

Audit Committee

14 December 2015

Report Title

Audit Services – Counter Fraud Update Report
at November 2015

**Cabinet Member with
Lead Responsibility**

Councillor Andrew Johnson
Resources

Accountable Director

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Originating service

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**Report to be/has been
considered by**

Not applicable

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 September 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/27112015/Fa].

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 (RB/01122015/X).

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.

This report is PUBLIC
[NOT PROTECTIVELY MARKED]

Counter Fraud Update Report November 2015

CITY OF
WOLVERHAMPTON
COUNCIL



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Economy**



**Stronger
Communities**



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Organisation**

Wolverhampton City Centre Image courtesy of the Express and star

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.

During November, a series of fraud awareness seminars were arranged. Initially four seminars were planned but due to demand an additional five seminars have been added. The seminars identify the types of frauds faced by the Council and the measures that can be taken to minimise the risk of a fraud being perpetrated.

A series of monthly fraud surgeries have also been arranged. These provide a facility for employees to report any concerns they may have of potentially fraudulent activity in a confidential 1 – 1 manner.

The fraud awareness seminars and surgeries were promoted through articles on City People and further details are included at Appendix 3.

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 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. Once the App

has been approved it will be made available to the public free, with download available through (amongst others) the itunes app store.

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	24,246
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	0	18,000
Housing benefit claimants to Council Tax Reduction Scheme	0	208
Total	94,780	112,988

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

During December 2015 the Council will submit Council Tax data along with the new Electoral Register to the Cabinet Office. The resulting matches are expected January 2016 and will indicate where more than one person may be living at a property where a Single Person Discounts is being received.

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 legal 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 the Fraud Team at Sandwell is assisting in the implementation of the Wolverhampton Counter Fraud Plan. This work began in September 2015 and has involved carrying out investigations, addressing National Fraud Initiative matches and arranging the 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 fraud risk register is included at Appendix 2.

Midland Fraud Group

The Midlands Fraud Group held a meeting in September 2015. The 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 September meeting topics discussed included the implementation of the Single Fraud Investigation Service by the Department of Work and Pensions, annual fraud survey submissions, data warehouses and data matching, direct payment fraud, Local Council Tax Support fraud, the National Fraud Initiative and other cases of interest.

National Anti-Fraud Network (NAFN)

The Council is a member of NAFN. This is a not-for-profit, non-incorporated body formed by its members (being the largest shared service model operating in local government with membership from 360 local authorities funding its existence). It was set up by the Home Office to offer LA's an approved single point of contact to a whole range of data and intelligence that central government and other key bodies hold, and is mainly used by regulatory and investigative services within the public sector. The Head of Audit at the Council is an Executive Board Member and the Treasurer for NAFN. This allows the Council to play a key part in the organisations continued success in driving forward the anti-fraud agenda. A copy of their latest Annual Report is included at Appendix 4 to this report.

Counter Fraud Plan Update

Issue	Action	Timescale
Raising counter fraud awareness across the council	Develop and deliver Fraud Awareness seminars	Seminars arranged for December 2015
	Develop on line fraud training for staff.	Completed October 2013 – to be refreshed Spring 2016
	Work with Workforce Development to develop and promote fraud training.	Fraud seminars and surgeries promoted through City People November 2015 On-going use of online training package
	Establish measures for assessing the level of employee fraud awareness.	Spring 2016
	Hold fraud surgeries to enable staff to report areas of suspected fraud.	Fraud surgeries to commence 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 November 2015
	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

Issue	Action	Timescale
	Maintain membership of the Midlands Fraud Group.	On-going – Next meeting January 2016
	Attend external fraud seminars and courses.	On-going
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
	<ul style="list-style-type: none"> • The European Institute for Combatting Corruption And Fraud TEICCAF's- Protecting the Public Purse 	Annually
	<ul style="list-style-type: none"> • 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 	Winter 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.	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.
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

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Issue	Action	Timescale
	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
	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.	New policies approved March 2014 and updated 2015. Will refresh in 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 to commence December 2015
	Seek other methods of engaging with employees and the public to report fraud.	On-going – for example through the new fraud app
	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.	December 2015 onwards quarterly

Fraud Risk Register @ November 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. This risk is managed by Wolverhampton Homes.	Red
Housing Benefit	Claiming benefits to which not entitled. This risk is now managed by the Department of Work and Pensions and will be removed from the next register.	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

City People extract

CityPeople

For City of Wolverhampton Council employees and councillors



Raising fraud awareness sessions for employees

Published on 12/11/2015

We are sure that none of us feel that we would be susceptible to fraudulent activity, but unfortunately, it is a sad fact of modern life that it can often impact on us when least expected, in both our work and home lives.

To help raise awareness of the type of frauds that are currently 'out there' and to help you in our understanding of how you can identify, prevent and avoid these frauds, the council's counter fraud unit, who sit within Audit Services, have arranged a series of raising fraud awareness seminars and surgeries, which are open to all employees.

Each seminar will last approximately 90 minutes; they will be interactive, make use of case studies and discuss current types of fraud (including cyber-crime). The response to the first four seminars advertised by the Managing Director last week was overwhelming and they are already fully booked. Therefore, additional dates have been arranged as follows:

- Monday 14 December 2015 at 1.30 pm – Committee Room 1
- Wednesday 6 January 2016 at 10.30 am – Committee Room 2
- Wednesday 6 January 2016 at 1.30 pm – Committee Room 2
- Friday 15 January 2016 at 10.30 am – Committee Room 2
- Friday 15 January 2016 at 1.30 pm – Committee Room 2

If you would like to attend, please email oliver.knight@wolverhampton.gov.uk with your preferred date and time. Places will be offered on a first come, first served basis.

Also, if you have specific concerns about fraud, you can drop into one of the fraud surgeries that have been arranged. These will provide a confidential environment for you to discuss any concerns you may have about the possibility of fraud in the workplace, with a member of the council's counter fraud unit, on a one-to-one confidential basis. These will be held between 10am and 3pm on:

- Wednesday 2 December 2015 - Interview Room 12
- Wednesday 6 January 2016 - Interview Room 12
- Wednesday 3 February 2016 - Interview Room 1
- Wednesday 2 March 2016 - Interview Room 12

Councillor Craig Collingswood, the Chair of the Audit Committee said: "From my role on the Audit Committee, I see the damage that fraud can do. I would encourage all employees to build up their awareness of the many shapes and forms fraud can take both in the workplace and at home – hopefully these sessions offered by the council, will help towards this. I will certainly be putting my name down to attend".