

Anti Fraud and Corruption Strategy

**A strategy for tackling fraud
and corruption in Wiltshire
2014-17**

Foreword

The local authority landscape has changed dramatically over the last few years and will continue to do so. Welfare reforms, decentralisation of government and austerity measures mean that local authorities are being expected to do more than ever before with less resource, devolve decision making more to communities and individuals, as well as working in more and more innovative partnerships. Strong governance, in particular reducing fraud and corruption and ensuring council funds are properly directed to essential services is a key aim in delivering our vision to create stronger more resilient communities.

Official statistics estimate the overall cost of fraud and corruption to the whole of local government at £2.1 billion (up from £684 million reported in 2010), with the biggest losses arising from housing tenancy fraud (£900 million), procurement fraud (£855 million), and payroll and recruitment fraud (£152 million). Fraud losses attributed to council tax, the blue badge scheme, grants and pensions are also significant.

Although official statistics offer a useful indication of the extent of the problem compiling reliable statistics around fraud is not easy. This is because one of the key aspects of fraud is deception which makes it incredibly difficult to identify. Furthermore, survey results often only reflect the instances of fraud that have actually been discovered. Indeed it is generally recognised that the majority of fraud goes undetected or unreported. It is therefore essential that organisations develop a holistic strategic response to fraud that focuses on minimising the risks and proactively takes measures to prevent fraud occurring in the first place.

On 3rd April 2012 a new strategy was unveiled to help councils hit back against fraudsters. 'Fighting Fraud Locally' was produced as a result of an eight-month review led by the National Fraud Authority (NFA) and supported by the LGA, DCLG, local government representative organisations and council chief executives. The document provides a blueprint to better equip local authorities to fight a range of frauds, including housing tenancy, council tax, grants, procurement and blue badge parking. Wiltshire Council has adopted this document alongside other key areas of good anti fraud practice from both the public and private sector including the audit commissions annual report on local authority fraud 'protecting the public purse', in formulating this strategy.

Our ambition is to manage the risk of fraud and corruption by keeping it to an absolute minimum. We have already taken steps to manage these risks through our robust governance arrangements. These arrangements are further supported through the creation of a dedicated counter fraud team tasked with delivering this strategy.

Wiltshire Council is committed to protecting public monies and we will work hard to prevent fraud and corruption from ever happening, but where it does occur we will continually seek out the perpetrators, prosecuting and seeking recovery.

**Councillor Richard Tonge
Cabinet Member, Finance, Performance and Risk**

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1. Why it is important to us to protect Wiltshire residents and businesses money?

1.1 This strategy defines the Council's approach to managing the risk of fraud and corruption ensuring best practice is embedded across all services, projects and partnerships. Any fraud or corrupt act committed against the council effectively constitutes theft of taxpayers' money. It is unlawful and deprives the council of resources which should be available to provide public services.

The threat from fraud and corruption is both internal and external. The Council's expectation is that councillors and employees at all levels will lead by example to ensure the highest standards of probity and accountability are established and strictly adhered to, and that personal conduct is above reproach at all times.

The ongoing development of the strategy will be based upon comprehensive ongoing risk assessments in all areas of council activity, to reduce losses from fraud and corruption to an absolute minimum, through:-

- Reinforcing an organisational culture of zero tolerance to fraud and corruption
- Encouraging prevention
- Pro-actively detecting fraud and corruption
- The instigation of legal, disciplinary and recovery action against any individual found to have acted fraudulently or corruptly in their relationship and dealings with the council

This holistic approach to tackling fraud and corruption will become an integral part of existing governance arrangements, policies and procedures. Providing a raft of measures designed collectively to deter would be offenders.

As a living document it is envisaged that this strategy will continually evolve as the council gains a better understanding of the potential threat from fraud and corruption and as new and existing partnerships develop. The strategic ambitions will be further supported in practical terms by an operational delivery plan which is contained in appendix A of this document.

