

**Managing the Risk of Fraud, Theft and Corruption Report**

**1. Introduction**

- 1.1 The West Suffolk councils spend millions of pounds of public money each year on essential local services. It is essential that they protect and preserve their ability to provide these services by ensuring 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 2015/16 to prevent and detect fraud, theft and corruption. By publishing the report the councils aim to show their 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. It is costly, both in terms of reputational risk and financial losses.
- 2.2 The councils' mitigating controls include:
  - ✓ clear policies and procedures available to staff and members;
  - ✓ specialised / qualified staff to identify and investigate potential areas of fraud;
  - ✓ compliance with the National Fraud Initiative; and
  - ✓ a sound internal control environment as demonstrated by internal and external audit opinions.
- 2.3 However, whilst there are mitigating controls in place to manage the risks of theft, fraud & corruption, these risks cannot be completely eradicated. West Suffolk recognises its vulnerability to fraud and its key fraud risk areas, and takes positive action to minimise that risk. Emphasis is placed on preventative and early detection work in areas at greatest risk of fraud, for example, a fraud risk assessment is continually updated to identify those areas susceptible to fraud. Based on likely fraud exposure audit work is carried out to ensure appropriate mitigating actions are in place.

**3. CIPFA Code of Practice – Managing the Risk of Fraud and Corruption**

- 3.1 The CIPFA Code of Practice on Managing the Risk of Fraud and Corruption provides a number of key principles to embed effective standards for countering fraud and corruption.

- 3.2 While the code is voluntary, an assessment has been undertaken resulting in a number of actions including the following, to be explored further:
- the Anti-Fraud and Anti-Corruption Policy may be updated to reflect the Single Fraud Investigation Service (SFIS); and
  - anti-fraud advice and information for staff to be improved using the intranet; and

#### **4. Fighting Fraud and Corruption Locally**

- 4.1 'Fighting Fraud and Corruption Locally' is the new counter fraud and corruption strategy for local government produced by CIPFA. The Strategy estimates that fraud costs local authorities £2.1bn a year, £207m of which is local government fraud.
- 4.2 CIPFA has also produced a national Fraud and Corruption Tracker Summary Report 2015 containing findings from the CIPFA Fraud and Corruption Tracker Survey which identifies trends and statistics. This identifies that nationally, the main types of fraud are council tax, housing benefit and tenancy fraud. West Suffolk is proactively working with the ARP Fraud Team to tackle these common fraud types.

#### **5. Local Government Transparency Code**

- 5.1 From February 2015 local authorities must publish the following information annually about their counter fraud work, as required by the Local Government Transparency Code:
- number of occasions they use powers under the Prevention of Social Housing Fraud (Power to Require Information) (England) Regulations 2014, or similar powers;
  - total number (absolute and full time equivalent) of employees undertaking investigations and prosecutions of fraud;
  - total number (absolute and full time equivalent) of professionally accredited counter fraud specialists;
  - total amount spent by the authority on the investigation and prosecution of fraud; and
  - total number of fraud cases investigated.

Data for both West Suffolk councils is included on the 'open data and transparency' area of the website.

#### **6. Corporate Fraud, Theft, Bribery and Corruption Arrangements**

##### **6.1 Awareness**

- 6.1.1 A West Suffolk Anti-Fraud and Anti-Corruption Policy is in place. The purpose of the policy is to minimise the risk to the

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Council's assets and good name, promote a culture of integrity and accountability in Councillors, employees and all those that the Council does business with, and enhance existing procedures aimed at preventing, discouraging, detecting and investigating fraud and corruption.

- 6.1.2 Fraud messages are published on the West Suffolk intranet at regular intervals to increase staff awareness.
- 6.1.3 Internal Audit have also attended a meeting with the Housing Team to discuss fraud awareness, with Internal Audit maintaining contact with other services as required.
- 6.1.4 The council is a member of the National Anti-Fraud Network (NAFN), recognised as a centre of good practice 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.

### **6.2 Reported suspicions**

- 6.2.1 Part of the work of the Internal Audit team is the investigation of potential irregularities where processes / systems are found not to be functioning as intended, resulting in potential loss to West Suffolk of resources / money. In the last year Internal Audit have been alerted to one investigation by a service involving a false expense claim. No losses were sustained by the councils.

## **7. Revenues and Benefits (ARP) Fraud Arrangements**

### **7.1 Awareness**

- 7.1.1 All new staff recruited to the revenues and benefits team are given a half day fraud awareness session which includes an awareness of key documents, and the role of the ARP Fraud Team and the types of fraud that they uncover. Fraud awareness training has recently included Money Laundering training.

### **7.2 Reported suspicions**

- 7.2.1 Information is provided to the local newspaper each time there is a successful prosecution. Prosecutions are also reported via the Magistrate Court listings within the local newspaper.

### **7.3 Successful investigations**

- 7.3.1 In all cases recovery is sought from the claimant either by sundry debtor invoice or collection from ongoing benefit, if still entitled.

