Herefordshire Council

Counter Fraud and Corruption Strategy 2021-2024

Leading the Fight against Fraud and Corruption

A framework for the prevention and detection of fraud, bribery and corruption

Our Mission Statement

Our mission is for the local authority to protect its funds and vulnerable people from the risk of fraud.

Our vision is to undertake a corroborative and intelligence led approach, to fight against fraud and corruption.

Our purpose is to lead the local authority in better protecting its resources. By utilising an intelligence led approach we can better understand, deter, prevent, detect and take action against instances of fraud.

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Foreword

The council acknowledges the consistent and ever changing threats of fraud and corruption. Tackling these very threats has been, and remains at the forefront of protecting council finances. Herefordshire Council are committed to adapt, deter, prevent, detect and take action.

Every pound criminally obtained by a fraudster, is a pound that cannot, and should have been, spent on essential local authority services for its residents.

Fraud and corruption are not victimless crimes and they take away valuable funding that was available for helping the public.

Despite these challenges, we are convinced that this strategy will be an important flagstone for the council. It will help us to deliver a structured and corroborated approach in confronting crime committed against the local authority, and will it further enforce the council's vision.

Jonathan Nelson
Herefordshire Council
Counter Fraud Specialist

Executive Summary

This document outlines the strategy and core objectives for Herefordshire Council, in fighting against fraud and corruption. It is aimed at all council employees, elected members, contractors, the council's partners, and to all of the public residents that it serves.

By utilising this strategy the council aims to develop and maintain a culture in which fraud, bribery and corruption are unacceptable. We must recognise the harm that fraud can do to our community and better understand the risks that we face, in order to prevent fraud more effectively.

As methods of fraud change within society, so must the way in which it is countered. By adapting with new emerging technology, we can improve our response, share vital information more effectively, and better detect & recover fraud loss.

Our ambition is to manage the risk of fraud and corruption by following the best ethical practises, procedures and principles, therefore maintaining a high level of integrity throughout the council.

We expect councillors and employees at all levels to lead by example to ensure the highest standards are established, maintained and adhered to. Every employee has accountability and the responsibility to be vigilant and report any suspicions of fraud or corruption, through the relevant reporting channels.

We will enforce accountability by bringing fraudsters to account more quickly and efficiently. Where fraud and corruption is identified, we have a duty to protect our residents within our community and the essential funds which help them.

By investing in the prevention and detection of fraud, and by corroborating with other councils and partner agencies, the council can better safeguard the vulnerable who are most at risk.

What do we mean by fraud, corruption, theft and bribery?

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.

Corruption

Corruption is the offering, giving, soliciting, or acceptance of an inducement or reward, or showing any favour or disfavour which may influence any person to act improperly. It is an offence under the Prevention of Corruption Act 1906 – as amended by subsequent Acts and section 117 (3) of the Local Government Act 1972.

Theft

The term theft is the physical misappropriation of cash or other tangible assets. The 1968 Theft Act defines this as "a person is guilty of theft if he dishonestly appropriates property belonging to another, with the intention of permanently depriving the other of it".

Bribery

Bribery is an inducement or reward offered, promised or provided to gain personal, commercial, regulatory, or contractual advantage. This is inclusive of active bribery (promising or giving); passive bribery (receiving or accepting); and also failure to prevent bribery (organisations).

Nature and scale of the problem

There is a significant amount of opportunistic fraud on the simple end of the spectrum, but on the complex end, fraud seems to have become increasingly more structured and sophisticated. As prevention and detection measures have improved, so have fraudster's methods and tactics. Compounding this complexity is the use of cyber related attacks. It is difficult to quantify and measure the true extent of fraud within the UK due to the scale of the crime. The graphs below were published by KPMG Audit who are dedicated in creating an overall understanding of fraud through analysis of trends and data.

These graphs show that historically over the last three decades within the UK, fraud against financial institutions, government and local authorities has continually risen, with the UK experiencing a dramatic increase after the 2007 financial crisis. Furthermore, the largest driver of this rise, has been due to increases in the extent of crime committed by organised crime groups, and those with relevant authority, such as management and employees.

