

REPORT TO: Audit and Governance Board

DATE: 28 September 2022

REPORTING OFFICER: Operational Director - Finance

PORTFOLIO: Leader

SUBJECT: Anti-Fraud & Corruption Update

WARD (S): Borough-wide

1.0 PURPOSE OF REPORT

- 1.1 The Audit and Governance Board is responsible for monitoring and reviewing the adequacy of the Council's anti-fraud and corruption arrangements, which is a key aspect of the Council's risk management, control and governance framework.
- 1.2 This annual report updates the Board on developments in regard to the Council's anti-fraud and corruption activity. It consequently forms one of the sources of assurance supporting the Annual Governance Statement.

2.0 RECOMMENDATION: That the Board considers the annual update on anti-fraud and corruption related activity.

3.0 SUPPORTING INFORMATION

- 3.1 This report provides:
- A commentary on the fraud risk landscape;
 - A summary of the fraud investigations from 2021/22;
 - A summary of the HR related investigations from 2021/22;
 - A summary of the whistleblowing complaints received and action taken;
 - An update on the National Fraud Initiative;
 - Details of fraud investigation related information reported under the Transparency Code;
 - Details of ongoing and planned anti-fraud work,
 - Details of the Council's suite of anti-fraud and anti-corruption related policies.

4.0 FRAUD RISK LANDSCAPE

- 4.1 Every organisation including public bodies are at risk from fraud in one form or another. Acknowledging this fact is vital in developing and maintaining an effective anti-fraud response.

- 4.2 The Office of National Statistics estimates that there were 4.5 million fraud offences committed in the UK in the 12 months to March 2022. The indications are that fraud levels are at an all-time high and are continuing to rise.
- 4.3 Criminals are finding new ways to obtain illegal proceeds through fraud and local authorities are often targets of their criminal activity. According to the Government Functional Standard on Fraud, it is estimated that fraud costs the public sector between £31 billion and £53 billion per year and much of this goes undetected. Previous official estimates had put this figure at £7.3 billion.
- 4.4 The Cabinet Office, Department for Levelling Up, Housing and Communities (DLUHC), National Audit Office, and CIPFA have all issued advice, and best practice guidance to support local councils in the fight to combat fraud and prevent loss to the public purse. This includes the need for all councils to be vigilant in recognising their fraud risks and to invest sufficient resources in counter fraud activities that deliver tangible savings.
- 4.5 As a unitary authority, the Council faces similar fraud risks to other local authorities providing the same services. Particular areas at risk of fraud and corruption are recognised as being:
- Adult Social Care – Financial Assessments
 - Blue badges and concessionary travel
 - Business Rates
 - Cash handling
 - Council Tax – Single Person Discounts
 - Council Tax Reduction Scheme
 - Development control
 - Direct Payments
 - Electoral fraud
 - Expenses
 - Financial abuse of vulnerable persons
 - Grants to individuals or organisations
 - Insurance claims against the Council
 - Payroll & Pensions
 - Procurement
 - Recruitment
 - Ransomware
 - School admission application fraud
 - Supplier invoice fraud
- 4.6 It is also recognised that the fraud threat posed during emergency situations is higher than at other times. As such, the pandemic has provided new opportunities for fraudsters, such as fraudulent applications for payment of Covid-19 grants.
- 4.7 In order to keep abreast of the ever-evolving fraud risks, and to support the wider Council, the Investigations Team has continued to share intelligence and best

practice with other local authorities and the regional fraud groups. The team also continues to receive fraud updates and bulletins from a range of sources, which include:

- Action Fraud
- Cabinet Office
- Chartered Institute of Public Finance and Accountancy
- National Anti-Fraud Network
- iCAN (Consumer Alert Network)
- Institute of Internal Auditors

5.0 FRAUD INVESTIGATIONS - 2021/22

5.1 A total of 74 fraud investigations and two whistleblowing investigation were completed during 2021/22. Details of the whistleblowing investigation can be found later in this report.

5.2 A summary of the outcomes from the investigations completed in which a fraud was proven are shown in the following table:

Fraud Type	No.	Value £	Outcome
Council Tax	61	£24,236	Council tax bills amended and sums owed being recovered.
Total	61	£24,236	

NB – Council Tax frauds include:

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

5.3 There was an increase in the number of Council Tax investigations that resulted in fraud or error being identified in 2021/22 (61) when compared to 2020/21 (28). However, there was a decrease in the value of fraud or error being identified in 2021/22 (£24,236) when compared to 2020/21 (£30,563). This indicates that fraud and / or error is now being identified earlier which could be a consequence of the Council undertaking annual reviews of entitlement to Council Tax Single Person Discount.

5.4 During 2021/22, the Investigation Team made significant use of the Fraud Sanction and Prosecution Policy, which was previously approved by the Board. The policy allows the Council to impose a financial penalty where a person has supplied incorrect information, failed to notify the Council of a change of circumstances, or failed to provide information when asked in regard to their Council Tax. It also allows the option to offer a financial penalty as an alternative to prosecution.

