Counter Fraud and Corruption Strategy

October 2022

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Foreword

Essex County Council is one of the largest local authorities in the country. We provide vital services to approximately 1.5m residents, have a gross budget of over £2 billion a year and employ almost 9,000 people (full time equivalent). The Council pays pensions to a further 45,000 people and manages property, investments and other assets worth billions of pounds. We take our responsibility as the guardians of public money very seriously, which is why it is vitally important that we have in place a clear and comprehensive Counter Fraud and Anti-Corruption Strategy.

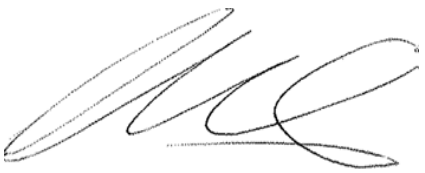
Fraud and corruption cheats the local tax payer and undermines our capacity to achieve our strategic aims.

We are determined to do all we can to prevent and detect fraud and corruption from within and outside the Council. We therefore advocate a zero tolerance approach and will seek to prevent fraud and corruption in all areas of our activities. Where any instances are discovered, the Council will take all action as is necessary to hold perpetrators to account and reduce losses to an absolute minimum.

The Council have designed this strategy to fight fraud and corruption by acknowledging and understanding our fraud risks, preventing and detecting fraud and being robust in punishing fraud and recovering losses. All Members and employees have a responsibility for promoting an anti-fraud culture by ensuring that effective measures are in place to prevent fraud and corruption and by promptly identifying and reporting potential instances for investigation.

I am pleased to support this updated and revised Counter Fraud and Corruption Strategy as a key component in our fight against fraud and corruption at Essex County Council.





Councillor Christopher Whitbread

Cabinet Member for Finance, Resources and Corporate Affairs

Introduction

Whilst it is notoriously hard to quantify, fraud and corruption has been estimated by the National Fraud Authority as costing 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 that as a leading Local Authority Essex County Council has a comprehensive strategy in place to guide our Counter Fraud and Corruption culture, prevention and response. Through its members and officers, the Council works hard to establish a reputation as a responsible guardian of public funds, but we need to be vigilant to ensure that this reputation is safeguarded.

We will do our utmost to foster a culture in which fraud and corruption are kept to a minimum, and any attempt to conduct illegal activity, either internally or externally, against the Council will be robustly investigated. 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.

Fraud

Fraud can be broadly described as acting dishonestly with the intention of making a gain for themselves or another, or inflicting a loss (or a risk of loss) on another; including:

- Dishonestly making a false representation
- Dishonestly failing to disclose to another person, information which they are under a legal duty to disclose
- Committing fraud by abuse of position, including any offence as defined in the Fraud Act 2006

The Fraud Act 2006 can be found here.

Bribery and Corruption

The Bribery Act 2010 defines bribery as "the inducement for an action which is illegal, unethical or a breach of trust. Inducements can take the form of gifts, loans, fees, rewards or other advantages whether monetary or otherwise".

Corruption is the abuse of entrusted power for private gain. It affects everyone who depends on the integrity of people in a position of authority.

Section 7 of the Act created the offence of failure by an organisation to prevent a bribe being paid for or on its behalf. It is possible to provide a defence by implementing adequate procedures to prevent bribery occurring within the organisation. If these cannot be demonstrated and an offence of bribery is committed within the organisation senior officers of the County Council can be held accountable.

Aim of the Counter Fraud and Corruption Strategy

The aim of this strategy is to protect the public purse, Essex residents and ECC assets and ensure that fraud and corruption both within ECC and perpetrated against ECC are kept to an absolute minimum. In instances where fraud and corruption cannot be prevented, effective measures are taken to ensure that a consistent approach is taken to tackling fraud and error. We aim to ensure that robust investigations are conducted and where necessary appropriate sanctions are applied.

By adopting this strategy the council commits to:

