

Counter Fraud Strategy 2017-2020

Introduction

1. South Lakeland District Council has a zero tolerance of fraud and corruption. This is confirmed in the Anti-Bribery, Fraud and Corruption Policy and this Strategy sets out the approach being taken to deliver the policy aims and objectives.
2. Minimising fraud and irregularity is essential, never more so than in times of austerity, to ensure that resources intended to provide essential services to South Lakeland communities are used for that purpose. Fraud committed against the Council is a theft of taxpayers' money, can cause reputational damage and a loss of confidence amongst the public or stakeholders and have an adverse effect on staff morale.
3. Through effective counter-measures the Council can reduce the risk of error, loss and fraud. These include arrangements to acknowledge, deter, prevent, detect, investigate and prosecute wrongdoing.
4. Minimising fraud and irregularity is everyone's business. Whilst specialist staff have a key role, the Council expects the highest standards of probity, propriety and conduct from all Members, employees and contractors. This includes a requirement to act lawfully and to comply at all times with the Council's policies and procedures and relevant legislation and regulations.
5. Minimising fraud and irregularity is a continual process. Whilst practical arrangements will evolve over time to reflect changes internal and external to the organisation, there is a constant need for vigilance and appropriate action to address risks. Change arising from financial pressures; growth of alternative models to commissioning and service delivery; and continued development of collaborative, integrated and joint working require the approach to be regularly reviewed and refreshed.
6. Minimising fraud and irregularity can be complex. The legislative and policy framework in relation to counter fraud is extensive including but not limited to; Regulation of Investigatory Powers Act 2000, Prevention of Social Housing Fraud Act 2013, Proceeds of Crime Act 2002, the Bribery Act 2010 and Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017. This is in addition to the Council Constitution and Codes of Conduct that are based on a wide range of other legislation.
7. To deliver successfully against the Anti-Bribery, Fraud and Corruption Policy and given the scale and pace of change within the organisation the Council's approach and key priorities for the next three years is confirmed in this Strategy.

Definition

8. Throughout this document the term fraud and irregularity has been used to refer to acts of corruption, fraud, bribery, money laundering, wrongdoing, loss and error.

Objectives

9. The key aim of the Counter Fraud Strategy is to ensure that public funds entrusted to the Council are protected against fraud and loss. To do these the key objectives of this strategy are:

Acknowledge	Continue development of the 'anti-fraud' culture which highlights the Council's zero tolerance of fraud, corruption and theft, defines roles and responsibilities and actively engages everyone including service users, the public, Members, staff, schools, contractors and partners.
Deter	

Prevent	Provide a centralised best practice counter fraud service in Finance which: <ul style="list-style-type: none"> • Proactively detects error, loss, fraud, corruption and theft; • Investigates suspected or detected fraud, corruption and theft; • Enables the Council to apply appropriate sanctions and recover losses wherever possible; • Works in effective collaboration with services across the Council and with partners to support counter fraud activity; and • Drives action to inform policy, system and control improvements, thereby reducing the Council's exposure to fraudulent activity.
Detect	
Investigate	
Pursue	

10. The effectiveness of this strategy will be subject to annual review, by the Finance Lead Specialist~~Financial Services Manager~~, Corporate Anti-Fraud Officer, Internal Audit Manager, Section 151 Officer and the Audit Committee.

Scope

11. This Strategy and associated policies apply to the activities of all Council employees and Members. The Council has chosen to extend this Strategy so that it also applies to Council engagement with consultants, contractors, suppliers, Council funded voluntary bodies and individuals, partners and any other external agencies. When contracting, or working in partnership, with the Council, organisations and individuals will be expected to comply with this Strategy and any policies that sit under it.

