

REPORT TO: Business Efficiency Board

DATE: 23 September 2020

REPORTING OFFICER: Operational Director - Finance

PORTFOLIO: Resources

SUBJECT: Anti-Fraud & Corruption Update

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 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

- (i) Considers the annual update on anti-fraud and corruption related activity;**
- (ii) Notes the suite of anti-fraud related plans and policies; and**
- (iii) Endorses the draft Anti-facilitation of Tax Evasion Policy and recommends its adoption by the Council.**

3.0 SUPPORTING INFORMATION

3.1 This report provides:

- A commentary on the fraud risk landscape;
- Details of a restructure of the Council's fraud investigation resource;
- A summary of reported fraud and corruption activity from 2019/20;
- Details of fraud investigation related information reported under the Transparency Code;
- A summary of the whistleblowing complaints received and action taken;
- An update on the National Fraud Initiative;
- Details of ongoing and planned anti-fraud work;
- Details of the review of the Council's suite of anti-fraud related plans and policies;

- A new draft Council policy relating to the anti-facilitation of tax evasion.

4.0 FRAUD RISK LANDSCAPE

- 4.1 All 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 Whilst it is inherently difficult to quantify the level of fraud nationally, the Government's Economic Crime Plan states that the numbers of fraud offences rose by 12% during 2018 to 3.6 million, constituting a third of all crimes in the UK.
- 4.3 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:
- Insurance claims against the Council
 - Procurement
 - Supplier invoices
 - 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
 - Development control
 - Cash handling
 - Expenses
 - Blue badges and concessionary travel
- 4.4 Fraudsters continually revise their techniques and look for new opportunities to commit fraud. It is widely acknowledged that the COVID-19 pandemic has provided such an opportunity for criminals who wish to try and take advantage of the situation.
- 4.5 Since the start of the pandemic, the risk of fraud and error has increased as public sector organisations become stretched, and controls and governance arrangements have needed to adapt. These risks are increasing for a range of reasons, which include:
- Public-sector staff working remotely and under extreme pressure.
 - An increase in phishing emails and scams, which try to get staff to click on links allowing fraudsters to access public-sector systems.

- Government stimulus packages to support individuals and businesses being provided quickly, possibly with a lower level of scrutiny and due diligence than would normally be in place.
 - Massively increased demand for items such as PPE and hand sanitiser, which has seen new suppliers setting up, increasing the risk of procurement fraud.
- 4.6 It is recognised that the fraud threat posed during emergency situations is higher than at other times, and it is therefore important that the Council remains attuned to the changing fraud risk landscape.
- 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:
- National Anti-Fraud Network
 - Action Fraud
 - Cabinet Office
 - The Chartered Institute of Public Finance and Accountancy
 - Institute of Internal Auditors
 - iCAN (Consumer Alert Network)
- 4.8 In support of the Council's response to COVID-19, the Investigations Team recently completed a fraud risk assessment relating to the business support grants paid in response to the pandemic. Additionally, the team completed over 1,400 post payment verification checks on the grant payments.

5.0 INVESTIGATIONS TEAM

- 5.1 A minor restructure of the Council's investigations team was implemented during 2019/20. The previous structure comprised two Fraud Investigation Officers and one Human Resources Investigating Officer. The revised structure has established three generic posts that have responsibility for undertaking both fraud investigation work and employee relations investigations. The posts are based in the Audit & Investigations Team and report to the Audit & Investigations Manager.
- 5.2 The restructure has been very successful. The main benefit of the revised structure has been the ability to distribute the team's workload across all three officers, thereby creating more flexibility to prioritise work and to allocate resources as required. This has improved the capacity of the service enabling investigations to be concluded more quickly. In terms of employee related investigations, this reduces the time that a person is under investigation and minimises the impact on that person's welfare. More timely completion of employee related investigations can also reduce the cost to the Council where an employee is suspended, in addition to reducing the impact of their absence on Council business. Sharing the

workload across the whole team has also enabled the service to become more resilient.

