

## **TELFORD & WREKIN COUNCIL**

**AUDIT COMMITTEE 30<sup>th</sup> JUNE 2015**

### **CORPORATE ANTI-FRAUD & CORRUPTION POLICY – 2014/15 ANNUAL REPORT AND POLICY UPDATE**

#### **REPORT OF THE CHIEF FINANCIAL OFFICER**

## **1. PURPOSE**

- 1.1 For the Audit Committee to:
- a) consider the 2014/15 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 2014/15 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 annual information in respect to the Corporate Anti-Fraud and Corruption activity for 2014/15 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 26<sup>th</sup> June 2012 – Annual Report 2011/12  
Audit Committee 25<sup>th</sup> June 2013 – Annual Report 2012/13 and Policy Update  
Audit Committee 16<sup>th</sup> September 2014 – Annual Report 2013/14 and Policy Update

## **5. INFORMATION - ANNUAL REPORT 2014/15**

- 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. 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 2014/15 on 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 fraudulent 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 decreased again over the last 12 months, from 19,551 (live cases) at 31<sup>st</sup> March 2014 to 18,921 at 31<sup>st</sup> March 2015. The main reason for this reduction is the introduction of the government's Welfare Reforms (Social Sector Size Criteria) and Council Tax Support. They have resulted in reductions in benefit for some working age people and others being cancelled off benefit all together. The upturn in the economy has also had an affect.
- 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 In March 2014 we began a two month "Put the Record Straight" amnesty giving people the opportunity to cancel any Council Tax discount which they were no longer entitled to and re-pay anything they owe without facing any further action. During the amnesty period Single Person Discounts cancellations and Council Tax Support reductions meant that an extra £30,361 Council Tax was payable in 2014/15.
- 6.4 The Benefit Team have also undertaken a review exercise, where review forms have been issued to 5,624 customers from December 2013 through to December 2014. It was determined that the non-passported claims (these are claims based on earnings, private pension etc rather than Income Support and Job Seeker Allowance) were most likely to have had a change in circumstance. These customers were therefore contacted by tranches on a monthly basis. Weekly Council Tax Savings were made of £10,934 which equates to an annual saving of £568,544. Weekly Housing Benefit savings of £43,687 were made which equates to an annual saving of £2,271,717. Overpaid Housing Benefit overpayments of £787,374 were identified during the exercise.

## 6.5 Benefits Data Matching

- 6.5.1 In 2014/15 there were four investigations closed which had been opened due to a Housing Benefit Matching Service (HBMS) referral (there are many other matches which are checked by the Benefit Assessment Team but only those where there is suspected fraud are referred to the Investigation Team). Of these all four resulted in a positive outcome i.e. benefit was affected / fraud found.
- 6.5.2 The Investigation Team have continued to complete matches identified through the National Fraud Initiative (NFI) 2012/13. In 2014/15 a further 16 investigations have so far been completed, of which two resulted in a sanction (a further 11 resulted in the level of benefit paid being affected).
- 6.5.3 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. In 2014/15 no employee has received a benefit fraud sanction.

## 6.6 Cases Investigated

- 6.6.1 At the beginning of 2014/15 the Investigation Team consisted of one Team Leader, three Investigation Officers and one Assistant Investigation Officer. This equated to 4.95 Full Time Equivalents. All Investigation Officers are accredited counter fraud specialists. Due to maternity leave and then the Assistant Investigation Officer and an Investigation Officer leaving towards the end of 2014/15 the capacity of the team reduced by the end of the year. The Assistant Investigation Officer was replaced on a temporary part-time basis. The cost of the Investigation Team for 2014/15 was £172,010. This includes costs relating to the staff, postage, printing, telephones, mileage, computer software and all other investigation related costs.
- 6.6.2 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	21	2.26
Anonymous telephone call	171	18.43
Member of staff	263	28.34
Housing Benefit Matching Service (HBMS)	6	0.65
DWP	45	4.85
Police	7	0.75
Landlord	33	3.56
Internet/email	147	15.84
Other Local Authority	3	0.32
National Fraud Initiative	226	24.35
Other	6	0.65
<b>Total Referrals</b>	<b>928</b>	<b>100.00</b>

- 6.6.3 Each case that is referred is checked to ensure that the benefit that is in payment is correct. A risk based approach is used to ascertain which cases are investigated by an Investigation Officer. Where DWP benefits are in payment cases are referred on to the DWP. In 2014/15 a total of 203 investigations were closed and of which 128 proved positive (benefit was affected in some way). Of this total, 29 cases received a formal sanction:

- Prosecutions – 19

- Administrative Penalties – 8

There are a number of cases who have received a summons where the outcome of the case is not known due to delays with the Crown Prosecution Service.

