

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 2017/18 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, in terms of both reputational risk and financial losses.
- 2.2 The councils' mitigating controls include:
 - ✓ clear policies and procedures available to staff and members;
 - ✓ specialist / 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. The West Suffolk councils recognise their vulnerability to fraud and key fraud risk areas, and take 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.

Appendix C

3.2 A self-assessment was undertaken against this voluntary Code in 2015/16. Progress of actions and assessment of risk controls was reviewed in 2017/18 - a small number of actions arose from this review, the main two work in progress actions being to investigate data matching options to supplement NFI exercises, and consider performing audit reviews of declarations of interests and gifts and hospitality. These actions continue to be reviewed and will be incorporated into the annual audit work plan as appropriate.

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 produces an annual national Fraud and Corruption Tracker Summary Report, this report contains findings from a national survey which identifies trends and statistics.

4.3 The report, published in November 2017, estimated that across local authorities more than 75,000 frauds have been detected or prevented in 2016/17 with a value of £336.2m. Key messages from this national report which are relevant to the West Suffolk councils are:

- procurement and council tax single person discount are perceived as the highest fraud risk areas;
- the highest number of investigations related to council tax fraud;
- the highest value area of fraud is housing;
- barriers to effective data sharing have consistently been reported as impacting on fraud investigation and prevention; and
- cyber security should be integral to any new strategy or policy decisions.

4.4 The Strategy sets out the approach local authorities should take to transform counter fraud and corruption performance. The practical guide includes a self-assessment which local authorities were encouraged to complete to identify and understand major risks and the counter fraud and corruption culture.

4.5 The annual review of the checklist and progress against actions was completed in 2017/18, concluding that there were no high risks for the West Suffolk councils, but a small number of actions were to be made to further strengthen the counter fraud arrangements, including the creation of a procurement fraud map to ensure that effective controls are in place at each stage of the procurement cycle.

5. Serious Organised Crime

- 5.1 The Home Office undertook joint pilot work by local authorities and police forces during 2016 in seven areas regarding the threat that serious and organised crime poses to publicly procured services.
- 5.2 A national report was circulated, recommending that a serious and organised crime checklist was completed which is intended to be used as an internal, self-assessment tool to provide a high level overview of the serious and organised crime risks that each organisation may have and develop an improvement plan for managing the risk.
- 5.3 The checklist was completed in October 2017 through a review of documentation and discussion with officers. The assessment of the current risks was considered to be good or acceptable in most areas. Two risk areas were identified concerning cyber crime and insider threats, and actions have been identified to mitigate these.
- 5.4 The report also recommended that joint working with local police should be undertaken to data match high risk areas. Suffolk Constabulary are leading on a data wash of local authorities supplier data for what were considered to be the areas most at risk to determine if there are any organised crime links. West Suffolk provided the data in February 2018 and are awaiting feedback.

6. Local Government Transparency Code

- 6.1 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 powers are used 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 each 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 councils' website.

7. Corporate Fraud, Theft, Bribery and Corruption Arrangements

7.1 Awareness

- 7.1.1 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.
- 7.1.2 Internal Audit provided eleven messages for publication on the intranet to increase staff awareness in 2017/18. These included topics such as protection against scams and ransomware, tenancy fraud, housing benefit and council tax fraud, safer on-line shopping, mandate fraud, supplier fraud and reporting fraud. Posters have also been displayed, at periodic intervals, at the councils' offices. Four messages were also posted on social media to alert the public to scams.
- 7.1.3 Internal Audit liaise with the ARP Fraud Team on a regular basis and discuss potential opportunities for future proactive fraud exercises.
- 7.1.4 Internal Audit receive, and take action on, regular alerts from the National Anti-Fraud Network – this is an organisation recognised as a centre of good practice dedicated to protecting the public purse from fraud, abuse and error.

7.2 Reported suspicions

- 7.2.1 One of the responsibilities of the Internal Audit team is the investigation of potential irregularities resulting in potential loss to West Suffolk of resources / money. No such investigations were necessary in 2017/18.

8. Revenues and Benefits (ARP) Fraud Arrangements

The information in this section has been provided by ARP.

8.1 Awareness

- 8.1.1 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).

8.2 Reported suspicions

Appendix C

8.2.1 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.

8.3 Sanctions applied

8.3.1 The following sanctions have been applied:

SEBC	2016/17	2017/18
Formal cautions	6	6
Administrative penalties	5	6

FHDC	2016/17	2017/18
Formal cautions	5	4
Administrative penalties	3	7

8.3.2 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.

