



## Notice of a public meeting of

### Audit and Governance Committee

<b>To:</b>	Councillors Pavlovic (Chair), Daubeney, Fisher (Vice-Chair), Lomas, Mason, Wann and Webb
<b>Date:</b>	Wednesday, 17 February 2021
<b>Time:</b>	5.30 pm
<b>Venue:</b>	Remote Meeting

### AGENDA

#### 1. **Declarations of Interest**

At this point in the meeting, Members are asked to declare:

- any personal interests not included on the Register of Interests
- any prejudicial interests or
- any disclosable pecuniary interests

which they might have in respect of business on this agenda.

#### 2. **Public Participation**

It is at this point in the meeting that members of the public who have registered their wish to speak can do so. Members of the public may speak on agenda items or on matters within the remit of the committee.

Please note that registration deadlines have changed to 2 working days before the meeting, in order to facilitate the management of public participation at remote meetings. The deadline for registering is **5:00pm on Monday, 15 February 2021**.

To register to speak, please visit [www.york.gov.uk/AttendCouncilMeetings](http://www.york.gov.uk/AttendCouncilMeetings) to fill in an online registration form. If you have any questions about the registration form or the meeting, please contact Democratic Services. Contact details can be found at the foot of the agenda.

### **Webcasting of Remote Public Meetings**

Please note that, subject to available resources, this remote public meeting will be webcast, including any registered public speakers who have given their permission. The remote public meeting can be viewed live and on demand at [www.york.gov.uk/webcasts](http://www.york.gov.uk/webcasts).

During coronavirus, we've made some changes to how we are running council meetings. See our coronavirus updates ([www.york.gov.uk/COVIDDemocracy](http://www.york.gov.uk/COVIDDemocracy)) for more information on meetings and decisions.

### **3. Counter Fraud Framework Update (Pages 1 - 74)**

This report presents a new counter fraud and corruption strategy for City of York Council based on the new national counter fraud strategy for local government, updates the council's fraud risk assessment and fraud and corruption policy to meet the latest guidance, and provides an update on national and local counter-fraud trends and developments.

### **4. Internal Audit Plan Consultation (Pages 75 - 80)**

This report seeks Members' views on the priorities for internal audit for 2021/22, to inform the preparation of the annual programme of work.

### **5. Audit and Counter Fraud Monitoring Report (Pages 81 - 94)**

This report provides an update on the delivery of the internal audit work plan for 2020/21 and on counter fraud activity undertaken so far in 2020/21.

### **6. Corporate Governance Team Report**

*Report to follow*

**7. Work Plan (Pages 95 - 98)**

To receive a draft plan of reports currently expected to be presented to future meetings of the Committee up to April 2022.

**8. Urgent Business**

Any other business which the Chair considers urgent under the Local Government Act 1972.

Democratic Services officer:

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For more information about any of the following please contact Democratic Services on the details above:

- Registering to speak
- Business of the meeting
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**我們也用您們的語言提供這個信息 (Cantonese)**

এই তথ্য আপনার নিজের ভাষায় দেয়া যেতে পারে। (Bengali)

Ta informacja może być dostarczona w twoim własnym języku. (Polish)

Bu bilgiyi kendi dilinizde almanız mümkündür. (Turkish)

یہ معلومات آپ کی اپنی زبان (بولی) میں بھی مہیا کی جاسکتی ہیں۔ (Urdu)

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**Audit and Governance Committee**

17 February 2021

Report of the Head of Internal Audit

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**Counter Fraud Framework Update**

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**Summary**

- 1 The council last approved a new counter fraud and corruption strategy and action plan in 2017. This report presents a new counter fraud and corruption strategy for the City of York Council based on the new national counter fraud strategy for local government, Fighting Fraud and Corruption Locally. The report updates the council's fraud risk assessment and counter fraud and corruption policy to meet latest guidance. There is also an update on the national and local counter fraud trends and developments; particularly arising from the covid-19 pandemic.

**Background**

- 2 Fraud is a serious risk to the public sector in the UK. When fraud is committed against the public sector, money is diverted from vital public services into the hands of criminals. Fraudsters are constantly refining their tactics and techniques in order to circumvent the checks and controls put in place to prevent fraud from occurring. In order to protect income and assets public sector bodies must therefore continuously develop their counter fraud measures to meet the evolving threats. A strong deterrent is required to prevent fraud from being committed.

**National Picture**

- 3 In the current financial year, as part of the government's response to the covid-19 pandemic, local authorities have been responsible for issuing grants to eligible businesses. A number of schemes have been open to support businesses at different times throughout 2020/21. During the first business support scheme, which ran from March to September 2020, £11.7 billion was distributed nationally. Fraudsters have attempted to divert grants from legitimate businesses, and ineligible businesses have attempted to mislead

councils about their circumstances in order to receive grants. Councils have been required to implement suitable counter fraud measures and are now undertaking post assurance work to help ensure that grants were correctly paid. If fraud or error is detected then a recovery process will begin that can include the prosecution of offenders.

- 4 Cyber-crime is a growing concern for local government in the UK. There have been a number of attacks on UK public sector organisations over the past few years, e.g. Parliament and the NHS. In 2019 Kaspersky reported a 60% increase in ransomware attacks on local governments worldwide and pointed towards similar attacks in the United States. A council in the North East suffered a catastrophic cyber-attack in early 2020. The ransomware attack removed access to multiple systems across the organisation and criminals tried to extort money from the council to restore them. A return to full functionality took many months at great financial cost. In October 2020 a council in London suffered a similar attack and it was recently reported that their data had been released on the dark web. It is important that all councils make members of staff aware of cybercrime and what precautions to take in order to prevent it.
- 5 Veritau has provided support to the council throughout the current financial year around covid-19 related payments. The counter fraud team is currently undertaking post-assurance checks on grant payments in line with government guidance and further checks will be made as part of the upcoming 2020/21 National Fraud Initiative. Cyber-crime awareness forms part of all fraud awareness training delivered to staff at the council.

### **Local Picture**

- 6 As part of the Small Business Grant Fund, Retail, Hospitality and Leisure Grant Fund and the Local Authority Discretionary Grant Fund the council made payments to over 4,300 businesses, totalling more than £49.7 million. Council officers, with the support of the counter fraud team, conducted checks into each application to make sure they met the criteria set by government and the payments were being made to the correct people. Where concerns were identified cases have been directed to the counter fraud team.
- 7 The council is sending monthly reports detailing payments to the Department for Business, Energy & Industrial Strategy (BEIS) and

has produced a risk assessment for the covid-19 grant schemes detailing what steps have been taken to mitigate fraud risk.

- 8 The counter fraud team has been liaising with the National Investigation Service (NATIS), the National Anti-Fraud Network (NAFN), and the Department for Business, Energy & Industrial Strategy to report fraudulent applications by organised criminals, as well as sharing intelligence with council colleagues.
- 9 Some aspects of the work of the counter fraud team have been disrupted by the covid-19 pandemic. Activities like visits to people's homes and interviews under caution in council offices are still affected, but the team have found new ways to undertake this work.

### **Counter Fraud Framework Review**

- 10 The council's Counter Fraud and Corruption Strategy 2017-19 was approved in February 2017, and covered the same time period as the national counter fraud strategy for local government – Fighting Fraud and Corruption Locally. The national strategy was refreshed in April 2020, and has the support of counter fraud professionals and the Local Government Association. The most recent iteration, Fighting Fraud and Corruption Locally – A Strategy for the 2020s, is contained in annex 1 for reference.
- 11 An updated council Counter Fraud and Corruption Strategy for 2020-23 (see annex 2) and an associated action plan has been drafted. The strategy takes into account the guidance in the new national strategy.
- 12 As part of this review the council's counter fraud risk assessment was also updated to reflect current risk. The assessment is included at annex 3.
- 13 The council's Counter Fraud and Corruption Policy was last updated in 2017. On 31 December 2020, new guidance from the Attorney General on disclosure in criminal prosecutions came into force. The new guidance seeks to ensure that all relevant evidence is disclosed to the defence ahead of a criminal prosecution, and that there is an opportunity for discussion between the defence and prosecutor up to commencement of any proceedings. The policy has been updated to reflect this new guidance as well any other references that need to be updated, e.g. job titles. Proposed changes to the policy are shown as tracked changes in annex 4.

### **Consultation**

- 14 Not relevant for the purpose of the report.

### **Options**

- 15 Not relevant for the purpose of the report.

### **Analysis**

- 16 Not relevant for the purpose of the report.

### **Council Plan**

- 17 The work of internal audit and counter fraud supports overall aims and priorities by promoting probity, integrity and honesty and by helping to make the council a more effective organisation.

### **Implications**

- 18 There are no implications to this report in relation to:

- **Finance**
- **Human Resources (HR)**
- **Equalities**
- **Legal**
- **Crime and Disorder**
- **Information Technology (IT)**
- **Property**

### **Risk Management Assessment**

- 19 The council will fail to comply with proper practice if counter fraud and corruption arrangements are not reviewed periodically.

### **Recommendations**

- 20 Members are asked to;
- comment on the new Counter Fraud and Corruption Strategy and action plan in annex 2
  - comment on the updated Fraud Risk Assessment and Counter Fraud and Corruption Policy in annexes 3 and 4.

Reason

In accordance with the committee's responsibility for assessing the effectiveness of the Council's counter fraud arrangements.

**Contact Details**

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**Report  
Approved**



**Date**

5 February  
2020

**Specialist Implications Officers**

Not applicable

**Wards Affected:** Not applicable

**All**



**For further information please contact the author of the report**

**Background Papers**

None

**Annexes**

Annex 1 – Fighting Fraud and Corruption Locally: A Strategy for the 2020s

Annex 2 – Counter Fraud and Corruption Strategy 2020-2023

Annex 3 – Fraud Risk Assessment

Annex 4 – Counter Fraud and Corruption Policy

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# Fighting Fraud and Corruption Locally

A strategy for the 2020s

A response to economic crime and fraud



# With support from:



This is the third Fighting Fraud and Corruption Locally Strategy, produced by local government for local government.

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# Foreword

## — Richard Watts



Since the first strategy was produced in 2011 councils have faced significant financial challenges. Councils have innovated, collaborated and prioritised in order to meet the financial challenge and to protect front line services. Tackling the threat of fraud and corruption has been and continues to be a cornerstone of protecting council finances and enabling them to maximise the value of every pound spent on behalf of local residents.

Every pound siphoned off by a fraudster is a pound that cannot be spent on services where they are needed. Councils need to be vigilant. Councils have a good record in countering fraud and the strategy contains numerous case studies and examples of successes.

As the strategy highlights, it is estimated that about one in three of all crimes committed nationally is fraud based and fraudsters are always seeking new ways to take money. The strategy also highlights that potential losses to fraud could run into hundreds of millions or even billions of pounds if preventative action is not

taken. Councils need to be agile and work together with national agencies and the Government to respond to new fraud threats, to prevent losses and to protect vulnerable people in our society. Collaboration to counter and prevent fraud is a theme running through the strategy.

The Fighting Fraud and Corruption Locally Strategy is an excellent example of how councils can come together for the overall benefit of local services and residents served. The strategy has been led by the Fighting Fraud and Corruption Locally Board. This Board has been described as “a coalition of the willing”. It is a group of senior multi-disciplinary experts from councils working together with partners, that work with the councils on counter fraud activities. The Board is currently chaired by a representative from the Society of Local Authority Chief Executives (SOLACE). The Board members and the organisations they come from all provide their expertise on a pro bono basis, for the benefit of the sector and to help counter fraud. The board is supported by the LGA. In carrying out the research to draft this new strategy, the board has run several workshops up and down the country that have been attended by representatives from more than 250 councils. The work of all these people is reflected in the strategy and our thanks are due to all of them.

The strategy outlines, outlines a governance framework for continuing national and regional collaboration on counter fraud under the Fighting Fraud and Corruption Locally umbrella. Section four of the strategy outlines a practical programme and checklist for individual councils to follow.

I am happy to endorse this strategy on behalf of the LGA and welcome it as an opportunity for councils to review and further improve their counter fraud work in the 2020s.

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**Cllr Richard Watts**

Chair Resources Board, Local  
Government Association  
Leader Islington Council

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# Foreword

## — Mike Haley

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As the Chair of the Joint Fraud Taskforce I am delighted to support The Fighting Fraud and Corruption Locally 2020 strategy at a time when incidences of fraud and corruption are rising and there is an identified need for councils and their leaders to adopt a robust response.

Having worked as a fraud investigator I understand the importance of collaborative working and of having a structure and framework that guides and governs counter fraud and associated corruption activities.

Through working together and applying the principles of this strategy I am convinced that, perhaps for the first time, we have a model for true collaboration that is so important in identifying fraudsters, often organised groups, who seek to undermine and take financial advantage of systemic vulnerabilities and abuse those citizens in our community who are in themselves vulnerable.

I recognise the challenge that we all face in having to balance demands on resource across essential services at a time when funding is constrained. However, I also recognise the important role that local authorities and their frontline services play in tackling fraud and corruption that are a drain on those resources. Savings through enforcement and bringing fraudsters to justice can be used to support our social services and can build stronger and safer communities.

I am convinced that this strategy is an important step in tackling fraud and corruption that is so corrosive to society. In my role as Chair of the Joint Fraud Taskforce I welcome my local authority colleagues. By working together, I am convinced that we can deliver a step change in tackling fraud.

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**Mike Haley**

Chair of the Joint Fraud Taskforce

The Joint Fraud Taskforce is a partnership between banks, law enforcement and government to deal with economic crime.

# Executive Summary

*Fighting Fraud and Corruption Locally 2020 is the updated counter fraud and corruption strategy for local government. It provides a blueprint for a coordinated response to fraud and corruption perpetrated against local authorities with the support of those at the top.*

## **By using this strategy local authorities will:**

- *develop and maintain a culture in which fraud and corruption are unacceptable*
- *understand the harm that fraud can do in the community*
- *understand their fraud risk*
- *prevent fraud more effectively*
- *use technology to improve their response*
- *share information and resources more effectively*
- *better detect fraud loss*
- *bring fraudsters to account more quickly and efficiently*
- *improve the recovery of losses*
- *protect those at risk.*

This strategy is aimed at council leaders, chief executives, finance directors and all those charged with governance in local authorities including those on audit committees and with portfolio responsibility. It is produced as part of the Fighting Fraud and Corruption Locally initiative, a partnership between local authorities and key stakeholders, and succeeds the previous strategies written in 2011 and 2016. It is not 'owned' by any one organisation but by the local authorities who have given time and support to develop it. Areas of focus for elected members, chief executives and those charged with governance are laid out in Section 4: The Local Response.

This partnership has been so successful it has existed since 2010 when the research and engagement first began.

Local authorities continue to face a significant fraud challenge and while the official figures are dated the argument about protecting funds and vulnerable people remains. The National Fraud Authority estimated local authorities face the threat of £2.1bn fraud in a year in 2013. In fact, the Annual Fraud Indicator produced by Crowe Clark Whitehill estimates that figure may be as high as £7.8bn in 2017, out of a total of £40.4bn for the public sector as a whole. The Government's Economic Crime Plan states that the numbers of fraud offences rose by 12% during 2018 to 3.6 million – constituting a third of all crimes in the UK.

Every £1 that a local authority loses to fraud is £1 that it cannot spend on supporting the community. Fraud and corruption are a drain on local authority resources and can lead to reputational damage and the repercussions maybe far reaching.

Fraudsters are constantly revising and sharpening their techniques and local authorities need to do the same. There is a clear need for a tough stance supported by elected members, chief executives and those charged with governance. This includes tackling cross-boundary and organised fraud and corruption attempts, as well as addressing new risks such as social care fraud and cyber issues.

In addition to the scale of losses and potential losses, there are further challenges arising from changes in the wider public sector landscape including budget reductions, service remodelling and integration, and government policy changes. Local authorities report that they are still encountering barriers to tackling fraud effectively, including lack of incentives, data sharing, information sharing and powers, but also that they require support from senior stakeholders and those in charge of governance.

These factors do present challenges. However, this strategy demonstrates the tenacity of local fraud teams in continuing to lead on innovation and collaborate and also that there is a network of local leaders willing to support this initiative. This strategy, then, is about creating a self-sustaining counter fraud response for the sector.

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# *Review of 2016 Fighting Fraud and Corruption Locally Strategy*

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**The previous two strategies focused upon pillars of activity that summarised the areas local authorities should concentrate efforts on. These were 'acknowledge', 'prevent' and 'pursue'.**

**These pillars are still applicable. During the research for this strategy they were supported as key areas by those who have input. However, another two areas of activity have emerged that underpin tenets of those pillars. These are 'govern' and 'protect'.**

**The pillar of 'govern' sits before 'acknowledge'. It is about ensuring the tone from the top and should be included in local counter fraud strategies.**

## **Govern**

Having robust arrangements and executive support to ensure anti-fraud, bribery and corruption measures are embedded throughout the organisation. Having a holistic approach to tackling fraud is part of good governance.

## **Acknowledge**

Acknowledging and understanding fraud risks and committing support and resource to tackling fraud in order to maintain a robust anti-fraud response.

## **Prevent**

Preventing and detecting more fraud by making better use of information and technology, enhancing fraud controls and processes and developing a more effective anti-fraud culture.

## **Pursue**

Punishing fraudsters and recovering losses by prioritising the use of civil sanctions, developing capability and capacity to investigate fraudsters and developing a more collaborative and supportive local enforcement response.

Local authorities have achieved success by following this approach; however, they now need to respond to an increased threat and protect themselves and the community.

The second new area that has appeared during the research recognises the increased risks to victims and the local community:

## **Protect**

Protecting against serious and organised crime, protecting individuals from becoming victims of crime and protecting against the harm that fraud can do to the community.

For a local authority this will also cover protecting public funds, protecting its organisation from fraud and cybercrime and also protecting itself from future frauds.



**PROTECTING ITSELF AND ITS RESIDENTS**  
*Recognising the harm that fraud can cause in the community.  
 Protecting itself and its' residents from fraud.*

This strategy and its tools provide ways for local authorities to further develop and enhance their counter fraud response by ensuring that it is comprehensive and effective and by focusing on the key changes that will make the most difference.

Local authorities can ensure that their counter fraud response is comprehensive and effective by considering their performance against each of the six themes – the six Cs – that emerged from the 2016 research:

- Culture
- Capability
- Competence
- Capacity
- Communication
- Collaboration

Many local authorities have demonstrated that they can innovate to tackle fraud and can collaborate effectively to meet the challenges. Indeed, many have identified that a reduction in fraud can be a source of sizeable savings. There are case studies and quotes through this document evidencing the good work that is already happening.