- 6.6.4 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, one further person was prosecuted.
- 6.6.5 For the prosecutions fines of £290 were imposed and costs of £1,919 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, electronic tag and curfews and unpaid work. In addition to recovery of the overpaid benefit amount anyone accepting an 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. A further £4,481 was imposed in the form of Administrative penalties.
- 6.6.6 Overpayments of Housing Benefit and Council Tax Benefit detected in the above sanction cases totalled £149,705 (these figures do not include excess Council Tax Support).
- 6.6.7 During 2014/15 the Investigation Team continued the project started in the last six months of 2013/14 looking into Council Tax fraud and error including incorrectly claimed discounts and Council Tax Support. For those people who have delayed in reporting a change we have for the first time started to administer a civil penalty of £70. The Investigation Team imposed 19 civil penalties in 2014/15 In total £127,271 of additional Council Tax was identified through the Investigation Team finding incorrectly claimed Council Tax Support, Council Tax Benefit and Council Tax discounts.

## **6.7 Benefit Fraud Sanction & Prosecution Policy**

- 6.7.1 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. With responsibility for Housing Benefit fraud transferring to the Single Fraud Investigation Service from 1 June 2015 a new Revenues and Benefits Sanction and Penalty Policy is being prepared.

## **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 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 register<sup>1</sup>. A summary of the Internal audit work undertaken during 2014/15 for fraud and corruption risk areas, proactive work and requests is attached as Appendix A for your information. For 2014/15 the planned proactive fraud days (including NFI work – see below) were 40 days with an actual of 37 days. This is more than double 2013/14 due to the receipt and investigation of matches from the NFI exercise (23 days).

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<sup>1</sup> 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 Midland metropolitan authorities and unitary authorities).

7.3 In addition to proactive fraud work and continuous advice and guidance to managers, Internal Audit also has a role to investigate potential irregular activities reported to them throughout the year. During 2014/15 Internal Audit & Information Governance investigated 5 cases of alleged irregular activity. Of the 5 cases investigated:

2 cases are still on-going

2 cases – fraud was not identified but control weaknesses were reported to management

1 case – fraud to the estimated value of £2,146 identified and disciplinary action was taken against the employee.

The cumulative time taken for these reviews in total was 28 days. 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 In October 2014, as part of the 2014/15 NFI exercise, the council submitted data sets to the Audit Commission. See below for the type of data sets that were submitted:

- Payroll
- Pensions (provided by Shropshire County Council)
- Insurance Claims (provided directly by the council's insurers)
- Private Supported Care Home Residents
- Benefits (provided by the DWP)
- Transport passes and permits
- Licences
- Creditors
- Personal Budgets (Direct Payments)

7.4.4 In January 2015 the council received relevant NFI matches. In total 5,439 matches have been identified covering the data sets detailed above in 7.4.3.

7.4.5 Work is on-going in the relevant service areas to investigate these matches on a risk basis and a further update on the progress of this will be reported in future reports to the Audit Committee.

#### **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) receive 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 2014/15, 263 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 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 Public Protection use Corporate Communications to issue press releases and social media to alert the public and inform businesses about relevant campaigns, interventions and prosecutions. . 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. These are issued to all R&B staff.

7.6.3 Within Public Protection with any significant intervention or prosecution the Assistant Director and Cabinet member are briefed accordingly. Any lessons learnt are shared within team meetings.

7.6.4 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 bulletins and in management meetings.

## **8. PUBLIC PROTECTION**

8.1 The Public Protection Service which includes Trading Standards, Environmental Health and Licensing 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), CIEH Chartered Institute of Environmental Health and the Institute of Licensing (IOL) and their regional professional networks as well as central government departments such as Food Standards Agency and Department of Environment, Food and Rural Affairs (DEFRA)

### **8.4 Anti-Fraud responsibilities**

8.4.1 All teams through the course of their routine work may come across irregularities relating to the running of the business. Where these irregularities are outside Public Protection's remit these are referred to agencies such as UK Border Force DVLC, Insurance Fraud Bureau, Police and internal service areas such as revenues and benefits.

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

## Environmental Health

- **Detection of Food Fraud**  
Through inspection, taking part in national sampling programs and intelligence.

## 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.
- **Scrap metal dealers licensing.**  
Joint working with police to detect illegal trading in stolen vehicles and other stolen metal items such as copper cabling through scrap metal dealers.  
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:

- **Intellectual Property crime**  
Copyright, Trade marks
- **Consumer Protection from Unfair Trading legislation**  
Wide ranging legislation to keep pace with constantly changing fraudulent practices. This legislation covers a wide range of goods and services including houses purchases, animals, vehicles, food & drink and all personal and professional services
- **Cattle identification legislation**  
To prevent fraudulent transfer to limit disease spread.
- **Weights and Measures**  
Misrepresentation of quantity of goods supplied.
- **Fraud Act**  
This legislation is applicable to all the above legislative areas. The act allows Trading Standards to take action against serious criminality and persistent offenders to achieve the appropriate fines and sentences where necessary.

