REPORT TO:	Audit and Governance Board
DATE:	7 July 2021
REPORTING OFFICER:	Operational Director - Finance
PORTFOLIO:	Resources
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

(i) Considers the annual update on anti-fraud and corruption related activity; and

(ii) Notes and approves the minor changes made to the suite of anti-fraud related plans and policies.

3.0 SUPPORTING INFORMATION

3.1 This report provides:

- A commentary on the fraud risk landscape;

- A summary of the fraud investigations from 2020/21;

- A summary of the HR related investigations from 2020/21;

- 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 review of the Council's suite of anti-fraud related plans and 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   Whilst it is inherently difficult to quantify the level of fraud nationally, the Office of National Statistics estimates that there were 4.5 million fraud offences committed in the UK in the 12 months to December 2020.

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:

- 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
- School admission application fraud
- Supplier invoice fraud

4.4   Fraudsters continually revise their techniques and look for new opportunities to commit fraud and the pandemic has provided a unique opportunity to identify vulnerabilities in organisations due to changes in working practices and the increased workloads of many employees. This combined with the introduction of various Government financial support schemes has provided greater opportunities for fraudsters to exploit.

4.5   There are numerous examples of areas that have seen an increase in attempted frauds since the start of the pandemic:

- Phishing emails and scams – these attempt to get staff to click on links allowing fraudsters access to public-sector systems.

- Impersonation fraud - Criminals regularly use false emails and websites to impersonate organisations such as banks, suppliers and even the police, to persuade members of staff to either make fraudulent payments or disclose confidential financial information to assist them to perpetrate fraud.

- Impersonation of senior members of organisations – this can take the form of criminals using technology to produce fake emails that look identical to an organisation's internal email. The email will often be sent to an unsuspecting employee asking them to make a payment to a specific account. There have also been reports of artificial intelligence being used to mimic the voice of senior officers during telephone conversations. This tricks the employee into believing they are speaking to the real person, who is instructing them to make a genuine payment.

- Ransomware – this is a type of malware that surreptitiously infects an individual's computer, encrypts the victim's data, and demands a ransom to receive the decryption key. In October 2020, Hackney Council suffered a suspected ransomware attack, which caused significant disruption to the Council and its residents.

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. In particular, the increased online dependency for all organisations has created many new opportunities for fraudsters. It is therefore imperative that the Council's cyber defences are robust and kept up to date.

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 - 2020/21

5.1 A total of 75 fraud investigations and one whistleblowing investigation were completed during 2020/21. Details of the whistleblowing investigation can be found in section 7 of 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 / Housing Benefit	28	£30,563	Council tax bills amended and sums owed being recovered. Housing benefit overpayment reported to DWP.
Total	**28**	**£30,563**	

NB – Council Tax frauds include:

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

5.3   There was a decrease in the number of Council Tax investigations that resulted in fraud or error being identified in 2020/21 (£30,563) when compared to the 2019/20 (£44,540). This can in part be explained by the impact of the pandemic, which made it difficult to progress some investigations where it was necessary to interview persons under caution. The figures for 2020/21 are however more comparable to 2018/19 (£33,395).

5.4   During 2020/21, 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 28 penalties were issued totalling £6,270. This represents a reduction from 2019/20 and is a result of financial penalties not being issued for the first half of the year due to difficulties in progressing investigations as a result of the pandemic.

5.6   An exercise was also undertaken during the year, in conjunction with an external company, to review and validate all Single Person Discount claims. The aim of the exercise was to identify claims that were at potential risk of fraud and error. Any claims that could not be validated were cancelled. In total, 20,249 discounts were reviewed, of which 18,955 were validated as being correct. The remaining 1,294 discounts were cancelled, which equated to 6.4% of the total discounts applied. It is estimated that cancellation of these discounts will generate an additional £205,724 of Council Tax revenue.

6.0   HR RELATED INVESTIGATIONS

6.1   As well as conducting fraud investigations the investigation team complete all the HR related employee investigations for the Council.

6.2   In March 2020, all HR related internal investigations were put on hold due to the pandemic and the difficulties in progressing internal interviews with employees and union representatives whilst working remotely.

6.3   A Covid secure internal investigation process was however developed with HR and the investigations recommenced in July 2020.   During the year 11 such investigations were commissioned by management. The table below provides an overview of these investigations.

Service Area	No.	Allegation
Adult Social Care	5	Three allegations of failing to perform duties Two allegations of failing to comply with CQC standards
Communities & Environment	3	One allegation of bullying Two allegations of failing to comply with management instructions
Economy, Enterprise and Property	2	Two allegations of breaching the Acceptable Use Policy and the employee code of conduct
Children's Services	1	One allegation of failing to ensure appropriate management oversight

7.0   WHISTLEBLOWING

7.1   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.

