



# CORPORATE COUNTER FRAUD AND INVESTIGATION PLAN 2014/15

Produced by the Head of Internal Audit (Southend-on-Sea Borough Council)  
and Head of Counter Fraud and Investigation (Thurrock Council)

Subject to annual review

- CORPORATE MANAGEMENT TEAM: MARCH 2014
- AUDIT COMMITTEE: MARCH 2014

# CORPORATE COUNTER FRAUD AND INVESTIGATION PLAN 2014/15

## OBJECTIVE

To keep fraud corruption, bribery, theft and misappropriation under control whilst:

- working to reduce it to an absolute minimum, maximising the opportunity to recover losses incurred by the Council
- putting arrangements in place to maintain it at that level so the maximum resources are available to provide services to the local community.

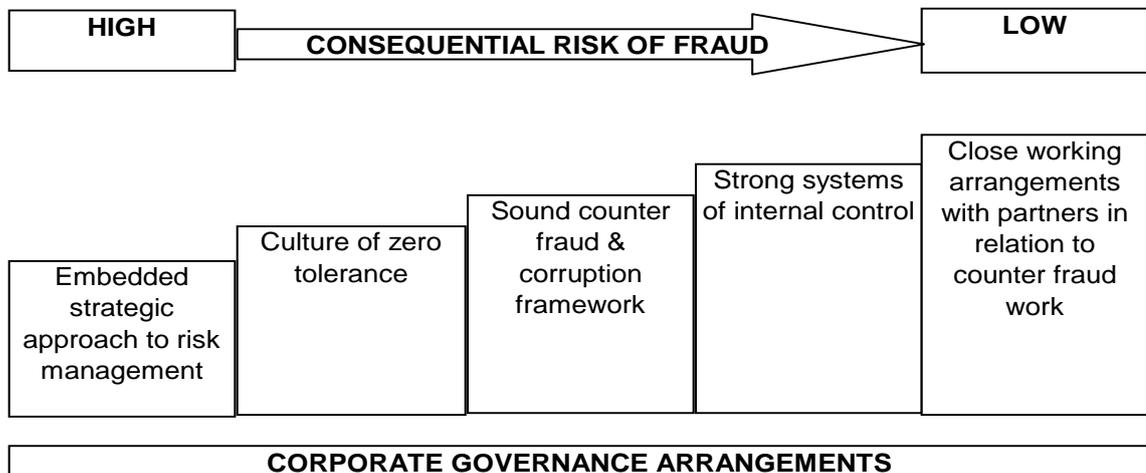
## APPROACH

The Counter Fraud and Investigation (CF&I) service will help the Council minimise financial loss from fraud, corruption, bribery, theft and misappropriation by:

- working with services to set the right culture
- focusing on deterrence and prevention
- having robust arrangements in place to detect potential fraudulent activity
- where necessary, investigating cases thoroughly, taking robust action to apply sanctions, obtain redress and recover financial losses incurred.

Source: CIPFA *Managing the Risk of Fraud, Red Book*

The approach adopted will also help the Council operate a sound anti fraud governance framework designed to minimise this risk as set out below:



Source: ALARM *Managing the Risk of Fraud*

The operating approach adopted by the CF&I service:

- takes account of the good practice guidance set out in the Audit Commission Publication: *Protecting the Public Purse: Local Government Fighting Fraud*
- will deliver the Anti Fraud & Corruption Strategy, the Anti Money Laundering Strategy and help ensure staff are aware of the Whistleblowing Policy.

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The vision outlined in the Fighting Fraud Locally, The Local Government Fraud Strategy is that by 2015, local government will be better able to protect itself from fraud and have in place a more effective fraud response. The operating approach adopted by the CF&I service will enable the Council to deliver this vision.

