

CITY OF
WOLVERHAMPTON
COUNCIL

Audit and Risk Committee

11 December 2017

Report Title	Audit Services – Counter Fraud Update	
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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 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 September 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. (GE/27112017/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. (TS/28112017/W)

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

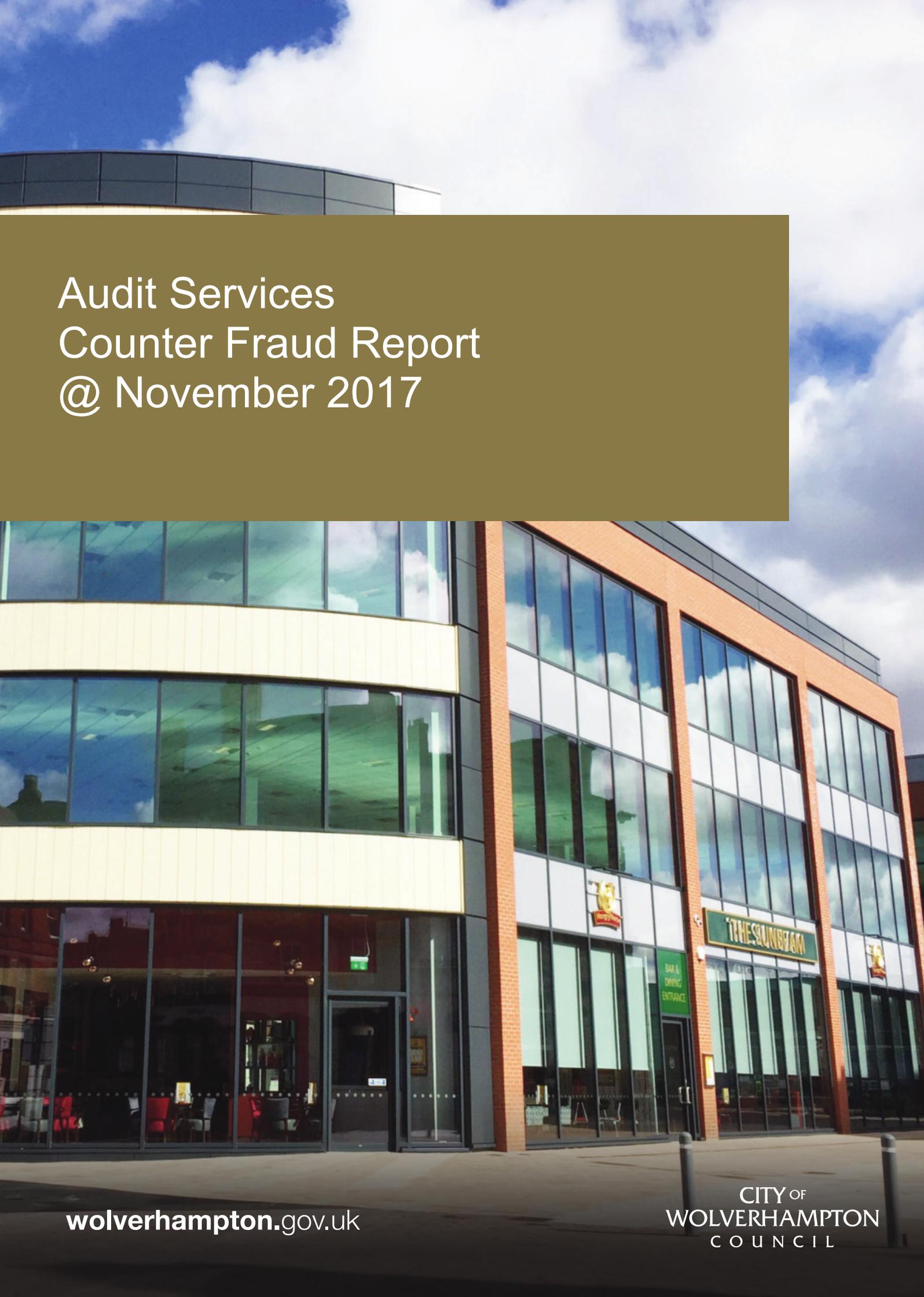
- 8.1 There are no human resources implications arising from this report.

