud and corruption?

2.1. Fraud and corruption is the general name given to any acts of fraud, theft or bribery that occur or are attempted. Fraud, theft and bribery are each defined in law.

Fraud and Corruption

Fraud – An act of deliberate deception made with the intent to gain a benefit from that deception or cause a loss to someone else. This can include; deception by making a false statement, representation or claim; by deliberately withholding information or by abusing a position of trust for the individuals own personal benefit.

Theft - The taking of property that belongs to someone else, dishonestly and without permission with the intent to deprive them of it. Such as the taking of cash, stocks or assets like vehicles or equipment.

Bribery – The offering or acceptance of any form of incentive, money or other benefit, by an employee to do something that they know that they shouldn't such as award a contract to the bribing party or provide confidential or sensitive information to another

2.2. All of these acts involve 2 key elements; dishonesty and personal benefit or gain. Personal gains don't need to involve money. A personal benefit or gain can be goods or services received or even escaping a penalty or fine. While most fraud is low level, some fraud is as a result of serious organised crime, such as insurance fraud.

2.3. It should be noted, that whilst the Council has a zero tolerance approach to fraud and corruption from both within and externally, it is impossible to stop fraud from occurring due to its clandestine nature.

3. The Council's strategy for combatting fraud and corruption

3.1. The Council has developed and published its own strategy for combatting fraud and corruption, the Anti-Fraud and Corruption Framework. This was based on current best practice and is compatible with the Department for Local Governments Fighting Fraud and Corruption Locally Strategy 2016-2019.

3.2. Doncaster Council's approach to tackling fraud and corruption is divided into 3 main areas of focus, acknowledgement of our risks, prevention and detection work and the pursuit of those that abuse the public purse whenever it is in the public interest to do so.

Acknowledge	Prevent	Pursue
Acknowledging and understanding fraud risks	Preventing and detecting more fraud	Being stronger in punishing fraud/recovering losses

Fighting Fraud and Corruption Locally 2016-19

4. Acknowledging fraud risks

4.1. The shape and activities of the Council are constantly changing to keep pace with the changes in economy, society and political environmental within the UK. These changes in activity represent a different risk environment both in terms of business risks and in fraud risks that must be taken into account if we, as a council, are to effectively tackle fraud and corruption.

4.2. Acknowledging fraud risks is key to the management of fraud. Without a sound understanding of the risks that the Council faces, it is impossible to ensure that the Council has a robust approach to managing these risks and mitigating them wherever possible.

4.3. In order to make sure that fraud risks are understood, a significant piece of work has been undertaken in the last 12 months regarding the Council's Fraud Risk Register. The Council applied for, and was granted funding in 2014/15 (into 2015/16) in order to undertake a project to improve fraud awareness at the Council. This project was undertaken in conjunction with Rotherham Council. The services of an external specialist consultant from Moore Stephens were jointly procured in order to construct a fraud risk register for both councils and deliver fraud risk awareness training to senior managers and elected members.

4.4. The above piece of work has now completed and a copy of the summary fraud risk register is shown at Appendix A. This register shows the fraud risks that the Council is exposed to at inherent level only. An exercise was undertaken using the external consultant and research to identify the main fraud risks that the Council is exposed to and rate them at the inherent level. This is essentially the risk exposure that the Council is exposed to without putting any controls in place to mitigate or transfer the risks. An exercise is underway to assess final residual risks and the results of this will be added to the Council's Strategic Risk Register.

4.5. Because this report and its appendix are public documents, there is no intention to publish the residual fraud risk register in detail in the public domain. This is because the publication of residual risks in terms of fraud, in itself presents a fraud risk. Residual information, particularly the identification of gaps and high risk areas, could be used to target Council weaknesses and development areas. Instead, the overall risk of fraud (combining all fraud exposures) will be managed as a corporate / strategic risk on the Strategic Risk Register that is regularly discussed at Audit Committee with individual risk exposures being disseminated and monitored annually by service managers within the Council's directorates.

4.6. The fraud risk register identifies 30 main summary risks (each with varying numbers of sub risks and with different risk exposures in different Council areas). The overall risk level is considered to be a medium risk and is not considered to be unusual for an organisation of this size.

4.7. The most substantial risk that the Council faces is that of cyber fraud. Technological advancements have, over the last 10 years, provided fraudsters with a powerful all reaching series of tools with which to exploit the vulnerabilities of individuals, businesses and councils alike. Cyber fraud and cyber-attacks represent the biggest and fastest growing threat to the Council. The latest attacks take the form of ransomware. This is a form of cryptovirology. Users are directed to click inappropriate links in spam email messages or on infected websites that, when clicked, download malware designed to spread through the computer downloading it to its network connections and encrypt files so that they cannot be accessed without the payment of a ransom. Once installed on the network the virus quickly spreads to lock out all files. Whilst the network can be "restored" the resulting loss of data and down time represents a big risk to the Council. In order to combat these risks and minimise any losses from aby successful attack the Council's ICT Team has developed a Cyber Security Incident Response plan.

4.8. The summary version of the fraud risk register is provided for review at Appendix A. Headline inherent risk exposures are plotted on the heatmap at the top of the next page. 29 risks are managed by the Council, however, the housing fraud risk is managed by St Leger Homes and so does not appear on the heatmap (next page).

Likelihood \ Impact	Slight	Moderate	Significant	Major	Critical
Very Likely			1		
Likely	1	7	4		
Possible		2	3	3	1
Unlikely		2	4		1
Very Unlikely					

Impact

5. Assessment against the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption

5.1. The Code of Practice on Managing the Risk of Fraud and Corruption (hereby referred to as The Code), was published in October 2014 and the Internal Audit Services undertakes an annual review against the code and any other published best practice, to ensure that the approach the Council takes to manage the risk of fraud and corruption is robust.

5.2. The Code has 5 key principles:

- Acknowledge the responsibility of the governing body for countering fraud and corruption

- Identify fraud and corruption risks

- Develop an appropriate counter fraud and corruption strategy

- Provide resources to implement the above strategy

- Take action in response to fraud and corruption

5.3. Each of these principles and the associated specific steps / actions and the Council's compliance with them is analysed in Appendix B. Overall, the Council complies with the code. No new actions have been raised as part of the analysis but the Council does need to finish work in:

- the release of the electronic fraud training package – this is currently in testing phase. Overall compliance with the code is not affected due to the fact that significant amounts of resources were put in in February and March 2016 to conduct face to face learning for 98 senior managers and provide them with materials to discuss within their teams to cascade the learning further. Face to face training was also delivered to 20 elected members.

- finalising the fraud risk register with agreed residual risk assessments to enable the regular monitoring and consideration of fraud risks to be included as part of the Council's overall risk management activities. Again this is not considered to significantly affect compliance with the code as risks have been identified and discussed and are being managed with controls in place. Completing the residual assessments will ensure that this can be effectively demonstrated.

5.4. Overall, it is the opinion of this report that the code is complied with and that appropriate arrangements are in place to manage the risk of fraud and corruption within the Council.

6. Counter Fraud Activity – Data Matching and data analytics

6.1. Preventing fraud through the use of robust internal controls is a function of management throughout the Council and forms the Council's first line of defence. Robust governance arrangements and policies form the second line of defence instructing and controlling how the Council governs its arrangements and expects its business to be carried out. Internal audit forms the third line of defence and adds value by ensuring that the first 2 lines of defence are robust and are working effectively.

6.2. Internal Audit supports the prevention, detection and pursuit of fraud through various activities on the internal audit plan and this supplements other counter fraud activities provided in other areas.

