



# Audit and Risk Committee

4 July 2016

<b>Report Title</b>	Audit Services –Counter Fraud Update	
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<b>Report to be/has been considered by</b>	Not applicable	

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**Recommendations for noting:**  
The Committee is asked to note:

1. The contents of the latest Audit Services Counter Fraud Update.

## **1.0 Purpose**

- 1.1 The purpose of this report is to provide Members with an update on current counter fraud activities undertaken by Audit Services.

## **2.0 Background**

- 2.1 The cost of fraud to local government is estimated at £2.1 billion a year. This is money that could be used for local services.
- 2.2 The Counter Fraud Unit was set up within Audit Services, in response to the increased emphasis being placed upon both fraud prevention and detection by the Department for Communities and Local Government.

## **3.0 Progress, options, discussion, etc.**

- 3.1 At the last meeting of the Audit Committee in March 2016, it was agreed that regular updates on the progress the Council was making in tackling fraud would continue to be brought before the Committee.

## **4.0 Financial implications**

- 4.1 There are no financial implications arising from the recommendation in this report. [MK/21062016/E]

## **5.0 Legal implications**

- 5.1 Investigations by the Counter Fraud Unit may have legal implications depending upon what action is taken or decided against in respect of those investigations.[TS/20162016/D]

## **6.0 Equalities implications**

- 6.1 There are no equalities implications arising from this report.

## **7.0 Environmental implications**

- 7.1 There are no environmental implications arising from this report.

## **8.0 Human resources implications**

- 8.1 There are no human resources implications arising from this report.

## **9.0 Corporate landlord implications**

- 9.1 There are no corporate landlord implications arising from the implications in this report.

## **10.0 Schedule of background papers**

- 10.1 None.

## Counter Fraud Update @ June 2016

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# 1 Introduction

The counter fraud agenda is one that continues to hold significant prominence from Central Government who are promoting a wide range of counter fraud activities. The purpose of this report is to bring the Audit Committee up to date on the counter-fraud activities undertaken by the Counter Fraud Unit within Audit Services.

The Council is committed to creating and maintaining an environment where fraud, corruption and bribery will not be tolerated. This message is made clear within the Authority's Anti-Fraud and Corruption Policy, which states: "The Council operates a zero tolerance on fraud, corruption and bribery whereby all instances will be investigated and the perpetrator(s) will be dealt with in accordance with established policies. Action will be taken to recover all monies stolen from the Council."

# 2 The Counter Fraud Unit

The Counter Fraud Unit, which sits within Audit Services, is continuing to develop and lead in raising fraud awareness across the Council and in promoting an anti-fraud culture. The team carries out investigations into areas of suspected or reported fraudulent activity and organises a series of Council wide pro-active fraud activities, including the targeted testing of areas open to the potential of fraudulent activity. The team maintains the Council's fraud risk register, conducts raising fraud awareness seminars and holds fraud surgeries. In addition, they lead on the Cabinet Office's National Fraud Initiative (NFI) exercise.

# 3 Counter Fraud Update

## *Counter Fraud Plan*

The latest status of progress against the counter fraud plan is shown at Appendix 1

## *Fraud App*

The Department for Communities and Local Government (DCLG) has awarded funding to Intec, an application developer, to produce a Counter Fraud App for use by the public. The Council having supported the application for funding has the opportunity to use the App. The draft App has been produced and following review is being further tailored and branded to the Council's requirements. The App will be used to communicate the fraud awareness message to the public, including details of key fraud threats and success stories. The public will also be able to use the App to report potential frauds. The launch of the App has been delayed due to information governance issues regarding a third party agreement specifying data access, control and security. Once this is in place the App will be available to download through (amongst others) the Apple app store.

## *Fraud Advice and Reporting available on the Councils Web Site*

Information relating to Fraud and Corruption has been extensively revised on the Council's website. A new menu has been created which provides links to information and advice about all the key areas of fraud and corruption that impact on the Council. The information can be accessed by anyone and there is also a facility to report frauds on line. Information is also provided about fraud types along with details of the Council's counter fraud activities. The new site also provides links and contact details for the DWP in connection with housing benefit frauds and Wolverhampton Homes in connection with tenancy frauds.





