

1. PURPOSE

- 1.1 For the Audit Committee to:
- a) consider the 2016/17 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 2016/17 Annual Report on Corporate Anti-Fraud and Corruption activity.
- 2.2 That the Committee recommends the adoption by Council of the updated policy attached as Appendix B.

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:
“13. To approve the Anti-Fraud and Corruption Policy and to recommend its adoption by the Council and to monitor its operation. The policy will be reviewed at least once every two years.”
- 3.3 This report includes annual information in respect to the Corporate Anti-Fraud and Corruption activity for 2016/17 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 16th September 2014 – Annual Report 2013/14 and Policy Update
Audit Committee 30th June 2015 – Annual Report 2014/15 and Policy Update
Audit Committee 28th June 2016 – Annual Report 2015/16 and Policy Update

5. INFORMATION - ANNUAL REPORT 2016/17

- 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 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 2016/17 on counter fraud and investigation activities within the Investigation Team, Internal Audit and Public Protection. 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 review and investigation by appropriately trained and experienced officers within the Council (and by the Police or other external party when required).

6. TRANSPARENCY CODE REQUIREMENTS

- 6.1 The Local Government Transparency Code requires the council to publish data regarding its fraud arrangements. Below is a summary of these requirements together with the corresponding information on the council's fraud arrangements.

	Requirement Description	T&W Arrangements
1	Number of occasions the council have used the powers under the Prevention of Social Housing Fraud Regulations 2014 or similar powers.	We do not have social housing and therefore these powers have not been used.
2	Number (absolute and FTE) of employees undertaking investigations and prosecutions of fraud	3 counter fraud specialist's work in the Investigation Team. This equates to 2.95 FTE's. Other council services undertake investigations into fraud, e.g. Internal Audit, Public Protection, etc. These tasks form part of an officer's job role and therefore it would be impossible to identify what proportion of their role would be taken up undertaking fraud investigations.
3	Number (absolute and FTE) of professionally accredited counter fraud specialists	3 counter fraud specialist's work in the Investigation Team. This equates to 2.95 FTE's.
4	Total amount spent by the authority on the investigation and prosecution of fraud	The cost of the Investigation Team for 2016/17 was £129,390 (costs include staff, postage, printing, telephones, mileage, computer software and all other investigation related costs). As stated on point 2 above other areas do undertake investigations but it is impossible to attribute a cost to this as costs are consumed in overall budgets for each service.
5	Total number of fraud cases investigated	See case investigation data in this report.

7. INVESTIGATIONS TEAM

BENEFITS INVESTIGATIONS

- 7.1 The Housing Benefit and Council Tax Support caseload has decreased again over the last 12 months, from 18,335 (live cases) at 31st March 2016 to 17,822 at 10th April 2017. There are a number of reasons for this including the continuing impact of the government's Welfare Reforms and the introduction of Universal Credit in the area since June 2015. Universal Credit replaces six working age benefits including Housing Benefit although the roll out is currently limited to those with specific circumstances. Those entitled to Universal Credit are no longer eligible for Housing Benefit resulting in their claims being cancelled. We have continued our review programme throughout 2016/17. This is where we issue review forms to check on the circumstances of those claiming Housing Benefit and / or Council Tax Support and this has also resulted in the cancellation of some claims.
- 7.2 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 appointment is made with 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 Benefits Officer (either via the telephone claim process or those customers who drop-in to First Point). 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. In July 2016 we improved this process further with an on-line intention to claim form which will allow customers to book their own appointment at First Point, negates the need for the telephone part of the process. All customers are now seen on an appointment only basis.
- 7.3 The Benefit Team issued 1,173 review forms in 2016/17 as part of its targeted review exercise. The following areas were targeted as those who were most likely to have had a change in their circumstance; those in paid employment whose pay information was on our system as less than the living wage, claims with non-dependants who were not working or in receipt of a benefit, those in receipt of occupational pensions and second adult rebate claims. Weekly Council Tax Support savings were made of just under £2,210 which equates to an annual saving of £114,902. Weekly Housing Benefit reductions were made of just under £10,986.93 with an annual saving of £571,268. Overpaid Housing Benefit totalling £175,835 was identified during the exercise.
- 7.4 Benefits Data Matching**
- 7.4.1 The Benefit Service has started to work through the latest National Fraud Initiative (NFI) 2016/17 (released in January 2017). So far 67 of the 83 recommended matches have been completed but none have had an impact on the level of benefit in payment. If fraud is suspected then cases will be referred to DWP's Single Fraud Investigation Service (SFIS) as we no longer have the powers to investigate Housing Benefit fraud.
- 7.4.2 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 2016/17 no employee received a benefit fraud sanction.

