

19 July 2018		ITEM: 11
Standards and Audit Committee		
Counter Fraud & Investigation Annual Report & Strategy		
Wards and communities affected: All		Key Decision: N/A
Report of: David Kleinberg, Assistant Director for Fraud & Investigation		
Accountable Assistant Director: David Kleinberg, Assistant Director for Fraud & Investigation		
Accountable Director: Sean Clark, Director of Finance and IT		
This report is Public		

Executive Summary

The Counter Fraud & Investigation Department (CFID) is responsible for the prevention, detection and deterrence of all instances of alleged economic crime affecting the authority including: allegations of fraud, theft, corruption, bribery and money laundering.

CFID has developed working arrangements with other agencies to further the Council's counter-fraud culture providing support to those bodies where necessary.

CFID's success has grown and has been recognised nationally as a leading local authority fraud service and as a model for the approach to tackling fraud and corruption.

This report outlines the performance of CFID over the last year as a whole as well as the work CFID have delivered nationally for other public bodies.

1. Recommendation

1.1 The Audit Committee notes the performance of the Counter Fraud & Investigation Directorate over the last year.

2. Introduction & Background

2.1 To present the Counter Fraud & Investigation Department's (CFID) Annual Report for 2017/18 to the Committee for consideration.

- 2.2 This report outlines the work undertaken by the CFID throughout the year in Thurrock as well as the pre-funded work we do for other public bodies around the UK.

3. Performance

- 3.1 CFID has made good progress in delivering the 2017/18 counter fraud work plan over the last year.

- 142 reports of suspected fraud have been received
- 42 of those cases have been closed as 'no fraud'
- 100 sanctions have been delivered in cases of proven fraud.

- 3.2 **Appendix 1** the CFID annual report details the background to the above figures as well as its programme of other work delivered over the last year.

4. Work Plan for 2017/18

- 4.1 CFID has a programme of proactive work conducted to ensure the council's posture against fraud is robust and effective. **Appendix 2** sets out the progress made in delivering the proactive work programme this year.

- 4.2 The work programme is a working document and if during the year changes or additions to the plan are proposed between the CFID and the Section 151 Officer, these will be brought back to the Committee.

5. National Counter Fraud

- 5.1 CFID are working with a number of national bodies to champion and raise the profile of fraud, sharing knowledge and working best practice between partner agencies. The acknowledgment of fraud by the public sector remains a common challenge with continual work being done to publicise successful outcomes. CFID continues to support other local councils and government bodies providing specialist capabilities, particularly in the emerging cyber crime and digital space.

- 5.2 CFID is an Executive Board member of NAFN.gov Data & Intelligence. NAFN is a national body funded in-part by the Home Office that develops and shares intelligence across local councils and central government. CFID developed a national paper to enhance the work of NAFN to increase its leadership role for the sector. CFID's strategy sought to increase the recognition and professionalisation by councils in the areas of Digital Forensics, Cyber-Crime, Criminal Finances and Fraud Awareness.

- 5.3 CFID continues to provide support to HM Government Cabinet Office in the development of the national Counter Fraud Profession for all law enforcement agencies. This programme of developing the 'profession' is in recognition that:

- fraud is the most prevalent crime in the UK

- fraud in the public sector is under-reported
- the historical approach to deal with fraud through disciplinary activity alone is no longer acceptable
- the capabilities in cyber and digital have not developed quick enough
- the public sector needs to share its practice and intelligence to protect the public purse.

CFID are now co-writing the standards using its experience having direct input into the development and rollout across law enforcement and wider public sector.

5.4 CFID is an Executive Board member of the National Tenancy Fraud Forum (TFF). TFF is the lead body for housing tenancy fraud across local councils and registered providers nationally.

5.5 CFID is unique in that it is the only body that is a member of all of the above three functions in the counter fraud sector to ensure that CFID is at the forefront of changes and development.

6. MHCLG Counter Fraud Fund Project

6.1 CFID is working with the Ministry for Housing, Communities and Local Government (MHCLG) and CIPFA to produce a detailed report on the effectiveness of the 2014-16 counter fraud fund grant project in England & Wales.

