

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 continue to 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 2016/17 to prevent and detect fraud, theft and corruption. By publishing the report the councils aim to show their commitment to minimising the risk of fraud, theft and corruption and deter any would-be fraudsters.

2. The Risk of Fraud

- 2.1 Fraud, theft and 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;
 - ✓ active participation in 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 fraud, theft and 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 those risks. Emphasis is placed on preventative and early detection work in areas at greatest risk of fraud.

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 was undertaken in 2015/16, resulting in a number of actions to be completed. This continues to be reviewed and incorporated into the annual audit work plan.

4. Fighting Fraud and Corruption Locally

- 4.1 CIPFA's Local Government Counter Fraud and Corruption Strategy 2016-19 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 2016 containing findings from a national survey which identifies trends and statistics. This identified the main types of fraud being council tax, housing benefit and tenancy fraud. West Suffolk is proactively working with the Anglia Revenues Partnership (ARP) Fraud Team to tackle these common fraud types.

5. Local Government Transparency Code

- 5.1 Since February 2015 local authorities have been required to 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 councils' assets and good name, promote a culture of integrity and accountability in councillors, employees and all those that the councils do business with, and enhance existing procedures aimed at preventing, discouraging, detecting and investigating fraud and corruption.
- 6.1.2 Fraud awareness messages are published on the West Suffolk intranet at regular intervals to increase staff awareness.
- 6.1.3 Internal Audit also liaise with the ARP Fraud Team on a regular basis and are working towards undertaking internal data matching exercises with software procured by ARP.
- 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, 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. No such investigations were necessary in 2016/17.

7. Revenues and Benefits (ARP) Fraud Arrangements

The information in this section has been provided by ARP.

7.1 Awareness

7.1.1 All new staff recruited to ARP's revenues and benefits team are given a fraud awareness session which includes training on fraud awareness, key documents, the role of the ARP fraud team and types of fraud they uncover. Proactive fraud detection work is undertaken by ARP with any suspected Housing Benefit frauds now being reported to, and investigated by, the Department for Work and Pensions' Single Fraud Investigation Service (SFIS).

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 Sanctions applied

7.3.1 The following sanctions have been applied:

SEBC	2015/16	2016/17
Prosecutions	7	0
Formal cautions	15	6
Administrative penalties	4	5

FHDC	2015/16	2016/17
Prosecutions	15	0
/Formal cautions	12	5
Administrative penalties	6	3

Note: the 2015-16 prosecutions all related to housing benefits frauds - responsibility for investigating these frauds passed to the Department for Work and Pensions' Single Fraud Investigation Service (SFIS) in late 2015 and therefore there were no ARP-led prosecutions in 2016-17.

7.3.2 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.

7.4 Financial loss recovered and (where appropriate) financial savings

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

7.4.2 The following amounts were identified as fraudulent payments:

<i>SEBC</i>	<i>2015/16</i>	<i>2016/17</i>
Housing Benefit	£93,772.04	106 cases passed to SFIS
Council Tax Reduction	£28,036.21	£20,539.28

<i>FHDC</i>	<i>2015/16</i>	<i>2016/17</i>
Housing Benefit	£122,900.10	57 cases passed to SFIS
Council Tax Reduction	£30,457.78	£29,617.95

Since the introduction of the SFIS, housing benefit frauds are not investigated by ARP, but passed to the DWP to investigate – monetary figures for these frauds are not easily available.

In all cases recovery is sought from the claimant either by sundry debtor invoice, collection from ongoing benefit if still entitled, or by amendments to the council tax liability

7.4.3 The Fraud and Investigation Team within the ARP investigate council tax fraud, including single person discount, tenancy fraud and offences relating to council tax support and housing fraud.

7.4.4 During 2016/17 the ARP Revenues and Benefits Fraud Team continued to undertake 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, using both data matching software and the National Fraud Initiative matches. The value of identified savings for 2016/17 to date is as follows:

- 216 cases for SEBC, producing savings of £151,646.74
- 27 cases for FHDC, producing savings of £15,021.53

Regarding the above figures, it should be noted that all SEBC National Fraud Initiative matches have been reviewed with the FHDC matches currently being worked on, therefore the FHDC figures are likely to increase.

The savings are calculated from when the single person discount eligibility is removed and the liability for the remainder of the current financial year. New council tax bills are raised for the period in question to enable collection to be made.

Single person discount 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.

7.4.5 Proactive work to identify properties not on the council tax or business rates databases is also undertaken to identify tax evasion. This can be where the property does not appear on the ARP database as it had not been declared to the Valuation Office or where incorrect information on the property status has been declared. This has resulted in backdated bills being raised as follows:

- 13 cases for SEBC, with a value of £27,029.09
- 7 cases for FHDC, with a value of £17,271.89

Examples of this include:

SEBC

Investigations concluded that a property was empty, even though the owner declared it as being inhabited. This resulted in the Long Term Empty premium being applied and backdated bills for approximately £5,000 being raised.

A previously non-residential property was identified as being developed into a residential property, but had not been declared; this resulted in backdated bills for approximately £4,800 being raised.

FHDC

An undeclared Band F property was identified, resulting in backdated bills for approximately £5,600 being raised.

An undeclared mobile home was detected, resulting in backdated bills for approximately £5,300 being raised.

7.4.6 The ARP Fraud Team has also been liaising with the Housing Team and working with social housing providers to recover properties. In 2016/17, 7 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 run by the Cabinet Office that matches electronic data within and between public and private sector bodies to prevent and detect fraud. The main exercise takes place over a two year period, matching records such as benefits, payroll, pensions, student awards, licenses, creditor payments and parking permits. The current exercise has included the housing waiting list to determine if false information has been provided or possible undisclosed changes in circumstance. A separate annual exercise to match electoral register data to council tax records is also undertaken; this is to identify where single person discounts may not be applicable.
- 9.2 A risk-based approach is undertaken when reviewing data 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 obtained from suppliers where duplicate payments have been identified.
- 9.4 The 2016/17 NFI exercise saw data matches being released in January 2017.
- For SEBC, a total of 1647 matches were reported with 292 high priority matches. By mid-April 2017, a total of 336 matches had been processed with another 38 in progress. This resulted in the identification of 3 housing benefit errors, with a value of £384. 7 creditor payment errors within this exercise had already been identified through either the 2015/16 NFI exercise or by West Suffolk Finance with corrective action already taken.
 - For FHDC, a total of 858 matches were reported with 160 high priority matches. By mid-April 2017, a total of 235 matches had been processed with another 40 in progress. This resulted in the identification of 1 duplicate creditor payment which West Suffolk Finance were already aware of and taken corrective action to recover.

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.