**This strategy**

- *recognises that fraud is not a victimless crime and seeks to protect the vulnerable from the harm that fraud can cause in the community*
- *calls upon senior management in local authorities to demonstrate that they are committed to tackling fraud and corruption*
- *calls upon local authorities to continue to tackle fraud with the dedication they have shown so far and to step up the fight against fraud in a challenging and rapidly changing environment*
- *calls upon local authorities to work together to illustrate the benefits that can accrue from fighting fraud more effectively*
- *calls upon senior stakeholders to listen to the business cases on barriers put by local authorities in order to promote counter fraud activity in local authorities by ensuring the right further financial incentives are in place and helping them break down barriers such as a lack of powers.*

## Case Study

### Birmingham City Council: Acknowledge Using data to tackle fraud

*In the original Fighting Fraud Locally 2011 Birmingham City Council was cited as good practice for setting up a data warehouse and protecting public funds. BCC continues to put fraud at the top of the agenda.*

BCC has used a well-established, sophisticated data warehouse to develop an automated programme of data matching that allows potential fraud and error to be detected within 24 hours. This has been particularly effective in identifying fraudulent claims for council tax single person discounts and fraudulent housing applications. In time BCC expects the process to reduce the amount of fraud or error requiring a formal investigation as it will have been prevented or stopped almost as soon as it began. As a result, services that are being provided incorrectly can be stopped quickly, thus helping to preserve resources and reduce the level of fraud and error.

“Local authorities must ensure they take the necessary steps to put in place a strategy which can deliver a response that protects itself and its residents. Councils need to commit adequate resources to support that work and also measure its progress against that strategy. Fighting Fraud and Corruption Locally provides the necessary tools and ideas to support that work.”

*Trevor Scott, Chief Executive Wealden District Council*

# Introduction

*This strategy document is aimed primarily at council leaders and other elected members, chief executives, finance directors and those charged with governance in local authorities.*

*As a result of lessons learned during previous incarnations this document contains the core strategy together with companion documents which provide more detailed guidance on its implementation which will be updated when necessary during the life of this strategy. In that way there will be live documents for practitioners to draw upon that will more readily reflect the ever changing fraud local landscape.*

*We recognise that pulling together practitioners and stakeholders to discuss these issues is a local authority exercise and detracts from day-to-day activity where there are limited resources in place. Therefore this strategy will cover from 2020 onwards supported by live companion documents.*

*The research for this strategy was carried out by local practitioners and board members.*

*The research was commissioned by the board and was coordinated by the secretariat.*

## The research consisted of:



The original Fighting Fraud Locally 2011 strategy was launched with a series of pilots and joint working, conferences and awards and was hugely successful. The workshops highlighted much work being done in local authorities that is commendable and can prevent fraud across boundaries. Therefore, as part of these fact-finding engagement exercises those that attended workshops were asked to offer activity to demonstrate the partnership as part of FFCL. Around 30 activities and events have been identified for 2020 that demonstrate some of the good practice found during the research for this document and show that local authorities continue to tackle fraud and corruption. It is intended that these examples will be used to kick-start momentum in the way that the 2011 strategy did. In addition a number of working groups have formed already to implement the recommendations.

The activity following the publication of FFCL 2016 was more limited. There was no formal local launch and limited board activity. Therefore some of the issues raised during that research still persist. Efforts have been made to redress this during the research for this strategy by setting in place activity to address those persistent issues.

Nevertheless it is clear that local authorities continue to tackle fraud, as evidenced in this strategy's case studies and by the appetite to take forward the issues raised during the research and in the good practice guides.

Several new areas were raised during the research as barriers to overcome and local authorities have already stepped up to join together to help tackle these barriers. As part of the engagement exercise working groups and local authorities are already in place to begin the work on these issues.

This document is divided into four sections:

### Section 1

#### The Context

Sets out the nature and the scale of fraud losses, the argument for measurement and the key issues raised by stakeholders.

### Section 2

#### The Strategic Response

Describes the response that is required from local authorities to address the challenges they are facing, identifying the activities necessary in order to achieve the strategic vision.

### Section 3

#### Turning Strategy into Action – Delivery Plan

Sets out the recommendations and the framework for delivery.

### Section 4

#### The Local Response – Appendices

## Companion Annexes

The live companions to this strategy document set out more information on how local authorities can ensure that their counter fraud response is comprehensive and effective. These documents may be refreshed at any time during the life of the strategy. They are not part of the strategy but are further guidance that is changeable. Areas they cover include fraud risks, good practice and the counter fraud local landscape.

## Section 1: The Context

### a) The scale of fraud and corruption

It is accepted that fraud affects the UK across all sectors and causes significant harm.

The Office for National Statistics states that one in 16 members of the population is likely to fall victims. The Government's Economic Crime Plan 2019 states that the number of fraud offences rose by 12% during 2018 to 3.6 million – constituting a third of all crimes in the UK.

The last, most reliable and comprehensive set of local authority figures was published by the National Fraud Authority in 2013, and indicates that the fraud threat may have been costing the UK £52bn a year.

Within these figures the threat to local authorities totalled £2.1bn.

More recent estimates are higher. The Annual Fraud Indicator produced by Crowe Clark Whitehill estimated that figure may be as high as £7.8bn in 2017 of which procurement fraud was estimated as £4.3bn. This study estimated that the total threat faced by the public sector was £40.4bn.

*“We do not have a wholly reliable estimate of the total scale of economic crime. However, all assessments within the public and private sectors indicate that the scale of the economic crime threat continues to grow.”*

*Economic Crime Plan 2019*

The National Fraud Authority estimated public sector fraud (including local government) at £20.6bn in 2013.

The National Audit Office’s Local Landscape Review 2018 estimated fraud at up to £20.3bn excluding local government.

The estimated losses for local authorities in 2013 are broken down in the following by identified fraud losses and hidden fraud losses:

Estimated Local Government Fraud Loss 2013	
Fraud Type	Estimated loss
Housing tenancy fraud	£845m
Procurement fraud	£876m
Payroll Fraud	£154m
Council Tax fraud	£133m
Blue Badge Scheme misuse	£46m
Grant fraud	£35m
Pension fraud	£7,1m

Annual Fraud indicator 2013

These figures do not take into account the indirect costs of responding to and dealing with fraud and exclude some potentially significant areas of fraud loss. The fraud landscape has changed since 2013 as councils have introduced new ways of working and innovative responses to risks, while at the same time new areas of fraud risk have appeared.

Local authorities were sceptical about current publications on sector fraud figures and performance as there was a plethora of different numbers with no agreement or consensus. However, they remain keen to develop a consistent risk and performance methodology for the sector and for individual councils to estimate the potential risk they face on a consistent basis. Following the research for this strategy, a working group has been set up to develop methodologies for the sector to use.

## b) The nature of the problem

In June 2019 the Government published its first Economic Crime Plan and included fraud and corruption in the definition.

### The Government’s Economic Crime Plan 2019

#### What is economic crime?

To help establish our partnership, we have agreed a common language across the public and private sectors regarding economic crime. We have used the following definition of economic crime to guide our efforts. Economic crime refers to a broad category of activity involving money, finance or assets, the purpose of which is to unlawfully obtain a profit or advantage for the perpetrator or cause loss to others. This poses a threat to the UK’s economy and its institutions and causes serious harm to society and individuals. It includes criminal activity which:

- allows criminals to benefit from the proceeds of their crimes or fund further criminality

- damages our financial system and harms the interests of legitimate business
- undermines the integrity of the UK’s position as an international financial centre
- poses a risk to the UK’s prosperity, national security and reputation

*1.12 This definition is broader than terms such as ‘financial crime’ or ‘white-collar crime’ to provide a holistic response to the following types of criminality:*

- fraud against the individual, private sector and public sector
- terrorist financing
- sanctions contravention
- market abuse
- corruption and bribery
- the laundering of proceeds of all crimes

For the purposes of this strategy we have retained the terms ‘fraud’ and ‘corruption’ while recognising that they are part of a wider agenda. The strategy has not been re-titled ‘Economic Crime’.

## c) Issues raised by stakeholders

During the workshops and research a number of barriers to effective working were raised – the main issues raised are below. Participants were asked how they would solve these issues and there were many ideas and opportunities presented. Local authorities are keen to play a part and influence the outcomes. Therefore a working group has been set up for each of these areas to assess the evidence so far, collect any further evidence and to report into the secretariat for the FFCL Board to consider. There is evidence to create an FFCL operational group from the current FFCL representative network. Further detail on how this will operate will be in the live Delivery Annex.

*Recommendation: A single regional FFCL operational group should be formed from the existing FFCL regional representatives.*

### Fraud measurement

While recognising that the repercussions of fraud are wider than financial it is important that councils have an up-to-date estimate of what the figures and areas of risk appear to be. There are a number of different methods of calculating fraud losses, and these vary across regions. Moreover the fraud priorities differ across regions. External organisations present figures to the sector but there is little or no ownership of these within local authorities. Local authority attendees raised this lack of independent analysis and free benchmarking to look at areas in deep detail rather than reported figures on numbers of referrals or cases detected. Local authorities could use this analysis to make the business case to tackle fraud, understand fraud issues more closely and see a more detailed picture across boundaries.

*Recommendation: A working group on measurement should be formed to develop a consistent risk and performance methodology for the sector.*

Local authorities have agreed to work together to build a set of figures for use as an indicator of actual losses, prevention measures and fraud areas. In addition this group will look at the area of benchmarking. This work is underway and the working group is now formed and is in place.

### Powers

Local authorities welcomed the introduction of the Prevention of Social Housing Fraud Act (PSHFA) and reported that it had improved accessibility to information and intelligence.

However, some issues on powers that had been raised previously had not been taken forward by any parties, as the PSHFA, had and have been exacerbated by

## Case Study

*An employee responsible for managing Ipswich Market and collecting stall rent from traders was prosecuted for theft of cash collected. The council's finance team identified an irregularity when it attempted to reconcile income received to income due. The theft was valued at £33,376 and totalled 91 thefts. The employee was given an 18-month prison sentence suspended for two years and ordered to carry out 250 hours of unpaid work in the community.*

*He was also ordered to pay £14,000 compensation to Ipswich Borough Council at the rate of £400 a month.*

new fraud areas such as social care fraud where local authorities report it is difficult to obtain information. During the research local authorities have provided a number of examples across service areas where they cannot obtain information or access organisations in order to progress investigations.

There are a number of potential avenues to resolve these issues and local authorities have themselves suggested opportunities to resolve these. These issues need to be explored further to identify and evidence areas where lack of powers currently frustrate efforts by the sector to successfully progress counter fraud investigations. This will then enable the sector to lobby for the additional powers required.

*Recommendation: A working group on powers should be formed.*

Local authorities have agreed to work together to identify and evidence areas where lack of powers currently frustrate efforts by the sector to successfully progress counter fraud activity and identify what additional powers are required, what forms that should take and to examine the suggestions that have been collated. This evidence should then be used to lobby government to grant additional powers required. This recommendation is underway and the working group is now formed and is in place

### Incentives

Local authorities welcomed the Counter Fraud Fund in 2015 which had been distributed by the then Department for Communities and Local Government

This fund was a one-off and there were good results that are detailed on the Local Government Association Counter Fraud Hub page. However, many local authorities did not have the opportunity to bid and some had lost resources. Local authorities reported that they did not have funds to set up dedicated teams or undertake proactive work, and offers of technology were expensive and often duplicated existing offerings. Local authorities have made some suggestions about ways in which counter fraud activity may be funded. Local authorities have put together ideas on what types of incentives could support improved activity.

*Recommendation: A working group on incentives should be formed.*

Local authorities have agreed to work together to indicate where incentives may be required from Government and what forms they may take and to examine the suggestions that have been collated in the research.

The working group is now formed and is in place and the work is underway.

### Data analytics and matching

A number of data related initiatives exist which local authorities may take part in for example, counter fraud hubs. At the majority of workshops it was said that there is inconsistent advice, high pricing, lack of discussion with suppliers and difficulty filtering out what is useful from what is not. The National Fraud Initiative has two products which were highlighted as useful and these are the Fraud Hub and AppCheck. It was also reported that there were issues with data quality, data standards and a lack of quality assurance about products.

*Recommendation: A working group should be formed to review existing data related initiatives available to local authorities and recommend best practice or new ideas.*

Local authorities have agreed to form a working group to look at the area of data. A number of ideas have been put together and the group will consider these and what further activity is required. This group will need to decide what is in scope for this work as the issues raised are varied. This recommendation is underway and the working group is now formed and is in place.

### Social care issues

At most workshops the area of social care fraud was raised. Social care fraud harms the community and vulnerable individuals who are unable to detect scams or fraud and are often unable to report them. Sometimes abuse of funds by family members or carers complicates the situation. This can include financial abuse of vulnerable persons, not just direct payments and personal budgets.

This area of fraud has emerged as a growing risk since the last strategy was published. The impact of this risk on already stretched social care services and budgets is potentially very significant. For this reason, organisations with relevant skills together with those local authorities that have developed good practice have offered to support work in this area of risk. Our research also highlighted a number of ideas about identifying and tackling some systemic vulnerabilities in this area. Local authorities should ensure fraud strategies are aligned with safeguarding responsibilities to ensure we actively protect the most vulnerable in our communities. Close working with social care teams will be required with joint approaches and planning.

*Recommendation: A working group on social care fraud should be formed to look at how local fraud strategies should align to local authorities' safeguarding responsibilities as well as to identify best practice in countering risks relating to social care fraud.*

Local authorities have agreed to form a working group to look at the area of social care fraud. A number of ideas have been put together and the group will consider these and what further activity is required. This recommendation is underway and the working group is now formed and is in place.

“Investing to prevent fraud should be one of the early steps in building your counter fraud response. The repercussions of fraud can be far reaching. We have a duty to protect residents in our communities from fraud and we should work in collaboration with officers across the council and partner agencies to prevent fraud and safeguard the vulnerable. Fraud is not a victimless crime”.

*Clive Palfreyman, Executive Director Finance & Resources  
London Borough of Hounslow*

## d) The themes

In FFCL 2016 a number of themes were identified and while those are still relevant and supported during the research one in particular stood out: collaboration.

### Collaboration

There is an appetite for collaboration across the sector and geographically. However, it does not apply solely to local authorities. There is a need for collaboration across sectors, local law enforcement and with suppliers and external organisations.

The current FFCL regional representatives' network functions well. However, there is still a gap where information does not flow. There are also links to law enforcement and both national and local bodies which if they were stronger would help support the fight against fraud. Some councils already participate in regional bodies that could easily be better connected. There is overwhelming support for the idea of more formal FFCL-linked groups. Local authorities requested FFCL regional group.

There is also the possibility of exploring the principle of placing an obligation on partner bodies to share information to assist the detection and prevention of fraud even if the fraud is not against the sharing body.

Furthermore, local authorities reported the need to be more formally linked into the national law enforcement bodies. During the research a number of issues and patterns appeared in workshops that have been raised with enforcement; this demonstrates the merits of a joined-up approach. The Chief Executive of Cifas currently chairs the Joint Fraud Taskforce as well as sitting on the FFCL board and this has enabled Cifas to raise issues with the National Economic Crime Centre about local authorities' fraud risks. Local authorities requested support for better links to the major bodies in enforcement.

It was noted that where support was offered from outside the sector this could lead to a lack of 'ownership' by local authorities and that, had they been consulted or asked to contribute, products and services might have had better take-up. In particular, the cost of external support was raised several times as a barrier to take-up.

*Recommendation: A single FFCL regional operational group should be created using the existing network that can link to relevant boards and enforcement.*

### Activity

During the workshops local authorities agreed to join the existing FFCL regional groups with a representative who is able to form part of a regional FFCL operational group supported by an FFCL Strategic Advisory Board (the current FFCL board).

The North East Regional Investigations Group will form a pilot and link to wider local law enforcement. This has been agreed with that region and is in place.

The new FFCL Strategic Advisory Board should have a dotted-line link into the Joint Fraud Taskforce, which will give access to the main players in local law enforcement.

There is further detail on this in the Delivery Plan Annex with a diagram that outlines how operational issues may flow upwards. The new FFCL regional operational group should be initially chaired by one of the local authority experts from the FFCL Strategic Advisory Board.

### Organising ourselves – a collaborative governance model

Local authorities involved in the workshops realised the need for a strategic board and were pleased that the FFCL board had been in place since 2010 with oversight and had stood the test of time. It was also noted that the board had changed in role several times as had the membership. The original board had been very active, the second board had been more of an oversight body and the current board was wider but less visible. Attendees at workshops raised questions regarding the governance of FFCL, the route for selection to the board and the seniority and expertise of the board.

Further detail is included in the Delivery Plan Annex

Attendees appreciated the support from the firms and private sector and did not object in any way to these board members. In particular, the rebuilt secretariat and the support for the conference and awards in 2019 were noted, as was Mazars' free support on toolkits.

*Recommendation: It is recommended that a review of governance takes place in respect of the role of the current board in light of the FFCL regional operational group and links to the Joint Fraud Taskforce.*

Further recommendations are detailed in the Delivery Plan Annex.

## Case Study

### The first social care fraud prosecuted by Veritau and City of York Council

*Veritau investigated following a referral from a member of the public. This is the first prosecution of a social care fraud by the council's legal department and an area of development for the counter fraud team. Several prosecutions for social care fraud have been achieved before, but these were jointly investigated by the police and taken to court by the Crown Prosecution Service.*

The defendant was the financial representative for his mother who received social care support funded by City of York Council. The council funded his mother's social care, and he failed to inform them when his parents' property sold in 2014. He subsequently lied about this on a financial assessment form. The £86,000 has been paid back to the council in full. Information was received that his parents' property had been sold in 2014 for £200,000 and he had not declared this to the council in an attempt to avoid paying for his mother's care fees. The investigation found that on two separate occasions in 2015 he informed the council that his parents were still joint owners of the property and that his father lived there. In a financial assessment for social care funding, jointly owned properties are disregarded if a family member continues to live there.

The counter fraud team worked alongside financial investigators from the council's trading standards team, who were able to obtain financial information which showed that £198,000 from the house sale was deposited into the son's bank account. This money should have been taken into account for his mother's social care funds, meaning that the council would not have had to pay £86,000 out of the public purse. As a result of the two teams working together, the man was billed and the entire loss has now been repaid to the council.