- 5.5 During the year 66 penalties were issued totalling £8,400. This represents an increase from 2020/21 of 38 penalties and £2,130.
- 5.6 The Investigations Team complete pre and post fraud checks on Covid-19 grant applications. An external assessment of the Council's Covid-19 grant auditing arrangements has been completed by the Liverpool City Region Combined Authority. The Council received a positive outcome from the assessment which provides assurance that grant applications had been assessed correctly and any fraud concerns had been properly investigated. A copy of the full report is attached at Appendix F.

6.0 HR RELATED INVESTIGATIONS

- 6.1 As well as conducting fraud investigations the Investigation Team also completes all the HR related investigations for the Council.
- 6.2 During the year eight investigations were commissioned by management which is three less than commissioned in 2020/21. The table below provides an overview of these investigations.

Service Area	No.	Allegation
Community & Environment	4	Two allegations of bullying and harassment Two allegations of failing to comply with a management instruction
Children's Services	2	One allegation of failing to comply with professional standards and Council procedures. One allegation of failing to undertake duties in line with defined roles and responsibilities.
Finance Management	1	Allegation of bullying and harassment
Adult Social Care	1	Allegation of inappropriate behaviour and failing to perform required duties.

7.0 WHISTLEBLOWING

- 7.1 'Whistleblowing' is when an individual provides certain types of information which has come to their attention, usually to the employer or a regulator, to raise a concern about a danger, wrongdoing or illegality that affects others. The disclosure may be about the alleged wrongful conduct of the employer, a colleague, client, or any third party.
- 7.2 The Council's Whistleblowing Policy allows employees, agency workers and contractors to raise any concerns confidentially through a variety of channels. All

complaints received are treated seriously, assessed and further investigations undertaken where appropriate.

7.3 Two whistleblowing referrals were received during 2021/22. Whistleblowing referrals received by the Council tend to be low in number. Only one referral was received in 2020/21 and three in 2019/20.

7.4 The following table summarises the nature of the referrals received, the action taken and the outcome.

Allegation	Action taken	Outcome
Issues regarding conduct at a school	Bullying and harassment investigation	No case to answer
Issues regarding intimidation and bribery	Reviewed internally by the Audit & Investigations Team	No further action was required

7.5 The Council also operates a confidential reporting system through which members of the public can report any concerns relating to fraud, misconduct or other issues. Concerns can be reported either online or by telephone. The reporting system is actively promoted through the Council's fraud awareness activities.

7.6 In 2021/22, 88 referrals were received through the Confidential Reporting System, which is comparable to the 87 referrals received in 2020/21.

7.7 A summary of the nature of referrals received is provided below:

Service / Function	No.
Council Tax / Council Tax Reduction	62
Housing Benefit / Disability Living Allowance / Universal Credit / Working Tax Credits *	5
Blue Badges	8
Business Rates	2
Social Care Fraud	3
Insurance	1
Employee	2
Issues relating to other organisations	4
Other (insufficient detail provided)	1
Total	88

* These were referred to the DWP Single Fraud Investigation Service (SFIS) for investigation

7.8 All referrals received are assessed and investigations undertaken where sufficient information is provided. The outcomes of these investigations have been included in the 2021/22 fraud figures provided earlier in this report, where appropriate.

8.0 NATIONAL FRAUD INITIATIVE (NFI)

8.1 The Cabinet Office NFI exercise is part of Central Government's recognition that taxpayers have a right to expect public bodies to put in place every possible measure to protect public funds. The Council has a statutory responsibility to provide data to the Cabinet Office for the prevention and detection of fraud as part of the NFI.

8.2 NFI is a sophisticated data matching exercise which involves comparing computer records held by one body against other computer records held by other bodies. This allows potentially fraudulent claims and payments to be identified. Where a match is found it may indicate that there is an inconsistency which requires further investigation. No assumption can be made as to whether there is fraud, error or other explanation until an investigation is carried out.

8.3 The Council's participation in NFI assists in the prevention and detection of fraud and involves the provision of particular sets of data to the Cabinet Office for matching. The data sets included in NFI 2020/21 cover the following areas:

- Blue badges
- Creditors history
- Concessionary travel passes
- Creditors standing
- Council tax reduction scheme
- Housing benefit claimants (provided by the DWP)
- Personal budgets (direct payments)
- Personal alcohol licence
- Payroll
- Waiting lists
- Council Tax
- Electoral register
- Pensions
- Housing tenants
- Right to buy
- Students eligible for a loan (data provided by the Student Loans Company)

8.4 The use of data by the Cabinet Office in NFI is carried out with statutory authority under Part 6 of the Local Audit and Accountability Act 2014. It does not require the consent of the individuals concerned under the General Data Protection Regulations 2018. Data matching by the Cabinet Office is however undertaken in accordance with a Code of Practice.