Who are the historical victims of fraud?
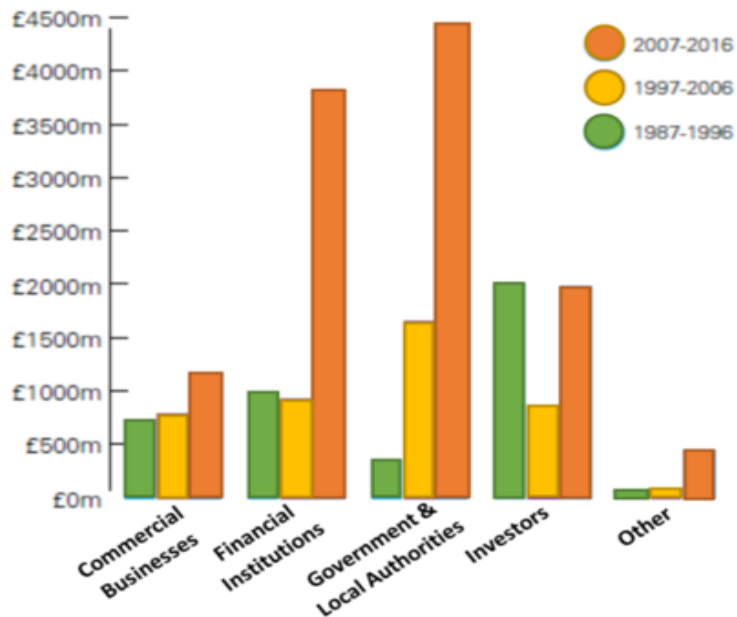
Who are the historical perpetrators of fraud?
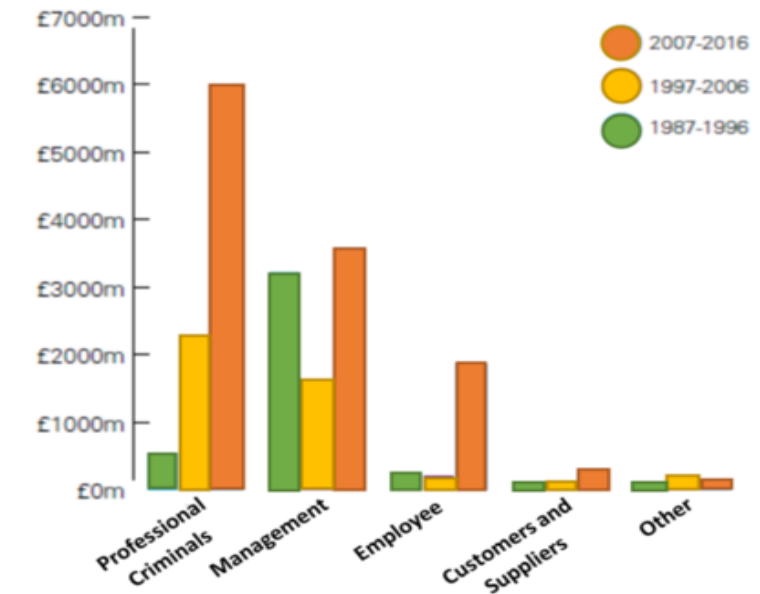
The true extent and scale

Although KPMG data analysis helps us to understand some of the key fraud historical trends, it is believed that the true extent of fraud within the UK is much higher than the data reported.

The National Crime Agency (NCA) highlighted fraud as the most commonly experienced crime with a total of **3.8 million reported instances** of fraud in the National Crime Survey of England and Wales in 2019.

Within a 2020 report published by CIPFA Counter Fraud Centre, the estimated true value of fraud against the UK government, cost in the region of **£40.3 BILLION** every year.

