

# Governance, Audit, Risk Management and Standards Committee

## SUPPLEMENTAL AGENDA

**DATE: Tuesday 22 July 2014**

### AGENDA - PART I

*Note: In accordance with the Local Government (Access to Information) Act 1985, the following agenda item has been admitted late to the agenda by virtue of the special circumstances and urgency detailed below:-*

<u>Agenda item</u>	<u>Special Circumstances / Grounds for Urgency</u>
11. Corporate Anti-Fraud Team Year End Report 2013-14 and Corporate Anti-Fraud Team Final Service Plan	<p>This report was not available at the time the agenda was printed and circulated due to an increase in work demands and capacity issues.</p> <p>Members are requested to consider this item, as a matter of urgency as it is the CAFT year end performance and policy review which is required to comply with the annual governance statement (Agenda Item 15).</p>
12. Corporate Anti-Fraud Policy Review	<p>This report was not available at the time the agenda was printed and circulated due to an increase in work demands and capacity issues.</p> <p>Members are requested to consider this item, as a matter of urgency as it is the CAFT year end performance and policy review which is required to comply with the annual governance statement (Agenda Item 15).</p>

**11. CORPORATE ANTI-FRAUD TEAM YEAR END REPORT 2013-14 & CORPORATE ANTI-FRAUD TEAM FINAL SERVICE PLAN 2014-15** (Pages 1 - 12)

Report of the Director of Finance and Assurance

**12. CORPORATE ANTI-FRAUD POLICY REVIEW** (Pages 13 - 36)

Report of the Director of Finance and Assurance

**REPORT FOR: Governance, Audit, Risk  
Management and Standards  
Committee (GARMS)**

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**Date of Meeting:** 22 July 2014

**Subject:** **INFORMATION REPORT – Corporate  
Anti-Fraud Team Year End Report  
2013-14 & Final Service Plan 2014-  
15**

**Responsible Officer:** Simon George – Director of Finance &  
Assurance

**Exempt:** No

**Enclosures:** CAFT Final Service Plan 2014-15 Appendix  
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## **Section 1 – Summary**

This report details the Corporate Anti-Fraud Team performance against the Service Plan for 2013/14. It also details the final Service Plan for 2014-15 which is attached in Appendix 1.

**FOR INFORMATION**

## **Section 2 – Report**

Of the eleven objectives set in the Fraud Service Plan for 2013-14, three were exceeded, three were achieved, three were partially achieved and two were not achieved, although one of these was not able to be met due to a lack of resources in another area.

### **2.1 Objective - Achieve 35 Housing/Council Tax Benefit sanctions including 10 successful prosecutions**

#### **Outcome – Partially achieved**

The team fell short of the 1st part of this objective in achieving a total of 33 sanctions, but exceeded the prosecution objective with a total of 15.

## **2.2 Objective - Identification of 15 housing tenancies subject to misuse and target for possession action**

### **Outcome – Exceeded**

This objective was met despite the fact that the post of Investigation Officer (Housing) was vacant between June – Nov 2013. A total of 12 tenancies were brought back into Council control as a result of fraud investigation work generating a saving/loss avoidance of £760,000\*. These tenancies were allocated to individuals/families from the homeless waiting list generating B&B and temporary accommodation cost savings.

1 case of *Right to Buy* fraud was successfully intercepted before completion representing a further saving to the authority of £150,000\*. This case also resulted in the authority repossessing the property (included above) as the tenant had been discovered as residing in a property they owned in Hertfordshire, whilst also owning another property in Ealing.

2 investigations had concluded that individuals that had applied for housing were fraudulent and as a result of the evidence that the team had uncovered, both individuals were removed off the waiting list. These results represent loss avoidance and a prevention of fraudsters occupying social housing inappropriately. This generated further savings of £36,000\* for the authority.

1 final case where a 3 bed discretionary tenancy was about to be awarded to an individual not residing at the tenancy address was intercepted, again representing loss avoidance savings of £108,000\*

## **2.3 Objective - Harrow to join the London Housing Fraud Hub**

### **Outcome – Not achieved**

This objective was not achieved due to data security issues being raised by Information Management. It is envisaged that these will be overcome in 2014/15 and the project will proceed.

The London Housing Fraud Hub is a project involving a number of London Boroughs that input common housing register, housing tenancy and potentially council tax support data on a monthly basis into a shared but secure repository accessible only by members. The main objective of the hub is to identify fraudulent applications for housing and prevent individuals obtaining tenancies which should not ordinarily qualify.

\* Based on Audit Commission fraud loss avoidance figures of £18,000 per annum, which equates to the average cost of keeping a family in temporary accommodation for a year multiplied by the waiting list times in Harrow

To date 13 London Boroughs have become members sharing their data, and another 15 including Harrow are due to join in 2014. The hub is the first of its kind in the country where multiple authorities are sharing data proactively on a regular basis to support service delivery, provide assurance about individuals that apply for services and also for the prevention and detection of crime.

#### **2.4 Objective - A blue badge proactive fraud drive delivered in each quarter**

##### **Outcome – Exceeded**

The team delivered a total of 5 operations during the year resulting in 20 badges being confiscated due to misuse in the vast majority of the cases by persons other than the badge holder.

Of the 20 suspects, 10 were offered cautions and accepted paying £200 each towards the cost of the investigation, 1 individual was successfully prosecuted and the remaining cases were still subject to live investigation.

#### **2.5 Objective - Fraud risk audit of Direct Payment cases**

##### **Outcome - Achieved**

The team successfully concluded four investigations which resulted in fraudulent overpayments of direct payments amounting to £112,000 and individuals being invoiced for these sums. A further 6 live investigations into misappropriation of social care funds were continuing.