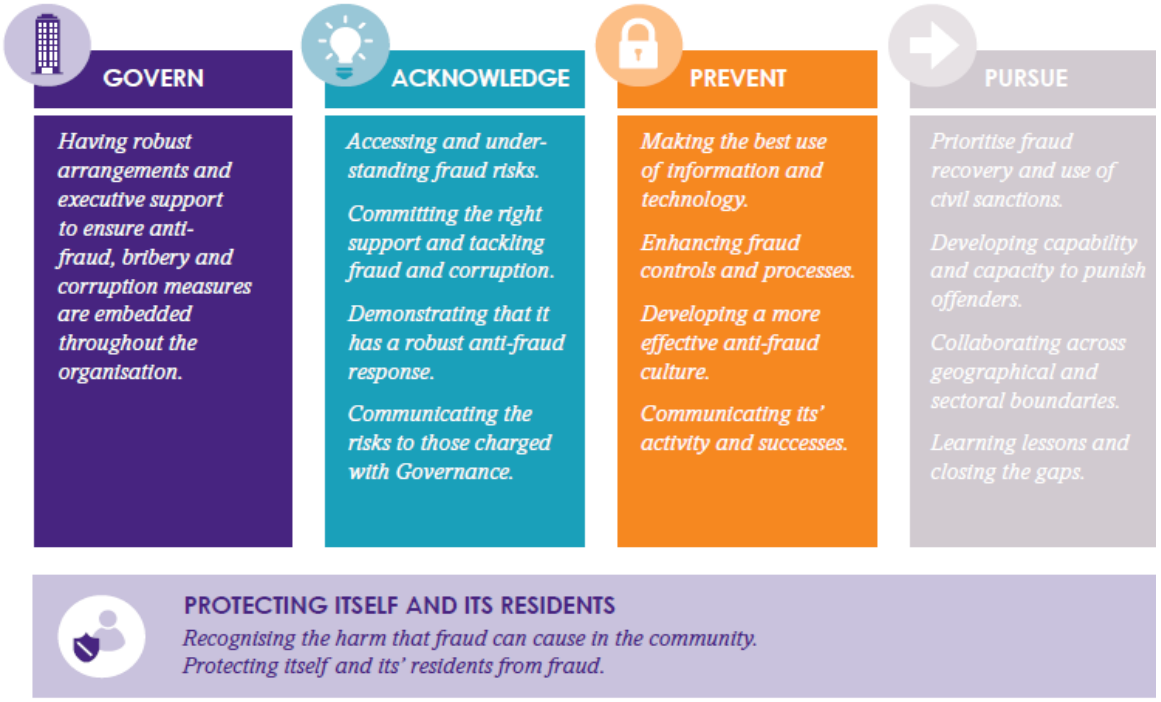
- Develop and maintain a culture in which fraud and corruption are unacceptable
- Continually asses and monitor our fraud risks and control framework
- Continually improve the effectiveness of fraud prevention
- Use technology in the fight against fraud
- Share information effectively via data matching and analysis to help prevent and detect instances of fraud and error
- Maximise the detection of fraud loss and robustly recover losses
- Bring fraudsters to account quickly and efficiently
- Work collaboratively to safeguard vulnerable service users who may be subject to financial abuse.

Our Principles

In compiling the strategy, we have incorporated guidance and best practice in combatting fraud within local government, devised from a number of different sources, as follows:

- Fighting Fraud and Corruption Locally (FFCL) a strategy for the 2020s
- Ministry of Housing, Communities and Local Government - Review into the risks of fraud and corruption in local government procurement
- The CiPFA Counter Fraud Centre

The FFCL strategy highlights the following pillars of activity that local authorities should focus its efforts on to tackle the threat of Fraud.



Protect

The Council takes the threat of fraud and bribery seriously, in that it has the necessary dedicated and specialist resource, comprising of the Counter Fraud and Internal Audit team. These teams are focused on coordinating the approach that the Council takes in protecting its assets and finances from fraud and bribery. The Counter Fraud and Internal Audit teams work closely together to ensure that the Council has a robust control framework in place to reduce the risk of fraud and error.

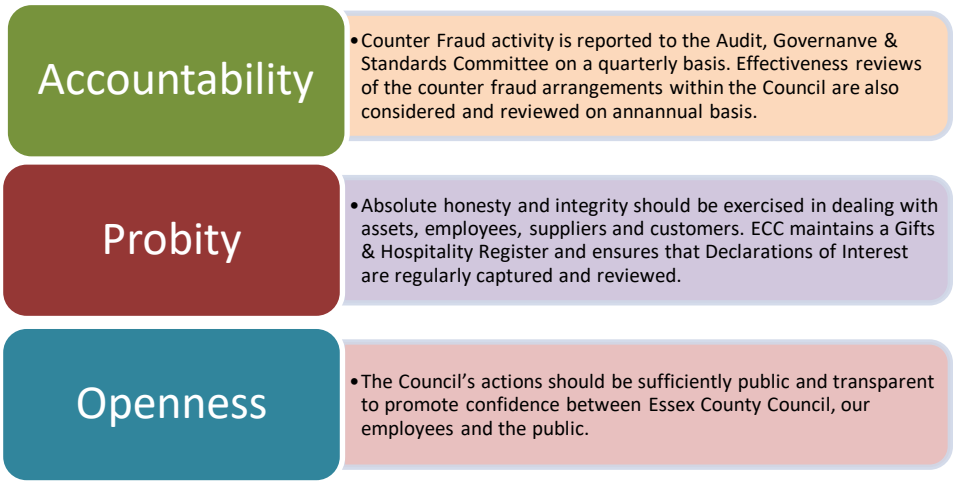
The overarching objective of the strategy is to recognise the damage that fraud can do to the Council and the residents it aims to serve and protect. We are mindful that every pound lost to fraud and error is one which cannot be spent on Essex residents.