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 @ November 2017

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

Counter Fraud Unit Developments

In November 2017, the Tenancy Fraud Team at Wolverhampton Homes TUPE transferred to the Council and have joined the Counter Fraud Unit. Following the transfer, the team will continue to provide a tenancy fraud investigation service to Wolverhampton Homes under a service level agreement.

The move to the Council will enable the team to use more extensive investigatory powers under the 'Prevention of Social Housing Fraud Act 2013'. These powers were not available to them while working for Wolverhampton Homes, which is an ALMO where the powers do not apply. These new powers will enhance the potential for the successful prosecution of tenancy fraud cases.

In joining the Council's Counter Fraud Unit, the team will use their investigatory expertise to investigate new areas of fraud which impacts on the Council. This will enhance the Council's ability to tackle fraud.

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. This financial year there have been 15 alerts issued by NAFN, which either involved suppliers used by the Council or are applicable to all Councils. The appropriate sections of the Council have been alerted and in each case, it was confirmed that there was no impact at Wolverhampton. The

most common alerts related to Bank Mandate fraud and cyber fraud including 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.

The current exercise commenced in January 2017 and a total of 13,526 matches have now been released of which the Cabinet Office has identified 4,558 as recommended matches. The Cabinet Office expects all the recommended matches to be investigated as a minimum. 2,637 matches have been processed, 117 are being investigated. Three frauds have been investigated and 442 errors identified. Details of the progress made will be brought before the Committee as it becomes known. Examples of the progress made since the last Counter Fraud Report in September 2017 are shown below:

Description	Previous value (£)	Current value (£)
Housing benefit claimants to student loans	0	2,682
Housing benefits claimants to pensions	0	11
Pensions / Pension Gratuity to DWP Deceased	0	147
Council Tax Reduction Scheme to DWP Deceased	0	3,537
Total	0	6,377

BBC One's Council House Crackdown

Wolverhampton Homes and the work they do in tackling social housing fraud across the City was featured in a recent series of the BBC One programme 'Council House Crackdown' which aired in the morning on BBC One. Three cases were featured during the series of which one was also featured in a prime-time compilation programme. A further three cases have been recorded for the next series of the programme. The officer features in the programmes are members of the Tenancy Fraud Team that have transferred to the Council's Counter Fraud Unit (see above).

Partnership Working

The partnership arrangement with Sandwell Metropolitan Borough Council, is continuing with the Fraud Team at Sandwell assisting in the implementation of the Council's 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 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 November 2017, topics discussed included Joint working with the DWP, GDPR, Direct Payment investigations, Tenancy fraud, scams and cases of interest.

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 Spring 2018
	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 2018
	Hold fraud surgeries to enable staff to report areas of suspected fraud.	Fraud surgeries planned for Spring 2018
	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).
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 CIPFA fraud survey.		CIPFA Survey completed June 2017
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 November 2017 next meeting February 2018
Attend external fraud seminars and courses.		CIPFA Counter Fraud Summit - November 2017 National Anti-Fraud Network Summit – October 2017

Issue	Action	Timescale
		<p>RBS Fraud Seminar – October 2017</p> <p>Natwest Fraud Training – June 2017</p>
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"> The European Institute for Combatting Corruption And Fraud TEICCAF's- Protecting the English 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 	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.	November 2017 - Wolverhampton Homes Tenancy Fraud Team transfer to Council's Counter Fraud Unit
	Maintain an overview of the progress made with the tenancy data sharing agreement between Wolverhampton Homes and Birmingham City Council.	On-going
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

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Issue	Action	Timescale
	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 – planned for Winter 2017
	Promote and hold fraud surgeries that provide the opportunity for staff to discuss any potential fraudulent activity at the Council.	Fraud surgeries planned for Spring 2018
	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 @ November 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