2. How does this strategy fits with the Council's overall Business Plan?

2.1 The Council's Business Plan covering the same period as this strategy (2014-17) sets out 6 outcomes to achieve our vision to:

- protect those who are most vulnerable
- boost the local economy – creating and safeguarding jobs
- To support and empower communities to do more for themselves

Underpinning this Council is governed by a set of 8 principles, which include ensuring we secure value for money. These principles set out how we do business: our way of thinking, leadership style, values and behaviours and approach to designing and running services so we can provide high quality, low cost, customer focused services, ensure local, open and honest decision-making and work with our partners to support Wiltshire's communities.

The Fraud and Corruption Strategy underpins these principles in seeking to ensure sound governance. In adopting this approach and culture the Strategy supports the outcomes in enabling greater engagement with the Community and partners, whilst protecting the public purse.

As such this Strategy is a key support for the delivery of the Business Plan.

3. What do we mean by Fraud and Corruption?

3.1 *Fraud*

The term 'fraud' commonly includes activities such as theft, deception, bribery, forgery, extortion, conspiracy, and money laundering. These include, but are not confined to, the specific offences in the Fraud Act 2006. For the purposes of this document fraud can be attempted or include actual acts committed against the Council and/or its partners.

It is only really since the introduction of the Fraud Act 2006 that there has been a legal definition of fraud. Essentially fraud involves using deception to dishonestly make a personal gain for oneself and/or create a loss for another. Although definitions may vary most are based around this general theme.

2.2 *Corruption*

Corruption is 'the offering, giving, soliciting, or acceptance of an inducement of an inducement or reward, or showing any favour or disfavour which may influences any person to ac improperly'. It is an offence under the prevention of Corruption Acts 1989-1916- as amended and section 117 (3) of the Local Government Act 1972.

4. How does this fit with our overall Council control environment and management of risk?

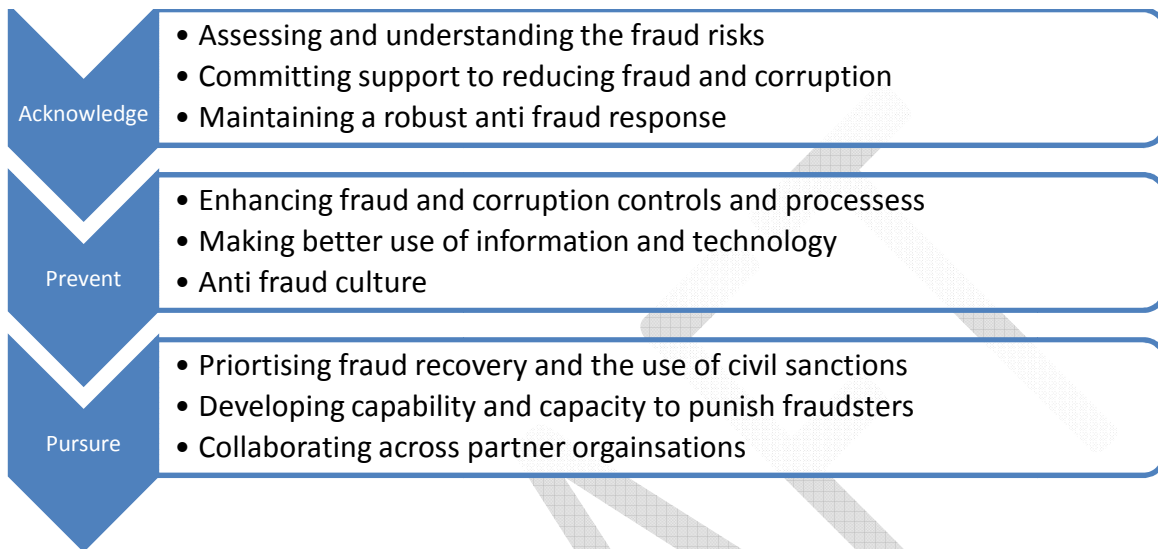
4.1 The Council has already established a robust framework of procedures and controls which provide the major elements of its anti fraud and corruption governance arrangements. This strategy is an integral part of a series of interrelated policies, procedures and controls designed to deter any attempted fraudulent or corrupt act, see <http://www.wiltshire.gov.uk/council/howthecouncilworks/plansstrategiespolicies.htm>. These policies and procedures include:-