He pleaded guilty to two charges of fraud by false representation at York Magistrates' Court on 8 October 2019. The case was referred to York Crown Court for sentencing on 19 November where he received a 20-month suspended sentence and was ordered to do 80 hours of unpaid work. He was also ordered to pay court costs of over £1,100 and an £80 victim surcharge. When sentencing, the judge said that a significant factor in mitigation was that he had already repaid the £86,000 to the council.

## e) Fraud risk areas

*The research has highlighted the following types of fraud risks. These frauds are expanded on in the companion documents and the list below is a brief description:*

### Fraud risks raised in the research

<i>Social care fraud: personal budgets and direct payments</i>	overstatement of needs through false declaration, multiple claims across authorities, third party abuse by carer, family or organisation, posthumous continuation of claims
<i>Schools</i>	most issues that were raised in the workshops were also raised as issues for schools. This area did not feature in FFCL 2016
<i>Right to buy</i>	fraudulent applications under the right to buy/acquire
<i>Money laundering</i>	exposure to suspect transactions
<i>Commissioning of services</i>	including joint commissioning, joint ventures, commercial services, third sector partnerships – conflicts of interest, collusion
<i>Tenancy</i>	fraudulent applications for housing or successions of tenancy, and subletting of the property
<i>Procurement</i>	tendering issues, split contracts, double invoicing
<i>Payroll</i>	false employees, overtime claims, expenses
<i>Identity fraud</i>	false identity/fictitious persons applying for services/payments
<i>Council tax</i>	discounts and exemptions, council tax support
<i>Blue Badge</i>	use of counterfeit/altered badges, use when disabled person is not in the vehicle, use of a deceased person's Blue Badge, badges issued to institutions being misused by employees
<i>Grants</i>	work not carried out, funds diverted, ineligibility not declared
<i>Business rates</i>	fraudulent applications for exemptions and reliefs, unlisted properties
<i>Insurance fraud</i>	false claims including slips and trips
<i>Disabled facility grants</i>	fraudulent applications for adaptations to homes aimed at the disabled

“Fraud has not disappeared: it is ever present, evolving and affects the funding that is needed for frontline services. In many public sector bodies it is still an area where there is significant underinvestment, because they are not recognising the extent of the epidemic and seeing other priorities, particularly around service delivery, as more important. As fraudsters evolve, we must too. To these ends, through collaboration and intelligence sharing with a fraud prevention specialist service, we are ensuring that cases of fraud are not replicated across our partnership, mitigating controls are put in place and offenders are dealt with appropriately. Through our proactive intelligence-led approach we are taking steps to ensure the public purse is protected from all fraudulent activity.”

*David Hill, Chief Executive South West Audit Partnership*

*Concessionary travel schemes* – use of concession by ineligible person, including freedom passes

*No recourse to public funds* – fraudulent claims of eligibility

*New responsibilities* – areas that have transferred to local authority responsibility

*Local Enterprise Partnerships* – partnerships between local authorities and businesses. Procurement fraud, grant fraud. All LEPs should now be incorporated, with a local authority as accountable body, in a more formal and regulated relationship. Key issues are LEP governance, procedures for allocating/prioritising grants

*Immigration* – including sham marriages. False entitlement to services and payments

*Cyber-dependent crime and cyber-enabled fraud* – enables a range of fraud types resulting in diversion of funds, creation of false applications for services and payments.

However, during the research for this strategy it has become clear that some frauds have become more prevalent and that some risks have reduced. In addition, fraud risks were raised at several workshops about money laundering, suspicious activity reports and risks attached to local authorities becoming more commercial.

The details of these risks are included in the companions as these are seen as changing areas that may need frequent updating.

While the direct consequences of fraud may be financial and reputational loss there are wider impacts that surround the harm to victims locally and the harm in the community. Local authorities have raised a number of issues about protecting the vulnerable from fraud and this spans a large area. There are also other stakeholders in this local landscape who offer support to victims, have developed networks and done deeper research. A large number of volunteers have come forward from the workshops with good practice and a willingness to collaborate to prevent and tackle these issues. The main fraud risk area that has drawn attention is social care fraud. However, there are other frauds that may merit scrutiny.

### Activity

Local authorities have agreed to form a working group to look at the area of social care fraud. A number of ideas have been put together and the group will consider these, what further activity is required and if any wider work can be done.

### Economic Crime Plan 2019

*Economic crime touches virtually all aspects of society. Economic crimes range across the full breadth of criminality, ranging from low-level frauds through to sophisticated cyber-enabled market manipulation. Fraud is now the second most common crime type in England and Wales, with nearly every individual, organisation and type of business vulnerable to fraudsters.*

## f) Counter Fraud Capacity, Competence and Capability

In FFCL 2016 themes were identified in the areas of capacity, competence and capability as part of the 6Cs – see page 23. These issues still exist.

Despite the challenge around capacity, competence and capability and lack of dedicated resource it is clear that activities to tackle fraud across the sector are being pursued and having a positive impact. But demand and growth in the number of incidents of fraud reported nationally mean local authorities must focus on areas of fraud that they identify as posing greatest risk and adverse impact on their organisations and the vulnerable. Working collaboratively and sharing resources should be encouraged and the FFCL regional board should undertake an analysis of which local authorities may benefit from support and how this might happen.

Many local authority practitioners reported that their capacity to tackle fraud and corruption had been reduced as a result of austerity-related local authority funding reductions. In addition several workshops were attended by shared service representatives and reported that non-attendees no longer had counter fraud resources. In one workshop it was noted that eight councils did not have any resource but that a colleague in the revenue department of a neighbouring authority had been 'helping out' across them. There are also situations that require collaboration: for example, a district council pursues council tax and business rates fraud, but the main beneficiaries are the county council and the Government.

In many cases practitioners also reported that some of the skilled investigation resource had been transferred to the Department for Work and Pensions and had not been replaced. There were large disparities in respect of numbers of staff and skills.

Local authorities reported that their staff did not always have the skills or training to tackle fraud and corruption. Many attendees were skilled and qualified. It was also clear that because a number of local authorities did not have access to a team they were not covering the full range of fraud activities. In contrast the workshops were well attended by experts who, while overloaded, were attempting to tackle all frauds but with one hand behind their backs. Very often they said they would be pleased to assist neighbouring councils but had no contact or requests. The FFCL regional board may assist with this and what support can be given.

In addition there were some parts of the country where the teams were not up to date with current local landscape issues or activities that would benefit them in their roles. At the FFCL 2019 conference questions were raised about free access to tools and

good practice and it was agreed to hold this in the Knowledge Hub, which is an independent, free tool that many local authorities already use. In addition some local authorities already have small networks in the Knowledge Hub that they could link to the FFCL pages. The Knowledge Hub has been open for FFCL since the summer and now contains the archive documents as well as details about other current issues.

### Adult care services successful prosecution and repayment in full of fraud loss

*The subject of this investigation was the husband of a Hertfordshire County Council service user in receipt of financial support to pay for daily care. He completed the financial assessment forms on behalf of his wife but failed to declare ownership of residential property that was rented out in the private sector.*

*The allegation originated from a social worker who had a 'gut feeling' that the couple had a second home and referred to matter to Herts' shared anti-fraud service.*

*The investigation found that the couple jointly owned three properties in addition to their residential home. All three properties were rented out and held equity.*

*The husband was interviewed under caution where he accepted ownership of the properties but denied any wrongdoing, stating that there was no capital in any of the additional homes and that he had been struggling financially since his wife became ill. As part of the enquiries conducted by the team a fourth property was identified abroad.*

*On 1 July 2019 at Luton Crown Court, he pleaded guilty to all three counts of fraud by false representation. He was sentenced to two years in prison, suspended for two years. The judge adjourned any financial sanction until the confiscation order was completed. A service decision was made in that had the financial assessment form been completed correctly and the additional property declared, the service user would have been deemed a self-funder and received no financial support for care. Therefore the loss to HCC was calculated as £75,713 and a future saving of £1,166 per week (£60,632 per year) was recorded.*

*The loss including interest was calculated to be £89,141, which he has paid in full.*

## Case Study

### Collaboration on Protect and Pursue

*A man was sentenced to 18 months' imprisonment, suspended for 18 months, after forging documents when applying for disabled persons' freedom passes and disabled persons' Blue Badges.*

He was found guilty of 12 offences - nine at Brent, Enfield and Haringey councils. He then pleaded guilty to a further three charges of forgery at Waltham Forest Council.

A lengthy investigation, led by Brent Council's fraud team, discovered that the subject used fake birth certificates, utility bills and medical certificates to falsely present himself and others as disabled.

Brent Council worked with the other three local boroughs, who carried out their own thorough and professional investigations with Brent's support, to join up the charges that resulted in the successful verdict.

For the Brent, Enfield and Haringey offences he was sentenced to 18 months' imprisonment per offence for these nine offences to be served concurrently. The sentence was suspended for 18 months.

The man was sentenced to 12 months' imprisonment for each of the three Waltham Forest offences. This was also suspended and will be served concurrently with the 18-month sentence. He also needs to complete 20 hours of a rehabilitation activity requirement order.

## Culture

Some local authority practitioners reported that senior managers were finding it difficult to dedicate sufficient time to demonstrate their support for counter fraud activities due to a focus on other priorities such as meeting budget savings targets and maintaining key services to residents.

This was considered to have a negative effect upon performance, and was associated with counter fraud work having a low profile and the benefits of counter fraud work not being fully appreciated. Appendix 1 details what senior officers and members should focus on.

There is reluctance in some cases to report identified fraud, for example in press releases, for fear of presenting a negative impression of an authority. Reporting of successful outcomes is a powerful tool in prevention and deterrence.

It is important to embed a counter fraud culture and this requires a focus and leadership from the top. This requires having an appropriate resource in place. There is a role for the audit committee to challenge activity, understand what counter fraud activity can comprise and link with the various national reviews of public audit and accountability.

## Collaboration

Local authority practitioners demonstrated an appetite for working more formally across local authority boundaries and with other agencies, departments and the private sector. They reported a range of difficulties in securing progress to working together.

Examples included counter fraud work not being consistently prioritised across the sector, lack of financial incentives to make the business case to collaborate, local lack of understanding of data protection rules, and lack of funding.

They also reported an appetite for innovative use of data and wider data sharing, but had encountered barriers to this or made very slow progress.

Local authorities further reported that they found it hard to get the police involved in their cases and that they did not receive feedback on cases from crime reporting hotlines.

During the research a number of incidents were highlighted that demonstrated patterns of activity, organised fraud and money laundering. These issues have been acted upon. However, it is important that local authorities have access to routes where they can report these matters. Local authorities are the eyes and ears of the community and have a wealth of data that can help other local law enforcement if legally

accessed but this communication is not happening everywhere. This collaboration would support the fight against serious and organised crime. If the recommendations about links between the operational board and the JFT are agreed this will start to resolve some of the issues in this section.

*Recommendations:*

*The external auditor should highlight FFCL and its appendices to the audit committee in the annual report*

*The regional network should continue use the Knowledge Hub as a free, independent, non-commercial confidential space to share information. When it is live the secretariat should hand it to the FFCL operational board.*

*Local authorities should partner with neighbours and engage in regional networks and should consider sharing resources and expertise. The FFCL operational board should take the lead on this.*

While this strategy covers fraud and corruption, no instances of corruption were raised at the workshops though it was clearly considered alongside fraud in local strategies. The Ministry of Housing, Communities and Local Government has conducted research on procurement fraud and corruption that will be added to

the live FFCL documents.

“Working in partnership has allowed the Veritau member councils to establish a dedicated corporate fraud team. The team offers each council access to fraud investigators with specialist knowledge of the fraud risks facing local government. The team has also helped each council to recover significant fraud losses, particularly in new and emerging areas like adult social care.”

*Max Thomas, Managing Director Veritau*

## Case Study

### Devon Audit Partnership

A social housing local landlord alleged that Mr P was potentially subletting his property illegally to an unentitled third party. Mr P was already in the process of applying for the right to buy his social housing property.

The subsequent investigation revealed evidence that Mr P's friend was subletting the property from him and had been for at least two years. It also confirmed that Mr P was living in a private rented property with his girlfriend less than two miles away.

Mr P constantly denied the allegations. However, at his interview under caution with the DAP counter fraud services team, after repeatedly lying, he admitted the overwhelming evidence proved he was letting his friend live at his social housing property but denied that he had done anything wrong.

***Mr P was subsequently prosecuted and pleaded guilty at that point to two offences contrary to:***

*Prevention of Social Housing Fraud Act 2013 – in relation to the dishonest illegal sublet of a social housing property*

*Fraud Act 2006 – in relation to the dishonest attempt to fraudulently obtain a £39,600 discount on his right to buy.*

Mr P was sentenced to 160 hours' unpaid work for each charge and ordered to pay Plymouth City Council £750 towards its costs. Judge Darlow stated at the end of the case: “It was fraud [and] the decision by Plymouth City Council to prosecute is to be applauded.”

## Section 2: The Strategic Approach

To support the delivery of the strategy there is a need for an action plan, appropriate governance arrangements and revised structures to underpin the key requirements to foster and improve collaboration across boundaries.

The recommendations contained in this strategy need to be turned into a set of achievable actions that are properly resourced, timetabled and allocated to appropriate local and national partners. These will need to be supported by an advisory board of senior stakeholders that commands widespread support and leadership across all levels of local

government. This should include the Local Government Association and the relevant central government departments.

New structures, appropriate to the changing demands, need to be constructed to support the delivery of the strategy. It is recommended that these are built upon the existing counter fraud arrangements already paid for by local government, and that the resources of the existing and new structures are committed to supporting the delivery of this strategy.

The key principles are laid out in the pillars and themes:



## Govern

The bedrock of the strategy is that those who are charged with governance support the activity by ensuring that there are robust arrangements and executive support to ensure counter fraud, bribery and corruption measures are embedded throughout the organisation. Beating fraud is everyone's business. The internal arrangements that are put in place should be communicated throughout the organisation and publicly available to demonstrate the culture and commitment to preventing fraud.

Without exception the research revealed an 'ask' that those charged with governance be directed to the strategy and that this become a key element. During the research for FFL 2011 and 2016 it was requested that some key points be laid out for those charged with governance in local authorities to make it simple for them to ensure fraud was being tackled. This request was repeated on numerous occasions during the workshops for FFCL 2020. Some basic questions are laid out at the end of the strategy in Appendix 1.

The supplements to this strategy lay out some key stakeholders, their roles and the areas that they should consider when evaluating the counter fraud efforts in their organisations.

The pillar of 'govern' sits before 'acknowledge'. It is about ensuring the tone from the top and should be included in local counter fraud strategies.

## Acknowledge

In order to create a counter fraud response an organisation must acknowledge and understand fraud risks and then demonstrate this by committing the right support and appropriate resource to tackling fraud.

This means undertaking a risk assessment of fraud areas and vulnerabilities and then agreeing an appropriate resource. Not every local authority requires a large team but they should have assessed the risk, have a plan to address it and have access to resources with the right capabilities and skills.

## Prevent

Fraud can be prevented and detected by making better use of information and technology, enhancing fraud controls and processes and developing a more effective anti-fraud culture.

Local authorities should set in place controls to prevent fraudsters from accessing services and becoming employees. It is nearly always more cost-effective to prevent fraud than to suffer the losses or investigate after the event.

The technology to establish identity, check documents and cross-check records is becoming cheaper and more widely used. Controls should apply to potential employees as well as service users. If someone lies about their employment history to obtain a job they are dishonest and it may not be appropriate to entrust them with public funds. In any case they may not have the training or qualifications to perform the job to the required standard.

## Case Study

### Fraud Hub Hertfordshire County Council

Hertfordshire County Council and a number of its neighbouring authorities are taking the next step to protect themselves by sharing intelligence in a newly formed FraudHub from the National Fraud Initiative to ensure they can reveal the full extent of fraudulent activities within their region.

**Results so far have been extremely positive for Hertfordshire with over...**

- *3,000 Blue Badges cancelled*
- *3,000 concessionary travel passes being revoked*
- *120 LG pensions or deferred pensions stopped*
- *182 Direct Payments or personal budgets for adult care being stopped/reduced or reviewed*
- *15 residential care placements being cancelled*
- *23 payroll discrepancies being subject to further investigation*
- *50,000 customer records removed from database alone using mortality data*
- *More than £5m in estimated savings in its first 12 months*

## Pursue

Punishing fraudsters and recovering losses by prioritising the use of civil sanctions, developing capability and capacity to investigate fraudsters and developing a more collaborative and supportive law enforcement response on sanctions and collaboration.

Local authorities have achieved success by following this approach; however, they now need to respond to an increased threat.

A further theme has appeared during the research to link with the government strategy but also recognising the increased risks to victims and the local community.

## Protect

Protecting against serious and organised crime, protecting individuals from becoming victims of crime and protecting against the harm that fraud can do to the community.

For a local authority this will also cover protecting public funds, protecting its organisation from fraud and cyber-crime and also protecting itself from future frauds. This theme lies across the pillars of this strategy.

From the research it is clear that a large number of local authorities use the FFCL initiative as a basis for local plans. Some local authorities have embedded the pillars into operational work. An example of how this has been done is included in the Annexes.

## Case Study Pursue

### Subletting Case Study Westminster City Council – unlawful profits

The council investigated following an anonymous tipoff that the tenant of a council property was not using the address as required by their tenancy and was profiting from the short-term letting of the property using Airbnb.

Searches of Airbnb carried out by the investigator found the property, which is a studio flat, advertised as a whole property with over 300 reviews. The council investigator found that even though the listing was not in the tenant's name, some of the reviews mentioned the tenant by his name, thanking him for his advice and local restaurant recommendations.

The council obtained the tenant's bank statements under the provisions of the Prevention of Social Housing Fraud Act using the authorised officer service provided by the National Anti-Fraud Network. The investigator subsequently found credits totalling over £125,000 covering four years.

All payments were credited from Airbnb, PayPal or Worldpay. When investigators visited the property they found a man at the premises who denied being the tenant even though his appearance matched the tenant's description. The next day the adverts had been removed from Airbnb but the investigator

had already retrieved and saved copies. The tenant failed to attend several interviews under caution, but when possession action began his solicitors asked for a further opportunity for their client to be interviewed under caution to provide an account of events. This was agreed but again the tenant failed to attend the interview. Having applied the Code for Crown Prosecutors to the facts of the case and the defendant's personal circumstances, criminal action was not taken.

At the possession hearing, the District Judge said the Airbnb evidence was strong and that there was no distinction between 'short-term let' and subletting the home. The judge found in favour of the council. At an unsuccessful appeal hearing the judge agreed to the council's unlawful profits order of £100,974.94 – one of the highest that has ever been awarded to the council.

