

REPORT TO: Business Efficiency Board

DATE: 24 July 2019

REPORTING OFFICER: Operational Director - Finance

PORTFOLIO: Resources

SUBJECT: Fraud & Corruption Update Report

WARD (S): Borough-wide

1.0 PURPOSE OF REPORT

- 1.1 Robust arrangements to prevent and detect fraud contribute to the maintenance of high standards of ethics and conduct in public life contributing to good governance. The annual report on fraud and corruption activity therefore forms one of the key sources of assurance supporting the Annual Governance Statement.
- 1.2 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 provide the Board with information in respect of anti-fraud and corruption activity from 2018/19. The report also provides details of planned future activity and some proposed amendments to the Council's suite of anti-fraud related plans and policies.

2.0 RECOMMENDATION: That the Board

- (i) Considers the annual report on fraud and corruption activity;**
- (ii) Endorses the proposed updates to the suite of anti-fraud related plans and policies and recommends their adoption by the Council.**

3.0 SUPPORTING INFORMATION

- 3.1 This report provides:
- A summary of reported fraud and corruption activity from 2018/19;
 - Details of fraud investigation related information reported under the Transparency Code;
 - A summary of the whistleblowing complaints received;
 - An update on the National Fraud Initiative;
 - Details of ongoing and planned anti-fraud work;
 - Details of some minor proposed updates to the Council's suite of anti-fraud related plans and policies.

4.0 REPORTED FRAUD & CORRUPTION 2018/19

- 4.1 Nationally there are indications from numerous sources that fraudulent activity has and will continue to increase. It therefore remains important that the Council continues to maintain its vigilance in respect to the risk of fraud within the Council and from the wider community.
- 4.3 The levels of identified fraud in Halton have traditionally been low when compared to other local authorities of a similar size and profile. This is despite the fraud risks faced by the Council being largely the same as those faced by other authorities delivering the same services and functions.
- 4.4 The main areas of the Council's business that are susceptible to the risk of fraud and corruption are:
- Insurance claims
 - Procurement
 - Accounts payable
 - Council Tax – Single Person Discounts
 - Council Tax Reduction Scheme
 - Business Rates
 - Payroll & Pensions
 - Recruitment
 - Electoral fraud
 - School admission application fraud
 - Direct Payments
 - Adult Social Care – Financial Assessments
 - Financial abuse of vulnerable persons
 - Grants to individuals or organisations
 - Cash handling
 - Expenses
 - Blue badges and concessionary travel
- 4.5 The Council maintains a dedicated fraud investigation resource of 2.0 FTE Investigation Officers based in the Audit & Investigations Team. The Investigation Officers investigate all referrals of potential fraud received in addition to undertaking regular proactive fraud investigation work.
- 4.6 A summary of the outcomes from the fraud investigation work completed in 2018/19 is shown in the following table. Again it is pleasing to report that the levels of identified fraud remain low and broadly consistent to previous years:

Fraud Type	No.	Value (£000)	Outcome
Adult Social Care	1	£7,000	Financial abuse of a vulnerable adult – resulted in a prison sentence of eight months
Council Tax	24	£33,395	Council tax bills amended and sums owed being recovered
Employee	3	£24,126	School employee forging cheques and stealing cash – resulted in a ten month prison sentence.
		£510	Employee falsely claiming compassionate leave. Disciplinary investigation being completed.
		£1,013	Employee working whilst off sick. Disciplinary investigation being completed.
Concessionary Travel	3	N/A	Concessionary travel passes revoked
Direct Payments	1	£3,600	Feigned dementia to receive services from a number of public bodies. Three individuals pleaded guilty to numerous offences. (Please see 4.6 for further details).
Total	32	£69,644	

NB – Council Tax frauds include:

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

4.7 The number of identified frauds and attempted frauds in 2018/19 is slightly less than in 2017/18 when the total value was £85,538. It is however normal for the level of fraud to fluctuate year to year. In part, the reduction is due to the number of fraudulent Single Occupiers Discount claims continuing to fall. Since 2016 the Investigator Officers have worked with the Council Tax team to target this type of fraud and irregularity. This has proved very successful and resulted in significant reductions in the level of this type of fraud year on year.

4.8 In 2018/19 there was a slight spike in Council Tax fraud due to a single large fraud involving a real estate company and a letting agent. The fraud involved the creation of false tenancies with fictional tenants liable for Council tax on a number of properties. The intention of the fraud was to help the real estate company evade paying Council Tax on seven empty properties owned by them. The investigation resulted in the real estate company becoming liable for all the Council tax owed, which was over £22k. The investigation also resulted in 14 financial penalties, totalling £2,450, being issued for continual failure to supply information when requested.

- 4.9 The Investigation Officers also worked closely with the Department of Work and Pensions' (DWP) Serious and Organised Crime team on a large fraud that has affected a number of organisations, including the Council. The total value of the fraud was approximately £750k, of which just £3,600 was fraud against the Council. The perpetrator of the fraud has been charged with 27 separate offences, including conspiracy, false representation and attempting to pervert the course of justice.
- 4.10 During the year use has been made of Fraud Sanction and Prosecution Policy, which was approved by the Board in November 2017. 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 regarding their Council tax. It also allows the option to offer a financial penalty as an alternative to prosecution. To date 42 penalties have been issued totalling over £6k.
- 4.11 Details of the frauds / attempted frauds detected have been reported to CIPFA for the annual Fraud and Corruption Tracker, which is used to inform the national picture relating to fraud and corruption.

