

**REPORT TO:** Business Efficiency Board  
**DATE:** 26 November 2014  
**REPORTING OFFICER:** Strategic Director – Policy & Resources  
**SUBJECT:** Fraud & Corruption – Annual Update  
**PORTFOLIO:** Resources  
**WARD(S):** Borough-wide

## **1.0 PURPOSE OF REPORT**

The Business Efficiency Board is responsible for monitoring and reviewing the adequacy of the Council's anti-fraud and corruption arrangements. The purpose of this report is to update the Board with details of developments in regard to those arrangements.

## **2.0 RECOMMENDATION: That the Business Efficiency Board is asked to note the report and endorse the actions being taken to counter fraud and corruption.**

## **3.0 REPORTED FRAUD AND CORRUPTION – 2013/14**

3.1 Each year the Council submits a return to the Audit Commission providing details of fraud and corruption identified against the authority. A summary of the 2013/14 return is provided below:

### **Housing Benefit & Council Tax Support Fraud**

137 cases

Total value - £366,602

45 successful prosecutions

### **Social Care Fraud**

One case relating to Direct Payments - value £9,534

### **Payroll and Employee Fraud**

Three cases:

- Falsification of timesheets – Written warning issued
- Unauthorised breaks and deviation from routes – Employee dismissed
- Unauthorised absence from work – Written warning issued

None of these cases were prosecuted as frauds but were investigated under the Council's disciplinary procedure.

### **Disabled Parking Concessions (Blue Badge)**

One case relating to misuse.

## **Whistleblowing**

Three referrals were received in the year.

- 3.2 Overall levels of fraud and corruption against the Council remain low and the vast majority of identified fraud continues to be in respect of Housing Benefit / Council Tax Support.

### **4.0 SINGLE FRAUD INVESTIGATION SERVICE (SFIS)**

- 4.1 The Coalition Government's strategy for tackling welfare fraud and error set out a commitment to create the Single Fraud Investigation Service (SFIS) to investigate and prosecute Social Security welfare benefits and Tax Credit fraud.
- 4.2 SFIS has initially been a partnership between DWP Fraud Investigation Service, HMRC and local authorities working closely together to deliver a service where a single investigation covers all welfare benefit fraud and tax credit fraud allowing SFIS to make more efficient use of the resources at its disposal.
- 4.3 On 1 May 2014 the DWP informed the Council that its benefits fraud staff will transfer to SFIS on 1 September 2015. The SFIS Project Implementation team will contact the Council four to six months prior to this date to discuss arrangements for the transfer of the benefits investigation function and staff.
- 4.4 The DWP has informed local authorities that the TUPE regulations do not apply to staff being transferred from a local authority to the DWP as it relates to the transfer of administrative functions between public administrative bodies. However, the DWP has made it clear that local authority employees transferring will have their current terms and conditions of employment protected. Further details should be available from April 2015 when the DWP will be directly liaising with the Council.

### **5.0 DCLG - COUNTER FRAUD FUND**

- 5.1 The DCLG recently invited proposals from local authorities for a share of £16M funding to be used in support of counter fraud initiatives that will deliver financial savings. One of the reasons for the introduction of the scheme was the acknowledgement that the transfer of benefit fraud investigators from local authorities to the SFIS may reduce the capacity to investigate fraud in some authorities.
- 5.2 The DCLG was keen to receive proposals that seek to achieve efficiencies and service transformation through partnership working between local authorities and other public or private sector organisations. Proposals were required to demonstrate an innovative and holistic approach to tackling fraud that includes detection, prevention and deterrence.
- 5.3 In an attempt to maximize the potential for funding the Council signed up to a range of funding bids:
- Cheshire region bid  
A bid involving the four Cheshire local authorities was submitted to obtain funding to develop a resource to fund proactive forensic analysis and investigation of areas identified with a high risk of fraud. Initial areas for review will include procurement, contracting and insurance. As well as identifying and investigating potential frauds

the project will look to 'design out' fraud risks in systems and to provide training and information-sharing.

- Merseyside region bid

A Merseyside region bid led by Wirral Borough Council was submitted seeking funding to establish a 'Fraud Hub' in the region. This would be a collaboration between participating local authorities to coordinate a joined up approach to counter fraud activity. In addition to a regional fraud awareness campaign the bid would involve proactive fraud detection work in regard to blue badges and personal budgets.

- North West Region Bid

A North West region bid led by Salford City Council was submitted that related to the development of a Regional Counter Fraud Strategy. A key part of the bid is the provision of accredited training to ensure that local authorities have access to suitably qualified officers who can develop an inter-authority approach to the prevention, detection and investigation of corporate fraud.

