Anti-Fraud & Corruption Strategy

2019/2020

DARLINGTON
BOROUGH COUNCIL

Foreword

Welcome to Darlington Borough Council's Anti-Fraud and Corruption Strategy. Fraud and corruption is estimated to cost the public sector £702m a year in the UK with estimates in the region of £302m in local government alone. Nationally, Council Tax & Housing Fraud continue to be areas where significant fraud occurs and Social Services and Procurement fraud have been identified as the areas of greatest risk. Clearly this is an unacceptable waste of taxpayers money and each of us has a role to play in preventing this waste and ensuring those funds are available to deliver services to our residents.

This document will outline some of the good work that is already taking place as well as looking at ways we can improve our systems and processes to prevent future waste. Despite relatively low levels of fraud detected locally we mustn't rest on our laurels and we will continue our work to tackle Housing Fraud and Council Tax fraud whilst looking to further develop the work we do to tackle fraud in emerging areas such as Social Services and Procurement. With your help and support we can ensure funds go into our vital services rather than lining the pockets of criminals.

Elizabeth Davison – Assistant Director - Resources

As a councillor and chair of the audit committee I see every day the commitment of our staff to ensure services are delivered to the very best of our ability to our residents. It is disheartening that despite all of this effort we could be doing more if funds were not being diverted away from vital services into the hands of criminals. We have in place a robust governance framework to help reduce the risk of fraud but as ever it is you, our staff who have the most vital role to play by being vigilant and conscious of the fact that fraud may be occurring. Together we can ensure funds are used in the right way to continue to deliver the very best services to our residents.

Cllr Paul Baldwin – Audit Committee Chair

Fraud – this is defined by the Fraud Act 2006 "A person shall be guilty of fraud if he

- dishonestly makes a false representation, or
- dishonestly fails to disclose to another person information which he is under a legal duty to disclose, or
- occupies a position in which he is expected to safeguard or not to act against the financial interests of another person and dishonestly abuses that position

AND

- intends to make a gain for himself or another or to cause loss to another or expose another to a risk of loss"

The Council recognises that as well as causing financial loss, fraud is also detrimental to the provision of services, and damaging to the reputation of, and confidence in, the Council, public bodies in general and reputable businesses.

The Council is clear that it will not tolerate any impropriety by employees, elected Members or third party organisations.

1	Fraud & Corruption	Failure to detect or prevent fraud and corruption.

Causes

- Breach in standards, corporate policies or procedures.

- Poor recruitment standards, or vetting of contractors.

- Economic recession and individual circumstances create pressures and motivate the crime.

- Bribery or collusion.

- Opportunity provided by system weakness and poor internal controls.

- Erosion of ethics.

- Employee disaffection.

Implications

- Financial loss.

- Negative publicity and adverse impact on reputation.

- Loss or damage to resources or infrastructure.

- Data loss or breach.

- Detrimental impact on service provision and local taxpayers.

Risk Status

The Council has a responsibility to protect public funds for which we are responsible. Fraud on public funds is unacceptable therefore the Council is committed to minimising the risk of fraud, corruption and misappropriation. Development of an anti-fraud culture is part of improving resilience to fraud, through raising awareness, clearly defined responsibilities, robust reporting mechanisms and a suitability resourced anti-fraud strategy.

The national picture suggests that whilst the number of cases per individual authority may be relatively low it is likely there are a number of the other categories where we have not detected any to date. The highest level of fraud across the public sector relates to housing, procurement, adult social care and council tax. Welfare benefit cases are referred to the Single Fraud Investigation Service for investigation. Instances of procurement fraud can be costly. Losses in relation to adult social care can also be financially significant, however the average value in the other areas tends to be relatively low. The Council does tend to focus its efforts in the areas where the highest numbers currently exist so the potential value of frauds not currently being actively pursued will be relatively low. We will be looking to develop our work in the areas of procurement and adult social care in the coming 12 months.

