

# **Anti-Fraud Work**

## **Update**

**2015 - 2016**

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## Introduction

CIPFA's Counter Fraud Centre has recently published the local government counter fraud and corruption strategy '*Fighting Fraud and Corruption Locally 2016-2019*'. The strategy aims to '*help local authorities to develop and maintain a culture where fraud and corruption are understood to be unacceptable, understand their fraud risk and prevent fraud more effectively to prevent and detect fraud loss, bring fraudsters to account more quickly and efficiently and improve recovery of losses*'.

The document acknowledges that local authorities face a significant fraud challenge. It is estimated that fraud costs local authorities £2.1bn a year. In addition to the scale of losses there are further challenges arising from changes in the wider public sector landscape including budget reductions, service remodelling and integration, and government policy changes.

The purpose of this report is to provide assurance on the effectiveness of the counter fraud work completed across the Council.

This report sets out the work of Internal Audit, the Corporate Fraud Team and the Housing Benefit Fraud Team in relation to both proactive and reactive fraud work carried out during 2015/16. A further report will be brought to Audit Committee setting out to what extent the anti-fraud work carried out in the Council complies with the Fighting Fraud Locally Strategy and will identify areas for improvement.

## National Initiatives / Developments

### Fighting Fraud and Corruption Locally

As stated above the Fighting Fraud and Corruption Locally (the strategy for local government counter fraud and corruption) has been updated by the CIPFA Counter Fraud Centre. The strategy runs from 2016 - 2019. The strategy is divided into three sections:

1. The Fraud Challenge – this section sets out the scale of fraud losses, the changes to the national and public sector fraud landscape and issues raised by stakeholders.
2. The Strategic Response – describes the response required from local authorities to address the challenges it is facing.
3. Delivery Plan – Sets out the recommendations and the framework for delivery.

A link to the full report is below:

<http://www.cipfa.org/services/counter-fraud-centre/fighting-fraud-and-corruption-locally> .

The strategy has informed the work plans of both Internal Audit and the Corporate Fraud Team during 2016/17.

The Head of Internal Audit will carry out an assessment against the strategy and accompanying checklists and report findings back to a subsequent Audit Committee meeting.

### Audit Commission

The Local Audit and Accountability Act 2014 made it possible for the Audit Commission to close on 31 March 2015. The Audit Commission's counter fraud work covered two specific areas:

1. The National Fraud Initiative – this has been running since 1996. It is an exercise that matches electronic data within and between public and private sector bodies to prevent and detect fraud.
2. The Counter Fraud Team – the team undertook annual surveys of local authorities, fraud briefings and produced an annual report, Protecting the Public Purse

Since the closure of the Audit Commission the NFI operations have transferred to the Cabinet Office and the remainder of their counter-fraud functions, including the Protecting the Public Purse series and fraud briefings, have transferred to the Counter Fraud Centre, run by the Chartered Institute of Public Finance and Accountancy (CIPFA).

### Fraud Surveys

Since the closure of the Audit Commission both CIPFA and The European Institute for Combatting Corruption and Fraud (TEICCAFI) have carried out annual fraud surveys of local authorities and produced reports:

- Fraud and Corruption Tracker – CIPFA <http://www.cipfa.org/services/counter-fraud-centre/fraud-and-corruption-tracker>
- Protecting the English Public Purse 2015 – TEICCAF1 <http://www.teiccaf.com/protecting-the-english-public-purse-2015/>

Both reports, as well as providing details on levels of reported fraud also provide details of common fraud areas. These include:

- Housing and council tax benefit; council tax discount
- Housing tenancy and right to buy
- Social care
- Insurance
- Procurement
- Economic and voluntary sector
- Abuse of position and internal fraud
- Disabled parking (blue badge) concessions
- Business rates
- Payroll and expenses
- No recourse to public funds

### National Crime Agency

The National Crime Agency tackles fraud across the UK and beyond. It operates a number of distinctive commands, with one, the Economic Crime Command having a specific focus on fraud. The Economic Crime Command works by sharing knowledge and intelligence across the counter fraud community.

### National Anti-Fraud Network

The National Anti-Fraud Network (NAFN) provides a range of services to support the work of local authorities. NAFN has a large local authority membership and over 10,000 users. The organisation is widely recognised as a provider of data and intelligence to local authorities. These include on-line access to credit referencing agencies, current vehicle keeper details from the DVLA. NAFN also provides regular bulletins and intelligence alerts on developing threats. The Head of Internal Audit is an Executive Board member of NAFN.

### Single Fraud Investigation Service

The previous coalition Government established the Single Fraud Investigation Service (SFIS) in 2013. SFIS has consolidated the benefit/tax credit fraud investigation teams across the Department for Work and Pensions (DWP), local authorities and HM Revenue and Customs with the aim of delivering a single investigative organisation through the DWP's Fraud and Error Service.

Swindon's Housing Benefit fraud team was in the last batch of councils to transfer to DWP in February 2016.

### National Fraud Initiative

The Council, via Internal Audit, has again participated in the Audit Commission's National Fraud Initiative (NFI) as part of the statutory external audit requirements. The NFI brings together data from across the public sector including local authorities, NHS, the Home Office/ other government departments and other agencies to detect 'matches' i.e. anomalies in the data which may or may not be indicative of fraud, for further investigation.

Since its launch in 1996, the NFI is reported to have identified fraud, overpayments and error totally in excess of £1.17billion, nationally.

The Council submitted data for the latest exercise from the following data sets:

- Payroll
- