

CIPFA Managing the Risk of Fraud Self Assessment & Action Plan 2007

**APPENDIX TO
AGENDA ITEM 436**

Code Ref:	Detail	Compliance			Actions	Responsibility	Target Date
		Yes	Partial	No			
1.0	Adopting the Right Strategy <i>Key Elements of a Strategic Approach</i>						
1.1	Does the organisation have a counter fraud and corruption strategy that can be clearly linked to the organisation's overall strategic objectives? One of the Fire Authority's three Strategic Aims is to provide Value for Money. These Strategic Aims are underpinned by a series of cross relating Strategies including ones on Value for Money and Budget issues and governing rules including Financial Regulations, Delegated functions and Contract Standing Orders. Complementary to these all of these (and also cross referred to within them) are codes of conduct for both Members of the Fire Authority and its employees. Linked to these Codes of Conduct are the Anti Fraud and Corruption Strategy and its related, but separate, Whistleblowing policy.	Yes			All relevant constitutional documents updated and approved by CFA December 2007 and January 2008. Revamped Value for Money and Budget Strategy to P&R Panel in May 2008 for approval Employees Guide and leaflet for staff to be provided by PSU team 2008/09.	ACO(CS)	31 July 2008
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? Yes. In December 2007, The Fire Authority approved the latest Anti-Fraud & Corruption Strategy and Whistle Blowing policy and updated Codes of Conduct to impart to employees the need to uphold the integrity of the Authority and ESFRS, and to give greater awareness and guidance on the risks of fraud and corruption. In addition, the Five Year Internal Audit Programme (part of the organisation's managed audit approach to support the Audit Commission), as approved annually by the Scrutiny & Audit Panel in May each year, considers the potential risk of fraud across all functions of the organisation and tailors its five year programme accordingly. In support of business effectiveness and value for money, ESFRS has a business assurance team which uses trained auditors to undertake business effectiveness reviews, including Station inspections and ensuring all documentary arrangements on health and safety, financial matters, testing of equipment extra remain accurate and up to date. This includes further inspections of claim forms etc in addition to those undertaken by senior operational managers from time to time and the audit review processes	Yes			Still need to prepare summary of areas of potential risk of fraud and corruption, identify value of money involved, who is involved and what internal control checks are in place	ACO(CS)/ C&IM	31 July 2008

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1.3	<p>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> <p>These issues are covered in part in the response to 1.2 above. There is a zero tolerance culture in the context that any anomaly spotted is investigated and our formal disciplinary procedures enacted. However, preventative processes have included:</p> <ol style="list-style-type: none"> 1) continued standardisation and computerisation of systems involving potential areas of fraud with inbuilt verification checks e.g. EBP for electronic procurement and retained pay system. 2) Updating and rationalisation of ESFRS procedural manuals on financial matters and (all others) 3) Keeping under review internal check and control arrangements arising from changes in systems 4) Enhanced training for senior managers on compliance with Standing Orders etc 5) Revamping all contract documentation <p>Existing systems also take into consideration:</p> <ol style="list-style-type: none"> 1) Clear understanding of the nature of the 'operational' and where potential fraud may arise 2) Financial procedures are in place to protect risk of misappropriation of funds such as signing of cheques, funds transfers – separation of duties 3) Clear and medium term risk based approach to auditing scope and procedures – internal/external <p>Register of gifts in place and being actively used. East Sussex FRS has had only one case in the last 2 years that has been referred to Sussex Police. This did not reflect theft from ESFRS rather from the Ben Fund but due to the reputation of the Service a zero tolerance was taken and the individual resigned from the Service. We have to review our policies in respect to sponsorship events. We are currently investigating another case involving the potential sales of ESFRS uniform and equipment on E-bay.</p>	Yes			<p>ACFO to advise on history of discipline cases (edited for names of individuals); issues arising and actions taken</p> <p>We will need to review our policies as a result of most recent case.</p> <p>Need to get copy of register of gifts copied onto file for Auditor's inspection</p>	ACO (CS)	31 July 2008