Current Risk			Desired Outcome		
Impact	Likelihood	Score	Impact	Likelihood	Score
3	4	12	2	2	4

Detection

- The Council will use all legal and cost effective means to detect fraud, corruption and bribery including working with other organisations in national data matching schemes e.g. the National Fraud Initiative, Housing Benefit Matching Service, HMRC Taxes Management Act Returns. This may require the lawful sharing of information.

- Risk based Internal Audit Plan that ensures areas with a high risk of fraud are reviewed at least annually.

- Elected Members, staff and external stakeholders are expected to report suspected fraud, corruption or bribery promptly.

Prevention

- The establishment of adequate internal control systems to prevent fraud is the responsibility of Management.

- The Chief Executive, Directors and Assistant Directors are responsible for assessing the effectiveness of internal control systems in relation to fraud, corruption and bribery.

- Internal Audit coverage is sufficient to provide annual assurance to the Council's Audit Committee and supports managers by assessing controls in relation to the prevention of fraud.

- Awareness raising with staff around the importance of maintaining adequate control systems.

How we tackle Fraud

Respond

- All instances of suspected fraud must be notified to Internal Audit service to enable the completion of annual returns and to form evidence to support the Annual Governance Statement.
- Investigation will be conducted by the most appropriate section as detailed below:
  - Fraud involving employees will be investigated in accordance with the Council's Disciplinary Procedures by a nominated Investigation Manager with support from the Internal Audit Service.
  - Allegations of improper conduct made against members will be managed by the Monitoring Officer.
  - Other fraud committed against the council will be considered on a case by case basis to determine the most appropriate section to undertake the investigation.
- The Council will adhere to the provisions of the Regulation of Investigatory Powers Act (RIPA) and Money Laundering Legislation.
- Any decision to involve the Police in any investigation of fraud will be taken by the Section 151 Officer in consultation with the Chief Executive and the Monitoring Officer.
- The outcome of the investigation of fraud against the council will be reported appropriately to ensure systems and procedures are amended and to act as a deterrent.
- The Council recognises the need to ensure that its investigation process is not misused. Any abuse such as the raising of malicious allegations by officer/members will be dealt with as a disciplinary matter.
- Sanctions – Including recovery of proceeds (POCA, Civil Law, Pensions)

Policy Framework

- Codes of Conduct for Members and Employees;
- Protocol for members on Gifts and Hospitality;
- Confidential Reporting ("Whistleblowing") Policy and Complaints Procedures;
- Contracts Procedure Rules;
- Standing Orders and Financial Procedural Rules;
- ICT Security Policies;
- Robust internal control systems, processes and reliable record keeping;
- Effective Internal Audit;
- Effective Recruitment procedures;
- Disciplinary Policy and Procedures;
- The Regulation of Investigatory Powers (RIPA) Procedure;
- Induction and Training;
- Fraud Response Plan.

Business Rate fraud has shown the largest growth in the past year, with an estimated £10.4m investigated compared with £4.3m in 2017*

Nationally

Detected fraud by estimated volume

Business rates
1.7%

Housing fraud
5.7%

Disabled parking concession
17.8%

Other types of fraud
4.9%

Council tax fraud
70%

Procurement, adult social care and council tax single person discount are perceived as the three greatest fraud risk areas*

Locally

Actual Detected (£,000s)

£118.5

■ Council Tax

The highest number of investigations related to council tax fraud (70%) with a value of £26.3m*

