Agenda Item No: **12**

CITY OF
WOLVERHAMPTON
C O U N C I L

Audit and Risk Committee
14 March 2016

Report Title	Audit Services – Counter Fraud Update at February 2016
Accountable Director	Mark Taylor, Finance
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 Audit Services Counter Fraud Update.

1.0   Purpose

1.1   The purpose of this report is to provide the Committee 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 December 2015, 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/010316/S]

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/04032016/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
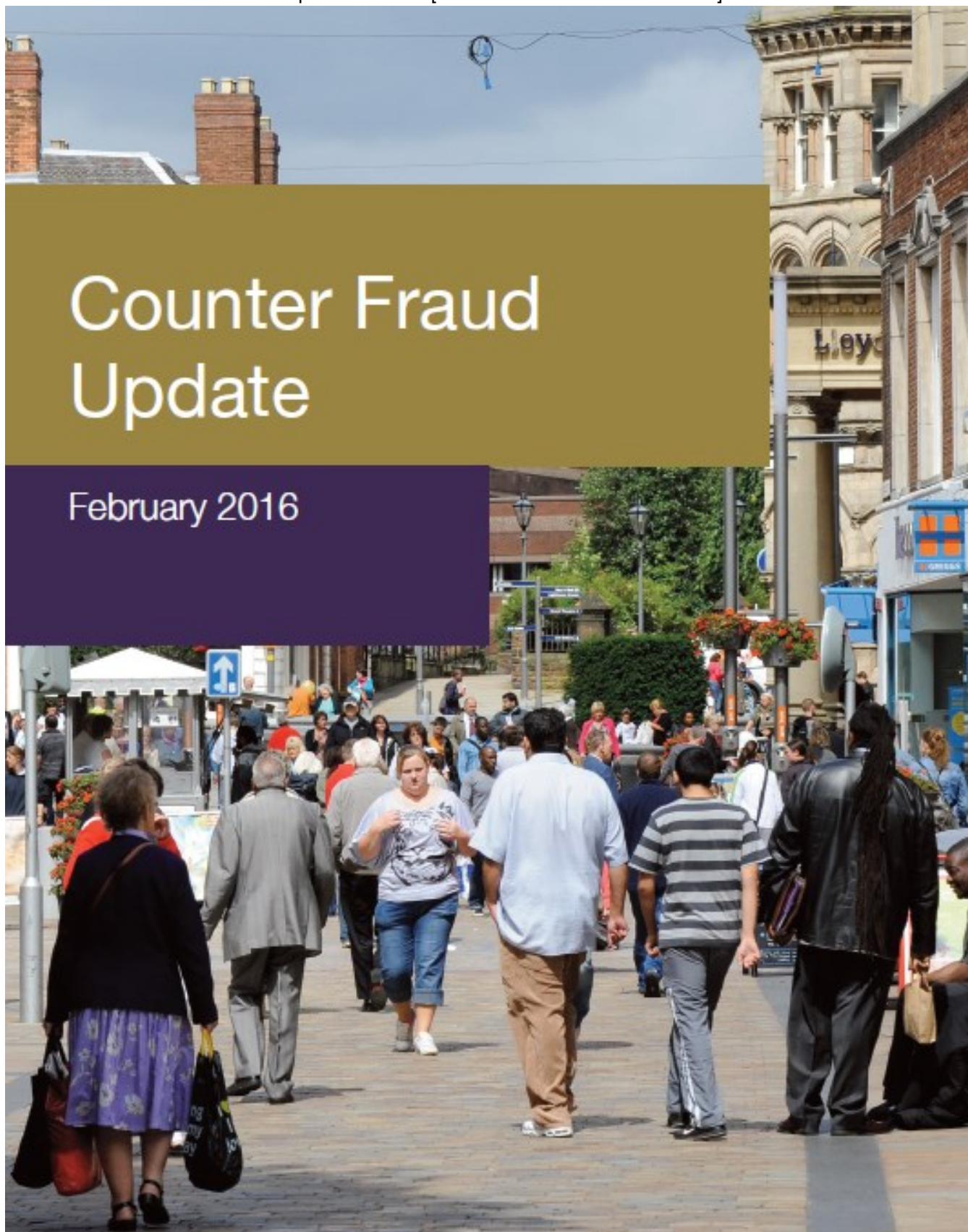
9.1   There are no corporate landlord implications arising from the implications in this report.