The new look fraud website front page

### *Whistleblowing Policy Review*

Whistleblowing is the term used when someone who works in an organisation raises a concern that could threaten customers, colleagues, the public or the organisation's own reputation.

During 2015/16 a total of 18 concerns that could be classified as whistleblowing were received and investigated by Audit Services. The key concerns identified from these investigations have been reported to the Audit and Risk Committee as part of the regular Investigations Update.

The Council's Whistleblowing Policy and Procedure has been reviewed and was approved at the Audit and Risk Committee meeting on 12 March 2016. The Policy is available on the Council's Policy Portal and on the its web site. To assist anyone wishing to report a concern a new online whistleblowing reporting facility has been added to the website.

As part of the annual review of the Whistleblowing Policy and Procedure, 100 randomly selected Council employees were contacted and asked to complete a Whistleblowing survey. The survey was completed using Survey Monkey and the results are summarised at Appendix 3. The survey concluded that 78% of those who responded were aware of the Whistleblowing Policy. However, a number of comments received suggested that employees should be made more aware of when the Whistleblowing Policy can be used.

As a result of these findings, further information will be made available through, amongst other routes, City People, workshops, new employee induction and possibly e-learning.

### *National Anti-Fraud Network Intelligence Notifications*

The National Anti-Fraud Network (NAFN) issues regular alerts which provide information on fraud attempts, trends and emerging threats. The information provided in the alerts has been notified to NAFN by other local authorities from across the country. These alerts are checked to the Council's systems to verify whether there have been any instances at Wolverhampton. Since October 2015 there have been 33 alerts issued by NAFN, of those 10 impacted on suppliers used by the Council. Seven of the alerts involved fraudulent requests to change bank mandate details and three involved unsolicited invoices for goods or services not provided. In all cases the Council had not been subject to any fraudulent activity.

The majority of the NAFN alerts concern Bank Mandate fraud where the fraudster attempts to get payments diverted from a legitimate organisation into their own bank account. This is most common in the construction industry where large payments are made. Other common frauds involve organisations issuing unsolicited invoices for goods or services not supplied. In other instances an organisation issues a document offering to provide goods and services but it is made to look like an invoice.

### *National Fraud Initiative*

The Counter Fraud Unit co-ordinates the investigation of matches identified by the Cabinet Office's National Fraud Initiative (NFI) data matching exercises. Where matches are identified the ensuing investigations may detect instances of fraud, over or underpayments, and other errors. A match does not automatically mean there is a fraud. Often there is another explanation for a data match that prompts bodies to update their records and to improve their systems. The latest NFI exercise commenced during January 2015 and the current outcomes are shown below.

Description	Previous value (£)	Current value (£)
Housing benefit claimants to student loans	24,246	53,272
Housing Benefits Claimants to Pensions	0	8,420
Housing benefits claimants to in country immigration	42,224	42,224
Housing benefits claims to internal housing benefits claims	7,038	7,038
Housing benefits claims to external housing benefits claims	21,272	21,272
Waiting list to housing tenants	18,000	18,000
Housing benefit claimants to Council Tax Reduction	208	208
Council Tax to Electoral Register	579	579
<b>Total</b>	<b>113,567</b>	<b>151,013</b>

Action is being taken to recover the value of the fraud and error wherever possible.

Since June 2015 the Department of Works and Pensions (DWP) is now responsible for investigating Housing Benefit matches where fraud has occurred. Investigators at the DWP have been granted access to the NFI matches and have continued to investigate and take appropriate action where fraud has been proven. The results are included above.

Northgate has recently conducted a data matching exercise to identify people who are not eligible for a Council Tax discount. As a part of this exercise properties were identified where single person discount had been claimed while more than one person was living at the property. In addition, the exercise also validated properties where the Council Tax discount had been claimed correctly. During December 2015 the Council received, from Cabinet Office, the results of the latest Council Tax data match to the new Electoral Register. There were 2,554 matches plus a further 182 Council Tax rising 18 data matches. Now that the Northgate exercise has been completed the results will be compared to the NFI matches. This will ensure that work completed by Northgate is not repeated. Any remaining NFI matches will be reviewed and action taken if it is identified that ineligible Council Tax discounts are being claimed.

