

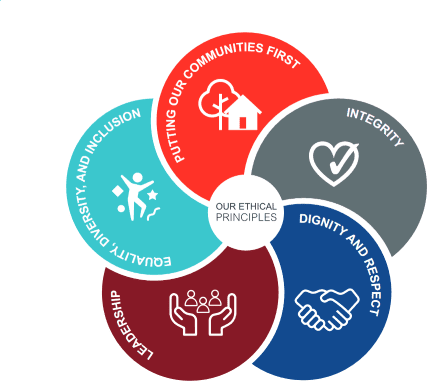
**AGENDA ITEM: 9 NORTHAMPTONSHIRE COMMISSIONER FIRE AND RESCUE AUTHORITY**

**JOINT INDEPENDENT AUDIT COMMITTEE**

**2nd October 2024**

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| **REPORT BY** | Vaughan Ashcroft, Chief Finance Officer  Phil Pells, T/ACFO |
| **SUBJECT** | Update on Fraud and Corruption Controls and Processes |
| **RECOMMENDATION** | To consider the report |

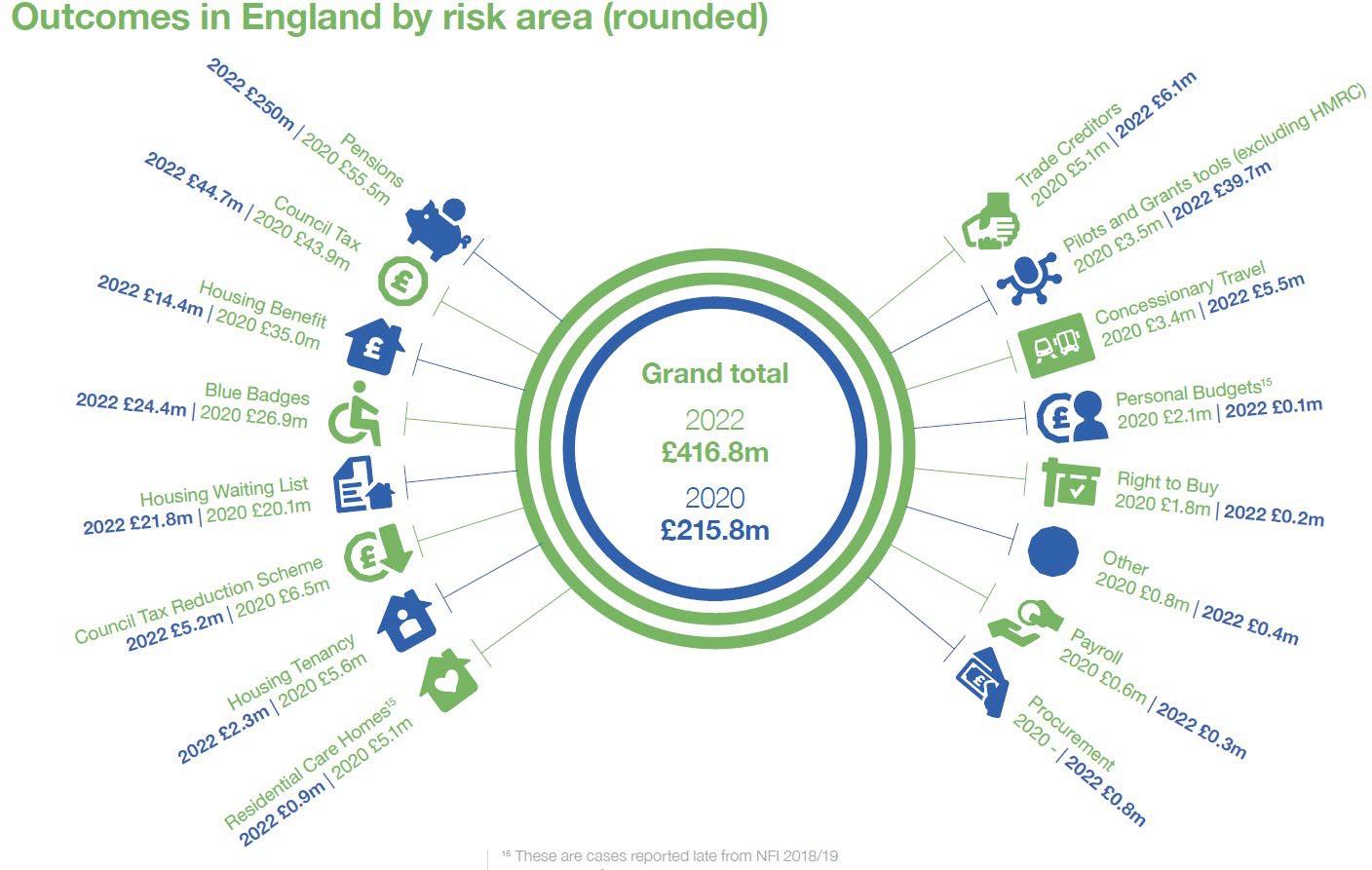
1. **PURPOSE OF THE REPORT**
   1. This report provides the committee with updated details of standards and robust processes and procedures Northamptonshire Fire & Rescue Service (NFRS) currently has in place to identify and mitigate the likelihood of fraud.
2. **NATIONAL ARRANGEMENTS**
   1. A national Core Code of Ethics for Fire and Rescue Services in England has been developed in partnership with the National Fire Chiefs Council (NFCC), Local Government Association (LGA), and the Association of Police and Crime Commissioners (APCC) to support a consistent approach to ethics, including behaviours, by Fire and Rescue Services (FRSs) in England.
   2. It is intended to help to improve the organisational culture and workforce diversity of FRSs, ensuring that communities are supported in the best way.
   3. The Core Code sets out five ethical principles, based on the Seven Principles of Public Life, which alongside the national guidance provides a basis for promoting good behaviour and challenging inappropriate behaviour:
      * Putting our communities first – we put the interest of the public, the community and service users first.
      * Integrity – we act with integrity, including being open, honest and consistent in everything we do.
      * Dignity and respect – making decisions objectively based on evidence, without discrimination or bias.
      * Leadership – we are all positive role models, always demonstrating flexibility and resilient leadership. We are all accountable for everything we do and challenge all behaviour that falls short of the highest standards.
      * Equality, diversity, and inclusion (EDI) – We continually recognise and promote the value of EDI both within the FRSs and the wider communities in which we serve. We stand against all forms of discrimination, create equal opportunities, promote equality, foster good relations, and celebrate difference.