- Council Constitution including Financial Regulations
- Standards Committee
- Code of Conduct for Councillors; for Employees
- Registers of interest
- Procurement rules and guidance
- Anti Money Laundering Policy and procedures
- Whistle blowing Policy
- HR Policies and Procedures for managing performance including disciplinary matters
- HR police and Procedures for managing recruitment
- I.T. Security Policy
- Benefit fraud sanction policy
- Benefit fraud strategy

A priority aim isto fully integrate this strategy into existing policies and procedures ensuring it becomes a key part of the council's governance and risk management framework.

5. What is Wiltshire's Approach ?

5.1 The Council will fulfil its aim to reduce fraud and corruption to an absolute minimum through a strategic approach consistent with that outlined in the Local Government Fraud Strategy 'Fighting Fraud Locally'. The three key themes of this approach are Acknowledge, Prevent and Pursue:-



6. How will we *Acknowledge and Recognise* fraud / the risk of fraud?

6.1 **Accessing and understanding the fraud risks -**

The ongoing development of this strategy will be informed through gaining a clear understanding of the threat, emerging risks, trends and the savings that can be achieved by investing in countering fraud and corruption. This will focus on greater use of technology and interrogation of data to assess weak areas and identify focus on higher risk areas. We will also be focusing on staffs awareness of the risks of fraud and corruption and what they can do to improve how we prevent or spot it.

6.2 **Committing support to tackling fraud and corruption -**

Existing measures to prevent fraud and corruption will be strengthened through the establishment of a dedicated Fraud Investigation team who will have the capability and capacity to:-

- Investigate allegations of fraud and corruption
- Prosecute and sanction offenders
- Identify fraud prevention controls

across the whole organisation and work with our partners.

6.3 **Maintaining a robust anti fraud response -**

Whistleblowing remains the most common way that fraud and corruption is detected in large organisations. The Council will raise awareness and continually promote its whistleblowing policy :-

<http://www.wiltshire.gov.uk/council/howthecouncilworks/plansstrategiespolicies/whistleblowingpolicy.htm> and other associated policies and procedures ensuring all reports of suspected fraud or corruption are treated seriously and acted upon. Thereby developing a robust and proportionate response to counter any threats

7. **How will we Prevent fraud?**

7.1 **Enhancing fraud and corruption controls and processes -**

The best way to fight fraud and corruption is to prevent it happening in the first place. The Council will continually work towards realigning counter fraud resources away from enforcement towards prevention; ultimately, aiming to deter all would be offenders

An effective internal control framework covering all the council's systems both financial and non financial is essential in the fight against fraud and corruption. The governance and risk management arrangements referred to in section 3 of this document form an integral part of this arrangement. The investigation team will support the existing framework by working alongside audit managers and policy makers to ensure new and existing systems are customer centric, efficient, secure and offer value for money

Preventative measures will be supported by the ongoing assessment of those areas most vulnerable to the risk of fraud and corruption, in conjunction with risk management arrangements and risk based audit reviews. The annual publication 'Protecting the Public Purse' provides details of the key fraud risks faced by local government. The council will undertake a review of the high risk areas identified in the publication. Examples of some of the areas that will be subject of review are contained in appendix B of this document. The reviews will support the development of effective, value for money counter fraud measures that also enhance the quality of our customer service

7.2 **Making better use of technology**

A key feature in the drive towards preventing fraud and corruption at the outset will be the ongoing use and development of information sharing as well as better use of data to verify and validate transactions.

