

Counter Fraud and Corruption Strategy 2021-2024

A series of abstract, overlapping green geometric shapes, including rectangles, trapezoids, and triangles, arranged in a dynamic, non-linear pattern across the left and center of the page.

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
Counter Fraud Specialist

Councillor Nigel Shaw
Chair of Audit & Governance Committee

Councillor Christy Bolderson
Vice-chair of Audit & Governance Committee

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

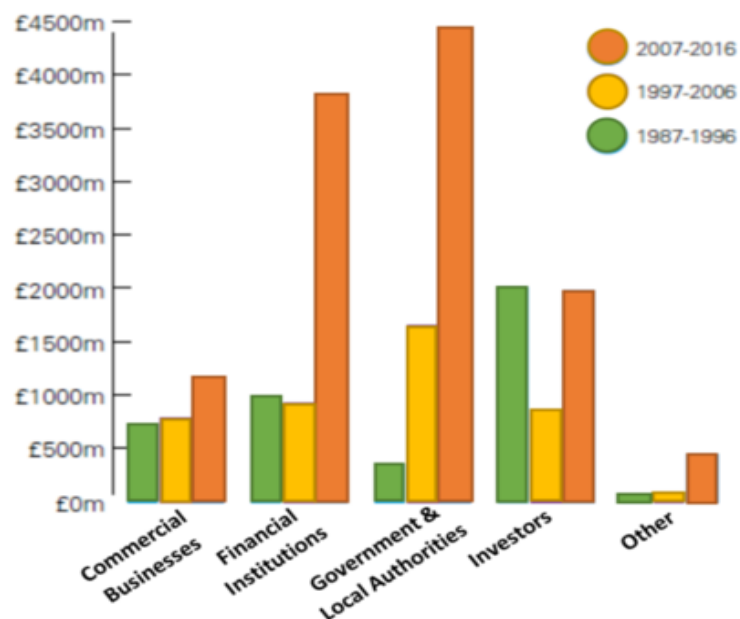
Bribery is an inducement or reward offered, promised or provided to gain personal, commercial, regulatory, or contractual advantage. This is inclusive of active bribery (promising or giving); passive bribery (receiving or accepting); and also failure to prevent bribery (organisations).

Nature and scale of the problem

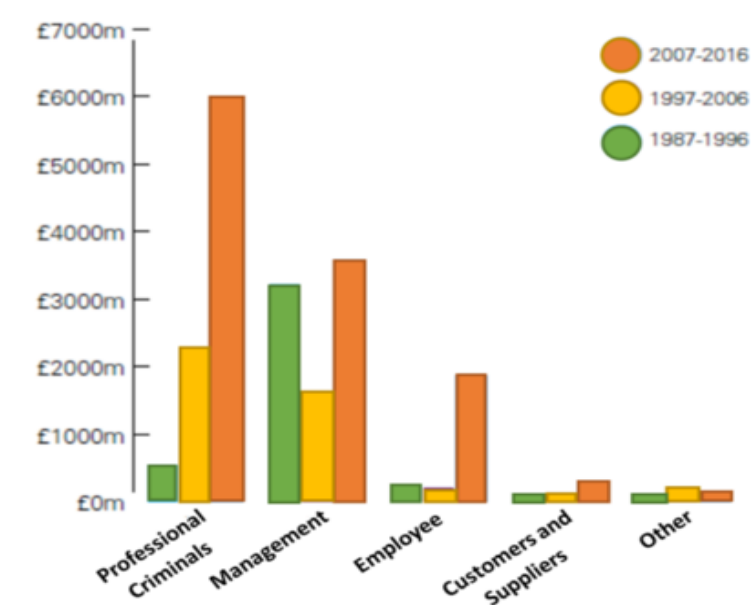
There is a significant amount of opportunistic fraud on the simple end of the spectrum, but on the complex end, fraud seems to have become increasingly more structured and sophisticated. As prevention and detection measures have improved, so have fraudster's methods and tactics. Compounding this complexity 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?