* 1. NFRS continues to fully embed the Core Code of Ethics into every aspect of its organisational delivery, corporately and how it leads and develop all staff and operational firefighting activity.
  2. The benefits to the service of embedding the Core Code of Ethics are to:
     + Achieve greater consistency in ethical and professional behaviour.
     + Generate a more positive working culture, which embraces learning and is transparent and accountable.
     + Improve trust in and reputation.
     + Enable all those who work for, or on behalf of, to challenge inappropriate behaviour and hold others to account for their actions.
     + Improve the recruitment and retention of a workforce that is representative of the community it serves.
     + Improve governance and leadership.
  3. The Core Code sits alongside the [Code of Ethics Fire Standard developed by the Fire](https://www.firestandards.org/approved-standards/code-of-ethics) [Standards Board](https://www.firestandards.org/approved-standards/code-of-ethics), which reflects the following legislation:
     + Equality Act - Public Sector Equality Duty
     + Local Audit and Accountability Act
     + The Accounts and Audits Regulations
  4. NFRS has fully adopted the NFCC National Leadership Framework. This framework defines the leadership behaviours required for roles within the Fire and Rescue Service. The behaviours complement the Core Code of Ethics which support the way we want to do things, to which we all hold ourselves accountable. The framework also sets out “Contra indicators” – Personal Impact, Outstanding Leadership, Service Delivery and Organisational Effectiveness.
  5. The behaviours are assessed as part of all staff talent and progression processes, discussed in annual appraisals and in strategic leaders 360 degree feedback supporting personal development reviews, which all contribute to the assurance against defined expected levels of performance and behaviours.
  6. All staff are expected to adhere to the behaviours relevant to their role for the purpose of performance expectations, including the evaluation via appraisal processes.
  7. In December 2022 the Fire Standards Board issued the “Leading the Service” standard. The desired outcomes of this standard are to ensure *“A fire and rescue service where everyone works together to keep people safe, protecting life and property and delivering excellence to its community and that’s its community has confidence and trust in the service to prepare for and respond to emergencies”.*
  8. Specific relevant objectives include continuously evaluating its performance to ensure it remains efficient, effective and compliant with legislation, and put adopt controls and processes to effectively manage finances and corporate risks.
  9. Specific relevant benefits include improved governance and leadership of the service and reduction of organisational risk and improved efficiencies, effectiveness, productivity and organisational adaptability. The Service is committed to fully implementing all objectives within this Fire Standard, with governance of the gap analysis and monitoring of improvements of full compliance via the “Leading the Service” Fire Standard working group chaired by Assistant Chief Officer – Service Development.