6.3. The counter fraud elements on the annual audit plan for 2016/17 are:

Counter Fraud Activities	Days Allocated
Blue Badge - Anti Fraud Review	10
Business Doncaster - Loans and business support - Anti-Fraud and Financial Administration Review	16
Continual Analytics - Payroll to creditor matching	10
Counter Fraud Training and Money Laundering Training	10
Data Matching	80
Declarations of Interest - Counter Fraud Management	10
National Fraud Initiative	15
Reactive Fraud Investigations	135

6.4. In addition to the above dedicated activities, anti-fraud controls are also considered during most internal audits.

Data Matching Initiatives

6.5. Internal Audit is increasingly using whole populations / datasets in its testing work and as data sets become more and more available has been considering the data available, its quality and usability and whether it can be used in an anti-fraud or fraud detection capacity. This essentially maximises the Council's ability to detect fraud whilst minimising the cost of input, some of which can be automated to save time and money. Data matching exercises review data sets to either detect anomalies within the data (through information analysis and data analytics) or to detect anomalies by cross matching the data with another source to identify conflicts. These are both done to identify anomalies worthy of investigation that are reviewed and investigated where necessary.

6.6. Data matching can be a complicated process as false positives (anomalies that are detected that are not fraud) can be numerous due to (mainly) data quality issues. Refining the cross matching / analysis so that it produces the best quality results is a long process but one ultimately worth it with the ultimate aim of automating the production of the anomalies reports so that they are produced monthly or in real time for investigation thereby detecting fraud as early as possible and minimising it.

6.7. Data analysis techniques (for detecting anomalies within a single data set such as records or transactions outside of expected dates / tolerances etc) can ultimately be automated too. The Internal Audit team uses analytics software as part of its audit toolbox. This system is capable of running "stored procedures" (a series of pre-stored tests for a specific defined data set) and running them to extract items worthy of note thereby automating to the process of extracting anomalies moving forwards.

6.8. The Data Protection Act specifies that data must only be collected and used for specific purposes and that it cannot be processed outside of the purpose for which it is collected except in specific circumstances or where there is a clear public interest to do so. In designing out internal data matching activities, this is considered in detail and additional guidance sought from the Data Protection Officer to ensure that these activities remain within the law. Specific fair processing notices for the National Fraud Initiative (an externally run data matching initiative) are held on the Council's internet site along with notices stating that the Council participates in internal data matching initiatives in order to protect the public purse.

6.9. Specific matching exercises are given below. The results of some of these exercises were reported in the Annual Counter Fraud Report.-

Initiative	Details
Payroll to creditor data matches	These matches are undertaken on behalf of both the Council and St Leger Homes. These matches are automated by the Council's AP Forensics System. The system matches creditor names, addresses, and bank details with details held on the payroll system. The matching process identifies individuals who work for the Council and receive creditor payments by one or more of the following criteria: Name, address, bank details, proximity (the process is capable of identify employees who live within the same postcode as a supplier). This process is also used to identify multiple employees being paid via the same bank account (in order to detect potential ghost employees, although there are legitimate cases where a couple use joint bank accounts). This process has yielded good results so far and is identifying possible conflicts of interest. The results of completed investigations are reported in the annual Counter Fraud Report. The process will be refined over the next 6-12 months in an attempt to reduce the number of false positives (false matches) highlighted by the programme. These are mainly caused by the fact that foster care payments are being made through the creditors (P2P) system. These are being identified as potential conflicts / issues for investigation but do not usually represent a risk to the Council and need to be excluded from the programmes routine or otherwise removed from the exercise.
Creditor duplications matching	The same software above is used by the Accounts Payable Team to identify invoices that are potentially being paid twice. These are worked through by the Accounts Payable Team on a weekly basis to identify and stop duplicated payments before they happen.
Other creditors testing	The AP Forensics system as an associated fraud module accessible to Internal Audit that identifies further anomalous transactions, such as • invoices that do not follow previously seen numbering methodologies (e.g an invoice number A1002 when normal invoices for the supplier follow the mask ABC-12023-39485), • multiple suppliers with the same bank account,

Initiative	Details
	• invalid supplier VAT registration numbers
	• high value invoices that do not match the pattern or regularity of previous transactions for that supplier
	• suppliers that have not been used for lengthy periods
	• changes of supplier bank details
	• etc
	Evaluations are being undertaken on these matching exercises to determine whether these need to be refined and determine the frequency that these need to be reviewed.
Joint council house tenancies receiving single persons discount	This match is yet to be undertaken but will match housing tenancies where there are jointly listed tenants to single persons council tax records. This will be undertaken in order to highlight potential single persons discount fraud or possible data quality issues within housing tenancy information.
Purchase card transactions to employee working hours	This data match takes payroll information and compares it to credit card information in order to identify transactions made on non-working days (of the card holder) or transactions out of normal working hours. These are done to highlight cards that may be being misused. Unusual spending patterns analysis is currently under development using the audit analytics software and this will be used to identify unusual purchases both in terms of type and frequency. Data from the purchase cards provider has changed during the year as the contract moved to a new provider. This has meant that the process needs to be re-developed to ensure that the data matching can resume on a regular basis. A trial pilot exercise by AP Forensics is likely to take place next financial year to cross match purchase card and creditor information in an attempt to identify transactions paid by both methods. This pilot, once announced, will be reviewed with a view to participating in it.

6.10.   Other possible initiatives include:

- Matching pool car usage to mileage claims submitted to detect fraudulently or erroneously claimed mileage

- Matching payroll information to debtors information to identify debts owed by staff (this is an initiative that has been undertaken at other local authorities in order to target recovery action)

- Matching overtime and additional hours claims to vehicle usage records (where the individual uses a vehicle) to verify additional work undertaken.

6.11.   Please note that not all anomalies identified will be fraud or error. It is important that when starting such initiatives that an open mind is kept and that all possibilities to explain the anomaly are explored before a final conclusion is reached.

6.12.   Further initiatives are in development but are not yet sufficiently developed to list above. Please note that advice from the service area and Data Protection Officer will be sought before any match is undertaken and notices, if appropriate and necessary are issued before any data is processed.

7. Reporting Concerns

7.1. If you have any concerns, please report your suspicions as quickly as possible together with all relevant details. You can report any concerns to the Internal Audit fraud hotline on 01302 862931 or using any of the methods or contacts identified in the Whistleblowing Policy.

7.2. Alternatively you may prefer to put your concerns in writing to the: -
Head of Internal Audit
Internal Audit Services,
Civic Office,
Waterdale,
Doncaster,
DN1 3BU

Please mark the envelope — "CONFIDENTIAL — TO BE OPENED BY THE ADDRESSEE ONLY".

7.3. The Council would prefer you not to provide information anonymously as any subsequent investigation could be compromised if we cannot contact you to help gain a full understanding of the issues. However, we will still consider anonymous information that is received. All reported suspicions will be dealt with sensitively and confidentially.

7.4. If you wish to report any suspicions in relation to Benefit Fraud please contact the team on their benefits fraud hotline on 01302 735343 or complete the online form "Report a Benefit Cheat ". This can be found on the Council's website.

8. Appendix A

This risk register shows summary <u>inherent</u> level fraud risks. It is not intended to show the controls in place to mitigate these risks or highlight the assessed residual risk rating on these risks. This is because the publishing of controls or weaknesses in a public document could expose the Council to targeted financial loss / frauds in those areas identified.