### *Annual Fraud and Error Survey*

During April 2015 the Council's Counter Fraud Unit submitted the completed annual fraud and error survey response to the Chartered Institute of Public Finance Accountants (CIPFA's). The information contained in the survey will be used to produce a report which will be published later in 2016. The key survey results for Wolverhampton were:

Type of fraud and/or error	cases	Value £
<b>Housing benefit</b> – resulting in a caution, administrative penalty or prosecution. (Fraud investigation became the responsibility of the DWP from 1 June 2015)	9	£40,000
<b>Tenancy sub-letting</b> (Wolverhampton Homes) – Illegal subletting of properties	16	*£288,000
<b>Other tenancy fraud</b> (Wolverhampton Homes) – fraudulent application, succession, abandonment or non-occupation	38	*£684,000
<b>Right to buy</b> (Wolverhampton Homes)	1	£35,000
<b>Council tax discount</b> – single person discount as a result of fraud or error	931	£230,000
<b>Council tax reduction scheme</b>	7	£4,600
<b>Personal Budgets</b>	1	£1,800
<b>Debt fraud</b> – 10 x credit card chargebacks	10	£2,400
<b>Payroll</b> – claiming for excessive hours	2	£3,000

\* based on the NFA average cost of £18,000 to house a family for a year.

Action is taken to attempt to recover the value of the fraud and/or error where appropriate.

### *Fraud Data Warehouse*

As reported previously, Birmingham City Council has been operating a data warehouse for a number of years.

**Data warehouse:** storing data sets from across organisations and used for data matching purposes in order to identify and prevent potential fraud.

For the last five years their data warehouse has been used to hold tenancy data provided by 15 organisations including Wolverhampton Homes. The Council has been invited to participate in an initiative to expand the scope of the warehouse to include data which can be used to detect other types of fraud, starting with Council Tax fraud. To enable the data to be shared a draft data sharing agreement has been reviewed by the Council's Legal and Information Governance Teams and is due to be shortly signed. Once the data sharing agreement is in place access to the data warehouse will be established using a web based application. The extraction and transfer of Council Tax data will then take place on a regular basis. A progress meeting was recently hosted by Birmingham City Council, and further details of the progress made will be brought before the Committee as it becomes known.

### *Partnership Working*

As part of the partnership arrangements with Sandwell Metropolitan Borough Council the Fraud Team at Sandwell continues to assist in the implementation of the Council's Counter Fraud Plan. This work began in September 2015 and has involved carrying out investigations, addressing National Fraud Initiative matches and hosting fraud awareness seminars and surgeries. This joint approach will see an increase in shared information, working practices and the introduction of new counter fraud initiatives.

### *Fraud Risk Register*

The Counter Fraud Unit maintains the Council's fraud risk register. The register is used to help identify areas for testing and also to inform future audit assurance plans by focusing on the areas with the 'highest' risk of fraud. The latest fraud risk register is included at Appendix 2.

### *Midland Fraud Group*

This group consists of fraud officers from across the Midland's local authorities. The purpose of the group is to identify and discuss the outcome of initiatives being used to tackle fraud. At the last meeting in May 2016, topics discussed included the future for Anti Money Laundering checks, data warehouses, data matching, risk registers and current trends and cases of interest.



