

# Counter Fraud Strategy – July 2020



## Key Information

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Section/Directorate:	Governance & Assurance / Resources
External Consultation:	N/A
Internal Consultation:	Governance & Assurance Board Senior Leadership Team Service Departments
Background Information:	Council's Counter Fraud Policy The Fraud Act 2006 The Bribery Act 2010 The Proceeds of Crime Act 2002 The Prevention of Social Housing Fraud (Power to Require Information) (England) Regulations 2014 The Prevention of Social Housing Fraud Act 2013 The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017
Strategy Approval – Officer Level	Paula Mills - Head of Governance and Assurance
Strategy Approval – Member Level	N/A
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## 1. Introduction

Basildon Council is committed to protecting public funds by the prevention and detection of fraudulent activity across the borough. In the current climate of reduced funding and financial hardship it is more important than ever that losses to the council as a result of fraud and corruption are kept to a minimum to ensure that our limited resources are used for their intended purpose.

The council also has a legal responsibility under the Accounts and Audit (England) Regulations 2015 for ensuring that financial management is adequate and effective and has a sound system of internal control which facilitates the effective exercise of functions which includes arrangements for the management of risk.

To deliver successfully against the Counter Fraud Policy the council's approach and key priorities for the next three years are confirmed in this strategy, which will be subject to regular review. Key actions have been identified and are set out in the Strategy Action Plan at Appendix A.

## 2. Strategy Context

The ongoing delivery of the strategy will be based upon comprehensive ongoing risk assessments in all areas of council activity, to reduce losses from fraud and corruption through:

- Reinforcing an organisational culture of zero tolerance to fraud and corruption
- Encouraging prevention
- Pro-actively detecting fraud and corruption
- The instigation of legal, disciplinary (council employees only) and recovery action against any individual found to have acted fraudulently or corruptly in their relationship and dealings with the council

This holistic approach to tackling fraud and corruption is an integral part of existing governance arrangements, policies and procedures. Providing a raft of measures and interventions designed collectively to deter would be offenders.

As a living document it is envisaged that this strategy will continually evolve as the council gains a better understanding of the potential threat from fraud and corruption and as new and existing partnerships develop. The strategic ambitions will be further supported in practical terms by an operational delivery plan.

### The national picture

The Fighting Fraud and Corruption Locally Strategy 2020, a document produced for local government, suggests that one in three of all crimes committed nationally is fraud based. The Annual Fraud Indicator produced by Crowe Clark Whitehill estimates that the figure for fraud may be as high as £7.8bn in 2017 for Local Authorities. The Government's Economic Crime Plan states that the numbers of fraud offences rose by 12% during 2018 to 3.6 million.

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.

### Why is it important to us to protect Basildon residents?

Any fraudulent or corrupt act committed against the council effectively constitutes theft of taxpayers' money. It is unlawful and deprives the council of resources that should be available to provide public services.

Fraudulent applications for housing, Right to Buy or succession of tenancy and subletting of property, has a direct impact on our residents, especially those in need of council or social housing. Around 1.15 million people in the UK are currently on the waiting list for a council or social housing home.

### How does this strategy fit with the council's overall corporate plan?

Basildon Borough Council is committed to improving the lives of our residents and creating opportunity and prosperity for local people and businesses.

The delivery of the council's vision, through its Corporate Plan 2019-22 is governed by a set of three core promises:

- **A place for everyone to call home**
- **A place where everyone prospers**
- **A place to be proud of**

These promises are underpinned by a number of outcomes that direct how we do business: our way of thinking, leadership style, values and behaviours and approach to designing and running services so we can provide high quality, low cost, customer focused services, ensure local, open and honest decision making and work with partners to support Basildon's communities.

The Counter Fraud and Corruption Strategy supports these outcomes in seeking to ensure sound governance. In adopting this approach and culture the strategy supports the outcomes in enabling greater engagement with the community and partners, while protecting the public purse. As such this strategy is a key support for the delivery of the corporate plan.

## **3. Approach**

Minimising fraud and irregularity is everyone's business. Whilst specialist teams have a key role, the Council expects the highest standards of probity, propriety and conduct from all Elected Members, employees and contractors. This includes a requirement to act lawfully and to comply at all times with the council's policies, procedures and regulations.

The council will fulfil its aim to reduce fraud and corruption to an absolute minimum through a strategic approach consistent with that outlined in the Local Government Fraud Strategy 'Fighting Fraud & Corruption Locally' and in the council's Counter Fraud Policy. We will continue to engage with internal and external stakeholders through various workshops in the promotion of this strategy, encouraging the reporting of all fraud and working with Social Housing partners to combat tenancy fraud.

