

NEWCASTLE-UNDER-LYME BOROUGH COUNCIL
EXECUTIVE MANAGEMENT TEAM'S REPORT TO THE
AUDIT & RISK COMMITTEE

Date 14 April 2016

HEADING Counter Fraud Arrangements

Submitted by: Audit Manager

Portfolio Finance IT and Customer

Ward(s) affected All

Purpose of the Report

The council is committed to providing an effective Counter Fraud function which is supported by an effective policy framework. Theft, fraud, corruption and bribery are all criminal offences; the council is committed to the highest standards of integrity and will not tolerate them in any form. By having an anti fraud and anti corruption framework in place this demonstrates our zero tolerance to any form of fraudulent activity, it is important that the existing framework is reviewed and updated to take into account new legislation, procedures and best practice.

Recommendation

- That the following policies which support the Counter Fraud function be approved;**
- a) Anti-Fraud and Anti-Corruption Framework,**
 - b) Fraud Response Plan**
 - c) the Whistleblowing Policy and the**
 - d) Anti-Money Laundering Policy**

Reasons

These policies are regularly reviewed to ensure that they remain relevant for the authority. There have been no new legislative changes since the last review and therefore the policies remain unchanged in this respect. The policies have however been updated to reflect the fact that we no longer investigate Benefit Fraud cases as this work has now transferred to the Department for Work and Pensions (DWP) under the Single Fraud Investigation Service (SFIS).

1. Background

1.1 Fraud and corruption present risks to all sectors of the UK Economy whether they are the public, private or third sectors. The impact of both fraud and corruption on organisations can have a significant effect through the disruption of services or undermining the achievement of the organisations objectives. Official estimates¹ show the value lost to fraud to be significant. To assist organisations in identifying the risks of Fraud, CIPFA has produced a Code of Practice on Managing the Risk of Fraud and Corruption ("the Code") which has five principles;

¹ The National Fraud Authority's Annual Fraud Indicator (2013) estimated the loss of fraud in the public sector at around £20bn

- 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, and
 - Take action in response to fraud and corruption
- 1.2 The policies that this Council has in place demonstrate our commitment to the prevention and detection of Fraud and Corruption and to ensure the highest possible standards of openness, probity and accountability. We encourage people with serious concerns about any aspect of the Council's work to come forward and voice those concerns. The Whistle-blowing Policy is intended to encourage and enable people with concerns about a potential fraud or corruption, in any aspect of the Council's work, to raise these with the Council rather than overlooking a problem or raising them with external bodies first.
- 1.3 The Anti- Fraud & Anti-Corruption Framework, the Whistleblowing Policy Fraud Response Plan, and the Anti -Money Laundering Policy are approved annually as part of the Council's Constitution.
- 1.4 The prevention of fraud and protection of the public purse is everyone's business and it is important that all staff know how to recognise a fraud, how to prevent it and more importantly what to do if they suspect they have come across a fraud.
- 1.5 The Anti-Fraud and Anti-Corruption Framework,,Fraud Response Plan, Whistleblowing Policy and Anti-Money Laundering Policy are a range of policies in place that are designed to limit as far as possible the opportunities to commit fraudulent acts, enable such acts to be detected at an early stage and then deal with any subsequent investigations in a prompt, thorough and professional manner.

2. **Issues**

- 2.1 The Council is committed to protecting public funds and ensuring that all Council activities are carried out in accordance with the principles of openness, honesty and integrity. These documents demonstrate that it proactively shows a commitment to deterring fraud and corruption and this is actively promoted throughout the organisation. A review of these documents has previously been undertaken annually, however it has been noted that there have not been any legislative changes for a number of years now. Therefore it has been decided that the policies will now be reviewed every two years with the proviso that should there be the introduction of any new legislation or best practice guidance that they are then reviewed sooner to take account of this.
- 2.2 In order to demonstrate this commitment the Council has an annual subscription with Public Concern at Work an independent legal charity with over 10 years experience of running a confidential helpline for employees and members. Public Concern at Work has given practical, confidential advice nationally on over 2500 whistleblowing concerns. Their approach is that any concerns that an employee or member has can be raised openly and that the organisation then has an opportunity to investigate and address the concern.
- 2.3 A Fraud Awareness Guide is available for all Managers; this guide outlines the Borough Council's commitment to the protection of public funds and the necessity for harnessing resources in order to minimise losses arising from fraudulent conduct. The guide gives details of;
- The identification of the types of fraud,
 - How fraud occurs,

- Examples of behaviour that might indicate fraud,
- Indicators of potential fraud in a system,
- Advice to management and staff re:fraud and corruption, and
- Reporting of conduct that may be fraudulent

Within the guide is also a Self Assessment checklist for managers to complete for their own service area which will enable them to undertake an assessment of any key areas of risk within their own area.