5.0 TRANSPARENCY CODE REPORTING REQUIREMENTS

- 5.1 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	Two
3.	Number (absolute and FTE) of professionally accredited counter fraud specialists	Four
4.	Total amount spent by the authority on the investigation and prosecution of fraud	£76,888
5.	Total number of fraud cases investigated	83

6.0 WHISTLEBLOWING

- 6.1 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.
- 6.2 Three whistleblowing complaints were received during 2018/19, which is two fewer than in 2017/18. The following table summarises the nature of the complaints, the action taken and the outcome.

Allegation	Action taken	Outcome
Employees acted unprofessionally in delivery of services to vulnerable persons.	Disciplinary investigation	Investigation ongoing
An employee working for another employer whilst absent sick.	Disciplinary investigation	Investigation ongoing
Inappropriate recruitment and selection process within a school.	Disciplinary investigation	Investigation ongoing

- 6.3 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.
- 6.4 In 2018/19, 129 referrals were received which is a slight increase on the 114 referrals received last year. Although the number of referrals has slightly increased, the number of referrals received by the Council intended for the Department of Works and Pensions (DWP) has reduced by more than half. This reduction is believed to be due to improvements the Council has made to the online confidential reporting system. The system now provides advice to users on how to make reports regarding DWP benefits directly to the DWP.
- 6.5 A summary of the referrals is provided below:
- 18 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
 - 101 referrals related to Council Tax / Council Tax Reduction
 - Two referrals related to Trading Standards
 - Three referrals related to Blue Badges
 - Five referrals related to Business Rates

6.6 All referrals received are assessed and investigations undertaken where sufficient information is provided. The outcomes of these investigations have been included in the 2018/19 fraud figures provided earlier in this report.

7.0 NATIONAL FRAUD INITIATIVE

7.1 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.

7.2 The Council is currently in the process of reviewing the data matches received from the 2018/19 NFI exercise and a Business Rates pilot run by the Cabinet Office. These matches relate to the following areas:

- 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

7.3 The total number of data matches received from the 2018/19 NFI is 3,924. The number of matches for the Business Rates pilot is 4,528. It is important to note that these matches only indicate that there is a possibility of fraud or error. Each match will be all assessed and investigated if there is an indication that fraud has been committed.

8.0 ONGOING ANTI-FRAUD WORK

8.1 In September 2018 we reported to this committee that an ongoing plan of work had been developed for the fraud team, which included:

- 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.
- 8.2 All planned activities for 2018/19 have either been completed or commenced as planned. The Investigation Officers rolled out the ‘Stamp Out Fraud’ campaign, and developed fraud awareness training for social care teams. Training has also recently been delivered to the CIPFA Northwest Fraud Group relating to social care fraud. The NFI Data was submitted to the Cabinet Office. As previously mentioned, the matches from both the NFI and Business rates pilot are being reviewed and investigated. The team continues to contribute to the regional and national anti-fraud networks, as well as assessing and investigating all fraud referrals received.
- 8.3 A new electronic fraud management system has recently been introduced to aid in the investigation process, and help ensure the fraud investigators remain compliant with the Police and Criminal Evidence act.
- 8.4 On 29 April 2019, the Council commenced joint working with the DWP to investigate frauds jointly that involve DWP benefits and Council Tax relief. This new joint working enables the two organisations to share evidence, conduct joint interviews under caution and bring joint prosecutions via the Crown Prosecution Service. Joint working is completed on a case-by-case basis and, since the new arrangements started, four cases have been considered for joint working.
- 8.5 The ongoing plan of work for the upcoming year includes:
- Development of the functionality of the fraud management system to assist further in the delivery of fraud investigations;
 - Continued development of the joint working arrangement with the DWP;
 - Completion of an internal data matching exercise with the intention of identifying potential fraud;
 - Completion of the review of the matches received from both the National Fraud Initiative and the Business Rates data-matching pilot;
 - Continued promotion of the anti-fraud campaign (‘Stamp Out Fraud’);
 - Responding to all fraud referrals received.

9.0 FRAUD RELATED POLICIES

- 9.1 The Council has a comprehensive suite of linked policies relating to fraud. These policies were last presented to the Business Efficiency Board for approval on the 27 November 2017. These policies have been reviewed and some minor changes are proposed.

- 9.2 The Fraud Response Plan forms part of the Council Constitution. An updated copy of the Plan is included at Appendix A. The Plan explains how concerns relating to potential fraud and corruption can be reported and how the Council will respond. The Plan has been updated to reflect the new joint working arrangements between the DWP's Single Fraud Investigation Services and the Council.
- 9.3 The Council's Fraud Sanction and Prosecution Policy is attached at Appendix C. This Policy sets out the Council's approach to utilising the range of sanctions available in order to deter fraud, bribery and any other associated offences. The Policy has been updated to reflect the updated Code for Crown Prosecutors 2018.
- 9.4 The Anti-Fraud, Bribery and Corruption Policy forms part of the Council Constitution. The policy sets out the Council's commitment to tackling fraud and corruption and explains the roles and responsibilities of various stakeholders. The policy has been reviewed and no changes are proposed. The policy is however attached at Appendix C for information.

10.0 POLICY, FINANCIAL AND OTHER IMPLICATIONS

- 10.1 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.
- 10.2 There are no direct financial implications arising from this report.

11.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

11.1 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.

11.2 Employment, Learning and Skills in Halton

See 11.1

11.3 A Healthy Halton

See 11.1

11.4 A Safer Halton

See 11.1

11.5 Halton's Urban Renewal

See 11.1

12.0 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 damage reputation damage. In order to mitigate this risk the Council needs to maintain robust arrangements to prevent and detect fraud.

13.0 EQUALITY AND DIVERSITY ISSUES

None

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

None