

**Managing the Risk of Fraud - Actions to Counter Fraud and Corruption: Self Assessment**

<b>1. Adopting the Right Strategy</b>		
1.1	Does the organisation have a counter fraud and corruption strategy that can be clearly linked to the organisation's overall strategic objectives?	<p>The Fire Authority maintains an anti-fraud and corruption policy. The policy is a 'live' document, updated as and when required, with a planned three-year total review cycle (planned for 2010/11).</p> <p>It clearly states the goals of the Fire Authority are to "limit as far as possible the opportunities to commit fraudulent acts".</p> <p>The Fire Authority's Strategic Risk Register identifies Fraud and Corruption as a major risk to the organisation. (Risk 8 on Corporate Risk Register: The Fire Authority would be unable to deliver the core objectives of preventing, protecting and responding effectively due to a lack of funding or the misuse of funds e.g. fraudulent activity".)</p> <p><b>Actions Required</b>  The anti fraud and corruption policy does not currently have political approval.  The policy does not explicitly advocate a zero tolerance approach.</p>
1.2	Is there a clear remit 'to reduce losses to fraud and corruption to an absolute minimum' covering all areas of fraud and corruption affecting the organisation?	<p>The policy clearly states the Fire Authority will "limit as far as possible the opportunities to commit fraudulent acts"</p> <p>The Fire Authority's Financial Regulations also clearly states officers and members responsibilities across all financial activity in regard to reducing losses to fraud and corruption.</p>

1.3	Are there effective links between 'policy' work (to develop an anti-fraud and corruption and 'zero tolerance' culture, create a strong deterrent effect and prevent fraud and corruption by designing and redesigning policies and systems) and 'operational' work (to detect and investigate fraud and corruption and seek to apply sanctions and recover losses where it is found)?	<p>The Fire Authority has a Monitoring Officer (The Head of Legal Services/Head of Governance – both at SMBC), within Audit Services there is a dedicated Counter Fraud Unit. All work closely together on both policy and operational issues.</p> <p>Fraud investigation reports also include recommendations to prevent/minimise future risks due to fraud.</p> <p>Regular review of relevant Standing Orders to ensure that fraud is deterred (Recruitment, Financial Regulations, Standing Orders etc).</p>
1.4	Is the full range of integrated action being taken forward or does the organisation 'pick and choose'?	The procedures are clear on how to proceed in all instances of suspected fraud and corruption.
1.5	Does the organisation focus on outcomes (i.e. reduced losses) and not just activity (i.e. the number of investigations, prosecutions etc)?	<p>The policy clearly states the Fire Authority will "limit as far as possible the opportunities to commit fraudulent acts", There have been no recent frauds so no financial loss to recover.</p> <p>Corporate Risk number 8 identifies the outcome i.e. the inability to achieve the objectives of the organisation due to fraudulent activity.</p>
1.6	Has the strategy been directly agreed by those with political and executive authority for the organisation?	<p>The Anti-Fraud &amp; Corruption Policy is approved by the Authority.</p> <p><b>Actions Required</b> No formal political support for the Anti Fraud and Corruption policy.</p>
<b>2. Accurately Identifying the Risks</b>		
2.1	Are fraud and corruption risks considered as part of the organisations strategic risk management arrangements?	<p>There is a detailed fraud risk register in place, maintained by Audit Services, that considers possible fraudulent activity. This register directs the majority of pro-active fraud work undertaken by Audit Services.</p> <p>The Fire Authority's Corporate Risk No.8 considers potential losses due to fraudulent activities.</p>