1. **LOCAL ARRANGEMENTS**
   1. Code of Conduct – The NFRS Code of Conduct policy sets out the general standards expected of all employees, to which all staff are required to read and adhere in conjunction with other service policies.
   2. The public have the right to expect the highest standards of integrity from NFRS employees. Employees are required to:
      * Always conduct themselves in a proper manner.
      * Not allow personal or private interests influence their conduct.
      * Not do anything as an employee which they could not justify to the Service.
      * Inform management of any breach of standards or procedure without fear of recrimination (eg. Policy A52 – Whistleblowing)
      * Engage in any investigations about actual or potential breaches of this code.
   3. If employees fail to follow this code, they may be liable to disciplinary action which could lead to termination of employment.
2. **NATIONAL FRAUD INITIATIVE**
   1. The National Fraud Initiative (NFI) is an exercise that matches electronic data within and between public and private sector bodies to prevent and detect fraud. This includes Fire and Rescue Authorities, Police Forces and OP(F)CCs, Local Probation Trusts and Community Rehabilitation Companies, as well as local councils and a number of private sector bodies.
   2. Fraudsters often target different organisations at the same time, using the same fraudulent details or identities. The NFI can help tackle this by comparing information held by organisations to identify potential fraud and overpayment.
   3. A match does not automatically mean fraud. Often, there may be an explanation for a data match that prompts bodies to update their records and to improve their systems.
   4. Although not mandatory, central government departments, agencies and arm’s length organisations are encouraged to submit datasets on payroll and trade creditors.
   5. The use of data for NFI purposes continues to be controlled to ensure compliance with data protection and human rights legislation.
   6. The main categories of fraud identified by the NFI in England relate to pensions, council tax single person discounts and housing benefit. The latest national report indicated over

£416m of detected fraud, broken down by risk area as follows. The full report is available here: **https://**[**www.gov.uk/government/publications/national-fraud-initiative-reports**](http://www.gov.uk/government/publications/national-fraud-initiative-reports)



* 1. Data matching showing little or no fraud and error can provide bodies with assurances about the effectiveness of their control arrangements. It also strengthens the evidence for the body’s annual governance statement.
  2. NFI data matching plays an important role in protecting the public purse against fraud and is run every two years.
  3. In 2022, NCFRA took part in the second exercise held since the governance transfer. Prior to that, Fire would previously have been included in NFI as part of Northamptonshire County Council. Data provided includes payroll, pensions and suppliers’ data.
  4. In 2022/23, the NFI identified items for review including:
     + Employees or pensioners who were in receipt of two or more incomes.
     + Suppliers records with duplicated information.
     + Duplicate payments to suppliers.
  5. Each one was checked that it was found that all were appropriate and not fraudulent. No concerns or anomalies were raised to the s151 officer.
  6. The 2024 exercise is underway with data collection due to be completed by the end of September.