- 2.4 A Corporate Fraud Action Plan has been developed and a programme of awareness raising initiatives has been and will be rolled out across the organisation. Examples of this include Whistleblowing. In December 2015 an e-learning package devised by the CIPFA Counter Fraud Centre in conjunction with Public Concern at Work was purchased, this has been rolled out to all staff who have access to a computer. For those staff who do not have access to a computer arrangements will be made for the training to be delivered as part of team briefings. During 2016/17 it is planned to run a similar exercise in relation to Bribery, again an e-learning package developed through the CIPFA Counter Fraud Centre has been purchased and this will be used to raise the knowledge and awareness of staff in relation to what constitutes Bribery and issues that they need to be aware of.
- 2.5 The council is currently working with Stoke-on-Trent City Council to form a North West Staffordshire Corporate Fraud Team. This also includes Staffordshire County Council and a number of Housing Associations, one of which is ASPIRE housing. This collaboration was successful in securing funding to set up a unit that is designed to tackle all aspects of 'corporate fraud'. The funding was made available by Department for Communities and Local Government (DCLG) to bridge the gap of local authority fraud investigators transferring to the Department for Work and Pensions (DWP) as part of the Single Fraud Investigation Service (SFIS). Operationally this joint venture will see the set-up of a data hub which will allow all the organisations to share information across the different service areas and will also incorporate the award winning 'Spot the Cheater' campaign being rolled out across Borough.
- 2.6 Since May 2015 the Councils Corporate Fraud Officer is now part of the Internal Audit Team who in addition to working as part of the North West Staffordshire Corporate Fraud Team has been investigating cases of non-benefit fraud which have included Single Person Discount Fraud (SPD) and Council Tax Reduction Fraud, Blue Badge and undeclared residences. So far 83 cases have been investigated, these cases have been referred via a combination of internal referrals from the Revenues and Benefits Department, joint cases with the DWP and also calls made to the Whistleblowing hot line which was established in July 2015. Information and details on how members of the public can make a referral are available on the council's website. With the development of the Fraud Hub this will see the introduction of a case management and referral system that will enable detailed reporting which will also include the facility to provide statistical analysis and details of costs recovered etc.
- 2.7 In addition for a number of years now the Council has been a member of the Midlands Fraud Forum (MFF). The forum includes both public and private sector organisations and whose aim is to combat the risk of fraud and to raise the awareness of the risks at both a personal and business level.

3. **Options Considered**

3.1 To review and adopt these documents ensures and demonstrates that the Council will act with integrity and responsibility in the management and spending of the Publics money.

3.2 Not to adopt these policies would leave the Council open to criticism of not being committed to maintaining high standards in the avoidance and detection of fraud and corruption.

4. **Proposal**

That the Anti- Fraud & Anti-Corruption Framework shown as Appendix A the Fraud Response Plan shown as Appendix B, Whistleblowing Policy shown as the Appendix C and the Anti-Money Laundering Policy as Appendix D be approved in their updated forms

5. **Reasons for Preferred Solution**

As option 3.1 above.

6. **Outcomes Linked to Corporate Priorities**

The strategies demonstrate that the Council is committed to ensuring the best use of resources and enable the prevention and detection of fraud and corruption at the earliest opportunity.

7. **Legal and Statutory Implications**

This report raises no new legal or statutory implications.

8. **Equality Impact Assessment**

There are no differential equality impact issues identified from the proposal.

9. **Financial and Resource Implications**

The cost of an annual subscription to Public Concern at work is £700 per annum plus ten pence per employee, which based on 500 employees makes the total subscription, cost £750.

10. **Major Risks**

The risk of not having these strategies in place would mean that staff have no guidance on what to do in the event that they may suspect that fraud or corruption is being committed. This in turn may hamper any investigation required to yield a satisfactory conclusion.

The existence of these polices mean that staff are informed and given guidance on what actions they should take if they suspect that a fraud is being committed.

Formal risk assessments in respect of Fraud Awareness and the Bribery Act have been completed.

11. **Key Decision Information**

Not applicable

12 **List of Appendices**

Appendix A Anti-Fraud and Anti-Corruption Framework

Appendix B Fraud Response Plan

Appendix C Whistleblowing Policy

Appendix D Anti-Money Laundering Policy

Appendix E Fraud Risk Assessment

Appendix F Bribery Act Risk Assessment

13. **Background Papers**

Internal Audit Files

National Fraud Authority – Annual Fraud Indicator Report – June 2013

CIPFA – Managing the Risk of Fraud and Corruption