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1.4	<p>Is the full range of integrated action being taken forward or does the organisation 'pick and choose'?</p> <p>The Authority is committed to combining all adopted fraud & corruption prevention policies in its drive to reduce losses to an absolute minimum and furthermore believes that the greatest success comes from the combination of resources.</p> <p>Integrated actions include</p> <ul style="list-style-type: none"> a) strong constitutions rules b) positive action within strong disciplinary framework c) planned risk based audit regime d) effective financial systems and delegated financial management system e) sound internal checks and controls both on and off system f) 'our values' promulgation throughout the organisation g) effective training regimes for developing financial management competence 	Yes					
1.5	<p>Does the organisation focus on outcomes (i.e. reduced losses) and not just activity (i.e. the number of investigations, prosecutions, etc.)?</p> <p>East Sussex Fire Authority has always had a robust approach to fraud and corruption and whilst disciplinary action has been rare, it is used as much as a deterrent for others as to resolve the implications of the actual event that triggered it. This organisation is very much outcome oriented and looks to ensure every such event is an opportunity to improve business effectiveness, improved guidance and controls and better understanding of staff to the underlying reasons why such events were allowed to occur.</p>	Yes			Same issue as 1.2 above. Still need to prepare summary of areas of potential risk of fraud and corruption, identify value of money involved, who is involved and what internal control checks are in place	ACO (CS)	31 July 2008
1.6	<p>Has the strategy been directly agreed by those with political and executive authority for the organisation?</p> <p>Yes. The Fire Authority has both a Scrutiny and Audit Panel and a Standards Panel and all such strategies are considered by both Panels before seeking final approval from the full Fire Authority</p>	Yes					

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2.0	Accurately Identifying the Risks <i>Measuring fraud and corruption Losses</i>						
2.1	Are fraud and corruption risks considered as part of the organisation's strategic risk management arrangements? <i>Yes they are. The references within the Statements of Assurance /Internal Control summarise the context. The Fire Authority's Corporate Risk Matrix covers the organisation's key 'above the line' (monitored by the Scrutiny and Audit Panel) and 'below the line' risks (monitored by the Corporate Management Team) – fraud is on neither as the risks /occurrences are too low to include – but these are reviewed annually.</i>	Yes					
2.2	Is the organisation seeking to identify accurately the nature and scale of losses to fraud and corruption, using a: <ul style="list-style-type: none"> proper definition of fraud based in civil law for making accurate estimates? professional statistical methodology for making accurate estimates and building in a proper level of independent validation? <i>There is no statistical model at this stage due to the low level of fraud both in quantity and value, however the Authority will be considering this as part of a broad review of Anti Fraud and Corruption policies in 2008/09</i>		Yes		C&IM and ACO(CS) to go through defined terms in law and make sure Strategies to May Panel meetings cross refer to them.	ACO(CS)/C&IM	31 July 2008
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? Losses over the last few years have been minimal, there have only been two reported incidents; the first for false expenses and the second being potential overcharging by a contractor. <i>The Authority's current approach based on clear policies, management controls, internal audit coverage and participation in NFI and reactive investigation where appropriate is believed to be proportionate to the risk. The Audit Commission has not raised any issues regarding the CFA's approach to fraud in either the Use of Resources Assessment or the annual audit and inspection letter.</i>			No	Losses minimal in last five years – no action		

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3.0	Creating and Maintaining a Strong Structure <i>Having the Necessary Authority and Support</i>						
3.1	Do those tasked with countering fraud and corruption have the appropriate authority needed to pursue their remit effectively, linked to the organisation's counter fraud and corruption strategy? ACO(CS) responsible for Strategic finance issues ACFO responsible for Discipline issues ACO(CS) direct liaison with Deputy Treasurer and Deputy Monitoring Officer and organisation's liaison officer for External Audit	Yes					
3.2	Is there strong political and executive support for work to counter fraud and corruption? Terms of reference for Scrutiny & Audit Panel + Discipline Panel	Yes					
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? Financial investment includes a) Internal Audit five year programme b) ESFRS business audit programme with qualified business auditors c) Investment in IT systems to include inbuilt internal control checks and appropriate verifications and data matching where possible	Yes					
	<i>Specialist Training and Accreditation</i>						
3.4	Are all those working to counter fraud and corruption professionally trained and accredited for their role? Yes – ACO(CS) IPFA qualified ACFO competent as a Brigade Manager Deputy Treasurer and Deputy Monitoring Officer professionally qualified Internal and Business Audit teams appropriately qualified	Yes					
3.5	Do those employees who are trained and accredited formally review their skills base and attend regular refresher courses to ensure they are abreast of new developments and legislation? IPFA qualified personnel within ESCC finance and ESFRS personnel required to progress CPD programme. Senior Managers also given constitutional /finance updates	Yes					

