

TELFORD & WREKIN COUNCIL

AUDIT COMMITTEE 25th JUNE 2013

CORPORATE ANTI-FRAUD & CORRUPTION POLICY – 2012/13 ANNUAL REPORT AND POLICY UPDATE

REPORT OF THE CHIEF FINANCIAL OFFICER

1. PURPOSE

- 1.1 For the Audit Committee to:
- a) consider the 2012/13 Annual Report on Corporate Anti-Fraud and Corruption activity; and
 - b) agree an updated policy and to recommend its adoption by the Council.

2. RECOMMENDATIONS

- 2.1 That the Audit Committee notes the 2012/13 Annual Report on Corporate Anti-Fraud and Corruption activity.
- 2.2 That the Audit Committee agrees the updated policy attached as Appendix B and recommend its adoption by the Council.

3. SUMMARY

- 3.1 The Council is committed to high standards of Corporate Governance and has a set of effective procedures in place to support this. These procedures include the Anti-Fraud & Corruption Policy.
- 3.2 The terms of reference of the Audit Committee include:
“15. To approve the Anti-Fraud and Corruption Policy for adoption by the Council and to monitor its operation. The policy will be reviewed it at least once every two years.”
- 3.3 This report includes information in respect to the fifth annual report setting out the Corporate Anti-Fraud and Corruption activity for 2012/13 to enable the Audit Committee to monitor the policies operation. In addition attached as Appendix B is an updated policy for members to agree and recommend on for adoption by the Council.

4. PREVIOUS MINUTES

- 4.1 Audit Committee 28th July 2009 – Annual Report 2008/09
Audit Committee 27th July 2010 – Annual Report 2009/10
Audit Committee 22nd March 2011 – Update of Anti-Fraud & Corruption Policy 2011
Audit Committee 20th September 2011 – Annual Report 2010/11
Audit Committee 26th June 2012 – Annual Report 2011/12

5. INFORMATION - ANNUAL REPORT 2012/13

- 5.1 The Anti-Fraud and Corruption Policy supports one of the key dimensions of good Corporate Governance – Standards of Conduct. The Council aims to ensure that all those associated with it maintain high standards of ethics and conduct in public life contributing to good Corporate Governance.

- 5.2 Nationally due to the economic climate there are indications from Police and Government statistics that fraudulent activity has and will continue to increase during the recession. Therefore it is important that the Council continues to maintain its vigilance in respect to Council services and the Community.
- 5.3 This report contains information for 2012/13 about counter fraud and investigation activities within Benefits, Internal Audit and Trading Standards, including Licensing. The Committee should note that the Councils procedures and controls are designed to minimise the opportunity for fraud and to highlight where possible activity may have occurred.
- 5.4 Members and officers regularly receive information on their responsibilities in respect to the use of public money and the prevention and detection of fraud. They provide information for investigation by appropriately trained and experienced officers within the Council (and by the Police or other external party when required).

6. BENEFITS

- 6.1 The benefit caseload has increased again over the last 12 months, from 20,063 (live cases) at 31st March 2012 to 20,333 at 25th March 2013. This represents a 1.35% increase over the year.
- 6.2 The Council has followed the Department for Work & Pensions (DWP) lead in “securing the gateway”. The DWP aim at ‘getting it right, and keeping it right’ i.e. ensuring only those properly entitled are granted and paid benefit. A telephone claim process is still in place and the vast majority of claims continue to be processed in this way. A telephone appointment is made within anyone making contact to make a new claim. A Benefit Assessment Officer takes all the necessary details and then an appointment is made for the claimant to see a Benefit Assessment Officer at the Council’s First Point facility where the information they have given is checked against the relevant proof of income, identity and rent details. To this end the majority of new benefit claimants who make a claim direct to the Council are seen in person by a Benefit Officer. This ensures the best possible service for the customer as claims are processed whilst they wait and the Benefit Assessment Officer explains to the customer their responsibilities regarding reporting of changes in circumstance. Entitlement letters are given to the customer at the end of the interview and explained and checked with the customer to ensure accuracy.
- 6.3 Referrals to the Benefits Investigation team come from various sources. The table below show the sources, number and percentage of total.

