

**1. PURPOSE**

- 1.1 For the Audit Committee to:
- a) Consider the 2017/18 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 2017/18 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 A.

**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 2017/18 to enable the Audit Committee to monitor the policies operation. In addition attached as Appendix A is an updated policy for members to agree and recommend on for adoption by the Council.

**4. PREVIOUS MINUTES**

- 4.1 Audit Committee 16<sup>th</sup> September 2014 – Annual Report 2013/14 and Policy Update  
Audit Committee 30<sup>th</sup> June 2015 – Annual Report 2014/15 and Policy Update  
Audit Committee 28<sup>th</sup> June 2016 – Annual Report 2015/16 and Policy Update  
Audit Committee 27<sup>th</sup> June 2017 – Annual Report 2016/17 and Policy update

**5. INFORMATION - ANNUAL REPORT 2017/18**

- 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 2017/18 on counter fraud and investigation activities within the Investigation Team, Internal Audit and Public Protection. The Committee should note that the Council's 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. The table 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	<p>Currently there is 1 counter fraud specialist working in the Investigation Team. There will also be an additional Assistant Investigation Officer in 18/19. However, throughout 2017/18 there were 2 counter fraud specialists equating to 1.95 FTE.</p> <p>Other council services undertake investigations into fraud, for example Public Protection. 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.</p>
3	Number (absolute and FTE) of professionally accredited counter fraud specialists	Currently 1 counter fraud specialist works in the Investigation Team. During 2017/18 there were two counter fraud specialists, equating to 1.95 FTE.
4	Total amount spent by the authority on the investigation and prosecution of fraud	<p>The cost of the Investigation Team for 2017/18 was £113,172.75 (costs include staff, postage, printing, telephones, mileage, computer software and all other investigation related costs).</p> <p>As stated on point 2 above other areas do undertake investigations but</p>

		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. HOUSING BENEFIT AND COUNCIL TAX SUPPORT

The Housing Benefit and Council Tax Support caseload has decreased again over the last 12 months, from 17,822 (live cases) at 31 March 2017 to 17,484 at 31 March 2018. The government's Welfare Reforms and the introduction of Universal Credit in the area since June 2015 are the main factors. Universal Credit replaces six working age benefits including Housing Benefit although the roll out is currently limited to those with specific circumstances and was temporarily halted by the government from 1 January 2018. The Telford area is due to go Full Service Universal Credit on 14 November which will see more customers claiming Universal Credit. Those entitled to Universal Credit are no longer eligible for Housing Benefit resulting in their claims being cancelled.

- 7.1 The review of claims in 2017/18 mainly concentrated on changes in earnings or occupation pensions received from the Department for Work and Pensions via their optional Real Time Information files.
- 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. Customers are now seen on an appointment only basis – those wishing to make a claim complete an online form and book an appointment to see a Benefit Assessment Officer. At the appointment the Officer asks further questions and verifies the customer's identity, income and capital documents. They also explain 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.
- 7.3 In May 2017 we went live with the DWP's Wider use of Real Time Information, which has latterly been re-named the more descriptive Verification of Earnings and Pensions. This allows the Benefits Team to check the current wage / occupational pension data of a vast majority of customers / partners when they make a new claim or if they have a change of circumstance. The team are finding this a valuable tool and several cases have already been referred to the DWP's Single Fraud Investigation Service as the information that the customer has provided has not matched that held by HM Revenues and Customs.
- 7.4 The Benefits Team now gets a wealth of information from the DWP's Automated Transfer to Local Authority Systems (ATLAS) regarding changes in a customer's state benefits or tax credits. Whilst ATLAS does not capture every change and it is still the customer's responsibility to report changes it does mean that we obtain the vast majority of such changes in this way. This has allowed the proactive work to be concentrated on getting the earning and Occupational Pension details of customers up to date. In total 2,525 matches from the Optional Real Time Information downloads were checked and a further 108 proactive reviews were undertaken. Weekly Council Tax Support savings were made of just under £2,460 which equates to an annual saving of £127,898. Overpaid Housing Benefit totalling £550,750 was also identified from this proactive work.

### 7.5 Benefits Data Matching

- 7.5.1 The latest National Fraud Initiative (NFI) 2016/17 (released in January 2017) has been completed. The Benefit Service reviews the recommended matches. Unfortunately the NFI

does not just report on mismatches so it would be very resource intensive to look at each and every match when most do not highlight a discrepancy. Feedback has been given to the Cabinet Office regarding this. If when looking at the match, or indeed when looking at any claim, fraud is suspected then cases are referred to the Council's Investigation Team to look at the Council Tax Support claim or DWP's Single Fraud Investigation Service (SFIS) as we no longer have the powers to investigate Housing Benefit fraud. In addition to NFI matches the Benefit Service reviews and completes matches issued to it via the DWP's Housing Benefit Matching Service (HBMS) each month and the team also actioned the monthly mandatory Real Time Information (earnings and occupational pensions) which were received in addition to the optional files.