Each summary risk may contain a number of sub risks. Each of these will have a different risk exposure depending on the risk itself and the particular area that it is applicable to. For example there are different grants that the Council uses and gives to individuals. Each of these will have a different risk exposure. In order to simplify the risk register for publishing, risks have been grouped together and the highest risk rating of the sub risks shown.
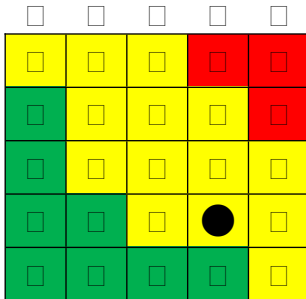
FRR-CB - Corporate Bribery

Sub risk	**Failure to prevent bribery (corporate bribery)**
	The Council fails to take appropriate steps to prevent bribery and is held accountable by law for failing to prevent bribery. This is an offence under the law and is punishable by prison sentence
Impact / Effects	
Legal	Custodial sentence
Embarrassment	National media interest
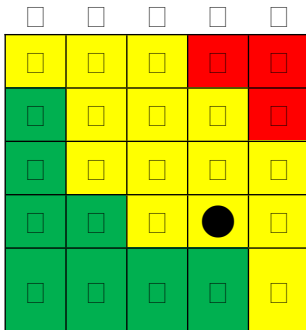
FRR-B - Bribery

Sub risk	**Bribery**
	Officers or councillors accepting bribes to act improperly in order to influence council policy, procurements, processes or procedures for the benefit of themselves or another OR officers or councillors offering bribes to influence others to act improperly for their own or the Council's benefit.
Impact / Effects	
Financial	Financial loss / contracts more expensive / poor value for money
Legal	Custodial sentence
Embarrassment	National media interest
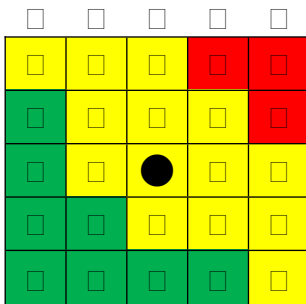
FRR-GFA - Grant Fraud (against the Council)

Sub risk	**False information to secure grant funding**
	External parties provide false or inaccurate information in order to qualify for grants / loans for which they are not entitled or will use for other purposes. This includes the application for grants by bodies or persons that are false and do not actually exist.
Sub risk	**Grant mandate fraud**

The grant application is not completed by the applicant or its contacts but by a third party without the applicant's knowledge in order to fraudulently obtain grant funding for which others are held responsible.

Sub risk	**Grant collusion**

An applicant colludes with a member of council staff in order to obtain a grant to which they are not entitled for personal use.

Sub risk	**Failure to spend the grant on its intended purpose**

Applicants deliberately use the grant provided for purposes other than that for which it was intended

Impact / Effects

Financial	The Council will be unable to fund legitimate grant projects / public service costs increase
Community / Other	Community impact and improvements are not made. Council and mayoral priorities are not achieved
Embarrassment	Should grants fraud occur and the public made aware a failure to protect the public purse would cause at least local embarrassment damage

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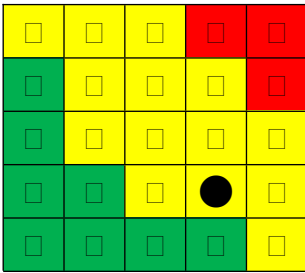
FRR-GFB - Grant Fraud (by the Council)

Sub risk	**Council misuse of ring-fenced grants**

Ring-fenced grants given to the Council are used for purposes other than that for which they were intended. (NB for non-ring-fenced grants, this would not be a breach of the grant conditions)

Impact / Effects

Financial	Claw back from the funding provider
Embarrassment	Should grants fraud occur and the public made aware a failure to protect the public purse would cause at least local embarrassment damage

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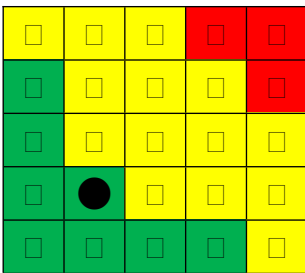
FRR-GFCP - Concessionary pass fraud

Sub risk	**Discretionary Transport Passes (Schools Passes)**

External parties provide false or inaccurate information in order to qualify for passes to which they're not entitled.

Impact / Effects

Financial	Minor financial impact
Embarrassment	Local media interest only
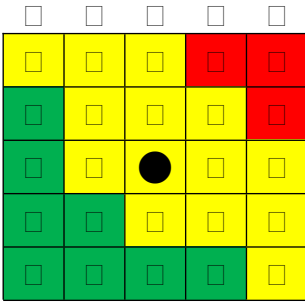
FRR-BBF - Blue Badge Fraud

Sub risk	**Blue Badge Application Fraud**
	False or exaggerated information submitted in order to secure a blue badge permit
Sub risk	**Blue badge - inappropriate usage**
	The use of blue badges by users not entitled to use them and without the accompaniment of the badge holder
Sub risk	**Blue badge - Deceased usage**
	Blue badges are used or sold on after the death of the badge holder
Sub risk	**Fake or amended blue badges**
	Blue badges in use are fake or have been amended (e.g. dates extended)

Impact / Effects

Financial	Reduced income from car parking fees
Embarrassment	Local and regional media interest in blue badge fraud due to the social impact in that spaces are not available for those that need them
Community	Impact on a local community (disabled individuals)
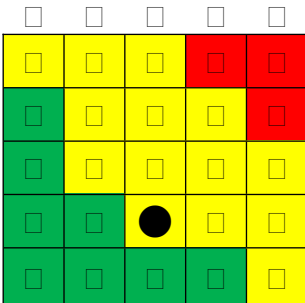
FRR-ML - Money Laundering

Sub risk	**Money Laundering**
	The Council and its cash handling arrangements are abused by criminals wishing to launder money. This can include the payment of bills in cash and then requesting a repayment because bills have been "overpaid" in order to launder monies and make them look legitimate.

Impact / Effects

Legal	Regulatory sanctions could be imposed on the Council or individual employee if certain measures have not been implemented and executed.

FRR-CF - Cyber Fraud

Sub risk	**Cyber crime systems access - Externally hosted systems**
	Cyber crime - unauthorised access to council systems in order to syphon funds, obtain sensitive personal, council or commercially sensitive data or data relating to the general public for personal gain by the fraudster

Sub risk	**Vishing**
	Vishing - the use of telephony systems by external parties to obtain personal or sensitive information that they can use for identity theft or other type of fraud

Sub risk	**Unauthorised systems access by insiders for personal gain**
	Unauthorised systems access or data theft by insiders for personal gain

Sub risk	**Phising / Social Engineering Frauds**
	Phising for personal information by cyber attackers for personal gain by email or by using other known data about an individual such as their subscriptions, name and likes to trick users into believing the email is from a legitimate source to obtain personal information for their own ends

Sub risk	**Malware / Trojans and Ransomware**
	The introduction of malicious software via spam emails and spoof websites or hacked legitimate websites to disrupt services by damaging data or to extort monies from the Council after encrypting data (ransomware)

Sub risk	**Phreaking**
	The hacking of telecommunication (VOIP) systems in order to get free calls or run up premium rate phone bills that give the fraudster income

Sub risk	**Data Theft - Paper Records**
	The theft of or destruction of paper based records for personal gain.

Sub risk	**Electronic Data Theft (not hacking)**
	The theft of electronic data from within by electronic means including: - Key loggers and steganography

Impact / Effects

Financial	Potential financial loss for the authority in terms of ICO fines should any breach be traced to the Council or costs in terms of Council server down time from service interruption
Disruption	Potential services disruption in excess of 1 week
Embarrassment	Minimum regional media interest should the Council be found at fault for releasing information and as a result of any financial or other impact to a private individual
Privacy	The details of several people / all individuals are compromised
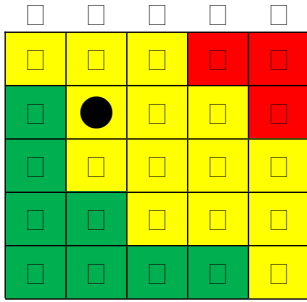
FRR-BF - Benefits Fraud

Sub risk	**Failure to report a change in circumstances**
	Individuals deliberately fail to declare that they have a change in circumstances that impact negatively on a benefit they receive from the Council.

Sub risk	**Benefits obtaining discounts using false or inaccurate / incomplete information**
	External parties deliberately fail to declare that they have a change in circumstances that impactsnegatively on a benefit they receive from the Council.