In one case the individual had failed to disclose in the financial assessment that they had capital in excess of £60,000 and that they owned three properties, two of which were being rented out. In addition to this, they also failed to declare that their declared carer was a family member living at the same address which is not permitted under the conditions of the scheme. In total they were overpaid in excess of £12,000 and upon being invoiced, it was repaid immediately. The individual was remorseful about their behaviour and they were offered a caution which they accepted in addition to paying £200 towards the costs of the investigation.

In two other cases, individuals had been invoiced for a total of £36,000 for misappropriation of social care funds and no repayment had been made at the time of writing. In both of these cases, the direct payment budget holder (father of client and the client themselves) had not used the funds for the sole purpose of personal care. Evidence had emerged through the investigation that funds were spent in High Street stores and withdrawn in cash, both of which are contrary to the conditions of the scheme.

The final case involved a father of a client that had simply saved the direct payments over a period of years and transferred them into high rate bond and high rate interest accounts. The suspect claimed to be

saving the money for his daughter (the client) in case anything happened to him or his wife. His daughter was looked after by the grandmother living at the same address and so had they declared this arrangement during the application process, no funds would have been released. In all, this individual was overpaid just under £65,000 over a number of years and when invoiced repaid the entire amount immediately.

A decision on further criminal action will be taken on all of these cases in the coming months.

## **2.6 Objective - Fraud risk audit of Insurance cases**

### **Outcome – Partially achieved**

This objective was not fully explored due to a lack of appropriate cases being referred.

Two cases were complete that realised savings of £2,180 where individuals claimed against the authorities' insurance and the claims were refused or reduced following the investigation. 1 case was still under investigation at the time of writing which had a potential saving of £2700 involving falsified vehicle damage.

Claim one was for £1800 and involved damage to personal property with the Council liable. As a result of the investigation Harrow settled this claim at £140, representing a real cash saving of £1660 and claim two was for water damage to personal belongings which was refused generating a saving of £520.

## **2.7 Objective - Identify and pursue six cases suitable for Proceeds of Crime Act 2002 (POCA) action and recover £10,000**

### **Outcome – Partially achieved**

Three cases were identified and referred to Brent Trading Standards for financial investigation work. No monies have been recovered as yet.

The real challenge facing the authority in terms of this objective is to identify the right types of cases because not only does there need to be evidence of criminal activity for which a dishonest conviction must be achieved at court, but the level of fraud losses identified need to be matched by the defendants known assets that can cover the losses.

In one of these cases, an individual suspected of defrauding the authority out of a 3 bed council tenancy with a loss value estimated to be £108,000 and housing and council tax benefit with a loss value estimated to be £100,000 was arrested and is currently on police bail pending further investigations. The Council property has been repossessed as she has been discovered as owning three other properties, all of which have equity greater than the losses identified.

In case two, a mother and daughter were successfully prosecuted for benefit fraud after creating a fake tenancy and a confiscation order has been obtained covering the benefit losses. The daughter has 6 months with which to repay the losses or she faces prison.

In the third case, the suspect pleaded guilty to a £36,000 benefit fraud in February 2014 and is now subject to a Proceeds of Crime Act proceeding which should conclude in September 2014.

## **2.8 Objective - National Fraud Initiative - Phase one recommended matches processed and high risk cases prioritised for investigation**

### **Outcome - Achieved**

The National Fraud Initiative is a 2 yearly nationwide public sector data matching exercise co-ordinated by the Audit Commission in which contributing organisations submit bulk data for services such as housing rents, housing benefits, blue badges, payroll, creditors and insurance for fraud and error matching.

In total there were 3,751 housing benefit matches returned to the authority in February 2013 of which 659 were recommended to be prioritised. 539 of these priority matches have been processed generating overpayments amounting to in excess of £104,483.46 and all of these cases now progressed to full blown investigations where suspects will be interviewed, sanctioned and monies recovered where possible.

## **2.9 Objective - The identification of £35,000 income via administrative penalties, corporate fraud work and Housing Benefit overpayment recovery work.**

### **Outcome – Exceeded**

Income generated amounted to approximately £79,000 made up of a combination of monies recovered through housing benefit administrative penalties, contributions towards investigation costs paid by individuals cautioned and recovery of fraudulently overpaid direct payment funds.

Of particular note were the direct payments recovered through fraud work highlighted in 2.5 above. It is intended that further work will be undertaken in 2014-15 in this area to generate further savings for the authority.

## **2.10 Objective - Review, shape and implement corporate fraud e-learning tool**

### **Outcome - Achieved**

The fraud e-learning package is now housed within the Harrow *My Learning* Site and can be accessed by employees. This e-learning package was publicised internally during anti-fraud week in February 2014 encouraging employees to undertake the training which will provide a useful background to fraud awareness in Local Government and how staff can assist in identifying and raising the alarm when they suspect that fraud is being perpetrated. Further awareness of this course will continue in 2014-15

## **2.11 Objective - Corporate fraud risk assessment / avoidable loss identification**

### **Outcome – Not achieved**

This objective is no longer achievable as the Risk Manager leading this piece of work left the authority as the post was included as a budget saving approved at full council. The individual was working closely with the Corporate Anti-Fraud Manager and Head of Internal Audit to undertake a corporate self assessment of fraud risks in an attempt to quantify the authorities' estimated losses to fraud and then draw up and implement an action plan to reduce the fraud risks and associated losses.

## **Section 3 – Further Information**

None

## **Section 4 – Financial Implications**

The financial implications have been shown where relevant, in the report.

## **Section 5 - Equalities implications**

None

## **Section 6 – Corporate Priorities**

The performance and outcomes of the Corporate Anti-Fraud Team contributes to all of the corporate priorities by detecting, investigating and pursuing matters of fraud and losses associated with fraud affecting council business

Name: Simon George.....  Chief Financial Officer

Date: 11/07/14...

