



AUDIT COMMITTEE

24th September 2015

Subject Heading:

Anti-fraud and Corruption Strategy 2015

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Policy context:

To advise the Committee on the new Anti-fraud and Corruption Strategy of the oneSource Fraud team

Financial summary:

This report details information on the Council's Anti-fraud and Corruption Strategy, designed to minimise loss through fraud

The subject matter of this report deals with the following Council Objectives

Clean, safe and green borough	[X]
Excellence in education and learning	[X]
Opportunities for all through economic, social and cultural activity	[X]
Value and enhance the life of every individual	[X]
High customer satisfaction and a stable council tax	[X]

SUMMARY

This report advises the Committee of the new Anti-fraud and Corruption Strategy of the oneSource Fraud Team for 2015/16.

RECOMMENDATIONS

1. To note the contents of the report.
2. To raise any issues of concern and ask specific questions of the officers where required with regards to the Anti-fraud and Corruption Strategy.

Anti-Fraud & Corruption Strategy

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Anti-Fraud Statement

The oneSource Anti-Fraud team offers an exclusive strategic fraud prevention and investigation service to all partners. Who, in forming a partnership are sending a clear message that fraud and misuse of public funds will not be tolerated and enables Section 151 officers and senior leaders to meet their duties in safeguarding public funds, and by minimising loss through fraud councils will maximise service delivery.

Through their elected Members and officers, the Partners work hard to establish a reputation as leading local authorities, but vigilance is needed to ensure that this reputation is safeguarded.

Whilst it is notoriously hard to quantify fraud and corruption has been estimated, by the National Fraud Authority, to cost UK Local Government at least £2.2 billion a year - money which, today more than ever, is desperately needed to safeguard valuable frontline services. This is why it is vital to have a comprehensive strategy in place to govern our anti-fraud policies and procedures.

The primary aim of this Strategy is to make it absolutely clear to the citizens of the partner boroughs and stakeholders that, as an organisation and as individuals, we are committed to honesty, openness, and propriety, in all of our dealings. Simply put, fraud and corruption will not be tolerated.

We will do our utmost to foster a culture in which fraud and corruption can find no foothold, and any attempt to conduct illegal activity, either internally or externally, will be met with a united and resolute front. We have clear channels of reporting and transparent procedures to ensure that anyone, whether members of the public or employees, can have full confidence that any concerns raised, or reports made will be treated promptly, thoroughly and appropriately. If fraud is detected, these policies will ensure that internal controls are strengthened, safeguards are improved, and perpetrators are pursued.

We can never prevent all fraud, but this strategy has been designed to ensure robust measures are in place to prevent, detect and investigate fraud, whilst at the same time remaining adaptive and responsive to change, placing us in the strongest position possible to tackle this threat.

Purpose

The Anti-Fraud Strategy sets out clearly the oneSource approach to managing the risk of fraud and corruption and all aspects of fraudulent activity that may occur within the respective organisations.

Aim

Our aim is to minimise opportunities to commit fraud and corruption through the introduction of appropriate fraud response plans to protect valuable funds and resources, which cover:

- Prevention
- Detection
- Deterrence and
- Response

Objectives

In support of our strategy we have set the following objectives:

- Minimise the opportunities for individuals to commit fraud and provide an effective response when fraud occurs.
- Raise awareness of the potential for fraud and ensure that effective counter- fraud measures are in place.
- Conduct expert fraud risk analysis and review of high risk/cost and specialist areas vulnerable to fraud.
- Influence and support effective and recognised fraud prevention methods across the organisations.

The Role of the oneSource Anti-Fraud Service.

The Shared Anti-Fraud Service has been forged from existing and new staff working within counter fraud across local government. The Fraud Investigation team members employed are fully trained and accredited to undertake their roles. The service will deliver a full range of fraud awareness training, the use of highly developed investigation skills, data-matching opportunities and partnership working with law enforcement agencies. The aims of the team are as follows:

- Ensure ongoing effectiveness and resilience of anti-fraud arrangements when the impact of the Single Fraud Investigation Service (SFIS) takes effect
- Deliver financial benefits in terms of cost savings or increased revenue
- Create a data matching warehouse to aid investigation and add assurance to all partners
- Improve the reach into the areas of non-benefit and corporate fraud within the partner boroughs
- Create a recognised centre of excellence that is able to disseminate alerts and share best practice nationally

Definition of Fraud

For the purposes of this strategy, fraud is defined as:-

“Any instance where any Partner of oneSource is the victim or intended victim of intentional financial irregularity or an illegal act perpetrated by one of its elected Members, employees, contractors, suppliers, the public or others, regardless of whether or not a loss has been incurred.”