# Counter Fraud Plan Update

Issue	Action	Timescale
Raising counter fraud awareness across the Council	Develop and deliver Fraud Awareness seminars	Seminars completed December 2015 and January 2016
	Develop on line fraud training for staff.	To be refreshed early 2017
	Work with Workforce Development to develop and promote fraud training.	Fraud seminars and surgeries promoted through City People  On-going use of online training package
	Establish measures for assessing the level of employee fraud awareness.	Early 2017
	Hold fraud surgeries to enable staff to report areas of suspected fraud.	Fraud surgeries undertaken in December 2015
	Use various forms of media to promote fraud awareness across the council including City People, the intranet and the internet.	Fraud seminars and surgeries promoted through City People
	In conjunction with the external provider Intec develop a fraud information and reporting App for use by the public.	Under development
	Work closely with Wolverhampton Homes and seek opportunities to promote joint fraud awareness.	On-going
Work with national, regional and local networks to identify current fraud risks and initiatives.	Maintain membership of the National Anti-Fraud Network (NAFN).	On-going
	Participate in the Cabinet Office's National Fraud Initiative (NFI) data matching exercises. Acting as key contact for the council, the West Midlands Pension Scheme and Wolverhampton Homes.	On-going
	Complete the annual TEICCAFI and CIPFA fraud surveys.	CIPFA Survey completed April 2016 TEICCAF survey expected July 2016
	Investigate opportunities to develop the use of NFI real time and near real time data matching.	Used for Housing Waiting Lists – Summer 2016
	Participate in CIPFA's technical information service.	On-going
	Maintain membership of the Midlands Fraud Group.	On-going – last meeting May 2016
	Attend external fraud seminars and courses.	On-going

Issue	Action	Timescale
Assess the counter fraud strategy against best practice	Complete national fraud self-assessments, for example:	
	<ul style="list-style-type: none"> <li>New CIPFA Code of Practice</li> </ul>	June 2015 (the last time required)
	<ul style="list-style-type: none"> <li>The European Institute for Combatting Corruption And Fraud TEICCAF's- Protecting the Public Purse</li> </ul>	Annually
	<ul style="list-style-type: none"> <li>Department for Communities and Local Government – ten actions to tackle fraud against the council.</li> </ul>	On-going
	<ul style="list-style-type: none"> <li>Consideration of fraud resilience toolkit</li> </ul>	On-going
Identify and rank the fraud risks facing the council	Manage the council's fraud risk register to ensure key risks are identified and prioritised.	On-going
	Develop measures of potential fraud risk to help justify investment in counter fraud initiatives.	On-going
	Seek opportunities to integrate the fraud risk register with other corporate risk registers and also the Audit Services Audit Plan	On-going
Work with other fraud investigation teams at the council	Develop good communication links between the Counter Fraud Unit, Wolverhampton Homes, and Audit Services.	Corporate Fraud Group established
	Maintain an overview of the progress made with the tenancy data sharing agreement between Wolverhampton Homes and Birmingham City Council.	On-going
	Develop a fraud data sharing agreement between Wolverhampton Council and Birmingham City Council.	Summer 2016
Work with external organisations to share knowledge about frauds?	Establish formal joint working relationships with external bodies, for example Police, Health Service and Immigration Enforcement.	A number of joint investigations have been completed with the Police during 2015/16.
Participate in external initiatives and address requests for information	Implement industry best practice as identified in reports produced by external bodies, for example; The TEICCAFI Annual Protecting the Public Purse report and the National Fraud Initiative report.	Annual/on-going
	Encourage Service Areas to participate in initiatives to identify cases of fraud.	Corporate Fraud Group established
	Look for opportunities to use analytical techniques such as data matching to identify frauds perpetrated across bodies, for example other councils.	On-going

Issue	Action	Timescale
	Undertake a programme of proactive target testing.	On-going
	Respond to external requests for information or requests to take part in national initiatives.	On-going
All cases of reported fraud are identified, recorded and investigated in accordance with best practice and professional standards.	Work with Service Areas to develop methods of recognising, measuring and recording all forms of fraud.	Corporate Fraud Group established
	Manage and co-ordinate fraud investigations across the council.	On-going
	Implement and update the council's portfolio of fraud related policies in response to changes in legislation.	Latest version approved at Audit and Risk Committee – March 2016
	Where appropriate take sanctions against the perpetrators of fraud either internally in conjunction with Human Resources and Legal Services or externally by the Police.	On-going
Ensure responsibility for counter fraud activities is included in Partnership agreements with external bodies.	Embed responsibility for counter fraud activities in partnership agreements with the council's strategic partners.	On-going
	Partnership agreements to include the council's rights of access to conduct fraud investigations.	On-going
Provide the opportunity for employees and members of the public to report suspected fraud.	Manage and promote the Whistleblowing Hotline and record all reported allegations of fraud.	On-going
	Promote and hold fraud surgeries that provide the opportunity for staff to discuss any potential fraudulent activity at the council.	Fraud surgeries undertaken in December 2015
	Seek other methods of engaging with employees and the public to report fraud.	On-going – for example through the council's internet site
	Where appropriate ensure allegations are investigated and appropriate action taken.	On-going
	Work with and develop procedures for carrying out investigations with other service areas for example Human Resources, Legal Services and Wolverhampton Homes.	Corporate Fraud Group established
Inform members and senior officers of counter fraud activities.	Report quarterly to the Audit Committee on the implementation of Counter Fraud initiatives and the progress and outcome of fraud investigations.	On-going

