

2015/2016

# Fraud & Corruption Update Report



# Section One

## Background

### 1.1 Responsibilities of the Business Efficiency Board

The Business Efficiency Board has responsibility for overseeing the Council's arrangements to counter the threat of fraud and corruption. As such, it is important that the Board is kept up to date with the latest developments in this area.

This report provides the Board with an update on:

- Reported fraud and corruption from 2015/16;
- A summary of the results from the National Fraud Initiative;
- Developments in the Council's counter fraud and corruption arrangements.

### 1.2 The risk of fraud

Identified levels of fraud within Halton have traditionally been very low in comparison to other similar sized authorities. However, fraud remains an increasingly significant issue for the United Kingdom. The latest official estimates put the total annual cost of fraud in the UK at £193bn. Public sector fraud is estimated at £37.5bn. Of this figure, it is estimated that the annual cost of local government fraud is £7.3bn.

### 1.3 The counter fraud and corruption framework

Fraud is highlighted in the Corporate Risk Register as one of the key risks faced by the Council. To mitigate this risk the Council has developed a comprehensive suite of linked policies:

- An Anti-fraud and Anti-corruption Strategy
- Fraud Response Plan
- Whistleblowing Policy

Additionally, the Council has established other wide-ranging measures to counter the risk of fraud and corruption. These include:

- Formal acknowledgement of responsibility for countering fraud and corruption by designating the Business Efficiency Board as the member body responsible for monitoring and reviewing the adequacy of the Council's anti-fraud and anti-corruption policies and arrangements;

- Identification of the risk of corruption and the importance of behaving with integrity in the governance framework. This is evidenced by a suite of related policies and procedures, which include the codes of conduct for employees and members, registers of interests and registers of gifts and hospitality;
- Maintenance of a staffing resource that is dedicated to the investigation of fraud;
- Agreement of protocols to facilitate joint working and data and intelligence sharing to support counter-fraud activity;
- Effective participation in national or sectorial initiatives to detect fraud or prevent fraud, such as the National Fraud Initiative;
- Provision of fraud awareness training to employees and elected members;
- Maintenance of a continuous internal audit service that provides assurance over the Council's risk management, governance and control processes. Internal audit staff are granted unhindered access to the Council's employees, information and other resources as required for investigation purposes;
- Procurement of fidelity guarantee insurance, which will provide financial cover it in the event of significant loss sustained as a direct result of acts of fraud, theft or dishonesty by an employee in the course of their employment.

## Section Two

### Reported fraud and corruption

#### 2.1 Identified fraud & corruption - 2015/16

Each year the Council submits a return to CIPFA providing details of fraud and corruption identified against the authority. A summary of the 2015/16 return is provided below:

Fraud Type	No. of cases	Total Value	Outcome
<u>Procurement</u>			
Invoice	3	£506,460	Attempted fraud prevented
Cheque	2	£47,000	Attempted fraud prevented
<u>Benefits related</u>			
Housing Benefit	63	£235,000	5 successful prosecutions 8 Sanctions (Benefit stopped or reduced)
Council Tax - Single Person Discount	419	£47,000	Single Person Discount removed
<u>Social care</u>			
Direct Payments	1	£5,000	Direct Payment suspended; DWP / Police investigation ongoing
<u>Payroll and employee related</u>			
Falsification of timesheets	2	N/A	1 x resignation; 1 x case ongoing
Working elsewhere when absent sick	1	N/A	Employee dismissed
Unauthorised absence from work	3	N/A	2 x written warning; 1 x resignation

#### 2.2 Whistleblowing

Three whistleblowing complaints were received during the year. All three cases were investigated. Two of the complaints led to the resignation of employees. The investigation into the third case remains ongoing.

## Section Three

### National Fraud Initiative

#### 3.1 Background

The National Fraud Initiative (NFI) is a sophisticated data matching exercise which matches electronic data within and between participating bodies to prevent and detect fraud. NFI started in 1996 and was conducted under statutory powers by the Audit Commission until it was disbanded in March 2015.

The 2014/15 exercise was completed by the Cabinet Office following the closure of the Audit Commission. The exercise is now undertaken under statutory data matching powers set out in Part 6 of the Local Audit and Accountability Act (LAAA) 2014.

The following datasets were submitted by the Council as part of the 2014/15 exercise:

- Payroll
- Housing Benefit
- 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

#### 3.2 Results from NFI 2014/15

Details of the results from NFI 2014/15 are summarised below:

##### Matches received and investigated

A total of 4,465 matches were received, of which 3,330 were processed / investigated.

### Frauds identified

Two frauds were identified:

- A payroll to payroll fraud (valued at £122)
- A Housing Benefit to Taxi driver records fraud (valued at £1,834)

### Errors identified

499 errors were identified. This has led to recoveries being sought totalling £3,377.

### Council Tax - Single Person Discount

Checks between the Electoral Register and Council Tax records identified 223 cases where Single Person Discount had been awarded incorrectly. This amounted to a total value of £44,380.