Source	Number of Referrals	Percentage of Total
Anonymous letter	69	8.3
Anonymous telephone call	319	23.7
Member of staff	308	15.3
Housing Benefit Matching Service (HBMS)	75	7.2
DWP	90	13.6
Police	13	2.2
Landlord	51	3.2
Internet/email	193	11.6
Newspaper	1	0.1
Other Local Authority	21	1.3
Named Member Of Public	10	0.3
National Fraud Initiative (2011/12)	18	13.1
Fraud drive	2	0.1

Other	2	
Total Referrals	1172	100.00

6.4 Benefits Data Matching

- 6.4.1 In 2012/13 there were 40 investigations closed which had been opened due to a Housing Benefit Matching Service (HBMS) referral. Of these, 30 resulted in a positive outcome i.e. benefit was affected / fraud found. There were 75 referrals as a result of new HBMS match within 2012/13 – some of these files were still open at the end of the financial year.
- 6.4.2 The Investigation Team have also been completing matches identified through the National Fraud Initiative (NFI) 2011. In addition to the cases completed in 2011/12 a further 25 investigations have been completed, 13 of which resulted in a sanction. The overpaid benefit for the cases which received a sanction total £76,263.
- 6.4.3 Unfortunately Benefit fraud is not just external to the Council. The Council undertakes internal checks in respect to monthly data matches with all new starters. This ensures all changes in circumstances have been declared. During the last year we have prosecuted one person who was a Telford and Wrekin employee and another has accepted an administrative penalty following investigations into benefit fraud.

6.5 Cases Investigated

- 6.5.1 We use a risk based approach to ascertain which cases are investigated. In 2012/13 a total of 348 investigations were closed and of which 192 proved positive (benefit was affected in some way). Of this total, 81 cases received a formal sanction:
- Prosecutions – 39
 - Administrative Penalties – 22
 - Formal Cautions - 20
- 6.5.2 Although no credit is given, sanctions are also applied to partners/landlords/employers where it can be demonstrated that they were complicit in the fraud. As a result, 4 further people (partners) were prosecuted.
- 6.5.3 For the prosecutions fines of £350 were imposed and costs of £5,927.50 were awarded, please note that some of these are attributable to joint working with Department for Work and Pensions. Other sentences imposed by the courts in the last year include a custodial sentence, suspended custodial sentences, community orders, curfews and unpaid work. In addition to recovery of the overpaid benefit amount anyone accepting a caution, administrative penalty or successful prosecution cases will have a loss of benefit sanction applied which means that any ongoing benefit entitlement is reduced for a period of four weeks.
- 6.5.4 Overpayments detected in the above sanction cases totalled £423,615.

6.6 Benefit Fraud Sanction & Prosecution Policy

- 6.6.1 The benefit fraud policy was rewritten and approved by Cabinet in January 2010. The refreshed policy was to give much clearer guidance to decision makers on a wider range of factors that they should consider when deciding which sanction to apply to a fraud case, as well as streamlining the decision making process to speed up the time taken for sanction authorisation to be granted.

7. INTERNAL AUDIT

- 7.1 Internal Audit has an important role in the investigation of suspected internal fraud and assisting managers in ensuring they have appropriate systems and controls in place that are designed to prevent or reduce the opportunity for fraud.
- 7.2 Annually days are allocated within the audit plan to undertake proactive fraud work and work in areas where previous frauds have occurred. This work is informed by a Fraud Risk register¹. A summary of the fraud risk areas and audit action taken during 2012/13 is attached as Appendix A for your information. For 2012/13 the planned proactive days were 40 days and actual 17.5 days. The reduction was due to unplanned work and the loss of resources due to staff turnover. In addition where possible the proactive activities were included within other planned audits.
- 7.3 In addition to proactive fraud work and continuous advice and guidance to managers, Internal Audit also has role to investigate potential irregular activities reported to them throughout the year. During 2012/13 although management requested areas to be reviewed due to restructures and new responsibilities no potential frauds were identified. Changes to procedures and controls have been implemented as a result of these reviews and additional training and awareness provided to employees.