Govern

The bedrock of the strategy is that those who are charged with governance support the activity by ensuring that there are robust arrangements and executive support to ensure counter fraud, bribery and corruption measures are embedded throughout the organisation.

New staff are made aware at induction of their responsibilities and standards of behavior required, which is documented within the Code of Conduct. The Council also promotes the seven principles of public life put forward by the Committee on Standards in Public Life and expect all our staff, contractors, and councillors to make themselves aware of and to follow these principles and all legal rules, procedures and practices, and to protect our legitimate interests at all times.

The Council is committed to the highest ethical standards; high standards of corporate and personal conduct are a requirement throughout the Council. The three fundamental public service values are:



Staff are made aware of how to report concerns via the Whistle-blowing Policy
Anonymous referrals may also be made via the Council's external line, EthicsPoint

Acknowledge

Anti-Fraud Response - Essex County Council accepts that no authority is immune from the risk of fraud or bribery. It is for this very reason that we have implemented a bespoke work programme based on an assessment of risk, to undertake proactive work to protect the assets and finances of the Council.

Training and Awareness - the Council is also committed to providing all employees with sufficient training to enable them to identify and report fraud in a timely manner. This is achieved via e-learning modules at induction. The Counter Fraud Team offer bespoke training packages for key staff within the Council.

The Council also informs councillors of their responsibilities at the induction and reminds them of their responsibilities and update them on developments regularly. Details are also included within the documents published on the Members' portal. These include rules on declaring and registering any possible areas of conflict between a councillor's duties to the County Council duties and any other area of their personal or professional life.

Understanding Fraud Risks - the Council regularly reviews its approach to tackling fraud, with a focus on emerging risks and current themes and trends which occur across the Council, or wider across other local government areas. A fraud risk register is maintained and regularly reviewed by the Counter Fraud team to identify the key fraud risks that the Council is exposed to.

Collaboration - The Counter Fraud Team liaise with colleagues from other authorities to keep abreast of new challenges and emerging risk areas. The Team work closely with service areas to understand fraud risks in their operational areas. A fraud risk register is maintained and updated on an annual basis and used to inform a schedule of proactive work.

Prevent

Prevention is the best and most efficient way to tackle fraud and prevent losses to the Council. Effective prevention will adopt a range of activities to achieve the best outcome.

Enhancing fraud controls and processes - the Counter Fraud Team work closely with Internal Audit colleagues to ensure that a robust control framework is in place within the Council, and recommendations to rectify any system weaknesses are recorded and monitored via our centralised tracking system.

Making the best use of information and technology - a collaborative approach is adopted, working with colleagues in other authorities on data matching initiatives to help prevent fraud throughout Essex. We participate in mandatory National initiatives, for example the National Fraud initiative (NFI) on a biennial basis and also subscribe to other data matching initiatives to help identify any errors or fraudulent activity.

Data analytics - the Counter Fraud Team has a dedicated Data Analyst who completes a programme of internal data matching initiatives to help to identify erroneous or fraudulent transactions and take remedial action as necessary.

Developing a more effective anti-fraud culture – the culture of an organisation can represent one of its greatest defences against fraud and corruption. All Members and employees have a responsibility for promoting a culture of good governance by ensuring that effective measures are in place to prevent fraud and corruption and by promptly identifying and reporting potential instances for investigation. We have a Whistleblowing Policy in place to ensure that suspicions of fraud and error may be reported and robustly investigated.

Communicating its activity and successes - The Council will make best use of its communications strategy to highlight instances of fraud, for the purposes of seeking the maximum deterrence effect. We proactively share with key staff fraud alerts and emerging risks.

Pursue

We have established a robust enforcement response to pursue fraudsters and deter others.

Developing capability and capacity to prosecute offenders - The Counter Fraud Team is fully resourced and staffed by qualified Counter Fraud Specialists. The team works collaboratively with peers to keep abreast of emerging fraud risks. The Counter Fraud Team also work closely with colleagues in Essex Legal Services to pursue investigations to prosecution, where appropriate and proportionate.

Prioritise fraud recovery and use of civil sanctions - We are aware of and make the best use of legislation, for example the Proceeds of Crime Act 2002, to ensure that funds are recovered where possible by the Council.

Collaborating across geographical and sectoral boundaries - We will continue to work with colleagues in other authorities to understand emerging fraud risk areas and, where possible, take a proactive approach to tackling the risk of fraud and error.