The definition also covers theft or dishonest use of funds and assets. Non-compliance with Financial and Contract Regulations, relevant legislation and appropriate policies and standard operating procedures is also included.

Definition of Corruption and Bribery

For the purposes of this strategy, corruption and bribery are defined as:-

Corruption is the offering or acceptance of inducements designed to influence official action or decision-making. These inducements can take many forms including cash, holidays, event tickets, meals, etc.

The Bribery Act 2010 received Royal Assent on 8 April 2010 and laid out more formally what could be considered an offence, it includes:

- Offering a bribe;
- Being bribed; and
- A corporate offence of failure to prevent bribery.

Strategy and Policy

Strategic Approach

Combating fraud requires a strategic approach to deterring, preventing, detecting and investigating the loss of public funds. To tackle fraud threats effectively elected Members, officers and the public need to work collaboratively to prevent fraudulent behaviour. This anti-fraud strategy forms part of the corporate governance arrangements of the oneSource Partners. The strategy provides a framework which co-ordinates activity to create a hostile environment for potential fraudsters.

The strategy has six elements which collectively are designed to provide a fully integrated programme to counter fraud and corruption.

1. Strategy and Policy

The oneSource partners will continue to review and develop an effective strategy and policy framework to counter fraud and corruption. These strategies and policies make it clear to members, staff and the public the high standards of integrity and behaviour expected to support the development of a sound ethical culture.

2. Prevention and Deterrence

Prevention is a key element that encompasses a number of diverse activities including creation of the right cultural environment which sets high ethical standards and behaviours. The aim is to prevent fraud occurring by adopting methods that decrease motive, restrict opportunity and limit ability for those committing fraud to be able to rationalise their actions. This will be achieved through:

- setting the right tone;
- robust vetting of staff;
- appropriate system design and supporting procedures;
- publicity both internal and external;
- effective communication and supervision and review;
- appropriate training;
- and maintaining effective control frameworks

The responsibilities for these areas will lay with both partners and oneSource fraud investigation service thus promoting a collaborative approach.

3. Detection

Fraud prevention techniques may not stop all potential perpetrators but the early detection of fraud within the Partners reduces the detrimental impact and demonstrates a commitment to tackling fraud. It acts as a deterrent to would be fraudsters and contributes to developing a clear anti-fraud culture. The scope of this element includes the use of audit and inspection, investigation and review and analytical techniques to identify potential fraud and corruption. Well publicised and user-friendly arrangements to facilitate the confidential reporting of fraud

and corruption is also included and valued. oneSource will operate a website and hotline approach appropriate to each partner for reporting fraud and conduct data-matching across partners to detect fraud.

4. Investigation

All reported allegations of fraud are investigated irrespective of the source of the information e.g. confidential reporting lines, pro-active data analysis or directly from oneSource partners. Effective investigations into suspected fraud are conducted by appropriately skilled and resourced staff. Documented information is available that sets out the roles and responsibilities of those dealing with allegations of fraud. Investigations are undertaken in a fair, consistent, timely and professional manner. In those cases where sufficient evidence is available appropriate sanctions are applied, including: criminal, disciplinary and civil recovery action to recover funds lost to fraud.

5. Review and Monitoring

Measuring the impact of the annual business plan on counter fraud activity is fundamental in realising the benefits of the strategic approach. The oneSource Anti-Fraud Service will benchmark anti-fraud arrangements against other public sector organisations and conduct a self- assessment against recognised best practice to ensure our approach remains efficient and delivers value for money

6. Organisational Learning

The response to learning, and associated risks, is focused on outcomes. Reviews at the conclusion of cases identify system and supervisory weaknesses and also determine if the response to the fraud was appropriate. There is accountability at a senior level with more defined ownership of issues and risks. Publicity is also given to suitable proven cases of fraud as a deterrence measure.

Business Plan

The annual Business Plan supports the Strategy and progress achieved will be measured against the plan, and reported to the Audit Board or Committee of each partner at least annually.

Evaluating Success

Ultimately success will be judged by:

- A strong anti-fraud culture leading to increased confidence, internally and externally.
- The perception by the residents of oneSource partners that oneSource is committed to tackling fraud and corruption and has effective measures in place to combat it.
- An increased confidence in reporting suspected fraud and corruption.
- A reduction in the occurrence of fraud.

Review

The strategy will be reviewed annually along with the policies that relate to the team operationally, taking into account any legislative changes, best practice and any organisational learning.

