

## Anti-Fraud & Corruption Strategy 2021/22

June 2021

### Introduction

1. Eastleigh Borough Council is committed to protecting the public funds entrusted to us and to upholding the highest standards of financial probity and accountability. The cost of fraud to local government has recently been estimated at £7.3 billion a year (Annual Fraud Indicator 2016). This is money that could be used for local services.

Fraud Type	Estimated Loss
Housing tenancy fraud	£1755m
Procurement fraud	£876m
Payroll fraud	£1108m
Blue badge scheme misuse	£48m
Grant fraud	£198m
Pension fraud	£79m

Annual Fraud Indicator 2016 (last available figures from the National Fraud Authority who has since disbanded)

2. These figures do not take into account the indirect costs of responding to and dealing with fraud and exclude some potentially significant areas of fraud loss.
3. Eastleigh Borough Council has an Anti-Fraud, Bribery and Corruption Policy that confirms a no tolerance approach to fraud, bribery, corruption or dishonesty. The Policy forms part of the Council's internal control and corporate governance arrangements. The Policy applies to all activities undertaken on behalf of the Council and is designed to cover the risks associated with theft, fraud, corruption, bribery and ICT abuse, whether they are perpetrated by employees, councillors, residents, visitors, contractors, suppliers or individuals and organisations unconnected with the Council.
4. This Anti-Fraud and Corruption Strategy details the activities that will be undertaken to reduce the risk of fraud, bribery and corruption. The Council takes an integrated approach to dealing with internal and external fraud and corruption, with the emphasis on prevention whenever possible. However, any measure put in place to reduce losses will be balanced with their impact on the cost and service provision.

5. Corporate investigation work is undertaken by the Internal Audit Team. This has historically covered reactive investigations to detect and investigate fraud only with limited focus on proactive activities due to limited resources and other work pressures.
6. It is recognised there is opportunity to enhance the service provided by carrying out a series of pro-active work to identify potential areas of fraud or corruption. Current work carried out by the team to provide assurance on systems of control includes identification of potential fraud, however by carrying out specific anti-fraud exercises, time will be more effectively utilised and issues promptly identified.
7. This Strategy sets out the requirements for the Council in relation to combating fraud, bribery, corruption and dishonest dealings within and against the Council.

### **Vision**

8. To address and drive out fraudulent behaviours and activities by:
  - Preventing losses from theft, fraud, bribery and corruption by maintaining an effective internal control framework.
  - Deterring perpetrators from committing fraudulent activities.
  - Detecting potential losses/errors by use of data analytics, robust reporting and publicity arrangements.
  - Investigating concerns/anomalies objectively, promptly and professionally by using qualified, skilled and experienced officers.
  - Where appropriate, pursuing the recovery of losses under the Proceeds of Crime Act 2002/Serious Crime Act 2015.
  - Correcting behaviours and system breaches by educating and enhancing risk management through advice and support.

### **Resources**

9. There are currently 3 FTE members of staff in the Internal Audit Team. The team has combined over 40 years of experience. The Head of Internal Audit, now Executive Head of Governance, trained and obtained the status of Accredited Counter Fraud Specialist during 2017/18. The Annual Internal Audit Plan 2021/22 includes 50 days for fraud prevention work, an additional 15 days has been allocated for the National Fraud Initiative Data Matching Exercises (upload of data and review of matches) and 20 days for reactive fraud investigative work. This is an increase in days from previous years and demonstrates the team's commitment to promoting an anti-fraud culture. Due to the Covid-19 pandemic, any Counter Fraud Activity that was not completed in 2020/21 has been rolled forward. It is planned that the following Counter Fraud Activity will take place during 2021/22:

<b>2021/22 Activity</b>	<b>Days</b>
<ul style="list-style-type: none"> <li>National Fraud Initiative – co-ordination of the exercise and investigation into data matches</li> </ul>	15 days
<ul style="list-style-type: none"> <li>Reactive fraud investigations</li> </ul>	20 days
<ul style="list-style-type: none"> <li>A review of the Counter Fraud Strategy</li> </ul>	1 days
<ul style="list-style-type: none"> <li>Review of fraud risk register and training</li> </ul>	2 days
<ul style="list-style-type: none"> <li>Review of counter fraud arrangements for Council Tax Reduction Scheme</li> </ul>	6 days
<ul style="list-style-type: none"> <li>International Fraud Awareness Week (November 2021)</li> </ul>	5 days
<ul style="list-style-type: none"> <li>Anti-money laundering training</li> </ul>	2 days
<ul style="list-style-type: none"> <li>E-Learning – with the implementation of a new Learning Management System review of e-learning packages to raise awareness</li> </ul>	1 days
<ul style="list-style-type: none"> <li>Business Rate discount reviews</li> </ul>	8 days
<ul style="list-style-type: none"> <li>Expenses Claims</li> </ul>	5 days
<ul style="list-style-type: none"> <li>Council Tax discount reviews (exemptions, rising 18s)</li> </ul>	8 days
<ul style="list-style-type: none"> <li>Procurement – review of invoices and payments</li> </ul>	10 days
<ul style="list-style-type: none"> <li>Cyber Crime – awareness training (with IT Team)</li> </ul>	2 days
<b>Total Days</b>	<b>85 days</b>