- Counter Fraud App bid

This bid was led by the Royal Borough of Greenwich and its objective is to provide every local authority that participated in the bid with a 'Counter Fraud App' for smart phones and tablets. The app would then be distributed to customers enabling local authorities to:

- Provide updates on fraud threats and advice on how to spot fraudsters;
- Publicise successful prosecution stories;
- Provide a means for customers to report suspected fraud;
- Share important service information such as office locations and opening times.

- Halton bid

The Council also submitted its own bid for funding to resource a post to investigate Single Person Discount fraud.

5.4 The deadline for bids was 5 September 2014. It is anticipated that the DCLG will announce which bids were successful by the end of November.

## **6.0 DEVELOPMENT OF THE COUNCIL'S COUNTER FRAUD ARRANGEMENTS**

6.1 The Government estimates that the cost of fraud to local government is estimated at over £2 billion a year. Better prevention, detection and recovery of fraud is seen by Government as being one of the ways to help reduce the financial pressure on councils.

6.2 Since the last update to the Board the Council has continued to strengthen its arrangements to counter fraud and corruption. Recent developments include:

- Policy review

The Council's Whistleblowing Policy has been reviewed, updated and re-launched.

- Training

Employee awareness of fraud and corruption risks and The Bribery Act has been raised by extending the roll out of e-learning training.

- Maintaining awareness of emerging fraud risks

The Council maintains awareness of emerging fraud risks and has reviewed and strengthened controls in response to identified risks. This approach helped to prevent a £0.5M loss when vigilant staff identified and prevented two fraudulent attempts to change supplier bank details and divert payments to bogus bank accounts. Details of the attempted frauds were passed to the police to investigate.

- Action against fraudsters

The Council recently sought permission from the High Court to begin committal proceedings for contempt of court against an insurance claimant who discontinued a £50,000 personal injury claim against the Council. Permission was granted on the basis that the claimant had verified a statement of truth on Court documents that contained facts that were untrue. This case now provides an excellent opportunity for the Council to demonstrate publically that it does not tolerate fraud or corruption and will take strong action against any person who tries to commit fraud.

- Self-assessment of counter fraud arrangements

The Audit Commission publication 'Protecting the Public Purse 2013' provides guidance as to how local government bodies can fight fraud more effectively. The publication includes a checklist to be used by local authorities to review their counter fraud arrangements.

Internal Audit has completed a self-assessment against this checklist and an action plan has been developed to address those areas where the Council can further strengthen its arrangements (see Appendix 1). The key areas for action are summarised below:

- Further development of joint working arrangements with other local authorities to improve the sharing of information, development of best practice and the delivery of joint fraud initiatives.
- Review and updating of the Council's counter fraud strategies, policies and plans following the development of joint strategies and policies across the North West region.
- Resourcing the investigation of Council Tax Support / Single Person Discount fraud after the Council's benefits investigators transfer to the DWP.
- Developing a database to record all instances of non-benefits related fraud.
- Raising awareness of the Council's Whistleblowing Policy and monitoring and reporting on its effectiveness.

## **7.0 NATIONAL FRAUD INITIATIVE**

7.1 Since 1996 the Audit Commission has run the National Fraud Initiative (NFI), a sophisticated data matching exercise which matches electronic data within and between participating bodies to prevent and detect fraud.

7.2 NFI 2012/13 helped trace almost £203 million in fraud, error and overpayment in England, bringing the UK total since its launch in 1996 to £1.17 billion.

7.3 The Council's results from NFI 2012/13 are summarised below:

- Total matches received – 7,753
- Actual matches processed / investigated – 4,094
- Total frauds identified – 3
  - HB to Student Loan (£1,344)
  - HB to Student Loan (£5,287)
  - HB to Pensions (£2,396)
- Total errors identified – 312
- Value of fraud / errors being recovered - £18,378
- Council tax to Electoral Register:
  - Total discount incorrectly awarded - £44,380
  - Cancelled single person discount - 223 cases
- Blue Badge to DWP Deceased Records:
  - 11 persons recorded as still alive on Blue Badge database
- Concessionary Travel Pass to DWP Deceased Records:
  - 299 persons recorded as still alive on the Concessionary travel database

7.4 The Council is required under section 6 of the Audit Commission Act 1998 and its crime prevention and detection duties under section 17 Crime and Disorder Act 1998 to participate in the 2014/15 National Fraud Initiative (NFI) data matching exercise. To comply with this requirement the Council has submitted a range of required data sets to the Audit Commission, which will be used for cross-system and cross-authority comparison for the prevention and detection of fraud.

