

Managing the Risk of Fraud, Theft and Corruption Report

1. Introduction

- 1.1 Forest Heath District Council spends millions of pounds of public money each year on essential local services. It is essential that the council protects and preserves its ability to provide these services by ensuring that its assets are protected against all risks of loss and damage.
- 1.2 The purpose of this report is to bring together in a single document a summary of the work which has taken place during 2013/14 to prevent and detect fraud, theft and corruption. By publicising the report the council aims to show its commitment to minimising the risk of theft, fraud and corruption and deter any would-be fraudsters.

2. The Risk of Fraud

- 2.1 Theft, fraud & corruption is an ever present threat to the resources available in the public sector. The current economic climate means that the likelihood of fraud has increased.
- 2.2 Fraud, theft and corruption are costly, both in terms of reputational risk and financial losses. As a result, the risk of safeguarding the council's monetary and physical assets continues to be included on the strategic risk register and so is subject to corporate monitoring and review arrangements.

3. Protecting the Public Purse

- 3.1 The Audit Commission published a report in November 2013 entitled 'Protecting the Public Purse – Fighting Fraud against Local Government' which provides useful information on the detection of fraud in local government. It considers the key fraud risks and pressures facing councils, along with identifying good practice and markers to future issues.
- 3.2 The report included a fraud checklist in which the council could assess the effectiveness of its governance and counter fraud arrangements. The checklist was completed during 2013/14 and illustrates that the council substantially complies with the requirements.

4. Corporate Fraud, Theft, Bribery and Corruption arrangements

4.1 Awareness

- 4.1.1 The council has in place an anti-fraud and anti-corruption strategy; this is being reviewed to produce a joint policy for West Suffolk. Its purpose is to outline the council's approach, as well as defining roles and responsibilities, for dealing with

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the threat of fraud and corruption, both internally and externally. This is available on both the council's website and intranet.

- 4.1.2 The bi-annual fraud awareness newsletter continues to be published to staff. It is designed to highlight areas of fraud in the workplace and to help staff understand why we need to combat it effectively.
- 4.1.3 A number of messages have been included in the council's internal bulletin to remind staff of their responsibilities regarding:-
- Declaration of interests, gifts and hospitality;
 - Expenses claims;
 - Corporate Governance; and
 - Information security.
- 4.1.4 A leaflet has been produced and shared with staff summarising counter fraud arrangements and advising of what action to take if concerns are suspected.
- 4.1.5 A high level audit review of the authority's controls in place to ensure compliance with the Bribery Act was performed with no significant issues arising.
- 4.1.6 Another high level audit reviewed the framework in place at the council to identify potential money laundering activity and staff awareness. Quarterly messages in the staff newsletter, Wavelength, have further promoted this awareness which will be complemented by an e-learning training module.
- 4.1.7 The council is a member of the National Anti-Fraud Network (NAFN), recognised as a centre of excellence dedicated to supporting its members in protecting the public purse from fraud, abuse and error. Regular alerts are received which are viewed with action taken where necessary.
- 4.1.8 Additional measures are being considered to data match across all departments of the authority. This may help to identify fraud within the systems and will also assist in providing more robust measures to prevent fraud from entering the systems.

5. Revenues and Benefits (ARP) Fraud Arrangements

5.1 Awareness

- 5.1.1 All new staff recruited to the revenues and benefits section are given a half day fraud awareness session which includes an awareness of key documents, the role of the benefits fraud team, and the types of fraud that they uncover. Fraud awareness refresher training is provided to all revenues and

benefits staff annually, this has recently included Money Laundering Training awareness.

5.2 Reported suspicions

- 5.2.1 Department for Work and Pensions (DWP) campaign posters are on display at the benefits counters at West Suffolk House, detailing the council's benefits fraud hotline number. The DWP are also in-situ at the Forest Heath District Council offices.
- 5.2.2 Business cards are available which customers are able to pick up and take away from the West Suffolk House office. In addition, business cards are also on display within the staff breakout areas of West Suffolk House which provide details of the benefit fraud hotline number.
- 5.2.3 The benefits fraud hotline number is included within the staff weekly newsletter.
- 5.2.4 Reports are written for the local newspaper each time there is a successful prosecution. Prosecutions are also reported via the Magistrate Court listings within the local newspaper.

5.3 Successful investigations

- 5.3.1 In all cases recovery is sought from the claimant either by sundry debtor invoice or collection from ongoing benefit, if still entitled.
- 5.3.2 Examples of successful benefit fraud prosecutions for 2013/204 include (note figures have been rounded):

Mr A made a claim for benefit stating that he had liability to pay rent at the property for which he claimed. Enquiries revealed that he was in a relationship with the property owner, she was not his landlord and there was no liability to pay rent. This was a joint investigation with the Police and other agencies. It was also identified that Mr A had fraudulently used a credit card and some other offences. As a result he was overpaid benefit in excess of £22,000. He was prosecuted and sentenced to 16 months in custody.