2.2	Is the organisation seeking to identify accurately the nature and scale of losses to fraud and corruption	<p>There have been no losses to Fraud and Corruption detected, if any are discovered then a record would be maintained within Audit Services.</p> <p>The Fire Authority supports the National Fraud Initiative which highlights prospective fraud and corruption.</p> <p>Pro-active fraud work is undertaken, including running raising fraud awareness seminars etc.</p>
2.3	Does the organisation use accurate estimates of losses to make informed judgements about levels of budgetary investment in work to counter fraud and corruption?	<p>There have been no losses to Fraud and Corruption detected, if any are discovered then a record would be maintained within Audit Services. Audit Services, on behalf of the Fire Authority, uses its knowledge/past history of frauds to determine the size of the work required. Audit plans are, where applicable based on risks identified by the Authority.</p>
<b>3. Creating and Maintaining a Strong Structure</b>		
3.1	Do those tasked with countering fraud and corruption have the appropriate authority needed to pursue their remit effectively, linked to the organisations counter fraud and corruption strategy?	<p>These are included within the Fire Authority's Financial Regulations and the Anti Fraud and Corruption policy. The Head of Finance and Procurement is identified as the risk owner of the relevant corporate risk number 8. (see 1.1 above)</p>
3.2	Is there strong political and executive support for work to counter fraud and corruption?	<p>There is strong executive support for work countering fraud and corruption – NFI, Pro-active fraud work, fraud awareness seminars etc.</p> <p>The audit plan (containing the above) is approved by the Audit Committee.</p>
3.3	Is there a level of financial investment in work to counter fraud and corruption that is proportionate to the risk that has been identified?	<p>Audit Services, on behalf of the Fire Authority, uses its knowledge/past history of frauds to determine the size of the work planned. Audit plans are, where applicable based on risks identified by the Authority.</p>
3.4	Are all those working to counter fraud and corruption professionally trained and accredited for their role?	<p>The Head of the Counter Fraud Unit is a CIPFA qualified accountant. He maintains a training record of the courses attended and qualifications obtained (a number of fraud related training courses are attended). He also holds the CIPFA Investigative Practice Qualification.</p> <p>The Fire Authority also maintains a Performance Assessment and Improvement Team which reviews standards within the Fire Authority.</p>

3.5	Do those employees who are trained and accredited formally review their skill base and attend regular refresher courses to ensure they are abreast of new developments and legislation?	The Council has a Personal Performance and Development programme that reviews the training needs of staff (including those involved in fraud work). In addition as stated above a training log is maintained that lists all training courses/seminars attended.
3.6	Are all those working to counter fraud and corruption undertaking this work in accordance with a clear and ethical framework and standards of personal conduct?	Audit Services follow CIPFA's Audit Code of Practice for Internal Audit in Local Government 2006.  SMBC employees are governed by an Employee Code of Conduct  The Fire Authority will soon be issuing a Code of Conduct for all its employees to follow.
3.7	Is an effective propriety checking process: implemented by appropriately trained staff – in place that includes appropriate action where individuals fail the check?	Standing Orders 02/06 – Recruitment Procedures ensure that all such checks are carried out.  Pro-active fraud work for 2009/10 is planned to review new employees and ensure that all relevant checks are completed.
3.8	Does the organisation regularly review its propriety checking and are random checks carried out to ensure that it is implemented?	Pro Active fraud work for 2009/10 is planned to review new employees and ensure that all relevant checks are completed.  All applicants have to declare any previous criminal convictions and any new starters who work with vulnerable people are subject to a CRB check.
3.9	Are there framework agreements in place to work with other organisations and agencies?	There is a joint working protocol with the External Auditors. Other 'organisations' Audit Services interacts with include: <ul style="list-style-type: none"> <li>• Audit Commission (NFI)</li> <li>• Other local authorities (Chief Auditor's Group, Regional Fraud Group etc.)</li> <li>• Police</li> <li>• West Midlands Fraud Investigators Group (WMFIG)</li> </ul>
3.10	Are there framework agreements focused on the practicalities of common work?	Historically this has not been required due to the relatively small size of the interaction.

3.11	Are there regular meetings to implement and update these agreements?	Regular meetings with the External Auditors. Quarterly meetings of the Chief Auditor's and WM Fraud Group. Regular meetings between Executive officers and Audit Services.
<b>4. Taking Action to Tackle the Problem</b>		
4.1	Is the organisation undertaking the full range of necessary actions (See also 1.3 and 1.4)?	<p>Via pro-active fraud work including:</p> <ul style="list-style-type: none"> <li>• Reviewing the fraud policy</li> <li>• Reviewing Financial Regulations</li> <li>• Issuing quarterly Fraud Newsletters</li> <li>• Holding Raising Fraud Awareness Seminars for Fire Authority Managers</li> <li>• Running a WM Fraud Group</li> <li>• Review of high risk areas in the Fraud Risk Register</li> <li>• Full participation in the National Fraud Initiative</li> </ul> <p>And thorough investigating all suspected cases of fraudulent activity. Regular audit reports looking at the Fire Authority internal control systems.</p> <p><b>Actions Required</b> Producing a Raising Fraud Awareness Guide for Fire Authority managers</p>
4.2	Does the organisation have a clear programme of work attempting to create a real anti-fraud and corruption and zero tolerance culture (including strong arrangements to facilitate whistleblowing)?	<p>There is a pro-active fraud programme based around the Fire Authority's Fraud Risk Register, along with the activities described in 4.1 above.</p> <p>There is a whistle blowing policy in place.</p>
4.3	Are there clear goals for this work (to maximise the percentage of staff and public who recognises their responsibilities to protect the organisation and its resources)?	<p>There is a programme of work with the intention of raising the profile of fraud.</p> <p><b>Actions Required</b> Questionnaire to employees asking about their responsibilities and do they know about relevant policies (whistle blowing etc)</p>