7.5 Cases Investigated

7.5.1 At the beginning of 2016/17 the Investigation Team consisted of one Team Leader, one full time Investigation Officer, one Investigation Officer working 35 hours per week and one casual Assistant Investigation Officer. This equated to 2.95 Full Time Equivalents and one full time Fixed Term Contract. All Investigation Officers are accredited counter fraud specialists. From 1st June 2016 the Investigation Team moved from Revenues to Audit, Information Governance and Insurance Services. From September 2016 the Casual Assistant Investigation Officer moved to benefits taking with him the responsibility of being the Single Point of Contact for the DWP and responsibility for the NFI. The cost of the Investigation Team for 2016/17 was £129,390 (see paragraph 6.1).

7.5.2 Referrals to the 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	27	4.13
Anonymous telephone call	158	24.16
Member of staff	239	36.54
DWP	0	0
Police	6	0.92
Landlord (including Wrekin Housing Trust)	10	1.53
Internet/email	180	27.52
Other Local Authority	0	0
National Fraud Initiative	0	0
Reviews Forms	1	0.15
Real Time Information (RTI)	6	0.92
Everyday Telford App	19	2.91
Other	8	1.22
Total Referrals	654	100

7.5.3 Since 1st June 2015 the DWP's Single Fraud Investigation Service (SFIS) took over responsibility for investigating Housing Benefit, Tax Credit and all DWP benefit fraud. The Council's Investigation Team focuses on Council Tax discount and exemption cases and some Business Rate fraud. The Team during the year moved into more Corporate Fraud work. In 2016/17 a total of 351 investigations were closed and 195 proved positive (benefit was affected in some way). Of this total one case was given an Alternative to Prosecution (previously known as an Administrative Penalty) a sanction amounting to £318.13 and 59 cases were given a Civil Penalty of £70 (Totalling £4,130). The Investigation Team have also worked on NNDR cases. One particular case took up some time investigating as the owner of a company claimed a number of other companies were in occupation. These companies then ran up a Business Rate debt before "moving" out. The investigator established these other companies were never actually in occupation and the owners have now been billed for £60,074. On another case the Team worked closely with other agencies to investigate a Landlord who was paying Council Tax on a property as a single dwelling. The investigator established that the dwelling had been turned into 6 flats and a new liability was issued for all 6 flats. The Landlord was also pursued by the other agencies for various other breaches. The Team are also now working closely with the Direct Payments Team and on one case have investigated where a large write off was proposed but following investigation Legal have now requested a refund of over £58,000 from a provider.

7.5.4 Sanctions can also be applied to partners/landlords/employers where it can be demonstrated that they were complicit in the fraud. There were no sanctions applied to these types of cases this year.

7.6 Benefit Fraud Sanction & Prosecution Policy

7.6.1 With responsibility for Housing Benefit fraud coming under the Single Fraud Investigation Service (part of Department for Work & Pensions) since 1 June 2015 a new Revenues and Benefits Sanction and Penalty Policy was written and agreed by Cabinet in July 2015. This was reviewed in 2016 and remained unchanged.

8. INTERNAL AUDIT

8.1 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. From June 2016 the Investigation Team became part of the Internal Audit, Information Governance & Insurance Services Area and they now have a key role to play in investigating corporate fraud areas.