7.4 National Fraud Initiative (NFI)

- 7.4.1 The Audit Commission's NFI exercise is part of Central Government's national recognition that taxpayers have a right to expect public bodies to put in place every possible measure to protect their money from fraud. The national public bodies included in this exercise are police authorities, local probation boards, fire and rescue authorities and all upper tier and districts councils.
- 7.4.2 The Council has a statutory responsibility to provide data to the Audit Commission for the prevention and detection of fraud as part of the NFI. NFI is an exercise that matches electronic data within and between audited bodies to prevent and detect fraud.
- 7.4.3 The Information Governance Team Leader is the nominated 'Key Contact' for the authority. It is the Key Contacts responsibility to ensure the appropriate datasets are sent to the Audit Commission and then when data match information is provided (January 2013) to provide a co-ordination role to ensure service areas are investigating matched records in their areas in compliance with Audit Commission guidelines.
- 7.4.4 The Council received their data match information in January 2013. In total 4,958 matches were identified covering a number of data sets, see below for breakdown:

Housing Benefit – 2,453
Payroll - 85
Blue Badge - 253
Concessionary Travel - 226
Private Residential Care Homes - 48
Licensing - 1
Creditors – 1891*
Insurance - 1

¹ This register was developed based on good practice, local internal intelligence and the West Midlands Fraud Group (this is a specialist fraud networking and training group of West Midlands metropolitan authorities and unitary authorities).

*This includes standing data such as duplicate creditor masterfile records and historical data in respect to possible duplicate payments made to suppliers.

7.4.5 The Audit Commission does not expect all 4,958 matched records to be reviewed but they do suggest reviewing matches on a risk basis using their recommended filters. In total 848 matches have been processed with a further 70 in the process of being investigated. This is broadly in line with the number of recommended matches highlighted by the Audit Commission.

7.4.6 Steady progress has been made by the Council in reviewing matches on a risk basis. Due to competing priorities some service areas have only just started reviewing their matches. However a timetable has been agreed with service areas for completion of their investigation work and Audit & IG have set up quarterly meetings with each area to monitor progress.

7.5 Training & Awareness

7.5.1 The Council ensures that both Members and Officers are aware of their responsibilities in respect to the Council's Anti-Fraud and Corruption policy.

7.5.2 All new staff within Revenues & Benefits (R&B) (as part of their induction) receives in depth Fraud Awareness training from the Corporate Training Team. In addition periodic refresher training is given to existing staff. Out of the fraud referrals received in 2012/13, 308 came from members of staff.

7.5.3 For officers there is the Code of Conduct for Employees which is included as part of induction and is available on the intranet. The principles of the Anti-fraud and corruption and the Speak Up policies are included in induction for new employees.

7.6 Publicity

7.6.1 As per the policy publicity of cases is important as a deterrent. The Benefit Fraud Team and Trading Standards use Corporate Communications to issue press releases about upcoming notable cases. Often the press then follow up with the headlines about the action/fine. The press releases are also published on the Council's website.

7.6.2 Internally cases of note are included within the Revenues and Benefits weekly team brief notes and also included in the quarterly Service Area report. These are issued to all R&B staff.

7.6.3 Where allegations of internal frauds have been investigated and procedures and controls are changed the lessons learnt are shared across the Council through the staff news and in management meetings.

8. TRADING STANDARDS & LICENSING

8.1 The Trading Standards and Licensing services of the Council play a significant role in delivering the Council's response to business related fraud in the borough. The majority of the responses are based around statutory responsibilities refined to provide effective detection and countermeasures in respect to fraud. These services are not restricted as to whom its officers may investigate, and are constrained only by the limitations of the statute under which an investigation is being conducted. As such investigations may involve Council officers, Members, suppliers to the Council and the business activities of the Council itself.

- 8.2 Officers of these services have access to specific legal, procedural and operational training to enable effective discharge of their responsibilities.
- 8.3 Staff undertake extensive professional training and mentoring before being permitted to commence enforcement duties, and have access to a range of professional competency training facilities through CEnTSA (Central England Trading Standards Authorities) and the Institute of Licensing (IOL) and their regional professional networks.