## **Section 7 - Contact Details and Background Papers**

**Contact:** Justin Phillips, Corporate Anti-Fraud Manager

**Background Papers:** None

# Appendix 1

## CAFT Final Service Plan 2014-15

	Project Number, Name & Description	Expected Outcome	Performance Measures/Milestones	Priority Action?	By Whom (Lead)	By When	Transformation Link	Risk/Dependency	Workforce Implications	Service L&D Implications
1.	Deliver Housing/Council Tax Benefit sanctions	16 sanctions (work and potential resources transfer to DWP on 01/10/14)	Quarterly output of 8 sanctions		Justin Phillips	Sept 2014	No	Suitable cases and subject to SFIS transfer of work		None
2.	Housing Tenancy Fraud	Identification of 15 housing tenancies subject to misuse and targeted for possession action	Tenancies subject to misuse identified and surrendered or possession action sought. Notional costs of freed tenancies (£18,000 x waiting list time in years)		Justin Phillips/K Connell (Housing)	April 2015	No	Subject to suitable cases, timely housing management and Legal Services possession action		None
3.	Housing Tenancy data match	Undertake a housing tenancy data match with Experian to identify instances of housing fraud/misuse.	Data extraction and upload to be complete by April 2014 and work undertaken to target high risk properties throughout 2014		Justin Phillips/Karen Connell (Housing)	April 2015	No	Successful data upload		None

4.	<b>Pan London Housing Fraud Hub</b>	<b>Harrow data (CTRS, Housing &amp; Waiting list) input into pan London fraud hub for initial datamatch and more general interrogation to aid prevention of housing assessment fraud – subject to IT security</b>	<b>Data uploaded in appropriate specification and identification of housing assessment fraud cases</b>		<b>Justin Phillips</b>	<b>April 2015</b>	<b>No</b>	<b>Subject to data security requirements being satisfied</b>		<b>None</b>
5.	<b>Blue badge proactive fraud drives</b>	<b>Identification of blue badge misuse and associated follow up sanctions</b>	<b>Delivery of a fraud drive working with Met Police SNT's in each quarter</b>		<b>Justin Phillips</b>	<b>April 2015</b>	<b>No</b>	<b>Safer Neighbourhood Team resources</b>		<b>Some training required for new powers</b>
6.	<b>Fraud risk review of Direct Payment cases</b>	<b>Identification of direct payment fraud/financial irregularity through a sample review of high risks cases</b>	<b>DP fraud amounting to £50K identified and assistance provided with loss recovery</b>		<b>Justin Phillips</b>	<b>April 2015</b>	<b>No</b>	<b>Co-operation of Personalisation Team in accessing appropriate data</b>		<b>None</b>
7.	<b>Fraud risk review of Insurance cases</b>	<b>Identification of Insurance fraud/financial irregularity through a sample review of high risk cases</b>	<b>Insurance fraud amounting to £10K identified and assistance provided with loss recovery</b>		<b>Justin Phillips</b>	<b>April 2015</b>	<b>No</b>	<b>Appropriate cases being made available</b>		<b>Some development required by staff to understand Insurance business</b>

8.	<b>Proceeds of Crime Act 2002 (POCA)</b>	<b>Identify and pursue 4 suitable cases to recover criminal proceeds</b>	<b>15K recovered</b>		<b>Justin Phillips</b>	<b>April 2015</b>	<b>No</b>	<b>Availability of appropriate cases and Brent Trading Standards Financial Investigation Unit</b>		<b>None</b>
9.	<b>NFI 14/15 exercise data submissions</b>	<b>Data subject privacy notices reviewed, data extracted and uploaded securely to Audit Commission as per specification and to deadline</b>	<b>Data subject privacy notices compliant with Information Commissioner Guidance and data uploaded securely</b>		<b>Justin Phillips</b>	<b>Oct 2014</b>	<b>No</b>	<b>Co-operation of both internal and external organisations complying with data protection amendments to forms</b>		<b>None</b>
10.	<b>Income opportunities/generation</b>	<b>Identification of income through administrative penalties, caution fines and HB overpayment recovery through fraud work</b>	<b>20K recovered</b>		<b>Justin Phillips</b>	<b>April 2015</b>	<b>No</b>	<b>Availability of appropriate cases and subject to changes in the way this income is reflected for accounting purposes</b>		<b>None</b>
11.	<b>Deliver an anti-fraud week campaign</b>	<b>Deliver an anti-fraud week campaign and co-ordinate communications prior, during and after the week</b>	<b>Raised fraud awareness throughout borough and fraud identified each day through joint operations</b>		<b>Justin Phillips</b>	<b>April 2015</b>	<b>No</b>	<b>Co-operation of both internal and external organisations in planning and implementation</b>		<b>None</b>

12.	<b>Pilot Identity Authentication Solutions software (Trust ID) in Housing Services</b>	<b>Identification of compromised documentation at gateway preventing fraud entering the housing system</b>	<b>Complete trial of 8-12 weeks</b>		<b>Justin Phillips</b>	<b>Sept 2014</b>	<b>No</b>	<b>Resolution of IT issues</b>		<b>None</b>
13.	<b>Fraud risk review of housing assessment process</b>	<b>Identification of fraudulent housing applications / interception of cases before perm allocation of tenancy</b>	<b>Completion of review</b>		<b>Justin Phillips</b>	<b>Dec 2014</b>	<b>No</b>	<b>Co-operation of housing assessment /needs in flagging cases</b>		<b>None</b>

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**REPORT FOR: Governance, Audit, Risk  
Management and Standards  
Committee (GARMS)**

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**Date of Meeting:** 22 July 2014

**Subject:** **Draft Corporate Anti Fraud Policy Review**

**Responsible Officer:** Simon George – Director of Finance & Assurance

**Exempt:** No

**Enclosures:** Draft Corporate Anti-Fraud Policy  
Appendix 1

## **Section 1 – Summary**

The Committee is invited to review the Draft Corporate Anti-Fraud Policy which is attached at Appendix 1. The policy forms part of the constitution and will be reviewed by the other appropriate groups before being ratified.