8.4 Financial loss recovered and (where appropriate) financial savings

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

8.4.2 The following amounts were identified as fraudulent payments:

<i>SEBC</i>	<i>2016/17</i>	<i>2017/18</i>
Housing Benefit	106 cases passed to SFIS	68 cases passed to SFIS
Council Tax Reduction	£20,539.28	£26,149.88

<i>FHDC</i>	<i>2016/17</i>	<i>2017/18</i>
Housing Benefit	57 cases passed to SFIS	39 cases passed to SFIS
Council Tax Reduction	£29,617.95	£17,886.75

Two FHDC Council Tax Reduction Scheme (CTRS) cases are being forwarded for prosecution, for both of these, the CTRS

Appendix C

overpayment is in excess of £3,000. One case is a failure to declare work and the other relates to non-declaration of receiving significant capital.

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

8.4.3 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.

8.4.4 During 2017/18 the ARP Revenues and Benefits Fraud Team continued to undertake proactive anti-fraud 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, primarily using credit check software and the National Fraud Initiative matches. The value of identified savings for 2017/18 to date is as follows:

- 108 cases for SEBC, producing savings of £70,036.98
- 79 cases for FHDC, producing savings of £42,825.27

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.

8.4.5 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 proactive work has resulted in backdated bills being raised as follows:

- 11 council tax cases for SEBC, with a value of £14,145.93
- 12 business rates cases for SEBC, with a value of £66,797.84
- 17 council tax cases for FHDC, with a value of £37,577.74
- 2 business rates cases for FHDC, with a value of £6,759.20

Examples of this include:

SEBC

- A Visiting Officer noticed that a property was being extended and this had not been notified to the Council. The Rateable Value was amended and a saving recorded of £7,816.31.

FHDC

- An undeclared mobile home, dating back to 2010 resulted in council tax arrears of approximately £5,000

8.4.6 The ARP Fraud Team has also been liaising with the Housing Team and working with social housing providers to recover properties. In 2017/18, 8 properties were recovered within SEBC and 7 were recovered for FHDC, enabling these to be offered to those in housing need.

9. Policies and Procedures

9.1 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

10. National Fraud Initiative

10.1 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 register 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.

10.2 A risk-based approach is undertaken when reviewing data matches, with recommended matches as identified by the NFI

Appendix C

application being a high priority, and a sample of the remaining matches are then assessed and reviewed.

- 10.3 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.
- 10.4 The current NFI exercise saw the majority of the data matches being released in January 2017, with supplementary matches released throughout the year.
- 10.5 For SEBC, a total of 1700 matches were reported with 304 high priority matches. By the end of the financial year, a total of 666 matches had been processed, key items to note:
- An assessment which included requesting information for the accounts reviewed resulted in CTRS being removed from 5 accounts; this increased the liability for the accounts with values varying from £28.96 to £639.12 which has been added to the council tax bill;
 - Housing benefit overpayments were created on 4 accounts which were assessed as part of this exercise, these ranged from £82.42 to £1,731.29;
 - 7 matches were still being reviewed as information was pending from 5 claimants, for 2 of these information was awaited from other organisations; and
 - A further 7 housing benefit matches have been referred to the DWP to investigate.
- 10.6 For FHDC, a total of 873 matches were reported with 160 high priority matches. By the end of the financial year, a total of 373 matches had been processed, key items to note:
- An assessment, which included requesting information, for the accounts reviewed resulted in CTRS being removed from 3 accounts; this increased the liability for the period where the CTRS was not applicable and resulted in council tax liability being increased by £502.62, £1,946.94 and £3,057.19;
 - A creditor payment error was reported (£6,498.55), a review of the details confirmed this this was not a fraud but an error with the invoice date; and
 - A further 8 housing benefit matches have been referred to the DWP to investigate.
- 10.7 The NFI exercise included matching the Housing Register for the first time to data sets; the objective was to identify irregularities in reported addresses which may affect benefit or council tax reduction awards, or undisclosed changes in circumstances of the waiting list applicant. This exercise was used as an opportunity to undertake data cleansing on the

Appendix C

waiting list. Internal Audit provided an initial triage by reviewing data to housing benefit and council tax information and then passed on relevant accounts requiring further investigation to the Housing Team to review and request updates from the applicant; this resulted in over 180 customers being removed from the waiting list across West Suffolk.

- 10.8 The annual data matching exercises to compare single person discounts to the electoral register to indicate where single person discount may no longer be applicable are constantly being worked on by ARP. At the end of the financial year, adjustments had been made to a number of accounts where it was identified that single person discount was no longer applicable. This has resulted in issuing amended council tax bills for SEBC with amendments of £86,807.53 and £22,150.88 for FHDC.

11. Internal Audit

- 11.1 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.