Types of fraud	Fraud cases	% of the total	Value	% of the total value	Average
Council tax	57,894	70.0%	£26.3m	8.72%	£455
Disabled parking concession	14,714	17.8%	£7.3m	2.43%	£499
Housing	4,722	5.7%	£215.7m	71.43%	£45,677
Business rates	1,373	1.7%	£10.4m	3.45%	£7,580
Other fraud	1,165	1.4%	£10.9m	3.61%	£9,355
Adult social care	737	0.9%	£6.7m	2.23%	£9,124
No recourse to public funds	378	0.5%	£4.3m	1.43%	£11,445
Schools frauds (excl. transport)	285	0.3%	£0.7m	0.24%	£2,537
Insurance claims	281	0.3%	£3.5m	1.15%	£12,317
Mandate fraud	257	0.3%	£6.6m	2.18%	£25,618
Payroll	167	0.2%	£1.0m	0.33%	£6,030
Pensions	164	0.2%	£0.6m	0.19%	£3,492
Procurement	142	0.2%	£5.2m	1.71%	£36,422
Welfare assistance	109	0.1%	£0.0m	0.01%	£337
Debt	91	0.1%	£0.4m	0.12%	£3,948
Children social care	59	0.1%	£0.9m	0.31%	£15,800
Economic and voluntary sector support	57	0.1%	£0.8m	0.26%	£13,467
Recruitment	52	0.1%	£0.5m	0.16%	£9,510
Expenses	34	0.0%	£0.2m	0.01%	£867
School transport	30	0.0%	£0.1m	0.04%	£3,857
Manipulation of data	23	0.0%	N/A	N/A	N/A
Investments	2	0.0%	£0.0m	–	–

Investigative Resources Available (2017/2018)

Type	Total FTE	Qualified FTE	Cost of Investigations	No of Investigations
Council Tax, Benefits & Business Rates	0	0	£10,701*	369
Other**	0.3	0	£0	0

* - Northgate run an exercise to identify cases where discount should no longer apply, this cost relates to that exercise.

** - Internal Audit set aside a number of days per year to undertake fraud related work. As no investigations were undertaken during the year there has been no cost as resources were deployed elsewhere.

* - Source: CIPFA Fraud and Corruption Tracker 2018

Required Actions	Owner and Target Date
Anti-Fraud Strategy Develop an effective counter fraud strategy setting out our approach to managing the risk of fraud and defining responsibilities for action. • Anti-Fraud Strategy to be updated and presented to Audit Committee for approval. • Progress against the Anti-Fraud Strategy and Action Plan to be reviewed quarterly as informed by the risk assessment process. • Review related policies e.g. Whistleblowing and ensure these are up to date and consistent with the Anti-Fraud Strategy. • Review and update as necessary the Internet and Intranet presence for the updated Anti-Fraud Strategy, linked policies and fraud reporting mechanisms.	April 2019 – Audit & Risk Manager On-going – Audit & Risk Manager February 2019 – Audit & Risk Manager On-going – Audit & Risk Manager
Fraud Risk Assessment Periodic fraud risk assessment undertaken to understand the scale of corporate fraud risk and the potential implications to the organisation. • Fraud and Corruption risk included in the Strategic Risk Register. • Quarterly monitoring and update of identified controls, actions and current status. • Assess the extent to which Senior Management identify and monitor fraud risks and increase senior management ownership as necessary. • Reporting fraud risk to Members in line with the Risk Management policy.	On-going – Audit & Risk Manager On-going – Audit & Risk Manager On-going – Audit & Risk Manager On-going – Audit & Risk Manager
Data Matching Detection of potential fraud through the use of third party data matching. • Participation in NFI data matching exercises and review of potential matches in high risk areas. • Increase resources available to review high priority matches identified.	On-going – Audit & Risk Manager On-going – Audit & Risk Manager
Continuous Audits and the Use of Data Analytics Employ data analytic tools for the purpose of preventing and detecting fraud. • Expand the use of IDEA and the programme of continuous auditing. • Increased sharing and matching of internal and/or cross boundary data to develop local counter fraud exercises.	On-going – Audit & Risk Manager On-going – Audit & Risk Manager
Audit Work Internal Audit assists management in determining whether effective internal controls are in place to manage the risk of fraud. • Results of the Fraud and Corruption risk assessment to inform the work of Internal Audit, including systems audit work, proactive fraud and corruption checks (compliance) and fraud awareness activities. • More probing and directed audits to be conducted in key areas of fraud risk. • Fraud Audits to consider management controls over fraud. • Consider fraud as part of every audit. • Issue annual audit opinion on the internal controls related to fraud.	April 2019 – Audit & Risk Manager On-going – Audit & Risk Manager On-going – Audit & Risk Manager On-going – Audit & Risk Manager June 2019 – Audit & Risk Manager

