

REPORT TO: Audit and Governance Board

DATE: 25 September 2024

REPORTING OFFICER: Director – Finance (Section 151 Officer)

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 RECOMMENDED: That members:

- 1) consider the annual update on anti-fraud and corruption related activity;**
- 2) formally support the counter fraud work being undertaken; and**
- 3) note and approve the minor change made to the Whistleblowing Policy**

3.0 SUPPORTING INFORMATION

3.1 This report provides:

- A commentary on the fraud risk landscape
- A summary of the fraud investigations from 2023/24
- A summary of the HR related investigations from 2023/24
- 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 3.1 million fraud offences committed in the UK in the 12 months to March 2024. This was not a significant change compared with the previous year ending March 2023 (3.5 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, the former Department for Levelling Up, Housing and Communities (DLUHC), the 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
 - Elections
 - 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 - 2023/24

5.1 A total of 133 fraud investigations and nine whistleblowing investigations were completed during 2023/24. 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	112	£31,083	Council tax bills amended, sums owed being recovered and future fraud prevented
Social Care Income & Assessment	21	£29,862	Increase in client's weekly charge for care and financial reassessment. Future fraud prevented.
Total	133	£60,945	

NB – Council Tax frauds include:

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

5.3 The number of Council Tax investigations that resulted in fraud or error being identified in 2023/24 (112) was broadly consistent with 2022/23 (106). The value of fraud or error identified in 2023/24 (£31,083) was also comparable to 2022/23 (£32,105).

5.4 A review of adults in care with an undeclared occupational pension, or a change in occupational pension, was completed in 2023/24. 21 cases of an undeclared change in pension were identified resulting in fraud prevention of £29,862.

5.5 During 2023/24, 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 66 penalties were issued totalling £8,400 in value.

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 11 investigations were commissioned by management which is five more than in 2022/23. The table below provides an overview of these investigations.

Service Area	No.	Allegation	Outcome
Policy, People, Performance & Efficiency	1	Unauthorised amendments to the Zeus time recording system.	Final written warning and a reduction of two days annual leave
Stadium	2	Allegation of disposal of Council assets for personal gain. Allegation of unauthorised absences. Allegation of breaching the Stadium's security and fire safety procedures.	Dismissal Final written warning
Employment, Learning & Skills	3	Using an inappropriate image in a PowerPoint presentation. Falsification of Council records and the use of the Council's internet for personal use during works time.	No case to answer Dismissal
Leisure Services	2	Unauthorised absences Failed to comply with a written management instruction.	Dismissal Dismissal
Highways	1	Allegation of a failure to carry out work duties to the expected standards required for the role.	Investigation remains in progress
Logistics	1	Allegation of a member of staff being under the influence of drugs while at work.	Investigation remains in progress
Adult Services - Community	1	Failed to comply with a written management instruction.	No case to answer

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 Nine whistleblowing referrals were received during 2023/24. This compares to five referrals in 2022/23 and two in 2021/22.
- 7.4 The following table summarises the nature of the referrals received, the action taken and the outcome.

Allegation	Action taken	Outcome
Issues regarding employment of an individual	Reviewed by the Audit & Investigations Team	A review of the guidance provided to management for the employment of 16 year olds.
Issues regarding staff conduct	Reviewed by the Audit & Investigations Team	No further formal action – Issue dealt with under management / supervision procedures.
Issues regarding management capability	Reviewed by senior management	The Council had already put in place actions to resolve the allegations. Response provided to Ofsted.
Issues regarding the incorrect disposal of Council assets	Reviewed by the Audit & Investigations Team	No further formal action - Issue dealt with under management / supervision procedures.
Issues regarding staff conduct	Reviewed by external investigator	Investigation remains in progress.
Issues regarding staff conduct	Reviewed by the Audit & Investigations Team	Investigation remains in progress.
Issues regarding staff conduct	Reviewed by the Audit & Investigations Team	Investigation remains in progress.
Issues regarding staff conduct	Reviewed by service area	Investigation remains in progress.
Issues regarding staff conduct	Reviewed by service area	No further action 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 2023/24, 92 referrals were received through the Confidential Reporting System, which is comparable to the 83 referrals received in 2022/23.

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

Service / Function	No.
Council Tax / Council Tax Reduction	45
Housing Benefit / Disability Living Allowance / Universal Credit / Working Tax Credits	16
Environmental Health	2
Building Control	4
Highways	2
Procurement	1
Blue Badge	2
Merseyflow (Bridge Tolls)	17
Other (insufficient detail provided)	3
Total	92

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 2023/24 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 and 2023/24 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 / Pensions
- Housing waiting lists
- Electoral register
- 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 and 2023/24 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 2023/24 fraud figures provided earlier in this report.

8.6 The cost to the Council of participating in NFI 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
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 FTEs
3.	Number (absolute and FTE) of professionally accredited counter fraud specialists	3 FTEs
4.	Total amount spent by the authority on the investigation and prosecution of fraud	£146,655
5.	Total number of fraud cases investigated	133

10.0 ANTI-FRAUD WORK - 2024/25

- 10.1 The Local Government Association has produced an updated counter fraud and corruption strategy for Local Government: Fighting Fraud and Corruption Locally (FFCL 2020), which is supported by the Chartered Institute of Public Finance and Accountancy (CIPFA). The strategy 'provides a blueprint for a coordinated response to fraud and corruption perpetrated against local authorities.'
- 10.2 An independent fraud self-assessment based on the counter fraud and corruption strategy has been completed to provide assurance that the Council has appropriate arrangements in place to prevent, deter, detect and respond to instances of fraud, bribery and corruption. The self-assessment concluded that the Council's counter fraud and corruption framework is robust.
- 10.3 Many positive observations and good practices were identified and some recommendations that are intended to add value by strengthening the existing arrangements further were made and agreed to be implemented.
- 10.4 Details of anti-fraud work being carried out in 2024/25 are summarised below:
- The Council's counter fraud strategic risk assessment has been updated following completion of the fraud self-assessment. The risk assessment considers known risk areas based on Internal Audit knowledge of the Council and new and emerging risks. The areas identified are scored based on risks factors and ranked.
 - A data matching exercise has been completed of Department of Work and Pensions Occupational Pension data against the Council's financial assessment data for social care clients receiving residential care and home care services. The exercise identified a number of clients who had not declared income received from Occupational Pensions. The outcomes from these investigations have been included in the 2023/24 fraud figures provided earlier in this report.
 - An e-learning fraud awareness package for all staff and elected members has been updated, tested, and relaunched. 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.
 - Implement the recommendations made from the Fraud Self-Assessment against the counter fraud and corruption strategy produced by the Local Government Association.
 - Develop data matching practices to enable potentially fraudulent claims and payments to be identified.
 - Deliver an internal and external fraud campaign for national fraud awareness week, which will include the publication of information via the Council's internal website and social media.
 - Prepare the data submissions required for the NFI 2024/25 data matching exercise.

- Respond to all fraud referrals received and develop the functionality of the case management system.
- Continue to develop the joint working arrangements with the DWP.

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 2023. The documents were again reviewed as part of the 2024 Constitution review and are still considered to be fit for purpose. For information purposes, copies of the documents are attached at Appendices A, B, C, D and E.

11.3 The only change that has been made is an update to Whistleblowing Policy to ensure that it aligns with the NHS Freedom to Speak Up Policy. This is a requirement for any area of the Council that delivers NHS Services (such as the Positive Behaviour Service). The changes are only minor and they do not affect how the policy operates in practice.

12.0 POLICY IMPLICATIONS

12.1 There are no direct policy implications arising from the report.

13.0 FINANCIAL IMPLICATIONS

13.1 There are no direct financial implications arising from the report.

14.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

14.1 Improving Health, Promoting Wellbeing and Supporting Greater Independence

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 Building a Strong, Sustainable Local Economy

See 14.1

14.3 Supporting Children, Young People and Families

See 14.1

14.4 Tackling Inequality and Helping Those Who Are Most In Need

See 14.1

14.5 Working Towards a Greener Future

See 14.1

14.6 Valuing and Appreciating Halton and Our Community

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.