This number continues to grow and it is therefore imperative that the government continues to expand its capacity, resources and funding, to deal with the increasing threat of fraud within the UK.
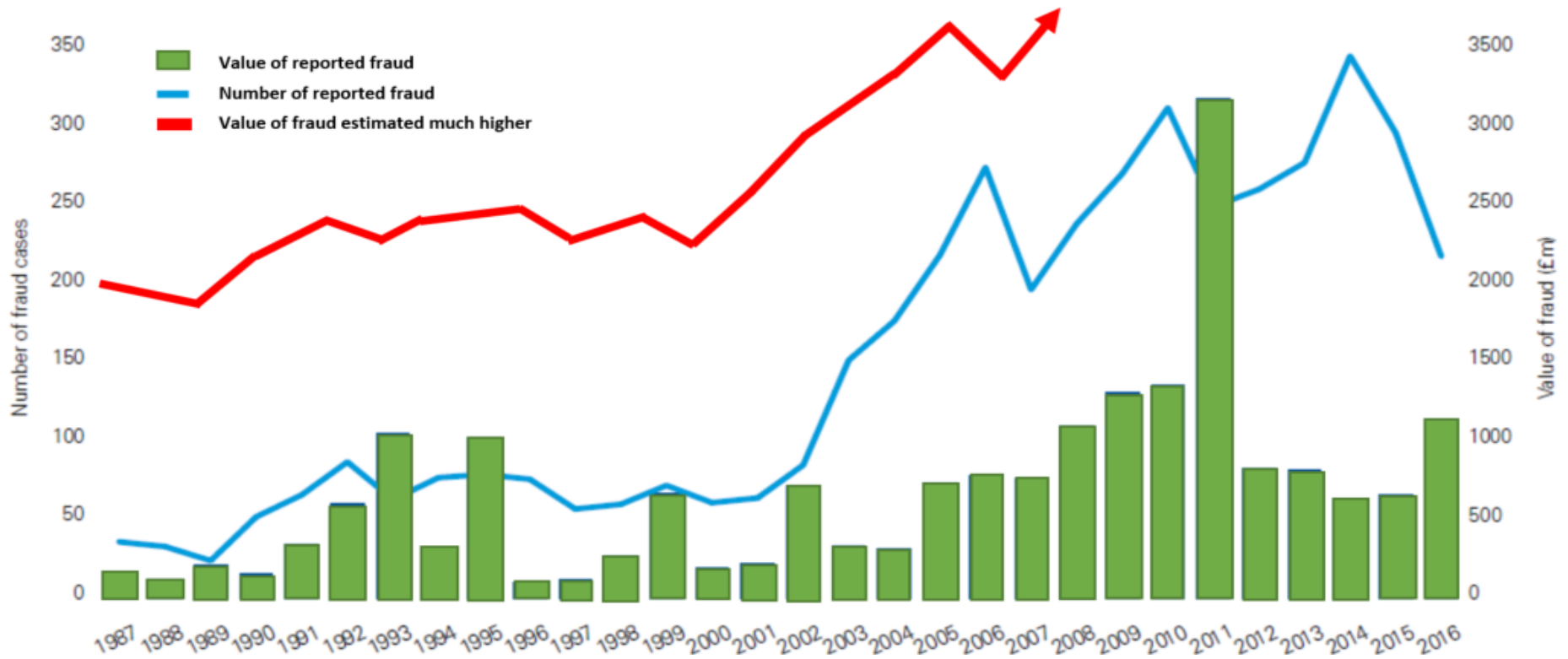
# What types of fraud risk are there for local authorities?

Blue Badge	Use of counterfeit or altered badges. Use when a disabled person is not present, or is deceased. Badges issued to institutions, being misused by employees.	Fraudulent applications for false occupation, exemptions and reliefs, unlisted properties, rating agent and third party refund fraud.	**Business Rates**
Council Tax	Discounts and exemptions, council tax support.	Enables a diverse and wide range of fraud.	**Cyber Crime**
Grants	Fraudulent occupation or representation of a premises to obtain a grant. Work not carried out, funds diverted, ineligibility not declared.	Misuse of direct payments/ budgets intended for the care of vulnerable individuals. Social care workers claiming hours for care not provided.	**Adult Social Care**
Identity Fraud	False Identity, fictitious persons applying for services or payments.	False or exaggerated claims, including slips and trips.	**Insurance**
Internal Fraud	Diverting council monies to a personal account. Accepting bribes, stealing cash, misallocating social housing for personal gain, working elsewhere while claiming to be off sick, false overtime claims, selling council property for personal gain, wrongfully claiming benefit whilst working.	Fraudulent applications for housing or successions of tenancy, and subletting of the property.	**Tenancy**
Money Laundering	Exposure to subject transactions.	Fraudulent claims of eligibility across a variety of sectors.	**Public Funds**
Pensions	Deceased pension claims, overpayments, entitlements being overstated.	Use of concession of by ineligible person.	**Travel schemes**
Personal Budgets	Overstatement of needs through false declaration, multiple claims across authorities, third party abuse, posthumous continuation of a claim.	Fraudulent applications for adaptions to homes aimed at the disabled.	**Disabled Facility Grants**
Schools	Procurement fraud in schools, payroll fraud, internal fraud.	Voluntary partnerships between local authorities and businesses, procurement and grant fraud.	**Local Enterprise Partnerships**
Procurement	Tendering issues, split contracts, double invoicing.	False employees, overtime claims, expenses.	**Payroll**

The effects of bribery and corruption

Bribery and corruption can often be confused due to the similarity of these two offences, and so it is important to understand the key difference.