1. **LOCAL POLICIES AND PROCEDURES**
   1. Several policies and procedures are in place which relate to managing integrity of Firefighters, Retained Firefighters and Staff to which all individuals are required to adhere. These include:
      * A51 - Bribery Act Compliance
      * A6 - Code of Conduct
      * A52 - Whistleblowing
      * E28 - Alcohol & Drugs (Substance Misuse)
      * A15 - Government Procurement Cards
      * A18 - Customer Interaction
      * A23 - Disciplinary Procedure
      * A26 - Grievance Resolution
      * A3 – Business and Travel Expenses
   2. All Policies, procedures and guidance documents are available to staff on ‘Fireplace’, the Service intranet.
   3. The Service induction process for all new starters comprises a structured programme of learning to enable all to become familiar with role, responsibilities and the context in which they are working for the Service. Knowledge and understanding of organisational policies, procedures and core code of ethics form an important early requirement of the induction process.
   4. The service recognises that a positive whistleblowing culture leads to good governance arrangements in any organisation.
   5. The Service has endeavoured to make it easy and secure for staff to raise any concerns and obtain safe and confidential advice about what to do if they have witnessed wrongdoing in the workplace. This includes the internal confidential “Flag it!” reporting mechanism and also “FRS Speak Up” service provided by Crimestoppers, which support the whistleblowing policy.
2. **CORPORATE GOVERNANCE FRAMEWORK**
   1. The NCFRA Corporate Governance Framework (CGF) was established on on 1st January 2019 and was reviewed to reflect all three organisations of: PFCC, CC and NCFRA in May 2023. A further review is underway and expected to be published in Autumn 2024.
   2. The Corporate Governance Framework clarifies the following:

“C4 PREVENTING FRAUD AND CORRUPTION

*Overview and Control*

The PFCC, the CFO and the CC will not tolerate fraud or corruption in the administration of their responsibilities, whether from inside or outside.

There is an expectation of propriety and accountability on officers, staff, volunteers and members at all levels to lead by example in ensuring adherence to legal requirements, rules, procedures and practices.

The PFCC, the CFO, and the CC also expect that individuals and organisations (e.g. suppliers, contractors, and service providers) with whom they come into contact will act towards the PFCC with integrity and without thought or actions involving fraud or corruption.

*Key Controls*

The key controls regarding the prevention of financial irregularities are that:

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| **Key Controls: Preventing Fraud and Corruption** |
| There is an effective system of internal control. |
| The organisation has an effective anti-fraud and corruption policy and maintains a culture that will not tolerate fraud or corruption. |
| All officers, staff, volunteers and members will act with integrity and lead by example |
| Senior managers are required to deal swiftly and firmly with those who defraud or attempt to defraud the organisation or who are corrupt. |
| High standards of conduct are promoted amongst officers, staff, volunteers and members through adherence to codes of conduct. |
| There is an approved Gifts, Gratuities and Hospitality Policy and procedure that must be followed. This includes the maintenance of a register of interests in which any hospitality or gifts accepted must be recorded. |
| Whistle blowing policy and procedures are in place and operate effectively. |

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| Legislation including the Public Interest Disclosure Act 1998 and the Bribery Act 2010 is adhered to. |