Policy Framework for Preventing Fraud and Irregularity

12. This Strategy is part of the Council's overall Counter-Fraud Policy Framework and should be read in conjunction with the Constitution, Financial Regulations, Human Resources Policies, Codes of Conduct for Members and Officers and other related policies and procedures.
13. The Terms of Reference for the Audit Committee include the review of effectiveness of anti-fraud and corruption arrangements throughout the Council. To support the Audit Committee in this role the Finance Lead Specialist~~Assistant Director (Resources)~~ and s151 Officer reports annually on the policy framework and in particular the level of fraud detected. The Committee, within its Terms of Reference oversee changes to the Counter-Fraud Policy Framework.
14. The key documents comprising the Counter Fraud Policy Framework are:
- Anti-Bribery, Fraud and Corruption Policy: identifies a number of key principles outlining the overall approach to combating fraudulent activity against the Council.
 - Counter Fraud Strategy: sets out priorities, objectives and actions to respond to identified fraud risks.
 - Whistleblowing Policy: Explains how members, employees, agency staff, contractors and members of the public can raise concerns about suspected fraud and other malpractice in a confidential manner.
 - Anti-Money Laundering Policy: Defines the responsibilities of officers in respect of the Proceeds of Crime Act 2002, Terrorism Act 2000 and the Money Laundering Regulations 2017.

- e) Corporate complaints process: Provides guidance for Council officers to deal with complaints within agreed standards. Complaints can be one way in which individuals submit concerns and allegations regarding fraud and irregularity.
- f) Guidance on Surveillance under the Regulation of Investigatory Powers Act 2000: Provides guidance for Council officers on carrying out surveillance.
- g) Fraud Risk Assessment: Sets out the fraud risks facing the Council based on events which have occurred, intelligence of events occurring elsewhere and issues which may represent a potential future threat.

Roles and Responsibilities

- 15. Leadership for the delivery of the Counter Fraud Strategy resides with the Finance Lead Specialist Assistant Director (Resources) and s151 Officer ~~and the Financial Services Manager~~.
- 16. Governance of the strategy and delivery of key responsibilities resides with the Finance Lead Specialist ~~Financial Services Manager~~ and the Corporate Anti-Fraud Officer.
- 17. Service areas also contribute to the delivery of the strategy, including but not limited to the teams delivering Rvenues and Benefits services, Development Control services and Public Protection services ~~Teams~~ as these teams lead the prevention and detection of error, irregularity and fraud in their areas of responsibility.
- 18. Expert, corporate support in addressing fraud and irregularity risks is provided by the Corporate Anti-Fraud Officer ~~within the Financial Services team~~, Procurement team, ICT, Legal, Governance and Democracy Team Services and Performance, Innovation and Partnerships Commissioning team ~~and Organisational Development~~.
- 19. The Chief Executive, all Directors, Operational Leads/Lead Specialists ~~Specialists~~ Assistant Directors, managers and staff have a responsibility for remaining aware of the risks of fraud and irregularity, for obtaining assurance that these are being appropriately addressed and for raising risks or issues with senior management and internal audit.
- 20. Member roles and responsibilities in relation to the prevention of fraud and corruption are discharged through the Audit Committee in conjunction with Standards Committee and Executive. These roles are detailed within the Council's Anti-Bribery, Fraud and Corruption Policy and the Council's Constitution.

Approach to Countering Fraud

- 21. A dedicated and specialist resource within the Finance Section develops and coordinates the Council's overall approach to protecting its assets and finances from fraud, corruption, bribery and loss. Work is focused within each of the key elements of acknowledge, deter, prevent, detect, investigate and recover.
- 22. Fraud by its very nature is hidden, and conducted in such a manner that fraudulent acts are actively concealed. It is therefore vital to maintain a strong anti-fraud culture, and advocate a zero tolerance approach. This not only provides a deterrent to potential fraudsters, but also encourages an environment where individuals feel comfortable coming forward to raise concerns.



23. This Strategy is informed by the Council's objectives and has incorporated guidance and best practice on combating fraud within local government, devised from a number of different sources including:

- Fighting Fraud and Corruption Locally – The Local Government Fraud Strategy
- Protecting the Public Purse
- CIPFA Code of Practice on Managing the Risk of Fraud and Corruption

24. Nationally recognised fraud risks reported across the sector and which this Strategy seeks to assure and address are:

- Property transactions
- Employees
- Contracts, Commissioning and Procurement, including mandate fraud
- Right to Buy (in conjunction with South Lakes Housing)
- Insurance
- Third party grants etc
- Council Tax Reduction
- Business Rate reliefs
- Cyber fraud

