

**REPORT TO:** Audit and Governance Board  
**DATE:** 27 September 2023  
**REPORTING OFFICER:** Operational Director - Finance  
**PORTFOLIO:** Corporate Services  
**SUBJECT:** Anti-Fraud & Corruption Update  
**WARD(S)** Borough-wide

## 1.0 PURPOSE OF THE 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 considers the annual update on anti-fraud and corruption related activity and formally supports the counter fraud working being undertaken.**

## 3.0 SUPPORTING INFORMATION

3.1 This report provides:

- A commentary on the fraud risk landscape
- A summary of the fraud investigations from 2022/23
- A summary of the HR related investigations from 2022/23
- A summary of the whistleblowing complaints received and action taken
- An update on the National Fraud Initiative (NFI)
- Details of fraud investigation related information reported under the Transparency Code
- Details of ongoing and planned anti-fraud work
- Details of the Council's suite of anti-fraud and anti-corruption related 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 The Office of National Statistics estimates that there were 3.5 million fraud offences committed in the UK in the 12 months to March 2023. This was not a significant change compared with the pre-coronavirus (COVID-19) pandemic year ending March 2020 (3.7 million offences).
- 4.3 Criminals are finding new ways to obtain illegal proceeds through fraud and local authorities are often targets of their criminal activity. According to the Public Sector Fraud Authority, it is estimated that fraud costs the public sector between £33 billion and £58 billion per year and much of this goes undetected.
- 4.4 The Cabinet Office, Department for Levelling Up, Housing and Communities (DLUHC), National Audit Office, and CIPFA have all issued advice, and best practice guidance to support local councils in the fight to combat fraud and prevent loss to the public purse. This includes the need for all councils to be vigilant in recognising their fraud risks and to invest sufficient resources in counter fraud activities that deliver tangible savings.
- 4.5 As a unitary authority, the Council faces similar fraud risks to other local authorities providing the same services. 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
  - Ransomware
  - School admission application fraud
  - Supplier invoice fraud
- 4.6 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 - 2022/23

5.1 A total of 150 fraud investigations and five whistleblowing investigations were completed during 2022/23. Details of the whistleblowing investigation can be found later in this report.

5.2 A summary of the outcomes from the investigations completed in which a fraud was proven, or future fraud or error prevented, are shown in the following table:

Fraud Type	No.	Value £	Outcome
Council Tax	106	£32,105	Council tax bills amended, sums owed being recovered and future fraud prevented
Housing Waiting List	43	£184,169	Total Fraud Prevented*
Blue Badge	1	£650	Total Fraud Prevented*
<b>Total</b>	<b>150</b>	<b>£216,924</b>	

NB – Council Tax frauds include:

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

\* *Total Fraud Prevented is an estimated value of losses and future losses that may have been incurred without our intervention. Estimated values are calculated using the National Fraud Initiative estimated savings methodology.*

5.3 There was an increase in the number of Council Tax investigations that resulted in fraud or error being identified in 2022/23 (106) when compared to 2021/22 (61). There was also an increase in the value of fraud or error being identified in 2022/23 (£32,105) when compared to 2021/22 (£24,236). The increase can be explained by the completion of the National Fraud Initiative data matching exercise 2022/23 and our participation in National Fraud Week whereby we promoted fraud awareness in the community via social media.

5.4 The NFI data matching exercise identified cases where housing waiting list applicants had died but had not been removed from the waiting list. Halton Housing removed 43 applicants from the waiting list, which equates to an estimated fraud prevention total of £184,169. Estimated fraud prevention totals are used to record the value of fraud when no monetary value can be recovered. In this case estimated values were calculated using the National Fraud Initiative estimated savings methodology.

5.5 During 2022/23, 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 regarding their Council Tax. It also allows the option to offer a financial penalty as an alternative to prosecution.

5.6 During the year 77 penalties were issued totalling £10,010 in value. This represents an increase from 2021/22 of 11 penalties and £1,610. Due to the Covid-19 pandemic penalties issued for 2021/22 were relatively low and are now starting to return to pre-pandemic levels.

5.7 The Investigations Team also completed post payment fraud checks on Covid-19 grant applications. No fraud or error was identified which provides assurance that grant applications had been assessed correctly and any fraud concerns had been properly investigated.

## 6.0 HR RELATED INVESTIGATIONS

6.1 As well as conducting fraud investigations the Investigation Team also completes all the HR related investigations for the Council.

6.2 During the year six investigations were commissioned by management which is two less than commissioned in 2021/22. The table below provides an overview of these investigations.

Service Area	No.	Allegation	Outcome
Logistics	2	One allegation of bullying and harassment  One of allegation of failing to comply with Health and Safety Regulations	No case to answer  Resignation
Children's Services	1	Allegation of bullying and harassment	Resignation
Finance	1	Allegation of not working while working from home	Dismissal
Adult Services	1	Allegation of over-claiming costs for mileage incurred on works business	Disciplinary Hearing - Verbal warning and repayment of over-claimed mileage
Community & Green Space	1	Unauthorised absence and continued lateness for work	Investigation remains in progress

## 7.0 WHISTLEBLOWING

7.1 'Whistleblowing' is when an individual provides certain types of information which

has come to their attention, usually to the employer or a regulator, to raise a concern about a danger, wrongdoing or illegality that affects others. The disclosure may be about the alleged wrongful conduct of the employer, a colleague, client, or any third party.