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. 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, however, another two areas of activity have emerged: ‘govern’ and ‘protect’.

The pillar of ‘govern’ sits before ‘acknowledge’. It is about having robust arrangements and executive support to ensure antifraud, bribery and corruption measures are embedded throughout the organisation. ‘Protect’ recognises the harm that fraud can cause in the community; for a local authority this will also cover protecting public funds, protecting the organisation from fraud and cybercrime and also protecting itself from future frauds.

**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.

<b>ACKNOWLEDGE</b>	<b>PREVENT</b>	<b>PURSUE</b>
Acknowledging and understanding fraud risks and committing support and resource to tackling fraud in order to maintain a robust anti-fraud response.	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.	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.

**PROTECTING ITSELF AND ITS RESIDENTS**

Recognising the harm that fraud can cause in the community. Protecting itself and its’ residents from fraud.

#### **4. Where the council needs to be**

The ongoing development of this strategy will be informed through our understanding of the threat, emerging risks, trends and the savings that can be achieved by investing in counter fraud and corruption. This will focus on greater use of technology and interrogation of data to assess vulnerability and proactively target higher risk areas. We will also be focusing on raising staff awareness of the risks of fraud and corruption and what they can do to prevent or identify it.

Since 2018, the measures to prevent fraud and corruption have been strengthened through the establishment of a dedicated counter fraud investigation team that has the capability and capacity to:

- Investigate allegations of fraud and corruption
- Prosecute and sanction offenders
- Identify fraud prevention controls across the organisation

Whistleblowing remains the most common way that fraud and corruption is detected in large organisations. The council will raise awareness and continually promote its Whistleblowing policy and other associated policies and procedures ensuring all reports of suspected fraud or corruption are treated seriously and acted upon, thereby developing a robust and proportionate response to counter any threats. The council

will also ensure that people have confidence in the Whistleblowing policy and arrangements and are confident and protected when raising issues.

The best way to fight fraud and corruption is to prevent it happening in the first place. The council will continually work towards realigning counter fraud resources away from enforcement towards prevention; ultimately, aiming to deter all would-be offenders

The council has already established a robust framework of procedures and controls which provide the major elements of its anti-fraud and corruption governance arrangements. This strategy is an integral part of a series of interrelated policies, procedures and controls designed to deter any attempted fraudulent or corrupt act. These policies, procedures and controls include:

- Council Constitution including Financial Regulations
- Internal Control Systems and Procedures
- Standards Committee
- Code of Conduct for Councillors; for Employees
- Registers of Interest
- Gifts & Hospitality Procedure
- Procurement Rules and Guidance
- Anti Money Laundering Policy and Procedures
- Whistleblowing Policy
- Human Resources policies and procedures for managing performance including disciplinary matters
- Human Resources policies and procedures for managing recruitment (employee vetting procedures)
- Information Technology Security Policy
- Information Sharing Arrangements

A priority aim is to fully integrate this strategy into existing policies, procedures and controls, ensuring it becomes a key part of the council's governance and risk management framework. Preventative measures will be supported by ongoing assessment of those areas most vulnerable to the risk of fraud and corruption, in conjunction with risk management arrangements and risk based audit reviews.

A key feature in the drive towards preventing fraud and corruption at the outset will be the ongoing use and development of information sharing as well as better use of data to verify and validate transactions. The sheer diversity of the services the council and its partners provide and the multiplicity of systems used to manage them generates huge volumes of records and data. The council will re-engineer its fraud detection processes by comparing data from a variety of its systems, as well as, partners' systems to identify anomalies, improve information sharing across services and inform the risk management process.

The council is resolute that the culture and tone of the authority is one of honesty with zero tolerance towards fraud and corruption. This is already demonstrated through its behavioural framework and codes of conduct for employees and Members of the Council. The right organisational culture will be continually reinforced by:

- Raising awareness of this strategy to new and existing employees
- Publicising the results of all proactive work, sanctions and recovery of losses due to fraud and corruption increase and maintain the general public awareness of the facilities available to report concerns about fraud and corruption.

The council will seek to deter any fraudulent activity by publicising all criminal convictions of those found to have committed fraud against it. Press releases will always follow successful prosecutions. In addition the council will take every opportunity to publicise the number of disciplinary, regulatory or civil sanctions taken against those who commit fraud against it.

National schemes such as the National Fraud Initiative (NFI) are examples of national fraud detection tools that identify many frauds that might have previously gone unnoticed. This is achieved by matching data from numerous sources to identify discrepancies. Perceived irregularities are then forwarded to local authority and Department for Work and Pensions (DWP) counter fraud teams to carry out risk assessment exercises and ultimately to conduct investigations. Basildon Council no longer deals with benefit fraud investigations as this activity was transferred to the DWP under its Single Fraud Investigation Service (SFIS) with effect from September 2015.

