Agenda Item No: **9**

CITY OF WOLVERHAMPTON COUNCIL

Audit Committee
21 September 2015

Report Title	Audit Services – Counter Fraud Update Report at August 2015
Cabinet Member with Lead Responsibility	Councillor Andrew Johnson Resources
Accountable Director	Mark Taylor, Finance
Originating service	Audit
Accountable employee(s)	Peter Farrow Head of Audit Tel 01902 554460 Email peter.farrow@wolverhampton.gov.uk
Report to be/has been considered by	Not applicable

Recommendations for noting:

The Committee is asked to note:

1. The contents of the latest Internal Audit 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 July 2015, it was agreed that regular updates on the progress the council was making in tackling fraud would be brought before the Committee.

4.0   Financial implications

4.1   There are no financial implications arising from the recommendation in this report [GE/24082015/A].

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 [RB24082015/S].

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 Report August 2015

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.

Wolverhampton City 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, and are soon to re-introduce a round of raising fraud awareness seminars and 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

Council 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 prototype App has been produced and is being 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. Once the prototype App has been approved it will be made available to the public.
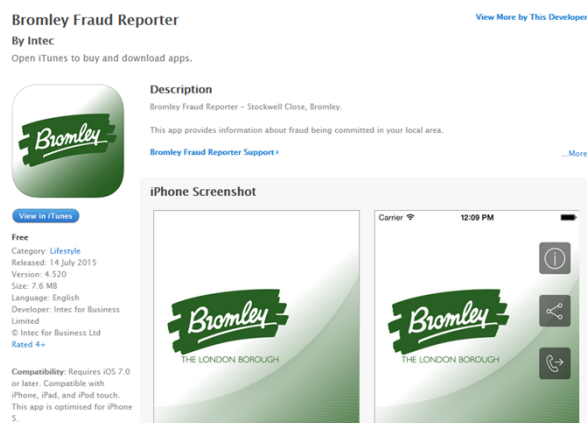
Bromley Council have been the first to pilot the App, which became available last month, and can be downloaded for free, through (amongst others) the itunes app store.

Benefit Fraud Investigation Team

As a part of a national initiative, the council's Housing Benefit Fraud Team transferred to the Department of Works and Pensions (DWP) new Single Fraud Investigation Service (SFIS) on 1 June 2015. In future, all Housing Benefit Fraud investigations will be conducted by SFIS investigators and they will claim any resulting savings.

All open fraud case files have been securely transferred to the DWP and they will conclude the investigations. The DWP has established a national fraud hotline for use by members of the public when reporting suspected housing benefits fraud. Contact details for the hotline are available on the council's internet site and from City Direct.

The council has established a Single Point of Contact (SPOC) for dealing with all communications with SFIS.

Benefit Fraud outcome of Investigations - 2015/16

The table below identifies the value and number of Housing Benefit fraud overpayments resulting from investigations completed during the financial year 2015/16, prior to the Housing Benefits Teams move to the DWP. These are cases where the claimant has either provided inaccurate information in order to obtain benefits or has failed to inform the council that their circumstances have changed resulting in them no longer being eligible to receive benefits. The council uses intelligence to identify dishonest benefit claimants and to actively pursue the recovery of fraudulently claimed payments and where appropriate penalise the perpetrator. A total of 13 investigations have been completed. These resulted in overpayments which either did not meet the criteria for a sanction to be invoked or overpayments which resulted in a sanction of a prosecution or penalty. Overpayments are recovered through established council systems, for example, by Revenues and Benefits or through the debtor systems.

Sanction	Value of overpayment £	Number of cases
Non Sanction Over Payment	£46,100	9
Prosecution Over Payment	£9,200	3
Penalty Over Payment	£700	1
Caution Over Payment	£0	0
Total	**£56,000**	**13**

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. In addition, the outcomes from the last NFI exercise in 2013/14 continue to be realised and are also included below.

