ARA Counter Fraud Team 2022-23 Annual Report

August 2023

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1.   Introduction

1.1   The Counter Fraud Team (CFT) sits within the Audit Risk Assurance (ARA) shared service. It comprises of three fully qualified counter fraud and risk management specialists.

1.2   This summary document details the CFT's end of year progress against high level workstreams for Stroud District Council (SDC).

1.3   The report covers the following areas:

- Referral and case statistics;

- High level workstreams identified by the original plan;

- Individual actions identified by the original plan; and

- Annual fraud transparency data 2022-23

2.   Referral and Case Statistics

2.1   Information recorded on the CFT's case management system (OPUS) shows that within 2022-23:

3 new referrals relating to SDC

2	Referrals resulted at the triage stage (provision of analysis, intelligence, or controls)
1	Referrals converted into cases (full investigation under Terms of Reference)

4 cases worked on (including carried forward from previous years)

3	Pre-22/23 cases resulted and closed in-year
1	Case remains open under active investigation

2.2   Not all investigations (for example conduct, non-compliance and ethics issues) can have an assessed value attached to them or result in the recovery of monies. CFT investigations, analytics and consultative work may add value in other ways such as providing assurance to members and residents, reducing Council vulnerabilities and mitigating risk.

2.3   In addition to the above, counter fraud advice and alerts are routinely provided outside of the creation of referrals and cases. 33 intelligence alerts were provided in 2022-23.

3.   High Level Workstreams

2.4   High level workstreams cover the core business of the CFT. They must necessarily be the CFT's priority.

2.5   It should be noted that many of the areas marked 'completed' are repeated annually.

Workstream	Description	Progress
Corporate fraud investigations	All internal staff and contractor fraud All external threats to the partners and client including procurement fraud and bribery In line with the CFT Case Acceptance Criteria and Matrix, and subject to an agreed Terms of Reference.	Completed See paragraph 2 above for the detailed statistics.
Other investigations	Any referred fraud, corruption, bribery, and error investigations: for example, referred National Fraud Initiative, Right to Buy or Council Tax frauds.	Completed
Policy development and review	All fraud related policies, guidance, working procedures and processes. The CFT ensures that these reflect best practice and legislative requirements, whilst contributing to the overall objectives of the partner or client.	Creation of a Stroud Enforcement Policy Internal CFT policies - Stakeholder management plan - Communications Plan - Action Plan - FRM RIPA Group participation Counter Fraud Strategy, Statement and Policy - minor updates

Workstream	Description	Progress
Fraud alerts and intelligence	The CFT will share targeted and relevant information about the latest fraud news, trends, risks, and mitigations. Intelligence will be gathered from the CFT's professional memberships, obtained via formal and informal networks, or accrued from other reputable public and private sector organisations.	Completed; 34 alerts and intelligence notices issued (figures to date)
Fraud awareness and training	The provision of annual materials and communications around International Fraud Awareness Week; delivering bespoke training presentations or workshops upon request.	Completed - IFAW campaigns - Counter Fraud pages on Stroud intranet - Procurement training x2 sessions - PACE Interview training x5 sessions (inc. March) - Counter Fraud Awareness - Proud of Stroud x 2 sessions - Carolyne FRM - Bill FRM - Liverpool City Council FRM liaison
Fraud advice and support	The CFT can contribute to every aspect of its partner and client activity, for example producing Fraud Risk Assessments, conducting data analytics, or simply providing formal or informal advice. Advice may vary between fraud risk, compliance, prevention, detection, money laundering, and other criminal activity as well as misconduct and misuse of public funds. In all cases the CFT will consider and recommend appropriate actions such as disciplinary, asset or financial recovery, internal investigation, or law enforcement referral.	Completed - Member of the newly formed Multi Agencies Against Fraud (MAAF)

4.   Progress against Action Plan

2.6   Action Plan items are strategic in nature and aligned to the Fighting Fraud and Corruption Locally (FFCL) 2020 strategy for local government. They represent work beyond the core business.

2.7   Key for action plan tables:

GREEN = completed
AMBER = partially completed
RED = not started
WHITE = pending

FFCL Pillar - Govern
Robust arrangements and executive support ensure anti-fraud, bribery and corruption measures are fully embedded and working.

Area	Objective	Method	Outcome	Completion
Document CFT processes	Conduct annual review of counter fraud policies	Produce an ARA CFT Annual CF Action Plan (this document)	Plan produced, awaiting approval	Q3
Counter Fraud Case Management	Review Case Management System and update	Review and improve CFT's OPUS case management system, to include more streamlined and targeted reporting into partners and clients	Not started.	Q4
Stakeholder Management Plan	Clarify CFT's reporting responsibilities	Produce a Stakeholder Management Plan detailing what reporting requirements there are and to whom	Draft document completed, with CW and BJ for review	
Signposting	Maintain webpages and ensure referral routes are accessible	CFT are currently compiling a new CFT Intranet page for SDC. CFT will review the intranet pages for the other partners and client following this	New counter fraud intranet pages	Q4
The Regulator's Code	Create an Enforcement Policy which complies with the Regulator's Code	Produce draft policy, seek agreement from all areas of SDC with enforcement powers	Overarching SDC enforcement policy	Q3
Whistleblowing processes and training	Update whistleblowing processes to record and manage all reports	Design new holistic process then evolve, improve, and sign off that pilot process via working group	New whistleblowing process	Pending GCC pilot
Risk Management	Maintain comprehensive fraud risk registers	Update fraud risks, controls, and owners on an annual basis. This will be based upon our new Fraud Risk Management model (see below)	Fraud risk registers for each partner and client	Pending new framework
	Ensure fraud risk is full considered across ARA	Feed into the annual ARA Internal Audit planning process	Comprehensive annual Internal Audit Plan	Completed

