

# Audit Committee

29 July 2021



<b>Title</b>	<b>Counter Fraud, Bribery and Corruption Strategy</b>
<b>Purpose of the report</b>	To make a decision and a recommendation to Council
<b>Report Author</b>	Internal Audit Manager, Punita Talwar
<b>Ward(s) Affected</b>	All Wards
<b>Exempt</b>	No
<b>Exemption Reason</b>	Not Applicable
<b>Corporate Priority</b>	Financial Sustainability
<b>Recommendations</b>	<b>The Audit Committee is asked to:</b> <b>1. Endorse the Council's Counter Fraud, Bribery and Corruption Strategy</b> <b>2. Approve the changes recommended to the Council's Counter Fraud, Bribery and Corruption Strategy.</b>
<b>Reason for Recommendation</b>	<b>The Audit Committee is required to make any recommendations for change to the Policy and Resources Committee.</b>

## 1. Key issues

- 1.1 The following quotation references and statistics have been taken from the CIPFA Fraud and Corruption Tracker, national report 2020.
- 1.2 "Fraud is a prevalent cause of concern in the public sector and continues to pose financial threats to local authorities".
- 1.3 "For local authorities in the UK, CIPFA has estimated that the total value of fraud identified and prevented in 2019/20 is approximately £239.4m, representing an average of £5,090 per fraud case".
- 1.4 Opportunistic fraud, scams and cyber- attacks have been on the increase during the global pandemic. As remote working arrangements prevail, cyber security becomes even more important. Alongside this the additional workload pressures associated with the pandemic increase risks of internal systems of control becoming compromised, therefore presenting opportunities for fraud and error. It remains essential for the Council to protect its assets, resources, and information systems to minimise heightened risks of fraudulent activity and cyber-crime. Such occurrences could lead to significant business disruption, reputational damage, financial losses to the public purse, reduced public services and harm to vulnerable members of the community targeted by fraudsters. Poor data security and breaches are often viewed as an enabler for fraudulent activity to prevail.

- 1.5 The continued importance of having a defined approach for how Spelthorne will counter fraud, bribery, and corruption in the form of a strategy is acknowledged.
- 1.6 The Audit Committee is required to review the Council's Counter Fraud, Bribery and Corruption Strategy annually and under the new Committee model to make any recommendations for change to the Policy and Resources Committee. The Strategy at Appendix 1 forms part of the Council's Constitution and is in line with best practice. The Strategy continues to underpin the Council's commitment to dealing effectively with all forms of fraud, bribery, and corruption, demonstrating the important role it plays in the overall corporate governance framework.
- 1.7 As part of this review, three minor changes are proposed to the strategy to reflect current terminology and recent developments. These have been highlighted in blue at Appendix 1 and relate to the following sections/references:

### **Sections – Main Heading & Awareness**

Replace 'Anti' with 'Counter' when referring to measures to address fraud

### **Section - Codes/Procedures**

A review of the Council's Constitution **is being** led by the Group Head of Corporate Governance.

The Whistleblowing Policy **has been** further developed

- 1.8 Best practice principles promoted in publications such as CIPFA's 'Fraud and Corruption Tracker, national report 2020', and 'Fighting Fraud and Corruption Locally' (2020) have been considered as part of the strategy review, and current activity is deemed as proportionate relative to the perceived risk and size of the authority.
- 1.9 Several Counter Fraud measures and principles continue to operate as part of the strategy, and these are highlighted below:
- Open and honest Culture – An acceptance that there is always going to be fraud and as public servants everyone has a part to play in remaining alert to the possibility of fraud, bribery or corruption. This links to responsibility for raising concerns in accordance with policy and procedure. The Confidential Reporting Code (Whistleblowing Policy) sets out arrangements further and this is highlighted as part of the induction procedure for new starters. Awareness raising across the authority continues.
  - Communicate and Inform – Spelthorne has regularly alerted Members, officers, and communities of the rising level of scams and suspicious communications. This risk has been heightened during the Covid-19 pandemic over the last eighteen months. High risk public fraud cases proven are publicised to serve as a deterrent.
  - Collaboration - Spelthorne continues to procure specialist counter fraud resource/expertise/services from Reigate and Banstead Council to target high risk public fraud areas which are likely to generate greater financial payback (business rates and housing) as well as wider social benefits. Collaborative working has produced positive outcomes

particularly in Housing including some successful prosecutions. Investigations for Council Tax Support and Housing Benefit cases have risen over the last year.

External meetings with Surrey Partners take place including the Surrey Counter Fraud Partnership (SCFP). This enables the sharing of knowledge and best practice approaches in tackling fraud as well as opportunities to participate in joint data sharing exercises.