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7.3.2 Examples of successful benefit fraud prosecutions for 2015/16 include (note that figures have been rounded):

- One individual made a claim for benefit stating that she was a lone parent. At no time did she notify any changes in circumstances to confirm that a partner had joined the household. Enquiries revealed evidence which linked a partner to the household. As a result, the individual was overpaid benefits by the council in excess of £10,000. They were successfully prosecuted and sentenced by way of 18 weeks imprisonment suspended for 18 months and to complete 200 hours unpaid work.
- Another individual made a claim for benefit on the basis of being in part-time employment. The individual changed employment to full-time and failed to notify this change. As a result they were overpaid benefit in excess of £20,000. They were prosecuted for this offence and sentenced to 250 hours unpaid work.

Normal recovery procedures have been instigated for these prosecutions.

### 7.4 Sanctions applied

7.4.1 The following sanctions have been applied:

<i>SEBC</i>	<i>2014/15</i>	<i>2015/16</i>
Prosecutions	14	7
Formal cautions	20	15
Administrative penalties	6	4

<i>FHDC</i>	<i>2014/15</i>	<i>2015/16</i>
Prosecutions	9	15
Formal cautions	18	12
Administrative penalties	8	6

7.4.2 Not all investigations 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.

**7.5 Financial loss recovered and (where appropriate) financial savings**

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

7.5.2 The following amounts were identified as fraudulent payments:

<i>SEBC</i>	<i>2014/15</i>	<i>2015/16</i>
Housing Benefit	£180,754.88	£93,772.04
Council Tax Reduction	£39,454.14	£28,036.21

The value of identified fraud in 2015/16 is lower than 2014/15 due to a significant fraud being identified in 2014/15 whereby a lone parent was found to have a partner living in the household for almost ten years. This resulted in benefit overpayments in excess of £90,000.00.

<i>FHDC</i>	<i>2014/15</i>	<i>2015/16</i>
Housing Benefit	£96,919.58	£122,900.10
Council Tax Reduction	£20,312.64	£30,457.78

The value of identified fraud in 2015/16 is higher as high values of benefit overpayments were identified in some 'living together' cases.

7.5.3 The Fraud and Investigation Team within the ARP were all eligible for transfer to the Department of Work and Pensions Single Fraud Investigation Service (SFIS) in September 2015, in recognition that all welfare benefits investigations, including Housing Benefit, were the responsibility of SFIS from that date. However, it was decided to retain staff within an ARP Counter Fraud Team with the retained staff now investigating Single Person Discount Fraud together with offences relating to Council Tax Support and Housing Fraud.

7.5.4 During 2015/16 the Revenues and Benefits Fraud Team, as part of ARP has undertaken proactive work with regard to false claims for Single Person Discount (SPD) for Council Tax which could lead to court action. This area of work is ongoing with the use of new data matching software. The figures for 2015/16 are as follows:

- St Edmundsbury BC £34,864.51
- Forest Heath DC £43,426.49

In addition to the exercise above, ARP facilitated an SPD review by an external company resulting in the removal of:

- 657 SPDs for SEBC producing savings of £197,803; and
- 399 SPDs for FHDC producing savings of £114,577.

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SPD applications are now also being checked by the ARP Fraud Team in order to prevent discounts being granted incorrectly and avoiding the issue of trying to collect amounts of Council Tax retrospectively.

- 7.5.5 Investigations will also be undertaken regarding potentially false applications for business rate exemptions.
- 7.5.6 The ARP Fraud Team has also been liaising with the Housing Team and working with social housing providers to recover properties. In 2015/16, 9 properties were recovered within St Edmundsbury BC and 2 were recovered for Forest Heath DC, enabling these to be offered to those in housing need.

### **8. Policies and Procedures**

8.1 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 Policy
- Whistleblowing Policy
- Anti-Money Laundering Policy
- Recruitment and Selection Procedures

### **9. National Fraud Initiative**

- 9.1 The National Fraud Initiative (NFI) is a mandatory exercise that matches electronic data within and between public and private sector bodies to prevent and detect fraud. This was previously run by the Audit Commission, but has now passed to the Cabinet Office. Whilst the main exercise takes place over a two year period, an annual exercise to match electoral register data to Council Tax records is also undertaken and both West Suffolk Councils have voluntarily taken part in pilot data matching exercises to review Council Tax Reduction awards.
- 9.2 A risk-based approach is undertaken when reviewing matches, with recommended matches as identified by the NFI application being a high priority, and a sample of the remaining matches are then assessed and reviewed.
- 9.3 Where fraud or error is found, recovery is made by way of deductions from benefit, overpayment proceedings or credits

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obtained from suppliers where duplicate payments have been identified.

- 9.4 The recent exercises have identified:
- £70,588.08 of frauds and errors for St Edmundsbury, with 64% of this being single person discount recovery; and
  - £86,051.12 of frauds and errors for Forest Heath, with 87% of this being single person discount recovery.
- 9.5 A data matching exercise to identify duplicate invoice payments was undertaken within the Finance Team and an external provider. This identified a number of potential duplicate payments with a value of £12,948.00, including VAT in the period April 2014 – January 2016 which will be investigated further by the Finance Team.

### **10. Internal Audit**

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