Area	Objective	Method	Outcome	Completion
Training	Maintain the professional expertise of CFT staff	Identifying and attending relevant training courses and webinars.	Additional Fraud Risk Management training	Q4

FFCL Pillar - Acknowledge

Accessing and understanding fraud risks | Committing the right support to tackling fraud and corruption | Demonstrating a robust anti-fraud response | Communicating the risks to those charged with governance.

Area	Objective	Method	Outcome	Completion
Fraud Awareness	Promote the Counter Fraud policies amongst all stakeholders to increase awareness	Promotion of International Fraud Awareness Week (IFAW)		Q3
	Deliver fraud awareness training amongst officers, and members	Provide a minimum of one awareness session in period. Allows both the ability to add to the zero-tolerance culture and raises the profile of the department across the councils and businesses.		EOY
	Attend appropriate strategic meetings.	Identifying the most appropriate meeting(s) for CFT to attend. In conjunction with receiving feedback from other ARA Staff	Attendance at Audit Committee Meetings.	Q4
External Reporting	Ensure all strategic and compliance reporting is transparent and completed on time.	Fulfil all central government reporting requirements such as Transparency Data. Contribute to industry and government consultations. Respond to FOI requests.	Compliance	Ongoing

FFCL Pillar - Prevent

Making the best use of information and technology | Enhancing fraud controls and processes | Developing a more effective anti-fraud culture | Communicating anti-fraud activity and successes

Area	Objective	Method	Outcome	Completion
Comms	Deliver fraud communications in line with a communications strategy under development (internal and external)	Supply suitable material to promote International Fraud Awareness Week. Supply two Counter Fraud articles per year for publication and use by partners.	CF articles supplied to Ubico and GCiC on 26/04/22	
Intelligence Alerts	Issue fraud and scam alerts from reliable sources such as CIFAS and NAFN	Provide appropriate and targeted real-time fraud alerts to the relevant partners and clients.		Ongoing
Fraud Risk Management	Improve the Fraud Risk Management (FRM) process undertaken by CFT on behalf of our partners and clients.	Deliver new FRM framework. Produce and approve an FRM report which sets out a new regime for FRM across each partner and client, founded on annual fraud risk assessment plans.	Report ready for Head of ARA, Shared Service Board, S151 and Monitoring Officers and Audit Committees.	Q4
	Annual fraud risk assessment exercise	Develop and conduct an annual fraud risk assessment exercise per partner and client and report on findings.		Pending new framework
	Ad hoc fraud risk assessments	Encourage projects, procurements, policy authors and process changes to seek out CFT input to help de-risk their workstream.		Pending new framework
Control Measures	Provide an advisory service	Encourage service areas, directorates and ARA Portfolio leads to approach the CFT for advice and guidance in relation to potential irregularities, fraud risks and assistance with new procedures and processes in service areas, to mitigate fraud risks.	Data Analytics, ad hoc reports.	Ongoing
	Strengthen the internal control environment	Any suspected or significant controls weaknesses or fraud risks that are identified by an investigation or audit are subject to an ARA report and appropriate recommendations. ARA will follow up recommendations made in investigation reports, audit reports, data analytics work, and annual or ad hoc fraud risk assessments.	Recommendations agreed and actioned.	Ongoing
Risk Escalation	Ensuring that newly identified risks and control failures are communicated to people in a position to act on them.	Liaising and sharing information with ARA auditors and Risk Owners (fraud risk registers) where appropriate.		Ongoing
Data Analytics	Maximise proactive investigative opportunities from internal data matching and data analytics. Provide actionable and impactful recommendations from reactive (referred) data analysis work.	Utilise internal data matching to develop more data led pro-active investigations and allow the CFT to have a greater ability to investigate and adopt a preventative measures approach. To be achieved using tools such as GBG investigate and Idea	Improvement	Ongoing
National Fraud Initiative (NFI) Data Matching	Maximise proactive investigative opportunities from NFI	The CFT will co-ordinate this exercise for the partners. Datasets include areas such as Direct Payments, procurement, Pensions and Payroll alongside data from the partners.		Ongoing (biennial cycle)

FFCL Pillar - Pursue

Prioritising fraud recovery and civil sanctions | Developing capability and capacity to deter offenders | Collaborating across geographical and sectoral boundaries | Learning lessons and closing the gaps.