The tenant has now been evicted from the property.

## Fighting Fraud and Corruption Locally – embedding the pillars

*Durham County Council's counter fraud and corruption team has embedded many of the themes to create a robust approach. They have set up partnerships across sectors and regions, created a data hub and used the FFCL strategy to inform all of their work. The audit committee has supported the team and attended the FFCL awards in 2019.*

*DCC believes the best defence is to create a strong anti-fraud culture based on zero tolerance to deter fraud from being committed. It has reinforced this with a new corporate fraud sanction policy.*

*Norwich City Council adopted the FFCL pillars into its anti-fraud and bribery strategy in 2017 with the additional pillars of governance (similar to the NHS model). This has had a positive response from council executives and members including the audit committee. The annual report contains a RAG-rated review against the criteria set out in the local strategy and an activity plan based on the criteria each year to demonstrate progress and highlight areas to focus on.*

*A more detailed explanation of these is in the Annexes.*

## The Themes – Six Cs

*The live companions to this strategy document set out more information on how local authorities can ensure that their counter fraud response is comprehensive and effective. In the 2016 Strategy six themes were identified and during the research the workshop attendees were keen that these remain part of the strategy document.*

*Local authorities should consider their performance at a minimum against each of the six themes that emerged from the research conducted. To ensure this is effective and proportionate local authorities should benchmark this information where possible.*

### The themes are:

**Culture** – creating a culture where fraud and corruption are unacceptable and that is measurable

**Capability** – assessing the full range of fraud risks and ensuring that the range of counter fraud measures deployed is appropriate

**Capacity** – deploying the right level of resources to deal with the level of fraud risk that is monitored by those charged with governance

**Competence** – having the right skills and standards commensurate with the full range of counter fraud and corruption activity

**Communication** – raising awareness internally and externally, deterring fraudsters, sharing information, celebrating successes

**Collaboration** – working together across internal and external boundaries: with colleagues, with other local authorities, and with other agencies; sharing resources, skills and learning, good practice and innovation, and information.

### Making the business case:

#### Investing in counter fraud activity –

Local authorities should pursue opportunities to invest in counter fraud and corruption activity in order to generate savings by preventing and recovering losses.

Local authorities do not, as a rule, explicitly budget for fraud losses (the exception to this is housing benefit, where subsidy losses are budgeted for). However, estimates of local authority losses demonstrate that there is a significant problem, and therefore a significant opportunity for local authorities.

Local authorities should seek to assess their potential losses and measure actual losses in order to make the business case for investing in prevention and detection. In many cases there is an existing business case based upon the experience of other local authorities. For example, the prevention and detection of fraud perpetrated in income areas such as council tax is now widespread and offers higher tax revenue which can be recovered through existing, efficient collection systems. However, each local authority will need to make its own case as fraud risks will vary significantly depending on location, scope, and scale of activities.

**The moral case** – fraud and corruption in local authorities are unacceptable crimes that attack funds meant for public services or public assets.

The result is that those in genuine need are deprived of vital services. Fraud and corruption are often linked with other criminal offences such as money laundering and drug dealing. Local authorities have a duty to protect the public purse and ensure that every penny of their funding is spent on providing local services. More often than not, in doing so they achieve wider benefits for the community. For example, adult social care sits within the precept for council tax and reducing fraud in this area means that taxpayers' money is protected and is an incentive.

## Case Study

An interim manager hired vehicles for personal use covering at least nine different vehicles and costing more than £18,000. The fraud included various invoice frauds for gardening services and over £20,700 paid to the interim manager's account.

In total the interim manager's actions resulted in monies, goods or services with a total value of £60,882.16 being ordered or obtained at a cost to the council from seven suppliers, including false invoices purporting to be from a gardening company.

Thirty-one fraudulent invoices were introduced by the interim manager totalling over £48,000 and were processed, authorised and paid using the council's systems. A further eight invoices totalling

more than £7,000 were subsequently authorised by the interim manager's line manager for liabilities incurred by the interim manager. Employee purchase cards were used to pay for goods worth over £1,270 and the interim manager personally benefited by £4,000 from the compensation payment and over £20,780 from the fraudulent invoices he submitted from the gardening company.

### *The fraud was discovered via a whistleblowing referral to audit services*

The council's investigation found that the maintenance company with the same bank account as the interim manager's company did not exist. The council's audit services department led an investigation with the police to take the matter to Birmingham Crown Court where the interim manager pleaded guilty to Fraud Act offences. He was sentenced to three years' imprisonment on 25 September 2019.

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## *Section 3: Turning Strategy into Action*

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### **The Delivery Plan**

To support the delivery of the strategy there is a need for an action plan, appropriate governance arrangements and revised structures to underpin the key requirements and foster and improve collaboration across boundaries.

The set of recommendations contained in this strategy need to be turned into a set of achievable actions that are properly resourced, timetabled and allocated to appropriate local and national partners. These will need to be supported by an advisory board of senior stakeholders that commands widespread support across all levels of local government. This should include the Local Government Association and the relevant central government departments.

New structures, appropriate to the changing demands, need to be constructed to support the delivery of the strategy. It is recommended that these are built upon the existing counter fraud arrangements already paid for by local government, and that the resources of the existing and new structures are committed to supporting the delivery of this strategy.

Further details on governance and recommendations are in the Delivery Plan Annex.

## Section 4: The Local Response

### Appendix 1

*What should senior stakeholders do?*

#### *The chief executive*

1. Ensure that your authority is measuring itself against the checklist for FFCL
2. Is there a trained counter fraud resource in your organisation or do you have access to one?
3. Is the audit committee receiving regular reports on the work of those leading on fraud and is the external auditor aware of this?

#### *The section 151 officer*

1. Is there a portfolio holder who has fraud within their remit?
2. Is the head of internal audit or counter fraud assessing resources and capability?
3. Do they have sufficient internal unfettered access?
4. Do they produce a report on activity, success and future plans and are they measured on this?

#### *The monitoring officer*

1. Are members, audit committees and portfolio leads aware of counter fraud activity and is training available to them?
2. Is the fraud team independent of process and does it produce reports to relevant committees that are scrutinised by members?

#### *The audit committee*

1. Should receive a report at least once a year on the counter fraud activity which includes proactive and reactive work
2. Should receive a report from the fraud leads on how resource is being allocated, whether it covers all areas of fraud risk and where those fraud risks are measured
3. Should be aware that the relevant portfolio holder is up to date and understands the activity being undertaken to counter fraud
4. Should support proactive counter fraud activity
5. Should challenge activity, be aware of what counter fraud activity can comprise and link with the various national reviews of public audit and accountability.

#### *The portfolio lead*

***Receives a regular report that includes information, progress and barriers on:***

- The assessment against the FFCL checklist  
Fraud risk assessment and horizon scanning.

### Appendix 2

#### *FFCL Checklist*

- The local authority has made a proper assessment of its fraud and corruption risks, has an action plan to deal with them and regularly reports to its senior Board and its members.
- The local authority has undertaken a fraud risk assessment against the risks and has also undertaken horizon scanning of future potential fraud and corruption risks. This assessment includes the understanding of the harm that fraud may do in the community.
- There is an annual report to the audit committee, or equivalent detailed assessment, to compare against FFCL 2020 and this checklist.
- The relevant portfolio holder has been briefed on the fraud risks and mitigation
- The audit committee supports counter fraud work and challenges the level of activity to ensure it is appropriate in terms of fraud risk and resources
- There is a counter fraud and corruption strategy applying to all aspects of the local authority's business which has been communicated throughout the local authority and acknowledged by those charged with governance.
- The local authority has arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business.
- The risks of fraud and corruption are specifically considered in the local authority's overall risk management process.
- Counter fraud staff are consulted to fraud-proof new policies, strategies and initiatives across departments and this is reported upon to committee.
- Successful cases of proven fraud/corruption are routinely publicised to raise awareness.
- The local authority has put in place arrangements to prevent and detect fraud and corruption and a mechanism for ensuring that this is effective and is reported to committee.
- The local authority has put in place arrangements for monitoring compliance with standards of conduct across the local authority covering:
  - codes of conduct including behaviour for counter fraud, anti-bribery and corruption
  - register of interests
  - register of gifts and hospitality.
- The local authority undertakes recruitment vetting of staff prior to employment by risk assessing posts and undertaking the checks recommended

- in FFCL 2020 to prevent potentially dishonest employees from being appointed.
- Members and staff are aware of the need to make appropriate disclosures of gifts, hospitality and business. This is checked by auditors and reported to committee.
  - There is a programme of work to ensure a strong counter fraud culture across all departments and delivery agents led by counter fraud experts.
  - There is an independent and up-to-date whistleblowing policy which is monitored for take-up and can show that suspicions have been acted upon without internal pressure.
  - Contractors and third parties sign up to the whistleblowing policy and there is evidence of this. There should be no discrimination against whistleblowers.
  - Fraud resources are assessed proportionately to the risk the local authority faces and are adequately resourced.
  - There is an annual fraud plan which is agreed by committee and reflects resources mapped to risks and arrangements for reporting outcomes. This plan covers all areas of the local authority's business and includes activities undertaken by contractors and third parties or voluntary sector activities.
  - Statistics are kept and reported by the fraud team which cover all areas of activity and outcomes.
  - Fraud officers have unfettered access to premises and documents for the purposes of counter fraud investigation.
  - There is a programme to publicise fraud and corruption cases internally and externally which is positive and endorsed by the council's communications team.
  - All allegations of fraud and corruption are risk assessed.
  - The fraud and corruption response plan covers all areas of counter fraud work:
    - prevention
    - detection
    - investigation
    - sanctions
    - redress.
  - The fraud response plan is linked to the audit plan and is communicated to senior management and members.
  - Asset recovery and civil recovery are considered in all cases.
  - There is a zero tolerance approach to fraud and corruption that is defined and monitored and which is always reported to committee.
  - There is a programme of proactive counter fraud work which covers risks identified in assessment.
  - The counter fraud team works jointly with other enforcement agencies and encourages a corporate approach and co-location of enforcement activity.

- The local authority shares data across its own departments and between other enforcement agencies.
- Prevention measures and projects are undertaken using data analytics where possible.
- The counter fraud team has registered with the Knowledge Hub so it has access to directories and other tools.
- The counter fraud team has access to the FFCL regional network.

There are professionally trained and accredited staff for counter fraud work. If auditors undertake counter fraud work they too must be trained in this area.

The counter fraud team has adequate knowledge in all areas of the local authority or is trained in these areas.

The counter fraud team has access (through partnership/ other local authorities/or funds to buy in) to specialist staff for:

- surveillance
- computer forensics
- asset recovery
- financial investigations.

Weaknesses revealed by instances of proven fraud and corruption are scrutinised carefully and fed back to departments to fraud-proof systems.

## Section 4

*The Fighting fraud and Corruption Locally board would like to thank*

*The Fighting Fraud and Corruption Locally board is:*

Charlie Adan – Chief Executive and SOLACE  
 Bevis Ingram – LGA  
 Andrew Hyatt – Royal Borough of Kensington and Chelsea  
 Mike Haley – Cifas and Joint Fraud Taskforce  
 Rachael Tiffen – Cifas and secretariat  
 Suki Binjal - Lawyers in Local Government  
 Colin Sharpe – Leicester City Council  
 Clive Palfreyman – LB Hounslow  
 Trevor Scott – Wealden District Council  
 Alison Morris – MHCLG  
 Mark Astley – NAFN  
 Paula Clowes – Essex County Council  
 Simon Bleckly – Warrington Council  
 Karen Murray – Mazars  
 Paul Dossett – Grant Thornton  
 Marc McAuley – Cipfa

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*Regional Workshops*

*Around 260 councils attended workshops organised in the following areas:*

East Anglia  
 SouthWest, Devon, Plymouth, Cornwall and Devon  
 Kent  
 London and the South East  
 Essex  
 Hertfordshire and Home Counties  
 Midlands Fraud Group and Chief Internal Auditors and County Networks  
 North West Fraud Groups  
 Yorkshire Groups  
 North East and North Regional Fraud Group

*The Fighting Fraud and Corruption*

*Locally board wishes to thank:*

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 Steven Graham  
 Matt Drury  
 Gillian Martin  
 Sara Essex  
 Sally Anne Pearcey  
 Paula Hornsby  
 Rachel Worsley  
 Nikki Soave  
 Francesca Doman  
 Andrew Reeve  
 Jason Pengilly  
 Paul Bradley  
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 Sean Turley  
 Neil Masters  
 Dan Matthews  
 Scott Reeve  
 Corinne Gladstone  
 Louise Baxter  
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 Ben Russell  
 Philip Juhasz  
 Paddy O'Keefe  
 Mark Wilkes

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 Andy Hyatt – Royal Borough of Kensington and Chelsea

\*\*

And all those who attended the workshops, provided feedback, responded to surveys and who took up the actions after the workshops.

**Section 5***Glossary and documents*

NAFN – National Anti-Fraud Network  
 CIPFA – Chartered Institute of Public Finance and Accountancy  
 Cifas – UK's fraud prevention service  
 NECC – National Economic Crime Centre  
 NCA – National Crime Agency  
 MHCLG – Ministry of Housing, Communities and Local Government

ONS: [www.ons.gov.uk/peoplepopulationandcommunity/crimeandjustice/bulletins/crimeinenglandandwales/yearendingseptember2019#fraud](http://www.ons.gov.uk/peoplepopulationandcommunity/crimeandjustice/bulletins/crimeinenglandandwales/yearendingseptember2019#fraud)  
[www.gov.uk/government/publications/economic-crime-plan-2019-to-2022](http://www.gov.uk/government/publications/economic-crime-plan-2019-to-2022)  
 National Fraud Authority, Annual Fraud Indicator, March 2013  
 National Fraud Authority - Good practice publication: [www.homeoffice.gov.uk/publications/agencies-public-bodies/nfa/our-work/](http://www.homeoffice.gov.uk/publications/agencies-public-bodies/nfa/our-work/)  
 Economic Crime Plan 2019: [www.gov.uk/government/publications/economic-crime-plan-2019-to-2022](http://www.gov.uk/government/publications/economic-crime-plan-2019-to-2022)  
 Eliminating Public Sector Fraud: [www.cabinetoffice.gov.uk/sites/default/files/resources/eliminating-public-sector-fraud-final.pdf](http://www.cabinetoffice.gov.uk/sites/default/files/resources/eliminating-public-sector-fraud-final.pdf)  
 Smarter Government: [www.homeoffice.gov.uk/publications/agencies-public-bodies/nfa/our-work/smarter-government-report](http://www.homeoffice.gov.uk/publications/agencies-public-bodies/nfa/our-work/smarter-government-report)  
 Local Government Association Counter Fraud Hub: [www.local.gov.uk/counter-fraud-hub](http://www.local.gov.uk/counter-fraud-hub)  
 Veritau: [veritau.co.uk/aboutus](http://veritau.co.uk/aboutus)  
 SWAP Internal Audit Services: [www.swapaudit.co.uk](http://www.swapaudit.co.uk)  
 Devon Audit Partnership: [www.devonaudit.gov.uk](http://www.devonaudit.gov.uk)

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# **COUNTER FRAUD & CORRUPTION STRATEGY**

**2020 - 2023**

## **Forward by the Chief Operating Officer**

City of York Council are the stewards of a world renowned city with a unique history, heritage and culture. We exist to support our residents to have the best quality of life, now and in the future.

Our Council Plan 2019-2023 sets out the challenges we face as well as our goals and aspirations for the council and our residents. We want well paid jobs and an inclusive economy, a greener and cleaner city, good health and wellbeing for residents, safe communities for all, the creation of new homes, a better start for children and young people, and we need to be an open and effective council. We recognise that to achieve our aims in a climate which requires savings to be made, the public funds that we rely on must be protected.

City of York Council has been a leader in developing counter fraud work within the public sector over many years. We have a clear and straightforward message: this council will not tolerate any fraud or corruption.

This strategy sets out the measures the council will take to develop its arrangements to tackle fraud and corruption. We will seek to identify areas where fraud may occur and limit opportunities for fraudsters to exploit the council. Where fraud is suspected we will investigate robustly, and where it is proved we will utilise all measures available to us to deal with criminals and recover any losses.

**Ian Floyd**  
**Chief Operating Officer**

## Introduction

- 1 All organisations are at an increasing risk of fraud and corruption. In 2018 the number of fraud offences rose by 12% to 3.6 million which equates to one third of all crimes in the UK.<sup>1</sup> The most recent report into the cost of fraud against local authorities estimates it as being as high as £7.8 billion (total fraud against the UK public sector is estimated to be £40.4 billion).<sup>2</sup> The risk of fraud continues to grow and where fraud used to be undertaken at a local level it increasingly originates nationally and internationally.
- 2 Local government has undergone considerable change during the last decade and it has had to quickly adapt to and address unforeseen issues, e.g. covid-19. The council has had to make changes to the way it works in order to continue to provide effective services for its citizens and to achieve its overall aims. It is essential that the council minimises losses caused by fraud to maximise the money it has available to provide services.
- 3 This strategy outlines how the council will assess the risks of fraud and corruption that it faces, strengthen its counter fraud arrangements, and tackle fraud where it occurs. It has been prepared to reflect the national collaborative counter fraud strategy for local government in the UK, Fighting Fraud & Corruption Locally – A Strategy for the 2020s.
- 4 The strategy has been reviewed by the Audit and Governance Committee as part of its responsibility for considering the effectiveness of anti-fraud and anti-corruption arrangements at the council. The strategy and action plan are reviewed annually.

## Our aim

- 5 Fighting Fraud & Corruption Locally recommends councils consider the effectiveness of their counter fraud framework by considering performance against the four key themes set out below. The council's aim is that by 2023 it will have maintained and improved its arrangements in these areas.
  - **Govern** – Ensure that the council has robust arrangements and executive support to ensure that anti-fraud, bribery and corruption measures are embedded throughout the organisation.
  - **Acknowledge** – Acknowledging and understanding fraud risks and committing support and resource to tackling fraud in order to maintain a robust anti-fraud response.

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<sup>1</sup> Economic Crime Plan 2019-2023, HM Government

<sup>2</sup> Annual Fraud Indicator 2017, Crowe Clark Whitehill

- **Prevent** – Preventing and detecting more fraud by making better use of information and technology, enhancing fraud controls and processes and developing a more effective anti-fraud culture.
- **Pursue** – Punishing fraudsters and recovering losses, developing capability and capacity to investigate fraudsters.