Learning lessons and closing the gap - We will investigate how fraud and error has occurred, understand where weaknesses exist in the system and consider where improvements are required to strengthen the control framework and prevent or reduce the risk of fraud and error reoccurring.

Staff and Stakeholders

Our staff are our first line of defence against most acts of attempts of fraud, corruption or bribery. We expect and encourage them to be alert to the possibility of acts of fraud, corruption or bribery and to raise any such concerns at the earliest opportunity.

Staff have a duty to protect the assets of the Council, including information, as well as property. When an employee suspects that there has been fraud or corruption, they must report the matter to the Counter Fraud Team.

The table below provides further details of these principles and responsibilities of stakeholders.

Group/Stakeholder	Responsibility
Audit, Governance and Standards Committee	• Approve the Counter Fraud Strategy and receive reports of the Counter Fraud activity • Approve the Internal Audit Plan (including counter fraud activity and resource) • Promotes the strategy and ensures that resources are focussed to the Councils high risk areas.
Councillors	• Support and promote the ECC anti-fraud culture • Work within: ✓ The rules around disclosable pecuniary interests in the Localism Act 2011 and associated regulations. ✓ The ECC Code of Member Conduct, the Regulations relating to disclosable pecuniary interests; and our regulatory framework, including the Constitution, Financial Regulations and Procurement Rules and Procedures.
Section 151 Officer	• Has a statutory duty, under Section 151 of the Local Government Act 1972 to ensure that there are proper arrangements in place to administer the Council's financial affairs.
Monitoring Officer	• Has a statutory duty, under section 5 of the Local Government and Housing Act 1989 to report on unlawful activity by the Council. • Responsible for the Internal Audit and Counter Fraud Team
Head of Assurance	• Responsible for the Internal Audit and Counter Fraud Team • Report the results of any fraud or bribery cases to the Audit, Governance and Standards Committee • Acts as the Bribery Act Compliance Officer • Acts as the nominated Money Laundering Reporting Officer.
Senior Managers	• Establish an anti-fraud culture in their functional area(s) • Ensure staff are aware of and promotion of all relevant policies and procedures relating to anti-fraud and bribery, Code of Conduct etc • Adopting a robust control environment, ensuring all internal recommendations are implemented promptly.
Counter Fraud Team	• Deliver a quality investigative service with the objective of preventing, detecting and deterring fraud throughout the Council, thereby securing the "public purse". • Regularly report to the Audit, Governance and Standards Committee on the progress of proactive work undertaken across the Council and on the investigation of actual or suspected bribery; • Liaise with the Police and other enforcement bodies where appropriate and that relevant crimes are reported to the appropriate body. • Ensure that the Council incident and losses reporting systems are followed; • Ensure that system weaknesses identified as part of any investigation are followed up with management or Internal Audit and recommendations made to improve the control framework.
Internal Audit	• Developing an annual risk based approach to internal audit coverage (with consideration of fraud risk) • Reviewing and appraising the adequacy, reliability and effectiveness of the Council's systems of internal control and reporting to Senior Managers • Following up internal audit recommendations to confirm that these have been implemented by Senior Managers in accordance with agreed timescales • Ensure fraud risks are adequately considered in all internal audit assignments
Staff	• Staff must work within: ✓ the Code of Conduct for ECC Employees; ✓ ECC regulatory framework including Financial Regulations and Procurement ✓ Rules and Procedures (for buying any item or service); and ✓ relevant codes of conduct including the standards of appropriate professional organisations and associations. • Have a responsibility to report suspicious of fraud or corruption via the appropriate channels • Must comply with control frameworks within areas of work.

Contractors	Must ensure they have adequate systems and controls to ensure the prevention and detection of fraud and corruption.

Monitoring & Review

This strategy will be owned and approved by the Audit, Governance and Standards Committee on a biennial basis.

The effectiveness of this strategy will be subject to regular review by the Head of Assurance and the Audit, Governance and Standards Committee.

Progress reports of Counter Fraud activity will be presented to and monitored by the Audit, Governance & Standards Committee. On an annual basis the effectiveness of the Counter Fraud arrangements will be assessed against the following themes, utilizing tools such as the Fighting Fraud and Corruption Locally Checklist and the 6 themes (referred to as the 6 Cs) identified in the FFCL strategy, which are:

- Culture
- Capability
- Capacity
- Competence
- Communication
- Collaboration

This information is issued by
Essex County Council, Counter Fraud Team
You can contact us in the following ways:

By email:
counterfraud.team@essex.gov.uk
or cfteam@essex.gov.uk

Visit our website:
www.essex.gov.uk

By telephone:
Counter Fraud Team – 03330 138917

By post:
Counter Fraud Team
Internal Audit E2 Zone 1
County Hall
Market Road
Chelmsford
Essex
CM1 1QH

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