Culture

25. The Council is committed to the highest ethical standards of corporate and personal conduct. The three fundamental public service values of accountability, probity and openness and a strong anti-fraud culture are a key element of the defence against fraud, corruption and bribery. Codes of Conduct, policies and procedures promoted across the Council are consistent with the 'Seven Principles of Public Life' put forward by the Nolan Committee and The Council expects all staff, including contractors and Members to make themselves aware of and follow these principles. Further information can be found at <http://www.public-standards.gov.uk/>

Deterrence

26. The Council develops and promotes a strong counter fraud culture. Finance and other services work with Performance and Organisational Development and Communications to raise staff and public awareness which include the following:

- Prominent publication and communication of the Council's zero tolerance stance against fraud and the overall strategy for combating it.
- Making clear to staff and residents how and to who they can report concerns.
- Delivering a fraud awareness programme including workshops and training, to ensure the profile of fraud risk remains high in particular amongst Council staff and Members but also contractors and partners.

- Publicising the results of pro-active work and the Council's success in identifying and taking strong action against fraudsters.

Prevention

27. Prevention is often the best and most efficient way to tackle fraud and prevent losses to the Council. This requires a robust control environment. Wherever appropriate and cost effective to apply, the Council will design and implement controls to prevent fraud and irregularity. Internal Audit will continue to work with managers and core services including Legal, [Governance and Democracy](#), Performance, [Innovation and](#) [and Commissioning and Organisational Development](#) and Finance to ensure new and existing systems, procedures and policy initiatives consider fraud risks.
28. As part of its annual Internal Audit plan and in particular the pro-active counter fraud work the Internal Audit Section reviews those areas of activity deemed to be at greater risk to fraud and corruption and works with management to recommend suitable, preventative controls and confirm these are implemented as planned.

Detection

29. Finance maintain a centralised log of all fraud and irregularity referrals received within the organisation. The log helps to assess those areas within the Council that are most vulnerable to the risk of fraud. This enables a Council wide fraud profile to be created which informs audit work aimed at detecting existing and new types of fraudulent activity. This knowledge also informs and helps direct the allocation of staff resources across the audit team ensuring a flexible approach is maintained and sufficient coverage is obtained across both the reactive and proactive counter fraud programmes as well as wider planned audit work.
30. A range of actions are already in place in relation to the detection of fraud, irregularity and loss:
- All staff are expected to comply consistently and routinely with internal controls designed to bring data anomalies and other indicators of fraud to the attention of management. As with preventative controls, the Council's Internal Audit Section reviews the adequacy of fraud detection controls in key systems and makes recommendations for weaknesses to be addressed.
 - The Council participates fully in the National Fraud Initiative (NFI) and remains open to participation in other relevant national or regional opportunities to detect fraud through data-matching exercises.
 - Internal Audit carries out targeted, analytical reviews of key systems and services to identify indicators of fraudulent activity.
 - The Council's Whistleblowing Policy is prominently publicised to encourage staff, Members, contractors and partners to raise any genuine suspicions they may have. Services across the Council participate in national and regional counter-fraud networks and take prompt action to review the relevance to the Council of alerts or issues shared across these groups.
31. Changes and developments in the Council's internal systems and procedures may adversely impact upon the established controls to prevent fraud. The impact on the fraud risk in changing systems and procedures will be evaluated through timely liaison between the business and Internal Audit to help minimise the exposure to risk.

Investigate

32. Where there are genuine grounds to suspect fraud, irregularity or corruption, the Council is committed to ensuring that all cases are investigated promptly, effectively and fully.

33. All matters involving suspected criminal activity are referred to the Police at the earliest opportunity. The referral decision will be taken by the ~~Director of Policy and Resources~~ Legal, Governance and Democracy Lead Specialist (Monitoring Officer) or her nominated representatives.
34. In support of the Council's zero tolerance stance, there shall be a general presumption that the Council will request prosecute offenders in all cases of fraud, corruption, bribery and theft. The Legal, Governance and Democracy Lead Specialist (Monitoring Officer) ~~Solicitor to the Council~~ will develop an Enforcement Policy to be applied on a case by case basis. Where the Police or Crown Prosecution Service decide not to charge offenders, the Council will consider bringing private prosecution, to be considered on a case by case basis.
35. The Corporate Anti-Fraud Officer regularly liaises with colleagues from Legal Services regarding casework. Where fraud or corrupt acts have been committed by an employee of the Council colleagues from Human Resources will be involved. In such circumstances it may be decided not to pursue matters further until any external investigations and/or enforcement action are concluded.

