Council

20 April 2023

Title	**Counter Fraud, Bribery and Corruption Strategy**
Purpose of the report	To approve the amendments to the strategy and endorse the new Council's Counter Fraud, Bribery and Corruption Strategy
Report Author	Internal Audit Manager, Punita Talwar
Ward(s) Affected	All Wards
Exempt	No
Exemption Reason	Not Applicable
Corporate Priority	All priorities Community Affordable housing Recovery Environment Service delivery
Recommendations	**Council is asked to:** **1. Approve and endorse the changes recommended to the Council's Counter Fraud, Bribery and Corruption Strategy and the updating of the Council's Constitution.**
Reason for Recommendation	**To ensure that the Council has a defined approach to how it will counter fraud, bribery and corruption**

1.   Summary of the report

1.1   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. This report sets out the proposed changes to the strategy to ensure it remains relevant and current. A track changes version can be seen at Appendix 1, with a clean version at Appendix 2. The strategy was previously reviewed/reported to Audit Committee in July 2021.

1.2   It is no surprise that during economically challenging times and with the continued Cost of Living Crisis, fraud and corruption occurrences are perceived to be on the increase. 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.

1.3   The following quotation references and statistics have been taken from the CIPFA Fraud and Corruption Tracker, national report 2020 (please note these are the latest statistics published by CIPFA).

1.4   "Fraud is a prevalent cause of concern in the public sector and continues to pose financial threats to local authorities".

1.5   "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".

1.6   In addition, the Cabinet Office National Fraud Initiative (NFI) report of December 2022 states 'Fraud is estimated to account for 40% of all crime committed across the UK and is a long-standing threat to Public Services. The NFI has enabled participating organisations to prevent and detect/recover £443 million fraud and error across the UK (of which £417m is for England) in the period April 2020 to March 2022 , through the provision of counter fraud data matching services'.

2.   Key issues

2.1   The Audit Committee is required to review the Council's Counter Fraud, Bribery and Corruption Strategy annually and make any recommendations for change to the Corporate Policy and Resources Committee. As the Strategy forms part of the Council's Constitution and is in line with best practice any amendments to the strategy must be agreed by Council. 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.

2.2   As part of this review, some changes are proposed to the strategy to reflect current developments and provide further insight. Some additional narrative has been included in red text at Appendix 1 along with some minor track changes and these relate to the following sections/references within the strategy document:

Section – Introduction

The references to government departments have been updated at section 2. *(Minor change)*

Section – Culture

Minor changes at points 11 and 12 with reference to raising concerns under the Council's Confidential Reporting Code. *(Minor change)*

Section - Codes/Procedures (Under Heading of Prevention)

Amended wording at point 13.1 to ensure it is current and additional text around vetting procedures has been included given the importance of such on-boarding checks in the context of the strategy.

Amended and expanded wording at point 13.2 to outline roles and responsibilities of Managers in managing fraud, bribery and corruption risks and the provision of assurance by Internal Audit.

Section – Detection

Amended and expanded wording under sub-section on 'Counter Fraud Measures' to explain collaborative approaches, including examples of targeted counter fraud drives for perusal.

Reference to periodical monitoring, analysis and reporting of Spelthorne's quantified fraud returns in demonstrating savings/fraud losses prevented or stopped.

Section – Awareness

Expanded wording under this section to include tailored training provided to teams dealing with high-risk public fraud activity (Housing, Benefits, Council Tax and Business Rates).

Amended wording to include service area leading on matters relating to Serious and Organised crime. As Serious and Organised crime comprises several categories, one of which being high-value fraud, it seems appropriate to cross reference within the overall counter fraud, bribery and corruption strategy.

2.3 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.

2.4 Several Counter Fraud measures and principles continue to operate as part of the strategy, and these are highlighted below:

(i) <u>Open and honest Culture</u> – 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 and being mindful that the risks of occurrence can become even more prevalent during periods of economic instability and geopolitical uncertainty. This links to responsibility for raising concerns in accordance with policy and procedure. The Confidential Reporting Code (Whistleblowing Policy) refers to Fraud, Bribery and Corruption as constituting a serious concern category and sets out the protocol.

(ii) <u>Communicate and Inform</u> – Spelthorne endeavours to alert Members, officers, and communities of known scams and suspicious communications. This risk remains heightened during the continued Cost of Living Crisis as unfortunately temptation to perpetrate fraud and wrongdoing increases to alleviate need. High risk public fraud cases proven are publicised to serve as a deterrent.

