

Report of:	Head of Internal Audit, Veritau
Submitted to:	Corporate Affairs and Audit Committee, 24 September 2020
Subject:	Annual Counter Fraud Review

Summary

Proposed decision(s)
<p>That the committee notes:</p> <ul style="list-style-type: none"> • the new Counter Fraud Strategy • the new Anti-Fraud, Bribery and Corruption Policy • the updated council Fraud Risk Assessment

Report for:	Key decision:	Confidential:
Information	No	No

Contribution to delivery of the 2020-23 Strategic Plan		
People	Place	Business
<p>The prevention and detection of fraud as well as the recovery of losses helps the Council to ensure the effective use of public funds for the benefit of residents and to achieve its strategic goals. Having a zero tolerance approach to fraud positively reinforces goals surrounding crime and anti-social behaviour.</p>	<p>The Council aims to make considerable investment in homes, cultural assets, and the town centre. Tackling fraud against the council increases the resources available to achieve these objectives.</p>	<p>Delivering balanced budgets, maintaining front line services, and addressing budget shortfalls. Losing money to fraud makes these goals more challenging. Preventing fraud from occurring and recovering lost funds is an opportunity to produce potentially significant savings for the Council.</p>

Ward(s) affected
None.

What is the purpose of this report?

1. The purpose of this report is to update members on the impact of fraud nationally and in particular on local authorities. In addition, the council's counter fraud arrangements have been reviewed and a new Counter Fraud Strategy and Anti-Fraud, Bribery and Corruption Policy prepared. Finally the report provides an updated Counter Fraud Risk Assessment.

Why does this report require a Member decision?

2. The Corporate Affairs and Audit Committee has a responsibility under the Council's constitution to keep under review Council policies such as the Counter Fraud Strategy and Anti-Fraud, Bribery and Corruption Policy.
3. The prevention, detection and deterrence of fraud, as well as the recovery of losses, is important for the effective use of public funds for the benefit of residents. A strong anti-fraud framework that minimises loss through fraud or error will ensure that the Council has more resources available to focus on providing services for people with greatest needs, which is fundamental to tackling inequality and poverty.

Report Background

4. 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 continuously develop their counter fraud activity to meet these evolving threats.
5. One in every three crimes committed in the UK is categorised as fraud.¹ The most recent estimate of the cost of fraud against local authorities is up to £7.4b annually.²

National Picture

6. The ongoing covid-19 pandemic has provided opportunities for fraudsters operating locally, nationally, and internationally. Local authorities have been responsible for issuing grants to eligible businesses. By the end of August 2020 over £11 billion had been paid out to small and medium sized business across the UK. 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. Applications for grant payments have now ceased. All councils responsible for administering them are now undertaking post assurance work to ensure that all the grants were correctly paid. If fraud or error is detected then a recovery process will begin that can include the prosecution of offenders.
7. CIPFA's annual Fraud and Corruption tracker was released last year. The report details levels of fraud detected by local authorities in 2018/19. Key findings of the report include the following:

¹ Economic Crime Plan 2019-23, HM Government

² Annual Fraud Indicator 2017, Crowe Clark Whitehill

- Adult social care fraud was perceived as one of the three largest areas of concern for local authorities in 2018/19. Whilst the number of cases of fraud in this area declined from the previous financial year, the amount of loss recorded more than doubled. The average value associated with an adult social care fraud investigation nationally is £29k, although CIPFA report that this is in part due to some very large frauds detected.
 - Procurement fraud is another area seen as being a high risk for local authorities. Fraud can take place at any point in the supply chain of goods and services making it difficult to detect. CIPFA reports that 12% of cases detected involved insider fraud and 5% involved serious and organised fraud.
 - The largest area of loss for local authorities is in council tax related discounts, e.g. single person discounts and council tax support. The amount of fraud detected has risen by over £5m since 2016/17 to £30.6m.
8. Adult social care fraud, procurement fraud and council tax fraud are all areas of focus for the counter fraud team in 2020/21. Post assurance checks on Covid-19 grants will form part of the 2020/21 National Fraud Initiative exercise.

Local Counter Fraud Framework

9. From 1 January 2020, responsibility for audit and counter fraud arrangements passed from TVAAS to Veritau. Since then a review of the Council's counter fraud framework has been completed. The Counter Fraud Strategy and Anti-Fraud, Bribery and Corruption Policy are both due to be refreshed in September 2020. The policy was found to contain no provision for the Council to undertake prosecutions where offences are committed against it. Instead all cases can only be sent to the police. This is likely due to the Council not having access to qualified fraud investigators for some years. More generally it was found that there is no advertised facility for the public to report fraud concerns to the Council. Both issues are addressed in an updated strategy and policy.
10. Fighting Fraud and Corruption Locally is the national counter fraud strategy for local government. The strategy is refreshed periodically and has the support of counter fraud professionals, the LGA, and HM Government. The most recent iteration, Fighting Fraud and Corruption Locally – A Strategy for the 2020s (see Appendix 1) was published in April 2020. This forms the basis for the refreshed Council strategy – Counter Fraud Strategy 2020-23 (see Appendix 2) which contains an associated action plan. The action plan includes tasks and objectives designed to increase the council's resilience to fraud.
11. A new Anti-Fraud, Bribery and Corruption Policy for the Council has been drafted (see Appendix 3). The policy contains a Fraud and Corruption Prosecution Policy which provides a framework for the council to prosecute fraudsters should it wish.

Fraud Risk Assessment

12. It is recognised good practice for councils to assess their risk of fraud on a regular basis. The Fraud Risk Assessment for the Council is updated annually – the latest assessment is set out in Appendix 4.

13. The risk assessment informs areas of work for the counter fraud team (e.g. fraud awareness training) as well as tasks included in the Counter Fraud Strategy Action Plan.

What decision(s) are being asked for?

14. That the committee notes:

- the new Counter Fraud Strategy and associated Action Plan
- the new Anti-Fraud, Bribery and Corruption Policy
- the updated Fraud Risk Assessment

Why is this being recommended?

15. A strong counter fraud framework that minimises loss through fraud or error and maximises recovery could mean the Council has more resources to achieve its strategic aims and to provide services for people with the greatest needs. The Council has a duty to protect public funds. Tacking a zero tolerance approach to fraud supports this objective.

Other potential decisions and why these have not been recommended?

16. This report is for information. There are no other options available.

Impact(s) of recommended decision(s)

Legal

17. Legal guidelines have been considered in drafting the Anti-Fraud, Bribery and Corruption Policy.

Financial

18. Effective counter fraud measures help to maximise the financial resources available to the council.

Policy Framework

19. The Corporate Affairs and Audit Committee has a responsibility for reviewing the adequacy of the Council's corporate governance arrangements.

Equality and Diversity

20. There are no specific risks.

Risk

21. The Council will fail to comply with best practice for counter fraud work if Members are not regularly updated on counter fraud policy and risk.

Actions to be taken to implement the decision(s)

22. Any requests for additional assurance or clarification by Members of the committee will be responded to accordingly.

Appendices

Appendix 1 – Fighting Fraud Locally – A Strategy for the 2020s

Appendix 2 – Counter Fraud Strategy 2020-23 and Action Plan

Appendix 3 – Anti Fraud, Bribery and Corruption Policy

Appendix 4 – Fraud Risk Assessment – September 2020

Background papers

None

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