### **Current arrangements and action required**

- 6 The council already has good arrangements in place that satisfy many of the recommendations made in the new national strategy. For example:
- The council has a strong counter fraud policy framework in place (e.g. counter fraud and corruption, whistleblowing, and anti-money laundering policies) which are embedded throughout the organisation.
  - The risk of fraud is considered annually and this assists in setting priorities for counter fraud work.
  - Control environments in high risk areas (e.g. financial systems) are regularly scrutinised by internal and external audit.
  - Technology is used to detect fraud.
  - The council employs trained counter fraud professionals to investigate fraud and does not hesitate to take strong action where warranted.
- 7 However, as the capability and capacity of the council to prevent and detect fraud has increased, so has the ability and reach of fraudsters. It is easier today for a criminal to commit fraud remotely than it was when the last council counter fraud strategy was adopted. It is therefore important to continue to develop counter fraud arrangements to meet this evolving threat.
- 8 The national Fighting Fraud & Corruption Locally strategy (see checklist at appendix 2 of the national strategy) recommends that councils should promote an anti-fraud culture within the organisation through regular training sessions with staff; updating them on new and emerging threats. Councils should share counter fraud news and results internally through a strategy endorsed by its communications team. Councils should continue to develop their use of technology, e.g. data analytics and matching exercises, to help prevent and detect fraud. All of these recommendations are now actions in the Counter Fraud and Corruption Strategy Action Plan.
- 9 The Fighting Fraud & Corruption Locally board has formed a number of working groups across the country to look at different areas of counter fraud work to make recommendations to the board. The board may then convey these

recommendations to central government. It is recommended that councils participate in these working groups regionally and nationally to promote counter fraud work.

- 10 During the past four years, over the lifespan of the previous counter fraud strategy, the council's counter fraud framework has been strengthened to meet national guidelines. Individual actions have been agreed annually and a number of new activities were introduced that now happen as a matter of course. Examples of actions agreed and delivered under the previous strategy are the introduction a regional fraud hotline, provision of a counter fraud e-learning package, and the adoption and promotion of a new whistleblowing policy.
- 11 A new Counter Fraud and Corruption Strategy Action Plan has been created and is detailed in annex 1. It comprises ongoing activity established under the previous strategy, outstanding actions from the previous strategy and new actions linked to this strategy suggested by Fighting Fraud & Corruption Locally strategy.

### **The counter fraud policy framework**

- 12 This strategy is part of the council's overall framework for countering the risks of fraud and corruption. Further detailed information can be found in other policies and procedures including:
  - Counter Fraud and Corruption Policy - this sets out responsibilities for counter fraud and investigation work, the actions the council will take in response to fraud, and its policy on sanctions.
  - Anti-Money Laundering Policy - defines council responsibilities in respect of the Proceeds of Crime Act 2002 and Money Laundering Regulations 2007.
  - Whistleblowing Policy - arrangements for council staff to raise concerns; confidentially if required.
- 13 The strategy also links to, and is supported by, wider Council policy and procedures covering areas such as:
  - governance
  - employee disciplinary arrangements
  - codes of conduct
  - registers of interest
  - financial regulations
  - electronic communications
  - information security
  - cyber security

# Annex 1: Counter Fraud and Corruption Strategy Action Plan

## New Objectives:

Ref	Action Required	Target Date	Responsibility	Notes
1	Undertake post assurance checks on grant applicants to the Small Business Grant Fund and Retail, Hospitality and Leisure Grant Fund Schemes.	April 2021	Veritau / Revenues Department	In line with Government guidance, work with Revenues and Benefits Department to carry out post assurance checks on those who received £10k and £25k Covid-19 grants to identify any fraud and error.
2	Develop communication strategy to publicise counter fraud and corruption news internally.	April 2021	Veritau / Communications Team	Liaise with the communications department to ensure that members of staff are regularly kept informed of counter fraud news and developments.
3	Ensure that up to date policies are in place to enable the council to undertake covert surveillance under the Regulation of Investigatory Powers Act and employee monitoring outside of the Act.	March 2022	Veritau / Information Governance Team	Covert surveillance and employee monitoring are powerful tools that assist in the investigation of fraud and criminality against and within the council. The counter fraud team will work with the council's information governance team to develop policy in this area.
4	Participate in Fighting Fraud and Corruption Locally working groups.	January 2022	Veritau	Attend regional and national working groups (virtually) and report developments to the Audit and Governance Committee.
5	Explore formation of a regional group with the aim of preventing	March 2022	Veritau	A new regional group dedicated to adult social care fraud could be of benefit to the council and other local authorities in the

Ref	Action Required	Target Date	Responsibility	Notes
	and detecting adult social care fraud.			region. This objective has been impacted by covid-19 and the work the pandemic has created within social care departments nationally.
6	Undertake datamatching exercises in relation to adult social care, right to buy, and council tax fraud.	July 2021	Veritau	The council recently agreed a new data sharing agreement and completed data protection impact assessments to enable new datamatching work to begin.

## Ongoing Activity:

Ref	Action Required	Responsibility	Update	Status
1	Prepare a counter fraud strategy which acknowledges fraud risks facing the council and sets overall counter fraud aims. The strategy should link together existing counter fraud related policies and set out actions required for developing counter fraud arrangements.	Chief Finance Officer / Veritau	A new counter fraud strategy, to replace the last one from 2017, has been written following the release of an updated Fighting Fraud and Corruption Locally Strategy for local government in 2020.	Annual Review
2	Prepare an updated counter fraud policy to take account of the latest national guidance, and reflecting changes to the councils counter fraud arrangements.	Chief Finance Officer / Veritau	This policy, last updated in 2017, has been reviewed as part of this report. It has been updated in 2021 to reflect new guidance from the Attorney General.	Annual Review
3	Undertake a counter fraud risk assessment.	Chief Finance Officer / Veritau	A risk assessment was first undertaken in September 2016. The risk assessment is updated on an annual basis, see annex 3 for 2021 update.	Annual Review
4	Participate in regional & local data matching and counter fraud exercises.	Veritau	Data matching exercises are undertaken on a rolling basis. The counter fraud team routinely work on data matching projects to increase the identification of any fraud committed against the council.	Ongoing

<b>Ref</b>	<b>Action Required</b>	<b>Responsibility</b>	<b>Update</b>	<b>Status</b>
5	Undertake specific fraud awareness training for priority service areas identified through the fraud risk assessment.	Veritau	Training is delivered on a rolling basis depending on priorities and emerging fraud risks. Fraud awareness training has been delivered to the housing department this year.	Ongoing
6	Review privacy notices to ensure they make clear that data will be shared for the purpose of preventing and detecting fraud.	Veritau / Service departments	Privacy notices are reviewed ahead of providing data to the Cabinet Office as part of the National Fraud Initiative (NFI) which occurs every two years.	Ongoing
7	Raise awareness of cyber security issues and promote good practice.	Veritau	Veritau will monitor guidance from the National Cyber Security Centre and share with members of staff where appropriate.	Ongoing
8	Review the extent to which counter fraud risks are identified through service risk management arrangements. Assess whether arrangements can be strengthened with additional specialist counter fraud input (eg through risk workshops).	Veritau / Service managers	Service managers are responsible for maintaining service level risk registers. Fraud risk is considered in some areas but not universally. The counter fraud team is working with council managers to ensure that fraud risks are included within relevant risk registers.	Ongoing
9	Review wider governance and other policies (eg employee related policies, gifts, interests,	Veritau / relevant policy owners	Council policies are regularly reviewed in the course of internal audit work. Any inconsistencies or weaknesses in terms	Ongoing

Ref	Action Required	Responsibility	Update	Status
	financial regulations) to ensure they: <ul style="list-style-type: none"><li>cover all required areas</li><li>are consistent with the counter fraud strategy and policy.</li></ul>		of fraud detection and prevention are flagged to the counter fraud team.	



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## City of York Council - Fraud Risk Assessment (February 2021)

Risk Area	Risk Description	Risk Controls	Risk Category	Risk Mitigation
Council Tax & Business Rates Frauds (discounts and exemptions)	<p>Council Tax fraud can be a common occurrence. CIPFA report that 81% of all local government related fraud, recorded as part of their annual survey, involved Council Tax or Business Rates payments. Single Occupancy Discount fraud accounted for £19.4m of loss due to fraud in 2018/19 according to the survey.</p> <p>Depending on the scheme, there are several ways in which fraud can occur. These include applicants providing false information and recipients failing to notify the council when they no longer qualify.</p> <p>Revenue from Council Tax is a key income stream. Fraud in this area threatens this source of funding.</p>	<p>The council employs a number of methods to help ensure only valid applications are accepted. This includes requiring relevant information on applications forms and visits to properties (where necessary).</p> <p>Controls including separation of duties between collection and administration, restriction of access to records and management oversight of action such as recovery suppressions help prevent internal fraud and error.</p> <p>Messages reminding residents and businesses to update their circumstances when necessary appear on annual bills issued by the council.</p> <p>The council routinely takes part in the National Fraud Initiative. In addition, the council conducts periodic Single Person Discount reviews.</p>	High	<p>Counter fraud team (CFT) will raise fraud awareness with staff in revenues and customer services teams about frauds affecting Council Tax and Business Rates.</p> <p>The CFT has developed data matches to detect incorrectly received discounts and exemptions. These will be undertaken as required.</p>
Council Tax Support Fraud	Council Tax Support is a council funded reduction in liability introduced in 2013 to replace Council Tax Benefit. Unlike its predecessor,	The council undertakes eligibility checks on those who apply for support. There are established lines of communication with the Department	High	Fraud concerns are reported to the counter fraud team who determine if criminal investigation is required. The CFT can undertake joint

Risk Area	Risk Description	Risk Controls	Risk Category	Risk Mitigation
	<p>Council Tax Support is resourced entirely through council funds. CIPFA's fraud tracker showed an 18% increase in the value of fraud found in this area in 2018/19.</p> <p>Frauds in this area can involve applicants failing to declare their total assets, correct household composition or household income. Those receiving support are also obligated to notify relevant authorities when they have a relevant change in circumstances that may affect their entitlement to support.</p> <p>Covid-19 has resulted in an increase nationally for benefits and support claims. These increased numbers raise the number of claims in which changes in circumstances may not be reported or false information could be presented to the council.</p>	<p>for Work and Pensions where claims for support are linked to externally funded benefits.</p> <p>The council is able to report Housing Benefit and other benefit frauds to the Department for Work and Pensions but this does not necessarily allow the council control over resolving false claims for Council Tax Support.</p>		<p>investigation with the Department for Work and Pensions where it is mutually beneficial (e.g. joint claims for benefit).</p> <p>The CFT will continue to raise awareness with relevant staff.</p>
Covid-19 Grants	<p>In response to the covid-19 pandemic, central government has made funding available for local businesses. Several schemes throughout 2020/21 have been administered by councils; some were linked to business rates liabilities while others were to assist those outside this scope. The council had to respond quickly to support</p>	<p>The council processed over 4300 grant claims for the government's Small Business Grant Fund, Retail, Hospitality and Leisure Grant Fund, and Local Authority Discretionary Grant Fund. Checks by council officers were made into each application to make sure they met the criteria set by government and that</p>	High	<p>Any instances where an applicant provided false information to the council are reported to the counter fraud team. Where appropriate, criminal investigations can take place. The Department for Business, Energy &amp; Industrial Strategy have stated that councils should conduct investigations</p>

Risk Area	Risk Description	Risk Controls	Risk Category	Risk Mitigation
	<p>businesses. New processes for managing applications and paying grants had to be developed quickly.</p> <p>Further schemes were introduced to provide support to businesses during the covid-19 tier system. In addition, schemes were introduced to aid residents unable to work due to self-isolation requirements and support families with children or vulnerable adults.</p> <p>These schemes have been subject to attempted fraud at a local, national and international level due to the significant funds available (up to £25k per application).</p> <p>While funding is provided by central government, the council is charged with the responsibility of identifying genuine applicants and investigating and recovering incorrect payments. The council therefore needs to show that suitable assurance and recovery actions have taken place.</p>	<p>payments were being made to the correct people. Applications for ongoing business and resident support schemes continue to be carefully assessed before payment.</p> <p>The CFT have circulated details of all known frauds occurring regionally and nationally to help prevent the council falling victim to fraud.</p> <p>The council provides monthly updates on payments made, fraud/error identified and the status of any recovery work to the Department for Business, Energy &amp; Industrial Strategy.</p>		<p>where they have resources available.</p> <p>If the council is targeted by a national fraud, this is reported to the National Investigation Service (NATIS) via the CFT. The team will continue to liaise with external agencies as required.</p> <p>The CFT is undertaking a post-payment assurance exercise on the initial business grant schemes and will continue to support post assurance work on later payments.</p> <p>Additionally, the council is participating in the 2020/21 National Fraud Initiative which will include data matches relating to grant payments.</p>
Creditor Fraud	A range of frauds can be committed against the council as a result of publically available creditor payment	The council has a number of controls in place to identify fraudulent attempts to divert payments from genuine	High	The CFT undertake work to raise staff awareness of these types of frauds. Increased awareness

Risk Area	Risk Description	Risk Controls	Risk Category	Risk Mitigation
	<p>data. Criminals undertaking these types of fraud are often found to be operating from overseas.</p> <p>The most common issue is mandate fraud where fraudsters impersonate legitimate suppliers and attempt to divert payments by requesting changes in banking details. Other types of fraud in this area include whaling, where senior members of the council are targeted and impersonated in order to obtain fraudulent payments.</p> <p>With increased remote working due to covid-19, there are increased opportunities for fraudsters to impersonate budget holders or suppliers in electronic communications, to divert funds.</p>	<p>suppliers and to validate any requests to change supplier details. This includes contacting companies to confirm that any requested change of bank account details for payments is genuine.</p> <p>Segregation of duties exist between the ordering, invoicing and payment processes.</p>		<p>provides a greater chance of stopping fraudulent attempts before losses occur.</p> <p>All instances of whaling fraud reported to the CFT will be reported to the police's Action Fraud Unit, National Cyber Security Centre and directly to internet service provider from which the false emails originated.</p> <p>The CFT share intelligence on any attempted frauds occurring nationally to ensure the council can prevent losses.</p>
Cybercrime	<p>Cybercrime is a constantly evolving area. Criminals are continually refining their techniques in order to overcome controls put in place to protect organisations.</p> <p>Types of cybercrime experienced by local authorities in recent years include ransomware, phishing, whaling, hacking, and denial of</p>	<p>The council has a highly skilled ICT department which helps mitigate the threat of cybercrime.</p> <p>Where appropriate the CFT investigate specific incidents of cybercrime.</p>	High	<p>Raising awareness with staff can be crucial in helping to prevent successful cyberattacks. Any counter fraud training delivered will reinforce anti-cybercrime messages to members of staff.</p> <p>All instances of cybercrime and related fraud will be reported to the police's Action Fraud Unit and the</p>

Risk Area	Risk Description	Risk Controls	Risk Category	Risk Mitigation
	<p>service attacks. Attacks can lead to loss of funds, loss and theft of data, and access to systems being compromised.</p> <p>Councils hold a range of data on residents which can be attractive to criminals.</p>			National Cyber Security Centre.
Procurement Fraud	<p>Procurement fraud has been perceived as a high risk by local authorities in the CIPFA fraud tracker for a number of years.</p> <p>Procurement fraud, by its nature, is difficult to detect but can result in large scale loss of public funds over long periods of time. The Competition and Markets Authority estimates that having a cartel within a supply chain can raise prices by 30% or more.</p> <p>CIPFA reported losses of £20.3 million in 2018/19 for local authorities, due to procurement fraud. It found that 12% of fraud detected in this area involved 'insider fraud' and 5% involved organised crime.</p> <p>In response to the effects on businesses as a result of Covid-19, the government issued a Procurement</p>	<p>The council has established Contract Procedure Rules. The rules are reviewed annually and ensure the requirement for a competitive process (where required) through an e-tender system. A team of procurement professionals provide guidance and advice to ensure that procurement processes are carried out correctly.</p> <p>A tendering and evaluation framework is in operation to help prevent fraud. It also sets out the requirements for declarations of interest to be made.</p> <p>Contract monitoring is implemented to help detect and deter fraud.</p>	High	<p>Continued vigilance by relevant staff is key to identifying and tackling procurement fraud. The counter fraud team will continue to provide training to raise awareness of fraud risks in this area.</p> <p>The counter fraud and internal audit teams monitor guidance on fraud detection issued by the Competition and Markets Authority and other relevant bodies.</p> <p>Potential abuses of the supplier relief scheme will be reported to the CFT for further investigation.</p>

Risk Area	Risk Description	Risk Controls	Risk Category	Risk Mitigation
	<p>Policy Notice in February 2020. This introduced a supplier relief scheme to support council suppliers during and after the outbreak to ensure service continuity. The council has the responsibility for ensuring this relief is correctly applied and not abused.</p>			
Theft of Assets	<p>The theft of assets can cause financial loss and reputational damage. It can also negatively impact on employee morale and disrupt the delivery of services. The council owns large numbers of physical items, such as IT equipment, vehicles and tools.</p> <p>Reduction of staff at council premises during the covid-19 outbreak could leave equipment at heightened risk of theft. Unauthorised access to buildings may not face the same level of visibility or challenge as would be the case in normal conditions.</p>	<p>Specific registers of physical assets (e.g. capital items, property and ICT equipment) are maintained. In addition, there are registers for information assets held by the council.</p> <p>The council's whistleblowing arrangements provide an outlet for reporting concerns of theft.</p>	High	Members of staff should also be vigilant and report all possible thefts promptly to the police and CFT.
Internal Fraud	<p>There are a range of potential employee frauds including falsifying timesheets and expense claims, abusing flexitime or annual leave systems, undertaking alternative work while sick, or working for a third party on council time. Some staff have</p>	<p>The council has an established whistleblowing policy through which concerns can be raised.</p> <p>Controls are in place surrounding flexitime, annual leave and sickness absence.</p>	Medium	The CFT investigate all suspicions of corruption while internal audit ensure that appropriate checks and balances are in place to help prevent it.