Description	Previous value (£)	Current value (£)
Housing benefit claimants to student loans (2013/14)	127,812	140,914
Housing benefit claimants to external payrolls (2013/14)	6,837	9,027
Housing benefit claimants to student loans	9,618	24,246
Housing benefits claimants to in country immigration	0	42,224
Housing benefits claims to internal housing benefits claims	0	7,038
Housing benefits claims to external housing benefits claims	21,272	21,272
Total	**165,539**	**244,721**

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

Fraud Data Warehouse
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 potential fraud.

For the last five years their data warehouse has been used to hold tenancy data provided by 15 organisations including some Midland councils and housing associations. Wolverhampton Homes is already one of the participating organisations.

Birmingham is now exploring opportunities 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. Wolverhampton has been invited to participate in the initiative. Work has commenced to put processes in place, to enable the data to be shared. 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, and following the transfer of the Benefit Fraud Team to the DWP (as referred to above), the existing joint arrangement has been extended to include tackling fraud. This will involve the fraud team at Sandwell assisting the council in carrying out investigations and implementing the wider Counter Fraud Plan. 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 identify areas for testing and also to inform future audit assurance plans by focusing on the areas with the 'highest' risk of fraud. The fraud risk register is included at Appendix 2.

Counter Fraud Plan Update

Issue	Action	Timescale
Raising counter fraud awareness across the council	Develop and deliver Fraud Awareness seminars for managers and supervisors	New seminars to be arranged in Autumn 2015
	Develop on line fraud training for staff.	Completed October 2013 – to be refreshed during 2015
	Work with Workforce Development to develop and promote fraud training.	Ongoing use of online training package
	Establish measures for assessing the level of employee fraud awareness.	Winter 2016
	Hold fraud surgeries to enable staff to report areas of suspected fraud.	New surgeries to be held in Autumn 2015
	Use various forms of media to promote fraud awareness across the council including City People, the intranet and the internet.	On-going
	In conjunction with the external provider Intec develop a fraud information and reporting App for use by the public.	Autumn 2015
	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.	Last completed May 2015 next survey expected May 2016
	Investigate opportunities to develop the use of NFI real time and near real time data matching.	Used for Housing Waiting Lists – Summer 2015
	Participate in CIPFA's technical information service.	On-going
	Maintain membership of the Midlands Fraud Group.	On-going – Next meeting September 2015
	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:	
	• New CIPFA Code of Practice	June 2015
	• TEICCAFI's- Protecting the Public Purse	Annually
	• Department for Communities and Local Government – ten actions to tackle fraud against the council.	Winter 2015
	• Consideration of fraud resilience toolkit	Autumn 2015
Identify and rank the fraud risks facing the council	Manage the council's fraud risk register to ensure key risks are identified and prioritised.	Substantially completed - continue to refine Autumn 2015
	Develop measures of potential fraud risk to help justify investment in counter fraud initiatives.	Autumn 2015
	Seek opportunities to integrate the fraud risk register with other corporate risk registers and also the Audit Services Audit Plan	Winter 2015
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.	Ongoing
	Develop a fraud data sharing agreement between Wolverhampton Council and Birmingham City Council.	Autumn 2015
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.
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.	Autumn 2015 onwards

Issue	Action	Timescale
	Undertake a programme of proactive target testing.	Autumn 2015 onwards
	Respond to external requests for information or requests to take part in national initiatives.	Ongoing
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.	Ongoing
	Implement and update the council's portfolio of fraud related policies in response to changes in legislation.	New policies approved March 2014 and updated 2015
	Where appropriate take sanctions against the perpetrators of fraud either internally in conjunction with Human Resources and Legal Services or externally by the Police.	Ongoing
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.	Ongoing
	Partnership agreements to include the council's rights of access to conduct fraud investigations.	Ongoing
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.	Ongoing
	Promote and hold fraud surgeries that provide the opportunity for staff to discuss any potential fraudulent activity at the council.	New surgeries to be held by Autumn 2015
	Seek other methods of engaging with employees and the public to report fraud.	Ongoing
	Where appropriate ensure allegations are investigated and appropriate action taken.	Ongoing
	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.	September 2015 onwards quarterly

Appendix 2

Fraud Risk Register @ August 2015

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.	Red
Housing Benefit	Claiming benefits to which not entitled	Red
Council Tax	Fraudulently claiming for discounts and exemptions such as the single persons discount, 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