

Counter Fraud Policy and Strategy Statement

1. Introduction

1.1 As with other organisations Adur & Worthing Councils are at risk of losses through fraud, bribery and corruption. The Council recognises that as well as causing financial loss such activities are also detrimental to the provision of services and damaging to the reputation of and confidence in the Council. To safeguard itself the Council is committed to making sure that the opportunity for fraud, bribery and corruption is reduced to the lowest possible risk within existing resources. To help organisations recognise and address their fraud risks, the Chartered Institute of Public Finance & Accountancy (CIPFA) produced a Code of Practice on Managing the Risk of Fraud and Corruption. The Code consists of the following five principles:

- Acknowledge the responsibility of the governing body for countering fraud and corruption.
- Identify the fraud and corruption risks.
- Develop an appropriate counter fraud and corruption strategy.
- Provide resources to implement the strategy.
- Take action in response to fraud and corruption.

1.2 Loss and harm caused by counter fraud Losses from fraud are evident in a range of public and private sector services such as education, healthcare, government, insurance and agriculture. The annual financial cost of Local Government Fraud in the UK is estimated at £2.1 billion (This figure excludes Housing Benefit Fraud which is now dealt with by the Single Fraud Investigation Service, run by the Department for Work & Pensions).

1.3 The UK government estimates that total fraud across the whole of the economy amounts to £73 billion a year.

1.4 Local authorities face a significant fraud challenge. Fraud costs local authorities an estimated £2.2bn a year. 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.

2. Policy Statement

2.1 The Councils are committed to protecting the public funds for which they are responsible. The minimisation of losses to fraud and corruption is essential for ensuring resources are used for their intended purpose. The Councils will not tolerate fraud, bribery, corruption or abuse of position for personal gain. The public

is entitled to expect the Councils to conduct their affairs with integrity, honesty and openness and demand the highest standards of conduct from those working for it.

2.2 This Policy and Strategy Statement outlines the Authority's commitment to creating an anti-fraud, anti-corruption and anti-bribery culture and maintaining high ethical standards in the administration of public funds. It is designed to prevent, detect and deter fraud and to take effective action against any attempted or actual fraudulent act affecting the Authority. The Policy also satisfies the legislative requirements of having effective arrangements for tackling fraud and conforms to professional guidance.

2.3 The general aims and objectives of this policy and strategy statement are to:

1. Create and promote a robust "anti-fraud" culture across the organisation, highlighting the Council's zero tolerance of fraud, bribery and corruption, which is also acknowledged by others outside the Council.
2. Encourage individuals to promptly report suspicions of fraudulent or corrupt behaviour and provide them with effective means for doing so.
3. Protect the Council's valuable resources and minimise the likelihood and extent of losses through fraud and corruption.
4. Enable the Council to apply appropriate sanctions and recover all losses.
5. Direct the Council's counter fraud resources on the key areas of fraud risk and ensure that the resources dedicated to combatting fraud are sufficient and those involved are appropriately skilled.
6. Work with partners and other investigative bodies to strengthen and continuously improve the Council's resilience to fraud and corruption.

2.4 The Policy and Strategy statement (the strategy) includes:-

- A statement on the aims and objectives of the policy
- The Councils' approach to countering fraud
- The key principles in combating fraud
- The approach to recovering losses
- An assessment of risk areas • Details of the legislative framework
- How the Council works with others
- Current Priorities
- Details of roles and responsibilities

- 2.5 This document sets out the Counter Fraud Policy Framework:
- The Fraud Policy: Identifying a number of key principles outlining the overall approach to combating fraudulent activity against the Council.
 - The Fraud Strategy: Setting out priorities, objectives and actions of the Corporate Investigations Team in response to identified fraud risks.