8.2 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 register¹. A summary of the Internal audit and corporate Investigations Team work undertaken during 2016/17 for fraud and corruption risk areas, proactive work and requests is attached as Appendix A for your information. For 2016/17 the planned proactive fraud days (including NFI work – see below) were 40 days with an actual of 16 days but the other audit work on fraud prevention is consumed within the days allocated to general audit assignments and additional work is undertaken by the investigation team.

8.3 In addition to proactive fraud work and continuous advice and guidance to managers, Internal Audit/Investigation Team also has a role to investigate potential irregular activities reported to them throughout the year. During 2016/17 Internal Audit & Information Governance investigated 3 cases of alleged irregular activity. None of the cases referred resulted in an identifiable fraud. Changes to procedures and controls have been implemented as a result of these reviews and additional training and awareness provided to employees where necessary.

8.4 National Fraud Initiative (NFI)

8.4.1 The Cabinet Offices 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.

8.4.2 The Council has a statutory responsibility to provide data to the Cabinet Office 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.

8.4.3 In January 2017 the council received relevant NFI matches from 2016/17 data with a total of 3,512 matches, covering the data sets detailed below. To date 800 matches have been looked at. 7 of the matches are in the process of being investigated and sums amounting to over £9,000 have been recovered.

- 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)

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 Midland metropolitan authorities and unitary authorities).

- Transport passes and permits
- Licences
- Creditors
- Personal Budgets (Direct Payments)

8.5 Training & Awareness

- 8.5.1 The Council ensures that both Members and Officers are aware of their responsibilities in respect to the Council's Anti-Fraud and Corruption Policy.
- 8.5.2 Staff within Revenues & Benefits (R&B) receive Fraud Awareness training as part of periodic refresher training.
- 8.5.3 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.

8.6 Publicity

- 8.6.1 As per the policy publicity of cases is important as a deterrent. The Investigation 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.
- 8.6.2 Internally cases of note are included within either the Revenues or Benefits weekly team brief notes. These are issued to all relevant staff.
- 8.6.3 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.
- 8.6.4 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.

9. PUBLIC PROTECTION

- 9.1 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.
- 9.2 Officers of these services have access to specific legal, procedural and operational training to enable effective discharge of their responsibilities.
- 9.3 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).

9.4 Anti-Fraud responsibilities

9.4.1 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, Driving & Vehicle Licensing Agency, HM Revenues & Customs, 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

- **Food Fraud**

Prevention & detection of unfit and debased food through inspection, sampling and intelligence. In 2016/17 28 food samples were taken as part of the Food Standards Agency (FSA) program. Of these 28 samples, 3 were found to be unsatisfactory and appropriate follow up action was taken. Members of the public can now use the Everyday Telford App to report Food Crime.

Fraudulent use of health and identification marks. All Approved Premises within the Borough are checked to ensure they are applying the health mark appropriately when they are inspected.

- **Rogue Landlords**

Identifying fraudulent practices relating to tenant deposits

Licensing Service:

- **Street trader consents**

Prevention and detection of the illegal and highly lucrative transfer of street trader consents.

- **Taxi licensing**

Ensuring the correct vehicle, correctly insured and driven by the licensed driver.

- **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

Trading Standards Service:

- **Intellectual Property crime**

Copyright, Trade marks

- **Consumer Protection from Unfair Trading legislation**

There is wide ranging legislation to keep pace with constantly changing fraudulent practices. This legislation covers a wide range of goods and services including house 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 or measure 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.

9.4.2 Trading Standards receives intelligence about rogue trader activities in Telford and deals with complaints about fraudsters that specifically target vulnerable and older people, carrying out unnecessary or misrepresented 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 2017/18.

The team also works closely with the national scams team, visiting victims of fraud to offer advice and support and assist in the national profiling of victims and has signed up as a SCAM champion to promote the Friends Against scams national Campaign in 2017/18 along with interested partners.

