

Annual Fraud Report 2020-21

1. Introduction

- 1.1 West Suffolk Council spends millions of pounds of public money each year on essential local services. It is essential that we continue to protect and preserve our ability to provide these services by ensuring assets are protected against risk of loss or damage.
- 1.2 This report summarises the work which has taken place during 2020-21 to prevent and detect fraud, theft and corruption. The council aims to show its commitment to minimising the risk of fraud, theft and corruption and deter any would-be fraudsters by publishing this information

2. The Risk of Fraud

- 2.1 Fraud, theft and corruption are an ever-present threat to the resources available in the public sector. They are costly, in terms of both reputational risk and financial losses.
- 2.2 The council's mitigating controls include:
 - clear policies and procedures
 - availability of specialist and qualified staff to identify and investigate potential areas of fraud
 - active participation in the National Fraud Initiative (NFI), and
 - a sound internal control environment as demonstrated by internal and external audit opinions.
- 2.3 Whilst there are mitigating controls in place to manage the risks of fraud, theft and corruption, these risks cannot be completely eradicated. West Suffolk Council recognises the vulnerability to fraud and 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. Policies and Procedures

3.1 The council has a range of interrelated policies and procedures to 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

4. Corporate Fraud, Theft, Bribery and Corruption Arrangements

4.1 West Suffolk's Anti-Fraud and Anti-Corruption Policy is in place to minimise the risk to the 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.

4.2 Regular messages are published on the intranet to increase staff awareness. This can include topics such as housing benefit, business rates and council tax fraud, mandate and invoice fraud, vishing scams (the practice of making phone calls purporting to be from reputable companies to induce officers to reveal information), grant fraud, on-line shopping fraud and general fraud awareness. Where appropriate, messages are also posted on West Suffolk social media accounts to alert the public to scams.

4.3 Internal audit receives and takes action on regular alerts from the National Anti-Fraud Network – an organisation recognised as a centre of good practice dedicated to protecting the public purse from fraud, abuse and error.

4.4 The Anglia Revenues Partnership (ARP) provides the revenues and benefits service on behalf of five partner authorities, including West Suffolk. The ARP has a dedicated fraud team which internal audit liaises with on a regular basis.

4.5 Staff vigilance continues to support the anti-fraud culture. For example, the finance team have strong controls in place which help to identify attempted mandate fraud.

5. Internal Audit

- 5.1 Fraud and corruption risks are identified as part of the annual audit planning process and flexibility is included within the annual internal audit work plan to undertake irregularity investigative work, coordination of the NFI data matching exercise and proactive anti-fraud and anti-corruption work, including raising awareness.
- 5.2 It is recognised that due to the unprecedented COVID-19 pandemic that pressure on resources and deployment of staff to undertake processes and transactions could potentially slightly increase the risk of fraud from external parties.

6. Reported Suspicions

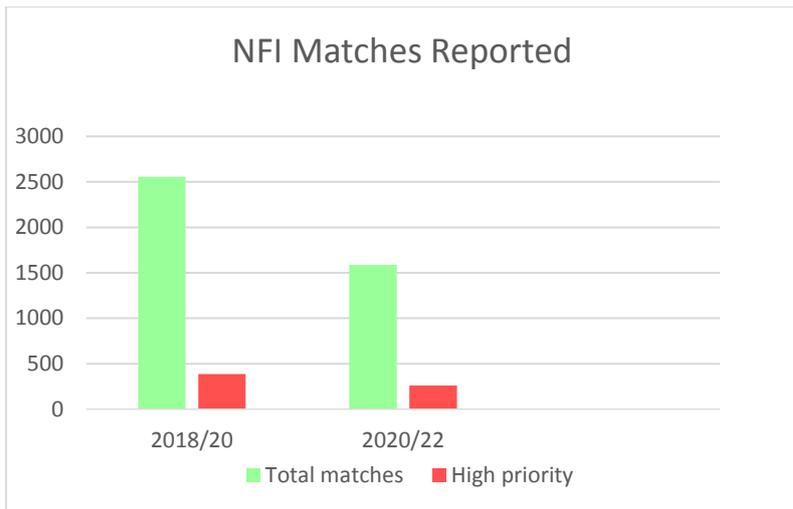
- 6.1 The internal audit team has a responsibility to investigate suspected irregularities resulting in potential loss to West Suffolk resources and monies.