### **FOR INFORMATION**

## **Section 2 – Report**

The Committee is invited to review the draft policy and agree its contents subject to any amendments. The amendments made to the existing Corporate Anti-Fraud Policy are to reflect legislative and organisational changes

## **Section 3 – Further Information**

None

## **Section 4 – Financial Implications**

None

## **Section 5 - Equalities implications**

None

## **Section 6 – Corporate Priorities**

This policy has been updated to reflect current Corporate Priorities

Name: Simon George.....  Chief Financial Officer

Date: 11/07/14...

## **Section 7 - Contact Details and Background Papers**

**Contact:** Justin Phillips, Corporate Anti-Fraud Manager

**Background Papers:**

**None**

## Appendix 1



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**HARROW COUNCIL**

**CORPORATE ANTI-FRAUD POLICY**

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## LETTER FROM THE LEADER AND INTERIM HEAD OF PAID SERVICE

**To: All Members and Employees**

HARROW Council is committed to helping the vulnerable and families, and nowhere is this work more important than in ensuring they get the financial help they need.

The work of the Corporate Anti-Fraud team is vital in ensuring that the benefits system is administered fairly. It is right that we take robust action through the courts to stop abuses of benefits payments and seek to recover as much of this money as possible.

This administration has resident engagement and building strong communities at its core. Nothing is more corrosive of that vision than those who selfishly exploit the system. This robust stance applies equally to the authority's own employees. The public rightfully expects the Council to exercise the utmost care in seeing that only those who are truly entitled to financial help receive it.

As Harrow's largest employer, the Council has a duty to make clear to all members, employees and contractors that malpractice in any form will not be tolerated. The authority needs to demonstrate the highest standards of probity and transparency. All council employees are reminded that it is their duty to report any financial or professional misconduct. The Council has a well established 'whistle blowing' procedure and will always investigate when presented with serious concerns.

This Corporate Anti-Fraud Policy sets out the responsibilities the Council expects from its staff. We urge you to study it carefully and join with us in ensuring Harrow Council retains its good name for corporate Governance and fairness.



**Leader of the Council  
Cllr David Perry**



**Paul Najsarek  
Interim Head of Paid Service**

**HARROW COUNCIL**  
**CORPORATE ANTI-FRAUD POLICY**

**1.0 FOREWORD**

- 1.1** This document sets out the Council's policy and framework in relation to fraud and corruption which will be reviewed on an annual basis. It has the full support of the Council's Members and the Corporate Leadership Group. The Council is committed to the elimination of fraud, corruption, bribery and misappropriation and to the promotion of high standards of integrity.
- 1.2** The United Kingdom public sector maintains high standards of probity and has a good reputation for protecting public finances. Sound systems of public accountability are vital to effective management and in maintaining public confidence. Harrow Council shares these high standards and is committed to protecting the public funds entrusted to it. The minimisation of losses to fraud is essential for ensuring that public resources are used for their intended purpose, that of providing services to the citizens of Harrow.
- 1.3** The public is entitled to expect Harrow Council to conduct its business with integrity, honesty and transparency and demand the highest standards of conduct from those working for it. This Corporate Anti-Fraud Policy outlines the Council's commitment to creating an anti-fraud service & culture and maintaining high ethical standards in its administration of public funds. It also outlines the mechanisms in place to prevent, detect and investigate fraudulent activity.

## 2.0 INTRODUCTION

2.1 For the purposes of this policy, the definition of fraud is covered by The Fraud Act 2006 which came into force on 15<sup>th</sup> January 2007 which legally defined the act of fraud for the first time. The act repealed all the **deception** offences in the Theft Acts of 1968 and 1978 and replaced them with a single offence of fraud (Section 1 of the act) which can be committed in three different ways by:-

- False representation (Section 2 of the act);
- Failure to disclose information where there is a legal duty to do so (Section 3 of the act),
- Abuse of position (Section 4 of the act).

The Act also created new offences of possession (Section 6 of the act) and making or supplying articles for use in frauds (Section 7 of the act).

Obtaining services by deception was replaced by a new offence of obtaining services dishonestly (Section 11 of the act).

2.2 For allegations of fraud involving offences committed prior to 15 January 2007 and for outright theft which does not necessarily require a fraud to be committed, the following categories will still apply:-

- **Theft**  
Dishonestly appropriating the property of another with the intention of permanently depriving them of it (Theft Act 1968 & 1978). This may include the removal or misuse of funds, assets or cash.
- **False Accounting**  
Dishonestly destroying, defacing, concealing or falsifying any account, record or document required for any accounting purpose, with a view to personal gain or gain for another, or with intent to cause loss to another or furnishing information which is or maybe misleading, false or deceptive. (Theft Act 1968).

- **Deception**

Obtaining property or pecuniary advantage by deception (Section 15 and 16 of the Theft Act 1968) and obtaining services or evading a liability by deception (Section 1 and 2 of the Theft Act 1978)

- **Collusion**

The term collusion describes any case in which someone incites, instigates, aids and abets, conspires or attempts to commit any of the crimes listed above.