8.4.3 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 known also as Door Step Crime remains a priority for Trading Standards for 2015/16

8.4.4 The team also aims to educate residents, other members of the community, such as carers and voluntary groups who come in to contact with more vulnerable consumers, by raising awareness of rogue traders and making consumers better able to distinguish the rogues from the reputable businesses. Trading Standards are also engaging with other key partners and service areas within the Council to increase awareness of financial fraud, postal, online and door step scams. The team works closely with the national scams team, visiting victims of fraud to offer advice and support and assist in the national profiling of victims.

- 8.4.5 Trading Standards have prioritised work streams around illicit tobacco through improved intelligence gathering. This work also forms part of the Tobacco Partnerships work plan for 2015/16 which includes the following:
- Use of fines
  - Raise awareness of whistle-blowing
  - Raise the profile of penalties for retailers selling illicit tobacco or to underage young people

## **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:

- o Doorstep crime
- o Deceptive selling techniques
- o 'Cowboy' builders doing shoddy and unnecessary work
- o 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 Competition Markets Authority (CMA) and must follow the CMA'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:
- o get a loan on very bad terms
  - o pay an extortionate rate of interest
  - o be harassed if you get behind with your repayments
  - o 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 2015/16**

- 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 economic climate on the potential incidence of fraud
- The continuing impact of the government's welfare reform which has seen a reduction in Housing Benefit for many working age people which may result in some people not

accurately reporting their circumstances. The new government elected in 2015 have stated that they intend to reduce benefit expenditure by a further £12 bn. Although the details are still to be announced, it is expected a significant proportion of these savings will be made from Housing Benefit.

- Introduction of Single Fraud Investigation Service (SFIS). SFIS will take over the responsibility for investigating Housing Benefit and all DWP fraud. SFIS are due to take over Telford & Wrekin Council's responsibility in June 2015. In the lead up to this date additional work is required to deal with the migration of cases. Following migration the DWP will also require the Council to provide information to enable them to investigate Housing Benefit claims which will be an additional burden. The Council will not have any influence over which types of case are accepted for investigation.
- The Revenues and Benefits Investigation Team will continue to focus on incorrectly claimed Council Tax discounts and exemptions. Their remit will be expanded to also look at Business Rate fraud.

## 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 16<sup>th</sup> September 2014 and was approved by Council on November 2014. It was agreed at the June 2013 meeting that the Anti-Fraud & Corruption Policy would be reviewed annually to coincide with the annual report (unless urgent changes are required in between).
- 10.2 The updated Policy is attached as Appendix B for comment and agreement. There have been minor changes to the policy to reflect the new Single Fraud Investigation Service, the extension of the Everyday App to include fraud reporting, organisational changes and to ensure consistency with the Constitution.

## 11. 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	The Benefit Fraud Investigation Team is funded from a government grant for Housing Benefit Administration. This grant has been cut in 2015/16 by £38k and by £116k in 2016/17 to reflect the housing benefit investigation work transferring to the SFIS. A reduction in the FTE's of the investigation team has met the funding shortfall in 2015/16 and funding has been earmarked from the Council's invest to save pot for

	<p>2016/17. It is intended that the team will secure additional income for the Council from Council Tax and Business Rates through the identification of fraud.</p> <p>The staffing costs for other teams involved in anti fraud and corruption work are met from the Council's base budget. MLB 17.06.15</p>
Opportunities and Risks	Having a policy which sets out the Council's anti-fraud and corruption culture and associated procedures assists in the management of the risk of fraud and corruption against the Council.
Ward Implications	Borough wide implications.

## 12. BACKGROUND PAPERS

Corporate Anti-Fraud and Corruption Policy 2014

Speak Up Policy 2014

Benefits Counter Fraud and Sanctions Policy 2010

Audit Commission requirements for the National Fraud Initiative

Trading Standards & Licensing Legislation

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**INTERNAL AUDIT WORK UNDERTAKEN FOR FRAUD & CORRUPTION RISK AREAS,  
PROACTIVE WORK AND REQUESTS IN RESEPT TO IRREGULAR ACTIVITIES 2014/15**

<b>Work Area</b>	<b>Work undertaken</b>
Cash collection	Annual cash collection audit Review of cash collection arrangements at First Point and Darby House
Catering	Burton Borough catering review Haughmond Hill Ice Rink Catering
Procurement	Work commenced and continues into 2015/16 in respect to contract compliance for various contracts across the Council.
Direct Payments	2 cases where specific reviews have been requested
Leisure and Culture	3 areas where requests were made and work undertaken