7.5 The data sets submitted for the 2014/15 exercise are listed below:

- Payroll
- Housing Benefits (Submitted by the DWP)
- Insurance
- Blue Badges
- Concessionary Travel

- Market Traders
- Alcohol Licences
- Taxi Licences
- Private Supported Care Home Patients
- Personal Budgets (Direct Payments)
- Creditors
- Electoral Roll
- Council Tax

7.6 Data matches from the exercise will be made available to the Council on 29 January 2015 via the Audit Commission's website. The matches will then be investigated over the following 12 months. Summary results from the exercise will be reported back to the Board for information purposes.

7.7 Following the closure of the Audit Commission in 2015 responsibility for NFI will transfer to the Cabinet Office.

## **8.0 POLICY, FINANCIAL AND OTHER IMPLICATIONS**

8.1 There are no specific policy implications arising from this report.

8.2 There are no direct financial implications arising from this report. However, the outcomes of the Counter Fraud Fund bids may result in additional funding becoming available to help develop the Council's counter fraud arrangements

## **9.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES**

The maintenance of an effective framework to minimise the risk of fraud and corruption contributes to the achievement of all the Council's priorities.

## **10.0 RISK ANALYSIS**

This report highlights specific actions that the Council has already taken, and continues to take, to minimise the risk of fraud. Failure to maintain effective counter fraud measures would result in the Council being susceptible to an increased risk of financial loss.

## **11.0 EQUALITY AND DIVERSITY ISSUES**

None identified

## **12.0 LIST OF BACKGROUND PAPERS UNDER SECTION 100D OF THE LOCAL GOVERNMENT ACT 1972**

None under the meaning of the Act.

## Appendix 1

### Protecting The Public Purse – Action Plan

Ref.	Standard	Status	Comments	Action
1	Do we have a zero tolerance policy towards fraud?	Substantially compliant	<p>The Council has documented its intent to have a zero tolerance policy towards fraud in the following documents:</p> <ul style="list-style-type: none"> <li>• Employees and Elected Members codes of conducts</li> <li>• Whistleblowing policy</li> <li>• Anti-fraud and corruption strategy</li> <li>• Fraud Response Plan.</li> </ul> <p>The Council's Whistleblowing policy has recently been updated and approved by the Business Efficiency Board on the 24 September 2014. The Business Efficiency Board also approved Internal Audit and the Corporate Policy Team to implement the wider dissemination of this policy.</p> <p>The Council's benefit fraud investigators investigate all benefit related fraud. This includes joint investigations and prosecutions with the DWP. All other non-benefit related frauds are reported to Internal Audit.</p> <p>The Council reported five detected frauds that were non-benefits related in the 2013/14 Audit Commission's annual fraud survey. This detection level appears to be relatively low when compared with DCLG's estimation of the levels of fraud to which councils are exposed. However, the Council maintains a</p>	<p>The Anti-fraud and corruption strategy and supporting documents will be reviewed, updated and re-launched with an emphasis on encouraging staff and the public to report any suspicions and concerns.</p> <p>The DCLG has invited local authorities to bid for a share of a £16 million fund to tackle unnecessary losses from non-benefit related fraud, such as Council Tax fraud, blue badge fraud or theft of grants. The Council is currently involved in four joint bids with other local authorities to secure a share of this funding. Should the bids be successful the additional funding will be used to increase anti-fraud activities including :</p> <ul style="list-style-type: none"> <li>• Developing joint strategies and policies</li> <li>• Promoting a joint anti-fraud culture</li> <li>• Delivering specialist investigatory training</li> <li>• Conducting joint proactive anti-fraud operations</li> <li>• Sharing of skills and best practice across authorities.</li> </ul> <p><b>Responsible:</b> Internal Audit</p> <p><b>Timescale:</b> April 2015</p>

Ref.	Standard	Status	Comments	Action
			strong control environment, which may account for the apparent low level of fraud.	