6.0 FRAUD & CORRUPTION IN 2019/20

6.1 A summary of the outcomes from the fraud investigation work completed in 2019/20 is shown in the following table:

Fraud Type	No.	Value £	Outcome
Council Tax	138	52,577	Council tax bills amended and sums owed being recovered
Direct Payments	1	4,916	Error on Direct Payments account – A client moved out of the Halton area and their services continued to be funded by Halton. The error was identified and the client's care is now correctly funded by the local authority where the client now resides.
	1	262,655	A social care client feigned disabilities in order to obtain Direct Payments from Halton and another local authority. The investigation resulted in a successful criminal prosecution and custodial sentence.
Total	140	£320,148	

NB – Council Tax frauds include:

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

6.2 There was an increase in the number of Council Tax investigations that resulted in fraud or error being identified in 2019/20 when compared to the previous year, which totalled £33,395. The figures for 2019/20 are however, comparable to 2017/18, when there was 148 cases with a value of £44,540. It is not unusual for the level of fraud to fluctuate year to year.

6.3 The largest fraud from 2019/20 was a complex Direct Payment fraud, which involved multiple claims, multiple fake identities and counterfeit documents. The fraud was ongoing for a number of years before it was identified and stopped by the Council's Direct Payments team.

6.4 The victims of the fraud were all public sector organisations. The investigation was commenced and led by Halton, working closely with the DWP's Serious and Organised Crime Unit.

6.5 The perpetrator was originally arrested in December 2017 and then again in January 2020. Due to the size and complexity of this fraud securing a prosecution

was a lengthy process. The perpetrator entered a guilty plea for 34 of 36 charges laid against her, with her daughter a co-defendant entering a guilty plea for one of three charges against her.

- 6.6 The total loss to the public purse was £1,010,090 with the Council's share being £262,654. The perpetrator received a custodial sentence of three years and eight months. Her daughter, the co-defendant, received an 18 month sentence suspended for two years with a requirement to also conduct 155 hours of unpaid work.
- 6.7 During the year, the Investigation Team has 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. During the year 158 penalties were issued, totalling over £18,830.

7.0 TRANSPARENCY CODE REPORTING REQUIREMENTS

- 7.1 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	Three
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	£87,749
5.	Total number of fraud cases investigated	140

8.0 WHISTLEBLOWING

- 8.1 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.

8.2 Three whistleblowing complaints were received during 2019/20, which is the same number as in 2018/19. The following table summarises the nature of the complaints, the action taken and the outcome.

Allegation	Action taken	Outcome
Issues regarding conduct at a Nursing Home owned by HBC	Reviewed internally by service area	Established no further action was required
Issues regarding the conduct at a Nursing Home owned by HBC	Reviewed internally by service area	Established no further action was required
Personal use of the Council's ICT equipment within working hours without management consent	Disciplinary investigation	Employee resigned

8.3 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.

8.4 In 2019/20, 75 referrals were received, which is a reduction on the 129 referrals received in 2018/19.

8.5 A summary of the referrals received is provided below:

Service / Function	No.
Council Tax / Council Tax Reduction	43
Housing Benefit / Disability Living Allowance / Universal Credit / Working Tax Credits *	9
Blue Badges	8
Business Rates	3
Employment relations	1
Insurance	1
Trading Standards	1
Mersey Gateway	1
Issues relating to other organisations	8
Total	75

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

8.6 All referrals received are assessed and investigations undertaken where sufficient information is provided. The outcomes of these investigations have been included in the 2019/20 fraud figures provided earlier in this report, where appropriate.

9.0 NATIONAL FRAUD INITIATIVE

9.1 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 managed by the Cabinet Office.

9.2 It is important to note that the data matches received from NFI only indicate that there is a possibility of fraud or error. Each data match identified as part of the NFI is assessed and investigated if there is an indication that fraud has been committed.