## **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. THE INVESTIGATION TEAM**

8.1 The Investigation Team sit within Audit and Governance and have responsibility for investigating fraud error and irregularity across the authority. The move towards becoming a corporate fraud team is still relatively new but the team have already achieved notable success. In June 2017 the team was reduced to two Investigation Officers, equating to 1.95 Full Time Equivalents. However, it must be noted that due to illness one officer was on restricted duties or absent for significant periods of 2017/18. The team is currently operating with one full time officer who is an Accredited Fraud Officer, although recruitment is underway for an Assistant Investigation Officer. The cost of the Investigation Team for 2017/18 was £113,172.75.

8.2 Referrals to the Investigation Team come from various sources. However, moving forward a new online reporting mechanism covering all areas of fraud will be available to use both internally and externally. This will also accompany a new online whistleblowing reporting form. The Investigation Team have responsibility for whistleblowing referrals.

8.3 A high proportion of the Investigation Team's work comes from investigating revenues matters. This includes Council Tax Support, Single Person Discount, council tax liability issues and National Non-Domestic Rates. The table below details the savings made by the Investigation Team for 2017/18. 174 investigations were conducted into revenues matters in 2017/18, with 104 being positive. The total value of savings identified in this area were £59,925.05. Although the Investigation Team has no jurisdiction to investigate Housing Benefit, the team recorded any Housing Benefit savings that occurred as a result of their investigation into a Council Tax Support award. This resulted in a saving of £144,219.63 in Housing Benefit due to the Investigation Team's involvement.

8.4 Significant progress was made in the area of Adult Social Care fraud and irregularity. This has not just been in the number of cases from this area that the team looked into but also in the relationship which has been developed between the Investigation Team and the Adult Social Care service. During 2017/18 10 cases involving Adult Social Care were investigated. Two of these were high profile matters. One case was a joint investigation with the Police and resulted in a perpetrator being sentenced to 12 months in prison due to a £82,000 theft involving a vulnerable adult who was the victim. The total saving to the Council in that matter was £29,560. The second case involved the recovery of £59,142.86 in incorrectly paid funds in respect of a service user placed in London. The refund coming after a lengthy and complicated investigation. In total £114,036.08 was saved by the Investigation Team in the area of Adult Social Care.

- 8.5 The Investigation Team looked at a further 11 matters across the authority, this included anything reported internally through the Speak Up Policy. One matter resulted in a prosecution for a person attempting to obtain a Discretionary Travel Pass by using false documentation.
- 8.6 The Investigation Team will look to undertake commercial work in the future by primarily offering services to schools and parishes. In 2017/18 an investigation was undertaken on behalf of a school in a complicated disciplinary matter. The school paid £425 to use the Investigation Team in this matter and the Head Teacher provided extremely positive feedback for the service provided.

### **Investigation Team Savings 2017/18**

<b>Fraud Area</b>	<b>Savings</b>
Council Tax/Revenues Matters	£59,925.05
Adult Social Care	£114,036.06
Blue Badge	£500 (national notional figure)
Housing Benefit	£144,219.63
Payment for commercial Investigation	£425
<b>Total</b>	<b>£319,605.74</b>

### **8.7 National Fraud Initiative (NFI)**

- 8.7.1 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.
- 8.7.2 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. The Investigation Team act as administrators for the NFI within the authority.
- 8.7.3 The 2016/17 matches have been completed. The total savings identified through the NFI were £59,295.39. The majority of this was through Single Person Discount matches with the savings in that area equating to £49,943.80.
- 8.7.4 The authority is about to part take in an additional data match through the NFI in relation to National Non-Domestic Rates. This will hopefully identify fraud, error and unregistered businesses in our area and across the midlands.

### **9. INTERNAL AUDIT**

- 9.1 Internal Audit has a preventative role in ensuring that systems and procedures are in place to prevent and deter fraud, bribery and corruption. They assist Managers in ensuring they have appropriate systems and controls in place that are designed to prevent or reduce the opportunity for fraud. Their annual audit plan can include spot checks and unannounced visits to assist in the detection and prevention of fraud.
- 9.2 There is no specific time allocated to audit for proactive fraud work as this is consumed within the days allocated for general audit assignments. Proactive fraud days are now allocated to the Investigation Team.

9.3 Internal Audit also provides continuous advice and guidance to Managers to assist them in the prevention of fraudulent activity.

## **10. PUBLIC PROTECTION**

10.1 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.

10.2 Officers of these services have access to specific legal, procedural and operational training to enable effective discharge of their responsibilities.

10.3 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).

### **10.4 Anti-Fraud responsibilities**

10.4.1 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.

### **10.5 Environmental Health**

10.5.1 Fraud can occur in a number of areas that the Environmental Health service covers. The prevention and detection of unfit and debased food through inspection, sampling and intelligence is part of the team's role. In 2018/19 18 food samples were taken as part of the Food Standards Agency (FSA) program. Of these 18 samples, 5 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.