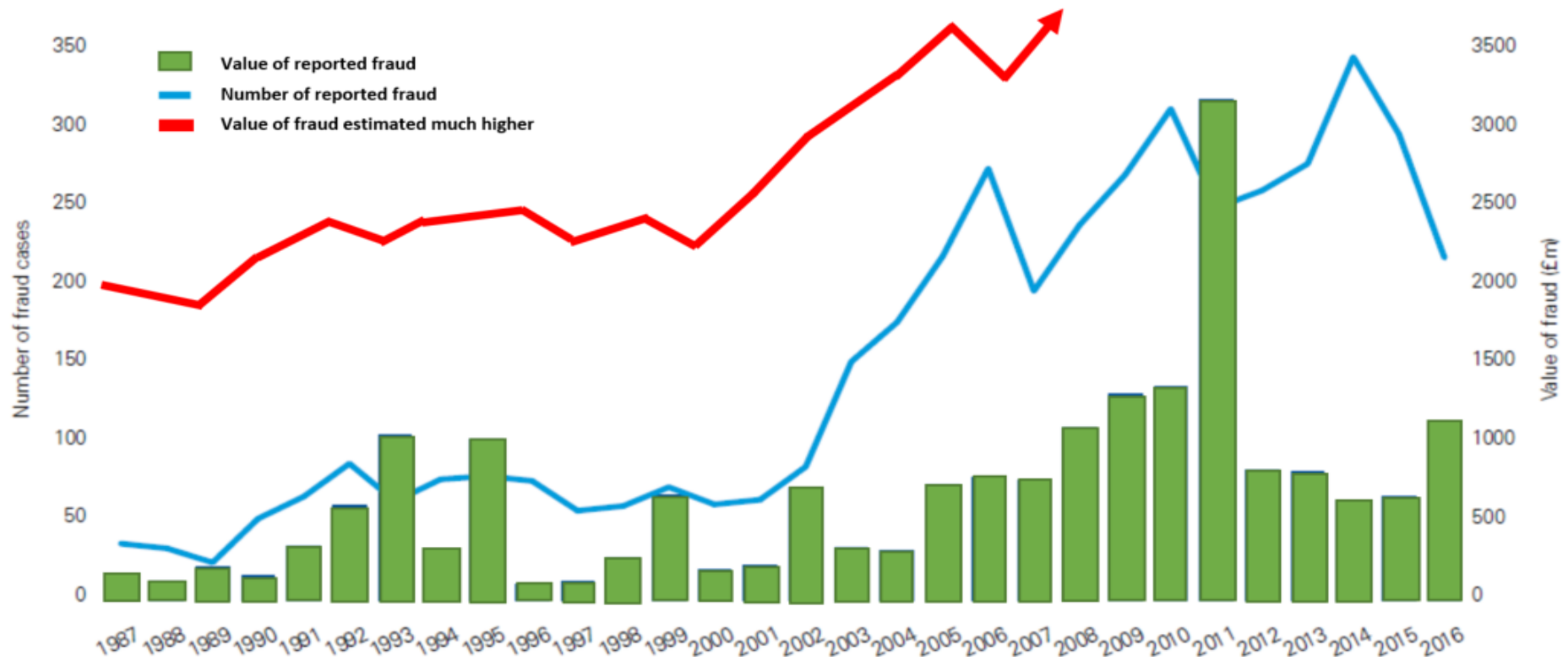
The true extent and scale

Although KPMG data analysis helps us to understand some of the key fraud 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 3.8 million reported instances in the National Crime Survey of England and Wales in 2019.

However, it is estimated that the true value of fraud against the UK government, costs in the region of £31 to £51 **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 adaptations 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

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.



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.