7.2   One whistleblowing referral was received during 2020/21. Whistleblowing referrals received are usually low in number with only three being received in 2019/20 and 2018/19 respectively.   It is also possible that the change in the working arrangements for many staff during 2020/21 may have impacted on the number of referrals received.

7.3   The following table summarises the nature of the referral received, the action taken and the outcome.

Allegation	Action taken	Outcome
A number of staff have posted content on a social media group that breaches the Council's acceptable use policy, employee code of conduct and potentially brings the Council into disrepute.	Reviewed internally by the Audit & Investigations Team	Disciplinary action taken against two employees. A further two employees are subject to an ongoing internal disciplinary investigation.

7.4   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 via the telephone. The reporting system is actively promoted through the Council's fraud awareness activities.

7.5   In 2020/21, 87 referrals were received through the Confidential Reporting System, which is a slight increase on the 75 referrals received in 2019/20.

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

Service / Function	No.
Council Tax / Council Tax Reduction	60
Housing Benefit / Disability Living Allowance / Universal Credit / Working Tax Credits *	5
Blue Badges	5
Business Rates	6
Social Care Fraud	1
Insurance	1
Cyber Fraud	1
Tenancy Fraud	1
Covid-19 Support Grant	2
Issues relating to other organisations	5
Total	**87**

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

7.7   All referrals received are assessed and investigations undertaken where sufficient information is provided. The outcomes of these investigations have been included in the 2020/21 fraud figures provided earlier in this report, where appropriate.

8.0   NATIONAL FRAUD INITIATIVE

8.1   The National Fraud Initiative (NFI) is a sophisticated data matching exercise designed to prevent and detect fraud. NFI is managed by the Cabinet Office and it is a legal requirement that the Council participates in the exercise.

8.2   Data matching 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   Work has now commenced on reviewing the data matches received from 2020/21 NFI exercise. The Council has received 4,400 matches to be investigated, which will be reviewed throughout the year.

8.6   The cost to the Council of participating in NFI 2020/21 is £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	4 full time equivalent employees
4.	Total amount spent by the authority on the investigation and prosecution of fraud	£111,388
5.	Total number of fraud cases investigated	75

10.0 ONGOING ANTI-FRAUD WORK

10.1 In July 2020, the Board was informed of an ongoing plan of work for the fraud team, which included:

- 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.

10.2 Most planned activities for 2020/21 have either been completed or are in progress:

- The Investigation Officers continue to use and develop the functionality of the case management system, which will remain an ongoing activity.

- 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 results of this exercise are currently being reviewed by Merseyflow to identify potential crossings where a toll payment was due but was avoided by use of the local user discount account. A further review of local user discount account data is also being carried out to identify potential Council Tax single person discount fraud and / or fraudulent applications for local user discount permits.

- Work is in progress with four neighbouring authorities in regard to a data matching exercise relating to the Business Support Grant payments.

- A new e-learning fraud awareness package for all staff and elected members has been developed and 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.

- A review the Council's arrangements for tackling fraud and corruption against the requirements of the Fighting Fraud and Corruption Locally has commenced. An action plan will be produced and implemented to address any areas where the Council's arrangements can be strengthened further.

10.3 Additionally, as a deterrent to others who may consider committing fraud against the Council, the Audit & Investigations Team has worked with the BBC to publicise two significant fraud cases previously investigated. Both cases were complex direct payments frauds committed against the Council and other public bodies that led to four individuals receiving criminal convictions, two of which were custodial sentences. The two investigations were recently broadcast on separate episodes of BBC1's Fraud Squad television programme and helped to reinforce the Council's zero tolerance approach to fraud.

10.4 The one area where progress has not been made is in regard to the joint fraud investigations with the DWP. This is because the DWP suspended all local anti-fraud activities at the start of the pandemic and is not yet in a position to start joint working again. The Council is however in a position to recommence joint working as soon as the DWP is in a position to do so.

10.5 The ongoing plan of work for 2021/22 includes:

- Preparation to recommence joint working arrangements with the DWP and further development of the working relationship;

- Investigate the results of the data matching exercise with Merseyflow;

- 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 previously presented to the Business Efficiency Board for review and approval in July 2020. The documents have again been reviewed and are still considered fit for purpose. The only changes that have been made are to reflect the renaming of the Board and a minor update to section 8 of the Whistleblowing Policy. 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 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

See13.1

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