- Preventing Fraud – It is more difficult to recover loss post payment or award, so an emphasis on prevention as the most effective way to address fraud continues to be pursued. Enhanced verification for all homelessness applications (prior to award) is an example of a preventative measure currently in place which has led to applications being withdrawn. Such verification processes are also available for housing register applications and can help in reducing the level of households listed on the register. (There are currently approx. 3000 households on the authority's housing register)
- Detection and Investigation- Measures are set out in the attached strategy under 'Detection and Investigation'. Qualified fraud investigators (including Financial Investigators) have access to open source and other intelligence to inform investigations. The pandemic impacted the ability to conduct visits and face to face interviews during earlier phases, but this has since improved. Referrals are strongly encouraged for suspected fraud cases including Business Support Grants where risks of fraudulent applications/payments are known to be high.
- Fraud Recording and Reporting – There is quantifiable reporting of estimated financial savings/fraud losses prevented or detected (public fraud). Spelthorne's overall cumulative fraud return as at 31.3.21 exceeds £2.7m (based on Cabinet Office notional savings to the public purse) of which £555k represents cashable savings for Spelthorne. This covers a 6-year period coinciding with the commencement of the Surrey Counter Fraud Partnership in 2015. For the 2020/21 financial year, notional savings generated amount to £107k of which £62.3k can be quantified as cashable savings for Spelthorne.
- Opportunities - Increased focus on social housing fraud (such as unlawful sub-letting and wrongly claimed tenancy succession) is being pursued with registered providers given that fraud detected in this category generates a higher level of financial return. This was also reported as the largest growing fraud area in CIPFA'S Fraud and Corruption Tracker 2020. The Cabinet Office notional figure for tenancies recovered currently stands at £93k for every case. Where such fraud is proven, action can also be taken to confiscate assets under the Proceeds of Crime Act (POCA). A meeting has been organised with Housing and A2 Dominion to encourage the pursual of a data matching exercise, with a view to identifying tenancy fraud and freeing up social housing to those in genuine need.

Business Rates and Council Tax are prevalent areas of fraud in local government. Pro-active fraud initiatives (e.g., targeting small business rate relief and Single Person Discount) continue to be encouraged. The pandemic has created additional workloads and new pressures within Customer Services such as the processing and assessment of Business Support Grants and therefore targeted exercises for these common fraud areas have not developed further.

- Understanding & Awareness- Reigate and Banstead Council delivered high risk public fraud awareness training (refresher sessions) to Housing, Benefits and Customer Services during June 2021 and this was well received. Services were reminded of the scope of Counter Fraud provision and encouraged to refer suspected cases across all high- risk categories. Case studies were shared to illustrate Reigate's investigatory expertise, wider experience in working with three other authorities and accessibility to intelligence in tackling the fight against fraud.
- Internal Audit & Fraud Risk Management - Fraud can be external in nature (public fraud) or internal to an organisation (internal fraud). Managers are accountable for ensuring the adequate operation of systems of internal control in their service areas. Internal Audit provides independent assurance that effective controls are in place and operating to mitigate or minimise the risk of fraud, bribery and corruption for areas reviewed. Emerging fraud risks are also considered.
- Data Sharing and Analytics - Spelthorne already participate in the National fraud Initiative (NFI) every two years, whereby electronic data is matched within and between public and private sector bodies to prevent and detect fraud.

The Internal Audit Manager has encouraged exploration of innovative methods to detect and prevent fraud and error associated with 'Trade Creditors' through a complimentary trial of a forensic software tool. This is designed to provide a proactive and preventative solution to safeguard the council's financial resources relating to accounts payable and is used by other Surrey authorities. It is currently being explored with the Chief Accountant to assess added value.

## **2. Options analysis and proposal**

Either

i. To note the current position and accept the amendments proposed to the Counter Fraud, Bribery and Corruption Strategy. (Preferred option)

Or:

ii. To make further amendments to the Counter Fraud, Bribery and Corruption Strategy.

Or:

iii. To make no changes to the strategy, thereby not reflecting the current position.

### **3. Financial implications**

- 3.1 Resources required (staff time) to implement actions to prevent and detect Fraud, bribery and corruption risks should be contained within existing budgets. There is approved funding for corporate counter fraud resource until March 2022 to support Housing, Business Rates and Council Tax. This resource may support other investigatory work, dependant on the nature of the enquiry.

### **4. Other considerations**

- 4.1 Associated risks and consequences of fraud, bribery and corruption include financial losses (potentially high value), reputational damage to the authority, corporate liability offence associated with bribery, harm to staff or the local community, and reduced public services for the borough's residents (if resources are exploited by fraudsters).

### **5. Equality and Diversity**

- 5.1 Fraud, Bribery and Corruption risks should be considered in all areas of operation.

### **6. Sustainability/Climate Change Implications**

- 6.1 Fraud, Bribery and Corruption risks should be considered in all areas of operation.

### **7. Timetable for implementation**

- 7.1 There is no specific timetable.

#### **Background papers:**

CIPFA Fraud and Corruption Tracker, national report 2020

#### **Appendices:**

**Appendix 1 –Counter Fraud, Bribery and Corruption Strategy - reviewed July 2021**