Intelligence



Financial



National



Local

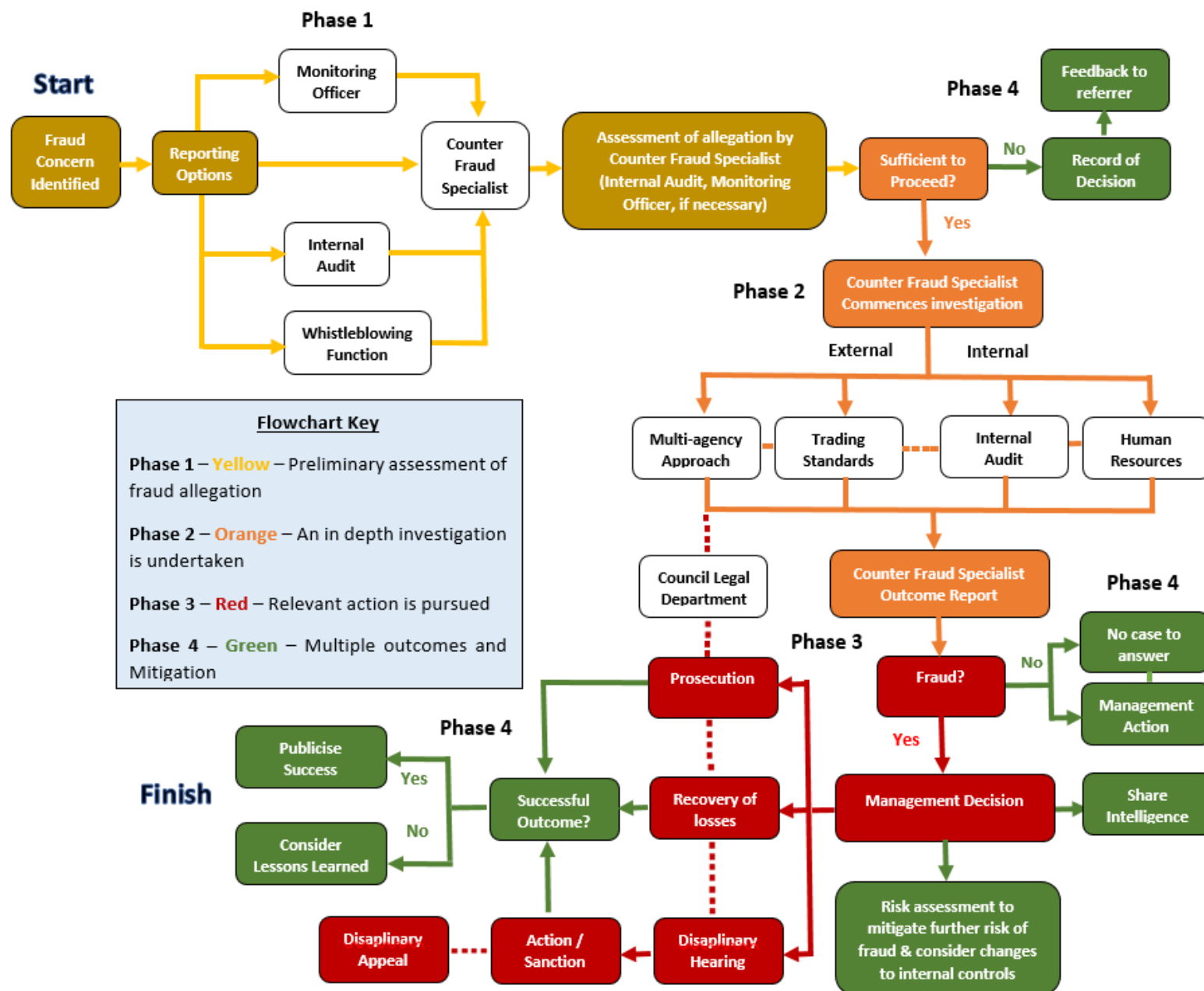


Structure

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.
Chief Executive	The Chief Executive is ultimately accountable for the effectiveness of the Council's appetite and arrangements for countering fraud and corruption.
Councillors	To promote and support the Council's stance on fraud, corruption and bribery.
Chief Financial Officer / Treasurer to the Fund (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.
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.
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 alongside the Counter Fraud Specialist to help mitigate fraud risk.
Counter Fraud Specialist	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.
Trading Standards	To function effectively with the Counter Fraud Specialist by sharing intelligence, resources and assisting in the facilitation of fraud prosecutions.

