

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 2014/15 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. Greater emphasis is being placed on preventative and early detection work in the coming year in areas at greatest risk of fraud, for example, a fraud risk assessment (to be updated on an annual basis) has been conducted by Internal Audit to identify those areas susceptible to fraud. Based on likely fraud exposure audit work will be 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 was published in October 2014 and builds upon previous CIPFA guidance on managing the risk of fraud, commonly known as the 'Red Book'. The code illustrates

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good governance and operational arrangements to help counter fraud and corruption.

- 3.2 Whilst the code is voluntary, an assessment will be undertaken by Internal Audit early in 2015/16 to assess how the councils compare to the requirements of the Code of Practice. Under previous guidance the councils were considered to be substantially complying with the requirements of the Code.

4. Protecting the Public Purse

- 4.1 The Audit Commission published its final annual report on reviewing the landscape of fraud against councils before the Commission closed in March 2015. This report, entitled 'Protecting the Public Purse 2014: Fighting Fraud Against Local Government' highlighted that fraud valued at £188 million was detected by England's councils in 2013/14, a tenfold increase since 1990. The publication details statistics, trends, and particular cases of fraud within Local Government. Internal Audit uses these reports as another source of information and good practice to help guide its anti-fraud work.

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.

The 2014/15 data for both West Suffolk councils has been included in the 'open data and transparency' area of the website.

6. Corporate Fraud, Theft, Bribery and Corruption Arrangements

6.1 Awareness

- 6.1.1 The West Suffolk Anti-Fraud and Anti-Corruption Policy, drafted by Internal Audit, was approved and adopted within 2014/15. The policy was previously reviewed for both councils in 2011 and was reviewed again in 2014 to ensure it continues

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to reflect best practice, legislation and shared services arrangements. The main change in updating the previous Strategy (re-named as a Policy) was to include a section on social housing fraud in recognition of the Prevention of Social Housing Fraud Act 2013 which as well as creating new criminal offences in this area gave greater powers to local authorities to investigate social tenancy fraud through better access to data from banks and utility companies.

- 6.1.2 An annual fraud awareness newsletter is published to staff via the intranet: this is designed to highlight areas of fraud in the workplace and to help staff understand why we need to combat it effectively.
- 6.1.3 A number of messages have been included in the councils' internal bulletin to remind staff of their responsibilities regarding declarations of interests, and gifts and hospitality.
- 6.1.4 A leaflet is available to staff via the intranet regarding fraud, corruption, and bribery and what we can do to stop it.
- 6.1.5 A follow up audit review of the arrangements in place to identify potential money laundering activity was conducted during the year with no significant issues outstanding. An Anti-Money Laundering e-learning training module was released in 2014/15 to further promote staff understanding. Messages were also placed in the staff newsletter, Wavelength, during the year to promote staff awareness.
- 6.1.6 Internal Audit has also recently developed a draft Fraud Response Plan which describes the action individuals should take if they suspect fraud or corruption. Once finalised the Plan will be made available to staff on the intranet.
- 6.1.7 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.

6.2 Reported suspicions

- 6.2.1 Part of the work of the section 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 involved in two such investigations – the outcomes of both investigations was to advise on areas where controls needed to be strengthened.
- 6.2.2 In addition, council officers alerted the police to a situation at a Newmarket industrial unit where there were concerns over

possible illegal activities. Local press subsequently reported that a cannabis farm consisting of 90 plants and hydroponics equipment had been discovered.

7. Revenues and Benefits (ARP) Fraud Arrangements

7.1 Awareness

7.1.1 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, and the role of the benefits 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 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.

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.

7.3.2 Examples of successful benefit fraud prosecutions for 2014/15 include (note figures have been rounded):

- One individual made a claim for benefit stating that he was a lone parent. At no time did he notify any changes in his circumstances to confirm that his partner had joined the household. Enquiries revealed evidence which suggested his partner had been in the household for almost ten years. As a result, the individual was overpaid benefits by the council and the DWP in excess of £90,000. He was successfully prosecuted and sentenced by way of 18 months imprisonment.
- Another individual made a claim for benefit on the basis of being a lone parent. Evidence was obtained which revealed that she had failed to declare her partner in the household. She was overpaid benefit in excess of £13,000. She was prosecuted for failing to notify a change of circumstances and was sentenced by way of 24 weeks imprisonment.
- Another individual made a claim for benefit on the basis of being in part time employment. The individual

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changed employment to full time and failed to notify this change. As a result she was overpaid benefit in excess of £5,400. She was prosecuted for this offence and sentenced to 60 hours unpaid work.

Normal recovery procedures have been instigated for these prosecutions.

7.4 Sanctions applied

7.4.1 For the 2014/15 financial year there have been:

- prosecutions - 14 for St Edmundsbury BC and 9 for Forest Heath DC;
- formal cautions - 20 for St Edmundsbury BC and 18 for Forest Heath DC; and
- administrative penalties - 6 for St Edmundsbury BC and 8 for Forest Heath DC.

7.4.2 These compare with last year's figures which were:

- prosecutions – 15 for St Edmundsbury BC and 17 for Forest Heath DC;
- formal cautions – 12 for St Edmundsbury BC and 10 for Forest Heath DC; and
- administrative penalties – 9 for St Edmundsbury BC and 4 for Forest Heath DC.

7.4.3 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.

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7.5.2 The recovery of fraud debt for the financial year 2014/15 is as follows:

	Total
St Edmundsbury BC	
Housing Benefit	£180,754.88
Council Tax Benefit	£39,454.14
Forest Heath DC	
Housing Benefit	£96,919.58
Council Tax Benefit	£20,312.64

This compares with the 2013/14 figures which were:

	Total
St Edmundsbury BC	
Housing Benefit	£102,614.71
Council Tax Benefit	£27,114.17
Forest Heath DC	
Housing Benefit	£135,199.87
Council Tax Benefit	£16,789.99

7.5.3 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. This area of work is ongoing with the use of new data matching software.

7.5.4 Investigations will also be undertaken regarding potentially false applications for business rate exemptions.

7.5.5 The Fraud and Investigation Team within the ARP are currently all in scope to transfer to the Department of Work and Pensions Single Fraud Investigation Service (SFIS) in September 2015. All welfare benefits including Housing Benefit will be investigated by SFIS. A bid to retain staff within a Counter Fraud Team has been made and the outcome of this is awaited at the time of drafting this report. Any retained Counter Fraud Team will investigate Single Person Discount Fraud together with offences relating to Council Tax Support.

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 Councils are required to participate in the biennial National Fraud Initiative (NFI), 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. In addition to the biennial exercise, annual exercises are now undertaken to match the Electoral Register with Council Tax single person discounts.

9.2 The 2014/15 NFI exercise saw matches being released in January 2015. For St Edmundsbury BC, a total of 1018 matches were reported with 197 high priority matches. By mid-May 2015, a total of 293 matches had been processed with another 36 in progress. This resulted in the identification of 9 errors, with a value of £20,577.68. £10,420.00 was identified as a duplicate creditor payment which is being recouped with the remaining errors being recovered from the Benefits Overpayment process.

For FHDC, a total of 465 matches were reported with 91 high priority matches. By mid-May 2015 a total of 137 matches had been processed with another 19 in progress. This resulted in the identification of 1 error, with a value of £291.60 for which arrangements are being made to recover the error through the Benefits Overpayment process.

9.3 In December 2014, the Council Tax Single Persons data and Electoral Register data was matched, producing 981 matches for St Edmundsbury BC and 487 matches for Forest Heath DC which have been provided to ARP to review.

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.