10.5.2 Fraudulent use of health and identification marks is another area that the team investigate. All Approved Premises within the borough are checked to ensure they are applying the health mark appropriately when they are inspected. Inspectors will routinely check for health marks on animal products in retail establishments.

10.5.3 Rogue landlords is a high profile area of focus for the team. They look into identifying fraudulent practices relating to tenant deposits – landlords/agents must ensure that tenants deposits are protected using a third party deposit service, failure to do so is an offence. The team act upon intelligence and complaints from members of the public.

### **10.6 Licensing Service**

10.6.1 Within the Licensing Service there are a number of areas of fraud that are investigated in addition to their other duties. These are listed below:

- 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.
- Street Collections, Charity collections - Identification, detection and enforcement of fraudulent collections

## **10.7 Trading Standards Service**

10.7.1 The Trading Standard Service use specific legislation to help tackle fraud across the Borough. This includes:

- Intellectual Property crime – covering 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.

10.7.2 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 18/19.

10.7.3 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 along with interested partners. The service is an active partner in the Telford & Wrekin Safeguarding Adults Board Financial abuse group which main aims are to educate and inform our residents of the many forms of financial abuse and help to reduce and protect vulnerable adults.

10.7.4 Trading Standards have prioritised work around illicit tobacco and alcohol and works closely with HMRC, sharing intelligence, carrying out joint operations focussed on the supply of illicit products. In 2017/18 Trading Standards seized 24,220 Cigarettes and 13.25kg of tobacco illegal cigarettes from a local shop following intelligence in a joint raids with West Mercia Police.

## **10.8 Regional Investigations Team (Formerly Scambusters)**

10.8.1 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

## **11. PUBLICITY**

- 11.1 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.
- 11.2 Internally cases of note are included within weekly team brief notes. These are issued to all relevant staff.
- 11.3 When any significant intervention or prosecution occurs then the relevant Assistant Director and Cabinet member are briefed accordingly. Any lessons learnt are shared within the relevant team meetings.
- 11.4 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.

## **12. TRAINING AND AWARENESS**

- 12.1 The Council ensures that both Members and Officers are aware of their responsibilities in respect to the Council’s Anti-Fraud and Corruption Policy.
- 12.2 Staff within Revenues & Benefits (R&B) receive Fraud Awareness training as part of periodic refresher training. The Department for Work and Pensions also provide Benefit Officers with training in relation to Housing Benefit fraud.
- 12.3 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/Whistleblowing policies are included in induction for new employees.

## **13. CHALLENGES FOR 2018/19**

- 13.1 The potential challenges for 2018/19 remain the same as last year in respect of reduced resources across the authority increasing the opportunities for internal and external fraud.
- 13.2 However, the introduction of new fraud reporting and whistleblowing mechanisms will hopefully provide greater fraud reporting and identification capability.

## **14. ANTI-FRAUD & CORRUPTION POLICY UPDATE**

- 14.1 The current Anti-Fraud and Corruption Policy was reviewed, updated and agreed by the Audit Committee on 28 June 2017 and was approved by Council on 20 July 2017. The Anti-Fraud & Corruption Policy is reviewed annually to coincide with the annual report (unless urgent changes are required in between).
- 14.2 The updated Policy is attached as Appendix A. Changes in the policy largely relate to the role of the Investigation Team and the new online Fraud Reporting form to allow referrals relating to all fraud types against the Council to be made internally and externally direct to the Investigation Team. Previously, this was only available for Single Person Discount, Council Tax Support and Blue Badge fraud.

## 15. 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	<p>The Accounts and Audit Regulations 2011 require the Council to ensure 'that the financial management of the body is adequate and effective and that the body has a sound system of internal control'. The anti-fraud documents help to fulfil this requirement.</p> <ul style="list-style-type: none"> <li>• The Council will have full regard to relevant legislative requirements, including without limitation:</li> <li>• The Fraud Act 2006</li> <li>• Bribery Act 2010</li> <li>• Section 151 Local Government Act 1972</li> <li>• Section 5 Local Government &amp; Housing Act 1989 Contracts Regulations 2015</li> <li>• Accounts and Audit Regulations 2011</li> <li>• The Council Tax Reduction scheme (Detection and Enforcement) (England) Regulations 2013</li> <li>• Local Government Finance Act 1988</li> <li>• Regulation of Investigatory Powers Act 2000</li> <li>• Terrorism Act 2006</li> <li>• Proceeds of Crime Act 2002</li> <li>• Police and Criminal Evidence Act 1984</li> <li>• Companies Act 2006</li> <li>• Localism Act 2011</li> <li>• The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017</li> </ul>
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.

## 16. 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

**Report prepared by Andrew Hollis - Investigations Officer – 01952 383899; Tracey Drummond – Principal Auditor – 01952 383105; Rebecca Owen-Jones-Benefit Assessment Group Manager – 01952 383881; Anita Hunt – Public Protection Manager (Trading Standards and Licensing) – 01952 381998; Timothy Bage – Public Protection Manager (Environmental Health) 01952 380437**