Stakeholder	Specific Responsibilities
Human Resources	To function effectively with the Counter Fraud Specialist 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 Specialist. 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 Specialist, 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



Legislation & Policy

This strategy outlines that the council are fully 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:

- Whistle-blowing Policy
- Anti-Money Laundering Policy and Procedures
- Anti-Fraud, Bribery and Corruption Policy
- Standards Committee
- Code of Conduct for Employees & Councillors
- Financial Regulations
- Guidance Procedure on Internal Investigations
- I.T. Security Policy
- HR Policies and Procedures for Managing Recruitment
- DBS, Due Diligence & Registers of Interest
- HR Policies and Procedures for Managing Performance
- Codes of Practice on Planning Matters & Local Authority Publicity
- Procurement Rules and Guidance
- Adult Safeguarding Procedures & Policy
- Business Rates Verification Policy

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.

What we seek to deliver

How the council will turn strategy into action

Ref	Key Aim	Action	Assigned to	Target Date
<div> <div>Page 10</div> <div>Link to Strategy - Govern</div> </div>				
1.1	Set the tone throughout the organisation & ensure that there is an appetite to counter fraud	<ul style="list-style-type: none"> Ensure there is a Counter Fraud and Corruption Strategy applying to all aspects of the local authority's business, which has been communicated throughout the local authority, and acknowledged by those charged with governance. Set the tone of a zero tolerance approach to fraud and corruption, that is defined and monitored, and which is always reported to the committee. The audit committee supports counter fraud work and encourages the level of activity to ensure it is appropriate in terms of fraud risk and resources. 	Counter Fraud Specialist (All) All Audit Governance Committee	January 2021 Ongoing Ongoing
1.2	Embed counter fraud arrangements into and throughout the organisation	<ul style="list-style-type: none"> The fraud response plan will be linked to the audit plan and communicated to senior management and members. The fraud and corruption response plan will cover all areas of counter fraud work: prevention, detection, investigation, sanctions & redress. The local authority will have arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business. The local authority has put in place arrangements for monitoring compliance with standards of conduct across the local authority covering: codes of conduct including behaviour for counter fraud, anti-bribery and corruption, register of interests, register of gifts and hospitality. 	Internal Audit Counter Fraud Specialist (All) Human Resources Internal Audit	Ongoing (All)
1.3	Ensure effective measurement and assessment of proactive and reactive counter fraud work	<ul style="list-style-type: none"> There is an annual report to the audit committee, or equivalent detailed assessment, to compare against the current counter fraud strategy. The relevant portfolio holders (Sec 151 Officer and Head of Corporate Finance) should be regularly briefed on the fraud risks and mitigation. There is an ongoing fraud plan which is agreed by committee and reflects resources mapped to risks and arrangements for reporting outcomes. This plan covers all areas of the local authority's business and includes activities undertaken by contractors and third parties, or voluntary sector activities. 	Section 151 Officer Head of Corporate Finance Counter Fraud Specialist (All)	Annual Review (All)

Ref	Key Aim	Action	Assigned to	Target Date
Page 10 Link to Strategy - Acknowledge				
2.1	To raise awareness and understanding of fraud activity, both internally and externally	<ul style="list-style-type: none"> Implement a programme to publicise fraud and corruption cases internally and externally which is positive and endorsed by the council's communications team, this could be in the form of social media and newsletter publications promoting awareness. To raise internal knowledge, a mandatory e-learning module will be created, which council staff will be required to complete annually. When applicable, a face-to-face training course on fraud awareness should be provided to new employees joining the council. Promote the counter fraud strategy internally and externally to the public and have a dedicated counter fraud page on the council website. We will undertake an internal survey to assess the overall level of awareness and understanding within the organisation 	Communications Team Counter Fraud Specialist (All) & Software Development Communications Team Human Resources	Ongoing June 2021 Ongoing Ongoing March 2021
2.2	To assess the risk of fraud across the organisation and effectively communicate to those charged with Governance	<ul style="list-style-type: none"> The council will undertake a fraud risk assessment against the risks and look ahead for future potential fraud and corruption risks. All allegations of fraud and corruption will be risk assessed. The council must have an independent and up-to-date whistleblowing policy, which is monitored, and can show that suspicions have been acted upon without internal pressure. Members and staff are aware of the need to make appropriate disclosures of gifts, hospitality and business. This is checked by auditors. We will review all relevant policies within the organisation to ensure that fraud procedures are embedded. 	Internal Audit & Counter Fraud Specialist Monitoring Officer Internal Audit Human Resources	March 2021 & Ongoing January 2021 Ongoing Ongoing
2.3	Demonstrate that the council has a robust anti-fraud response	<ul style="list-style-type: none"> The council must have professionally trained and accredited staff for counter fraud work. If auditors undertake counter fraud work they too must be trained in this area. The counter fraud team has adequate knowledge in all areas of the local authority, or is trained in these areas. Statistics will be kept and reported by the fraud team which cover all areas of activity and outcomes. 	Section 151 Officer, Head of Corporate Finance Counter Fraud Specialist (All)	Ongoing (All)