- **Bribery**

The Bribery Act 2010 came into force in on 1<sup>st</sup> July 2011 and repeals and replaces existing bribery offences. It is designed to combat bribery and corruption in both public and private sectors. Section 1 of the Act introduces a criminal offence of offering, promising or giving a bribe (active bribery) and Section 2 introduces an offence of requesting, agreeing to receive or accepting a bribe (passive bribery). Bribery is defined as giving someone financial or other advantage to encourage that person to perform their functions or activities improperly or to reward that person for having already done so. The Act also sets out two further offences which specifically address commercial bribery

Bribes do not have to be monetary to be covered by the Act and can amount to some other advantage. Nor do they actually have to be received for an offence to take place.

Whilst the authority has not adopted a specific Bribery policy, the implications of the legislation will inevitably impact upon various parts of the business and other existing policies such as the employee and the member code of conduct, the conduct procedure, whistleblowing, financial regulations and procurement and risk management procedures. Changes have been made to these policies to reflect the new legislation.

**2.3** The policy defines roles and responsibilities for dealing with the threat of fraud and corruption, both internally and externally and it applies to the following groups.

- The Corporate Anti-Fraud Team and Internal Audit
- Members
- Employees
- Contractors and suppliers

- The Public and external organisations

**2.4** In all its dealings, the Authority will adhere to the seven principles of public life set out in the Nolan Committee's report on *Standards in Public Life*.

- ***Selflessness***

Holders of public office should take decisions solely in terms of the public interest. They should not do so in order to gain financial or other material benefits for themselves, their families, or their friends.

- ***Integrity***

Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might influence them in the performance of their official duties.

- ***Objectivity***

In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit.

- ***Accountability***

Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.

- ***Openness***

Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands. Openness requires an inclusive approach, an outward focus and a commitment to partnership working.

- ***Honesty***

*Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.*

- **Leadership**

*Holders of public office should promote and support these principles by leadership and example.*

DRAFT

### 3.0 THE ANTI-FRAUD FRAMEWORK

The Council takes ultimate responsibility for the protection of its finances and those that are administered on behalf of the Government. The Council recognises that fraud and corruption are costly in terms of reputational risk and financial loss. The Corporate Governance Framework which underpins the Council's activities has a number of components that exist to protect the Council against fraud and corruption. These are:-

- **Members Code of Conduct**

*This contains guidance on pecuniary and non-pecuniary interests, confidentiality, access to documents and meetings, relationships between members and officers, gifts and hospitality; Contract Procedure Rules and Financial Regulations, and the Constitution.*

- **Code of Conduct for Council Employees**

This covers general standards; financial and non-financial interests; relationships with colleagues, managers, councillors, contractors, the press and the public; health and safety; care of money and property; political neutrality and political restrictions; and responsibilities of Directors and Chief Officers.

- **Register of Interests, Gifts and Hospitality**

This is covered in both of the above codes and illustrates clear advice when dealing with any situations concerning interests, gifts and hospitality

- **The Constitution**

The Council Constitution sets out how the Council will manage its affairs. **Financial Regulations** provide the framework within which the Council manages its finances and safeguards its assets. They are issued by the Council and are binding on all employees.

- **Internal Audits & controls**

These are undertaken by the Authority's Internal Audit (IA) department in accordance with the requirements of the Accounts and Audit Regulations 2011 and associated professional guidelines. Reviews of control systems are conducted across all departments of the Council and coverage is determined using an objective risk based process. The reviews provide assurance on the effectiveness of internal controls, and alert managers to system weaknesses in order that corrective action can be taken

to minimise risk. Ongoing advice on risk management and control improvement is also provided. An annual report on coverage and key findings is submitted to the Governance, Audit & Risk Management Committee (GARM).

- **External Audits**

External audits are carried out by Deloitte and Touche in accordance with the provisions of the Audit Commission Act 1998, the Accounts and Audit Regulations 2011 and the accompanying Code of Audit Practice. The external auditor undertakes a planned programme of work across the Authority, including an annual review of the Authority's arrangements for preventing and detecting fraud and corruption. The External Auditor presents an annual report on coverage and key findings to the Cabinet and to the Governance, Audit & Risk Management Committee (GARM).

- **Independent External Inspection**

The Authority is subject to regular inspection by a number of external agencies and the Local Government Ombudsman. These provide further independent evidence on the adequacy of systems and may highlight irregularities for further investigation.

- **Contract Procedure Rules**

These promote good purchasing and public accountability and deter fraud and corruption. Contract Procedure Rules are a supplement to the Financial Regulations and form part of the constitution. It covers officer responsibilities, competition requirements and basic principles of purchase and disposal of goods and services, partnership arrangements and exemptions/waivers of contract procedure rules. Failure to comply with these rules when letting contracts may result in disciplinary action, and employees have a duty to report breaches of the Contract procedure rules to an appropriate senior manager, internal audit or the CAFT. Further detailed advice can be sought from the Corporate Procurement Department.

- **National Fraud Initiative (NFI)**

As part of the annual external audit process, the Audit Commission requires the Authority to participate in the National Fraud Initiative (NFI). The Serious Crime Act 2007 gave the Audit Commission new statutory powers to conduct data matching exercises by inserting a new Part 2A into the Audit Commission Act 1998. The Authority provides data from its computer systems, which is matched with that of other authorities and agencies, to identify possible fraud. Details of matches are returned to the Authority where further internal investigations are undertaken to identify and pursue cases of fraud and irregularity. CAFT act as key contact for the authority in co-ordinating this exercise and ensuring that data subjects are informed in a timely manner when the exercise is undertaken as per best practice guidance from the Audit Commission and Information Commissioner .

