

2016/17 Corporate Counter Fraud and Investigation Strategy



Subject to annual review by Group Manager, Counter Fraud & Investigation
and Head of Internal Audit

Reported to Corporate Management Team and Audit Committee

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National Framework

Leaders of public sector organisations have a responsibility to embed effective standards for countering fraud and corruption in their organisations. This supports good governance and demonstrates effective financial stewardship and strong financial management.

In 2012, when it was published, the vision outlined in the Fighting Fraud Locally, The Local Government Fraud Strategy was that by 2015, local government will be better able to protect itself from fraud and have in place a more effective fraud response. It is currently being updated by CIPFA's Counter Fraud Centre for agreement by the Cabinet Office.

On a more operational level, the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption (2014) set out five principles for organisations to adopt, which are to:

- acknowledge the responsibility of the governing body for countering fraud and corruption
- identify the fraud and corruption risks
- develop an appropriate counter fraud and corruption strategy
- provide resources to implement the strategy
- take action in response to fraud and corruption.

Finally Protecting the Public Purse, Fighting Fraud Against Local Government 2014 reported on detected fraud in the sector, looking at year on year trends. It highlights the main fraud areas and the issues faced by local authorities in tackling this risk effectively.

There is a lot of duplication and overlap in terms of the actions each of these documents recommend local authorities take in order to achieve the vision set out in Fighting Fraud Locally. Nevertheless, the aim of this Strategy is to deliver this vision.

In November 2015, investigating housing benefit fraud will transfer to the Department for Work and Pensions (DWP) Single Fraud Investigation Service (SFIS). At present, the Council's view is that none of its staff will transfer to SFIS.

Objective

To work effectively with Council services to develop arrangements that keep fraud, corruption, bribery, theft and misappropriation under control whilst:

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

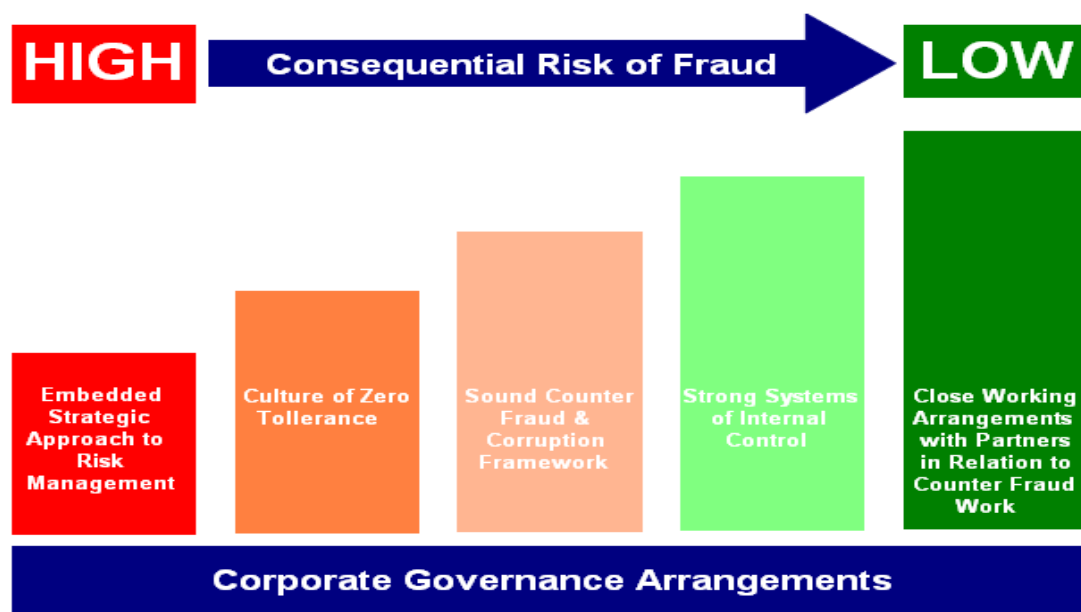
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Approach

The Counter Fraud and Investigation Directorate (the Directorate) 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.

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

It will do this by:

- assessing the Directorate's compliance with good practice guidance relevant to local government, that sets out how a modern and professional counter fraud and investigation service should operate
- producing an annual report on the delivery of this strategy and compliance with good practice guidance
- maintaining an Anti Fraud & Corruption Policy and Strategy and the Anti Money Laundering Policy and Strategy (including Terrorise Financing requirements) as well as helping ensure staff are aware of the Whistleblowing Policy
- undertaking a programme of preventative and detective work targeted on key fraud risk areas
- adopting a modern, comprehensive approach to undertaking investigations 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:

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- **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 Directorate 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 Directorate will:

- develop work streams in fraud risk areas other than housing benefits
- 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.

Code of Ethics

All counter fraud and investigation staff working for the Directorate will comply with Standards of Public Life's *Seven Principles of Public Life* as defined in the Local Code of Governance.