3. Approach to Countering Fraud

- 3.1 Adur & Worthing Council has a dedicated and specialist Corporate Investigation Team to protect its assets and finances from fraud, corruption, bribery and loss. Work is focused within each of the key elements of acknowledge, deter, prevent, detect, investigate and recover.
- 3.2 Fraud by its very nature is hidden, and conducted in such a manner that fraudulent acts are actively concealed. It is therefore vital to maintain a strong anti-fraud culture, and advocate a zero tolerance approach. This not only provides a deterrent to potential fraudsters, but also encourages an environment where individuals feel comfortable coming forward to raise concerns.
- 3.3 This Strategy is informed by the Council's objectives and has incorporated guidance and best practice on combating fraud within local government, devised from a number of different sources including:
- National Fraud Authority (NFA): Fighting Fraud Locally – The Local Government Fraud Strategy
 - National Fraud Authority: Annual Fraud Indicator June 2013
 - Audit Commission: Protecting the Public Purse 2014
 - CIPFA Managing the Risk of Fraud
 - Protecting the English Public Purse TEICAF 2015
- 3.4 Nationally current recognised fraud risks reported across the sector and which this Strategy seeks to assure and address are:
- Social Housing Fraud (including Right to Buy Fraud, Homeless Applications and Applications for the Housing Register).
 - Council Tax Reduction Fraud
 - Council Tax Fraud
 - Non Domestic Rates Fraud
 - Employee Fraud
 - Procurement/Contractor Fraud
 - Third Party Grant Fraud

3.5 These considerations form the basis of a proactive annual programme of fraud work but are subject to change as the fraud landscape changes, budget constraints upon the Team, and also changes with staffing levels within the Corporate Fraud Team.

3.6 The Corporate Investigation Team currently consists of one full time Senior Investigation Officer, two part time Investigation Officers and one part time Investigation Support Officer.

4. The key principles in combating fraud

4.1 Fraud Culture

The Council promotes a strong counter fraud culture. The Corporate Investigation Team are committed to raising staff and public awareness which include the following:

- Prominent publication and communication of the Council's zero tolerance stance against fraud and the overall strategy for combating it.
- Making clear to staff and residents how and to who they can report concerns.
- Delivering a fraud awareness programme including workshops and training, to ensure the profile of fraud risk remains high in particular amongst Council staff and Members but also contractors and partners.
- Publicising the results of pro-active work and the Council's success in identifying and taking strong action against fraudsters.

4.2 Prevention

4.2.1 Prevention is often the best and most efficient way to tackle fraud and prevent losses to the Council. This requires a robust control environment. Wherever appropriate and cost effective to apply, the Council will design and implement controls to prevent fraud and irregularity.

4.2.2 The Council will resource an internal audit function to ensure that the internal control environment is regularly reviewed. The Council commits to ensuring that recommendations arising from internal audit reports are addressed.

4.2.3 Pro-active counter fraud work will be undertaken in the areas of activity deemed to be at greater risk to fraud and corruption.

4.3 Raising Concerns

4.3.1 Members and Officers are an important element in the Authority's stance on fraud and corruption, and they are positively encouraged and expected to raise any concerns that they may have on these issues where they are associated with the Authority's activity.

4.3.2 Officers should normally raise concerns through their immediate manager, however it is recognised that they may feel inhibited in certain circumstances. In this case, Officers and Members should contact the Councils' Chief Financial Officer, the Head of Legal Services or the Head of Internal Audit. The Councils's Whistleblowing Policy gives further guidance on how to raise concerns and it gives details about the support and safeguards that are available to those that do raise concerns.

4.3.3 Concerns will be treated in confidence, properly investigated and dealt with fairly. All concerns of frauds and corruptions will be investigated. There is, of course, a need to ensure that any investigation process is not misused, therefore, any internal abuse, such as raising malicious or vexatious allegations, may be dealt with as a disciplinary matter.

4.4 The Authority's response to Fraud and Corruption

4.4.1 This Policy and Strategy Statement is intended to provide direction and help to officers in dealing with suspected cases of theft, fraud and corruption. It also gives direction to others wanting to report matters of concern involving these things. Any suspected offences in relation to fraud will be investigated.

4.4.2 Any matters involving any financial irregularities should be referred to Head of Internal Audit for investigation. These matters are taken seriously and additional action, such as disciplinary proceedings and / or prosecution, will be taken where evidence of offences are found.

