

FIGHTING FRAUD LOCALLY – THE LOCAL GOVERNMENT FRAUD STRATEGY

Submitted by: **Audit Manager**

Portfolio: **Finance and Budget Management**

Ward(s) affected: **All**

Purpose of the Report

To inform Members of the report published by the National Fraud Authority in June 2012. Fighting Fraud Locally – The Local Government Strategy is the first strategy to recognise the impact that fraud is having on the public sector

Recommendations

That the report be noted.

Reasons

The strategy reports on the key risks and pressures facing local government and identifies good practice in fighting fraud and identifies where we should be reviewing our current arrangements.

1. Background

- 1.1 Fraud has a serious impact on all parts of the economy and costs the UK around £73 billion per year. The cost of fraud to the public sector equates to £20.3 billion of which £2.2 billion relates to local government.
- 1.2 This £2.2 billion attributable to fraud loss in local government can be broken down further and includes £900m in housing tenancy fraud, £890m in procurement fraud, £153m in payroll fraud, £131m in council tax discounts and exemptions, £46m in 'blue badge' fraud, £41m in grant fraud and £5.9m in pension fraud, all of which is public money that could be better spent delivering public services.
- 1.3 The fighting fraud locally approach has been developed by local government for local government and addresses the need for greater prevention and smarter enforcement. The strategic approach outlined in the strategy provides a guide to enable local authorities to be able to take a tougher response on tackling fraud.
- 1.4 The strategy focuses around 3 themes Acknowledge, Prevent and Pursue.
 - **Acknowledge** – acknowledging and understanding fraud risks. Organisations should be able to assess and understand the risks, commit support and resource to tackling fraud and maintain a robust anti-fraud response.
 - **Prevent** – preventing and detecting more fraud. Organisations should be looking to make better use of information and technology, enhance fraud controls and processes, and develop an effective anti-fraud culture.
 - **Pursue** – being stronger in punishing fraud and recovering losses. Organisations should seek to prioritise fraud recovery and use of civil sanctions, develop the capability and capacity to punish fraudsters and collaborate across local authorities and with law enforcement.

The strategy also provides a range of free tools that will enable local authorities to be able to:

- estimate the level of individual fraud loss to their council and understand their fraud risk and use the info to target resources more efficiently;
- establish their resilience to fraud threats and assess themselves against a checklist for what arrangements they should have in place to tackle fraud;
- prevent fraud by having access to a good bank of tried and tested methods;
- have greater support through accessing on line technical advice and a peer review process of fraud experts;
- establish partnership arrangements more easily through using templates held in a good practice bank, and
- cost effectively create an anti fraud culture through using free fraud awareness training.

1.6 A full copy of the strategy can be made available to members upon request.

2. **Issues**

2.1 The Authority already has a set of policies and procedures in place, that help to prevent and deter fraud occurring. These policies are reviewed annually against best practice and ensure that as an organisation we proactively encourage all officers and members to raise any concerns that they may have.

2.2 There is also 'A Fraud Awareness Guide' that is made available to Managers; this guide outlines the 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.
- Advise to management and staff re-fraud and corruption.
- Reporting of conduct that may be fraudulent.

Managers are asked to complete and review this Self Assessment checklist for their own service area on an annual basis; these completed checklists are then used to help inform the audit planning process.

2.3 The council also has an on-line training package in relation to Fraud and Corruption, this training package which has been tailored to the council's own policies and procedures is made available to all staff via the Internal Audit Section on E Voice. This package demonstrates the council's commitment to ensuring staff awareness and training in relation to fighting fraud. The training package has recently been updated to include the Bribery Act, Procurement Fraud and a section on Misuse and Abuse of Time and Resources on the Council's Email and Internet Facilities. This training package is mandatory for all Executive Directors, Heads of Service, Business Managers and anyone else that a manager feels this is appropriate to. As part of the Fighting Fraud Locally strategy an on line training package is made available and work is currently in progress to update the existing training to incorporate this, once completed this will then be rolled out and made available to all staff.

2.4 Work is also in progress to review the checklist provided as part of the strategy to ensure that our current processes, policies and procedures are fit for purpose and fall in line with the strategy.

2.5 The Council has also joined the CIPFA Counter Fraud Benchmarking Club for 2012, this will enable us to benchmark with other local authorities and allow us to review and compare our policies, procedures and resources. It will also give us the opportunity to share best practice examples and learn from the experiences of others to ensure that we can continue to develop and improve our existing counter fraud strategies.

3. **Options Considered**

3.1 To review our current arrangements against this strategy 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 review our current procedures and policies could 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**

4.1 That the report be noted.

5. **Outcomes Linked to Sustainable Community Strategy and Corporate Priorities**

5.1 The adoption of the guidance provided in the strategy helps to 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, therefore contributing to its Corporate Priority of achieving excellence

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**

There are no financial or resource implications have been identified at this point in time, any issues that arise from the action plan will be brought back to a later committee.

10. **Major Risks**

A full risk assessment in respect of Fraud has been completed; fraud risks have also been incorporated into the operational risk assessments for each service area in order for these to be managed accordingly. A copy of the full risk assessment can be provided to members upon request.

11. **Key Decision Information**

None

12. **Earlier Cabinet/Committee Resolutions**

None