It will do this by:

- undertaking a programme of preventative and detective work targeted on key fraud risk areas over the next three years
- adopting a modern, comprehensive approach to investigating fraud which maximises the use of tools such as surveillance, computer forensics and financial investigation, taking every opportunity, once an offence is proven in court, to recover losses incurred by seeking:
  - **Compensation Orders** for the amount the Court considers appropriate where it can be proved that the Council has suffered distress, personal injury or financial loss, which may also include a sum by way of interest
  - **Confiscation Orders** requiring a convicted defendant to pay the amount he/she has benefited from the crime (under the Home Office Asset Recovery Incentivisation Scheme, the fraud service would receive 37.5% of this order to reinvest in the prevention and detection of fraud)
  - **Profit Orders** for the recovery from defendants of profits made from unlawful sub-letting either following conviction or in separate civil proceedings.

In delivering this, the CF&I service will continue to:

- look for opportunities to develop beneficial collaborative working arrangements with other organisations and relevant agencies
- work closely with internal audit to provide an effective and integrated service to the Council.

### RISK ASSESSMENT

The National Fraud Authority (NFA), in its Annual Fraud Indicator Report published in June 2013, estimates that fraud in local government amounts to £2.1bn representing 10% of total public sector fraud. Fraud within local government is diverse and, based on research and intelligence, likely to be committed against all types of expenditure including payroll, goods and services, as well as against the taxes and benefits or services administered at a local level.

The National Fraud Authority (NFA) estimates the £2.1bn to be made up of:

CATEGORY	ANNUAL LOSS	FRAUD LEVEL%
Procurement Fraud	£876m	1% of spend
Housing Tenancy Fraud	£845m	2% of housing stock
Payroll Fraud	£154m	Not disclosed by NFA

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CATEGORY	ANNUAL LOSS	FRAUD LEVEL%
Council Tax Discount	£133m	4% on discounts and reliefs claimed
Blue Badge Scheme Abuse	£46m	20% of badges misused
Grant Fraud	£35m	1% of spend
Pension Fraud	£7.1m	N/A based on NFA detection levels

In addition to the above:

- the Department for Works and Pensions (DWP) estimates a further £350m is lost due to fraudulent overpayments of Housing Benefit
- the Audit Commission's report Protecting the Public Purse 2013 also identified detected fraud in 2012/13, in the following areas:

CATEGORY	VALUE
Business Rates	7.2m
Right to Buy	5.9m
Abuse of Position	4.5m
Social Care (Direct Payments)	4.0m
False Insurance Claims	3.0m

All of these identified risks with the exception of the pension fund are relevant to the Council and a source of potential financial loss.

**Appendix 1A** provides a brief definition of the fraud risks in each of these areas.

### WORK PLAN

The Corporate Counter Fraud and Investigation Plan for 2014/15 is attached at **Appendix 1B** and consists of:

- tasks to be undertaken to ensure all aspects of the investigation process at the Council operates effectively, in line with good practice, as the combined team is created
- a programme of proactive work, prioritised so as resources become available they can be most effectively directed
- time allocated to undertake investigations.

## **CORPORATE COUNTER FRAUD AND INVESTIGATION PLAN 2014/15**

### **RESOURCING**

The service will be provided by Thurrock Council via a Service Level Agreement. The Head of Internal Audit will be the contract manager on behalf of the Council.

Should the need arise additional resources can be purchased via a framework contract with an external provider the Council is Party to.

### **IMPACT**

The service will measure the impact of its work by an increase in:

- the identification and reporting of fraud incidents
- the identification of financial loss through targeted and effective proactive anti-fraud work
- losses recovered through the award of Confiscation, Compensation and Profit Orders awarded to the Council.

The successful delivery of this plan informs:

- the Head of Internal Audit's annual opinion on the adequacy and effectiveness of the Council's governance, risk management and control arrangements
- the Section 151 Officer's opinion when certifying the annual financial statements
- the view given in the Council's Annual Governance Statement.

### **PERFORMANCE INDICATORS**

A suite of indicators are being developed to monitor the performance of the new CF&I service delivered via the Service Level Agreement, covering all aspects of team performance including impact.

Senior management and the Audit Committee will be provided with regular performance information which will include:

- the amount of fraud identified and actual losses recovered (split between fraud types)
- the number of cases taken to court and won
- the number of sanctions achieved
- the number of housing properties and Blue Badges recovered
- the extent to which the Council complies with the requirements of Fighting Fraud Locally, the National Fraud Strategy for Local Government.

Performance will be compared year on year over the life of the Service Level Agreement.