In response to the Coronavirus pandemic, the Government announced there would be support for small businesses, and businesses in the retail, hospitality and leisure sectors, delivered through the Small Business Grant Fund and the Retail, Leisure and Hospitality Grant Fund. An additional fund aimed at small businesses who were not eligible for the Small Business Grant Fund, the Retail, Leisure and Hospitality Fund or other forms of support, called the Local Authority Discretionary Grants Fund, was launched in May 2020. The payment of such grants carry a degree of risk of fraud.

To support Local Authorities in developing their risk assessments the Department for Business, Energy and Industrial Strategy produced risk assessment templates, in collaboration with a group of Local Authority representatives, which set out the inherent risks for each of the business grants currently being delivered, the Small Business Grant Fund (SBGF) and Retail, Hospitality and Leisure Grant Fund (RHLGF). A separate risk assessment template will also be produced for the Local Authority Discretionary Grants Fund (LADGF) and circulated in due course.

The results of the assessments will be used to ascertain what further actions and checks Basildon Council will take, aimed at minimising the risk of error and/or fraud and over payment, and will help to support the rationale behind our post-payment assurance plan. This assurance plan included early sign up by Basildon Council to the CIFAS screening service as part of validating both SBGF and RHLGF payments made. In addition Basildon Council enforced an application process enabling some preliminary checks to be undertaken prior to actual payment of the grant.

In addition to specific counter fraud activity, all managers play a major role by regularly checking of work in areas of risk, thus detecting fraudulent activity at the earliest opportunity. Exception reporting will further assist in achieving the identification of fraud.

We believe the best defence against fraud, corruption and bribery is to create a strong anti-fraud culture within the organisation. We promote the 'seven principles of public life' (the Nolan Principles) and expect all our staff, including contractors, and councillors to make themselves aware of and to follow these principles and all legal rules, procedures and practices, and to protect our legitimate interests at all times.

These principles are:

- Selflessness



- Integrity
- Objectivity
- Accountability
- Openness
- Honesty
- Leadership

We will commit to making efforts to proactively seek out instances of fraud and take effective action once it is identified. The Council will make best use of its communications strategy to highlight instances of fraud, for the purposes of seeking the maximum deterrence effect.

Fraud must not pay. Where fraud or corruption is discovered, the full range of sanctions will be deployed, including civil, disciplinary and criminal action. Every effort will be made to recoup losses and confiscate assets gained as a result of criminal activity. We will enhance our provision further by making best use of existing legislation, for example the Proceeds of Crime Act 2002, to ensure that where possible funds are recovered.

Criminal prosecutions deter offenders and reinforce a culture of zero tolerance towards fraud. Successful prosecutions require cases to be professionally investigated ensuring all evidence is collected within the law. Investigative staff must be adequately trained with the appropriate skills and access to specialist resources to secure effective prosecutions. Organised crime has no respect for boundaries and can cross a range of organisations and services. Effective co-operation and joint working between local authorities and with other agencies including the Police will be essential in the ongoing development of the Council's strategic response.

We are developing a communication strategy which will set out our detailed approach but this will be underpinned by our commitment to always be proactive in promoting our culture and approach to fraud and corruption, both internally to the council's staff and councillors, but also externally to the public, businesses and partners. We will always publicise successful prosecutions. We will also listen to and take seriously all allegations.

The council's counter fraud officers are accredited counter fraud professionals who have undergone extensive training in the investigation of fraud. Counter fraud officers employed at Basildon have far-reaching powers to obtain employment records, bank account records, other financial records, applications for mortgages, credit cards and other records that may be considered to be confidential. Records of this nature can legally be accessed by accredited counter fraud investigation officers where there is a reasonable suspicion of fraud.

Where money has been lost due to fraudulent activity, we will always seek to recover the money along with any penalties that may have been imposed. In recovering overpayments the Council is usually governed by strict guidelines regarding how much can be recovered per week/month when the person repaying the money is in receipt of benefits. Where fraud is established the limitations are usually relaxed allowing swifter recovery of the amount overpaid. In such instances Basildon Council will always seek to recover as much as possible to ensure the overpayment is repaid as promptly as possible.

## **5. Strategy Action Plan**

### Key Actions

Please refer to Appendix 1. There may be some realignment of existing resources, in terms of delivery of the strategy but at this stage it is not anticipated that there will be any additional financial implications as a result of implementing this strategy.

### Monitoring

The Council's Counter Fraud Policy, Strategy and associated guidance forms part of the Council's Corporate Governance arrangements. There is a requirement for the Council to monitor the outcome of this Strategy and to review its effectiveness.

