

**REPORT TO:** Business Efficiency Board  
**DATE:** 22 November 2017  
**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**

- 1) the fraud and corruption update be received;**
- 2) the Board recommends that the amended Anti-Fraud, Bribery and Corruption Policy and the Fraud Response Plan are incorporated into the next update of the Council Constitution; and**
- 3) the Board approves the update to the Council's Fraud Sanction and Prosecution Policy.**

## **3.0 SUPPORTING INFORMATION**

3.1 This report provides details of:

- Reported fraud and corruption from 2016/17;
- A summary of the whistleblowing complaints received;
- A summary of the results from the 2016/17 National Fraud Initiative;
- Developments in the Council's counter fraud and corruption arrangements.

## **4.0 REPORTED FRAUD & CORRUPTION 2016/17**

4.1 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.

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 detected / prevented in 2016/17 is summarised in the table below:

Fraud Type	No.	Value (£000)	Outcome
Insurance	4	75	Claims rejected - No actual loss
Procurement (Mandate fraud)	1	238	Attempt to fraudulently amend supplier bank details prevented – No actual loss
Direct Payments	3	212	Investigations ongoing (direct payments suspended in two of the cases)
Adult Social Care	3	100	Financial abuse / deprivation of capital resulting in undercharging for social care services
Council Tax Reduction	4	3	Overpayments being recovered
Council Tax SPD	113	33	Council tax bills amended and sums owed being recovered
Business Rates	2	364	Business rate avoidance schemes – Recovery action taken
School Admission Fraud	5	N/A	Applications rejected
Other	4	2	Includes abuse of flexi-scheme, computer misuse during working hours, petty cash fraud

4.4 As can be seen from the summary, the Council's control systems have been effective in preventing a number of attempted frauds of substantial values. Where frauds are successfully perpetrated and

detected recovery action is taken wherever possible to minimise any loss to the Council.

- 4.5 Details of the above frauds 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 (Confidential Reporting Code) that allows employees, agency workers and contractors to raise any concerns confidentiality through a variety of channels. All complaints received are assessed and further investigations undertaken where appropriate.

- 5.2 Six whistleblowing complaints were received during 2016/17. The following table summarises the nature of the complaints, the action taken and the outcome.

Allegation	Action taken	Outcome
Members of an employee's family attended a school trip and benefitted personally	Investigated	No case to answer
Abuse of a corporate credit card	Investigated	Employee resigned
Officer using the Internet for personal use during working hours	Investigated	Resulted in disciplinary action
Dignity at work issue	Investigated	No case to answer
Abuse of the flexi-scheme	Investigated	Resulted in disciplinary action
Inappropriate use of social media	Investigated	Employee dismissed

- 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 each year during the annual fraud awareness campaigns that take place each November.

- 5.4 In 2016/17, 58 referrals were received. A summary of the referrals is provided below:

- 41 referrals related to either Housing Benefit, Disability Living Allowance, Universal Credit, Working Tax Credits and were referred to the Single Fraud Investigation Service (SFIS) operated by the DWP
- 13 referrals related to Council Tax / Council Tax Reduction (ten of which related to Single Person Discounts)

- Two referrals related to Blue Badges
- One referral related to Business Rates
- One related to alleged tax evasion and was referred to HMRC

5.5 All referrals received are assessed and investigations undertaken where sufficient information is provided. The outcomes from these investigations have been included in the 2016/17 fraud figures provided earlier in this report.

## **6.0 NATIONAL FRAUD INITIATIVE 2016/17**

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 started in 1996 and was conducted under statutory powers by the Audit Commission until it was disbanded in March 2015. NFI is now managed by the Cabinet Office.

6.2 The Council submits a range of datasets which are matched as part of the NFI exercise. The datasets included in the current exercise are set out below:

- Payroll
- Pensions
- Trade creditors' payment history
- Trade creditors' standing data
- Housing (current tenants) and right to buy
- Housing right to buy
- Housing waiting lists
- Housing benefits (provided by the DWP)
- Council tax
- CTRS
- Electoral register
- Students eligible for a loan (provided by the SLC)
- Private supported care home residents
- Concessionary travel passes
- Blue badges
- Insurance claimants
- Market traders
- Taxi drivers
- Personal alcohol licences
- Personal budget (direct payments)

6.3 The 2016/17 exercise is still in progress with investigations continuing into the matches received. Some of key highlights are summarised below:

- The Council received a total of 4,839 matches from the general NFI exercise of which 1,581 were matches

‘recommended’ (i.e. high priority matches) for further investigation.

- As at November 2017, the Council had investigated 2,648 matches with 39 queries ongoing.
- Savings identified to date relating to Housing Benefit and Council Tax Reduction matches amount to £9,657.
- A separate report identified 2,660 matches between the Council Tax Single Person Discount records and the Electoral Register. Each of these has been investigated resulting in 132 accounts being amended providing an increase in Council Tax liability amounting to £43,215.
- 12 cases progressed to formal investigations, of which two remain ongoing.
- The Council has also recently received a further report involving matches between Council Tax and other datasets. This includes 1788 matches, none of which are ‘recommended’ matches. Sample checking of this report is underway to determine whether it is worth investigating further.

## **7.0 FRAUD RELATED POLICIES**

7.1 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

7.2 The Anti-Fraud, Bribery and Corruption Policy forms part of the Council Constitution. An updated copy of the Policy is attached at Appendix A to this report. The policy sets out the Council’s commitment to tackling fraud and corruption and explains the roles and responsibilities of various stakeholders. The attached document contains proposed revisions to reflect changes in legislation and changes in roles and job titles following Council restructuring.

7.3 The Fraud Response Plan also forms part of the Council Constitution. An updated copy of the Plan is included at Appendix B. The Plan explains how concerns relating to potential fraud and corruption can be reported and how the Council will respond. The attached document contains proposed revisions to reflect the introduction of the Single Fraud Investigation Services and changes in roles and job titles following Council restructuring.

7.4 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 changes in the Council's legal powers following the transfer of responsibility of Housing Benefit fraud investigation to the Single Fraud Investigation Service.

## **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 The report provides details of proposals to update the Anti-Fraud, Bribery and Corruption Policy, Fraud Response Plan and the Fraud Sanction and Prosecution Policy.
- 8.3 There are no direct financial implications arising from this report. However, the report provides details of the value of fraud identified by the Council in 2016/17.

## **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.