7. COVID-19

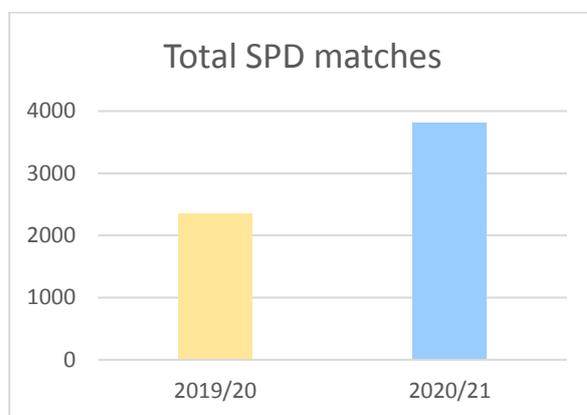
- 7.1 Internal audit have been actively involved in the checking of COVID-19 business grants, utilising government recommended tools to assist with identifying fraudulent grant applications and errors and working with colleagues to action recovery where necessary.
- 7.2 Internal audit are following guidance issued by the Department of Business, Energy and Industrial Strategy (BEIS) in respect of prepayment and post payment assurance work required for the COVID-19 business grants. This includes the completion of risk assessments, post payment assurance plans, and reporting regimes.

8. National Fraud Initiative

- 8.1 The National Fraud Initiative (NFI) is a mandatory exercise run by the Cabinet Office to match and compare electronic data within and between public and private sector bodies to prevent and detect fraud and error. These bodies include police authorities, fire and rescue authorities, NHS as well as local authorities and a number of other public sector bodies. Where a match in data is found, this indicates that there may be an inconsistency in the application, claim or payment which needs further investigation.
- 8.2 The main exercise takes place over a two-year period, matching records such as benefits, student loans, payroll, pensions, licences, creditor payments, housing register, and parking permits.
- 8.3 The current NFI exercise saw data matches being released in quarter 4 of 2020-21. This produced a slight reduction in the number of matches previously reported as the NFI continue to improve data matching.



- 8.4 High priority and a sample of other matches are being reviewed by internal audit and ARP.
- 8.5 The NFI are also performing data matching exercises against the recipients of COVID-19 business grants issued during the initial lockdown in 2020 to identify fraud. The results have not yet been released.
- 8.6 A separate annual exercise to match electoral register data to single person discount (SPD) records is also undertaken to identify where SPD may not be applicable as there is more than one liable person living at the property. The most recent exercise has seen an increase in the reported matches.



- 8.7 Where fraud or error is found, recovery is made by way of the housing benefit overpayment process, credits obtained from suppliers (for example for duplicate invoice payments) or revised council tax bills are issued.

9. Anglia Revenues and Benefits (ARP) Fraud Arrangements

9.1 ARP investigate council tax fraud, tenancy fraud (working with the homelessness and housing teams) and offences relating to council tax support. Housing Benefit frauds are passed to the Department for Work and Pensions (DWP) to investigate.

