

REPORT TO: Business Efficiency Board

DATE: 26 September 2018

REPORTING OFFICER: Operational Director - Finance

PORTFOLIO: Resources

SUBJECT: Fraud & Corruption Update Report

WARD(S): Borough-wide

1.0 PURPOSE OF REPORT

1.1 The Business Efficiency Board is responsible for monitoring and reviewing the adequacy of the Council's anti-fraud and anti-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 report be noted.

3.0 SUPPORTING INFORMATION

3.1 This report provides:

- A summary of reported fraud and corruption from 2017/18;
- A summary of the whistleblowing complaints received;
- Details of the 2018/19 National Fraud Initiative;
- Details of ongoing and planned anti-fraud work

4.0 REPORTED FRAUD & CORRUPTION 2017/18

4.1 As in previous years, the level of identified fraud in Halton remains relatively low compared to other authorities of a similar size and profile. However, the fraud risks faced by the Council are largely the same as those faced by other authorities delivering the same services and functions. It therefore remains important that the Council is not complacent about the risk of fraud.

4.2 The Council faces fraud risks both internally and from members of the public. The main areas of the Council's business that are susceptible to fraud and corruption are:

- Insurance claims
- Procurement
- Accounts payable
- Council Tax - Single Person Discount

- Council Tax Reduction Scheme
- Payroll / Pensions / Recruitment
- Direct Payments
- Adult Social Care - Financial Assessments
- Business Rates
- Grants to individuals / organisations
- Cash handling
- Expenses
- Blue Badges

4.3 A summary of the frauds / attempted frauds detected in 2017/18 is summarised in the table below:

Fraud Type	No.	Value	Outcome
Insurance	1	£9,250	Claim rejected - No actual loss.
Procurement (Mandate fraud)	1	£5,748	Attempt to fraudulently amend supplier bank details prevented - No actual loss
Adult social care fraud (Direct Payments)	1	£19,000	Support package reduced and recovery of overpaid Direct Payment being sought
Financial abuse	1	£7,000	Financial abuse of vulnerable adult - Convicted in Crown Court received eight months custodial prison sentence. Loss was to the individual rather than the Council.
Council Tax	148	£44,540	Overpayments stopped / Council tax bills amended and sums owed being recovered.
Total	151	£85,538	

NB – Council Tax frauds include:

- Council Tax Reduction incorrectly claimed
- Single Person Discount incorrectly claimed

4.4 The number of identified frauds and attempted frauds in 2017/18 is broadly comparable to 2016/17 when 139 frauds / attempted frauds were identified. However, the actual value of the frauds / attempted frauds is significantly lower, as the 2016/17 figures were skewed by a small number of significant frauds relating to Business Rates and Adult Social Care.

4.5 Details of the frauds / attempted frauds detected have been reported to CIPFA in their annual Fraud and Corruption Tracker, which is used to inform the national picture relating to fraud and corruption.

5.0 WHISTLEBLOWING

5.1 The Council operates a Whistleblowing Policy (the Confidential Reporting Code) that allows employees, agency workers and contractors to raise any concerns confidentially through a variety of channels. All complaints received are assessed and further investigations undertaken where appropriate.

5.2 Five whistleblowing complaints were received during 2017/18, which is one fewer than in 2016/17. The following table summarises the nature of the complaints, the action taken and the outcome.

Allegation	Action taken	Outcome
An anonymous allegation was received relating to the quality of care provided by an external care provider.	Investigated	The Council subsequently introduced additional contract monitoring with the provider, including a full Quality Assurance programme.
Employee working for another employer whilst off sick	Investigated	No case to answer
Theft	Investigated	No case to answer
Abuse of the flexi-scheme	Investigated	No case to answer
Dignity at work issue	Investigated	No case to answer

5.3 The Council also operates a confidential reporting system through which members of the public can submit any concerns relating to fraud, misconduct or other issues. This is actively promoted through the Council's fraud awareness activities.

