

# Audit and Risk Committee

20 January 2020

<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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## Recommendation 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 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 Ministry of Housing, Communities and Local Government.

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

- 3.1 At the last meeting of the Audit and Risk Committee in September 2019, 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.  
[GE/01082020/Q]

## **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/07012020/T]

## **6.0 Equalities implications**

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

## **7.0 Climate Change and Environmental implications**

- 7.1 There are no climate change and 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**

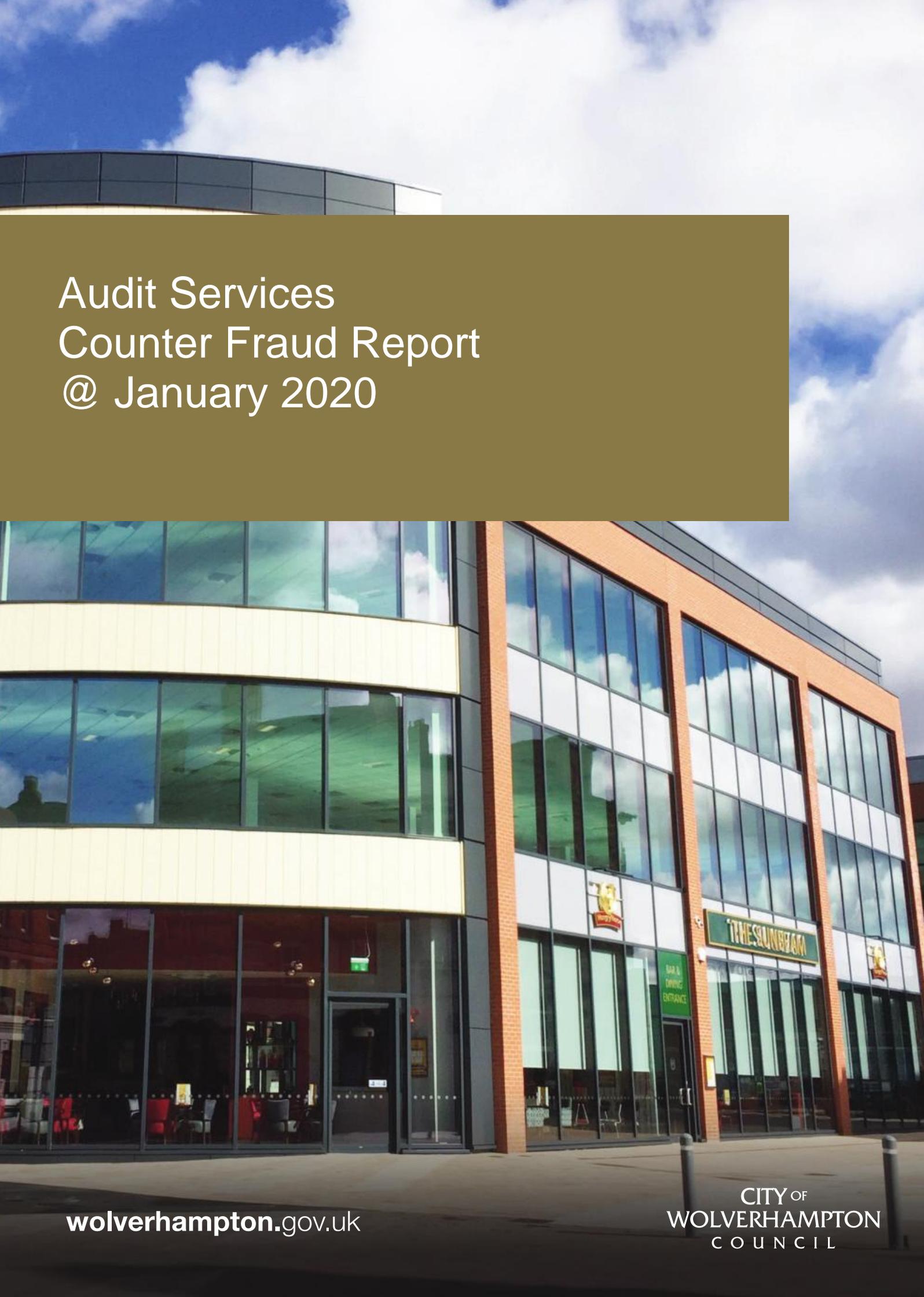
- 9.1 There are no corporate landlord implications arising from this report.

## **10.0 Health and Wellbeing implications**

- 10.1 There are no health and wellbeing implications in this report.

## **11.0 Schedule of background papers**

- 11.1 None.



# Audit Services Counter Fraud Report @ January 2020

## 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 and Risk 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 Team*

The Counter Fraud Team, 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, implements the counter fraud plan and lead on the Cabinet Office's National Fraud Initiative (NFI) exercise.