4.5 Detection

4.5.1 A range of actions are already in place in relation to the detection of fraud, irregularity and loss:

- The Fraud team routinely review a range of Council Tax benefits or discounts to identify irregularities using data matching tools
- All staff are expected to comply consistently and routinely with internal controls designed to bring data anomalies and other indicators of fraud to the attention of management. As with preventative controls, the Council's Internal Audit Section reviews the adequacy of fraud detection controls in key systems and makes recommendations for weaknesses to be addressed.
- The Council participates fully in the National Fraud Initiative (NFI) and remains open to participation in other relevant national or regional opportunities to detect fraud through data-matching exercises.
- Internal Audit carries out targeted, analytical reviews of key systems and services to identify indicators of fraudulent activity.
- The Council's Whistleblowing Policy is prominently publicised to encourage staff, Members, contractors and partners to raise any genuine suspicions they may have. Currently there is no centralised log of such reports.

- Services across the Council participate in national and regional networks and take prompt action to review the relevance to the Council of alerts or issues shared across these groups.

4.5.2 The Corporate Investigations Team are developing a centralised log of all fraud and irregularity referrals received within the Local Authority, including the areas of Procurement and Employee/Internal Fraud. The log, with the aid of the Council's Audit Team, will help to assess areas within the Council most vulnerable to the risk of fraud, and thus enable a Council wide fraud profile to be created which informs investigation and audit work aimed at detecting existing and new types of fraudulent activity. This knowledge also informs and helps direct the allocation of staff resources across the investigation and audit teams ensuring a flexible approach is maintained and sufficient coverage is obtained across both the reactive and proactive counter fraud programmes as well as wider planned investigation and audit work.

4.6 The Investigation Process

4.6.1 Where offences are suspected, investigations will be carried out up to a criminal standard of proof (although, it is recognised that under the disciplinary procedure, a different burden of proof is required).

4.6.2 The purpose of any investigation is to establish the facts in an equitable and objective manner. The process will involve the use of authority or delegated powers to:

- a. Screen allegations or information to gauge their credibility
- b. Secure all evidence
- c. Interview suspects
- d. Interview witnesses
- e. Take statements
- f. Liaise with departments or other agencies (including the Police)

4.6.3 Where evidence of offences or irregularities are found, the Authority will consider taking further action. A proactive approach to deterring fraud attempts will be undertaken by publicising the Authority's anti-fraud and corruption stance and actions taken against fraudsters.

5. Recovery of Losses Incurred

5.1 A crucial element of the Council's response to tackling fraud is seeking financial redress. The recovery of defrauded monies is an important part of the Strategy and where it is practical, action will be taken to recover the loss from the individual or organisation concerned. Where criminality has been proven then the Proceeds of

Crime Act 2002 may where appropriate be used to recover funds. Other methods of recovery may include, but are not confined to:

- Civil proceedings
- Third Party Liability Orders
- Recovery of pension contributions from employees
- Unlawful profit orders
- Compensation Orders
- Bankruptcy - If it is believed the individual has a poor history of paying; and
- Recovery from future salary payments

5.2 The Corporate Fraud Team already actively assists both the Council Tax and Adur Homes Recovery Teams in tracing debtors and absconders.

6. Assessed risk areas

6.1 The following detail known areas of fraud risk for the Councils:

- **Social Housing Fraud costs Local Authorities around £1.7 billion per year**, according to the National Fraud Authority (NFA). The cost of building a new home currently estimated at around £250,000, and emergency accommodation (according to Crisis), cost Local Authorities £851 million in 2015.

With Housing supplies in ever dwindling supply, and the cost of emergency accommodation rising, the investigation of Tenancy Fraud is a priority for this Local Authority.

A Tenancy Fraud Audit is programmed for the Adur Housing Stock, and a regular audit of the Housing Register is undertaken each year. A campaign to advertise Tenancy Fraud is currently being undertaken.

- **Council Tax Fraud is estimated to cost Local Authorities £133 million per year.**

The Adur & Worthing Corporate Investigation Team's will regularly organise a review of Single Person Discounts and other Council Tax Discounts.