Recovery of Losses Incurred

36. A crucial element of the Council's response to tackling fraud is seeking financial redress. The recovery of defrauded monies is an important part of the Strategy and where it is practical, action will be taken to recover the loss from the individual or organisation concerned. Where criminality has been proven then the Proceeds of Crime Act 2002 may where appropriate be used to recover funds. Other methods of recovery may include, but are not confined to:
 - civil proceedings;
 - unlawful profit orders and compensation orders;
 - bankruptcy if it is believed the individual has a poor history of paying; and
 - recovery from future salary payments.

Fraud Awareness and Training

37. During the period covered by this Strategy, work will be undertaken based on the fraud risk assessment and other indicators to identify where further opportunities and requirements for counter fraud training may be appropriate. Consideration will be given to a range of media including e-learning, workshops, newsletters, intranet and cascade of key messages. The effectiveness of training and other fraud awareness activities will be evaluated to inform future planning.
38. The Corporate Anti-Fraud Officer and ~~Performance and Organisational Development~~ Human Resources will establish a training plan to enhance employees' ability to deliver the Strategy. The specific content of the training will be subject to review as part of the Annual Fraud Report, but its key components are likely to include the following:
 - Requirement for key staff, particularly line managers, to complete a periodic fraud awareness survey.
 - Qualification training for staff responsible for the investigation of suspected fraud.
 - Targeted training for key staff likely to use the Fraud Response Plan, when developed.
 - Targeted training on audit software and tools for key staff likely to participate in data matching exercises.

Joint and Collaborative Working

39. Fraud does not always fit neatly within the boundaries of the Council or district. Given the range of partnerships and collaborative work and the benefits of working with colleagues across the public and private sector, the Council actively seeks to work in conjunction with others.

40. Key agencies for data sharing include but are not limited to the following:

- Cumbria and other Police
- Cabinet Office, DCLG and other Government Departments
- Other Local Authorities within Cumbria and beyond
- National Anti-Fraud Network (NAFN)
- Technical Networks including CIPFA Counter Fraud Centre, LAIOG, TEICCAF
- Credit reference agencies and insurers

41. Arrangements are in place and continue to be developed to encourage both joint and collaborative working involving the exchange of information and intelligence between the Council and other agencies on national and local fraud and corruption activity in relation to local authorities. Any such exchange of information is undertaken in accordance with the principles contained in the Data Protection Act 1998 and the Information Commissioner's Office Code of Practice of Data Sharing. Where appropriate, the Council will participate in national or regional initiatives designed to prevent and detect fraud, such as data matching.

Delivery of the Strategy

42. The Council's overall approach and key priorities for Counter Fraud 2017-20 are:

Priority/Action Required	Who	Target Date
Acknowledge: acknowledging and understanding the risks <ul style="list-style-type: none"> • Assessing and understanding fraud • Committing to support and resources for tackling fraud • Maintaining a robust anti-fraud response 		
Prepare and publish Anti-Fraud Strategy	<u>Financial Services Manager</u> <u>Finance Lead Specialist</u>	This document
Annual review and updating of policy framework Anti-Bribery, Fraud and Corruption Policy Anti-Money Laundering Policy Whistleblowing Policy	<u>Finance Lead Specialist</u> <u>Financial Services Manager</u>	Annual report to Audit Committee
Prepare Fraud Response Plan	<u>Finance Lead Specialist</u> <u>Financial Services Manager</u>	September 2018
Produce Enforcement Policy	<u>Legal, Governance and Democracy Lead Specialist (Monitoring)</u>	

