Audit and Risk Committee

3 July 2017

Report Title	Audit Services – Counter Fraud Update
Accountable Director	Claire Nye, Director of 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

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 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 and Risk Committee in March 2017, 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/19062017/N)

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/19062017/R)

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.

Audit Services
Counter Fraud Report
@ June 2017

wolverhampton.gov.uk

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.

3   Counter Fraud Update

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

Whistleblowing Policy Review
Whistleblowing is the term used when someone who works in an organisation raises a concern that could threaten customers, colleagues, the public or the organisation's own reputation.

During 2016-2017 a total of 15 concerns that could be classified as whistleblowing were received and investigated by Audit Services. The key concerns identified from these investigations have been reported to the Audit and Risk Committee as part of a regular Investigations Update.

A review of five other Midlands Councils identified that they each received an average of just under 11 concerns that they classed as whistleblowing. This is slightly lower than the number received at Wolverhampton.

The Council's Whistleblowing Policy and Procedure was approved at the Audit and Risk Committee meeting on 13 March 2017. The policy and procedure has been reviewed to ensure that it remains up to date, fit for purpose and represents generally accepted good practice. While most concerns are raised anonymously, wherever possible whistleblowers are provided with brief feedback regarding the action taken by the Council. The review identified that no complaints were received from whistleblowers regarding the Council's handling of their concerns during the year.

The Policy is available on the Council's Policy Portal and on its web site. To assist anyone wishing to report a concern an online whistleblowing reporting facility is available on the website. Employees will continue to be made aware of the

Whistleblowing Policy and when it can be used through information made available on amongst other routes, City People, workshops, new employee induction and possibly e-learning.

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. Since the beginning of March 2017 there have been 24 alerts issued by NAFN, seven involved suppliers used by the Council, the appropriate sections have been alerted and in each case, it was confirmed that there was no impact at Wolverhampton. Three of the alerts related to schools and referred to unsolicited invoices which were fraudulent. These alerts were published on the Headteacher's weekly bulletin 'CloudW'. A further six alerts were referred to the Council's ICT, of these four related to phishing exercises and two to ransomware.

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.

At the end of January 2017, the results from the latest NFI data matching exercise, completed by the Cabinet Office, were released to the Council. A total of 13,479 matches were released of which the Cabinet Office identified 4,521 as recommended matches. The Cabinet Office expects all the recommended matches to be investigated as a minimum. The Council has commenced the examination of the matches and details of early results are provided below. Further details of the progress made will be brought before the Committee as it becomes known.

- *Council Tax Reduction Scheme to DWP Deceased Persons*
  A total of 67 matches were checked and in all but one instance the claimants had been correctly recorded as passed away on the Council Tax System. In the remaining instance the Council had not been notified that the claimant had passed away and the Council tax reduction had continued. The current occupier of the property has now been made responsible for the reduction, of £3,536, that was incorrectly claimed. The Council is taking action to recover the money.

- *Waiting Lists to DWP Deceased Persons*
  A total of 46 people who had passed away have now been removed from the housing waiting list.

- *Waiting Lists Duplicate Applications*
  A total of 13 duplicate applications for housing have been removed from the waiting lists.

Immigration Identification Training

During May, the Home Office held five training sessions for Council employees on Immigration document identification checking. The training provided an awareness of the security features of genuine identity documents, such as passports and driving

licences. An awareness of the types of document abuse and associated criminality including common frauds relating to secure documents. The training was attended by officers from Licencing, Human Resources, Customer Services, Audit Services and Wolverhampton Homes.

Fraud Data Warehouse

As reported previously, Birmingham City Council has been operating a data warehouse for several years.

Data warehouse: storing data sets from across organisations and used for data matching purposes to identify and prevent potential fraud.

For the last six years, their data warehouse has been used to hold tenancy data provided by 15 organisations including Wolverhampton Homes. The Council has been invited to participate in an initiative 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. To enable the data to be shared a data sharing agreement has been signed. Council Tax data has been uploaded through a secure web site and will be uploaded on a regular basis. Further details of the progress made in developing the use of the data warehouse 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 Council's 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 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 January 2017, topics discussed included, National Fraud Initiative, Anti-Money Laundering, Council Tax, Social Housing Fraud and current trends and cases of interest.

Appendix 1

Counter Fraud Plan Update

Issue	Action	Timescale
Raising counter fraud awareness across the Council	Develop and deliver Fraud Awareness seminars	Fraud based training provided by Natwest Bank June 2017
	Develop on line fraud training for staff.	To be refreshed summer 2017
	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 2017
	Hold fraud surgeries to enable staff to report areas of suspected fraud.	Fraud surgeries planned for Summer 2017
	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
	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 2017
	Complete the annual TEICCAF and CIPFA fraud surveys.	CIPFA Survey completed June 2017 TEICCAF survey completed September 2016
	Investigate opportunities to develop the use of NFI real time and near real time data matching.	Used for additional Single Person Discount data match Summer 2016
	Participate in CIPFA's technical information service.	On-going
	Maintain membership of the Midlands Fraud Group.	On-going – last meeting January 2017 next meeting June 2017
	Attend external fraud seminars and courses.	TEICCAF Conference – June 2017 Home Office

Issue	Action	Timescale
		Immigration Training – May 2017
		Royal Bank of Scotland Fraud Seminar – May 2017
		CIPFA ISO 37001 Anti Bribery Workshop – March 2017
		GovNet Fraud and Error Conference January 2017
		NAFN Summit – November 2016
		West Midlands Economic Crime Unit Fraud in the Workplace Seminar–- October 2016
Assess the counter fraud strategy against best practice	Complete national fraud self-assessments, for example:	
	• New CIPFA Code of Practice	June 2015 (the last time required)
	• The European Institute for Combatting Corruption And Fraud TEICCAF's- Protecting the English 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 the sharing of data following the establishment of a fraud data sharing agreement	Signed July 2016

Issue	Action	Timescale
	between Wolverhampton Council and Birmingham City Council.	
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; The TEICCAF Annual Protecting the English Public Purse report, 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
	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 2017
	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 – July 2016
	Promote and hold fraud surgeries that provide the opportunity for staff to discuss any potential fraudulent activity at the Council.	Fraud surgeries planned for Summer 2017

Issue	Action	Timescale
	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

Appendix 2

Fraud Risk Register @ June 2017

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 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