The sheer diversity of the services the council and its partners provide and the multiplicity of systems used to manage them generates huge volumes of records and data. The Council will re-engineer its fraud detection processes by comparing data from a variety of its and our partners systems to identify anomalies, improve information sharing across services and inform the risk management process.

7.3 **Anti fraud culture**

The Council is resolute that the culture and tone of the Authority is one of honesty with zero tolerance towards fraud and corruption, this is already demonstrated through its behavioural framework and codes of conduct for employees and members. The right organisational culture will be continually reinforced by:-

- Raising awareness of this strategy to new and existing employees
- Publicising the results of all proactive work, sanctions and recovery of losses due to fraud and corruption increase and maintain the general public awareness of the facilities available to report concerns about fraud and corruption.

8. **How will we Pursue fraud?**

8.1 **Prioritising fraud recovery and the use of civil sanctions**

Fraud must not pay, where fraud or corruption is discovered the full range of sanctions will be deployed, including civil, disciplinary and criminal action. Every effort will be made to recoup losses and confiscate assets gained as a result of criminal activity.

8.2 **Developing capability to punish fraudsters**

Criminal prosecutions deter offenders and reinforce a culture of zero tolerance towards fraud. Successful prosecutions require cases to be professionally investigated ensuring all evidence is collected within the law. Investigative staff must be adequately trained with the appropriate skills and access to specialist resources to secure effective prosecutions

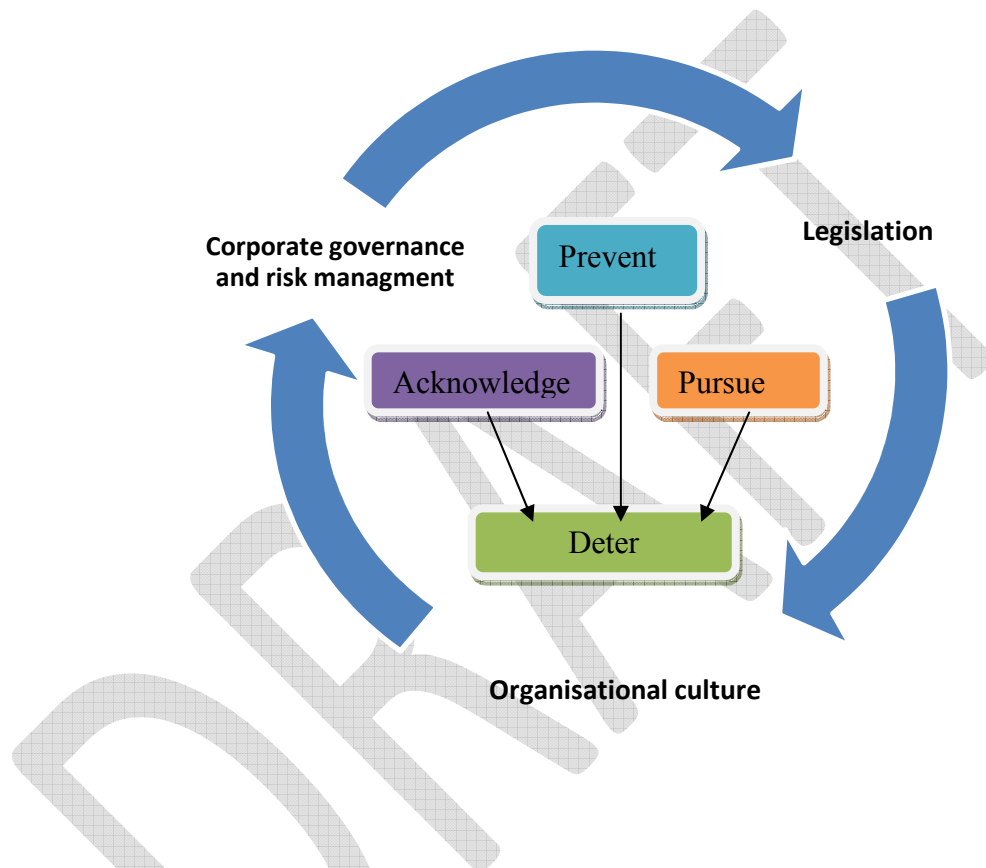
8.3 **Collaborating across local authorities, other organisations and with law enforcement**