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3.6	Are all those working to counter fraud and corruption undertaking this work in accordance with a clear ethical framework and standards of personal conduct? Yes – see Members Handbook on Code of Conduct, Financial Regs, and relevant Strategies.	Yes					
	<i>Propriety Checks</i>						
3.7	Is an effective propriety checking process implemented by appropriately trained staff -in place that includes appropriate action where individuals fail the check? The Authority carries out normal pre-employment checks including CRB as required and will be considering whether to extend proprietary checks (for example some bodies consider credit checks for those being employed to handle cash/access to finance). It is believed that normal pre-employment checks are sufficient for CFA.		Yes				
3.8	Does the organisation regularly review its propriety checking and are random checks carried out to ensure that it is implemented? See above response 3.7			No			
3.9	Are there framework agreements in place to work with other organisations and agencies? There are no formal framework agreements with other organisations, however there is an SLA in place with East Sussex County Council for finance, internal audit, external audit and audit commission requirements. The Authority has good relationships with other counties, authorities and the police. It is not considered that the volume and level of risk require a formal framework agreement at this time.		Yes				
3.10	Are the framework agreements focussed on the practicalities of common work? There are no framework agreements at this time.			No			
3.11	Are there regular meetings to implement and update these agreements? As there are no framework agreements there are no regular meetings on this particular point. However, East Sussex County Council have a fraud awareness project for implementation during 2008/09 and will be considering the impact and suitability for developing more formal relationships with other organisations, with which the Fire Authority can be indirectly linked		Yes				

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4.0	Taking Action to Tackle the Problem <i>Taking the Full Range of Action and Integrating Different Strands</i>						
4.1	Is the organisation undertaking the full range of necessary action (see also 1.3)? <i>Culture, Deterrence and Prevention Framework</i>	Yes			Additional actions as identified above	ACO(CS) /C&IM	31 July 2008
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)?	Yes			Key issue is to get updated Employees Guides out, leaflets for staff, risk assessments of where issues likely to occur and awareness training for managers all as identified above	ACO(CS) /C&IM	31 July 2008
4.3	Are there clear goals for this work (to maximise the percentage of staff and public who recognise their responsibilities to protect the organisation and its resources)? <i>This has all been picked up with the Fairness for All programme which goes through 'Our Values' including personal integrity issues + coupled with tasks identified in 4.2. above</i>	Yes					
4.4	Is this programme of work being effectively implemented?	Yes					
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?			No	Will have to take place after 4.2. actions implemented – but all risks low currently	ACO(CS) /C&IM	31 July 2008
4.6	Are agreements in place with stakeholder representatives to work together to counter fraud and corruption? <i>Via access to ESCC audit and financial team Via access to B&HCC constitutional and legal team Via joint work on NFI database checks annually</i>	Yes					
4.7	Have arrangements been made to ensure that stakeholder representatives benefit from successful counter fraud and corruption work? <i>Both constituent authority appropriate senior officers aware of what is going on</i>	Yes					

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	<i>Deterrence</i>						
4.8	Does the organisation have a clear programme of work attempting to create a strong deterrent effect? See comments in 1.3. above	Yes					
4.9	Does the organisation have a clear programme of work to publicise the: <ul style="list-style-type: none"> • hostility of the honest majority to fraud and corruption; • effectiveness of preventative arrangements; • sophistication of arrangements to detect fraud and corruption; • professionalism of those investigating fraud and corruption and their ability to uncover evidence; • likelihood of proportionate sanctions being applied; and • likelihood of losses being recovered? 		Yes		This is covered in the current Employees Guide but will need a separate leaflet and is an agreed work programme area for 2008/09	ACO(POD)	31 July 2008
4.10	Has the organisation successfully publicised work in this area?			No			
4.11	Has the publicity been targeted at the areas of greatest fraud losses?			No			
	<i>Prevention</i>						
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? This as just been completed with the recent major review of constitutional rules and procedures	Yes					
4.13	Do concluding reports on investigations include a specific section on identified policy and systems weaknesses that allowed the fraud and corruption to take place? Yes in terms of all Internal Audit reports If relevant in terms of business assurance reviews	Yes					
4.14	Is there a system for considering and prioritising action to remove these identified weaknesses? Yes – both report using risk based assessments	Yes					
	<i>Detection</i>	Yes					
4.15	Are there effective 'whistleblowing' arrangements in place? The Authority has a Whistleblowing Policy that is incorporated within the Authority Member's Handbook.	Yes					