5.4 In 2017/18, 114 referrals were received which is nearly double the number received in 2016/17. The increase is thought to have arisen as a result of the increased fraud awareness activities undertaken during the year.

5.5 A summary of the referrals is provided below:

- 39 referrals related to Housing Benefit / Disability Living Allowance / Universal Credit / Working Tax Credits. These were referred to the Single Fraud Investigation Service (SFIS) for investigation, operated by the DWP

- 57 referrals related to Council Tax / Council Tax Reduction (ten of which related to Single Person Discounts)
- Six referrals related to tenancy fraud
- Five referrals related to Blue Badges
- Four referrals related to Business Rates
- Two referrals related to social care fraud
- One related to an alleged procurement fraud

5.6 All referrals received are assessed and investigations undertaken where sufficient information is provided. The outcomes from these investigations have been included in the 2017/18 fraud figures provided earlier in this report.

6.0 NATIONAL FRAUD INITIATIVE 2018/19

6.1 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 is now managed by the Cabinet Office having formerly been managed by the Audit Commission.

6.2 The most recent NFI exercise undertaken in 2016/17 enabled participating organisations to prevent and detect over £300 million of fraud and error. The cumulative outcomes from when NFI commenced in 1996 now stand at £1.69 billion. The Council's outcomes from that exercise were reported to the Board in November 2017.

6.3 The Council is currently in the process of submitting datasets for the 2018/19 NFI exercise. These include data relating to:

- Blue badges
- Creditors history
- Concessionary travel passes
- Creditors standing
- Council tax reduction scheme
- Housing benefit claimants (provided by the DWP)
- Market traders
- Personal budgets (direct payments)
- Personal alcohol licence
- Payroll
- Private residential care homes
- Taxi drivers
- Waiting lists
- Council Tax
- Electoral register
- Pensions

- Housing tenants
- Right to buy
- Students eligible for a loan (provided by SLC)
- Business rates (pilot exercise)

6.4 The data for the Business Rates pilot has already been submitted to the Cabinet Office and the matches are scheduled to be received by the end of September. The other datasets are to be submitted in October and the matches are expected by the end of January 2019.

7.0 ONGOING ANTI-FRAUD WORK

7.1 In July 2017, as part of the Finance Department restructure the Council's two Fraud Officers moved into the Audit, Procurement & Operational Finance Division and are now located within the Audit & Investigations Team.

7.2 This arrangement is working well and the team has developed an ongoing plan of work which includes:

- Developing and rolling out an anti-fraud campaign (Stamp Out Fraud);
- Delivering fraud awareness training to the social care teams;
- Presenting case studies of social care frauds to the CIPFA Northwest Fraud Group;
- Preparing and submitting the datasets for NFI 2018;
- Investigating the output from the pilot data matching exercise on Business Rates;
- Contributing to the work of the regional and national anti-fraud networks;
- Assessing and investigating all fraud referrals received.

7.3 In November 2017, the Business Efficiency Board approved the Council's Fraud Sanction and Prosecution Policy. This allows the Council to impose a financial penalty where a person has supplied incorrect information or failed to notify the Council of a change of circumstances. It also allows the option to offer a financial penalty as an alternative to prosecution.

7.4 This policy is now being applied in practice and to date nine penalties have been issued totalling £840.

8.0 POLICY, FINANCIAL AND OTHER IMPLICATIONS

8.1 The responsibilities of public sector entities in relation to the prevention and detection of fraud and error are set out in statute, standards and other guidance.

Local authorities also have a statutory duty to make arrangements for the proper administration of their financial affairs.

8.2 There are no direct financial implications arising from this report.

9.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

9.1 Children and Young People in Halton

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

9.2 Employment, Learning and Skills in Halton

See 9.1

9.3 A Healthy Halton

See 9.1

9.4 A Safer Halton

See 9.1

9.5 Halton's Urban Renewal

See 9.1

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

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

None