- **Whistleblowing**

The Authority's whistleblowing policy enables employees to report concerns about malpractice or wrongdoing within the organisation without the fear of victimisation, whilst protecting officers and members from uninformed or vexatious allegations. The whistleblowing policy can be found in Harrow's policy index. Whistleblowers are also protected by the Public Interest Disclosure Act 1998.

- **Anti-Money Laundering Policy**

There have been significant changes to the legislation concerning money laundering (the Proceeds of Crime Act 2002 and the Money Laundering Regulations 2003), which have broadened the definition of money laundering and increased the range of activities caught by the statutory framework. Harrow's Money Laundering policy places a responsibility on all employees to report suspicious financial activity and on the Money Laundering Reporting Officer (MLRO), currently Interim Director of Resources, Julie Alderson, to ensure that suspicions are investigated appropriately.

- **Corporate Induction**

Harrow runs a Corporate Induction programme for all new staff which includes expected standards of probity in the workplace.

- **The Corporate Anti-Fraud Team (CAFT)**

The Corporate Anti-Fraud Team investigates allegations of fraud and corruption involving the authority, its members, employees, contractors and suppliers, the public and external organisations. Details of how allegations can be made to the team can be found at [www.harrow.gov.uk/fraud](http://www.harrow.gov.uk/fraud). They undertake reactive counter fraud work and an annual risk based programme of proactive counter fraud work which aims to create a zero tolerance culture. They are also responsible for completion of the National Public Sector Annual Fraud Survey co-ordinated by the Audit Commission currently on behalf of the National Fraud Authority. The work will be closely co-ordinated with Internal Audit so that the framework in place to deal with fraud is robust and thorough.

- **The National Anti-Fraud Network (NAFN)**

NAFN is the central point of contact for authorities to exchange information across the country and obtain intelligence relating to allegations of fraud and ongoing investigation queries. The authority is currently a member of NAFN and the CAFT actively encourage all internal enforcement teams to utilise the services they provide.

- **Fraud Response Plan**

The fraud response plan details instructions required at the point of discovery of fraud, to whom the fraud should be reported, how the authority investigates, securing evidence, guidance surrounding contact with employees under suspicion, interviewing, when to contact the police, guidance about the recovery of assets and how to mitigate the threat of future fraud by taking appropriate action to improve controls. Details of this can be found internally on the CAFT hub pages.

- **The Regulation of Investigatory Powers Act 2000 (RIPA)**

The Council has a policy surrounding the conduct of directed surveillance and accessing communications data. It provides clear direction in terms of roles, responsibilities and legal obligations when considering this action. There have been important changes to this piece of legislation in November 2012 when seeking an authorisation. Further advice can be sought from Legal Services or CAFT on this matter.

- **Prosecution and Sanction Policy**

CAFT is responsible for drafting the Prosecution and Sanction Policy in relation to criminal investigations conducted by CAFT on matters of fraud and corruption. Advice should be sought from them concerning this policy.

- **Effective recruitment & selection procedures**

The Council's Recruitment and Selection Procedure ensures that employees are appointed on merit and provides controls to eliminate the appointment of unsuitable persons: This can be found in Harrow's policy index.

- **Conduct Procedure**

The Council's Conduct Procedure aims to help and encourage all employees to achieve and maintain acceptable standards of conduct. This can be found in Harrow's policy index.

- **Harrow Strategic Partnership**

The Crime and Disorder Act 1998 requires the Metropolitan Police Service and other specified bodies to undertake prescribed steps in a crime reduction initiative for London. As a result, partnerships have been developed with London local authorities, with the aim of identifying areas where increased liaison can reduce levels of crime, and enhance the effectiveness of fraud and corruption investigation in the public sector. This is achieved through intelligence sharing, the development of partnership protocols, crime prevention and training.

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## **4.0 THE FRAUD THREATS**

The Council is responsible for administering public finances and undertakes many transactions including direct income and expenditure and those activities that we administer on behalf of Central Government. Those seeking to defraud the Council may target these sources of income and expenditure and valuable assets especially in times of great change, with the Welfare Reforms having a huge impact upon Council's services.

The Council will be vigilant in all of these areas and will be proactive in prevention, detection, investigation, pursuit and remedy. The Council will not be afraid to meet a difficult challenge head on and confront uncomfortable situations where it is felt appropriate. The authority will always seek to take a robust line and press for the strongest sanctions against those intent on committing fraud, including criminal prosecution and confiscation under the Proceeds of Crime Act 2002.

## **5.0 ROLES AND RESPONSIBILITIES**

### **5.1 Corporate Anti-Fraud Team and Internal Audit**

Both the CAFT and Internal Audit will together provide the Council's Anti-Fraud Service. IA will ensure that sound and effective audit is undertaken of the Council systems and processes. CAFT will utilise all methods to detect, prevent, investigate and pursue fraud. This includes data-matching, data mining, open source research, surveillance and intelligence led investigations. The two branches of the operation will work closely in a seamless manner to assist management to implement appropriate controls and provide solutions to control failures.

The Council actively encourages employees to whistleblow on colleagues who are suspected of committing fraud. The Whistleblowing policy provides further details on how employees can utilise the protection offered by the Public Interest Disclosure Act 1998. All employees, the public and members are encouraged to contact the CAFT or IA with any suspicion of fraud, corruption, financial malpractice or the abuse of official position.

CAFT is responsible for assessing the authorities counter fraud arrangements and performance against professional guidance and findings of internal reviews and investigations. Benchmarking will be used to assess counter fraud arrangements to ensure that there is value for money central to counter fraud activity

Both the CAFT and IA report to the Director of Finance and Assurance (Section 151 Officer) and is authorised to investigate allegations of fraud and corruption under Section 222 of the Local Government Act 1972.

## 5.2 Members

Members are expected to act in a manner which sets an example to the community whom they represent and to the employees of the council who deliver services.