	Officer) <u>Solicitor to the Council</u>	
Annual review of Fraud Risk Assessments	<u>Operational Leads/Lead Specialists</u> Service Managers with Corporate Anti-Fraud Officer	Annual as part of Service Plan process
Compile annual Audit Committee Fraud report	Financial Services Manager <u>Finance Lead Specialist</u>	Annual to Audit Committee
Deterrence and Prevention: Deferring and Preventing Fraud <ul style="list-style-type: none"> • Making better use of information and technology • Enhancing fraud controls and processes • Developing an effective anti-fraud culture 		
Publicity for policy framework, strategy, training opportunities, on-line resources and successful prosecutions	Corporate Anti-Fraud Officer	Ongoing
Design and implement a periodic fraud awareness programme to complement existing induction training for officers	Corporate Anti-Fraud Officer and Organisational Development Officer	March 2018
Develop existing identification/validation tools	Corporate Anti-Fraud Officer	March 2018
Work with colleagues in other authorities to enhance data sharing	Corporate Anti-Fraud Officer	Ongoing
Review the preventative controls in key Council systems	Internal Audit	Preparing and delivering Internal Audit Plan
Implement agreed actions to strengthen internal controls	Assistant Directors and Service Managers <u>Operational Leads/Service Leads</u> , Monitored by Internal Audit recommendation monitoring to Audit Committee	Deadlines agreed in individual audit reports
Ensure consistent compliance with established controls to prevent fraud	<u>Operational Leads/Service Leads</u> , Assistant Directors and Service Managers , reviewed by Internal Audit	Ongoing

Consider the implications for counter fraud controls in new and changing systems and procedures, including Customer Connect	Operational Leads/Service Leads, Assistant Directors and Service Managers in conjunction with s151 Officer and Internal Audit	Ongoing, before introduction of new systems or procedures
Participation in fraud awareness surveys	Corporate Anti-Fraud Officer	By individual deadlines
Maintain and develop relationships with partners	Corporate Anti-Fraud Officer	Ongoing
<p>Detect, Investigate and Pursue: Completion of reactive and proactive work, punishing fraud and recovering losses</p> <ul style="list-style-type: none"> • Effective triage and investigation of referrals • Targeted pro-active counter-fraud work • Prioritising fraud recovery and actions to punish fraudsters • Joint and collaborative working across the Council, other local authorities, agencies and the Police 		
Raise fraud and corruption concerns promptly through the Whistleblowing Policy with a line manager/senior manager or Corporate Anti-Fraud Officer	All staff, Members, contractors and partners	Ongoing
Triage and investigate reactive referrals received	Corporate Anti-Fraud Officer with s151 Officer	Within 2 working days of receipt of referral
Decision to refer to the Police for investigation	Monitoring Officer	
Co-ordination and completion of National Fraud Initiative	Corporate Anti-Fraud Officer	In accordance with statutory deadlines
Data matching / mining	Financial Lead Specialist Services Manager, Corporate Anti-Fraud Officer	Ongoing
Ensure compliance with General Data Protection Regulation (GDPR) and other information governance and security requirements	Financial Services Manager Finance Lead Specialist and Partnerships and Organisational Development Manager	
Develop programme of wider pro-active counter fraud exercises	Financial Services Manager Finance Lead Specialist, Corporate Anti-Fraud Officer	March 2020

Work jointly and collaboratively with partners on key areas.	<u>Operational Leads/Service Leads, Service Managers, Financial Services Manager Finance Lead Specialist,</u> Corporate Anti-Fraud Officer	Ongoing
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- 43. The Corporate Anti-Fraud Officer will continue to assess all referrals it receives in a timely manner and investigate as appropriate in accordance with the Anti-Bribery, Fraud and Corruption Policy, working with colleagues in ICT and Legal as well as service managers to address concerns identified.
- 44. Pro-active counter fraud work will be developed in line with priorities identified from national research and the Council's fraud risk assessment. Resources will be targeted at areas considered to be of high risk to the Council. We will liaise with management regarding opportunities for joint and collaborative working with partners both internally and externally to enhance the quality of intelligence and data matching techniques.
- 45. The work undertaken by the Corporate Anti-Fraud Officer and Internal Audit will provide management with recommendations and actions to improve the effectiveness of internal controls to help prevent and deter future instances of fraud and irregularity.

Measuring Success

- 46. Progress against the priorities and plans identified within this Strategy will be reported annually to Audit Committee as part of the Annual Fraud Report.