8.4 Anti Fraud responsibilities

- 8.4.1 Specific and identifiable responsibilities falling to the Trading Standards and Licensing within the Public Protection Service Delivery Unit, to combat fraud in the community include:

For the Licensing Service:

- **Street trader consents**
Prevention and detection of the illegal and highly lucrative transfer of street trader consents ('burger wars')
- **Taxi licensing**
Ensuring the correct vehicle, correctly insured and driven by the licensed driver.
Ensuring that licences are granted to people who have the right to work in the UK.
- **National Insurance Fraud Network.**
Partnership working to detect and report vehicle accident patterns.
- **Scrap metal dealers licensing.**
Joint working with police to detect illegal trading in stolen vehicles through scrap metal dealers and motor salvage operators.
- **National Fraud Initiative.**
Provision of information for the purposes of detection of benefit and other related frauds.
- **Intelligence Data System.**
New data system linked to DVLA for the detection of driving licence frauds.
- **Gambling Act enforcement**
Gaming establishments, registration of gaming machines, enforcement of 'amusement machines licensing duty certificates' in respect of the avoidance of taxation payments.
- **Money Laundering.**
Taxis, private hire vehicles, gaming machines, as a means of converting large quantities of cash.
- **Street Collections, Charity collections.**
Identification, detection and enforcement of fraudulent collections

For the Trading Standards Service:

- 8.4.2 Trading Standards has responsibility for enforcing a wide range of legislation that supports the authority's anti fraud responsibilities, and could be considered under the following broad headings:

- **Goods and services misdescriptions legislation.**
cover such things as property (houses etc. misdescriptions) vehicles, animals, professional, personal and manual services.
- **Intellectual Property crime**
Copyright, Trade marks

- **Consumer protection against unfair trading legislation**
Wide ranging and subject unspecific legislation to keep pace with constantly changing fraudulent practices.
- **Consumer Credit**
Credit, debt, finance agreements, misleading advertising
- **Cattle identification legislation**
To prevent fraudulent transfer to limit disease spread.
- **Weights and Measures**
Misrepresentation of quantity of goods supplied.

8.4.4 Trading Standards receives intelligence about rogue trader activities in Telford and deal with complaints about fraudsters that specifically target vulnerable and older people, carrying out unnecessary or misrepresent home improvement work and as a result defraud them out of thousands of pounds. This area of fraud remains a priority for Trading Standards for 2013/14.

8.4.5 The team also has a proactive role in educating consumers and businesses by raising awareness of rogue traders, counterfeiters and making consumers better able to distinguish the rogues from the reputable businesses and increasing consumer confidence.

8.5 Trading Standards Regional Initiatives

Scambusters

8.5.1 Dedicated Trading Standards officers working alongside officers from the Police, HM Revenue & Customs and other enforcement agencies. They work across local authority boundaries focusing on the hardest to tackle scams and rogue traders that set out to defraud people out of their money/assets.

8.5.2 This regional approach has demonstrated that targeted, proactive and intelligence led enforcement works. There has been much closer co-operation and data sharing between Trading Standards and other agencies, partly due to the level of criminality the teams have investigated.

Examples of the types of issues that have been targeted are:

- Doorstep crime
- Deceptive selling techniques
- 'Cowboy' builders doing shoddy and unnecessary work
- Large scale organised counterfeiting operations

8.6 Loan Shark Team

8.6.1 A loan shark is an unlicensed moneylender. Licensed moneylenders are regulated by the Office of Fair Trading (OFT) and must follow the OFT's codes of practice. Because they're not licensed, loan sharks operate outside the law. If you borrow from them it's likely you'll:

- get a loan on very bad terms
- pay an extortionate rate of interest
- be harassed if you get behind with your repayments
- be pressured into borrowing more from them to repay one debt with another

8.6.2 The role of this team is to identify, investigate and if necessary prosecute loan sharks and to work with victims to secure a satisfactory financial outcome. It also has a proactive role to

educate and raise awareness in local communities of the pitfalls of loans harks and promotes alternative sources of obtaining small loans and savings plans.