### Blue badges

Checks between Blue Badge records and DWP deceased persons records identified 30 deceased persons who were still recorded as being alive on the Blue Badge database

### Concessionary travel passes

Checks between Concessionary Travel records and DWP deceased persons records identified 464 persons who were still recorded as being alive on the concessionary travel database

## 3.3 NFI 2016/17

It is proposed that two additional datasets will become mandatory requirements for the 2016/17 exercise:

- Social Housing Waiting List data;
- Council Tax Reduction Scheme (CTRS) data.

The draft timetable indicates that data matches from the 2016/17 exercise will be made available to the Council from 29 January 2017. The matches will then be investigated over the following 12 months. Summary results from the exercise will then be reported to the Business Efficiency Board.

## Section Four

### Developments in the counter fraud and corruption framework

#### 4.1 Fraud investigation resource

The Government created the Single Fraud Investigation Service (SFIS) as a body to cover the totality of welfare benefit fraud. The introduction of SFIS consequently transferred responsibility for Housing Benefit fraud investigation work from local authorities to the DWP. As such, on 1 September 2015 the Council transferred 4.0 FTE benefit fraud investigator posts to SFIS. Since that date the Council has directed all benefit related fraud referrals to SFIS.

In order to ensure that the Council maintained capacity to investigate fraud, two new Investigation Officer posts have been created. The posts are based in the Revenues & Benefits & Customer Services Division. The focus of their work primarily relates to Single Person Discounts and Council Tax Reduction Scheme.

#### 4.2 Cheshire authorities – Fraud Analyst

As a result of a successful funding bid to the DCLG, a Fraud Analyst was appointed on a temporary 18 month contract to work across the four Cheshire local authorities.

The Fraud Analyst has completed a review of the risk of fraud within the procurement and insurance functions across all four councils. The outcome of this work provides assurance that Halton Borough Council has effective controls in place, which help to design out fraud risks within these areas. Some of the practices employed by Halton have been put forward as best practice to be adopted by the other Cheshire authorities.

A further project is underway to identify potentially incorrect supplier VAT registration numbers held in the Council's creditor payments system. Each VAT number is checked using an algorithm to confirm its accuracy. 4,000 supplier records have been checked and the preliminary results have identified that 35 VAT numbers were not the correct length. An additional 363 VAT numbers require further checks against an EU database to confirm their accuracy.

An information-sharing agreement between the four Cheshire local authorities is being developed. Once in place a data matching exercise will be undertaken across the four councils to identify potential fraudulent activity relating to procurement and insurance.

#### 4.3 Counter Fraud App

The Council was also part of a bid led by the Royal Borough of Greenwich to develop a 'Counter Fraud App' for smart phones and tablets. The 'app' has now been fully developed and the developers are in the process of rolling it out across all the authorities involved in the bid.

Once the application is launched, the Council will have the facility to:

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

#### 4.4 The CIPFA Code of Practice

The CIPFA Code of Practice and guidance notes on 'Managing the Risk of Fraud and Corruption' (published 2014) represent best practice for public service organisations in tackling fraud and corruption. In 2015/16 Internal Audit reviewed the Council's arrangements against the Code of Practice. The audit found that the Council's arrangements were substantially compliant with best practice. Two areas for development were identified, which are to be addressed in 2016/17:

- A detailed fraud and corruption risk assessment is to be developed. This will ensure that the Council's specific fraud and corruption risks are fully documented and considered. The risk mitigation measures and controls for each fraud risk will then be used to inform an update of the Council's Anti-fraud and Anti-corruption Strategy.
- The Anti-fraud and Anti-corruption Strategy is to be updated to reflect recent developments in the Council's anti-fraud and anti-corruption framework. The document will explain in detail the specific measures being taken as part of the Council's ongoing fraud risk management. The updated strategy will contain tangible objectives and milestones which can be reported against.

#### 4.5 Anti-bribery arrangements

The Bribery Act 2010 was introduced to update and enhance UK law on bribery including foreign bribery in order to address better the requirements of the 1997 Organisation for Economic Co-operation and Development (OECD) anti-bribery Convention. It is now among the strictest legislation internationally on bribery.

Transparency International UK has published a checklist to be used by organisations and businesses to review their anti-bribery arrangements. Internal audit has used this checklist and completed a self-assessment of the Council's arrangements to prevent bribery.

The outcome of the self-assessment provides assurance that the Council has a robust framework of policies and procedures to counter the risk of bribery. An action plan has however been developed to address those areas where the Council can further strengthen its arrangements. The key areas for action are summarised below:

- There is an opportunity to strengthen the Council's resilience to bribery and corruption by developing a detailed bribery risk assessment. This will ensure that the Council's specific bribery risks are fully documented and considered. The risk mitigation measures and controls for each risk will then be used to inform an update of the existing Anti-fraud & Anti-corruption strategy.
- The update of the Anti-fraud & Anti-corruption Strategy will include the development of a specific section on bribery. This will provide an opportunity for the Council to make a more explicit statement on its commitment to managing the risk of bribery. The updated document will also include a description of the existing control measures in place to combat bribery and details of any further action(s) planned.
- Training is one of the key elements in demonstrating that an organisation has adequate procedures to combat bribery. It is therefore important that the Council reviews its arrangements to provide training to those employees whose duties may place them at risk of receiving offers of bribery. A targeted bribery awareness training programme will therefore be developed following the completion of the bribery risk assessment.