Risk Area	Risk Description	Risk Controls	Risk Category	Risk Mitigation
	<p>access to equipment and material that may be misused for private purposes.</p> <p>Payroll related fraud can involve the setting up of 'ghost' employees in order to divert salary payments to others.</p> <p>Corruption and bribery is a significant risk to all public sector organisations, however, only low levels have ever been detected.</p>	<p>Participation in the National Fraud Initiative helps the council identify potential cases of internal fraud.</p>		
Recruitment Fraud	<p>Recruitment fraud can affect all organisations. Applicants can provide false or misleading information in order to gain employment such as bogus employment history and qualifications or providing false identification documents to demonstrate the right to work in the UK.</p>	<p>The council has controls in place which include verification of qualifications and reviewing references to help mitigate against the risk of fraud in this area.</p>	Medium	<p>Where there is a suspicion that someone has provided false information to gain employment, the counter fraud team will be consulted on possible criminal action in addition to any disciplinary action that may be taken.</p>
Blue Badge & Parking Permit Fraud	<p>Blue Badge fraud carries low financial risk to the authority but can affect the quality of life for disabled residents and visitors to the city. There is a risk of reputational damage to the council if abuse of this scheme is not addressed.</p>	<p>CFT and Parking Enforcement work closely together to identify and deter parking fraud. Days of action are held regularly in the city centre where all badges are checked for misuse.</p>	Low	<p>The CFT regularly issues warnings to people who choose to misuse parking permits and blue badges. Serious cases are considered for prosecution.</p>

Risk Area	Risk Description	Risk Controls	Risk Category	Risk Mitigation
Fraudulent Insurance Claims	The council may receive exaggerated or fabricated insurance claims. CIPFA report that in 2019 the average value of a fraudulent claim against local authorities was over £39.5k.	While insurance fraud is common, the burden of risk is currently shouldered by the council's insurers who have established fraud investigation systems.	Low	n/a
Treasury Management	The impact of losses in this area could be significant. There are no recorded frauds within the council.	Treasury Management systems are well controlled and no fraud has been detected in this area.	Low	Internal audit undertake periodic reviews of the controls in this area.



# **COUNTER FRAUD AND CORRUPTION POLICY**

## **1 Introduction**

- 1.1 All organisations are at increasing risk of fraud and corruption. Some commentators estimate that annual fraud losses to local government in the UK could be £7.8 billion. It is therefore a risk that the council cannot and should not ignore.
- 1.2 Any fraud committed against the council effectively constitutes a theft of taxpayer's money. It is unlawful and deprives the council of resources which should be available to provide services to the public. By putting in place effective measures to counter the risk of fraud and corruption the council can reduce losses which impact on service delivery as a contribution to the achievement of overall council priorities.
- 1.3 This document sets out the council's policy in relation to fraud and corruption perpetrated against it, and its overall arrangements for preventing and detecting fraud. It includes the fraud and corruption prosecution policy contained in Annex A. It forms part of the council's overall policy framework for combating fraud and corruption and should be read in conjunction with the counter fraud strategy, constitution, the financial regulations, contract procedure rules, the whistleblowing policy, anti-money laundering policy, codes of conduct, and disciplinary procedures.

## **2 Definitions and Scope**

- 2.1 For the purpose of this policy, the term fraud is used broadly to encompass:
- acts which would fall under the definition in the Fraud Act (2006)
  - anything which may be deemed fraudulent in accordance with the generally held view of fraud as causing loss or making a gain at the expense of someone by deception and dishonest means
  - any offences which fall under the Council Tax Reduction Schemes Regulations (2013) and the Prevention of Social Housing Fraud Act (2013)
  - any act of bribery or corruption including specific offences covered by the Bribery Act (2010)
  - acts of theft
  - any other irregularity which is to the detriment of the council whether financially or otherwise, or by which someone gains benefit they are not entitled to.
- 2.2 This policy does not cover fraud or corruption against third parties, except where there may be an impact on the service provided by the council. In addition, it does not cover other acts – for example offences involving

violence - which may affect the council, and which should in most cases be reported directly to the police.

### **3 Principles**

- 3.1 The council will not tolerate fraud or corruption in the administration of its responsibilities, whether perpetrated by members, officers, customers of its services, third party organisations contracting with it to provide goods and/or services, or other agencies with which it has any business dealings. There is a basic expectation that members, employees, and contractors' staff will act with integrity and with due regard to matters of probity and propriety, the requirement to act lawfully and comply with all rules, procedures and practices set out in legislation, the constitution, the council's policy framework, and all relevant professional and other codes of practice.
- 3.2 The council will seek to assess its exposure to risks of fraud and corruption. It will prioritise resources available to prevent and deter fraud in order to minimise this risk.
- 3.3 The council will consider any allegation or suspicion of fraud seriously, from whatever source, and if appropriate will undertake an investigation to confirm whether fraud has occurred and determine the appropriate outcome. Any investigation will be proportionate. The council may refer any incident of suspected fraud to the police or other agencies for investigation, if appropriate.
- 3.4 To act as a deterrent, the council will take action in all cases where fraud (or an attempt to commit fraud) is proved, in proportion to the act committed. This may include prosecution, application of internal disciplinary procedures, or any other action deemed appropriate to the offence (for example referral to a professional body). Prosecution decisions will be made in accordance with the fraud and corruption prosecution policy (Annex A).
- 3.5 As a further deterrent, and to minimise losses, the council will attempt to recover any losses incurred through civil or legal action. In addition, the council will seek to apply any appropriate fines or penalties, and recover any costs incurred in investigating and prosecuting cases.

### **4 Responsibilities**

- 4.1 Overall responsibility for counter fraud arrangements rests with the council's Chief Finance Officer (The Corporate Finance & Commercial Procurement Manager), on behalf of the council. The CFO has a professional responsibility for ensuring the council has appropriate

- measures for the prevention and detection of fraud and corruption, which are reflected in legislation.
- 4.2 The Audit and Governance Committee has responsibility for assessing the effectiveness of the Council's counter fraud arrangements including the Whistleblowing policy and other relevant counter fraud policies and plans.
  - 4.3 The Council's Management Team (CMT) are collectively responsible for ensuring that the council has effective counter fraud and corruption procedures embedded across the organisation that comply with best practice and good governance standards and requirements.
  - 4.4 Veritau (who provide internal audit and counter fraud services to the council) is responsible for reviewing the council's counter fraud and corruption policies on a regular basis and recommending any required changes to those policies. In addition, Veritau leads on fraud prevention and detection issues for the council and is responsible for investigating suspected cases of fraud or corruption. The internal audit team carries out audit work to ensure that systems of control are operating effectively, which contributes to the reduction in opportunities for committing fraud. The Head of Internal Audit is required to report their professional opinion on the council's control environment to members of the Audit & Governance Committee on an annual basis in accordance with proper practice.
  - 4.5 All senior managers have a responsibility for preventing and detecting fraud within their service areas. This includes maintenance of effective systems of internal control and ensuring that any weaknesses identified through the work of internal audit or by other means are addressed promptly.
  - 4.6 The Monitoring Officer is the council's nominated officer for the purposes of the Money Laundering Regulations (2007), and is responsible for reporting any issues referred to them, in this capacity.
  - 4.7 All staff have a general responsibility to be aware of the possibility of fraud and corruption, and to report any suspicions that they may have to Veritau. Where appropriate, staff may use the whistleblowing policy to raise concerns anonymously.
  - 4.8 Officers within human resources have a responsibility to support service departments in undertaking any necessary pre-disciplinary investigation and disciplinary process.

## **5 Overall Counter Fraud Arrangements**

### **Introduction**

- 5.1 The purpose of this section is to set out the council's overall framework for countering the risk of fraud and corruption. While the council aims to follow best practice in relation to counter fraud activity<sup>1</sup>, it recognises that new and emerging fraud risks will require a dynamic approach to fraud prevention and detection.

### **Measurement**

- 5.2 The council will assess the potential risks and losses due to fraud and corruption, and will use these to prioritise counter fraud activity, and review the resources available to counter those risks. The review will include an assessment of actual levels of fraud<sup>2</sup> and the effectiveness of counter fraud activity in reducing losses. The outcome of this review will be reported to the Audit & Governance Committee on an annual basis as part of the audit and fraud planning cycle.

### **Culture**

- 5.3 The council will promote a culture whereby all staff, members, service users, and contractors are aware that fraud or corruption in any form is unacceptable. To do this, it will:
- ensure that there are clear arrangements in place for reporting suspicions about potential fraud or corruption, whether that be by staff, council members, partners, stakeholders, contractors or members of the public
  - investigate reported suspicions and where evidence of fraud or corruption is found will prosecute where appropriate and take any other action necessary in accordance with the financial regulations, contract procedure rules, fraud and corruption prosecution policy, disciplinary procedures, members code of conduct, or any relevant legislation or guidance
  - ensure that the consequences of committing fraud and/or partaking in corrupt practices are widely publicised.

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<sup>1</sup> For example the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption.

<sup>2</sup> All suspected fraud should be reported to Veritau. A record of all such information will be maintained on a confidential basis.

## **Prevention and Detection**

### Controls

- 5.4 As part of its ongoing operating procedures, the council seeks to ensure that proper systems of internal control are in place. This includes controls to directly prevent and detect fraud, such as separation of duties and management review, along with other procedures such as vetting as part of recruitment processes and systems for declaration of interests and gifts and hospitality. The effectiveness of systems of control are monitored and a formal report is made as part of the process for preparing the annual governance statement. The council maintains a system of internal audit to provide independent review of control systems on an ongoing basis, in accordance with a risk assessment.
- 5.5 Services will be encouraged to consider the risk of fraud as part of the council's risk management process. Any information on risks identified will be used to inform the annual review of counter fraud activity.

### Proactive Work

- 5.6 The council will carry out targeted project work (for example data matching exercises) to identify fraud and corruption in known high risk areas. This work will be carried out by Veritau as part of its annual workplan. Work will be prioritised based on a risk assessment as part of the annual review of counter fraud activity. Work may include joint exercises with other agencies, including other local councils.
- 5.7 The council will take part in projects led by other agencies such as the Cabinet Office and the DWP to identify potential fraud e.g. the National Fraud Initiative. Resources will be allocated to follow up all data matches, and will include support through the internal audit and counter fraud teams to review potential control issues and suspected fraud. Veritau will work with service departments to ensure that they are aware of the need to include notices to service users stating that any data held may be subject to use for data matching purposes.

### Relationships

- 5.8 The council has established relationships with a number of other agencies. It will continue to develop these relationships and develop new ones to further the prevention and detection of fraud. Organisations which the council will work with include:
- the police
  - the courts

- the Cabinet Office
- the Ministry of Housing, Communities and Local Government
- the Department for Works and Pensions
- other councils
- community groups.

5.9 Veritau will work with council departments to ensure that systems for reporting and investigating suspected fraud and corruption are robust.

#### Fraud Awareness Training

5.10 As part of its annual workplan, Veritau will provide targeted fraud awareness training to specific groups of staff, based on its annual risk assessment.

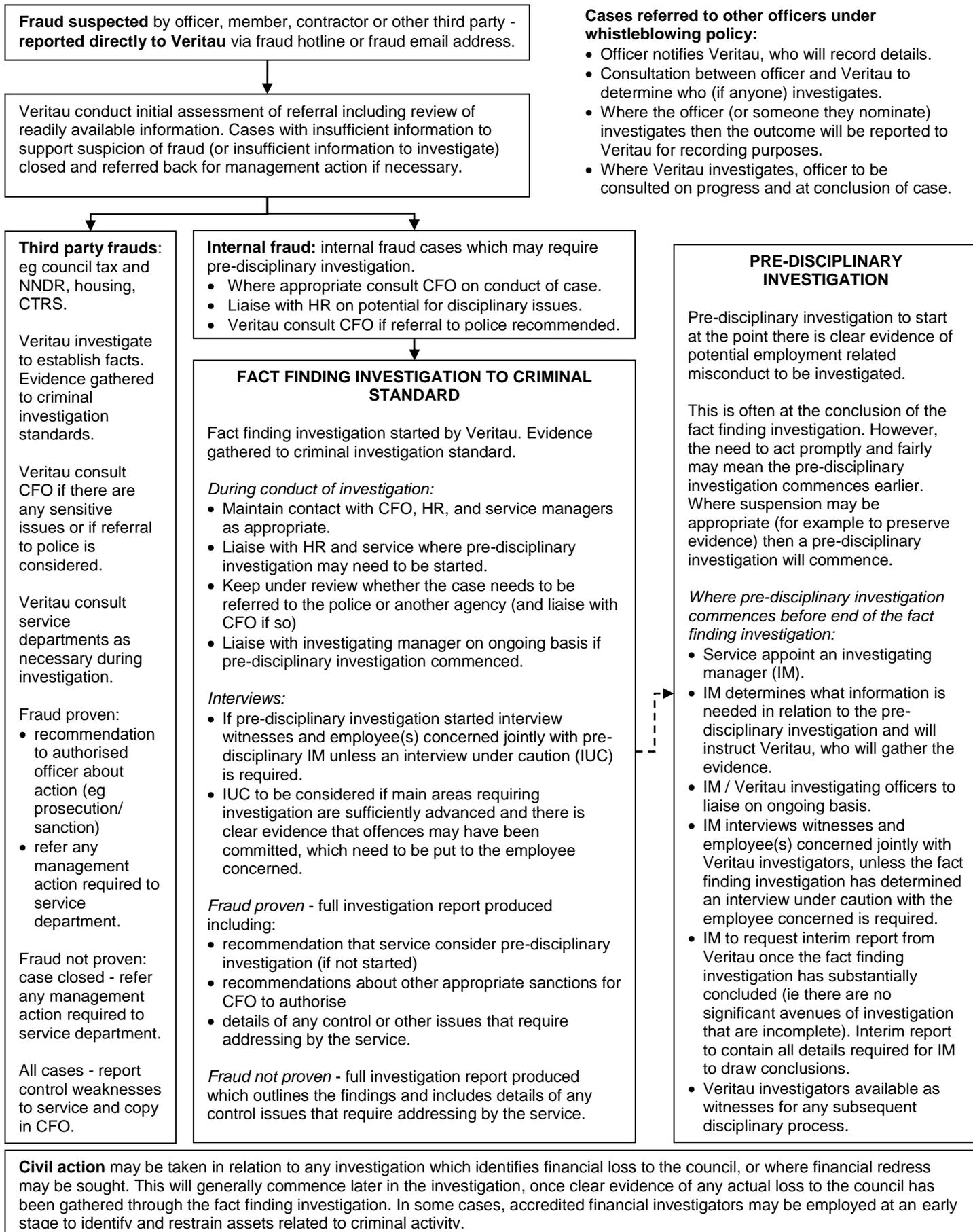
#### Investigation

5.11 All suspected cases of fraud, corruption, theft or other irregularity will be investigated. The nature of each investigation will depend on the circumstances of each case. Veritau will act as a first port of call for any suspected fraud and will provide advice on whether other agencies should be notified (eg the police). Veritau will determine the extent of the investigation to be carried out in consultation with the Chief Finance Officer, service departments and human resources. Where necessary, Veritau may refer cases to other agencies (for example the police) at the discretion of the Head of Internal Audit. Figure 1 overleaf outlines the fraud referral and investigation process.

5.12 All staff involved in the investigation of fraud will be appropriately trained. They will be required to comply with any relevant legislation and codes of practice. For example the Police and Criminal Evidence Act (PACE), Regulation of Investigatory Powers Act (RIPA), the Data Protection Act, the Criminal Procedures Investigations Act (CPIA) and any relevant guidance from the Attorney General. Investigators will take into account the individual circumstances of anyone involved in an investigation and adjustments to procedure will be made where necessary to ensure that all parties are treated equitably (where it is appropriate and reasonable to do so).

5.13 As part of the outcome of every investigation, a review of any weaknesses in control will be made and if necessary recommendations will be made to address any issues identified. These will be set out in a formal report to the managers of the service concerned, and will be followed up to ensure the issues are addressed.

**Figure 1: City of York Council Fraud Referral and Investigation Process**



**Cases referred to other officers under whistleblowing policy:**

- Officer notifies Veritau, who will record details.
- Consultation between officer and Veritau to determine who (if anyone) investigates.
- Where the officer (or someone they nominate) investigates then the outcome will be reported to Veritau for recording purposes.
- Where Veritau investigates, officer to be consulted on progress and at conclusion of case.

**PRE-DISCIPLINARY INVESTIGATION**

Pre-disciplinary investigation to start at the point there is clear evidence of potential employment related misconduct to be investigated.

This is often at the conclusion of the fact finding investigation. However, the need to act promptly and fairly may mean the pre-disciplinary investigation commences earlier. Where suspension may be appropriate (for example to preserve evidence) then a pre-disciplinary investigation will commence.

*Where pre-disciplinary investigation commences before end of the fact finding investigation:*

- Service appoint an investigating manager (IM).
- IM determines what information is needed in relation to the pre-disciplinary investigation and will instruct Veritau, who will gather the evidence.
- IM / Veritau investigating officers to liaise on ongoing basis.
- IM interviews witnesses and employee(s) concerned jointly with Veritau investigators, unless the fact finding investigation has determined an interview under caution with the employee concerned is required.
- IM to request interim report from Veritau once the fact finding investigation has substantially concluded (ie there are no significant avenues of investigation that are incomplete). Interim report to contain all details required for IM to draw conclusions.
- Veritau investigators available as witnesses for any subsequent disciplinary process.

**Civil action** may be taken in relation to any investigation which identifies financial loss to the council, or where financial redress may be sought. This will generally commence later in the investigation, once clear evidence of any actual loss to the council has been gathered through the fact finding investigation. In some cases, accredited financial investigators may be employed at an early stage to identify and restrain assets related to criminal activity.

- 5.14 The Head of Internal Audit will ensure that systems for investigating fraud are reviewed on an ongoing basis, to ensure that they remain up to date and comply with good practice.

#### Publicity

- 5.15 The council will publicise all successful prosecutions undertaken either by itself or by partner organisations, to act as a deterrent against future fraud.
- 5.16 In addition, where appropriate, targeted publicity will be used to raise the awareness of fraud to staff, members, the public, and other agencies. This will consist of both internal and external publicity and will aim to:
- raise awareness about potential fraud and ensure all stakeholders are alert to the possibilities of fraud;
  - inform all stakeholders of the procedures to be followed if they have suspicions of fraud;
  - ensure that all stakeholders are aware that the council will not tolerate fraud and the consequences of committing fraud against it.

#### Recovery of Monies

- 5.17 Where any loss has been incurred by the council or additional costs have been incurred as a result of fraud or corruption, the council will seek to recover these from the individual or organisation concerned. This will help to ensure that the financial impact of fraud on the council is minimised and act as a deterrent. As a further deterrent, the council will seek to levy any appropriate fines or penalties where it is possible and desirable to do so.
- 5.18 Methods of recovery may include (but are not limited to):
- recovery from assets held by the organisation or individual (using the Proceeds of Crime Act or any other relevant legislation)
  - bankruptcy where appropriate
  - recovery from future salary payments if an individual remains an employee of the council
  - recovery of pension contributions from employees or members who are members of the North Yorkshire Pension Fund.