The team also provide a tenancy fraud investigation service to Wolverhampton Homes under a service level agreement.

## 3 *Counter Fraud Update*

### *Counter Fraud Plan*

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

### *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. Alerts which either involve suppliers used by the Council or are applicable to all Councils, are notified to appropriate sections of the Council. The most common alerts relate to Bank Mandate fraud, Council Tax Refund fraud and cyber fraud including ransomware and email interception.

### *CIPFA's Annual Fraud and Corruption Tracker Report 2019*

During July 2019 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 was used to produce the National Fraud and Corruption Tracker report (Appendix 3). The report identified that in 2018-2019, an estimated 71,000 fraud cases worth £253m were detected or prevented by local authorities. Council Tax fraud, such as falsely claiming the single occupancy discount, was the most common fraud type with 55,855 cases detected with a total value of £30.6m. Housing scams were the highest value fraud at £135.6m with 3,622 cases, while Blue Badge fraud was third and Business Rates fraud remained the fourth largest area at risk of fraud.

The report highlights a number of emerging risks. There were 480 Adult Social Care cases worth £13.7m, which includes direct payment fraud.

Procurement fraud, such as overcharging and falsely billing for goods and services, is seen as one of the greatest areas of fraud risk but is identified as complex and difficult to detect. The number of procurement fraud cases was 125 with an estimated value of £20.0m.

CIPFA recommend that local authorities work together to share information and explore innovative ways to use data, particularly in the areas of Procurement and Adult Social Care fraud. The Council has already identified these issues in the Fraud Risk Register (Appendix 2) with Personal Budgets, Housing Tenancy and Council Tax identified as red risks. The Counter Fraud Plan (Appendix 1) provides more details of the initiatives planned to address these issues and to encourage the sharing of data with other local authorities.

The key survey results for Wolverhampton were:

#### *Comparison of the last two Surveys*

Type of fraud and/or error	2017/2018		2018/2019	
	Cases	Value	Cases	Value £
<b>Tenancy sub-letting</b> (Wolverhampton Homes) – Illegal subletting of properties	16	*£1,488,000	8	*£744,000
<b>Other tenancy fraud</b> (Wolverhampton Homes) – fraudulent application, succession, abandonment or non-occupation	9	*£324,000	7	*£537,000 (Note 1)
<b>Right to buy</b> (Wolverhampton Homes)	1	*£65,000	2	*£130,000
<b>Social Care fraud</b>	0	N/A	1	£1,000
<b>Blue Badge fraud</b>	0	N/A	85 (Note 2)	£6,000
<b>Theft</b>	0	N/A	2	£24,500

\*The savings figures for tenancy fraud are based on methodology and calculations produced by the Cabinet Office in support of the National Fraud Initiative. The figures include:

**Social housing tenancy fraud** - Notional £93,000

**Social housing application fraud** – Notional £36,000

**Right to Buy fraud** – Notional £65,000

Note 1 - The seven 'Housing Tenancy Other' cases comprise five at £93,000 and two at £36,000.

Note 2 – Parking Services started issuing parking fines for the misuse of Blue Badges

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

### *National Fraud Initiative Exercise 2019/20*

The Counter Fraud Team 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 in January 2019 and a total of 15,125 matches have now been released by the Cabinet Office. As the Cabinet Office continues to develop and refine the NFI exercise it is anticipated that further matches may be released in the coming months. A total of 1,824 matches have been processed with two amounts recovered for Pension and Council Tax overpayments totalling £4,605, which indicates that systems are generally working effectively. As more matches are processed details of the progress made will be brought before the Committee as it becomes known.

### *Counter Fraud Team - Tenancy Fraud Performance*

The Counter Fraud Teams Tenancy Fraud results for April 2019 to November 2019 are shown in the following tables:

	April 2019 – July 2019	Aug 2019 – Nov 2019
	Number	Number
Total Number of Referrals Received	59	51
Referrals open being Investigated	9	10
Anti-Money Laundering – Right to Buy Checks	48	30
Residency Duration Checks for Right to Buy Applications	34	30

Further details of the above figures are included below.

	April 2019 – July 2019		Aug 2019 – Nov 2019	
Type of fraud and/or error	Cases	*Value £	Cases	*Value £
<b>Tenancy sub-letting</b> – Illegal subletting of properties which were recovered	5	465,000	2	186,000
<b>Right to buy</b> – preventing fraudulent RTB applications	1	65,000	0	0
<b>Other tenancy fraud</b> – succession, abandonment or non-occupation	1	93,000	0	0
<b>Social Housing Application fraud</b> – offers withdrawn and/or applicants excluded from waiting list	2	72,000	5	180,000
<b>Total</b>	<b>9</b>	<b>695,000</b>	<b>7</b>	<b>366,000</b>

\*The savings figures for tenancy fraud are based on methodology and calculations produced by the Cabinet Office in support of the National Fraud Initiative. The figures include:

**Social housing tenancy fraud** - Notional £93,000 (previously £18,000). The increase in the notional savings recognises the future losses prevented from recovering the property. Previously the calculation only considered one year's loss.

