



## **Public Session**

**Report Reference Number: A/17/25**

**Agenda Item No: 13**

---

**To:** Audit & Governance Committee  
**Date:** 17 January 2018  
**Author:** Jonathan Dodsworth, Counter Fraud Manager, Veritau Ltd  
**Lead Officer:** Karen Iveson; Executive Director (s151 Officer)

---

**APPENDIX C IS NOT FOR PUBLICATION. This Report contains exempt information under paragraph 3 in Part 1 of Schedule 12A to the Local Government Act 1972 as amended.**

**Title: Counter Fraud Framework Update**

### **Summary:**

The council approved a new counter fraud and corruption strategy and associated action plan in January 2017. This report provides an update on progress against the actions set out in the strategy and new actions for the current and next financial year. In addition the council's counter fraud risk assessment, first introduced in September 2016, has been updated to reflect current fraud risks.

### **Recommendation:**

**It is recommended that the committee approve the updated counter fraud and corruption strategy action plan. In addition the committee is asked to comment on and note the updated counter fraud risk assessment.**

### **Reasons for recommendation**

To help ensure the council maintains robust counter fraud arrangements.

## **1 Introduction**

1.1 In 2017/18 fraud continues to be seen as a significant risk to the UK public sector. The National Audit Office as part of its annual central

government review<sup>1</sup> noted the importance of detecting and preventing fraud within the public sector as a duty to the tax payer and also as an opportunity to produce significant savings. While concerned with central government this is equally applicable to local authorities. Based on their last annual survey of councils and similar bodies (CFaCT 2017)<sup>2</sup>, Cipfa estimates that 75,000 cases of fraud were investigated across the UK in 2016/17 with a total value of £336 million.

- 1.2 This report includes the results of a review of the council's counter fraud strategy and risk assessment and informs the committee of recent national counter fraud guidance and developments.

## 2 Recent guidance and developments

- 2.1 The CFaCT survey, **Appendix A**, highlights council tax as the biggest area of fraud detected by local authorities by volume (76% of cases) - for example single person discounts and CTRS fraud. It also highlights housing fraud as the largest area of loss amongst councils who own housing stock. While there continues to be a need to focus counter fraud resources in these areas, the report also highlights growing levels of detected fraud in other areas. For example there were 197 identified occurrences of procurement fraud reported during the 2017 survey with a value of £6.2m. A report by the Home Office<sup>3</sup> in 2016 highlighted procurement fraud as an area for focus. The findings pointed towards serious and organised crime involvement in local government procurement processes with particular emphasis on waste, taxi and transport services.
- 2.2 Recent years have also seen a rise in cyber attacks on the public sector - recent high profile examples include WannaCry, which affected the NHS and Parliament (WannaCry is a form of ransomware that encrypts system data and demands payment to unlock it). Attacks on local government can result in an inability to provide key services as well as the theft of sensitive data. The National Cyber Security Centre (NCSC) was established in 2016 to provide guidance and expertise in this area. As part of its response to the cyber attacks experienced in May 2017 the NCSC is promoting its CyberAware campaign to help avoid these types of attacks. The campaign encourages organisations to adopt good cyber security habits such as ensuring that operating systems and software are regularly updated.
- 2.3 The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations (MLR 2017) came into force in June 2017. The new regulations put greater responsibility on organisations to mitigate the risks associated with money laundering by ensuring appropriate policies and risk assessments are in place. While

---

<sup>1</sup> Fraud Landscape Review, 2016

<sup>2</sup> Cipfa Fraud and Corruption Tracker 2017 (CFaCT 2017)

<sup>3</sup> Home Office – Organised Crime Procurement Pilots 2016

not specifically covered by the regulations, local authorities have a broad responsibility to be aware of the potential for money laundering and criminality in their management of public funds. New standards of due diligence in the regulations to verify the true beneficiaries of financial transactions should therefore be considered. For example in right to buy or other high risk transactions.

### **3 Review of Counter Fraud Strategy and Risk Assessment**

- 3.1 The council's Counter Fraud and Corruption Strategy 2017-19 was approved by the committee in January 2017. The strategy takes into account the national collaborative counter fraud strategy for local government in the UK (Fighting Fraud & Corruption Locally). It also takes into account the principles set out in Cipfa's Code of Practice on Managing the Risks of Fraud and Corruption (2014). No changes are required to the main body of the strategy, however the associated action plan, in **Appendix B**, has been updated to indicate progress on tasks as well as new objectives for 2017/18 and 2018/19.
- 3.2 It is recognised good practice for council's to assess their risk of fraud on a regular basis. A counter fraud risk assessment was first produced for the council in September 2016. The risk assessment included in restricted **Appendix C** is an update of that document. A number of specific actions are included in the risk assessment. These include work to be undertaken by both the internal audit and the counter fraud teams as part of their 2017/18 and 2018/19 plan of work for the council.
- 3.3 As part of this review the Council's Counter Fraud Policy has also been reviewed but no changes are required.

### **4 Legal/Financial Controls and other Policy matters**

#### **4.1 Legal issues**

- 4.1.1 Appendix C to the report is exempt from disclosure under the provisions of paragraph 3 in Part 1 of Schedule 12A to the Local Government Act 1972 (as amended) as it contains information relating to the financial or business affairs of any person including the authority itself. The appendix contains detailed information relating to the systems and processes that the Council has in place to manage fraud risk. The information, if published, could put the Council at increased risk of fraud. Councillors will need to resolve to meet in private session if they wish to discuss any issues arising from Appendix C.

#### **4.2 Financial Issues**

- 4.2.1 There are no direct financial implications as a result of this report. Funding for counter fraud work is based on an estimate of 105 days work per year, and is provided for within the Council's budget. In 2017/18 the service has experienced unexpected levels of demand due

to volume and nature of fraud referrals received. This has necessitated an additional allocation of funding from Operational Contingency for a further 60 days in the current year. In order to ensure that the service can be delivered within budget going forward, limitations on active fraud case holdings have been discussed with services, and thresholds for triggering investigations increased. The arrangements will continue to be monitored to ensure that appropriate levels of investigation are maintained and assess ongoing budget requirements. And as with other risks the Council is managing, Operational Contingency remains available should demand require.

## **5 Conclusion**

- 5.1 This report presents the outcomes of the annual review of counter fraud arrangements which helps to ensure that the Council maintains a robust counter fraud policy framework and has an up to date fraud risk assessment in place.

## **6 Background Documents/Contacts**

**Contact Officer:** *Jonathan Dodsworth; Counter Fraud Manager; Veritau*  
[Jonathan.Dodsworth@veritau.co.uk](mailto:Jonathan.Dodsworth@veritau.co.uk)

*Richard Smith; Deputy Head of Internal Audit; Veritau*  
[Richard.Smith@veritau.co.uk](mailto:Richard.Smith@veritau.co.uk)

### **Appendices:**

- Appendix A:** CIPFA Fraud and Corruption Tracker 2017
- Appendix B:** Counter Fraud and Corruption Strategy Action Plan
- Appendix C:** Fraud Risk Assessment (NOT FOR PUBLICATION. This Appendix contains exempt information under paragraph 3 in Part 1 of Schedule 12A to the Local Government Act 1972 as amended)