Area	Objective	Method	Outcome	Completion
Investigations	Conduct successful investigations	Investigate suspected frauds, subject to an agreed Terms of Reference. Effectively pursue fraudsters by risk assessing and reacting to all instances of internal and external fraud, corruption, or bribery.		
National Fraud Initiative (NFI)	Facilitate NFI enquiries from within SDC and from external third parties	Help coordinate investigations referred to the CFT by the relevant teams processing NFI matches.		
Investigation Techniques	Obtain capability to use powers under Investigatory Powers Act (IPA) 2016	Consult with ICT to ensure that required software is added to CFT members laptops to enable access to NAFN's online IPA Application process	Ability and infrastructure to obtain communications data where appropriate for CFT investigations	Completed
	Increase the PACE interviewing skills of SDC officers who undertake interviews	CFT to run a one-day Interview Skills workshop with staff who conduct PACE compliant interviews under caution (IUCs)	Multiple interview skills workshops delivered.	Completed
Recovery	Initiate financial investigations under the Proceeds of Crime Act in relation to all frauds (where appropriate) to ensure that criminals do not profit from their actions.	CFT will engage Trading Standards Financial Investigators to assist investigations, where appropriate. Other recoveries may be made through salary sacrifice or invoicing. The debt collection team chases non-payment.		

FFCL Pillar - Protect

Recognising the harm that fraud can cause to partners, clients and in the community | Protecting partners, clients and communities from fraud, bribery, corruption, and irregularity.

Area	Objective	Method	Outcome	Completion
All	The above actions will ensure every element of the 'protect' pillar are considered and addressed			

5.   Local Government Transparency Return 2022-23

2.8   The report above covers work carried out by the CFT. The Council also has access to the services of the Counter Fraud and Enforcement Unit. The CFT reports annually on this combined counter fraud function in accordance with the Local Government Transparency Code 2015:

(7b)   Local Government Transparency Code 2015

Introduction

This Code is issued to meet the Government's desire to place more power into citizens' hands to increase democratic accountability and make it easier for local people to contribute to the local decision making process and help shape public services.

Transparency is the foundation of local accountability and the key that gives people the tools and information they need to enable them to play a bigger role in society. The availability of data can also open new markets for local business, the voluntary and community sectors and social enterprises to run services or manage public assets.

Detecting and preventing fraud (taken from Annex B of code)

Tackling fraud is an integral part of ensuring that taxpayers' money is used to protect resources for frontline services. The cost of fraud to local government was estimated within the FFCL strategy in 2020 as £2.1 billion a year although it was thought to be underestimated at the time. In 2017 the Annual Fraud Indicator produced by Crowe Clark Whitehill, in collaboration with Experian and the Centre for Counter Fraud studies at the University of Portsmouth, estimated that the true figure may be as high as £7.8bn from a total of £40.4bn for the public sector as a whole. Every pound lost to fraud is a pound not spent on supporting local communities and is money that can be better used to support the delivery of front-line services and make savings for local taxpayers.

A culture of transparency should strengthen counter-fraud controls. The Code makes it clear that fraud can thrive where decisions are not open to scrutiny and details of spending, contracts and service provision are hidden from view. Greater transparency, and the provisions in this Code, can help combat fraud.

Local authorities must annually publish the following information about their counter fraud work (as detailed for Stroud District Council) in the table overleaf:

Question	Stroud District Council Response
Number of occasions they use powers under the Prevention of Social Housing Fraud (Power to Require Information) (England) Regulations 2014, or CTRS Regs 2013.	5
Total number (absolute and full time equivalent) of employees undertaking investigations and prosecutions of fraud.	The Council has access to 2.7 FTE fraud investigators as part of the Counter Fraud Team (CFT) within the Audit Risk Assurance (ARA) Internal Audit shared service arrangement. Additional access to the Counter Fraud and Enforcement Unit (CFEU).
Total number (absolute and full time equivalent) of professionally accredited counter fraud specialists.	The Council has access to 2.7 FTE fraud investigators as part of the ARA Internal Audit shared service arrangement. Additional access to the Counter Fraud and Enforcement Unit (CFEU).
Total amount spent by the authority on the investigation and prosecution of fraud.	Approximately £5,616 in staff time from ARA. Approximately £29,638 in staff time from CFEU. Staff employed by SDC unknown.
Total number of fraud cases investigated.	4 investigated by ARA. 38 investigated by CFEU.
Total number of cases of irregularity investigated.	4 investigated by ARA. 38 investigated by CFEU.

2.9   In addition to the above, it is recommended that local authorities should go further than the minimum publication requirements set out above (as detailed for Stroud District Council) in the table below:

Question	ARA		CFEU	
	(a) Fraud	(b) Irregularity	(a) Fraud	(b) Irregularity
Total number of occasions on which a) fraud, and b) irregularity was identified.	2	2	0	3
Total monetary value of a) the fraud and b) the irregularity that was detected.	£0	£5,895	£0	£2,572
	(Excluding ongoing cases where value is currently not known)			
Total monetary value of a) the fraud and b) the irregularity that was recovered	£0	£0	£0	£0
	(Includes monies recovered in year but related to previous years. Excludes ongoing cases and recoveries not made within 2022/23)			