4.4	Is this programme of work being effectively implemented?	<p>The work undertaken by the Councils Counter Fraud Unit, on behalf of the Fire Authority, are reviewed by the Audit Services Manager and reports are issued to the Fire Authority Audit Committee, where appropriate.</p> <p>Audit Services annually delivers the agreed audit plan.</p> <p>Quarterly progress reports are issued to the Fire Authority Audit Committee.</p>
4.5	Are there arrangements in place to evaluate the extent to which a real anti fraud and corruption culture exists or is developing throughout the organisation?	<p>Staff awareness is being raised through the delivery of Fraud Awareness Seminars delivered by Audit Services.</p> <p><b>Actions Required</b> Questionnaire to employees asking about their responsibilities and do they know about relevant policies (whistle Blowing etc)</p> <p>Consider – Online fraud training that can be delivered to the whole of the Fire Authority</p>
4.6	Are agreements in place with stakeholder representatives to work together to counter fraud and corruption?	On the behalf of the Fire Authority Audit Services chairs a West Midlands Fraud Group which includes NHS, Police and other Local Authorities. Where appropriate other stakeholder groups can be added.
4.7	Have arrangements been made to assure that stakeholder representative's benefit from successful counter fraud and corruption work?	On the behalf of the Fire Authority Audit Services chairs a West Midlands Fraud Group which includes NHS, Police and other Local Authorities. Where appropriate other stakeholder groups can be added.
4.8	Does the organisation have a clear programme of work attempting to create a strong deterrent effect?	Refer to 4.1 and 4.2 above.

4.9	<p>Does the organisation have a clear programme of work to publicise the:</p> <ul style="list-style-type: none"> <li>• Hostility of the honest majority to fraud and corruption</li> <li>• Effectiveness of preventative arrangements</li> <li>• Sophistication of arrangements to detect fraud and corruption</li> <li>• Professionalism of those investigating fraud and corruption and their ability to uncover evidence</li> <li>• Likelihood of proportionate sanctions being applied; and</li> <li>• Likelihood of losses being recovered?</li> </ul>	<p>Refer to 4.1 and 4.2 above.</p> <p>Also through the issue of a quarterly anti-fraud and corruption newsletter.</p> <p>No recent frauds have occurred that required this to be undertaken.</p>
4.10	Has the organisation successfully publicised work in this area?	No recent frauds have occurred that required this to be undertaken.
4.11	Has the publicity been targeted at areas of greatest fraud losses?	No recent frauds have occurred that required this to be undertaken.
4.12	Does the organisation seek to design fraud and corruption out of new policies and systems and to revise existing ones to remove apparent weaknesses?	Audit Services review key new and existing systems and make recommendations to improve the control environment where applicable. Fraud reports also specifically highlight areas of weakness and recommendations to correct the failing.
4.13	Do concluding reports on investigations include a specific section on identified policy and system weaknesses that allowed the fraud and corruption to take place?	Yes, following each investigation Audit Services issue a report to the relevant management team, including details of how the fraud occurred, why it occurred, and what needs to be done to prevent it occurring again.
4.14	Is there a system for considering and prioritising action to remove these identified weaknesses?	<p>Each internal audit recommendation is categorised.</p> <p>Key recommendations are followed up to ensure they are implemented.</p> <p>Quarterly reports to the Audit Committee highlight non compliance with implementing agreed recommendations.</p>