**Social housing application fraud** – Notional £36,000 (previously £8,000). The increase in the notional savings recognises the future losses prevented by not letting the property to an ineligible individual and with the potential of having to place a genuine prospective tenant from the waiting list in expensive temporary accommodation. There is no allowance in this calculation for past value fraud and therefore the notional loss is less than that of social housing tenancy fraud.

**Right to Buy fraud** – Notional £65,000 (previously the exact figure was used). The notional saving for a Right to Buy (RTB) application that has been withdrawn is calculated by the Cabinet Office based on the region in which the property is based, the increases in the maximum RTB cap and the changes in average house prices. This method allows for benchmarking to be carried out.

#### *Tenancy Fraud Training*

During Summer 2019, the Counter Fraud Team developed and delivered face-to-face Tenancy Fraud training to 74 frontline staff including Tenancy Officers, Income Officers and ASB Officers. The training was well received by staff, and there are initial indications that the quality of fraud referrals has improved.

The Counter Fraud Team has also delivered face to face tenancy fraud training to Wolverhampton Homes tradespersons at Toolbox Talks.

To complement the face-to-face training the Counter Fraud Team has been working with Wolverhampton Homes to produce a tenancy fraud e-learning course. The course is ready to be launched for the benefit all employees.

#### *Partnership Working*

The partnership arrangement with Sandwell Metropolitan Borough Council, is continuing with the Fraud Team at Sandwell assisting in the implementation of the Council's Counter Fraud Plan, including carrying out investigations. 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 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 October 2019 discussions were held on Universal Credit fraud, DWP joint working, Direct Payment fraud, Business Rates fraud and cases of interest.

Counter Fraud Plan Update

Issue	Action	Timescale
Raising counter fraud awareness across the Council	Develop and deliver Fraud Awareness seminars	Fraud based training provided Summer 2019
	Develop on line fraud training for staff.	To be refreshed Spring 2020
	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.	Spring 2020
	Hold fraud surgeries to enable staff to report areas of suspected fraud.	Fraud surgeries planned for Spring 2020
	Use various forms of media to promote fraud awareness across the Council including City People, the intranet and the internet.	Fraud seminars and surgeries will be promoted through City People
	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. Latest exercise commenced January 2019
	Complete the annual CIPFA fraud survey.	CIPFA Survey completed July 2019
	Investigate opportunities to develop the use of NFI real time and near real time data matching.	Used for additional Single Person Discount data match
	Participate in CIPFA's technical information service.	On-going
	Maintain membership of the Midlands Fraud Group.	On-going – last meeting October 2019 next meeting Spring 2020
	Attend external fraud seminars and courses.	Cyber Security Training - January 2019  Fighting Fraud and Corruption Locally Conference – March 2019

Issue	Action	Timescale
		<p>NAFN Fraud Roadshow – June 2019</p> <p>Direct Payment Fraud Training – July 2019</p> <p>NAFN Counter Fraud Conference November 2019</p>
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>• CIPFA Counter Fraud Tracker Survey</li> </ul>	Annually
	<ul style="list-style-type: none"> <li>• The former 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.	The Council's Counter Fraud Team provide a tenancy fraud service to Wolverhampton Homes.
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.	On-going
Participate in external initiatives and address requests for information	Implement industry best practice as identified in reports produced by external bodies, for example; Cipfa's Annual Fraud Tracker Survey 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
	Undertake a programme of proactive target testing.	On-going

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Issue	Action	Timescale
	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.	As reported back to the Audit and Risk Committee on a quarterly basis
	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 2018
	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.	City People article – planned for Spring 2020
	Promote and hold fraud surgeries that provide the opportunity for staff to discuss any potentially fraudulent activity at the Council.	Fraud surgeries planned for Spring 2020
	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 @ January 2020*

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 person's 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
Cyber Security	Using technology as a tool to commit acts of fraud – this currently has a very high profile and is an ever-increasing area susceptible to fraud	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 by others and continuing use after a person dies.	Amber
Electoral	Postal voting, canvassing.	Amber
Schools	School accounts, expenses, procurement, finance leases.	Amber
Bank Mandate Fraud	Fraudulent request for change of bank details (increased following a recent case).	Amber
Theft	Theft of Council assets including cash (increased following a recent case).	Amber
Insurance	Fraudulent and exaggerated claims.	Green
Manipulation of data	Amending financial records and performance information.	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

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