8.5 The Investigations Team manages the NFI exercise locally and facilitated the 2020/21 and 2021/22 exercise. This included uploading of all the data and managing the matches produced. The team supported service areas in undertaking the work during the financial year and reviewed a significant number of matches themselves. The outcomes from these investigations have been included in the 2021/22 fraud figures provided earlier in this report.

8.6 The cost to the Council of participating in NFI 2020/21 was £3,900.

9.0 TRANSPARENCY CODE REPORTING REQUIREMENTS

9.1 The Local Government Transparency Code requires the Council to publish data regarding its fraud arrangements. The following table is a summary of these requirements together with the corresponding information on the Council's fraud arrangements. This information is also published on the Council's website.

Reporting requirement		HBC Arrangements
1.	Number of occasions the Council have used the powers under the Prevention of Social Housing Fraud Regulations 2014 or similar powers.	Nil
2.	Number (absolute and FTE) of employees undertaking investigations and prosecutions of fraud	3 full time equivalent employees
3.	Number (absolute and FTE) of professionally accredited counter fraud specialists	3 full time equivalent employees
4.	Total amount spent by the authority on the investigation and prosecution of fraud	£124,855
5.	Total number of fraud cases investigated	74

10.0 ONGOING ANTI-FRAUD WORK

10.1 Details of ongoing anti-fraud work are summarised below:

- Data matching has been completed with Merseyflow to identify vehicles registered for a local user discount account that are being used for business purposes. The investigation is currently on hold as additional data is required from external organisations to confirm that the crossings we have identified were undertaken for business purposes. The Corporate Fraud Team's powers to obtain information from external organisations is limited and other means of acquiring the required data are being considered.
- A new e-learning fraud awareness package for all staff and elected members has been developed, tested and is now ready to be launched. Fraud awareness training is a key element of the Council's anti-fraud arrangements. Educating employees in respect of what to look for, and how fraud happens,

empowers them to take the necessary action to mitigate the risk of it occurring. It also allows employees to take appropriate action in the event that suspected fraud is identified.

- The Investigation Officers continue to respond to all fraud referrals received and continue to develop the functionality of the case management system.
- A review the Council's arrangements for tackling fraud and corruption against the requirements of the Fighting Fraud and Corruption Locally is ongoing. An action plan will be produced and implemented to address any areas where the Council's arrangements can be strengthened further.

10.2 The ongoing plan of work for 2022/23 includes:

- Recommencement of the joint working arrangements with the DWP when the DWP is ready to do so;
- Complete the data matching exercise with Merseyflow to identify potential Council Tax single person discount fraud and / or fraudulent applications for local user discount permits;
- Complete a data matching exercise with Merseyflow to identify potential non-declaration of business journeys by organisations commissioned by the Council to provide transport services;
- Complete the NFI data matching exercise to identify potential Covid-19 grant fraud;
- Complete the Liverpool City Region data matching exercise to identify potential Covid-19 grant fraud;
- Prepare the data submissions required for the NFI 2022/23 data matching exercise;
- Promote the e-learning fraud awareness package;
- Respond to all fraud referrals received, and continue to develop the functionality of the fraud management system;
- Complete the review of the Council's arrangements for tackling fraud and corruption against the requirements of the Fighting Fraud and Corruption Locally.

11.0 FRAUD RELATED POLICIES

11.1 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, which include:

- Anti-Fraud, Bribery and Corruption Policy
- Fraud Response Plan
- Fraud Sanction and Prosecution Policy
- Anti-Facilitation of Tax Evasion Policy

- Whistleblowing Policy

11.2 These policies were last presented to the Audit and Governance Board for approval in July 2021. The documents were again reviewed as part of the 2022 Constitution review and are still considered to be fit for purpose. As such, no changes are proposed. For information purposes, copies of the documents are attached at Appendices A, B, C, D and E.

12.0 POLICY, FINANCIAL AND OTHER IMPLICATIONS

12.1 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.

12.2 The costs associated with the anti-fraud and anti-corruption work outlined in this report are met from the Council's base budget.

13.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

13.1 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.

13.2 Employment, Learning and Skills in Halton

See 13.1

13.3 A Healthy Halton

See 13.1

13.4 A Safer Halton

See 13.1

13.5 Halton's Urban Renewal

See 13.1

14.0 RISK ANALYSIS

The Council, as a large organisation providing many services, is at risk of loss due to fraud and corruption. The impact of fraud on the Council can have consequences that are serious and potentially far reaching. Financial loss is the obvious key risk but fraud and corruption can also undermine public confidence and cause significant reputational damage. In order to mitigate this risk the Council needs to maintain robust arrangements to prevent and detect fraud.

15.0 EQUALITY AND DIVERSITY ISSUES

None

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

None