## **6 Monitoring & Review Arrangements**

- 6.1 The arrangements set out in this policy document will be reviewed on an annual basis as part of the audit and fraud planning cycle and will include the fraud and corruption prosecution policy (Annex A) and other related guidance. Veritau will work with other departments to ensure that other related guidance and policy (such as the whistleblowing policy) are

reviewed on a regular basis and any amendments or necessary changes are reported to members for approval.

**LAST REVIEWED AND UPDATED: 21 February 2021**



# **FRAUD AND CORRUPTION PROSECUTION POLICY**

## **1 Scope and Purpose**

- 1.1 The fraud and corruption prosecution policy forms part of the council's overall counter fraud and corruption arrangements. The policy covers all acts, and/or attempted acts, of fraud or corruption committed by officers or members of the council, or committed by members of the public, or other organisations or their employees, against the council.
- 1.2 The policy sets out the circumstances in which the council will take legal action against the perpetrators of fraud or corruption. It also sets out the circumstances when it is appropriate to consider alternative courses of action such as offering a caution. The policy does not cover internal disciplinary procedures which are the subject of the council's separate disciplinary policy and procedures.
- 1.3 This policy should be read in conjunction with the council's constitution, financial regulations, contract procedure rules, the counter fraud and corruption policy and the strategy, the whistleblowing policy and the council's disciplinary policy and procedures.
- 1.4 The policy contains specific guidelines for determining the most appropriate course of action when fraud has been identified. Offences other than fraud and corruption (for example those relevant to the enforcement of regulations) are dealt with by the appropriate service departments under other policies and relying on specific legal powers.

## **2 Principles**

- 2.1 The council is committed to deterring fraud and corruption. As part of its overall strategy to do this the council will seek to take appropriate action against anyone proven to have attempted and/or committed a fraudulent or corrupt act against it. The council considers that those guilty of serious fraud or corruption must take responsibility for their actions before the courts.
- 2.2 The policy is designed to ensure that the council acts fairly and consistently when determining what action to take against the perpetrators of fraud or corruption.
- 2.3 Staff and members who are found to have committed fraud or corruption may be prosecuted in addition to such other action(s) that the council may decide to take, including disciplinary proceedings in the case of staff and referral to the relevant officer or body in the case of members. Any decision not to prosecute a member of staff for fraud and corruption does not preclude remedial action being taken by the relevant director(s) in accordance with the council's disciplinary procedures or other

policies.

- 2.4 This Policy is also designed to be consistent with council policies on equalities. The council will be sensitive to the circumstances of each case and the nature of the crime when considering whether to prosecute or not.
- 2.5 The consistent application of the policy will provide a means for ensuring that those who have perpetrated fraud and corruption are appropriately penalised. It will also act as a meaningful deterrent to those who are contemplating committing fraud or corruption. The council recognises the deterrent value of good publicity and therefore information regarding successful prosecutions and sanctions will be made public.
- 2.6 Any decision taken by an authorised officer to prosecute an individual or to offer a formal sanction will be recorded in writing. The reason for the decision being taken will also be recorded.
- 2.7 Irrespective of the action taken to prosecute the perpetrators of fraud and corruption, the council will take whatever steps necessary to recover any losses incurred, including taking action in the civil courts.

### **3 Prosecution**

- 3.1 The policy is intended to ensure the successful prosecution of offenders in court. However, not every contravention of the law should be considered for prosecution. The council will weigh the seriousness of the offence (taking into account the harm done or the potential for harm arising from the offence) with other relevant factors, including the financial circumstances of the defendant, mitigating circumstances and other public interest criteria. All cases will be looked at individually and be considered on their own merit.
- 3.2 To consider a case for prosecution the council must be satisfied that two tests have been passed. Firstly, there must be sufficient evidence of guilt to ensure conviction. This is called the **evidential test**. Secondly, it must be in the public interest to proceed – the **public interest test**.
- 3.3 To pass the evidential test, authorised officers must be satisfied that there is a realistic prospect of conviction based on the available evidence (that is, there must be sufficient admissible, substantial and reliable evidence to secure a conviction).
- 3.4 To pass the public interest test, the authorised officer will balance, carefully and fairly, the public interest criteria against the seriousness of the offence. The public interest criteria include;

- the likely sentence (if convicted);
- any previous convictions and the conduct of the defendant;
- whether there are grounds for believing the offence is likely to be repeated;
- the prevalence of the offence in the area;
- whether the offence was committed as a result of a genuine mistake or misunderstanding;
- any undue delay between the offence taking place and/or being detected and the date of the trial;
- the likely effect that a prosecution will have on the defendant;
- whether the defendant has put right the loss or harm caused.

3.5 It will generally be in the public interest to prosecute if one or more of the following factors applies, subject to any mitigating circumstances;

- the actual or potential loss to the council was substantial;
- the fraud has continued over a long period of time;
- the fraud was calculated and deliberate;
- the person has previously committed fraud against the council (even if prosecution did not result) and/or there has been a history of fraudulent activity;
- the person was in a position of trust (for example, a member of staff);
- there has been an abuse of position or privilege;
- the person has declined the offer of a caution or financial penalty;
- the case has involved the use of false identities and/or false or forged documents.

3.6 Investigating officers and prosecutors will review the appropriateness of pre-charge engagement where prosecution is considered. This is likely to occur where such engagement may lead the defendant to volunteer additional information that may identify new lines of inquiry. Pre-charge engagement may be instigated by the investigating officer, the council prosecutor, the defendant's representative or a defendant themselves (if unrepresented).

## **4 Mitigating Factors**

4.1 The following mitigating factors will be taken into account when determining whether to prosecute;

### **Voluntary Disclosure**

4.2 A voluntary disclosure occurs when an offender voluntarily reveals fraud about which the council is otherwise unaware. If this happens, then the fraud will be investigated but the offender will not be prosecuted unless in exceptional circumstances. However, any person colluding in the crime will still be prosecuted. A disclosure is not voluntary if the:-

- admission is not a complete disclosure of the fraud;
- admission of the fraud is made only because discovery of the fraud is likely, (for example, the offender knows the council is already undertaking an investigation in this area and/or other counter fraud activity);
- offender only admits the facts when challenged or questioned;
- offender supplies the correct facts when making a claim to Legal Aid.

### **Ill Health or Disability**

4.3 Where the perpetrator (and/or their partner) is suffering from prolonged ill health or has a serious disability or other incapacity then the offender will not normally be prosecuted. Evidence from a GP or other doctor will be requested if the condition is claimed to exist, unless it is obvious to the investigator. It is also necessary to prove that the person understood the rules governing the type of fraud committed and was aware that their action is wrong. This may not be possible where, for instance, the offender has serious learning difficulties. However, simple ignorance of the law will not prevent prosecution.

### **Social Factors**

4.4 A wide range of social factors may make a prosecution undesirable. The test is whether the court will consider the prosecution undesirable, and go on to reflect that in the sentence.

### **Exceptional Circumstances**

- 4.5 In certain exceptional circumstances the council may decide not to prosecute an offender. Such circumstances include;
- the inability to complete the investigation within a reasonable period of time;
  - the prosecution would not be in the interests of the council;
  - circumstances beyond the control of the council make a prosecution unattainable.

### **5 Alternatives to Prosecution**

- 5.1 If some cases are considered strong enough for prosecution but there are mitigating circumstances which cast a doubt as to whether a prosecution is appropriate then the council may consider the offer of a sanction instead. The two sanctions available are;
- a caution, or;
  - financial penalty.

#### **Simple Cautions**

- 5.2 A simple caution is a warning given in certain circumstances as an alternative to prosecution, to a person who has committed an offence. All cautions are recorded internally and kept for a period of six years. Where a person offends again in the future then any previous cautions will influence the decision on whether to prosecute or not.
- 5.3 For less serious offences a simple caution will normally be considered where all of the following apply;
- there is sufficient evidence to justify instituting criminal proceedings;
  - the person has admitted the offence;
  - there is no significant public interest in prosecution;
  - it was a first offence, and;
  - a financial penalty is not considered to be appropriate.

Only in very exceptional circumstances will a further caution be offered for a second or subsequent offence of the same nature.

- 5.4 Cautions will be administered by the Head of Internal Audit (or deputy), Assistant Director – Corporate Fraud, Corporate Fraud Manager, or a

Senior Corporate Fraud Investigator, on behalf of the council. If a caution is offered but not accepted then the council will usually consider the case for prosecution. In such cases the court will be informed that the defendant was offered a penalty but declined to accept it.

### **Financial Penalties**

- 5.5 The Council Tax Reduction Schemes (Detection of Fraud and Enforcement) (England) Regulations 2013, permit a financial penalty to be offered to claimants as an alternative to prosecution. The penalty is set at 50% of the amount of the excess reduction, subject to a minimum of £100 and a maximum of £1000. Once a penalty is accepted, the claimant has 14 days to change their mind.
- 5.6 Subject to the criteria set out in the guidelines below, a financial penalty will normally be offered by the council in the following circumstances;
- the council believes that there is sufficient evidence to prosecute;
  - it was a first offence or a previous offence was dealt with by way of a caution, and;
  - in the opinion of the council, the circumstances of the case mean it is not overwhelmingly suitable for prosecution, and;
  - the claimant has the means to repay both the overpayment and the penalty, and;
  - there is a strong likelihood that both the excess reduction and the penalty will be repaid.
- 5.7 It is important to note that the claimant does not need to have admitted the offence for a financial penalty to be offered. Financial penalties will be administered by the Head of Internal Audit (or deputy), Assistant Director – Corporate Fraud, Corporate Fraud Manager or a Senior Corporate Fraud Investigator. If a financial penalty is not accepted or is withdrawn then the council will usually consider the case for prosecution. In such cases the court will be informed that the defendant was offered a penalty but declined to accept it.

## **6 Proceeds of Crime Act 2002 (POCA)**

- 6.1 In addition to the actions set out in this policy, the council reserves the right to refer all suitable cases for financial investigation with a view to applying to the courts for restraint and/or confiscation of identified assets. A restraint order will prevent a person from dealing with specific

assets. A confiscation order enables the council to recover its losses from assets which are found to be the proceeds of crime.

**7 Implementation Date**

- 7.1 This revised policy is effective from 21 February 2021 and covers all decisions relating to prosecutions and sanctions after this date.

**POLICY LAST REVIEWED AND UPDATED 21 February 2021**

**Audit and Governance Committee**

17 February 2021

Report of the Head of Internal Audit

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**Internal Audit Plan Consultation**

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**Summary**

- 1 The purpose of the report is to seek members' views on the priorities for internal audit for 2021/22, to inform the preparation of the annual programme of work.

**Background**

- 2 Internal audit provides independent and objective assurance and advice on the council's control processes. It helps the organisation to achieve objectives by bringing a systematic, disciplined approach to the evaluation and improvement of the effectiveness of risk management, control and governance processes.
- 3 Internal audit standards and the council's audit charter require internal audit to draw up an indicative audit plan at the start of each financial year. The plan must be based on an assessment of risk. In coming to a view on the risks facing the council, the opinions of the Audit and Governance Committee and senior council officers are taken into account. The plan is also informed by the council's risk registers, information shared through local government audit networks and the results of recent audit work. The council's external auditors are also consulted to avoid possible duplication of work programmes and to maximise the overall benefit of audit activity.

**2021/22 Audit Plan**

- 4 Internal audit plans cover a range of risk areas to ensure that the work undertaken enables internal audit to provide an overall opinion on the governance, risk management and control framework. However work is targeted to higher risk areas, including: areas with high volume and value of transactions; areas where the impact of risks materialising is high; areas of known concern; and areas of significant change.

- 5 Internal audit resources are limited and the audit plan is intended to ensure the available resources are prioritised towards those systems which are considered to be the most risky and/or which contribute the most to the achievement of the council’s priorities and objectives. The plan for 2021/22 will also need to address risks arising from the external environment which are particularly high profile. For example the coronavirus pandemic has had a significant and sustained impact on the operations of the council, and its effects will certainly continue into 2021/22 and beyond.
- 6 Figure 1 includes some initial ideas on areas for consideration for audit in 2021/22. These are included to prompt discussion and are not intended to be a definitive or complete list of areas that could be reviewed. The list includes those areas which reflect risks arising from current external factors – for example the increase in remote working as a result of Covid 19 and the need to mitigate risks arising from managing remote teams and data security.
- 7 Members views are sought about areas they consider a priority for audit in 2021/222. This may include particular areas listed in figure 1 that they think should be a high priority (or that may be less important) or any other areas which should be considered for audit.
- 8 It is also important to emphasise that the audits included in the draft plan when it is presented to this committee in April 2021 are not fixed. Instead, the plan is flexible and will be kept under review to ensure that audit resources continue to be deployed to the areas of greatest risk and importance to the Council.

*Figure 1 – Risk areas to consider for Audit in 2021/22*

Area	Possible Work
Strategic risks / corporate & cross-cutting	<ul style="list-style-type: none"> <li>• Areas of the council’s corporate governance framework (e.g. schemes of delegation, registers of interest, complaints process)</li> <li>• Medium term financial planning and budgeting, budget management, savings plans, commercialisation and investments, use of assets.</li> <li>• Strategic planning (policies and procedures, corporate and service plans, Covid-19 recovery, LGR preparedness)</li> <li>• Risk management</li> <li>• Performance management and data quality</li> <li>• Partnership working</li> <li>• Business continuity and disaster recovery</li> <li>• Health and safety (risk assessments, accident and incident reporting)</li> </ul>

Area	Possible Work
	<ul style="list-style-type: none"> <li>• Procurement and contract management (including, supply chain resilience, due diligence, Modern Slavery Act compliance)</li> <li>• HR and workforce planning (homeworking arrangements, management of remote teams, staff wellbeing).</li> <li>• Information governance and data protection (eg data security, data quality / integrity of information assets, data breach management, data sharing agreements)</li> <li>• Environment and waste – air pollution, carbon footprint, energy reduction, recycling</li> </ul>
Technical / project risks	<ul style="list-style-type: none"> <li>• Cyber security (e.g. policies and procedures, networks, physical and logical access, electronic communications security, firewalls and anti-malware)</li> <li>• ICT Change management</li> <li>• ICT procurement / contract management</li> <li>• Digitalisation / automation</li> <li>• Overall corporate project management arrangements and project risk management</li> <li>• Support and review of specific key projects</li> </ul>
Main Financial systems	<ul style="list-style-type: none"> <li>• Main accounting system (general ledger), debtors (including debt recovery and enforcement practice), income collection, ordering and creditors</li> <li>• Council Tax / NNDR and benefits (inc. Covid-19 related grants and funds)</li> <li>• Payroll</li> <li>• Treasury management</li> <li>• Capital accounting and assets</li> </ul>
Service related areas	<ul style="list-style-type: none"> <li>• Social care budget management (including: commissioning, high cost placements, market management, internal provision)</li> <li>• Special Educational Needs and Disability (SEND), Education, Health &amp; Care (EHC) plans/processes</li> <li>• Direct Payments</li> <li>• Contract management / client arrangements (e.g. Explore, YMT, leisure facilities)</li> <li>• Public health</li> <li>• Building services / Housing repairs</li> <li>• York Central</li> </ul>

## Consultation

- 9 This report is part of the ongoing consultation with stakeholders on priorities for internal audit work in 2021/22.

### **Options**

- 10 Not relevant for the purpose of the report.

### **Analysis**

- 11 Not relevant for the purpose of the report.

### **Council Plan**

- 12 The work of internal audit supports overall aims and priorities by promoting probity, integrity and honesty and by helping to make the council a more effective organisation.

### **Implications**

- 13 There are no implications to this report in relation to:

- **Finance**
- **Human Resources (HR)**
- **Equalities**
- **Legal**
- **Crime and Disorder**
- **Information Technology (IT)**
- **Property**

### **Risk Management Assessment**

- 14 The council will fail to comply with proper practice if appropriate officers and members are not consulted on the content of risk based audit plans.

### **Recommendations**

- 15 Members are asked to;
- Comment on the priorities for internal audit work for 2021/22.

#### Reason

To ensure that scarce audit resources are used effectively.

**Contact Details**

**Author:**

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**Chief Officer Responsible for the report:**

Janie Berry  
Director of Governance  
Telephone: 01904 555385

**Report  
Approved**



**Date** 5/2/2021

**Specialist Implications Officers**

Not applicable

**Wards Affected:** Not applicable

**All**



**For further information please contact the author of the report**

**Background Papers**

None

**Annexes**

None

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**Audit and Governance Committee**

17 February 2021

Report of the Head of Internal Audit

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**Audit & Counter Fraud Monitoring Report**

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**Summary**

- 1 This report provides an update on the delivery of the internal audit work plan for 2020/21 and on counter fraud activity undertaken so far in 2020/21. Due to Covid-19, approval of the annual audit plan was delayed and normal work was temporarily suspended at the request of the council. This report updates members on the progress made to date in 2020/21.

**Background**

- 2 The work of internal audit is governed by the Accounts and Audit Regulations 2015 and the Public Sector Internal Audit Standards (PSIAS). In accordance with the standards, periodic reports on internal audit work are presented to this committee.

**Internal Audit**

- 3 The 2020/21 internal audit plan was approved by this committee at its meeting on 15 July 2020. Prior to this, audit work had been suspended to help ensure officers were not diverted from ongoing work to respond to, and arising from, the coronavirus pandemic. Internal audit resources were instead used to provide support related to the pandemic, including advice on systems and emerging risks, and support in the processing of Covid-19 business support grants.
- 4 From July 2020, more routine audit work recommenced although at a reduced level. This has been partly a result of needing to adapt arrangements – for example all audits are currently being carried out remotely through virtual meetings

with officers. We have also continued to try to minimise disruption to officers to ensure they can continue to prioritise work arising from the impact of Covid-19.

- 5 It will remain a significant challenge to complete all work to expected deadlines. Continued assistance and prioritisation by officers from now until the end of April 2021 will be important to help us complete a plan of work sufficient to provide an annual internal audit opinion. We will also be looking to place increased reliance on wider sources of assurance in forming an opinion for 2020/21.
- 6 Annex 1 summarises the position on internal audit assignments currently planned to be carried out during 2020/21. To date, work has commenced on 23 audits. Fieldwork has been completed for three of these and is in progress for a further 16. No reports have been finalised since the last progress report to this committee on 30 November 2020.