- **Bribery** - this concerns the practice of <u>offering, promising or accepting something</u>, to gain an illicit advantage.
- **Corruption** - this is the <u>abuse of a position of trust</u>, in order to gain an undue advantage.

The impact of corruption in the public sector is determined by its frequency and reach. That is, public sector corruption may be episodic (a single act of corruption), or systemic (a pervasive pattern of corrupt activities and practices over time), and its effects can range from isolated to far ranging in nature.
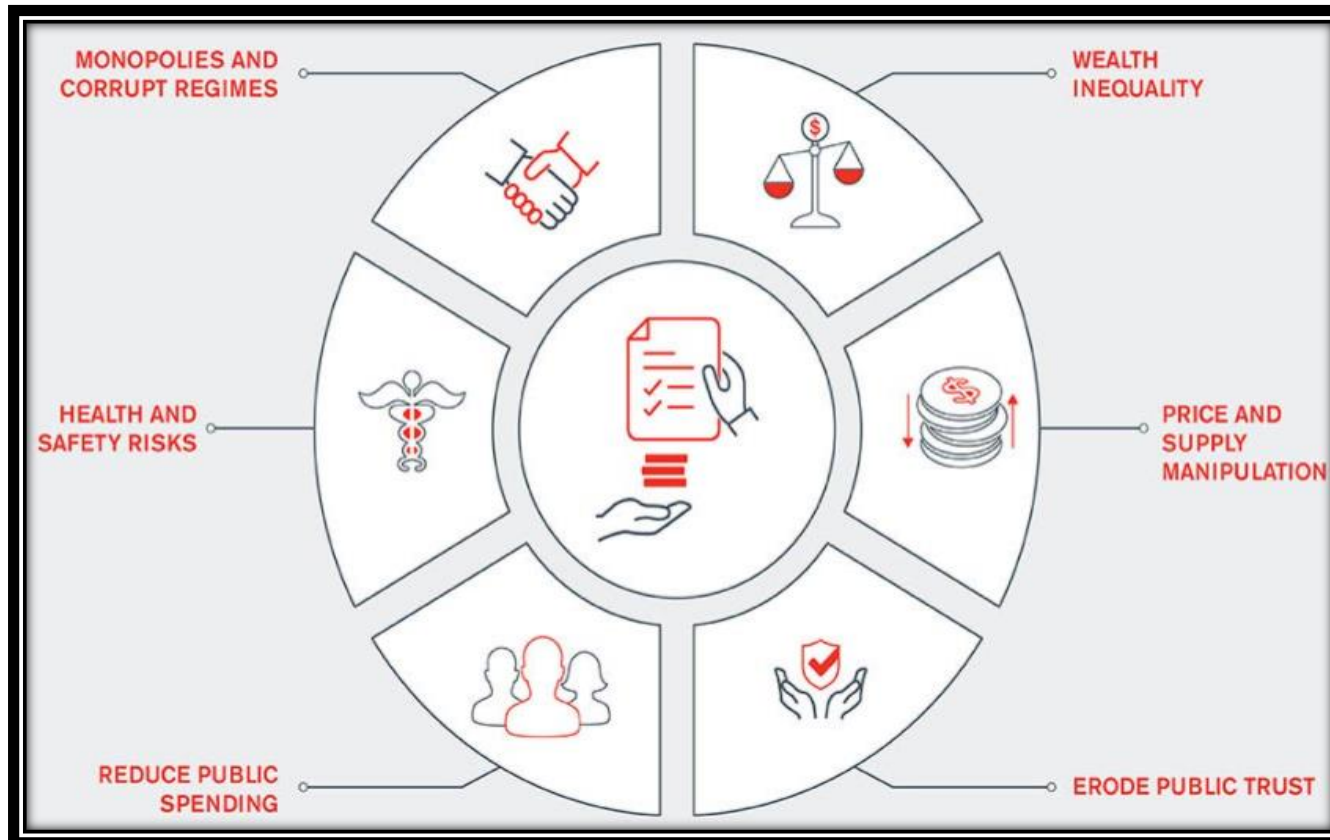
Strategic Framework