6.2 CFID's model of tackling fraud has been identified as a best practice approach recognising its development of national capabilities. These specialist function were never previously available to local councils nor the public sector as a whole particularly in the horizon scanning in cyber-crime, supply chain fraud & corruption.

7. Multi Agency Collaborations

7.1 CFID's capability in cyber-crime and digital forensics was identified by policing as being an opportunity to co-locate and share capacity and resources where there are obvious, or regular, cross over in criminals targeting local councils and others generally.

7.2 Working with Police forces CFID's work has led to the investigation of over 200 cases of online child abuse, resulting in the successful safeguarding of 45 children and over 60 convictions.

7.3 CFID is working with national police agencies to share its experiences and skill to ensure the capabilities are accessible for the whole of law enforcement.

8. Fraud Loss Assessment

- 8.1 The Fighting Fraud & Corruption Locally strategy was published in 2016 and provided a snapshot of the crime risks faced by local councils. The strategy could only take account of information known at the time it was published and has not been updated since. To ensure that CFID had a live understanding on the threats faced by the council and its partners a significant amount of time was invested in research and analysis.
- 8.2 CFID's intelligence bureau used all the national intelligence and published reports and strategies to relate the fraud risks to Thurrock Council. This work has provided current knowledge of the current threats and impact on frontline services, both locally and on the national spectrum.
- 8.3 Various data sources have been used by CFID including information from:
- Counter Fraud Centre at the University of Portsmouth
 - Annual Fraud Indicator published by Crowe Clark & Whitehall
 - Home Office Serious & Organised Crime Strategy
 - Home Office working group on 'Costs of Cyber Crime'
 - National Cyber Security Centre cyber assessments
 - National Audit Office Cross Government Annual Fraud Landscape Report
- 8.4 This research now puts the annual loss figure to local councils from fraud at £12.9bn, a significant increase from the reported £2.1bn in 2013 and 2016.
- 8.5 CFID has collated all the published tools and information from the leading government sources and used the information from internal fraud risk assessment process to devise an annual fraud impact assessment and strategy. These tools and strategy are now shown at **Appendix 3**.
- 8.6 The '4P's' strategy has been adopted to outline the areas where CFID will target its resources, similar to the national CONTEST terrorism strategy. This approach mirrors the soon to be published fraud strategy for policing to ensure easy interoperability and cohesion.

9. Reasons for Recommendation

- 9.1 This report provides a detailed update to the Committee on the improved counter-fraud measures for the Council and how it is reducing fraud under the council's anti-fraud strategy.

10. Consultation (including Overview and Scrutiny, if applicable)

- 10.1 All Directors and Heads of Service were consulted with the new strategy to be taken by the Council in its anti-fraud approach.

11. Impact on corporate policies, priorities, performance and community impact

- 11.1 Work undertaken by to reduce fraud and enhance the Council's anti-fraud and corruption culture contributes to the delivery of all its aims and priorities supporting corporate governance.

12. Implications

12.1 Financial

Implications verified by: **Jonathan Wilson**
Chief Accountant

The figures of detected fraud and potential fraud risk are set out in Appendix 1

12.2 Legal

Implications verified by: **David Lawson**
Assistant Director – Governance & Law

The Accounts and Audit (England) Regulations 2015 section 4 (2) require that:

The relevant body shall be responsible for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body's functions and which includes the arrangements for the management of risk.

This proactive and investigative work undertaken by the Directorate as well as the regular monitoring of compliance with the requirements of Fighting Fraud Locally discharges this duty.

12.3 Diversity and Equality

Implications verified by: **Rebecca Price**
Community Development Officer

Whilst there are no specific equality and diversity implications arising from this update report, it is noted that CFID's work in 2017/18 has led to the investigation of over 200 cases of online child abuse, resulting in the successful safeguarding of 45 children.

12.4 Other implications (where significant) – i.e. Staff, Health, Sustainability, Crime and Disorder)

None.

- 13. Background papers used in preparing the report** (including their location on the Council's website or identification whether any are exempt or protected by copyright):

None.

- 14. Appendices to the report**

Appendix 1 – CFID Annual Report 2017/18

Appendix 2 – Work plan

Appendix 3 – Risk Matrix

Report Author:

Daniel Helps

Senior Manager

Counter Fraud & Investigation