- 7.2 The Council’s Whistleblowing Policy allows employees, agency workers and contractors to raise any concerns confidentially through a variety of channels. All complaints received are treated seriously, assessed and further investigations undertaken where appropriate.
- 7.3 Five whistleblowing referrals were received during 2022/23. Whistleblowing referrals received by the Council tend to be low in number. Only two referrals were received in 2021/22 and one in 2020/21.
- 7.4 The following table summarises the nature of the referrals received, the action taken and the outcome.

Allegation	Action taken	Outcome
Issues regarding management conduct	Reviewed internally by service area	No further action was required
Issues regarding Council equipment being sold on the internet	Reviewed internally by the Audit & Investigations Team	No further action was required
Issues regarding staff conduct at a Nursing Home owned by HBC	Reviewed internally by service area	No further action was required
Issues regarding staff conduct at a Nursing Home owned by HBC	Reviewed internally by the Audit & Investigations Team	No further action was required
Issues regarding management conduct	Reviewed internally by the Audit & Investigations Team	No further action was required

- 7.5 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 by telephone. The reporting system is actively promoted through the Council’s fraud awareness activities.
- 7.6 In 2022/23, 83 referrals were received through the Confidential Reporting System, which is comparable to the 88 referrals received in 2021/22.

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

Service / Function	No.
Council Tax / Council Tax Reduction	37
Housing Benefit / Disability Living Allowance / Universal Credit / Working Tax Credits	7
Business Rates	7
Direct Payments	1
Environmental Health	1
Blue Badge	13
Merseyflow (Bridge Tolls)	2
Other (insufficient detail provided)	15
<b>Total</b>	<b>83</b>

7.8 All referrals received are assessed and investigations undertaken where sufficient information is provided. The outcomes of these investigations have been included in the 2022/23 fraud figures provided earlier in this report, where appropriate.

## 8.0 NATIONAL FRAUD INITIATIVE (NFI)

8.1 The Cabinet Office NFI exercise is part of Central Government's recognition that taxpayers have a right to expect public bodies to put in place every possible measure to protect public funds. The Council has a statutory responsibility to provide data to the Cabinet Office for the prevention and detection of fraud as part of the NFI.

8.2 NFI is a sophisticated data matching exercise which 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 various sets of data to the Cabinet Office for matching. The data sets included in NFI 2022/23 cover the following areas:

- Blue badges
- Creditors history
- Creditors standing
- Concessionary travel passes
- Council Tax
- Council tax reduction scheme

- Housing benefit claimants (provided by the DWP)
- Personal budgets (direct payments)
- Personal alcohol licence
- Taxi driver licences
- Payroll
- Housing waiting lists
- Electoral register
- Pensions
- Housing tenants
- 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 The Investigations Team manages the NFI exercise locally and facilitated the 2022/23 exercise. This included uploading of all the data and managing the matches produced. The team supported service areas in undertaking the work during the financial year and reviewed a significant number of matches themselves. The outcomes from these investigations have been included in the 2022/23 fraud figures provided earlier in this report.

8.6 The cost to the Council of participating in NFI 2022/23 was £3,810

## 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	3 full time equivalent employees
4.	Total amount spent by the authority on the investigation and prosecution of fraud	£123,012
5.	Total number of fraud cases investigated	150

## 10.0 ONGOING ANTI-FRAUD WORK

10.1 Details of ongoing anti-fraud work are summarised below:

- Data matching has been completed with Merseyflow to identify potential non-declaration of business journeys by organisations commissioned by the Council to provide transport services. The exercise has identified numerous potentially fraudulent journeys that require further investigation. At this stage no assumption can be made as to whether there is fraud, error or other explanation until a further investigation is carried out.
- An e-learning fraud awareness package for all staff and elected members has been developed, tested and has been launched. Procurement staff have completed the training and further roll out to members of staff and elected members is planned in 2023/24. 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 if suspected fraud is identified.
- The Investigation Officers continue to respond to all fraud referrals received and continue to develop the functionality of the case management system.
- Joint working with the DWP has recommenced.

10.2 The ongoing plan of work for 2023/24 includes:

- Continue the joint working arrangements with the DWP.
- Respond to all fraud referrals received and continue to develop the functionality of the fraud management system.
- Promote fraud awareness by continuing to roll out the e-learning fraud awareness package and the use of social media.
- Complete a data matching exercise of Department of Work and Pensions Occupational Pension data against the Council's financial assessment data in relation to social care clients receiving residential care and home care services.
- Complete an investigation using the data obtained from the data matching exercise with Merseyflow to identify potential non-declaration of business journeys by organisations commissioned by the Council to provide transport services to identify fraudulent activity.

## 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 last presented to the Audit and Governance Board for approval in September 2022. The documents were again reviewed as part of the 2023 Constitution review and are still considered to be fit for purpose. As such, no changes are proposed. For information purposes, copies of the documents are attached at Appendices A, B, C, D and E.

## 12 **POLICY 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.

## 13.0 **FINANCIAL IMPLICATIONS**

13.1 The costs associated with the anti-fraud and anti-corruption work outlined in this report are met from the Council's base budget.

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

### 14.1 **Children & 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.

### 14.2 **Employment, Learning & Skills in Halton**

See 14.1

### 14.3 **A Healthy Halton**

See 14.1

### 14.4 **A Safer Halton**

See 14.1

### 14.5 **Halton's Urban Renewal**

See 14.1

## 15.0 **RISK ANALYSIS**

15.1 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.

**16.0 EQUALITY AND DIVERSITY ISSUES**

16.1 None

**17.0 CLIMATE CHANGE IMPLICATIONS**

17.1 None

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

None under the meaning of the Act.