Organised fraud has no respect for boundaries and can cross a range of organisations and services. Effective cooperation and joint working between local authorities and with other agencies including the Police and NHS Primary Care Trust will be essential in the ongoing development of the council's strategic response.

9. How will we implement and communicate the strategy?

9.1 *Implementation*

Effective implementation of the strategy will be intrinsically linked to the right organisational culture, robust corporate governance framework and effective use of legislation. Each of these components and the context within which the fraud strategy sits is best explained through the following diagram



The diagram illustrates how a proactive and robust response to fraud and corruption which is embedded at the heart of an organisation will help to deter even the most determined fraudster.

The aims of this strategy have been turned into a set of ambitious actions which are contained in a timetabled action plan which can be found as an appendix A to this document. Delivery of the action plan will be regularly reviewed and monitored by regular reporting to the Audit Committee and an Annual update to Full Council.

9.2 *Communicating*

We are developing a communication strategy which will set out our detailed approach but this will be underpinned by our commitment to always be proactive in promoting our culture and approach to Fraud and Corruption, both internally to the Council's staff and councillors, but also externally to the public, businesses and partners. We will always publicise successful prosecutions. We will also listen and take seriously all allegations.

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Action plan 2014-17

1. Acknowledge and understand

The Council has already taken steps to acknowledge the risk of fraud and has a committed dedicated resource to tackle the problem. A key objective for 2014 will be to gain a better understanding of the potential risks faced in order to target resources intelligently and effectively.

Objective	Task	Target date
Provide regular progress reports to fraud policy panel as well as annual and interim reports to Audit Committee / Full Council	<u>Agree content and frequency of reports</u>	December 2014
Benchmark with other local authorities identifying best practice	Identify best practice options for implementation/adoption	First assessment by December 2014 then annually thereafter
Ensure methods are in place to record the progress and outcome of investigations in accordance with professional standards, codes of practice and legislative requirements	Implement and roll out the InCase corporate fraud management system	April 2014 Action completed
Gain a clear understanding of the fraud threat, emerging risks and the savings that can be made from investing in countering fraud, and develop an annual improvement plan across the next 3 years for improvements in recognition of risks and staff competencies.	Use national and local information sources to research and review trends Analyse results of risk reviews, referrals and outcomes of investigations Produce three year programme of work Make recommendations to improve efficiency and security of systems	Bi monthly ongoing Quarterly assessment December 2014 Each review
Complete Protecting the Public Purse - 2013/14 Audit Commission fraud and corruption survey -	Review each of the service areas new reporting requirements and discuss with relevant managers	July 2014

Objective	Task	Target Date
Implement/review fraud response plan and associated polices	<p>Review fraud response plan including roles, responsibilities and referral arrangements in light of establishment of corporate fraud team :SWAP, HR, Governance</p> <p>Review following polices in light of establishment of corporate fraud team including:-</p> <ul style="list-style-type: none"> • Anti Fraud and Corruption policy • Whistle blowing policy • Managers guide for responding to suspected Fraud • Benefit Fraud strategy • Fraud Risk Impact Assessment 	<p>Dec 2014</p> <p>Feb 2015</p>
Establish referral and data sharing protocols with housing and Social landlords	Implement service agreements and process for referring and managing suspected fraud	Nov 2014
Review arrangements for exchanging information, referrals and joint working across councils service and with Police	<p>Update current service agreements and protocols</p> <p>Establish intelligence networking group</p>	<p>December 2014</p> <p>Feb 2015</p>
Deliver National Fraud Initiative	<p>Final report to Director of Finances in Wiltshire public sectors in respect of 2012 initiative</p> <p>Work with dataset providers to upload data</p> <p>Review approach to investigating matches with dataset leads</p> <p>Agree reporting scope and timeline with Director of Finance</p>	<p>June 2014</p> <p>November 2014</p> <p>January 2015</p> <p>January 2015</p>