9.3 The Council is currently in the process of completing the final review of the data matches received from the 2018/19 NFI exercise. The exercise produced 4,400 matches to be investigated, which has resulted in the identification of just 13 instances of fraud or error, totalling £14,854. Whilst the return from NFI 2018/19 was relatively modest, this can be viewed positively. It may be an indication of generally low levels of fraud within Halton. It may also indicate that the Council operates strong systems of control in the areas covered by the exercise.

9.4 Work has also now commenced preparing the data submissions required for the 2020/21 exercise. The data is required to be submitted in November 2020, with the results of the matching being received by the Council in February or March 2021.

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
- Private residential care homes
- Waiting lists
- Council Tax
- Electoral register
- Pensions
- Housing tenants
- Right to buy
- Students eligible for a loan (data provided by the Student Loans Company)

9.5 The cost to the Council of participating in NFI 2020/21 is £3,900. Participation for the Council is mandatory.

10.0 ONGOING ANTI-FRAUD WORK

10.1 In July 2019, the Board was informed of an ongoing plan of work for the fraud team, which included:

- 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.

10.2 All planned activities for 2019/20 have either been completed or commenced as planned. The Investigation Officers continue to use and develop the functionality of the case management system. By doing this the service has been able to eliminate the use of paper investigation files. This is more efficient and has enabled the investigators to continue to work on investigations from home as part of new working arrangements due to COVID-19.

10.3 The Council has been working with the DWP in jointly investigating frauds that involve DWP benefits and Council Tax relief. However, this arrangement has temporarily been put on hold, as the DWP stopped all local anti-fraud activities due to the pandemic. This is because the DWP has re-assigned its local investigators to help process benefit applications. When the DWP re-commences local fraud investigations, the Council will seek to start joint working again.

10.4 The team has continued to promote the 'Stamp out Fraud' campaign, and is developing a new e-learning fraud awareness package for all staff and elected members.

10.5 Work has also commenced with Merseyflow collecting data to enable a data matching exercise to be completed. This is intended to identify potential single person discount fraud and / or fraudulent applications for local user discount permits.

10.6 The ongoing plan of work for 2020/21 includes:

- Further development of the functionality of the fraud management system to assist the delivery of fraud investigations;

- Recommencement of joint working arrangements with the DWP and further development of that working relationship;
- Completion of the data matching exercise with Merseyflow;
- Completion of a data matching exercise with our neighbouring authorities in regard to Business Support Grant payments. The objective is to identify potential cross-border fraud;
- Launching a new e-learning fraud awareness package for all staff and elected members;
- Responding to all fraud referrals received;
- Reviewing the Council's arrangements for tackling fraud and corruption against the requirements of the new Fighting Fraud and Corruption Locally 2020, which is the updated counter fraud and corruption strategy for local government.

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
- 11.2 These policies were last presented to the Business Efficiency Board for approval in July 2019. The documents have been reviewed and are still considered fit for purpose. As such, no changes are proposed. For information purposes, copies of the documents are attached at Appendices A, B and C.
- 11.3 To complement the existing suite of policies, a new Anti-facilitation of Tax Evasion Policy has been developed. This policy is in response to Part 3 of the Criminal Finances Act 2017, which creates a new corporate criminal offence where a corporate entity fails to prevent the facilitation of tax evasion by its staff, agents or contractual associates.
- 11.4 The policy reaffirms the Council's commitment to conducting all of its business in an honest and ethical manner. It also sets out the Council's zero-tolerance approach to the facilitation of tax evasion, whether under UK law or under the law of any foreign country.
- 11.5 The policy explains that employees of the Council, its agents and contractual associates must not undertake any transactions which:
- Cause the Council to commit a tax evasion offence; or
 - Facilitate a tax evasion offence by a third party.

11.6 Work has commenced on developing an e-learning training package that will be rolled out to all key officers to raise awareness of the policy once it has been approved. The draft policy is attached at Appendix D.

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 There are no direct financial implications arising from this report.

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