Counter fraud arrangements will be evaluated through the implementation of the Strategy and through the outcome of audit work identified in the Counter Fraud Audit Plan. Progress will be monitored by the Governance and Assurance Board and the Audit & Risk Committee and be reported as part of the Annual Governance Statement.

### Governance

This strategy is subject to review every three years and the Audit & Counter Fraud Manager is responsible for this Strategy.

## **6. Links to other corporate policies and strategies**

This document should be read in conjunction with the Council's Counter Fraud Policy and associated procedures. The Counter Fraud Policy, Strategy and guidance forms part of the collective policies and procedures for safeguarding and protecting public funds.

**Strategy Action Plan**

**Govern: Priority 1 & 2**

Key Actions	Responsible Service	Lead Officer	Timescales
Develop a communication strategy that sets out how we are to publicise and promote the Council's: <ul style="list-style-type: none"> <li>- Counter Fraud Policy,</li> <li>- Whistleblowing Policy</li> <li>- Money Laundering Policy; and</li> <li>- the results of our work.</li> </ul>	Governance & Assurance	Audit & Counter Fraud Manager	December 2020
Develop the webpage and intranet page for Counter Fraud team.	Governance & Assurance	Audit & Counter Fraud Manager	December 2020
Develop a number of campaigns to run over the next three years, as part of the Communications strategy.	Governance & Assurance	Audit & Counter Fraud Manager	December 2020
Report results of the Counter Fraud team to both the Governance and Assurance Board and the Audit & Risk Committee.	Governance & Assurance	Audit & Counter Fraud Manager	Ongoing
Publicise on the Council Website the number of fraud cases investigated each year as part of the Council Transparency arrangements.	Governance & Assurance	Audit & Counter Fraud Manager	Ongoing

Review and refresh of Policy and Strategy	Governance & Assurance	Audit & Counter Fraud Manager	July 2023
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**Prevent / Acknowledge / Pursue: Priority 3**

<b>Key Actions</b>	<b>Responsible Service</b>	<b>Lead Officer</b>	<b>Timescales</b>
Complete a detailed review of the key risks of fraud for the authority and identify the appropriate controls are in place to manage such risks.	All Services Supported by Governance and Assurance	Heads of Service supported by the Audit & Counter Fraud Manager	Annually
Complete and continually review risk assessments in relation to business grants.	Revenues & Benefits	Rob Manser, Revenue & Benefits Manager, supported by Audit & Counter Fraud Manager	On-going (up to March 2021)
Participation in the National Fraud Initiative.	Governance & Assurance	Audit & Counter Fraud Manager	Data download for main exercise run every two years, with ongoing investigation of matches identified. SPD exercise undertaken annually
Proactive Counter Fraud Reviews undertaken as part of the Fraud Plan each year.	Governance & Assurance	Audit & Counter Fraud Manager	Annually as part of the Fraud Plan

Performance of tenancy checks as part of examination of C/Tax liability, Right To Buy and Housing applications.	Governance & Assurance	Audit & Counter Fraud Manager	On-going
To explore closer working with housing associations, and undertaking fraud work for other local authorities.	Governance & Assurance	Audit & Counter Fraud Manager	On-going
Formalise MOU with Swan Housing for provision of investigation and prevention services for housing and tenancy fraud.	Governance & Assurance	Audit & Counter Fraud Manager	December 2020
Attend Eastern Counter Fraud Working Group to share ideas and discuss the latest developments with regard to fraud identification and prevention.	Governance & Assurance	Audit & Counter Fraud Manager	On-going
Undertake joint working with the DWP on cases that have a Housing Benefit and/or a Local Council Tax Support interest.	Governance & Assurance	Audit & Counter Fraud Manager	On-going

**Protect: Priority 1 & 4**

<b>Key Actions</b>	<b>Responsible Service</b>	<b>Lead Officer</b>	<b>Timescales</b>
Revise fraud awareness e-learning module and roll out to staff.	Governance & Assurance	Audit & Counter Fraud Manager	December 2020
Deliver Fraud Awareness Training to all staff and Members through e-learning and workshops. Obtain statistics from L&OD as to the number of	Governance & Assurance	Audit & Counter Fraud Manager	On-going

individuals that have completed the e-learning fraud awareness training.			
Provision of Advice and Guidance to Service areas on internal controls for the prevention and detection of fraud.	Governance & Assurance	Audit & Counter Fraud Manager	Annually as part of the Audit Plan
Through e-learning and workshops educate staff and members of the public on the risks posed by serious and organised crime.	Governance & Assurance	Audit & Counter Fraud Manager	On-going

