



# **COUNTER FRAUD & CORRUPTION STRATEGY**

**2017-19**

## **Forward by the Chief Executive**

The council is funded by public money, through council tax, business rates and other sources. Fraud against the council is essentially theft of this money and the council takes its role as a guardian of these public funds seriously.

The Council Plan sets out our ambitions for the residents of the city in a time when demand for services is increasing and funding for local government is falling. We have to make tough decisions on finances to continue to support key services. Any fraud against the council takes more money away from services and undermines our ability to achieve our aims.

For these reasons, the council will not tolerate any fraud or corruption against it.

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 will utilise all measures available to us to deal with criminals and recover any losses.

Mary Weastell  
Chief Executive

## Introduction

- 1 All organisations are at increasing risk of fraud and corruption. The illegal and hidden nature of fraud makes it hard to measure accurately. Some commentators suggest that annual fraud losses to local government in the UK could be £7.3 billion<sup>1</sup>. And the risks are growing as fraudsters become more aware of the possibilities for committing fraud against public sector bodies, new technology gives easy access to sophisticated fraud techniques, and council resources are stretched to maintain services with reduced levels of funding.
- 2 The council faces significant financial challenges in the next few years. It must make significant changes to the way it works 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 help it achieve those aims and 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 - The local government counter fraud and corruption strategy 2016 - 2019). It also takes into account the principles set out in the Chartered Institute of Public Finance and Accountancy's (Cipfa's) Code of Practice on Managing the Risks of Fraud and Corruption (2014).
- 4 The strategy has been reviewed by the Audit and Governance Committee as part of its responsibility for considering the effectiveness of counter fraud and corruption at the council. The strategy will be reviewed annually.

## Our aim

- 5 Fighting Fraud & Corruption Locally recommends councils consider the effectiveness of their counter fraud framework by considering performance against the six key themes set out below. The council's aim is that by 2019 it will have adequate and effective arrangements in each of these areas.
  - **Culture**: – creating a culture in which beating fraud and corruption is part of daily business
  - **Capability** – ensuring that the range of counter fraud measures deployed is appropriate to the range of fraud risks
  - **Capacity** – deploying the right level of resources to deal with the level of fraud risk
  - **Competence** – having the right skills and standards

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<sup>1</sup> Annual Fraud Indicator 2016 - Experian/PKF Littlejohn/University of Portsmouth Centre for Counter Fraud Studies. The figure excludes benefit fraud.

- **Communication** – raising awareness, 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.

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

- 6 The council already has many of the components for a strong counter fraud framework in place. For example:
- control arrangements for key financial systems are robust, being underpinned by statutory requirements, council financial regulations and scrutiny through internal and external audit
  - the policy framework incorporates many elements of counter fraud good practice (eg a counter fraud and corruption policy, codes of conduct and registers of interests) which have developed over the years in response to legislation and emerging issues
  - participation in collaborative counter fraud work with other agencies, through the National Fraud Initiative.
- 7 However, with a growing awareness of new fraud risks in recent years there is now a need to review overall arrangements, taking into account the latest guidance available to assess whether the overall counter fraud framework is robust.
- 8 The themes listed in paragraph 5 are reflected by the good practice arrangements set out in Cipfa's Code of Practice on Managing the Risks of Fraud. A review of current arrangements against the code of practice has identified a number of areas for development, and these are included in the action plan at Appendix 1. The actions also address the recommendations directed at local authorities in the national Fighting Fraud Locally strategy.

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

- 9 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 detailed 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;
  - Counter Fraud Risk Assessment - a specific risk assessment undertaken to identify counter fraud risks and develop action to address those risks;

- 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.

10 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

## Appendix 1: Counter Fraud and Corruption Strategy Action Plan

Ref	Action Required	Action Dates	Responsibility	Notes / Further Action Required
1	Prepare a counter fraud strategy which acknowledges fraud risks facing the council and sets overall counter fraud aims. The strategy should highlight links to existing counter fraud related policies and set out actions required for developing counter fraud arrangements.	February 2017	Chief Finance Officer / Veritau	Progress against the strategy to be reviewed annually and reported to the Audit and Governance Committee
2	Prepare an updated counter fraud policy to take account of the latest national guidance, and reflecting changes to the councils counter fraud arrangements following the transfer of benefit fraud investigation to the DWP.	February 2017	Chief Finance Officer / Veritau	Review annually
3	Review and update counter fraud risk assessment.  (Note that separate actions are included within the risk assessment to address specific issues identified.)	February 2017	Veritau	To be reviewed at least annually.
4	Develop regional / local data matching and counter fraud exercises (i).  A cross boundary data matching exercise on council tax and NNDR discounts and exemptions is in progress. Detailed review of outcomes / investigations now started.	February - October 2017	Veritau	Work to develop targeted local / regional data matching over and above ongoing work (for example as part of the National Fraud Initiative).  Results to inform future data matching exercises (see 8).

5	Review and update whistleblowing policy and procedures.	May 2017	Veritau / HR / Monitoring Officer	Work to review existing policy has started. A toolkit for managers will be created alongside the updated policy.
6	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).	August - December 2017	Veritau / service managers	Outcomes to inform 2018 fraud risk assessment.
7	Undertake specific fraud awareness training for priority service areas identified through the fraud risk assessment.	October 2017	Veritau	To be undertaken on a rolling basis.
8	Develop regional / local data matching and counter fraud exercises (ii).  Review outcomes from earlier exercise (see 4) and determine future target areas and timetable for local / regional data matching.	October - December 2017	Veritau	Areas / timetable of matches for 2018/19 to be determined.
9	Identify tools available for estimating potential fraud exposure / losses. Assess their effectiveness and appropriateness for use as part of counter fraud risk assessment.	November - December 2017	Veritau	Outcomes to inform 2018 fraud risk assessment if appropriate techniques identified.
10	Consider whether specific targets can be set under each of the Fighting Fraud Locally themes.	December 2017	Veritau	Use to refine strategy and action required from 2018/19.
11	Liaise with HR officers to incorporate general counter fraud awareness training into induction training for all new employees.	March 2018	Veritau / HR	Veritau are developing an e-learning fraud awareness application which should be available from 2017/18.
12	Review wider governance and other policies (eg	March 2018	Veritau / relevant	The review will identify

	<p>employee related policies, gifts, interests, financial regulations) to ensure they:</p> <ul style="list-style-type: none"> <li>• cover all required areas</li> <li>• are consistent with the counter fraud strategy and policy.</li> </ul>		policy owners	timescales for updates to individual policies.
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<p>Other Actions to be considered for 2018/19.</p> <ul style="list-style-type: none"> <li>• Review arrangements for raising fraud awareness and communicating information about specific fraud risks.</li> <li>• Review effectiveness and arrangements for collaborating with partners on counter fraud risks (sharing information / coordinating actions).</li> <li>• Review use of technology for analysing fraud risks and determine areas for development.</li> </ul>
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