Members will comply with the Members Code of Conduct. This contains guidance on pecuniary and non-pecuniary interests, confidentiality, access to documents and meetings, relationships between members and officers, gifts and hospitality; Contract Procedure Rules and Financial Regulations and Standards, and the Constitution. Also included is the code of practice for dealing with contraventions of Section 114 of the Local Government Act 1988 ('financial irregularities').

After approving a Corporate Anti-Fraud Policy, members will be expected to play an important role through leading by example and supporting it.

Allegations about members that are received by either IA or CAFT will be referred to the Monitoring Officer immediately. The Monitoring Officer may use the services of the CAFT or IA for the purposes of any investigations.

All allegations of fraud and corruption made against our Members will be fully investigated in accordance with the provisions of the Local Government Act 2000.

## 5.3 Employees

Our employees are the first line of defence against fraud and corruption. They are expected to conduct themselves in ways which are beyond reproach, above suspicion and fully accountable. It is the responsibility of directors and managers to be aware of the appropriate financial regulations and anti-fraud policy and to be responsible for ensuring compliance to them by the staff for which they are responsible.

We acknowledge that our systems are vulnerable from attack from within the authority, particularly by those intent on gaining knowledge of control weaknesses through their official position. Prevention is far more cost effective than cure and managers must

establish and maintain systems of internal control ensuring that the Council's resources are properly applied on the activities intended. This includes the responsibility for the prevention and detection of fraud, corruption and financial malpractice.

All personnel employed by or on behalf of the Council have a duty to assist with an investigation. Failure to do so may be considered a breach of trust or failure to comply with financial regulations which could lead to disciplinary action under the Conduct procedure.

Those employees that commit fraud against the Council will be subject to disciplinary action, civil action or criminal prosecution or all of the afore mentioned where deemed appropriate. We will also recommend disciplinary action against those that commit fraud against other Local Authorities, the Department for Works and Pensions or any other agency administering public funds.

It is of paramount importance that employees are aware of the implications of owing or withholding money or property due to the Council, where there is no legal basis for doing so. Owing or withholding money due to the Council without good reason is potentially a misconduct matter, contrary to 8.1.2 of the Employee Code of Conduct.

Advice & assistance will be provided by CAFT and IA to the Human Resources Department relating to the recruitment process and employee conduct in relation to fraud. The Council's Recruitment and Selection Procedure ensures that employees are appointed on merit and provides controls to eliminate the appointment of unsuitable persons:-

- Applicants are required to complete an application form and declare any criminal convictions that are not spent. Where appropriate, applicants are also required to declare all past offences or pending prosecutions and may also be subject to a police check.
- New employees are required to provide a National Insurance number which is validated in accordance with Department for Work and Pensions procedures.
- Applicants are required to produce documentary evidence of any qualifications they claim to hold. If doubt arises as to the authenticity of a qualification, this will be verified with the examination board /professional body. The CAFT can provide assistance in this area.
- Written references are requested for all successful applicants, one of which must be obtained from the most recent/relevant employer. The Council's fidelity insurance guarantee requires that applicants for posts with responsibility for money, goods, accounts, or computer programming/operation of financial systems must provide satisfactory references from all employers during the previous 3 years. If doubt arises as to the authenticity of references then further checks should be carried out to confirm. The CAFT can provide assistance in this area.

- Applicants who are offered appointments are required to provide proof of eligibility to work in the UK prior to commencing employment. Sections 15 to 26 of The Immigration, Asylum and Nationality Act 2006 that came into force on 29 February 2008 places responsibilities on employers to ensure that an employee has the right to work in the UK. Failure to comply with this act may result in either criminal or civil proceedings being taken against employers for a breach. The civil penalty for a breach can be anything up to £10,000 per illegal worker and the criminal penalty of knowingly employing an illegal worker can result in a prison sentence of up to 2 years and/or an unlimited fine.
- Any suspicions concerning documentation confirming eligibility to work in the UK or identity documentation should be referred to the CAFT immediately for further enquiries to be made.

#### **5.4 Contractors and suppliers**

Those organisations employed to work on behalf of the Council are expected to maintain strong anti-fraud principles. Our contract partners will be expected to have adequate recruitment procedures and controls when they are administering finance on behalf of the Council.

We expect our partners to have appropriate controls in place to minimise fraud and to provide access to their financial records as they relate to our finances, and their staff will be required to assist fully in any investigation.

We will seek the strongest available sanctions against contractors that commit fraud against the Council or who commit fraud against public funds. We will request that the organisation takes necessary action against the individual and we will require them to be removed from the Harrow account.

#### **5.5 The Public and external organisations**

Members of the public receive financial assistance and benefits from the Council through a variety of services. These include Council Tenancies, Temporary Accommodation, Renovation and other housing related grants, Housing and Council Tax Support, Council Tax discounts, Right to Buy discounts, Direct care payments and Parking concessions. At some time or another these areas have been subject to attack by those intent on committing fraud which means that there is less money and resources available for those in genuine need.

Historically, Housing Benefit has received significant focus from Investigation resources due to the sheer scale of the financial support the scheme receives from Central government but there are changes in progress through Government Welfare Reforms which will eventually see Housing Benefit be phased out and replaced by Universal Credit. Council Tax Benefit was abolished in April 2013 and replaced by a localised; Council Tax Replacement Scheme presenting huge financial challenges for the authority as funding for the scheme has been reduced. The government also has plans to pass responsibility for investigating Welfare Benefit fraud to a Single Fraud Investigation Service from 2014/15 onwards. Projects such as the National Fraud Initiative (NFI), the Housing Benefit Matching Service and partnership working with agencies like the DWP, HMRC, The UK Border Agency, the Metropolitan Police and the Pensions Service have strengthened the good work already being done.