Ref.	Standard	Status	Comments	Action
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Ref.	Standard	Status	Comments	Action
2	<p>Do we have the right approach, and effective counter-fraud strategies, policies and plans?</p> <p>Have we aligned our strategy with Fighting Fraud Locally?</p>	Substantially complaint	<p>The Council has developed an effective approach to counter-fraud activities including the production of appropriate policies and plans.</p> <p>The Council's arrangements to combat fraud are complemented with the provision that Internal Audit has built into the Audit Plan to undertake proactive fraud work. The Council also participates in the National Fraud Initiative to proactively identify fraud.</p>	<p>The Council's counter fraud strategies, policies and plans will be updated following the development of joint strategies and policies across the North West region (see actions in ref 1).</p> <p><b>Responsible:</b> Internal Audit</p> <p><b>Timescale:</b> April 2015</p>
3	Do we have dedicated counter-fraud staff?	Partially complaint	<p>The Council currently has a team of dedicated benefit fraud investigators, to investigate any benefit related fraud referrals. However, all the staff within this team are due to join the Single Fraud Investigation Service (SFIS) within the DWP in 2015.</p> <p>This will then leave the Council with no dedicated counter fraud staff. Internal Audit does however investigate any non-benefit related fraud referrals received.</p>	<p>The delivery of specialist investigatory training and sharing of skills and best practice across authorities will help to address any potential skill loss that is likely to occur.</p> <p>The Council has also submitted a bid for funding to enable investigation of Council Tax Support / Single Person Discount after the Benefits investigators transfer to DWP (see actions in ref 1).</p> <p>If the bid is unsuccessful consideration will need to be given to how this area of fraud investigation will be resourced.</p> <p><b>Responsible:</b> Internal Audit / Revenues &amp; Benefits</p> <p><b>Timescale:</b> April 2015</p>

Ref.	Standard	Status	Comments	Action
10	Do we work well with other organisations to ensure we effectively share knowledge and data about fraud and fraudsters?	Partially compliant	<p>The Benefit Investigation Unit works effectively with the DWP and other agencies such as the police and Border Control Agency and undertakes joint investigations and prosecutions.</p> <p>Internal Audit works with the North West Fraud group to identify fraud risks and share knowledge regarding fraud investigations. There may however be opportunity to further develop the ways in which the Council works with other organisations in regard to non-benefit related fraud.</p>	<p>Joint proactive anti-fraud operations with other local authorities across the region are planned (see actions in ref 1).</p> <p><b>Responsible:</b> Internal Audit</p> <p><b>Timescale:</b> April 2015</p>
14	Do we have effective arrangements for reporting fraud and recording fraud?	Substantially compliant	<p>The Council provides an online reporting system through which members of the public may report suspicions of fraud or other concerns. The system is well used and the majority of referrals received relate to benefit fraud.</p> <p>The Benefit Investigation Unit has a system to record benefit-related fraud.</p> <p>However, no formal system is in place to record non-benefit related fraud.</p>	<p>The re-launch and promotion of the anti-fraud strategy should help to raise awareness of fraud and encourage staff and the public to report any suspicions and concerns.</p> <p>Similarly, the re-launch and promotion of the Whistleblowing Policy should also help to encourage employees to report concern (see actions in ref 1 and ref 15.).</p> <p>The funding bid for the 'Fraud App' if successful will provide an additional mechanism by which individuals can report suspected frauds to the Council.</p> <p>A work request is to be submitted to ICT Services to develop a database to record all reports of non-benefit related frauds.</p> <p><b>Responsible:</b> Internal Audit</p> <p><b>Timescale:</b> April 2015</p>

Ref.	Standard	Status	Comments	Action
15	<p>Do we have effective whistle-blowing arrangements? In particular are staff:</p> <ul style="list-style-type: none"> <li>• aware of our whistle-blowing arrangements?</li> <li>• have confidence in the confidentiality of those arrangements?</li> <li>• confident that any concerns raised will be addressed?</li> </ul>	Substantially compliant	<p>The Council has a Whistleblowing Policy, which has recently been updated. On 24 September 2014 the Business Efficiency Board endorsed plans for the policy to be re-launched to further raise awareness amongst staff.</p>	<p>The re-launched Whistleblowing Policy has recently been promoted through an article in 'In Touch' the staff magazine. An article on the updated policy has also recently been included in the Team Brief.</p> <p>Further awareness raising activity includes:</p> <ul style="list-style-type: none"> <li>• Promotion on the Intranet</li> <li>• Providing information with pay slips etc.</li> <li>• Development of appropriate training</li> </ul> <p>These actions will help to improve awareness and confidence in the policy.</p> <p>Internal Audit will report on all incidents of whistleblowing (whether leading to formal investigation or not) to the Business Efficiency Board as part of the annual report on Fraud and Corruption.</p> <p><b>Responsible:</b> Internal Audit</p> <p><b>Timescale:</b> April 2015</p>