10.0   Schedule of background papers

10.1   None.

Counter Fraud Update

February 2016

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CITY OF **WOLVERHAMPTON** C O U N C I L

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 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 December and January a series of fraud awareness seminars were held. The outcome from these was positive and the feedback results are summarised 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

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. While there have been some delays in the development of the App, it should soon be available to download through (amongst others) the Apple 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	18,000	18,000
Housing benefit claimants to Council Tax Reduction Scheme	208	208
Council Tax to Electoral Register	0	579
Total	**112,988**	**113,567**

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

During December 2015 the Council received, from Cabinet Office, the results of the Council Tax data match to the new Electoral Register. There were 2,554 matches plus a further 182 Council Tax rising 18 data matches. Northgate is currently conducting a separate data matching exercise to identify people who are not eligible for a Council Tax discount. The NFI exercise will commence when the Northgate exercise has been completed. This will reduce any duplication of effort.

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 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. The draft data sharing agreement is being reviewed by the council's Legal Team. 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 Wolverhampton 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 fraud risk register is included at Appendix 2.

Midland Fraud Group

The Midlands Fraud Group held a meeting in January 2016. 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 January meeting topics discussed included the future for corporate fraud investigation, partnership working, data warehouses, data matching, risk registers and current trends and cases of interest.

Annual Fraud Survey
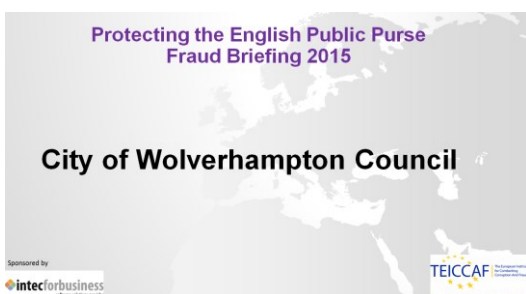
Much of the information used by the Audit Commission in their Protecting the Public Purse exercises and report was gathered from an annual survey of local authorities. Following the abolition of the Audit Commission, their former Counter Fraud Team (now known as The European Institute for Combatting Corruption and Fraud - TEICCAF) has now completed their first exercise, and their localised report for the Council is included at Appendix 4.

The results of the TEICCAF fraud survey identified 268 detected cases with a total value of £1,067,168 (this excluded tenancy fraud); this is above the average for the comparator council's. In the briefing, which covers the period 2014/15, it shows that no council tax fraud was identified. However, this was due to the timing of the National fraud Initiative and Northgate Single Person Discount data matching exercises. The results from the last exercises conducted had been realised and reported in the 2013/14 fraud survey. This had resulted in 1,507 cases with a value of £459,000 being identified. The exercises are being repeated at the moment, the results will be included the next TEICCAF Fraud Survey but early indications are that just under 1,000 discounts have been removed with a total value of around £275,000.

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 Spring 2016
	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 2016
	Hold fraud surgeries to enable staff to report areas of suspected fraud.	Fraud surgeries commenced 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.	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 – last meeting January 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:	
	• New CIPFA Code of Practice	June 2015
	• The European Institute for Combatting Corruption And Fraud TEICCAF's- Protecting the Public Purse	Annually
	• Department for Communities and Local Government – ten actions to tackle fraud against the council.	On-going
	• 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.	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 going to 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 commenced 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.	On-going

Fraud Risk Register @ February 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

Appendix 3

Raising fraud awareness seminars feedback

Over 100 employees attended the raising fraud awareness seminars we ran in December 2015 and January 2016.

Positive feedback, from a score of 4, was received as follows:

Presentation	3.5
Handouts/Interactivity	3.2
Content	3.5

99% of attendees who fed back felt that their objectives for taking part were met.

A sample of positive comments received were:

- *"Useful, nice informal atmosphere."*
- *"Thank you – very interesting discussion."*
- *"Made me aware of how easy fraud can occur. Very useful."*
- *"Very informative, relaxed atmosphere. Useful to discuss cyber crime relevant to me not just work."*
- *"Very concise on the subject matter. Very thorough."*
- *"Excellent coverage of different types of fraud."*
- *"Very informative. Will apply what I have learnt into everyday life. Be more vigilent."*
- *"Case studies very useful."*
- *"I found this training very interesting and useful."*
- *"Interesting content. Eye opening."*
- *"Interesting, gained knowledge of fraud that I wasn't aware of."*
- *"Lively and useful seminar."*
- *"Will be very useful as a reference in both personal and work life – certainly raised awareness."*

Other feedback that we received, that we will use to inform future sessions, included:

- *"Wi-fi hotspots could have been mentioned, how to stay safe – awareness of data security and where to find?"*
- *"More in depth detail would be useful on how to reduce fraud risk within work/service."*
- *"Could have been more about what to do and how to report, discreetly etc."*
- *"Education on prospective fraud and what to look out for to prevent this or raise awareness."*
- *"Some details of keeping your details safe online."*
- *"More than 1.5 hours needed."*