Culture, Capability, Competence, Capacity, Communication, Collaboration

The council will follow the strategic framework incorporated in the 'Fighting Fraud Locally 2020' initiative, as the control measures for managing the risk of fraud and corruption. These core pillars set an ethical standard within the organisation that focuses on the importance of high integrity from all employees, and it places responsibility on senior managers and members to demonstrate their commitment in tackling fraud.

By creating a strong anti-fraud culture, acknowledging the dangers through vigorous risk assessments, developing training, corroborating effectively and by enhancing our internal processes & technology; we can better deter and prevent fraud. In the instance where fraud, theft, bribery or corruption are proven, we will ensure that consistent and proportionate action is taken, which can lead to prosecution. Furthermore, the council will review and strengthen its defences so that we can continue to protect public monies and the local residents.

GOVERN	ACKNOWLEDGE	PREVENT	PURSUE
Having robust arrangements and executive support to ensure anti-fraud, bribery and corruption measures are embedded throughout the organisation.	Accessing and understanding fraud risks. Committing the right support and tackling fraud and corruption. Demonstrating that it has a robust anti-fraud response. Communicating the risks to those charged with Governance .	Making the best use of information and technology. Enhancing fraud controls and processes. Developing a more effective anti-fraud culture. Communicating its' activity and successes.	Prioritising fraud recovery and use of civil sanctions. Developing capability and capacity to punish offenders. Collaborating across geographical and sectoral boundaries. Learning lessons and closing the gaps.

Collaboration

How will the council effectively pursue fraud and corruption?

Organised fraud can cross with a range of organisations and services. Effective communication and joint working between local authorities and with other agencies, will be essential in the ongoing development of the Council's strategic response. The four tiers listed below show the scale of multi-agency working. Only through clear and efficient collaboration between the relevant channels, can the risk of fraud be managed.