- **Employment/Recruitment/Internal Fraud is estimated to cost Local Authorities £154 million per year.**

The Corporate Investigation Team will participate in the investigation of Employment/Recruitment Fraud, or with internal fraud. This is an area that have encouraged other Departments within the Local Authority to involve the team.

- **Procurement Fraud costs Local Authorities £876 million per year.**

The Corporate Investigation Team has not previously been involved with allegations of procurement fraud, but this is highlighted by the Local Government Counter Fraud & Corruption Strategy as a growing area of loss for Local Authorities and one in which the team hopes to be permitted to be actively involved in the coming year..

7. Emerging Fraud Risk Areas affecting Local Authorities

Known Fraud Risks Remaining Significant	Emerging/Increasing Fraud Risks
<p>Tenancy - Fraudulent applications for housing, Right to Buy, Successions of Tenancy, and Subletting of the property.</p> <p>Procurement - Tendering issues, split contracts, double invoicing.</p> <p>Payroll - False Employees, Overtime Claims, Expenses.</p> <p>Council Tax - Discounts & Exemptions, Council Tax Support.</p> <p>Grants - Work not carried out, funds diverted, ineligibility not declared.</p> <p>Pensions - Deceased pensioner, overpayments, entitlement overstated.</p> <p>Internal Fraud - Diverting council monies to a personal account; accepting bribes; stealing cash; misallocating social housing for personal gain; working elsewhere whilst claiming to be off sick; false overtime claims; selling council property for personal gain; wrongfully claiming benefit whilst working.</p> <p>Identity Fraud - False Identity/Fictitious Persons applying for services/payments.</p>	<p>Business Rates - Fraudulent applications for exemptions and reliefs; unlisted properties. Emerging/Increasing Fraud Risks</p> <p>Right To Buy - Fraudulent applications for housing, Right to Buy, Successions of Tenancy, and Subletting of the property.</p> <p>Money Laundering - Exposure to suspect transactions</p> <p>Insurance Fraud - False claims including slips and trips</p> <p>Disabled facilities Grants - Fraudulent applications for adaptations to homes aimed at the disabled.</p> <p>Concessionary Travel Schemes - Use of concession by ineligible person, including Freedom Passes.</p> <p>No Recourse to Public Funds - Fraudulent claim of eligibility</p> <p>Commissioning of Services - Including joint commissioning, third party sector partnerships - conflicts of interest, collusion</p> <p>Local Enterprise Partnerships - Voluntary partnerships between local authorities and businesses. Procurement Fraud, Grant Fraud.</p> <p>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.</p>

(Extract from *Fighting Fraud & Corruption Locally. The Strategy 2016*)

8. Legislation

8.1 The legislative and policy framework in relation to counter fraud is extensive including but not limited to:

- Human Rights Act 1998,
- Data Protection Act 1998,
- Criminal Procedures and Investigation Act 1996,
- Regulation of Investigatory Powers Act 2000,
- Police and Criminal Evidence Act 1984,
- Prevention of Social Housing Fraud Act 2013,
- Council Tax Reduction Scheme 2013,
- Proceeds of Crime Act 2002,
- The Bribery Act 2000 and
- Money Laundering Regulations 2007.
- Fraud Act 2006
- Theft Act 1968

9. Fraud Awareness and Training

9.1 During the period covered by this Strategy, consideration will be given to a range of media including e-learning, workshops, newsletters, intranet and cascade of key messages. The effectiveness of training and other fraud awareness activities will be evaluated to inform future planning.

- The Corporate Investigation Team will establish an ongoing fraud awareness programme and training package for all Council employees..
- Ongoing qualification training for Corporate Investigation Team staff responsible for the investigation of suspected fraud.

10. Joint and Collaborative Working

10.1 Fraud does not always fit neatly within the boundaries of the Local Authority. Given the range of partnerships and collaboration work and the benefits of working with colleagues across the public and private sector, the Corporate Investigation Team actively seeks to work in conjunction with others.