Nevertheless, it is recognised that the above mentioned areas require the same focus but will perhaps not receive the same volume of cases in terms of investigations as Housing Benefit. The same principles of investigations will apply across the board where fraud and corruption is alleged.

All applications for financial or other assistance will be verified to the highest standard and all data available to the Council will be used to corroborate information provided by applicants for the purposes of preventing and detecting fraud. All staff involved in assessing applications for assistance and/or verifying identification documentation submitted in support of applications will be provided with ongoing fraud awareness training through an e-learning package hosted by the learning pool.

Fraud trends will be analysed to identify high risk areas and this will be supported by pro-active fraud drives based upon that analysis and consideration for inclusion in the Fraud Plan Programme implemented by the CAFT each year.

Information exchange will be conducted where allegations are received within the framework of the Data Protection Act 1998 for the purposes of preventing and detecting crime or under statutory legislation where it exists.

The Council will make full use of its statutory powers including the power to enter business premises and obtain information regarding benefit customers and the authority to seek information from financial institutions and utilities companies in respect of benefit claims.

We will apply appropriate sanctions in all cases where it is felt that fraud or attempted fraud has been perpetrated against the authority. These will range from official warnings to crown court prosecution. We will also seek to recover any monies obtained fraudulently, including freezing assets, utilising the Proceeds of Crime Act 2002, confiscation orders, civil recovery and general debt recovery.

We will use the Council's Legal Services Department and the Crown Prosecution Service to bring offenders to justice. Prosecutions will not be limited to Housing and Council Tax Benefit fraud cases but will include any area within the Council where there is evidence to indicate a fraud related offence has been committed and the case meets the standards required in the CAFT Prosecution and Sanction Policy and *The Code for Crown Prosecutors*.

As a deterrent, we will publicise our successful sanctions through the Council's Communications Team and in the local and national media where the law allows us to do so and periodically run targeted anti-fraud campaigns within the borough to raise fraud awareness. On occasions the authority will also seek to be featured in TV work focusing on our successful fraud cases.

Any suspicion of fraud should be referred to CAFT using the appropriate referral forms found on the intranet and website.

Public and/or internal fraud allegations can be made via the website [www.harrow.gov.uk/fraud](http://www.harrow.gov.uk/fraud) or by e-mailing information through to [fraud@harrow.gov.uk](mailto:fraud@harrow.gov.uk)

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## 6.0 PROSECUTION AND SANCTION POLICY

Where evidence of fraud and corruption is identified, appropriate sanctions will be sought in line with the Prosecution and Sanction Policy. Central to this policy is the Evidential and Public Interest Test which makes up *The Code for Crown Prosecutors*.

There are alternative case disposals options available to the CAFT at the end of an investigation where fraud is proven aside from Criminal prosecution. These are cautions, financial penalties and/or contributions paid by offenders towards costs and civil recovery of either property or illegal profits made as a result of fraudulent activity

All cases of proven fraud recommended for sanction are subjected to the evidential and public interest test by management so that there is consistency, cost effectiveness and to ensure that the process is robust and transparent.

The ultimate decision on prosecution is taken by the prosecuting body. In Harrow's case this maybe Legal Services on cases where they are instructed, or the Crown Prosecution Service on police led cases.

See CAFT Prosecution and Sanction Policy for more details.

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## 7.0 REPORTING AND PUBLICITY

Incidents of fraud and corruption are reported through the following mechanisms:

- **Governance, Audit & Risk Management Committee (GARM)**

The Governance, Audit & Risk Management Committee considers the circumstances of all significant irregularities, and can report on, and make recommendations to, the Cabinet or other appropriate body. Accordingly, the Director of Finance & Assurance reports progress on a six-monthly basis or as and when required, with an annual report summarising volumes and values and identifying trends. Similarly the Corporate Anti-Fraud Manager will submit regular reports to the Committee on the activities of the CAFT.

- **Audit Commission**

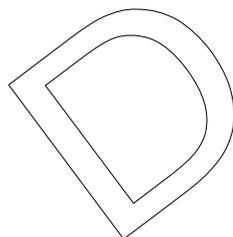
The Authority reports annually to the Audit Commission on identified cases of fraud and corruption and individually in cases as and when overpayments/losses are in excess of £10,000 in the form of an AF70 return. An annual fraud survey is also completed which feeds into the Governments Annual Fraud Indicator report.

- **Department for Work and Pensions (DWP)**

CAFT report Housing/Council Tax Benefit fraud activity on a quarterly basis to the DWP. The data includes overpayments, investigation resources, fraud referrals, investigations conducted and sanction outcomes.

- **Publicity**

Where appropriate, the Authority will publicise actions taken to identify fraud and corruption, and the outcomes of prosecutions using the Communications Team.



## 8.0 CONCLUSION

Harrow has in place a robust network of systems, policies and procedures to assist in the fight against fraud. It is determined to see that these arrangements will keep pace with future developments, in both preventative and detection techniques regarding fraudulent and corrupt activity affecting its operation or related responsibilities.

The authority is committed to identifying fraud at an early stage and putting in place remedies to prevent it re-occurring. It has committed trained professionals in place to deal with fraud both reactively and proactively.

An ounce of prevention is worth a pound of cure, however we realise that there are individuals and groups intent on penetrating even the most robust system of controls. Those that seek to take away resources from the community will be identified and the strongest penalties sought against them to deter others from attempting.

The approval of the policy by Cabinet demonstrates Harrows commitment to protecting public funds and minimising losses to fraud and corruption. Having made this commitment it is vital that Chief Officers put in place arrangements for disseminating the policy and promoting awareness throughout their departments.

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