Responsibilities of the Statutory Officers

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| **Responsibilities of the Statutory Officers: Preventing Fraud and Corruption** |
| To ensure all staff act with integrity and lead by example. |
| NCFRA CFO/CC are responsible for preparing an effective anti-fraud and anti- corruption policy and maintaining a culture that will not tolerate fraud or corruption and ensuring that internal controls are such that fraud or corruption will be prevented where possible. |
| The organisation shall prepare a joint policy for the registering of interests and the receipt of hospitality and gifts covering officers and staff. The policy is published as appropriate on its website and the Force’s and Service’s website. A register of interests and a register of hospitality and gifts shall be maintained for staff in a manner to be determined by the PFCC. |
| The PFCC and the CC shall prepare a whistle blowing policy to provide a facility that enables staff, the general public and contractors to make allegations of fraud, misuse and corruption in confidence, and without recrimination, to an independent contact.  Procedures shall ensure that allegations are investigated robustly as to their validity that they are not malicious and that appropriate action is taken to address any concerns identified. The PFCC shall ensure that all staff are aware of any approved whistle blowing policy. |
| To implement and maintain an adequate and effective internal financial framework clearly setting out the approved financial systems to be followed. |
| The PFCC, the CFO and the CC shall notify the PFCC CFO and the CC CFO immediately if a preliminary investigation gives rise to any suspected fraud, theft, irregularity, improper use or misappropriation of property or resources. This reporting fulfils the requirements of Section 17 of the Crime and Disorder Act 1998. In such instances, the PFCC, the CC, the PFCC/NCFRA CFO and the CC CFO shall agree any further investigative process. Pending investigation and reporting, the PFCC, the CFO, and CC shall take all necessary steps to prevent further loss and to secure records and documentation against removal or alteration. |
| The PFCC and CC may instigate disciplinary procedures where the outcome of an investigation indicates improper behaviour. |

* 1. Specific controls include:
     + Reliable tendering procedures including checks to ensure legitimacy and integrity of suppliers. The NFI analysis described above will highlight any relationships between employees and suppliers that may need investigation.
     + Internal audits commissioned to scrutinise adherence to controls and to highlight areas of concern/improvement.
     + Regular detailed scrutiny of all expenses/overtime claims and purchase card transactions.
     + Regular review of purchase card holders and authorisers, with a focus on reducing the number of cards where possible and checking that purchase limits are appropriate.
     + Minimal use of cash and rigid cash handling processes in place.
     + Vetting of all officers/staff which is refreshed on a periodic basis.
  2. The transition of all financial administration to Enabling Services has facilitated more detailed scrutiny of expense claims and purchase card transactions, with a member of staff in place to independently review these each month.
  3. The process does on occasion identify queries for investigation but none of these have recently been found to be fraudulent.

1. **INTERNAL AND EXTERNAL AUDITS**
   1. Internal financial audits which would highlight any potentially fraudulent activity are conducted by Forvis Mazars and planned on a cyclical basis, looking at different thematic strands, informed by the risk register.
   2. At the year-end the Head of Internal Audit issues an audit opinion on the control framework and assurances in place. This report is used to inform the Annual Governance Statement as contained within the Statement of Accounts. The latest (2023/24) report was considered at the JIAC in July 2024, receiving ‘Moderate’ assurance overall with no high priority recommendations.
   3. External audits which scrutinise accounting procedures and which would identify and mitigate the likelihood of fraud are conducted annually.
2. **HER MAJESTY’S INSPECTORATE OF CONSTABULARY AND FIRE AND RESCUE SERVICES (HMICFRS)**
   1. The latest inspection of the Service is due to be published imminently, with details due to be presented to the committee when they are available.
   2. The inspectorate indicate that an efficient fire and rescue service will manage its budget and spend money properly and appropriately. There should be financial controls and financial risk control mechanisms to reduce the risk of inappropriate use of public money.
   3. The last inspection the inspectorate did not identify any issues with financial control, financial risk control mechanisms or any inappropriate use of public money. It is expected that the latest inspection will give the same assurance.
   4. The inspectorate has not raised any concerns in relation to Fraud or corruption.
3. **Summary**
   1. This report provides an annual update on Fraud and Corruption Prevention arrangements and processes in NCFRA.