### **Counter Fraud**

- 7 Counter fraud work has been undertaken in accordance with the approved work programme. Annex 2 provides a summary of the work undertaken in the period to date.
- 8 In the 9 month period to 31 December 2020, the counter fraud team has achieved £292k in savings for the council as a result of investigation work (against a target for the year of £200k). Successful outcomes have been recorded for 47% of investigations completed - where cases have resulted in some form of positive action such as the recovery of funds, prosecution, the issue of a warning, or other action.
- 9 The Covid-19 pandemic has created a number of issues, and unplanned work, for the counter fraud team. New procedures have had to be implemented to replace activities which involved face to face contact with the public, e.g. interviews under caution and visits to properties. The priority throughout this year has been to provide support to the council with the delivery of Covid-19 payments to businesses and the public. In Quarter 4 the team will be undertaking post-payment assurance work on successful applications in line with requirements from central government.

- 10 The counter fraud team has supported the council by helping to minimise the risk of fraud relating to these Covid-19 related payments. Twenty-six investigations have been completed to date and £173k of potentially fraudulent payments have been prevented or recovered. In addition, data matching work for the council's Microbusiness Grant Fund prevented a further £21k of incorrect payments being made. The team is also sharing intelligence with regional partners and national organisations such as the National Investigation Service (NATIS) and the National Anti-Fraud Network (NAFN).

### **Consultation**

- 11 Not relevant for the purpose of the report.

### **Options**

- 12 Not relevant for the purpose of the report.

### **Analysis**

- 13 Not relevant for the purpose of the report.

### **Council Plan**

- 14 The work of internal audit and counter fraud helps to support overall aims and priorities by promoting probity, integrity and accountability and by helping to make the Council a more effective organisation.

### **Implications**

- 15 There are no implications to this report in relation to:

- **Finance**
- **Human Resources (HR)**
- **Equalities**
- **Legal**
- **Crime and Disorder**
- **Information Technology (IT)**
- **Property**

### Risk Management Assessment

- 16 The council will be non-compliant with the PSIAS if the results of audit work are not reported to the committee and could therefore be exposed to increased levels of scrutiny and challenge.

### Recommendation

- 17 Members are asked to:
- (a) note the progress made in delivering the 2020/21 internal audit work programme, and current counter fraud activity.

#### Reason

To enable members to consider the implications of audit and fraud findings.

### Contact Details

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**Chief Officer Responsible for the report:**

Janie Berry  
Director of Governance  
Telephone: 01904 555385

**Report  
Approved**



**Date** 5/2/2021

### Specialist Implications Officers

Not applicable

**Wards Affected:** Not applicable

**All**

**For further information please contact the author of the report**

### Background Papers

- 2020/21 Internal Audit and Counter Fraud Plan

**Annexes**

Annex 1 – 2020/21 audits in progress

Annex 2 – Counter fraud activity

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INTERNAL AUDIT WORK 2020/21

AUDIT	STATUS
<b>Corporate &amp; Cross-Cutting</b>	
Health and safety	Fieldwork in progress
Information security	Fieldwork in progress
New ways of working	Fieldwork completed
Project Management	Fieldwork in progress
Records Management	Fieldwork in progress
Absence Management	Fieldwork in progress
<b>Financial / Corporate Systems</b>	
Ordering and creditor payments	Fieldwork in progress
Payroll	Fieldwork in progress
Council tax support & benefits	Fieldwork in progress
Council tax & NNDR	Fieldwork in progress
Debtors	Fieldwork in progress
<b>ICT audits</b>	
IT asset management	Fieldwork in progress
<b>Health, Housing and Adult Social Care</b>	

<b>AUDIT</b>	<b>STATUS</b>
Continuing healthcare	Planning commenced
Homelessness	Planning commenced
<b>Children, Education and Communities</b>	
Community hubs	Fieldwork completed
Contract management (MiY)	Fieldwork completed
Special educational needs Ofsted inspection action plan	Planning commenced
Schools themed audit – Cyber security	Fieldwork in progress
<b>Economy and Place</b>	
Commercial Waste	Fieldwork in progress
Highways CDM Regulations	Fieldwork in progress
Trees Management	Planning commenced
Business continuity	Fieldwork in progress
Environmental Health	Fieldwork in progress

**COUNTER FRAUD ACTIVITY 2020/21**

The table below shows the level of savings achieved through counter fraud work during the current financial year.

	<b>2020/21 (Actual: 31/12/20)</b>	<b>2020/21 (Target: Full Yr)</b>	<b>2019/20 (Actual: Full Yr)</b>
Amount of actual savings (quantifiable savings - e.g. repayment of loss, cancellation of right to buy discounts and stopping ongoing fraudulent claims) identified through fraud investigation.	£292,835	£200,000	£246,618
Amount of savings identified relating to Covid-19 business grant related fraud	£173,000	n/a	n/a

**Caseload figures for the period are:**

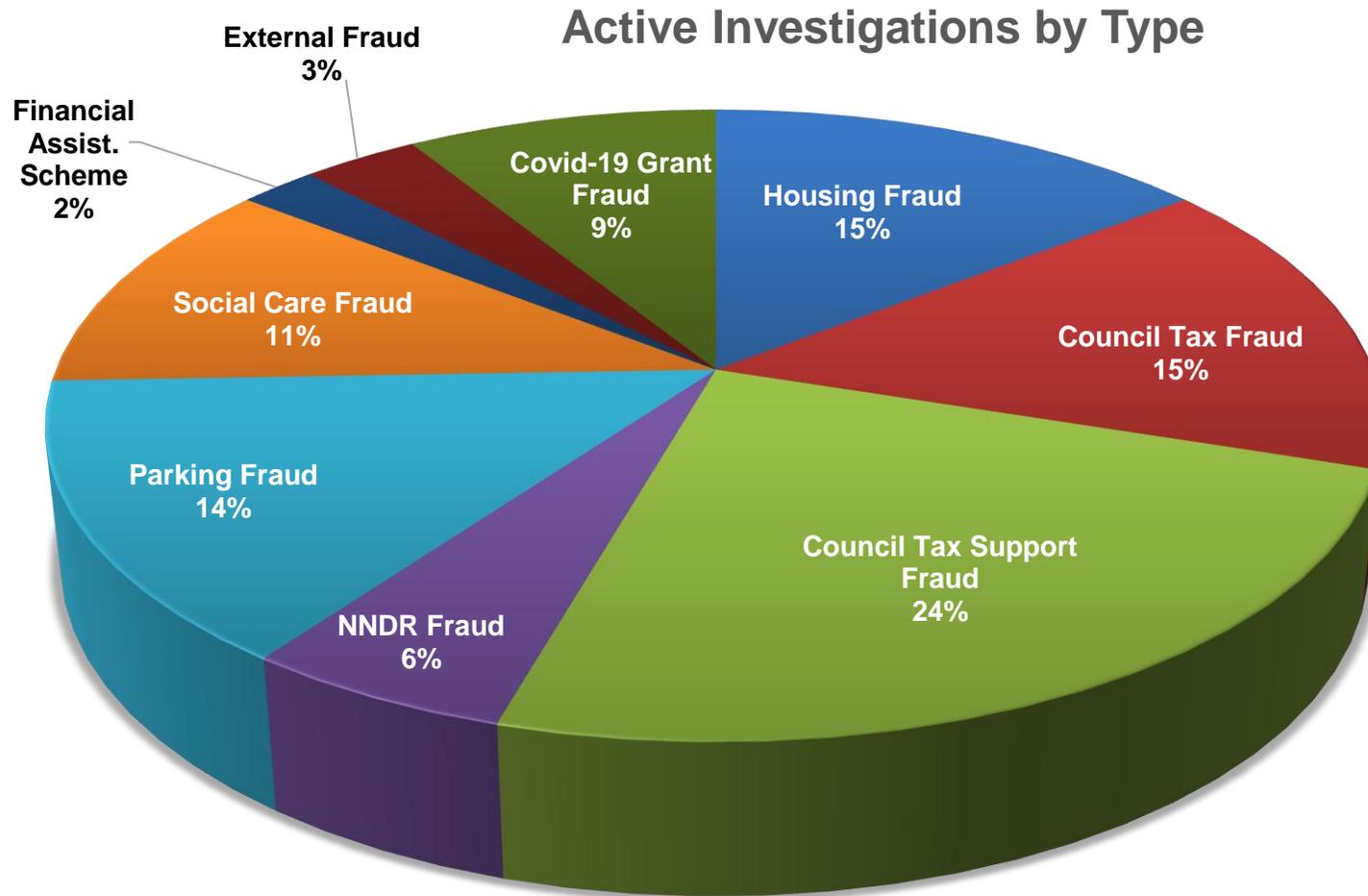
	<b>2020/21 (As at 31/12/20)</b>	<b>2019/20 (Full Year)</b>
Referrals received	238	384
Number of cases under investigation	93	94 <sup>1</sup>
Number of investigations completed	148	172

<sup>1</sup> As at 31/3/20

The agreed target for successful outcomes from investigations is 30%. Actual outcomes vary by case type but include, for example, benefits or discounts being stopped or amended, sanctions, prosecutions, properties recovered, housing allocations blocked, or management action taken. The graph below shows percentage success rates over the last 4 years and 2020/21 to date.



The chart below shows the proportion of different case types under investigation as at 31 December 2020.



## Summary of counter fraud activity:

Activity	Work completed or in progress
Data matching	The 2020/21 National Fraud Initiative (NFI) exercise is currently underway. All required datasets have been submitted to the Cabinet Office and the resulting matches are due to be published shortly. In this exercise additional matches have been produced to help identify fraudulent covid-19 grant applications.
Fraud detection and investigation	<p>Activity to date includes the following:</p> <ul style="list-style-type: none"> <li>• <b>Covid-19 Grants</b> – The counter fraud team has investigated 26 cases of potential grant fraud which have resulted in 15 grants being stopped pre-payment or grant money being recovered where it had already been paid. This work has prevented £173k of loss. Six people have been formally warned about their conduct and there are 12 cases still under investigation. In addition, data matching work conducted by the team prevented £21k of loss to the Council’s Microbusiness Grant Scheme. In line with government guidance the team is currently undertaking post-assurance checks on a sample of payments made to businesses in order to detect fraud and error.</li> <li>• <b>Social Care fraud</b> – The counter fraud team has completed 14 adult social care investigations to date and savings of £83k have been produced. There are currently 11 investigations ongoing.</li> <li>• <b>Council Tax/Non Domestic Rates fraud</b> – £33k of savings have been produced in this area. Twenty-four investigations have been concluded and 21 are being actively investigated. Six people have been warned about their conduct.</li> <li>• <b>Internal fraud</b> - The team have not received any reports of internal fraud in 2020/21.</li> </ul>

Activity	Work completed or in progress
	<ul style="list-style-type: none"> <li>• <b>External fraud</b> – The council was the subject of a cyber/mandate fraud attack in September 2020, but it was detected before any loss could occur.</li> <li>• <b>Housing fraud</b> – Working alongside colleagues in the housing department, the counter fraud team has helped recover two council properties that were falsely applied for or were being misused. Two fraudulent Right to Buy applications have been stopped and two people received warnings for providing false information when applying for housing. There are currently 13 cases under investigation.</li> <li>• <b>Parking fraud</b> – The fraud team work with the parking department to address blue badge and other types of parking related fraud. In 2020/21 eighteen investigations have been completed with nine people receiving warnings for blue badge or parking permit misuse. In quarter 3 two cases of blue badge misuse were successfully prosecuted. The offenders were fined a total of £2k (across both cases), which included the council’s legal costs.</li> <li>• <b>Council Tax Support fraud</b> – Council Tax Support fraud is high volume but generally of relatively low value. Five warnings have been issued in this area and £16k in savings have been produced.</li> </ul>
Fraud Management	<p>In 2020/21 a range of activity has been undertaken to support the council’s counter fraud framework.</p> <ul style="list-style-type: none"> <li>• The counter fraud team regularly alerts council departments to emerging local and national threats.</li> <li>• In May 2020, the council’s counter fraud transparency data was updated to include data on counter fraud performance in 2019/20, meeting the council’s obligation under the Local Government Transparency Code 2015.</li> </ul>

Activity	Work completed or in progress
	<ul style="list-style-type: none"> <li>• In April / May 2020, the counter fraud team assisted the Council by undertaking pre-payment checks on large numbers of applications for Covid-19 business grants to prevent fraud and error.</li> <li>• In September 2020, the government announced Test and Trace Support Payment scheme. The counter fraud team are supporting the Council in administering the scheme by investigating false claims and liaising with North Yorkshire Police.</li> <li>• The Council participated in the annual CIPFA Counter Fraud and Corruption Tracker (CFaCT) survey in September 2020. The information will contribute to a CIPFA national report detailing the extent of fraud against local authorities.</li> <li>• In October 2020, the counter fraud team ran a cybercrime awareness week, delivering cybercrime awareness information to council employees through a number of bulletins provided over the course of the week.</li> <li>• In November 2020, the counter fraud team raised awareness of fraud internally and amongst the general public as part of International Fraud Week.</li> <li>• Throughout the Covid-19 pandemic, the counter fraud team has provided support to the Council in preparing for and administering government funded grant schemes. This has included reviewing government guidance and advising on best practice.</li> </ul>

## Audit & Governance Committee – draft work plan

Training/briefing events will be held at appropriate points in the year to support members in their role on the Committee.

Theme	Item	Lead officers	Scope
<b>10 March 2021</b>			
External Audit	Update from Mazars	<u>Mazars</u> Mark Kirkham	
Risk	Key Corporate Risks monitor 2	<u>CYC</u> Sarah Kirby	Update on Key Corporate Risks (KCRs) including: KCR 10 – Workforce/ Capacity
<b>14 April 2021</b>			
Governance	Monitoring Officer's update	<u>CYC</u> Janie Berry	
Governance	Information governance, complaints and feedback report including issues	<u>CYC</u> Lorraine Lunt	To provide Members with an update on current information governance issues.
Governance	Annual Report of the Audit & Governance Committee	<u>CYC</u> Janie Berry	To seek Members' views on the draft annual report of the Audit and Governance Committee for the year ended March 2021, prior to its submission to Full Council.
Risk	Key Corporate Risks Monitor 3	<u>CYC</u> Sarah Kirby	Update on Key Corporate Risks (KCRs) including: KCR 11 - External Market Conditions
Internal Audit	Approval of the Internal Audit Plan	<u>Veritau</u> Max Thomas/ Richard Smith	
<b>June 2021</b>			
Finance	Draft Statement of Accounts incl. Annual Governance Statement	<u>CYC</u> Emma Audrain/ Debbie Mitchell	To present the draft Statement of Accounts to the Committee prior to the 2020/21 Audit including the Annual Governance Statement
Governance	Monitoring Officer's update	<u>CYC</u> Janie Berry	
Finance	Treasury Management Outturn Report	<u>CYC</u>	To provide Members with an update on the Treasury

		Emma Audrain/ Debbie Mitchell	Management Outturn position for 2020/21.
Risk	Key Corporate Risks Monitor 1	<u>CYC</u> Sarah Kirby	Update on Key Corporate Risks (KCRs) including: KCR 12 – Major Incidents
External Audit	Mazars Audit Progress Report (if required)	<u>Mazars</u> Mark Kirkham, Mark Dalton	Update report from external auditors detailing progress in delivering their responsibilities as the Council's external auditors
Internal Audit	Annual Report of the Head of Internal Audit	<u>Veritau</u> Max Thomas/ Richard Smith	This report will summarise the outcome of audit and counter fraud work undertaken in 2020/21 and provide an opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and internal control
<b>July 2021</b>			
External Audit	Mazars Audit Completion Report	<u>Mazars</u> Mark Kirkham	Report from the Councils external auditors setting out the findings of the 2020/21 Audit.
Finance	Final Statement of Accounts	<u>CYC</u> Emma Audrain/ Debbie Mitchell	To present the final audited Statement of Accounts following the 2020/21 Audit.
Governance	Monitoring Officer's update	<u>CYC</u> Janie Berry	
Governance	Information governance, complaints and feedback report including issues	<u>CYC</u> Lorraine Lunt	To provide Members with an update on current information governance issues.
<b>Sept 2021</b>			
External Audit	Mazars Annual Audit Letter	<u>Mazars</u> Mark Kirkham	Report from the Councils external auditors setting out the findings of the 2020/21 Audit.
Risk	Key Corporate Risks monitor 2	<u>CYC</u> Sarah Kirby	Update on Key Corporate Risks (KCRs) including:
Internal Audit	Internal Audit & Fraud Plan & Progress report	<u>Veritau</u> Max Thomas/ Richard Smith	An update on progress made in delivering the internal audit work plan for 2020/21 and on current counter fraud activity. Including reporting on progress made by council departments in implementing actions agreed as part of internal audit work
Governance	Monitoring Officer's update	<u>CYC</u> Janie Berry	
Governance	Information governance, complaints and	<u>CYC</u>	To provide Members with an update on current

	feedback report including issues	Lorraine Lunt	information governance issues.
<b>Dec 2021</b>			
Risk	Key Corporate Risks monitor 3	<u>CYC</u> Sarah Kirby	Update on Key Corporate Risks (KCRs)
External Audit	Mazars Audit Progress (if required)	<u>Mazars</u> Mark Kirkham	Update report from external auditors detailing progress in delivering their responsibilities as the Council's external auditors
Finance	Treasury Management Mid-year review 20/21 and review of prudential indicators	<u>CYC</u> Debbie Mitchell	To provide an update on treasury management activity for the first six months of 2020/21
Governance	Monitoring Officer's update	<u>CYC</u> Janie Berry	
Governance	Information governance, complaints and feedback report including issues	<u>CYC</u> Lorraine Lunt	To provide Members with an update on current information governance issues.
Internal Audit	Internal Audit & Fraud Plan & Progress report	<u>Veritau</u> Max Thomas/ Richard Smith	An update on progress made in delivering the internal audit work plan for 2020/21 and on current counter fraud activity. Including reporting on progress made by council departments in implementing actions agreed as part of internal audit work
<b>April 2022</b>			
Risk	Key Corporate Risks monitor 4	<u>CYC</u> Sarah Kirby	Update on Key Corporate Risks (KCRs)
External Audit	Mazars Audit Progress (if required)	<u>Mazars</u> Mark Kirkham	Update report from external auditors detailing progress in delivering their responsibilities as the Council's external auditors

*TBA – (to be discussed before the annual meeting).*

Governance	Review of the Constitution	<u>CYC</u> Janie Berry	Janie to confirm
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