9.2 Proactive work includes:

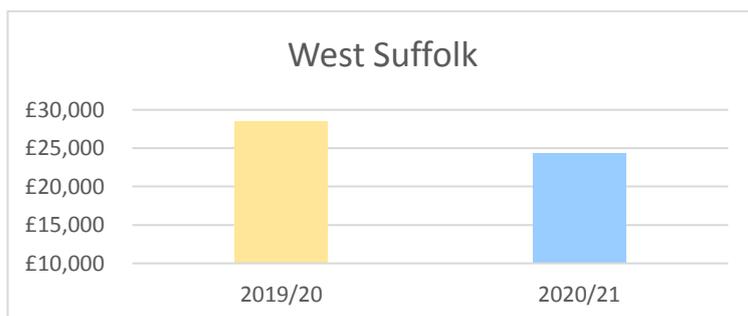
- checks are made on single person discount (SPD) applications by the ARP Fraud Team to proactively prevent discounts being incorrectly granted
- identifying potential tax evasion due to properties not on the council tax or business rates databases
- new staff recruited to the ARP revenues and benefits team are given an induction session, to include training on fraud awareness, key documents and the role of the ARP Fraud Team
- working with housing teams and social housing providers to recover properties, and
- investigating referrals from West Suffolk Council.

9.3 The data below has been provided by ARP to summarise some of the fraud work undertaken by them during 2020-21.

Council Tax Reduction Scheme

9.3.1 Every effort is made to recover debt caused by fraud in line with DWP guidance.

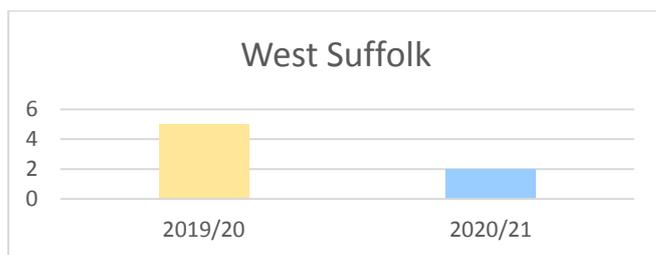
9.3.2 20 cases of ineligible council tax reduction scheme awards were identified with savings of £24,402 calculated:



9.3.3 New council tax bills are issued for the period in question to enable collection to be made.

9.3.4 Savings are calculated from the actual overpayment plus 21 weeks.

Sanctions Applied



9.3.5 Investigations can be closed without a sanction because it is considered to be a genuine error, there is insufficient evidence of fraud, or it is not in the public interest to pursue the fraud. In these instances, the benefit is corrected, and the action taken is recovery action in respect of an overpayment; whilst this is not recorded as a fraud, there is a saving to the taxpayer.

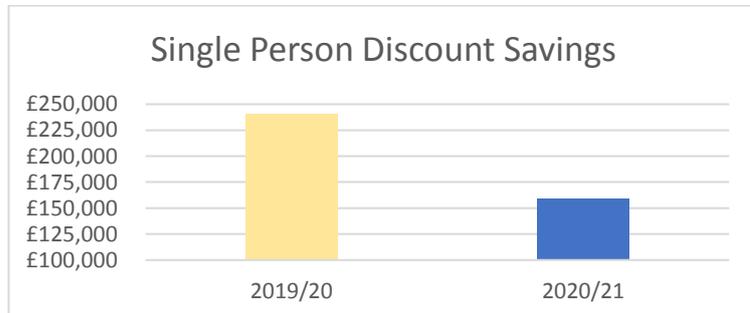
Housing Benefit

9.3.6 Housing benefit fraud is investigated by the Single Fraud Investigation Service (SFIS) which is a partnership between the DWP Fraud Investigation Service, HM Revenue and Customs (HMRC), and local authorities.

9.3.7 ARP referred 69 cases to SFIS on behalf of West Suffolk.

Single Person Discount Fraud

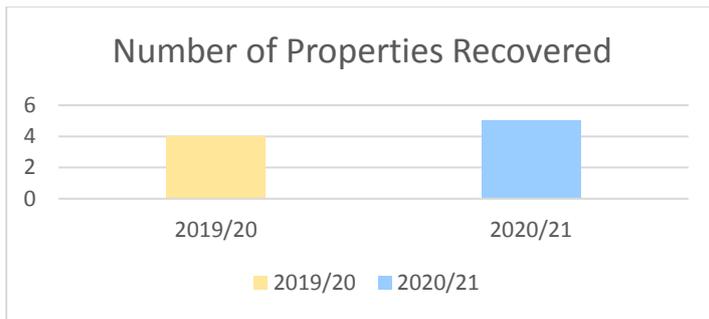
9.3.8 203 cases were identified, with savings of £158,749 calculated.