10.2 Key agencies for data sharing include but are not limited to the following:

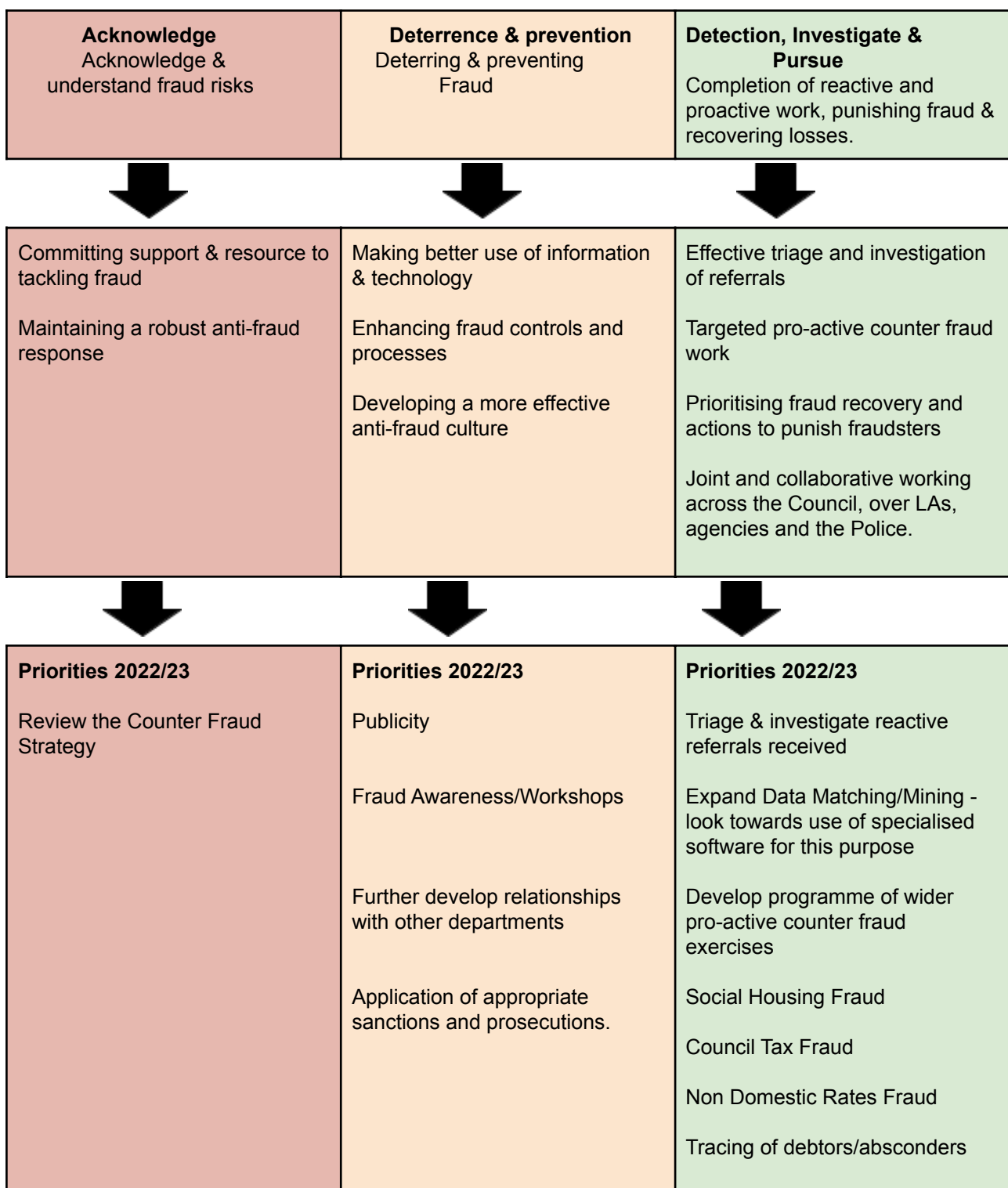
- Department for Work & Pensions
- HMRC
- Trading Standards
- Local Authorities
- Police
- NHS
- Home Office

10.2 Arrangements are in place and continue to be developed to encourage both joint and collaborative working involving the exchange of information and intelligence between the Council and other agencies on national and local fraud and corruption activity in relation to local authorities. Any such exchange of information is undertaken in accordance with the principles contained in the Data Protection Act 1998 and the Information Commissioner's Office Code of Practice of Data Sharing. Where appropriate, the Council will participate in national or regional initiatives designed to prevent and detect fraud, such as data matching.