Impact / Effects

Financial	Financial - Claims for housing benefits are higher than they should be (these costs are paid by the Government) but there are financial implications for the Council in terms of recovering overpayments and financial costs in terms of fraud recovery
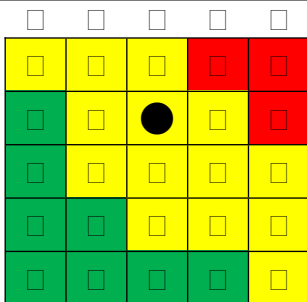
FFR-CTF - Council Tax Fraud

Sub risk	**Failure to report a change in circumstances**
	Failing to report a change in circumstance that could result in increased / continued discounts to individuals and therefore lost income from the tax payer

Sub risk	**Fail to register for Council Tax**
	Failure to register a property that should be subject to Council tax

Sub risk	**Single persons discount fraud**
	Fraudulently claiming to be living alone or with only exempt individuals to gain a reduction in council tax (by citizens)

Sub risk	**Empty Property Rates**
	Reporting properties as occupied in order to reduce council tax liabilities under the local council tax scheme

Impact / Effects

Financial	Reduced council tax collections resulting in a reduction in the overall spending power of the Council.

FFR-BRF - Business Rates Fraud

Sub risk	**Failure to report a change in circumstances**
	Failing to report a change in circumstance that could result in increased payments to the Council or extend business rates discounts / reliefs

Sub risk	**Fail to register for Business Rates**
	Failing to register a property for business rates payments

Sub risk	**False or inaccurate claims for discounts or exemptions**
	The provision of false or inaccurate information by businesses in order to qualify for discounts or exemptions to which they are not entitled

Sub risk	**Phoenixing**
	Businesses go bust only to rise again under different names in order to avoid tax liabilities

Impact / Effects

Financial	Reduced business rate collections resulting in a reduction in the overall spending power of the Council (this risk increases with the new business rate arrangements)

FRR-LF - Licensing Fraud

Sub risk	**False licenses**
	Companies operating with false licences purported to have been issued by the council.

Sub risk	**License through false information**
	Licenses – obtaining licences through provision of false information

Impact / Effects

Health and Safety	Threat to the public from such businesses claiming to have a license that affects the Council by association / Risk to public health and safety and a safeguarding risk should an inappropriate party be granted a license
Embarrassment	Reduced business rate collections resulting in a reduction in the overall spending power of the Council (this risk increases with the new business rate arrangements)

FRR-HRPF - HR / Payroll Frauds

| Sub risk | **Falsification of expenses** |

Falsification of expenses/receipts to claim more than is due for example claims for journeys that were not undertaken, inflated expense claims etc

| Sub risk | **False claims for additional hours / overtime** |

False or inflated claims for additional hours worked or overtime worked

| Sub risk | **False sickness absences** |

False sickness absences or working in other jobs whilst on sick leave from the Council

| Sub risk | **Expenses fraud - pool car mileage** |

Employees claiming for personal mileage when using pool cars

| Sub risk | **Flexitime** |

Abuse of the flexi time system - falsely claiming hours when the individual has not worked or exaggerating claims for hours in order to obtain extra time off or to maintain pay whilst not working the required hours.

| Sub risk | **False identity documentation/references/work history/qualifications/right to work visas** |

False identity documentation/references/work history/qualifications/right to work visas resulting in inappropriate employment

| Sub risk | **Failure to declare something of relevance** |

Failure to declare something of relevance (i.e. conflict of interest, disqualified director, unspent criminal conviction etc. on a job application etc.) resulting in an inappropriate employment

| Sub risk | **Ghost Employees** |

The creation of false employees either by managers or directly by payroll provider employees to extort monies from the Council

| Sub risk | **Agency - false timesheets** |

False or exaggerated payments for agency employees either by the agency individual or in collusion with a Council manager

| Sub risk | **Ghost Agency Staff** |

Payments for agency staff who do not exist or who have ceased to work for the Council

Impact / Effects

| Financial | Increased / unnecessary financial cost to the Council |

|						
☐	☐	☐	☐	☐	Embarrassment	Reputation is damaged at least locally by employing someone under false pretences
☐	☐	☐	☐	☐	Legal	The law is breached by employing someone with no right to work in the UK

☐ ☐ ☐ ☐ ☐

FRR-IF - Impersonation Frauds

Sub risk   **Impersonation of council employees**

External threat - individuals posing as council employees for the pursuit of fraud and/or other criminal activity (against Doncaster citizens)

Sub risk   **False information to obtain legal documents**

Provision of false information to obtain legal documents (contrived marriages/birth and death certificates etc.)

☐ ☐ ☐ ☐ ☐   **Impact / Effects**

Health and Safety	Safety risks to the public in the event of employee impersonation
Financial	False legal documents may be used to perpetrate additional frauds against the Council
Embarrassment	Local media interest likely / Local Embarrassment damage if the Council is believed to have purported the act even though the Council was impersonated

☐ ☐ ☐ ☐ ☐   Legal   Possible regulatory sanctions

☐ ☐ ☐ ☐ ☐

FRR-FF - Financial Frauds

Sub risk   **Imprest accounts - expenditure**

Imprest accounts - expenditure vouchers completed for current service users who don't actually request cash, with the money pocketed by the employee / imprest accounts are used to purchase personal items (non-business expenditure)

Sub risk   **Purchase card / fuel card fraud**

Fuel card / purchase card fraud - Misuse of card for personal expenditure OR purchase cards are subject to fraudulent charges through cloning or chargeback scams

Sub risk   **CEO / Whale type fraud**

Autocratic Directors and Executives use their power and influence to extort monies from the Council whilst burying any possible challenge

Sub risk   **Cash theft**

Cash thefts from safes / tills or other cash storage source

Sub risk   **Income - not charging as agreed**

Giving invalid 'discounts' and/or 'free' services to family/friends.

☐ ☐ ☐ ☐ ☐   **Impact / Effects**

	Financial	loss of Council funds / monies / income
	Embarrassment	Local media interest possible

FRR-MF - Bank Mandate / Treasury Management Fraud

Sub risk	**Mandate Fraud - Council bank accounts**
	External parties target the Council's banking arrangements in order to extort funds from or use the councils bank accounts to fund their purchases

Sub risk	**Mandate Fraud - Changing of creditor bank details**
	External parties target the Council by pretending to be from a legitimate company (a supplier) and change the bank details provided in order to syphon funds to their own bank account

Impact / Effects

Financial	Loss of council funds
Embarrassment	Damaged relationships with council suppliers

FRR-FA - False Accounting

Sub risk	**False accounting**
	Financial accounts are deliberately misleading in order to project a positive image of the Council's financial position or to cover up large losses

Sub risk	**Performance information**
	Council / service performance is deliberately misstated by individuals for personal gain

Impact / Effects

Financial	The Council hides a deficit position or insolvency
Legal	Possible government intervention in the Council
Embarrassment	National media interest possible

FRR-DDI - Direct Debit Indemnity Fraud

Sub risk	Direct Debit Indemnity Fraud
	A new type of fraud using the direct debit guarantee. Under the DDG, consumers are entitled to a full refund from their bank (immediately). The banks then retrieve the funds back from the person or organisation collecting the direct debit. The claim is made under an indemnity claim stating that the business / Council has no right to the monies in a "lack of authority claim" . Fraudsters are using legitimate accounts that they have taken control of, requesting refunds under the guarantee and then liquidating the accounts leaving the businesses (in this case the Council) out of pocket and unable to find the individual to get back the losses. This form of fraud is more common in automated direct debit authority collections (where there is no end user signature collected to authorise the direct debit form - typically where the relationship is set up on line).

