

Audit and Risk Committee

22 June 2020

Report Title	Audit Services – Counter Fraud Update	
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Originating Service	Audit	
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Report to be/has been considered by	Not applicable.	

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

- 3.1 At the last meeting of the Audit and Risk Committee in March 2020, 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/10062020/X]

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/10062020/D]

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 arising from this report.

11.0 Covid implications

11.1 A new fraud risk arising from Covid-19 has been included in the Council's Fraud Risk Register which is included within this report.

12.0 Schedule of background papers

12.1 None.

13.0 Appendices

13.1 Appendix 1: Counter Fraud Report

13.2 Appendix 2: Fighting Fraud and Corruption Locally

Audit Services Counter Fraud Report @ June 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.

During the COVID 19 Pandemic members of the Counter Fraud Team have supported key activities such as the Food Hub and the Business Rates Relief Grants, while still maintaining the counter fraud role.

In conjunction with colleagues from Finance, Revenues and Benefits, and Audit members of the Counter Fraud Team have supported the due diligence activities undertaken during the award of the Business Rates Relief Grants to ensure the risk of fraud is minimised.

3 *Counter Fraud Update*

Counter Fraud Plan

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

Fighting Fraud and Corruption Locally a Strategy for the 2020's

The 'Fighting Fraud and Corruption Locally Strategy 2020' is the updated local government counter fraud and corruption strategy, see Appendix 3. The strategy has been developed by Councils and relevant stakeholders and sets out the main areas of focus that local authorities should take to tackle fraud effectively.

In 2011, the first Fighting Fraud and Corruption Locally Strategy was published by the National Fraud Authority, this was followed by a revision in 2016. The strategies key principles of 'Acknowledge', 'Prevent' and 'Pursue' were adopted and form the basis of the Council's Anti-Fraud and Corruption Policy.

The Credit Industry Fraud Avoidance System (Cifas) has now taken responsibility for the Fighting Fraud and Corruption Locally Strategy and has prepared a revised strategy for the 2020's. The Council took part in the consultation stage in developing the revised strategy which reinforces the key areas from the previous two strategies but now also include two new areas, which are 'Govern' where anti-fraud measures should be embedded throughout the organisation and 'Protect' where individuals, the community and the Council should be protected against the harm of fraud.

The Council's Anti-Fraud and Corruption Policy identifies the importance of adopting a zero tolerance to fraud. The threat of fraud is acknowledged, any fraudulent practices are prevented, and where perpetrated are detected, investigated and wherever possible any loss of monies is recovered. In accordance with the revised strategy the Council will continue to monitor and adapt in the fight against fraud, share best practice and bring clarity to the changing anti-fraud and corruption landscape.

Section 4 of the strategy identifies the role an Audit Committee can play in implementing the strategy, including they:

- Should receive a report at least once a year on the counter fraud activity which includes proactive and reactive work;
- Should receive a report from the fraud leads on how resource is being allocated, whether it covers all areas of fraud risk and where those fraud risks are measured;
- Should be aware that the relevant portfolio holder is up to date and understands the activity being undertaken to counter fraud;
- Should support proactive counter fraud activity;
- Should challenge activity, be aware of what counter fraud activity can comprise and link with the various national reviews of public audit and accountability.

The Council will continue to implement the strategy through its Fraud Risk Register and the Counter Fraud Plan, and will report regularly to the Audit and Risk Committee. The impact of the revised strategy on the Council's approach to fraud prevention will be continuously monitored with any amendments and changes being reported to future meetings of this committee.

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, cyber fraud including ransomware and email interception, and recently the Business Rates Relief Grants.

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. A total of 2,358 matches have been processed with five amounts recovered for Pension and Council Tax overpayments totalling £8,562. This provides an indication 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

During the Covid-19 the Counter Fraud Team has continued to provide a Tenancy Fraud Service. Potential fraud referrals have been recorded and investigated. Due to the restrictions imposed by the lockdown and social distancing measures it has not been possible to visit premises or to interview suspects. As the restrictions are lifted the situation will be assessed and when safe to do so, investigations will be completed.

The Counter Fraud Teams Tenancy Fraud results for the year April 2019 to March 2020 are shown in the following tables:

	April 2019 – March 2020
	Number
Total Number of Referrals Received	133
Referrals open being Investigated	30
Anti-Money Laundering – Right to Buy Checks	81
Residency Duration Checks for Right to Buy Applications	66

Further details of the above figures are included below.

	April 2019 – March 2020	
Type of fraud and/or error	Cases	*Value £
Tenancy sub-letting – Illegal subletting of properties which were recovered	10	930,000
Right to buy – preventing fraudulent RTB applications	1	65,000
Other tenancy fraud – succession, abandonment or non-occupation	1	93,000
Social Housing Application fraud – offers withdrawn and/or applicants excluded from waiting list	9	324,000
Total	21	1,412,000

*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.

Partnership Working

The partnership arrangement with Sandwell Metropolitan Borough Council, is continuing with the Fraud Team at Sandwell This joint approach sees 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 February 2020 discussions were held on Council Tax Exemptions, Blue Badge fraud, DWP joint working, Anti Money Laundering and cases of interest.

Counter Fraud Plan Update

Please note – some of the timescales in the plan may need to be pushed back as a result of Covid-19.

Issue	Action	Timescale
Raising counter fraud awareness across the Council	Develop and deliver Fraud Awareness seminars	Fraud based training provided Autumn 2019
	Develop on line fraud training for staff.	To be refreshed Summer 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.	Summer 2020
	Hold fraud surgeries to enable staff to report areas of suspected fraud.	Fraud surgeries planned for Summer 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 last 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 February 2020 next meeting Summer 2020
	Attend external fraud seminars and courses.	Fighting Fraud and Corruption Locally Conference – March 2019

Issue	Action	Timescale
		NAFN Fraud Roadshow – June 2019 Direct Payment Fraud Training – July 2019 NAFN Counter Fraud Conference November 2019
Assess the counter fraud strategy against best practice	Complete national fraud self-assessments, for example:	
	<ul style="list-style-type: none"> • New CIPFA Code of Practice 	June 2015 (the last time required)
	<ul style="list-style-type: none"> • CIPFA Counter Fraud Tracker Survey 	Annually
	<ul style="list-style-type: none"> • The former Department for Communities and Local Government – ten actions to tackle fraud against the Council. 	On-going
	<ul style="list-style-type: none"> • Consideration of fraud resilience toolkit 	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 Summer 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 Summer 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 @ June 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
NEW: Covid-19	The Council is open to fraud and misappropriation due to changes in legislation and the speed in which government grants need to be validated and distributed.	Amber
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 (non-Covid-19)	False grant applications, failure to use for its intended purpose.	Green

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Bribery	Awarding of contracts, decision making.	Green
Money Laundering	Accepting payments from the proceeds of crime.	Green