Mr B made a claim for housing benefit on the basis of his rental liability at his property. Enquiries revealed that he had elevated the amount of rent he was liable to pay in order to receive more benefit. He provided a false tenancy agreement in support of his claim. He also failed to declare that he was in paid employment. He disguised this by using a false name to claim benefit. As a result he was overpaid benefit in excess of £28,000. He was successfully prosecuted and sentenced to 10 months in custody which was suspended for 18 months.

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Miss C had a claim on the basis of being a single parent, with income from part time employment. Enquiries revealed that there had been an increase in Miss C's income as a result of an increase in her earnings. She had failed to declare this increase in income for the purpose of her benefit claim. She had also provided false information to a Visiting Officer who had undertaken a review of her benefit claim. As a result, she was overpaid benefit in excess of £11,000. She was successfully prosecuted and sentenced to a 12 month community order and ordered to undertake 150 hours unpaid work.

Normal recovery procedures are instigated for these prosecutions.

5.4 Sanctions applied

5.4.1 For the 2013/2014 financial year there have been 17 prosecutions and another 7 pending, 10 formal cautions and 4 administrative penalties.

5.4.2 These compare with last year's figures which were 13 prosecutions, 15 formal cautions and 5 administrative penalties.

5.4.3 Most investigations do not result in a sanction but the investigation itself stops or reduces the amount of benefit paid. Investigations are sometimes closed without a sanction because it is considered to be a genuine error or because there is insufficient evidence of fraud or because the health of the individual at the time the fraud is discovered is worse than at the time of the interview. In these instances the benefit has been corrected and recovery action on any overpayment is taken so a saving to the tax payer has been made although not recorded as a fraud.

5.5 Financial loss recovered and (where appropriate) financial savings

5.5.1 Every effort is made to recover debt caused by fraud in line with Department for Work and Pensions (DWP) guidance.

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5.5.2 The recovery of fraud debt for the financial year 2013/2014 is as follows:

	Prosecutions	Cautions	Administrative Penalties	Total
Housing Benefit	£126,904.10	£6,306.11	£1,989.57	£135,199.87
Council Tax Benefit	£15,596.59	£568.45	£624.95	£16,789.99

This compares with the 2012/13 figures which were:

	Prosecutions	Cautions	Administrative Penalties	Total
Housing Benefit	£62,354.84	£19,752.00	£2,776.11	£84,882.95
Council Tax Benefit	£9,085.38	£911.16	£641.23	£10,637.77

5.5.3 During this year the revenues and benefits compliance team, as part of the Anglia Revenues Partnership has undertaken proactive work with regard to false claims to single person discount for council tax which could lead to court action. These cases continue and work is ongoing. This follows on from work carried out in the current year of checking data sources and information received from the public.

5.5.4 In addition, NNDR investigations are being undertaken to identify accounts where payment has not been forthcoming. Enquiries are ongoing to identify the true circumstances of these account holders/companies with a view to undertaking further recovery action in appropriate cases.

6. Policies and Procedures

6.1 The council has a range of interrelated policies and procedures that provide a corporate framework to counter fraudulent activity. These include:

- Codes of Conduct for Members and Officers
- Code of Corporate Governance
- Constitution – including Contract and Financial Procedure Rules
- Anti-Fraud and Anti-Corruption Strategy
- Whistle Blowing Policy
- Anti-Money Laundering Policy
- Recruitment and Selection Procedures
- National Fraud Initiative Strategy

7. National Fraud Initiative

- 7.1 Councils are required to participate in the biennial national fraud initiative, an exercise involving data matching of records such as benefits, payroll, pensions, student awards, housing rents (where appropriate), licenses, parking permits, and travel concessions. Internal Audit takes a leading role in co-ordinating this exercise working across a number of service areas to support staff in providing data and subsequently investigating and recording the results of matches.
- 7.2 The 2012/13 NFI exercise saw 762 matches reported with 95 high priority matches. A total of 328 matches have been processed with another 49 in progress. Nine errors have been identified with a value of £5,495.72. Arrangements are being made to recoup the errors which form benefit overpayments and a duplicate creditor payment.
- 7.3 An additional flexible matching service was provided free of charge by the NFI to review Housing Benefit Claimants to Student Loans and UK Visas. 13 matches were reported with 1 high priority match; these matches are currently being processed.
- 7.4 In March 2014, the Council Tax Single Persons data and Electoral Register data was matched, producing 475 matches which have been provided to ARP to review.

8. Internal Audit

- 8.1 Fraud, theft and corruption risks are identified as part of the annual audit planning process, with the annual Audit Plan including resources to undertake irregularity investigative work, co-ordination of the NFI data matching exercise, and proactive anti-fraud and anti-corruption work.