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4.16	Are analytical intelligence techniques used to identify potential fraud and corruption? See comments in 1.5. above			No			
4.17	Are there effective arrangements for collating, sharing and analysing intelligence? In so far as NFI information – but still need to do exercise in 1.5 above	Yes					
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 written into ESFA constitutional arrangements	yes					
4.19	Are arrangements in place to ensure that identified potential cases are promptly and appropriately investigated? All written into ESFA constitutional arrangements	yes					
4.20	Are proactive exercises undertaken in key areas of fraud risk or known systems weaknesses? Through Internal Audit risk based programme Through Business Assurance arrangements Through IT development programmes	yes					
	<i>Investigation</i>						
4.20	Is the organisation's investigation work effective? Disciplinary case load results indicate that this is the case.	Yes					
4.21	Is it carried out in accordance with clear guidance? FRA disciplinary arrangements explicit	Yes					
4.22	Do those undertaking investigations have the necessary powers, both in law, where necessary, and within the organisation? FRA disciplinary arrangements explicit and at Principal Officer level	Yes					
4.23	Are referrals handled and investigations undertaken in a timely manner? FRA disciplinary arrangements explicit to this effect	Yes					
4.24	Does the organisation have arrangements in place for assessing the effectiveness of investigations? Yes if necessary via Internal Audit/Business Assurance or calling in another FRA if deemed that serious/high level	Yes					

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	<i>Sanctions</i>						
4.25	Does the organisation have a clear and consistent policy on the application of sanctions where fraud or corruption is proven to be present? <i>The ESFRS has a discipline policy that addresses misconduct including fraud or corruption, which is managed for consistency by the ACFO and process managed by the DPS. Sanctions follow national guidance and are supported by ACAS framework should a case of gross misconduct be identified. ESFRS has experience over two years ago of dealing with theft, fraud leading to dismissal of the individuals.</i>	Yes			ACFO to confirm content with current position	ACFO	31 July 2008
4.26	Are all possible sanctions -disciplinary / regulatory, civil and criminal - considered?	Yes					
4.27	Does the consideration of appropriate sanctions take place at the end of the investigation when all the evidence is available?	Yes					
4.28	Does the organisation monitor the extent to which the application of sanctions is successful?	Yes					
	<i>Redress</i>						
4.29	Does the organisation have a clear policy on the recovery of losses incurred to fraud and corruption? <i>East Sussex Fire Authority has a fraud policy that states every effort will be made to recover losses. However, in practice matters are considered on a case by case basis dependent on the amounts involved, the economic benefits and the message such action gives.</i>			No			
4.30	Is the organisation effective in recovering any losses incurred to fraud and corruption? <i>No cases requiring recovery of losses?</i>	Yes					
4.31	Does the organisation use the criminal and civil law to the full in recovering losses? <i>Yes as required and based upon Fire Authority officers' advice i.e. Treasurer and Monitoring Officer</i>	Yes					

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4.32	Does the organisation monitor proceedings for the recovery of losses? Whilst the Authority does have arrangements in place for the recovery of overpayments to employees and suppliers, the number of instances of proven fraud and resulting recovery are comparably small. At present there is no formal system, However, as part of the Authority's fraud awareness strategy the necessity for such a system that would monitor the allegations of fraud or corruption and their investigation will be strongly considered.		Yes			ACO(CS) /C&IM	31 July 2008
4.33	What is the organisation's successful recovery rate? No issues requiring this to date			No			
5.0	Defining Success						
	<i>Focusing on outcomes and not merely activity</i>						
5.1	Are there clear outcomes described for work to counter fraud and corruption?	Yes					
5.2	Do the desired outcomes relate to the actual sums lost to fraud and corruption?	Yes					