Ref	Key Aim	Action	Assigned to	Target Date
Page 10 Link to Strategy - Prevent				
3.1	To develop a more effective anti-fraud culture within the organisation	<ul style="list-style-type: none"> There is a programme of work to ensure a strong counter fraud culture across all departments. Internally promote fraud communications and literature, particularly during International Fraud Awareness Week. Undertake service specific fraud awareness training and presentations to ensure all staff are adequately trained to spot and report fraud. By achieving the 'Govern' and 'Acknowledge' sections of this strategy we will further be able to develop our anti-fraud culture within the organisation. 	All employees, elected members and anyone acting on behalf of the council	Ongoing (All)
3.2	The council will enhance its fraud controls and processes. Making best use of information and technology	<ul style="list-style-type: none"> The council undertakes recruitment vetting of staff prior to employment by risk assessing posts and undertaking the checks recommended to prevent potentially dishonest employees from being appointed. Prevention measures and projects are undertaken using data analytics where possible, through the use of the National Fraud Initiative. The counter fraud team will register with the NFI Fraud Hub and CIFAS, so that it has access to directories and other tools. Counter fraud staff are consulted to fraud proof new policies, strategies and initiatives across departments. The council's internal Cyber Security team will be regularly updated and provided with CIFAS intelligence. 	Human Resources Counter Fraud Specialist (All) Cyber Security Department	Ongoing (All)
3.3	Communicate counter fraud activity and successes to deter fraudsters	<ul style="list-style-type: none"> Successful cases of proven fraud/ corruption will be routinely publicised to raise awareness and deter fraudsters. We will utilise social media, the Herefordshire Council website, and local media to publicise successful prosecutions and actions taken against fraudsters. 	Counter Fraud Specialist (All) Communications Team	Ongoing (All)

Ref	Key Aim	Action	Assigned to	Target Date
Page 10 Link to Strategy - Pursue				
4.1	To corroborate effectively with other agencies and use an intelligence led approach to investigations	<ul style="list-style-type: none"> The counter fraud team will work jointly with other enforcement, intelligence agencies. The council will share data and intelligence across its own departments and between other enforcement agencies. The Counter Fraud Specialist will act as a main point of contact with other agencies for external fraud investigations. 	Counter Fraud Specialist (All)	Ongoing (All)
4.2	Develop capability and capacity to punish offenders	<ul style="list-style-type: none"> The Counter Fraud Specialist will develop functional links with both Herefordshire Trading Standards and internal Human Resources, when necessary, to undertake efficient fraud investigations. Fraud resources will be assessed proportionately to the risk the local authority faces and they will be adequately resourced. Fraud officers will have unfettered access to premises and documents for the purposes of counter fraud investigations. The counter fraud team will require (through partnership/ other local authorities/ or funds to buy in) to specialist staff for; surveillance, computer forensics, asset recovery & financial investigations. The council should aim to increase the internal fraud resources accordingly. 	Human Resources & Trading Standards Counter Fraud Specialist (All) Section 151 Officer	Ongoing (All)
4.3	To prioritise recovery of lost assets and use both civil sanctions and also criminal prosecution, when necessary. To identify where we can mitigate further risk	<ul style="list-style-type: none"> Asset recovery and civil recovery will be considered in all cases. The council will review its civil sanctions in areas where low level crime is being committed and which doesn't require prosecution. Weaknesses revealed by instances of proven fraud and corruption will be scrutinised carefully and fed back to departments to fraud-proof systems and mitigate against further risk. Risk assessments within the 'Acknowledge' section of this strategy, will help identify and mitigate further fraud risk. 	Section 151 Officer Head of Corporate Finance Counter Fraud Specialist (All)	Ongoing (All)

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.