Officers joined with the police in national rogue trader week. Over 20 traders were given information regarding their legal responsibilities and police officers were able to identify road traffic and related offences. The team also works closely with the national scams team, visiting victims of fraud to offer advice and support and assist in the national profiling of victims.

9.4.3 Trading Standards have prioritised work streams around illicit tobacco and this work also forms part of the Tobacco Partnerships work plan & the Smoke Free Action Plan for 2017/18 which includes the following:

- Increasing awareness of illicit tobacco and how to report it
- Use of intelligence to determine operations that focus on under age sales of tobacco and the supply of illicit tobacco. In 206/17 Trading Standards seized 11,540 illegal cigarettes from a local shop following intelligence in a joint raid with West Mercia Police.
- Use of fines and to raise the profile of penalties for retailers selling illicit tobacco or to underage young people

9.5 Trading Standards Regional Initiatives

Regional Investigations Team (Formerly Scambusters)

9.5.1 Dedicated Trading Standards officers work 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.

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

9.6 Illegal Money Lending Team (Loan Shark Team)

9.6.1 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:

- 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

9.6.2 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 loan sharks and promotes alternative sources of obtaining small loans and savings plans.

10. Challenges for 2017/18

10.1 The potential challenges for 2017/18 include:

- Reduced resources and therefore potential reduction in control and supervision and therefore potential increased opportunities for internal fraud, reduction in fraud awareness, investigation of data matches and opportunities for proactive work.
- Impact of the economic climate on the potential incidence of fraud

11. ANTI-FRAUD & CORRUPTION POLICY UPDATE

11.1 The current Anti-Fraud and Corruption Policy was reviewed, updated and agreed by the Audit Committee on 28th June 2016 and was approved by Council on 14th July 2016. The Anti-Fraud & Corruption Policy is reviewed annually to coincide with the annual report (unless urgent changes are required in between).

11.2 The updated Policy is attached as Appendix B with track changes as it has been updated to reflect the integration of the Investigations Team into the Audit & Governance Team. Other minor changes have been made to ensure it remains current.

12. 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	The Council will have full regard to relevant legislative requirements, including without limitation: <ul style="list-style-type: none"> • The Fraud Act 2006

	<ul style="list-style-type: none"> • Bribery Act 2010 • Section 151 Local Government Act 1972 • Section 5 Local Government & Housing Act 1989 Contracts Regulations 2015 • Accounts and Audit Regulations 2011 • The Council Tax Reduction scheme (Detection and Enforcement) (England) Regulations 2013 • Local Government Finance Act 1988 • Regulation of Investigatory Powers Act 2000 • Terrorism Act 2006 • Proceeds of Crime Act 2002 • Police and Criminal Evidence Act 1984 • Companies Act 2006 • Localism Act 2011
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	Costs associated with the anti-fraud and corruption work outlined in this report are met from the Council's base budget. This includes staffing costs, training, marketing and promotion costs, stationery and any postage.
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.

13. BACKGROUND PAPERS

Corporate Anti-Fraud and Corruption Policy 2016
Speak Up Policy 2016
Benefits Counter Fraud and Sanctions Policy 2015
Cabinet Office requirements for the National Fraud Initiative
Trading Standards & Licensing Legislation

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INTERNAL AUDIT & INVESTIGATIONS WORK UNDERTAKEN FOR CORPORATE FRAUD & CORRUPTION RISK AREAS, PROACTIVE WORK AND REQUESTS IN RESEPT TO IRREGULAR ACTIVITIES 2016/17

Work Area	Work undertaken
Cash collection	Annual cash collection audit Review of cash collection arrangements at libraries & Corporate Post Room.
Procurement	Work commenced and continues into 2017/18 in respect to contract compliance for various contracts across the Council.
GPC	Review of GPC expenditure.
Direct Payments	1 case of possible irregularity investigated.
West Road Petty Cash	Checks into the management of petty cash.
Council Tax	Investigation into possible avoidance of paying Council Tax
NNDR	Investigation into the avoidance of paying Business Rates