Impact / Effects

Financial	Direct debits are refunded and are taken back by the bank for unlimited periods (to the start of the direct debit). NB this type of fraud is very new.
Embarrassment	Regional media interest possible in the event of a large loss

FRR-PF - Procurement Fraud

Sub risk	Inflated invoices
	External parties inflate invoices in order to receive additional monies or charge VAT for services when they are not VAT registered

Sub risk	Duplicate Invoices
	External parties submit multiple invoices for payment hoping that they will be paid, thereby double charging for services rendered / goods serviced

Sub risk	Overpayment of suppliers when working in collusion with them to extract monies from the Council
	Employees collude with suppliers to overcharge the council and split the proceeds.

Sub risk	Payments to fictitious suppliers (internal)
	Internal staff set up fictitious suppliers in order to extract funds from the Council

Sub risk	Payments to fictitious suppliers (external)
	External fraudsters send in invoices for companies that do not exist that are "like" other suppliers used in the hope that they will be paid, often after the threat of legal action.

Sub risk	Suppliers collude to fix price or divide the market to nominate who will win a contract

Suppliers collude together to price fix goods and services and determine who will win a contract based on their own outside negotiations and to their own interests.

Sub risk   **False reporting on projects by suppliers**

Suppliers falsely report on project performance or schedules in order to access funding earlier / access more funding.

Sub risk   **Procurement conflict of interest / procurement manipulation**

Employees fail to declare conflicts of interest or gifts and abuse their position to award contracts to related companies that benefit their own interests

Sub risk   **Contract splitting to avoid tender thresholds**

Employees split contracts into smaller "chunks" to avoid tender and authorisation thresholds to ensure that they can award a contract to a specified bidder without due process

Sub risk   **Framework contractors bypassing procurement process**

Employees set up unauthorised frameworks or approved suppliers lists to use companies that they favour rather than going through legitimate procurement processes.

Impact / Effects

Financial — Increased costs to the Council / poorer value procurements / costs are inflated / remedial works are required and paid for where suppliers go bust after receiving payments for work that they have not completed

Embarrassment — Local or regional media interest depending on the scale of the fraud issue

Legal — The Council is subject to legal challenge from suppliers
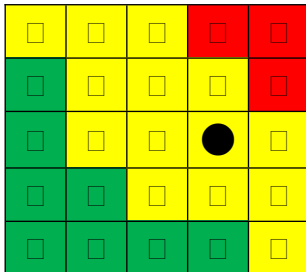
FRR-ST - Theft of Stocks and Stores

Sub risk   **Stocks are over-ordered with a view to writing them off and profiting from the disposal**

Stocks are over ordered by stores employees deliberately in order to write them off and either profit from their disposal or use for their own benefit

Sub risk   **Theft of stocks**

Theft of stocks by employees for their own usage or for re-selling

Sub risk   **Vehicle and plant theft**

Vehicles and plant are stolen

Sub risk   **Fuel theft**

Fuel is stolen from the depot / syphoned on mass from the fuel storage tanks

Sub risk   **Acquisitions / Disposals**

Vehicles and plant are inappropriate purchased or disposed of for personal gain
IT equipment is inappropriately purchased or disposed of for personal gain

					Sub risk	**Theft of IT equipment**
						Theft of IT equipment
☐	☐	☐	☐	☐	**Impact / Effects**	
					Financial	Costs are incurred to replace items stolen (particularly high value items such as fuel or vehicles).
☐	☐	☐	☐	☐	Privacy	Inappropriate disposal / theft of IT equipment could compromise the details of several individuals if there was personal data stored on it (however, this is why encryption is used).

☐ ☐ ☐ ☐ ☐

FRR-AF - Asset Misuse

Sub risk	**Misuse of IT equipment**
	Misuse of Council IT equipment and software for personal gain e.g. using Council property to carry out a business without permission or using licensed software for personal benefit
Sub risk	**Misuse of facilities**
	Misuse of Council owned buildings, land and facilities for personal benefit or the benefit of others without permission or justified cause
Sub risk	**Misuse of Vehicles**
	Misuse of Council vehicles and their associated fuel for personal travel, personal benefit (e.g. to earn monies or run a business with) without permission (NB this excludes justified and authorised home to office usage).

☐	☐	☐	☐	☐	**Impact / Effects**	
					Financial	Additional financial costs are incurred / Income is lost
					Embarrassment	The Council's reputation is damaged through inappropriate use of vehicles and property
☐	☐	☐	☐	☐	Legal	Litigation or fines from inappropriate use of software / breach of license conditions etc

☐ ☐ ☐ ☐ ☐

FRR-AF - Asset Acquisitions / Disposals

Sub risk	**Inappropriate land and property acquisitions or disposals**
	Properties are inappropriately disposed of or acquired for personal gain

☐	☐	☐	☐	☐	**Impact / Effects**	
					Financial	Property acquisition costs are inflated / income due from disposals is minimised.

☐ ☐ ☐ ☐ ☐

FRR-PLF - Planning Fraud

Sub risk	Obtaining planning permissions through provision of false information
	Those applying for planning permission use false information to obtain planning consent that would otherwise have been rejected

Sub risk	Withdrawing planning applications
	Planning applications are withdrawn to avoid rejection and are resubmitted as new plans in an attempt to change the planning decision

Sub risk	S106 Fraud
	Planning applications containing Section 106 clauses are withdrawn and resubmitted with minor changes in order to attempt to avoid S106 provisions

Impact / Effects

Embarrassment	Local or regional media interest
Social	Reduction in the number of affordable properties in the borough (S106 frauds)
Community	Adverse effects on a community through the granting of fraudulent planning permission / potential environmental damage
Financial	Financial costs are incurred in correcting damage to land and the environment
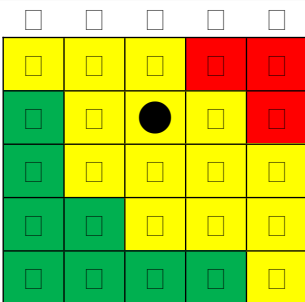
FRR-SCF - Social Care Fraud

Sub risk	Social Care - failure to report changes in circumstance
	External parties deliberately fail to declare that they have a change in circumstances that impacts negatively on social care costs and their contributions towards these costs

Sub risk	Social care - inaccurate / incomplete financial information and hidden assets
	External parties provide false or inaccurate information in order to qualify for support towards their care costs to minimise the cost of their care contributions

Sub risk	Direct payment diversion or misuse of direct payment funds
	Direct payments are misused by those granted them

Sub risk	Social Care Payments to false identities or ghosts
	Individuals requesting care support are false leading to the payment of costs to businesses for ghost citizens or the continued payment of care for deceased individuals

Impact / Effects

Embarrassment — Local or regional media interest

Financial — Financial care costs paid by the Council are inflated / higher than they should be. Council funds for legitimate care fees are reduced

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FRR-INF - Insurance Fraud

Sub risk — **Insurance fraud - False claims for slips and trips**

Individuals or criminal gangs submit claims for slips and trips that did not occur or exaggerated claims

Sub risk — **Collusion with accident management companies**

Employees collude with accident management companies to exploit known weaknesses on roads and pavements

Impact / Effects

Financial — Financial costs to the Council in terms of insurance pay-outs are inflated / the Council fails to obtain insurance as a result of an increased risk profile

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FRR-EDF - Educational Fraud

Sub risk — **Placement fraud**

Individuals and families provide false information about their family and addresses / residency information in order to ensure that they get into the schools that they want to get their children into

Sub risk — **Ghost students**

Schools and their business managers or head teachers submit inflated pupil number information at census points in order to artificially inflate their budgets

Impact / Effects

Community — Local communities are impacted when schools in the area cannot take local pupils due to places being filled by out of area individuals through fraudulent means

Financial — Additional costs to public purse through inflated census numbers

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FRR-HF - Housing Fraud

Risk transferred to SLHD

Sub risk — **Subletting**

Properties are illegally sublet by tenants for personal gain

					Sub risk **False succession**

Sub risk   **False succession**

Succession of tenancies by persons not entitled to do so

Sub risk   **False information to secure social housing**

False information is provided by individuals when applying for social housing (including false identities) in order to qualify for housing to which they are not entitled or improve their chances of being allocated a council house.