Work with DWP and HMRC re establishment of Single Fraud Investigation Service (SFIS)	Continue to work in partnership in relation to Housing Benefit Fraud/ investigation /handover and referral arrangements	March 2016
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3. Prevent

The best way to tackle fraud is to prevent it from happening in the first place through cultural change and better use of information. Wiltshire council will continue to develop a strong anti fraud culture supported by better use of information and technology through matching data and sharing intelligence.

Objective	Task	Target Date
Develop a culture where anti fraud work can flourish and is part of staff's behaviour and competence.	Raise awareness about fraud through induction explore feasibility of e learning packages	January 2015
	Positively reinforce responsibilities for preventing, detecting and reporting fraud through team meetings of main risk groups	April 2014 onwards
Systematic Review of Main-Fraud Risks	<p>Risk management review of main risk areas identified in protecting the public purse:</p> <ul style="list-style-type: none"> Council Tax discount review Housing Tenancy Fraud Personal Budget Fraud Procurement Fraud Grant Fraud Schools (admissions) Employee Fraud 	Ongoing in order of priority and according to risk level:-
Identify opportunities for internal/external data matching initiatives	Identify key areas following review of main fraud risks as above	

4. Pursue

Prevention is always preferable but the determined fraudster will break through even the best controls, when they do, enforcement must be comprehensive and not just limited to criminal prosecutions. Where fraud is discovered the council will deploy the full range of sanctions including civil and disciplinary routes and as appropriate in parallel.

Objective	Task	Target Date
Formalise referral process	Develop referral information guide	Dec 2014
	Risk score of referrals 5x5	Dec 2014
	Test and review process	Ongoing
Ensure all investigation staff are fully trained including PINS or equivalent	Develop training matrix setting out core skills for each role as they develop	Ongoing
	Link individual training plans to bi monthly one to ones	
Deliver National Fraud Initiative	See working in partnership above	Ongoing
Recovery of assets and funds as a result of fraud	Work with legal to develop protocol and prioritise civil litigation cases involving fraud	May 2015
	Identify partners organisations e.g. Police or other Local Authorities in order to access specialist skills for undertaking financial investigations under the Proceeds of Crime Act	May 2015
Sanctions including disciplinary action	Review and update benefit fraud sanction policy to include corporate fraud	Jan 2015
	Work with HR and Legal to review processes for referring fraud cases for disciplinary proceedings?	Feb 2015

Publicising fraud	Work with Comms Team to develop communication strategy for publicising: Sanctions, public referrals referrals/hotline?	Dec 2014
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Tackling the main fraud risks

Council Tax	Many local authorities have noted a significant increase in fraudulent applications for single person discounts. The prevalence of this type of abuse is estimated to be as high as 6% of applications.
Procurement	Local government spends around £89 billion a year on procuring goods and services. The National Fraud Authority (NFA) estimates that local government could be suffering losses of around £890 million a year to procurement.
Personal Budgets	Personal budgets are a relatively new system of support that help individuals meet their own social care needs. Any new system attracts risks which need to be considered and mitigated with adequate and proportionate controls.
Employee	Types of employee fraud are wide ranging and can include misuse of time and resources. One of the strongest defences against employee fraud is a strong anti fraud culture
Housing Tenancies	The Audit Commission has estimated that at least 50,000 social homes in England are unlawfully sub-let and other estimates put that figure at up to 160,000 homes. The NFA places the cost of housing tenancy fraud at around £900 million annually
Grants	There are many different types of grants which makes it difficult to assess the nature and scale of fraud risk