9. Challenges for 2013/14

- Reduced resources for the provision of Council services and therefore reduction in control and supervision and therefore potential increased opportunities for internal fraud
- Reduced resources for the provision of Council services, including Governance and therefore reduction in fraud awareness, investigation of data matches and opportunities for proactive work.
- Impact of the continued recession and economic climate on the potential incidence of fraud
- The impact of the benefit changes introduced as part of the government’s welfare reform. This will result in a reduction for many working age people in receipt of Housing Benefit. Council Tax Benefit is abolished with effect from 1 April 2013 and will be replaced by a local Council Tax Support which will also see a reduction in support for a majority of working age benefit recipients.

10. ANTI-FRAUD & CORRUPTION POLICY UPDATE

10.1 The current Anti-Fraud and Corruption Policy was reviewed, updated and agreed by the Audit Committee on 22nd March 2011 and was approved by Council on 23rd June 2011. The terms of reference of this Committee set out that it should be reviewed every 2 years and therefore the results of this review are presented to this committee as Appendix B for comment and agreement. The agreed version will be recommended to the Council for adoption by the Council.

10.2 The minimal changes made to the policy reflect:

- a) Organisational change and restructures;
- b) The Co-operative values;
- c) Changes to the External audit arrangements; and
- d) Updates to the Constitution

10. OTHER CONSIDERATIONS

AREA	COMMENTS
Equal Opportunities	The Anti-Fraud & Corruption policy operates within Equalities legislation and the Council’s associated policies. Any investigations follow legal requirements and proper procedures to ensure that equality and diversity requirements are met.
Environmental Impact	None
Legal Implications	Regulatory and enforcement teams throughout the Council (including internal audit) have powers and responsibilities set out in statute and regulation to detect, investigate and take enforcement action in relation to fraud and corruption. Such roles and responsibilities also include information sharing which is referred to in this report. When undertaking these actions all relevant statutory requirements need to be adhered to.
Links with Corporate Priorities	The policy supports all Corporate Priorities and good Corporate Governance demonstrating the Council’s desire to ensure sound conduct and ethical procedures for all those associated with the Council and service delivery. Monitoring the policy provides the opportunity to identify if there are any changes required or additional areas of activity.
Financial Implications	None as all current activity is met from within existing budgets.
Opportunities and	Having a policy which sets out the Council’s anti-fraud and corruption

Risks	culture and associated procedures assists in the management of the risk of fraud and corruption against the Council.
Ward Implications	Borough wide implications.

11. BACKGROUND PAPERS

Corporate Anti-Fraud and Corruption Policy 2011

Speak Up Policy 2012

Benefits Counter Fraud and Sanctions Policy 2010

Audit Commission requirements for the National Fraud Initiative

Trading Standards & Licensing Legislation

Report prepared by Jenny Marriott – Audit & Information Governance SDM - 01952 383101; Becky Owen-Jones – Benefit Welfare and Assurance Group Manager – 01952 83881 & Anita Hunt – Trading Standards Team Manager – 01952 381998; Suzanne Fisher – Licensing & Support Team Manager

**INTERNAL AUDIT PLANNED PROACTIVE FRAUD & CORRPUTION WORK UNDERTAKEN
2012-13**

Work Area	Work undertaken
Car Mileage & Overtime Claims	This review looked at car mileage claims to ensure that they are reasonable and correctly applied. Also covered overtime payments made to ensure that they are reasonable and in line with quoted savings from restructures.
Cash collection	Annual cash collection audits Review of arrangements at Darby House reception, Wellington First Point (Library), Legal Services Search Fees, and Youth and Cohesion Safe checks also undertaken at various locations.
Catering – assurance on cashless system & free school meals (secondary)	Audit working with catering Service who are implementing new cashless system
Car Parking	Review of revised income collection processes
Term Contracts / Service contracts	Examined the processes in place for the appointment of term contracts to ensure they are awarded correctly
Review of HR Allowances	Examined the allowances currently paid to staff other than salary payments to ensure that they are genuine
Contract Changes & SO Waivers	Examined contracts to ensure that they had been subject to an appropriate tender process or a waiver had been obtained where applicable.
Procurement – Contract Monitoring	This review concentrated to ensuring that contracts are appropriately monitored to ensure the Council is getting the expected service from contractors.