Sub risk   **Right to buy fraud**

Individuals or organised criminals submit false information in order to purchase a council house or obtain right to buy discounts to which they are not entitled / reduced price property purchases

Impact / Effects

Risk transferred and managed by St Leger Homes Ltd

FRR-CPF - Car Parking Fraud

Sub risk   **Pop-up car parks**

Unauthorised use of council land to charge car-parking and clamping fees by unauthorised individuals. This fraud defrauds members of the public by individuals purporting to be Council officials.

Sub risk   **Parking permits for residential areas**

The abuse of residential parking permits by commuters or others for personal gain. This includes the application for and continued use of permits to which an individual is not entitled

Sub risk   **Skimming of income from, or theft of income from car parking**

Parking attendants or contractors collecting car parking income skim or steal car parking monies (where car park income is due to the Council only)

Impact / Effects

Community	Impact on a local community where parking permits / residential area parking is misused
Embarrassment	Local or regional media interest
Financial	Reduced income from car parking activities

FRR-IPT - Intellectual property theft

Sub risk   **Intellectual property theft**

The theft or fraudulent use of intellectual property belonging to the Council for example, proprietary software designs, internally designed training courses etc

Impact / Effects

Financial		Loss of income from the sale of intellectual property

FRR-RTW - Right to Work

Sub risk	**Right to work fraud (excluding Council employees)**
	False identity documentation/references/work history/qualifications/right to work visas resulting in inappropriate letting of market stalls or business properties
Sub risk	**S17 - No recourse to public funds**
	Those families denied the right to stay in the UK and offered return to their country of origin, request payments under S17 of the Children's Act. By doing so they have the right to appeal against their right to remain decision by the Home Office. In applying they originally had no recourse to public funds. This new type of fraud, elongates their stay in the UK and provides them access to funds to which they are not entitled

Impact / Effects

Legal	Breach of the law regarding right to work in the UK
Financial	Higher drain on council and government funds as the right to remain is re-challenged without leave. Payments for S17 continue for approximately 6 - 12 months. This risk is more prevalent in the south of England but is spreading further north as councils clamp down on this kind of fraud

9. Appendix B

Section A – Acknowledge Responsibility
The governing body should acknowledge its responsibility for ensuring that the risks associated with fraud and corruption are managed effectively across all parts of the organisation.

	Guidance Point	Doncaster Council Assessment	Additional Actions Required
A1	The organisation's leadership team acknowledge the threats of fraud and corruption and the harm they can cause to the organisation, its aims and objectives and to its service users. *Additional guidance* *The organisation has a counter fraud and corruption strategy and policy which is approved and supported by the leadership team and effectively communicated. The responsibility for the management of the risks of fraud and corruption are included in the organisation's scheme of delegation or terms of reference.*	The Council has an Anti-Fraud and Corruption Framework that was updated July 2015. The version has been checked in 2016 and remains valid. This framework includes a policy, a strategy, the fraud response plan and the prosecutions / sanctions policy. The framework is approved by leadership through the Governance Group and is formally adopted and approved by the Audit Committee (July, 2015). The framework sets out responsive and counter fraud arrangements and responsibilities. A counter fraud element is included within the Internal Audit Plan approved and monitored by Audit Committee. The framework is published on Covalent with other key governance policies and sign off of the policy is required by all managers and budget holders.	None identified.
A2	The organisation's leadership team acknowledge the importance of a culture that is resilient to the threats of fraud and corruption and aligns to the principles of good governance *Additional guidance* *The organisation's leadership team supports a counter fraud culture by:* • *Providing visible support for counter fraud and corruption activity* • *Recognising the risk of fraud and corruption and the harm it can cause to the organisation and to those the organisation helps / protects.*	Visible support is provided to the process for all governance documents and processes by the Governance Group which includes the Council's Chief Executive. The AFBC Framework forms part of the key governance policies for the Council along with the code of conduct, money laundering policy, declarations of interest and gifts and hospitality policies etc. The Council has completed assessments for the fraud risk register (appendix A) and includes assessments of the relevant harm caused by rating risks according to the Council's agreed Risk Management Framework. The Code of Conduct and Council's Constitution are based on the "Seven Principles of Public Life".	None identified

	• *Including reference to counter fraud and corruption activities in the principles of good governance and standards of conduct adopted by the organisation* • *Ensuring that the organisation is responsive to new fraud and corruption risks* • *Embedding strong counter fraud controls and systems within the organisation* • *Providing visible support and resourcing for fraud awareness activity* • *Supporting counter fraud and corruption training throughout the organisation* • *Ensuring that other governance papers, strategies and policies include fraud and corruption risks where relevant*	Counter fraud. Specific responsibilities for all staff are included in the AFBC Framework. New fraud risks are assessed as and when they arise. Officers within Internal Audit and Benefits Enforcement keep regularly abreast of new developments in the field and these are included in the Internal Audit Plan and the risk registers updated accordingly. Some of the items on the fraud risk register such as "no recourse to public funds frauds" are emerging fraud risk, as are some of the different types of Cyber fraud risk and a collaborative approach is taken on these with ICT. Counter fraud controls are tested during internal audits and consultation on fraud risks with individual service areas will ensure that controls are checked. Fraud risks are taken into consideration when the audit plan is developed to test areas considered high risk or where controls may have weakened. Fraud training was undertaken for 98 senior managers within the Council and 20 elected members during February and March 2016. This training has been converted into electronic learning material on the Council's Learning Pool and will be approved by Governance Group before being launched live. Governance papers include fraud risks where applicable but could be further strengthened by the inclusion of specific section in the corporate report format on Fraud Implications rather than relying on the equalities or financial implications area to discuss any relevant risks.	*Optional improvement* – To consider the inclusion of a fraud implications section on the corporate report format to ensure that fraud risks are properly considered and recorded.
A3	The governing body acknowledges its responsibility for ensuring the management of its fraud and corruption risks and will be accountable for the actions it takes through its governance reports. *Additional guidance* *The code of practice has been formally adopted by the organisation and there is a robust commitment by the governing body to the management of its fraud and corruption risks. Appropriate authority has been delegated to counter fraud professionals.*	The Council and its leadership and elected members acknowledge responsibility for the management of fraud risks through the AFBC Framework which has been created in line with the Fighting Fraud and Corruption Locally Strategy 2016-2019 and approved on that basis. The AFBC Framework makes reference to this code and the adoption of it. The Council delegates counter fraud to its Audit Team for corporate fraud and counter fraud initiatives with smaller pockets of skills in Benefits Enforcement (for council tax	None identified.

| | | and business rates fraud) and specific auditors within the Direct Payments team dedicated to checking / auditing direct payment claims.

The level of counter fraud resource provided corporately is contained within the Internal Audit Annual Plan, the resources for which are signed off and confirmed as adequate in the Annual Report of the Head of Internal Audit as challenged at Audit Committee. Resources for specific initiatives and needs can be made available by the Council's S151 Officer as needed and the use of any available external funding is maximised for such initiatives. (Such funding was used to create the fraud risk register and deliver fraud risk awareness training earlier this calendar year).

Job descriptions within Internal Audit make reference to counter fraud and fraud investigations as do those of the specialist areas such as Trading Standards and Benefits Enforcement etc. Responsibilities for other managers are identified within the AFBC Framework that is signed up to by managers across the Council. | |

Appropriate resources are provided to ensure fraud and corruption risks are mitigated and the management of risk is reported to the governing body or audit committee.