# Fraud Risk Register @ June 2016

Themes	Potential fraud type	Risk rating
Housing Tenancy	Subletting for profit, providing false information to gain a tenancy, wrongful tenancy assignment and succession, failing to use the property as the principle home, right to buy. This risk is managed by Wolverhampton Homes.	Red
Council Tax	Fraudulently claiming for discounts and exemptions such as the single persons discount and Local Council Tax Support Schemes.	Red
Personal Budgets	Falsely claiming that care is needed, carers using direct payments for personal gain, carers continuing to receive direct payments after a person dies, duplicate applications submitted to multiple councils.	Red
Welfare Assistance	Fraudulent claims.	Amber
Procurement	Collusion (employees and bidders), false invoices, overcharging, inferior goods and services, duplicate invoices.	Amber
Business Rates	Evading payment, falsely claiming mandatory and discretionary rate relief, empty property exemption, charity status.	Amber
Payroll	'ghost' employees, expenses, claims, recruitment.	Amber
Blue Badge	Fraudulent applications, use and continuing to receive after a person dies.	Amber
Electoral	Postal voting, canvassing.	Amber
Schools	School accounts, expenses, procurement, finance leases.	Amber
Theft	Theft of council assets including cash.	Green
Insurance	Fraudulent and exaggerated claims.	Green
Manipulation of data	Amending financial records and performance information.	Green
Bank Mandate Fraud	Fraudulent request for change of bank details.	Green
Grants	False grant applications, failure to use for its intended purpose.	Green
Bribery	Awarding of contracts, decision making.	Green
Money Laundering	Accepting payments from the proceeds of crime.	Green

## Results of Whistleblowing Employee Survey

100 employees were randomly selected and asked to complete a whistleblowing survey using Survey Monkey. A total of 45 completed surveys were received.

78% of those who responded were aware that the Council has a whistleblowing policy but only 40% had read the policy.

80% of those who answered were aware that whistleblowing can be used to raise concerns about Council employees but only 50% knew it could be used to raise concerns about contractors and Councillors.

The most popular method of reporting concerns was online (87%) closely followed by email (84%) and telephone Hotline (80%).

A sample of comments received were:

- *"Updated training/information sessions annually."*
- *"More awareness needed and understanding what it includes and when it should be used."*
- *"More visible on Intranet."*
- *"Posters on Notice boards"*
- *"Make staff more aware."*
- *"Regular workshops so that new employees are aware. This may also boost confidence of workers to whistleblow."*
- *"You could perhaps raise its profile and remind people it is there."*
- *"Perhaps make it a mandatory e learning course."*
- *"Good that we have an accessible policy."*
- *"Let staff know at induction."*
- *"A City People article would be good, just to bring it to everyone's attention again."*
- *"Greater awareness."*
- *"I would like to see a policy, as I have never seen one."*
- *"To have a more visible link on the City People page that most employees have access to."*
- *"More awareness as I've not heard of it until today. Posters, adverts on city people etc"*
- *"An update on City people would make this more common knowledge"*
- *"Produce a handout to keep - not always possible to keep checking on PC"*
- *"It needs to be accessible on the front page of City People and/or easy to locate by searching"*
- *"I would hope that I never have the cause to use the process"*
- *"Thanks for making me aware this was available"*