A crucial element of our response to tackling fraud is to punish fraudsters, recovery monies, protect the public and mitigate against further risk. Therefore, through a multi-agency approach we will have the capacity and capability to prosecute and enforce a culture of zero-tolerance towards fraud.
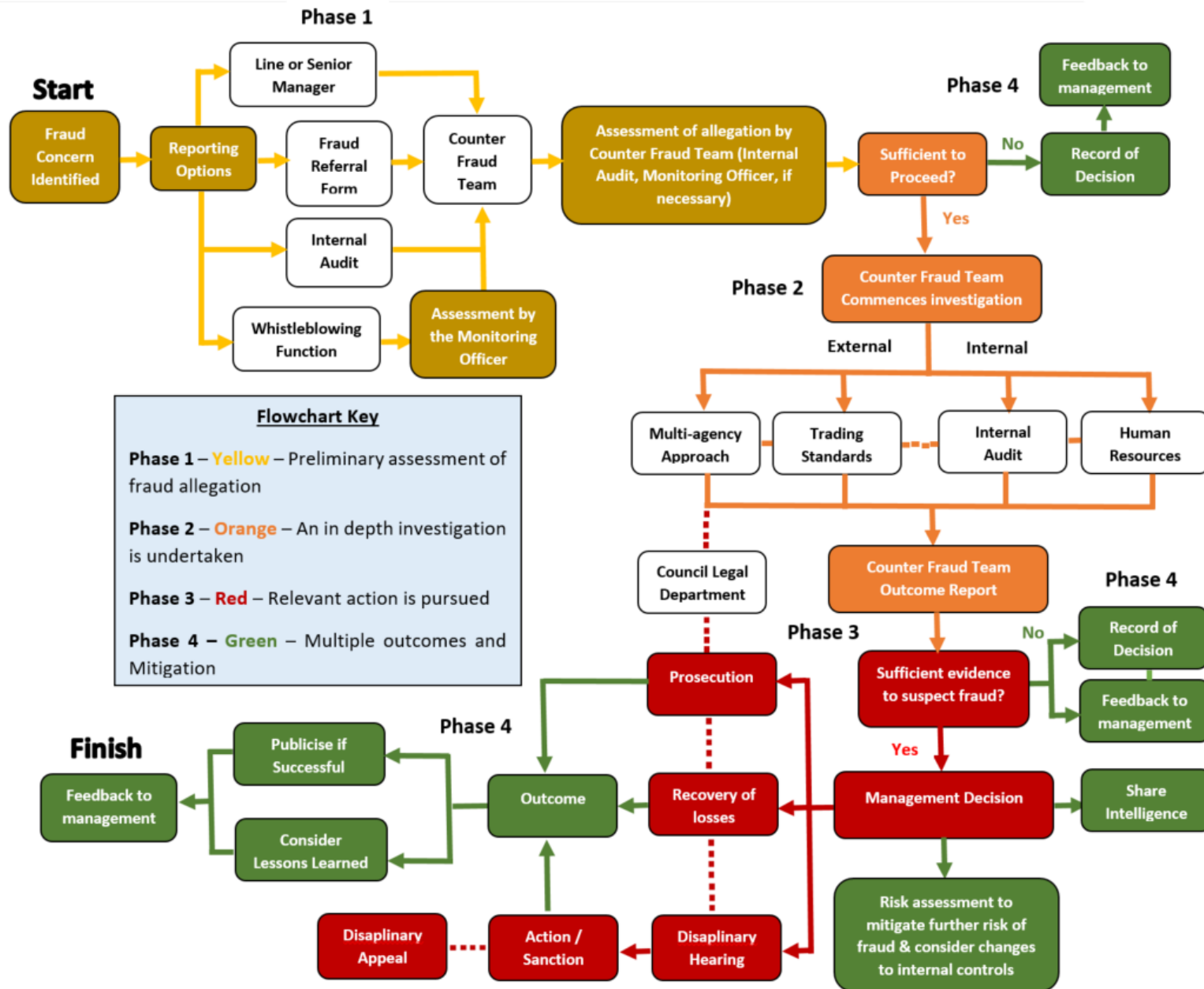
Structure

Stakeholder	Specific Responsibilities
Audit and Governance Committee	To monitor and oversee the Council's strategies and policies, and consider the effectiveness of the Whistleblowing Policy, Money Laundering and Counter-Fraud and Corruption Strategy. The committee also oversees the progress within the annual fraud report.
Chief Executive	The Chief Executive is ultimately accountable for the effectiveness of the Council's appetite and arrangements for countering fraud and corruption.
Finance Portfolio Holder	The Finance Portfolio Holder is the cabinet member responsible for Finance and Corporate services, and has the responsibility of signing off the Counter Fraud and Corruption Strategy.
Councillors	To promote and support the Council's stance on fraud, corruption and bribery.
Chief Financial Officer/ (Section 151 Officer)	To oversee that the Council has an effective Counter-Fraud and Corruption Strategy, there is an effective internal control environment and there is an effective internal audit service to provide an objective view.
Monitoring Officer	To help ensure that the Council does not act unlawfully and to monitor the whistleblowing function. The Monitoring Officer undertakes an initial assessment on any referrals made through this reporting method, to determine the type of allegation.
Counter Fraud Team	To raise fraud awareness internally within the council and externally to the public. To train and educate employees about fraud and create / implement an effective strategy. To assess risk of fraud across the organisation alongside Audit and implement mitigation to help deter and prevent crime. Point of contact for fraud investigations and to actively pursue the recovery of public monies and take action, to include, but not limited to, prosecution. To function effectively with all stakeholder's in the counter fraud process.
Internal Audit	To provide advice and reviews on the effectiveness of internal controls which are designed to reduce the risk of fraud, corruption, bribery and theft. To undertake risk assessments across the organisation and work with the Council's internal Counter Fraud Team to help mitigate fraud risk.