The four key principles they will adopt are as follows:

- The **integrity** of Counter Fraud and Investigation staff establishes trust and this provides the basis for reliance on their judgement.
- Counter Fraud and Investigation staff:
 - exhibit the highest level of professional **objectivity** in gathering, evaluating and communicating information about the activity or process being examined
 - make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgements.
- Counter Fraud and Investigation staff respect the value and ownership of information they receive and do not disclose information (**confidentiality**) without appropriate authority unless there is a legal or professional obligation to do so.
- Counter Fraud and Investigation staff apply the knowledge, skills and experience (**competency**) needed in the performance of counter fraud and investigation services.

Inappropriate disclosure of information or breaches of the Code of Ethics by Counter Fraud and Investigation staff could be a disciplinary offence.

All staff working for the Directorate will be required to sign an Ethical Governance Statement and declare any interests prior to starting an investigation and to formally update their statement as part of their six monthly appraisal meeting.

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Risk Assessment

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) estimated in 2013 that fraud in local government amounted to £2.1bn representing 10% of total public sector fraud as outlined below:

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
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
Department for Works and Pensions (DWP) estimates:		
Housing Benefits Overpayments	£350m	

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

The Audit Commission's report, Protecting the Public Purse 2014 concluded that local authorities detected fewer cases in 2013/14 but their value increased by 6%. It identified detected fraud in the following areas:

Category	Value
Council Tax Discount	16.9m
Right to Buy	12.3m
Social Care (Direct Payments)	6.2m

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Category	Value
False Insurance Claims	4.8m
Abuse of Position	4.5m
Procurement	4.5m
Schools (maintained)	2.3m
Business Rates	1.2m

The Directorate will:

- take account of these nationally identified risks in developing its annual work programme
- work with the Internal Audit Service to develop the fraud risk aspect of the internal audit risk assessment which covers all Council activities. This will help joint working, particularly where proactive exercises are being planned.

Work Plan

The Directorate's Corporate Counter Fraud and Investigation Plan for 2016/17 is split into three areas which include:

- assessing compliance with national frameworks (e.g. Fighting Fraud Locally and Protecting the Public Purse etc) to ensure the Council's governance arrangements in this area are fit for purpose
- investigating allegations of fraud, theft, bribery, corruption and money laundering. (**Appendix 1**)
- delivering a programme of proactive work, including data matching exercises (**Appendix 3**)

All allegations reported to the Directorate will be recorded and then risk assessed to determine the work priorities for the team.

Progress in delivering the work programme will be reported upon quarterly to Corporate Management Team and the Audit Committee.

The work undertaken by the Directorate will inform:

- 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 by the Chief Executive and Leader on behalf of the Council in the Annual Governance Statement
- external audit's work when auditing the financial statements.

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Resourcing

A staff needs assessment will be maintained to calculate the overall capacity of the service as well as that of each council. This will be taken into account when determining the size of the work programme for each council.

The allocation of work between proactive and investigations will be reviewed regularly and adjusted accordingly to ensure an appropriate balance is maintained.

The service will be provided by Thurrock Council via a Service Level Agreement which came into effect on 1 October 2014. The Head of Internal Audit will be the contract manager on behalf of the Council.

Training and Development

Staff development needs will be continually assessed and fed into the service's training plan to ensure that appropriate skills are available to deliver the Strategy. Consideration will also be given to the need for staff to meet mandatory continued professional development requirements, where this is relevant.

Staff will maintain individual training logs that satisfy relevant professional standards. These will be reviewed by line managers at least every six months as part of the corporate performance appraisal process.

Opportunities to purchase tailored training with other organisations will continue to be explored.

Service Performance

The service will measure the impact of its work:

- through its contribution to ensuring the Council's governance arrangements in this area comply with good practice guidance
- by an increase in:
 - the identification and reporting of fraud incidents
 - housing properties recovered
 - the financial loss identified through targeted and effective proactive anti-fraud work
 - losses recovered via Confiscation, Compensation and Profit Orders awarded to the Council, to a minimum value of £50k in 2016/17.

Quarterly performance reports will be produced for senior management and the Audit Committee.

Service Risk Register

The Directorate will maintain a service risk register that supports the delivery of this Strategy. This will be reviewed and reported upon periodically in the quarterly performance reports to management.

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Undertaking Investigations

An investigations manual will be maintained that guides staff in the performance of their duties. It will be reviewed regularly to reflect changes in working practices and standards. This will ensure that investigators obtain and record sufficient evidence to support their conclusions, professional judgements and recommendations.

The Directorate will make recommendations for improving any services, systems or processes should control weaknesses be highlighted by an investigation. It will work with Internal Audit, where necessary, to ensure:

- action plans are produced in a consistent format
- appropriate arrangements are made for checking that actions agreed are implemented, properly, in a timely manner.

The service will adhere to the Council's clear desk policy with regard to client information and investigation files.

Investigation files will be retained in accordance with the Council's file retention and disposal policy.

External Audit

The Directorate will maintain an appropriate working relationship with the Council's external auditors, sharing documentation and reports as required to support the audit of the financial statements and any other work undertaken.