4.15	Are there effective whistleblowing arrangements in place?	There is a whistle blowing policy (SO 2/20) in place. The Monitoring Officer oversees the Fire Authority's whistleblowing arrangements. Allegations regarding possible fraud are passed to Audit Services.
4.16	Are analytical intelligence techniques used to identify potential fraud and corruption?	As and when required, including the compilation of a fraud risk register (scoring likelihood and impact). IDEA analytical tool held by Audit Services. The Fire Authority also takes part in the NFI programme. The National Fraud Initiative is a data matching exercise undertaken by all public bodies in England and Wales that highlight potential instances of fraud within Payroll, Creditors etc. Audit Services lead this programme on behalf of the Fire Authority.
4.17	Are there effective arrangements for collating, sharing and analysing intelligence?	Through NFI and more recently the Fraud Group which was set up and is hosted by Sandwell MBC Audit Services.
4.18	Are there arrangements in place to ensure that suspected cases of fraud or corruption are reported promptly to the appropriate person for further investigation?	All instances of fraud should be reported to the Fire Authority Treasurer who will then pass them onto Audit Services so they can be investigated.
4.19	Are arrangements in place to ensure that identified potential cases are promptly and appropriately investigated?	Audit Services have a fraud investigation manual/procedure that covers how an investigation should proceed.
4.20	Are proactive exercises undertaken in key areas of fraud risk or known systems weaknesses?	Pro-active fraud work is carried out in accordance with the annual audit plan and the Fraud Risk Register.
4.21	Is the organisations investigation work effective?	All investigations carried out are reviewed internally to ensure that they have complied with the fraud investigation manual. This includes a post review of investigations and a post investigation questionnaire issued to the relevant manager.
4.22	Is it carried out in accordance with clear guidance?	Through the Audit Services fraud investigation manual/procedure. All investigations are either carried out by the Head of the Counter Fraud Unit or are reviewed by the Head of the Counter Fraud unit to ensure compliance with the fraud manual.



4.23	Do those undertaking investigations have the necessary powers, both in law, where necessary, and within the organisation?	Through Legal Services, Financial Regulations, working with the Police, use of RIPA (Regulatory Investigation Powers Act) etc. The Audit Services Manager is a RIPA authorising signatory.
4.24	Are referrals handled and investigations undertaken in a timely manner?	While each investigation is unique, and by their nature difficult to estimate timeframes for, timely investigations are key to a successful conclusion. This is implicit in each investigation.
4.25	Does the organisation have arrangements in place for assessing the effectiveness of investigations?	Through the work of the Monitoring Officer/Audit Services Manager and the Audit Committee.  The Audit Commission independently assess the Fire Authority's performance in the NFI process.  After each investigation a questionnaire is issued to the "client" area for completion.
4.26	Does the organisation have a clear and consistent policy on the application of sanctions where fraud and corruption is proven to be present?	Through the Fire Authority's disciplinary procedures.  <b>Action required</b> The Anti Fraud and Corruption Policy does not mention the recovery of monies lost to fraud.
4.27	Are all possible sanctions – disciplinary / regulatory, civil and criminal considered?	There have been no recent frauds, however all sanctions are considered during any investigation.
4.28	Does the consideration of appropriate sanctions take place at the end of the investigation when all evidence is available?	Sanctions are considered once a case has been proven. However, staff may be suspended while an investigation is ongoing.
4.29	Does the organisation monitor the extent to which the application of sanctions is successful?	As and when required – to date no need.
4.30	Does the organisation have a clear policy on the recovery of losses incurred to fraud and corruption?	If the losses are considered to be significant and there is clear value for money in pursuing recovery then the Fire Authority will do so.

4.31	Is the organisation effective in recovering any losses incurred to fraud and corruption?	As and when required – to date no need.  If the losses are considered to be significant and there is clear value for money in pursuing recovery then the Fire Authority will do so.
4.32	Does the organisation use the criminal and civil law to the full in recovering losses?	As and when required – to date no need.  If the losses are considered to be significant and there is clear value for money in pursuing recovery then the Fire Authority will do so.
4.33	Does the organisation monitor proceedings for the recovery of losses?	As and when required – to date no need.  This is undertaken by Sandwell Debt Recovery on behalf of the Fire Authority: through the usual processes through Sandwell MBC.
4.34	What is the organisations successful recovery rate?	To date no losses have needed recovery.
<b>5. Defining Success</b>		
5.1	Are there clear outcomes described for work to counter fraud and corruption?	Each investigation results in a detailed report listing all the findings and recommendations to ensure that the control weakness/failure is rectified.
5.2	Do the desired outcomes relate to the actual sums lost to and harm caused by fraud and corruption?	To date no losses have needed recovery.