<u>Collaboration</u> - 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 returns (business rates and housing) as well as wider social benefits. Collaborative working has produced positive outcomes particularly in Housing including some successful prosecutions.

Opportunities to participate in joint data sharing exercises with County and other Surrey Councils continues to be promoted in tackling fraud.

(iii)   Preventing Fraud – It is more difficult and time consuming to recover loss post payment or award, so an emphasis on prevention as the most strategic and effective way to address fraud continues to be pursued. It remains the responsibility of everyone to help prevent fraud and corruption by remaining vigilant. 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. 3,800 households on the authority's housing register)

(iv)   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.

(v)   Fraud Recording and Reporting – There is quantifiable reporting of estimated financial savings/fraud losses prevented or detected (public fraud). This is based on applicable financial savings advised by the Cabinet Office across each of the high-risk public fraud categories. Spelthorne's overall savings/fraud losses prevented/detected for the financial year 2021/22 amount to £339k(rounded). For the period April to December 2022, notional savings generated amount to £235k(rounded) of which approx. £4k can be quantified at this stage as cashable savings for Spelthorne. The 2022/23 fraud return will be analysed and reported in due course in the annual audit report for 2022/23.

(vi)   Opportunities - Increased focus on social housing fraud (such as unlawful sub-letting and wrongly claimed tenancy succession) is being pursued with registered providers. This was 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.

Several meetings and discussions have taken place across Housing, Internal Audit, Reigate and Banstead Council and A2 Dominion and all parties have agreed to the pursual and facilitation of a bulk data matching exercise with a view to freeing up social housing to those in genuine need and reducing the financial burden of temporary accommodation.

Given such a targeted exercise has never been undertaken previously, it is anticipated that the scale of positive financial returns from detected fraud could be significant (these have previously been advised by both the Strategic Housing Manager and Internal Audit Manager). This is a great example of collaborative working approaches, and we look forward to reporting further on outcomes achieved.

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. Due to the staffing changes and transitional period within Customer Services, targeted exercises for these common fraud areas have not developed further. However positive discussions have commenced with the Group Head of Commissioning and Transformation and teams will be joining the organised training session in March to gain further insight.

(vii) <u>Understanding & Awareness</u>- Reigate and Banstead Council will be delivering tailored high risk public fraud awareness training (refresher sessions) to Housing, Benefits and Customer Services during March 2023, as well as Registered Providers. Services will be reminded of the scope of Counter Fraud provision and encouraged to refer suspected cases across all high- risk categories.

(viii) <u>Internal Audit & Fraud Risk Management</u> - 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 arising from new systems and processes also require consideration.

The Internal Audit Manager has commissioned a data analytics exercise to detect potential fraudulent and erroneous transactions or activity associated with 'Creditors' (high risk dataset). This modern audit approach is intended to provide extended assurance to the Council to safeguard the council's financial resources relating to accounts payable.

(ix) <u>Data Sharing and Analytics</u> - 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.

3. **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.

4. **Financial implications**

4.1 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 2025 to support Housing, Benefits, Business Rates and Council Tax in undertaking preventative/detection/investigatory work. This resource may support other investigatory work, dependant on the nature of the enquiry.

5. Risk considerations

5.1 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).

6. Procurement considerations

6.1 The Procurement team were consulted at the time of procuring the external service from Reigate and Banstead Council.

7. Legal considerations

7.1 The Legal team have been consulted regarding the service provider agreement.

8. Other considerations

8.1 There are none.

9. Equality and Diversity

9.1 Fraud, Bribery and Corruption risks should be considered in all areas of operation as fraudulent activity can result in Council services being diverted away from communities who need them.

10. Sustainability/Climate Change Implications

10.1 There are no specific issues to highlight.

11. Timetable for implementation

11.1 There is no specific timetable as implementation of the strategy remains ongoing with annual review and reporting.

12. Contact

12.1 Punita Talwar, Internal Audit Manager. **P.Talwar@spelthorne.gov.uk**

Background papers: CIPFA Fraud and Corruption Tracker, national report 2020

Appendices:
Appendix 1 – Track changes version of Counter Fraud, Bribery and Corruption Strategy (reviewed February 2022)
Appendix 2 – Clean version of Counter Fraud, Bribery and Corruption Strategy (February 2022)