10. In September 2015 the responsibility for investigating suspected Housing and Council Tax Benefit fraud cases transferred to the DWP under the Governments initiative of a Single Fraud Investigation Service (SFIS) and the Council no longer has a team solely responsible for investigating housing benefit fraud. However the responsibility to investigate Council Tax Support (CTS) remains with the Local Authority. Due to work pressures, pro-active activity in this area has not been progressed. Internal Audit recognised the opportunity to provide a single corporate pro-active approach to counter fraud and have therefore taken the lead in progressing this work. Focus has been on Council Tax Single Person Discount (SPD) reviews and Rising 18s and results have confirmed that investment of time in this area is worthwhile with 212 confirmed cases of ineligibility for SPD with a value based on the total historic adjustment and also anticipated future savings of over £200,000.

#### **Scope and delegated powers**

11. The Internal Audit Team will be responsible for carrying out investigations into all areas of abuse perpetrated by service users, contractors and staff.

12. Financial Investigations require the expertise of a qualified Financial Investigator, and in these instances the Council will use the services of the Financial Investigator employed by Portsmouth City Council. Under the Proceeds of Crime Act 2002, the Council will make every effort to recoup losses and confiscate assets gained as a result of criminal activity.
13. Any cases which require the forensic examinations of PC's and laptops will be carried out by trained professionals. Currently Portsmouth City Council can provide this service to the Council.

#### **Prevent**

14. Prevention measures are communicated via key policies and procedures:
  - a. Financial regulations
  - b. Financial Procedures
  - c. Scheme of Delegation
  - d. Interests, Gifts and Hospitality Policy
  - e. Codes of Conduct
  - f. Complaints and Compliment Procedure
  - g. Recruitment and Selection Policies
15. Key to prevention is the communication of these policies. A training programme for staff will be developed in conjunction with the Learning Development Specialist to ensure all are aware of their roles and responsibilities.

#### **Pursue**

16. Investigations into potential incidents and fraud cases will be carried out by the Internal Audit Section. Where applicable, cases will be referred to the Police.

#### **Fraud Risks**

17. A Fraud Risk register is maintained by the Head of Internal Audit and presented periodically for review to the Strategic Risk Management Group.
18. The main fraud risks facing the Council:
  - Council Tax Support
  - Procurement
  - Payroll
  - Cyber Fraud
  - Internal Fraud (carried out by members of staff – abuse of time/position/trust)

#### **Delivery Plan/Activities for 2021/22**

- Data matching – in addition to the National Fraud Initiative Biennial Exercise which takes place during 2021/22, Internal Audit will carry out exercises to match data and investigate matches. For example, creditor data match to payroll data to ascertain if we are contracting with a member of staff in a private capacity

- Data sharing – data and results from investigations will be shared with other local authorities
- Pro-active fraud – regular exercises/testing carried out by the Internal Audit Team to detect any instances of fraud
- Training for audit staff and the Senior Leadership Team. An online training module will be developed to raise awareness amongst staff
- Review of procedures for payment of grants to individuals/organisations (to be carried out as an assurance audit review)
- Review of procedures for application of grants
- Annual Governance review – working closely with the Executive Head of Governance to ensure all key policies are up to date and communicated
- Documented protocol for carrying out investigations
- Review of Whistleblowing Policy
- Regular communication to be shared with staff and members of the public to raise awareness and communicate Whistleblowing arrangements
- Fraud Loss Measurement – exercise to be considered by the Head of Internal Audit. Business Case to be developed by Head of Internal Audit if results deem it would be beneficial
- New systems and processes developed to be independently reviewed and appraised by Internal Audit to ensure fraud risk are appropriately mitigated
- Recruitment and Selection – consideration to pre-employment checks for key posts to be completed before any appointment is confirmed

## **Reporting**

4.17 Approval and progress against this Strategy will be reported to Audit and Resources Committee on an annual basis by the Head of Internal Audit.