9.3.9 In line with DWP guidance, the savings are calculated from when the eligibility is removed, the liability for the remainder of the current year plus another 52 weeks.

Social Housing Fraud

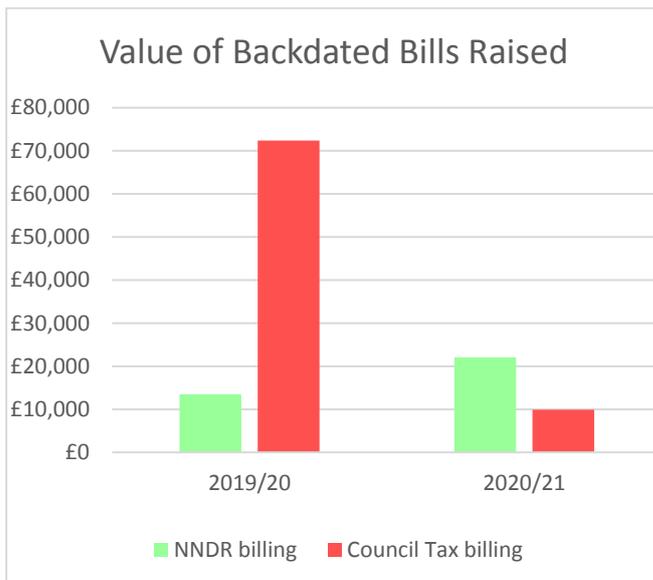
9.3.10 Joint working with the housing team and housing associations resulted in a number of properties being recovered. These properties can then be offered to those who are eligible for social housing.



Other Fraud Activity

9.3.11 Work continues to identify properties which are not on the council tax or business rates databases. This can occur as the property has not been declared to the Valuation Office or incorrect information on the property status has been declared; officer vigilance can often identify these properties. One national non-domestic rates (NNDR) property was identified as not being on the database in 2020-21, this is consistent with 2019-20. There were 8 properties identified as not being on the council tax database in 2020-21, this is a reduction from 39 in 2019-20.

9.3.12 Backdated bills are raised for these properties.



10. Health Check

10.1 A fraud health check review has been completed by internal audit to evaluate the counter fraud arrangements at West Suffolk Council against the following good practice guidance.

Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice – Managing the Risk of Fraud and Corruption

- This provides a number of key principles to embed effective standards for countering fraud and corruption
- A self-assessment, along with consideration of progress of actions and assessment of risks and controls, is undertaken against this voluntary code, and
- Any actions arising are incorporated into the annual audit work plan.

Fighting Fraud and Corruption Locally

- The CIPFA Fighting Fraud and Corruption Locally Strategy estimates that fraud costs local government £7.8bn a year, and
- The strategy and its tools provide ways for local authorities to further develop and enhance their counter-fraud response by ensuring that it is comprehensive and effective and by focusing on the key changes that will make the most difference.

Fraud and Corruption Tracker

CIPFA also produces a national fraud and corruption tracker report, this data is collated from a national survey to identify trends and statistics.

The 2020 report estimated approximately 47,000 frauds had been detected or prevented nationally in 2019-20 with a value of £239m. Key messages from the report include:

- council tax single person discount and procurement fraud remain the highest perceived risk areas, and
- business rates fraud remains a concern.

Council tax fraud represented 65% of identified fraud but is only 15% of detected value.

10.2 West Suffolk Council is a member of the Suffolk Counter Fraud Group which aims to:

- identify and share emerging national and local fraud risks
- explore the sharing and matching of data within Suffolk authorities to identify fraud and error
- share best practice and explore joint working for proactive counter fraud exercises.