Job descriptions of senior managers include responsibility for the management of fraud risk.

| A4 | The governing body sets a specific goal of ensuring and maintaining its resilience to fraud and corruption and explores opportunities for financial savings from enhanced fraud detection.

Additional Guidance
There is a clear programme of work to manage fraud and corruption risk with specific goals as set out in the strategy. The work programme includes a formal fraud risk management process, the production maintenance and review of the strategy, formal fraud awareness activity and clear directions on actions to be taken if fraud or corruption is discovered.

The programme of work is regularly reviewed.

Where fraud prevention or detection opportunities are identified that could result in financial savings, the benefits are evaluated. | Provision for counter fraud and responsive fraud activities is maintained in the annually approved Audit Plan as monitored and approved by Audit Committee.

The plan is maintained throughout the year and new opportunities and changing risks are constantly evaluated and, where necessary, the plan is reviewed and amended. A report on planned changes is taken to Audit Committee to confirm and approve any changes to the plan. | None identified. |

Section B – Identify Risks

Fraud risk identification is essential to understand specific exposures to risk, changing risk patterns in fraud and corruption threats and the potential consequences to the organisation and its service users.

	Guidance Point	Doncaster Council Assessment	Additional Actions Required
B1	Fraud risks are routinely considered as part of the organisation's risk management arrangements.	The current fraud risk register at Appendix A, was constructed by an external specialist consultant in the field from Moore Stephens LLP. The register was constructed in conjunction with service and other senior managers and with reference to best practice and published fraud indicators. The fraud risks, currently at inherent stage, are due to be reviewed on a directorate basis during quarter 3 2016/17 with a view to agreeing a final agreed residual risk assessment for all risks. Once complete, fraud risks will be monitored under standard Council risk management arrangements and will appear on the Strategic Fraud Risk Register as reported to and challenged by the Audit Committee. As this is currently in progress, it has not been listed as an outstanding action.	None identified.
B2	The organisation identifies the risks of corruption and the importance of behaving with integrity in its governance framework. _Additional Guidance_ _There are specific links between counter fraud and corruption policies and other ethical policies._	The AFBC Framework is part of the Council's governance arrangements as are the Code of Conduct, Declarations of Interest and Gifts and Hospitality policies. All policies are related (including the Whistleblowing Policy) and are published together on the Council's governance intranet pages.	None identified.
B3	The organisation uses published estimates of fraud loss, and where appropriate its own measurement exercises, to aid its evaluation of fraud risk exposures. _Additional Guidance_ _Estimates of fraud losses are published. Identification of fraud risks identifies the financial loss should that risk not properly be managed, assists in the calculation of potential savings through preventative work and provides a method for the monetary equivalent of frauds identified where it is not apparent._ _Fraud loss is measured so that effective year on year comparisons can be made._	Estimated fraud losses are recorded for all fraud related investigations and are based on either: • Actual fraud loss incurred • Estimated notional losses (this is particularly the case in housing tenancy fraud where nationally agreed values are in use that represent the cost of housing an average family in temporary accommodation for a year) • Estimated average fraud costs as published in annual indicators such as KMPG's Annual Fraud Indicator or subsequent releases of the Fighting	None identified.

		Fraud Locally Strategy.	
		Fraud losses are published in the annual Counter Fraud Report presented to Audit Committee.	
		Where frauds are prevented rather than detected, the same methodology (above) is used. Notional values are not routinely assigned to preventative and awareness work such as anti-fraud training due to the fact that these are very subjective and no consistent methodology is in existence between Council's and other public sector bodies on which to base reliable and meaningful comparison in these areas.	
B4	The organisation evaluates the harm to its aims and objectives and services users that different fraud risks can cause.

Additional Guidance
Published reports on detected fraud provide examples of the harm that fraud could cause. | The Council's annual Counter Fraud report, examples are given where possible and success cases are published where appropriate.

The harm associated with fraud has been taken into account when determining the risk exposures used within the fraud risk register and this is in line with the evaluation methodology within the Council's Risk Management Framework. | None identified. |

Section C – Develop a strategy
The governing body formally adopts a counter fraud and corruption strategy setting out its approach to managing its risks and defining responsibilities for action.

	Guidance Point	**Doncaster Council Assessment**	**Additional Actions Required**
C1	The governing body formally adopts a counter fraud and corruption strategy to address the identified risks and alight with the organisation's acknowledged responsibilities and goals.

Additional Guidance
Aims are clearly linked to the organisations overall strategic objectives and shows how the counter fraud strategy intends to help achieve these strategic objectives.

The strategy includes all proactive counter fraud work including prevention and awareness, detection, investigation, the organisation's response to fraud and the action that will be taken. | The Council has formally adopted the AFBC Framework and this forms part of the Council's governance policies. The framework's covering report, as presented to Audit Committee, clearly shows how the report aligns to the Council's key outcomes (as does this report).

This framework is reviewed annually and updated as required. The framework was last re-issued in July 2015 and is due for a review in 2017/18. All governance policies are available to all staff on the Council's intranet and a copy is available on the Council Chamber webpages for any member of staff or the public wishing to examine the document. | None identified.

Ongoing review of the framework is scheduled for July 2017 (or sooner if new guidance is released). |

	The strategy includes: • *Expected objectives which are aligned to the aims of the organisation* • *Timelines with target dates for objectives, frequency of reviews and revision dates* • *How the success of the strategy is measured* *The strategy is regularly reviewed and is up to date* *The strategy is available to all staff* *The strategy is linked to fraud policies and procedures and ant other relevant policies procedures and strategies.* *The strategy is time limited and explains* • *Where the organisation is now* • *Where it hopes to be at the end of an agreed time* • *How the organisation is going to get there.*		
C2	The strategy includes the organisation's use of joint working or partnership approaches to manage its risks, where appropriate. *Additional Guidance* *The aims and objectives are agreed and recorded on the joint work to be undertaken. The joint work is recorded and responsibilities for each organisation noted. A review process is agreed.* *Policies, procedures and protocols are agreed in advance and any legal and employee issues are considered, agreed and recorded.*	The Council liaises with its partners including other local councils, the DWP, St Leger Homes and the Children's Trust as appropriate in individual investigations. The Council and St Leger Homes participate jointly in the National Fraud Initiative and investigate data matches as appropriate. The Council's Internal Audit Team also act as the internal auditors for St Leger Homes and include counter fraud elements within both audit plans. Data matching initiatives between St Leger Homes and the Council form part of both internal audit plans and the aims and objectives of these projects are agreed with all parties as part of the audit brief.	None identified.
C3	The strategy includes both the proactive and responsive approaches that are best suited to the organisation's fraud and corruption risks.	These elements are all covered by the AFBC Framework as approved by Audit Committee.	None identified.

	Additional Guidance *Proactive and responsive components of a good practice response to fraud and risk management are set out below:* ***Proactive*** • *Developing a counter-fraud culture to increase resilience to fraud* • *Preventing fraud through the implementation of appropriate and robust internal controls and security measures.* • *Using techniques such as data matching to validate data* • *Deterring fraud attempts by publicising the organisation's anti-fraud and corruption stance and the actions taken against fraudsters.* ***Responsive*** • *Detecting fraud through data and intelligence analysis* • *Implementing effective whistleblowing arrangements* • *Investigating fraud referrals* • *Applying sanctions, including internal disciplinary, regulatory and criminal.* • *Seeking redress, including the recovery of assets and money where possible.*		
C4	The strategy includes clear identification of responsibility and accountability for delivery of the strategy and for providing oversight. *Additional Guidance* *The Audit Committee has oversight of the organisation's strategy to ensure that it meets recommended practice and governance standards and*	The Audit Committee sees and approves: • The AFBC Framework • The annual audit plan • The Whistleblowing Policy • Assessments (like this assessment) of compliance	None identified

	complies with legislation.	with required standards.	