Responsibilities of each Partner Organisation and External Influencers

STAKEHOLDER	SPECIFIC RESPONSIBILITIES
Chief Executive	Ultimately accountable for the effectiveness of the Council's arrangements for countering fraud and corruption.
Monitoring Officer	To advise Councillors and Officers on ethical issues, standards and powers to ensure that the Council operates within the law and statutory Codes of Practice.
Section 151 Officer	To ensure the Council has an adequately resourced and effective Counter Fraud and Internal Audit service.
Audit Committee & Standards Committee	To monitor the partner Council's policies and consider the effectiveness the Whistleblowing and Counter Fraud & Corruption arrangements.
Councillors	To support and promote the development of a strong counter fraud culture.
External Audit	Statutory duty to ensure that the partners have in place adequate arrangements for the prevention and detection of fraud, corruption and theft.
Anti Fraud and Investigations Team	To develop and implement the Counter Fraud Policy and promptly investigate cases of suspected fraud reported under this policy or via the Whistleblowing arrangements. To make recommendations to improve controls and reduce the risk of fraud in the future.
Managers	To promote staff awareness, refer all suspected fraud to the Counter Fraud Investigations Team and apply the policy of zero tolerance . To ensure that they assess the risk of fraud, corruption and theft in their service areas and reduce these risks by implementing strong internal controls.
Staff	To comply with Council policies and procedures, to be aware of the possibility of fraud, corruption and theft, and to report any genuine concerns to management, the counter Fraud Investigation Team or via the Whistleblowing arrangements.
Public, Partners, Suppliers, Contractors and Consultants	To be aware of the possibility of fraud and corruption against the Council and report any genuine concerns / suspicions.

Approach to Countering Fraud

We will fulfil our responsibility to reduce fraud and protect our resources by completing work in each of the following key areas:

DETERRENCE	We will promote and develop a strong counter fraud culture, raise awareness and provide information on all aspects of our counter fraud work. This will include publicising the results of all proactive work, fraud investigations, successful sanctions and any recovery of losses due to fraud.
PREVENTION	We will strengthen measures to prevent fraud – the Audit and Investigation Teams will work with managers and policy makers to ensure new and existing systems and policy initiatives are adequately fraud proofed.
DETECTION	We will continuously assess those areas most vulnerable to the risk of fraud. These risk assessments will inform our annual Proactive Counter Fraud Work Plan – the Anti Fraud and Investigations Team will carry out work in these high risk areas to detect existing and new types of fraudulent activity.
INVESTIGATION	Appropriately trained investigators will investigate any fraud detected through the planned proactive work, cases of suspected fraud referred from internal or external stakeholders or received via the whistleblowing arrangements.
SANCTIONS	We will apply realistic and effective sanctions for individuals or organisations where an investigation reveals fraudulent activity. This may include legal, criminal and disciplinary action, where appropriate.
REDRESS	A crucial element of our response to tackling fraud is recovering any monies lost through fraud– this is an important part of our strategy and will be rigorously pursued, where appropriate.

Outcomes

Investigation activity itself does not represent the outcomes of our counter fraud work. We recognise that by preventing fraud we will reduce losses and the delivery of our counter fraud work plan will improve overall outcomes and achieve the aims & objectives of this policy. We will measure the effectiveness of our counter fraud arrangements by focusing on outcomes such as:

- High levels of fraud awareness (survey results / attendance at training sessions)
- Zero tolerance to fraud (number of referrals / disciplinary results)
- Reduced losses through fraud-proofing policy and systems
- Levels of recovery
- Levels of reporting
- Delivery of the annual counter fraud work plan (ensuring best practice)
- Reducing the risk of fraud thereby protecting Council resources
- Successful prosecutions and other sanctions

We will monitor these outcomes using a range of measures which will be reported to the Council's Audit Committee and published in our Annual Counter Fraud Report.

Reporting, Advice and Support

If you genuinely believe that someone is committing a fraud or you suspect corrupt practices, these are your reporting options:

- Your line manager (or a more senior manager if you suspect your line manager is involved)
- Emma Vick (Fraud Manager)
Emma.vick@onesource.co.uk
- Sandy Hamberger (Interim Head of Internal Audit)
sandy.hamberger@onesource.co.uk

Whistleblowing facilities:

Confidential Hotline (LB Havering only): 01708 432946

oneSource Director of Legal and Governance - (suggest LBN contact number for Daniels office)

oneSource Director of Human Resources & Organisational Development - 01708 432163

oneSource Deputy Director of Human Resources- 02033732693

To avoid potentially contaminating evidence, managers should not investigate themselves and instead immediately report all suspicions of fraud or corruption to the Fraud Team.

We will treat all concerns or suspicions with discretion and in confidence. If you need advice or support or would like to report a concern, please contact Emma Vick on 020 3373 9793.