Required Actions	Owner and Target Date
Awareness Campaigns Employee and Member training and awareness sessions and campaigns to provide information relating to what constitutes fraud and the means to report suspected fraud. • Develop e-learning fraud awareness package for Employees and Members. • Establish and deliver a leaflet and poster campaign. • Continue to develop use of Social Media to promote fraud awareness. • Undertake specific fraud awareness training for priority service areas. • Use of briefings, to publish awareness campaigns, particularly during national fraud awareness weeks.	September 2019 – Audit & Risk Manager July 2019 – Audit & Risk Manager On-going – Audit & Risk Manager On-going – Audit & Risk Manager On-going – Audit & Risk Manager

Publication of Fraud Information
Create transparency through the annual publication of public fraud data.
• Develop a register for recording fraud information.
• In line with requirements of the Local Government Transparency Code 2015 the following should be reported on an annual basis:
  • Number of occasions the authority has used powers under the Prevention of Social Housing Fraud (Power to Require Information) (England) Regulations 2014, or similar powers.
  • Total number (absolute and full time equivalent) of employees undertaking investigations and prosecutions of fraud.
  • Total number (absolute and full time equivalent) of professionally accredited counter fraud specialists
  • Total amount spent by the authority on the investigation and prosecution of fraud.
  • Total number of fraud cases investigated.
	March 2019 – Audit & Risk Manager
	March 2019 – Audit & Risk Manager

Key Contacts

Internal Audit

Stockton on Tees Borough Council

16 Church Road (Room 135)

Stockton on Tees

TS18 1TX

01642 526176

internalaudit@darlington.gov.uk

Role:

Investigate employee fraud.

Investigate fraud in schools.

Collate statistics.

Maintain the Anti-Fraud & Corruption Strategy.

Revenue Services

Town Hall

Feethams

Darlington

County Durham

DL1 5QT

0800 854 440

HBEnquiries@darlington.gov.uk

Role:

Investigate Council Tax Support Fraud.

Liaise with Department for Work and Pensions.

Appendix A – Fraud Response Flowchart (Employee Fraud)

Fraud suspected and Internal Audit notified

Initial investigation undertaken to establish basic facts

Discussion with HR, they will establish an investigation manager and determine if suspension should be considered

Suspend Staff Member(s)

Decision Made By:
Investigation Manager in consultation with HR & Internal Audit

Decision Made By:
Investigation Manager in consultation with HR & Internal Audit

Decision Made By:
Director of Neighbourhood Services and Resources

Refer to another agency

Internal Audit will continue with investigation to establish all key facts and gather evidence for the investigation manager to determine next steps.

An investigation report will be prepared and handed to the investigation Manager.

Proceed to disciplinary

Internal Audit will be available to support the disciplinary investigation including but not limited to providing advice and guidance on technical matters to the investigation manager and providing evidence at the disciplinary hearing if the case proceeds to that stage.

Investigation Includes:

Interviewing key staff to establish key facts, this will usually stop short of the questioning expected either by the police or the disciplinary manager. It will however be conducted within the principles of the Police and Criminal Evidence Act (PACE).

Investigation Report will Include :

Full summary of evidence and conclusions along with all supporting evidence. Recommendations will also be made at this stage to improve controls where necessary. This will be in place of a "statement".

Investigation Follows Disciplinary Policy & Procedures

Upon completion of an investigation the results will be publicised to act as a deterrent.

Recovery of Proceeds