Section D – Provide Resources
The organisation should make arrangements for appropriate resources to support the counter fraud strategy.

	Guidance Point	*Doncaster Council Assessment*	*Additional Actions Required*
D1	An annual assessment of whether the level of resource invested in counter fraud and corruption is proportionate to the level of risk. *Additional Guidance* *An annual assessment is conducted as part of the annual review of the strategy to review whether the level of resource invested in counter fraud and corruption is proportionate to the level of risk.* *The adequacy of the available resource to support the strategy is considered by Audit Committee.*	Resources provide for counter fraud activity within Internal Audit are reviewed as part of the annual audit plan report and the Annual Report of the Head of Internal Audit. Counter fraud resources in other areas such as those in Revenues and Benefits were subject to a review after the transfer of benefits fraud investigation to the Single Fraud Investigation Service. The internal audit plan is approved by Audit Committee on an annual basis.	None identified.
D2	The organisation utilises an appropriate mix of experienced and skilled staff, including access to counter fraud staff with professional accreditation. *Additional Guidance* *Training is provided to ensure that counter fraud staff have the skills, experience and accreditation to conduct their work.* *A personal development process has been implemented to identify skills gaps and support continuous professional development,* *Counter fraud staff are governed by a code of conduct / ethical framework.* *Fraud awareness is increased for all staff using a variety of training methods including formal subject specific counter fraud presentations, e-learning tools and regular counter fraud briefings as an input to generic team meetings*	There are 2 CCIP trained investigators within Internal Audit and 2 PINS trained investigators within the Revenues and Benefits Enforcement Team that handle investigations of this nature. All are suitably experienced. The Council does not employ a trained financial investigator. These are individuals seek recoveries on frauds by investigating an individual's financial assets, assisting in their freezing and recovery to recover frauds. The Council has access to such individuals through NAFN (the National Anti-fraud Network) and through government framework contracts and could employ if required. All staff within the Council are bound by a code of ethics, in addition, the professional ethics from CIPFA, PINS and IIA are also in use. Face to face training has been delivered for senior council managers with them receiving a copy of the presentation to be able to discuss it with their team. A ready reference fact sheet has been provided to allow managers to give staff a quick overview of the arrangements to compact fraud in the Council. E-learning has been developed and is in the process of testing.	E-Learning training, currently in testing will be released by the end of the financial year.
D3	The organisation grants counter fraud staff unhindered	The access of Internal Audit to all files is written into the	None identified

		AFBC Framework and forms part of the Council's key governance arrangements.	
	access to its employees, information and other resources as required for investigation purposes. *Additional Guidance* *Clear authority is provided in documents such as financial instructions and partnership agreements. Access to the organisation's records and staff personnel files and other records is clearly recorded and regulated. For counter fraud work provided externally, access to sensitive records is agreed in advance in any agreement or contract.*	AFBC Framework and forms part of the Council's key governance arrangements. All investigation files are fully logged and recorded. Where sensitive information is accessed this is recorded and justified within these records to ensure that such access can be defended if challenged. Counter fraud work is rarely outsourced but this will be built into the arrangements / contract if this happens.	
D4	The organisation has protocols in place to facilitate joint working and data and intelligence sharing to support counter fraud activity. *Additional Guidance* *A framework, memorandum of understanding and / or service level agreement is in place with other organisations and law enforcement agencies where applicable. Relationships are agreed in advance, including responsibilities, obligations, exchange of information, liaison, communications, meetings with key personnel and media strategies. The governance arrangements are kept up to date and relevant.*	Where partnerships are in place (for example with St Leger Homes) these are in place. Partnership arrangements with local law enforcement are not in place. South Yorkshire Police prefer (for fraud cases) that the authority uses Action Fraud.	No further action considered appropriate at this stage.

Section E – Take Action

Fraud risk identification is essential to understand specific exposures to risk, changing risk patterns in fraud and corruption threats and the potential consequences to the organisation and its service users.

	Guidance Point	*Doncaster Council Assessment*	*Additional Actions Required*

E1	The organisation has put in place a policy framework which supports the implementation of the counter fraud strategy.
	
	Additional Guidance
	As a minimum the framework includes:
	   • *Counter fraud policy*
	
	   • *Whistleblowing policy*
	
	   • *Anti-money laundering policy*
		All of these policies are in place for the Council.
		
		The Anti-Money Laundering Policy is currently under review and will be passed to Audit Committee for approval once updated. This is part of the policies normal update arrangements.
			None outside of the normal policy review timetables.

	• *Anti-bribery policy*		
	• *Anti-corruption policy*		
	• *Gifts and hospitality policy and register*		
	• *Pecuniary interest and conflicts of interest policies and register*		
	• *Codes of conduct and ethics*		
	• *Information security policy*		
	• *Cyber security policy*		
E2	Plans and operations are aligned to the strategy and contribute to the achievement of the organisation's overall goal of maintaining resilience to fraud and corruption. *Additional Guidance* *A proactive plan has been developed which seeks to achieve early detection of fraud and corruption. The plan includes:* • *Specific audits to assist in the detection of fraud* • *Data analytics to detect fraud in a proactive manner* • *Specific activities to be conducted by the dedicated counter fraud team* *A clear fraud response plan is in place to ensure appropriate action is taken upon the identification of fraud and / or corruption. The plan ensures that* • *Immediate action is taken* • *The aims of the investigation are clearly defined* • *Appropriate persons are contacted for help*	A counter fraud plan forms part of the internal audit annual plan as reported to audit committee. Please see section 6 for further information on the projects in this area. New and innovative techniques will continue to be sought and time will continue to be invested in this area going forward. This will continue to be included in the audit plan. A fraud response plan covering all of the items listed is included within the AFBC Framework.	None identified.

	and advice		
	• *Evidence is secured*		
	• *The investigation remains confidential*		
	• *Losses are minimised*		
	• *Legislation and policies and procedures are complied with*		
	• *Legal advice is sought*		
	• *Reporting requirements are adhered to*		
E3	Making effective use of national or sectoral initiatives to detect fraud or prevent fraud, such as data matching or intelligence sharing *Additional Guidance* *e.g the National Fraud Initiative and regional and joint initiatives.*	The Council actively participates in the NFI and this (and the associated results) are reported in the annual Counter Fraud Report. Where pilot exercises are released, these are evaluated and the Council participates where appropriate. Internal Audit undertakes innovative internal data matching exercises using its own data to this effect. Please see section 6 for further information.	None identified
E4	Providing for independent assurance over fraud risk management, strategy and activities. *Additional Guidance* *The governing body assesses the programme of work to manage fraud and corruption risks to ensure it is achieving its aims, by implementing an independent review of compliance, goals and resources. The Audit Committee has oversight of the organisation's strategy to ensure that it meets recommended practice and governance standards and complies with legislation.*	The programme of work is included within the Internal Audit Plan and is approved by the Council's leadership through the Governance Group and by the Audit Committee.	None identified
E5	There is a report to the governing body at least annually on performance against the counter fraud strategy and the effectiveness of the strategy from the lead person(s) designated in the strategy. Conclusions are featured in the annual governance report. *Additional Guidance*	This is achieved in the annual Counter Fraud Report presented to Audit Committee and this is considered to be appropriate for the Council given that there is no dedicated, specialised and central counter fraud team. Any issues identified or detected are used (along with internal audit findings) to challenge and inform the Annual	None identified.

	There is a robust reporting, compliance and governance process, including the following: • *An independent review of compliance, goals and resources* • *A report to the governing body at least annually on performance against the strategy from the lead persons and the impact and cost effectiveness of counter fraud activities* • *Conclusions feature in the annual governance statement.*	Governance Statement process. A specific statement on compliance is not included within the governance statement on compliance with this code of practice, however, it is not felt that this would materially add anything to the Annual Governance Statement other than to confirm compliance and re-iterate what is included in the Counter Fraud Report.	