Stakeholder	Specific Responsibilities
External Audit	A statutory duty to ensure that the Council has in place sufficient arrangements for the prevention and detection of fraud, corruption, bribery and theft.
Trading Standards	To function effectively with the Counter Fraud Team by sharing intelligence, resources and assisting in the facilitation of fraud prosecutions.
Human Resources	To function effectively with the Counter Fraud Team by working together in relation to any internal fraud, corruption, theft or bribery investigations.
Heads of Service and Service Managers	To assist in promoting staff awareness and ensuring that all suspected or reported irregularities are immediately referred to Internal Audit & the Counter Fraud Team. To ensure that strong internal controls are in place and that these are properly implemented within their departments.
Staff	To comply with the Council's policies and procedures, to be aware of the possibility of fraud, corruption, bribery and theft, and to report any genuine concerns to management and Internal Audit and/ or the Counter Fraud Team, taking into consideration if necessary, the Whistleblowing Policy.
Public, Partners, Suppliers, Contractors and Consultants	To be aware of the possibility of fraud, corruption, theft and bribery against the Council and report any genuine concerns or suspicions.

Herefordshire Council Fraud Response Flowchart

Flowchart Key

Phase 1 – Yellow – Preliminary assessment of fraud allegation

Phase 2 – Orange – An in depth investigation is undertaken

Phase 3 – Red – Relevant action is pursued

Phase 4 – Green – Multiple outcomes and Mitigation

Legislation & Policy

This strategy outlines that the council continually strives to be compliant with the relevant legislative requirements, including but not limited to the following:

- [Fraud Act 2006](#)
- [Money Laundering Regulations 2000](#)
- [Police and Criminal Evidence Act 1984](#)
- [Bribery Act 2010](#)
- [Regulation of Investigatory Powers Act 2000](#)
- [Competition Act 1998](#)

- [Terrorism Act 2006](#)
- [Companies Act 2006](#)
- [Proceeds of Crime Act 2002](#)
- [Local Government Act 1972](#)
- [Human Rights Act 1998](#)
- [Data Protection Act 2018 & GDPR](#)

This strategy accompanies an established framework of internal policies, procedures and controls which provide Herefordshire Council with the core elements of its fraud and corruption prevention governance. These include:

- HC Anti-Fraud, Bribery and Corruption Policy
- Hoople Anti-Fraud, Bribery and Corruption Policy
- Anti-Money Laundering Policy
- Whistleblowing Policy
- Standards Committee
- Financial Procedure Rules Guidance Notes
- Procurement Card Policy
- Direct Payments Policy

- Recruitment Procedure
- Employee interests, gifts and hospitality Policy
- Employee Code of Conduct
- Adult Safeguarding Procedures & Policy
- Resourcing and Managing Performance Policy
- Conducting an Investigation Guidance
- Formal Disciplinary Procedure
- Information Security Policy 2021

Please note that these policies may only be accessible to internally employed staff, and they can be located by searching [here](#).

Our aim is to fully integrate this strategy into our existing policies, procedures and controls, ensuring it becomes a key part of the governance and risk management framework within Herefordshire Council.

Looking Ahead

The future is always difficult to determine, however from analysis of historic fraud trends we can see that in times of serious hardship and increased economic pressures, that the risk, opportunity and appetite for fraud also rises. This falls directly in line with the fraud triangle theory, in which we identify fraudsters rationalising their criminal actions, due to personal circumstance.

In the 2007 financial crises, not only did the economy suffer, but in the years aftermath the UK witnessed a dramatic surge in fraud. Criminals have become more organised, using social engineering to constructively target opportunities and we have also seen huge rises in cyber related offences. These crimes often cross borders, and even countries.

With the 2020 Covid-19 Pandemic, analysts and counter fraud professionals commonly predict that a similar trend may occur, with cases and attempted fraud on the steep rise. The platform that the pandemic has created, of remote working, implementation of new processes, and increases in economic pressure, often create the gateways for organised cyber criminals.

The council not only acknowledges these risks, but defences have been increased, mitigation has been applied and fraud awareness is at the forefront of our strategy.

Furthermore, our belief is that with our structured strategy, we will be better prepared for the difficult times ahead. It is imperative that we continue to tackle fraud on a local level and work with multiple agencies, on a national level, in a joint collective to fight crime and to achieve our mission statement.

Our mission is for the Local Authority to protect its funds and vulnerable people from the risk of fraud.

Our vision is to undertake a corroborative and Intelligence led approach, to fight against Fraud and Corruption.

Our purpose is to lead the Local Authority in better protecting its resources. By utilising an intelligence led approach we can better understand, deter, prevent, detect and take action against instances of fraud.