

**REPORT TO:** Business Efficiency Board  
**DATE:** 10 March 2010  
**REPORTING OFFICER:** Strategic Director – Corporate & Policy  
**SUBJECT:** Counter Fraud Measures - 2009/10 update  
**WARD(S):** Borough-wide

## **1.0 PURPOSE OF REPORT**

- 1.1 The purpose of this report is to provide an update to the Board on the measures the Council has established to counter the risk of fraud.
- 1.2 Halton Borough Council has traditionally encountered low levels of fraud and corruption. However, it is important that the Council remains vigilant and maintains a robust anti-fraud and corruption culture. Consequently, this report sets out details of further proposed developments in this area.

**2.0 RECOMMENDATION: That the Business Efficiency Board is asked to note the update on the Council's counter fraud measures and endorse the further developments proposed.**

## **3.0 THE COUNCIL'S COUNTER FRAUD FRAMEWORK**

- 3.1 The Council has a well-established framework of policies, procedures and functions that collectively help to manage the risk of fraud and corruption. Key elements of this framework include:
- The Anti-Fraud and Anti-Corruption Strategy;
  - The Fraud Response Plan;
  - The Confidential Reporting Code (Whistleblowing Policy)
  - Standing Orders relating to Finance and Procurement;
  - The Scheme of Delegation;
  - The work of Internal Audit;
  - The work of the Benefits Investigation Unit;
  - Communication systems to raise awareness of the risk of fraud.
- 3.2 During 2009/10, a number of measures have been undertaken to further develop the Council's counter fraud measures. These include:
- The Council has completed a self-assessment of its counter fraud measures against CIPFA best practice as outlined in the publication 'Managing the Risk of Fraud'. An action plan has been

developed identifying any further actions that are considered appropriate.

- All internal audit reviews now assess the extent to which service managers have considered the risk of fraud in their area of activity and examine the measures established to minimise the risk of fraud;
- Internal audit has undertaken a specific counter fraud review examining pre-appointment vetting, the findings of which were reported to the Board at its last meeting;
- Fraud awareness training has been made available via an on-line training facility, to all employees and Members. To date 925 employees / Members have registered on the course, with 750 already completing the online training.

#### **4.0 BENEFITS INVESTIGATION UNIT**

4.1 Nationally, the biggest risk of fraud facing local authorities is considered to be in respect of claims for Housing Benefit and Council Tax Benefit. The Council's Benefits Investigation Unit (BIU) therefore has an important role to play in the Council's overall counter fraud arrangements.

4.2 During the year the BIU has continued to raise awareness of benefit fraud through a range of initiatives, which include:

- A poster campaign to advertise the Council's Fraud Hotline;
- Publicising prosecution outcomes to the local press;
- Delivering fraud awareness training to Registered Social Landlords and housing trusts, e.g. Halton Housing Trust, Liverpool Housing Trust and William Sutton Housing Trust;
- Engaging in joint working with the RSL to identify non residency and subletting fraud.

4.3 The BIU has also continued to work closely with the Department of Work and Pensions (DWP) Fraud Investigation Service and has successfully prosecuted 15 joint working cases together since April 2009.

4.4 During the period April to December 2009, the BIU received 559 referrals, of which 317 cases have been investigated and closed. These investigations have led to:

- 52 formal cautions being issued;
- 18 administrative penalties being issued;
- 42 cases referred to court / court summonses issued;
- 34 successful prosecutions;

- Fraudulent overpayments (including DWP overpayments) totaling over £500,000 being identified.

## **5.0 NATIONAL FRAUD INITIATIVE**

5.1 The Council has recently participated in the Audit Commission's National Fraud Initiative (NFI), which takes place every two years. The exercise is designed to assist participating bodies to detect potential cases of fraud and erroneous payments and to correct any resulting under or overpayments from the public purse.

5.2 The datasets that are examined as part of NFI are:

- Payroll
- Pensions (provided by Pensions Authority)
- Trade creditors' payment history and standing data
- Housing Benefits (provided by DWP)
- Council Tax
- Electoral Register
- Students eligible for a loan (provided by Student Loan Company)
- Private supported care home residents
- Blue Badges/Concessionary Travel
- Insurance claimants
- Licences – market traders/operator, taxi driver and personal licences to supply alcohol

5.3 This is the first year that the Council has been required to submit Council tax and electoral roll data. The inclusion of these datasets is intended to help identify instances where individuals are fraudulently claiming the 25 per cent Single Person Discount (SPD) on their council tax bill. The output from NFI identified 586 cases where there was potential for SPD to have been claimed dishonestly. Investigations have resulted in action being taken on 122 cases, resulting in £27K awarded in SPD being reclaimed.

5.4 The full results of the Council's NFI investigations will be reported to the Board at a later date.

## **6.0 PLANNED FUTURE DEVELOPMENTS – 2010/11**

6.1 Planned future developments to maintain and strengthen the Council's counter fraud arrangements include:

- The introduction of an annual report on Counter Fraud Measures to the Business Efficiency Board;

- Specific counter fraud reviews to be included in the Internal Audit Plan - 2010/11;
- Further awareness training to be delivered to employees that do not have access to intranet via workshop based training. The e-learning software will also be released to school-based staff and third parties/partners who work with Council;
- Continued adoption of best practice, e.g. CIPFA is bringing out a Fraud Risk Evaluation Diagnostic (FRED), which will form one of the sources of assurance for the Annual Governance Statement;
- The introduction of a Fraud Bulletin to be issued to employees to raise awareness of recent scams that organisations have fallen victim to;
- The risk of fraud and corruption to be considered for inclusion on the Council's Corporate Risk Register;
- In May 2010, the Audit Commission will publish its biennial report summarising the results of the National Fraud Initiative 2008-09. The report sets out how local authorities can learn from the last exercise. It is anticipated that this publication will help inform additional internal audit counter fraud work during 2010/11;
- The Anti-Fraud & Corruption Strategy will be reviewed in light of new Fraud legislation, the current economic climate and advances in technologies both for the perpetration of fraud and the detection of fraud. Any revisions to the Strategy will be presented to the Business Efficiency Board for approval.

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

- 7.1 There are no specific policy implications arising from this report. However, the Council Anti-Fraud and Corruption Strategy and Fraud Response Plan form part of the Council's Constitution.
- 7.2 There are no direct financial implications arising from this report. Further development of the Council's counter fraud arrangements will be met from within existing resources.

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

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

## **9.0 RISK ANALYSIS**

- 9.1 The Audit Commission has noted in its publication 'Auditing the Accounts 2008-09 (Local Authorities)' issued in December 2009 that challenges for 2009-10 include that 'The recession may also result in

increasing levels of fraud against local authorities. Economic distress can increase the incentive to commit fraud ...'

- 9.2 This report highlights specific actions that the Council has already taken to minimise the risk of fraud. However, failure to continue adopting effective counter fraud measures may result in the Council being susceptible to fraudulent activity.
- 9.3 Therefore to protect public funds and maximise available resources it is essential that the Council continues to maintain effective systems and processes to prevent and detect fraud and adopt a zero tolerance attitude.

#### **10.0 EQUALITY AND DIVERSITY ISSUES**

None identified.

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

None.