11. Delivery of the Strategy :

The Council's overall approach and key priorities for Counter Fraud are:

The delivery of key priorities will ensure the Council is better able to protect itself from fraud, irregularity and loss and will provide a more effective fraud response whilst making use of the resources available to the Corporate Investigations Team.



12. Measuring Success

- 12.1 Under Section 151 of the Local Government Act 1972 and The Accounts and Audit Regulations, the "Responsible Financial Officer" (i.e. the Chief Financial Officer) is responsible for ensuring that the Council has effective internal controls and systems in place.
- 12.2 Progress against the priorities and plans identified within this Strategy, and the results of successful investigations and prosecutions, will be reported quarterly to the S.151 Officer and annually to Audit Committee as part of the Internal Audit update report..
- 12.3 The successful implementation of this strategy will be measured by the following:-
- Increased awareness of fraud and corruption risks by members, managers and employees through implementation of a counter fraud awareness package.
 - Increased public awareness of the cost of fraud against the local authority and how they can assist in the fight against it.
 - Creation of an anti fraud culture where employees and members of the public feel able to identify and report concerns relating to potential fraud and corruption.
 - Centralisation of the reporting and the investigation of internal fraud.
 - Increased prosecutions and legal action resulting from Tenancy Fraud investigations.
 - Publication of prosecutions and successful fraud investigations.
 - Increased use of technology for Data Matching of Council held data for preventing and detecting fraud.

13. Roles and Responsibilities

13.1 Council

The Joint Governance Committee on behalf of the Councils undertakes the following:

- a. Formulate and approve policy documentation in respect of Anti-Fraud and Corruption processes and ensure the adequacy and effectiveness of their application throughout the Authority.
- b. Review and ensure that adequate arrangements are established and operating to deal with situations of suspected or actual wrongdoing, fraud and corruption.

13.2 **The Responsible Officer**

The Chief Financial Officer (CFO) has overall responsibility for the Councils' response to fraud. It is the responsibility of the CFO to oversee the action taken in response to fraud. Section 151 of the Local Government Act 1972, the CFO is designated as the responsible officer. She is responsible for ensuring that the Council have adequate control systems and measures in place to enable the prevention and detection of inaccuracies and fraud. Joint Governance Committee Agenda Item 11 26 September 2017 The CFO is also responsible for maintaining an adequate and effective system of internal audit of the Authority's accounting records and control systems. He has the statutory right of access to documents, records, information and explanations he considers necessary for that purpose. The CFO takes overall responsibility for the maintenance and operation of this policy maintaining any records of financial malpractice, including concerns and allegations received, matters arising from audits, investigations and associated evidence and outcomes, with reports as necessary to the Authority.

13.3 **Departmental Heads**

Departmental Heads have a responsibility for ensuring and maintaining adequate system controls within their departments. This includes the responsibility for the prevention and detection of fraud and ensuring that their staff are aware of their responsibilities in this regard.

13.4 **Managers and supervisors**

Managers and supervisors are in a position to take responsibility for the prevention and detection of fraud and corruption within their own work area. Where an officer suspects fraud or corruption, they must in all instances seek advice from either the Chief Financial Officer or Internal Audit before proceeding with any enquiries.

13.5 **Staff**

All employees are required to act in accordance with the Employee's Code of Conduct. In addition, the Councils' Financial Regulations place responsibility for the prevention and detection of fraud with all employees. Any such concerns should be reported.

13.6 **Members**

All Members are required to act in accordance with the Member's Code of Conduct. Members also have a duty to report any issues of concern to the CFO.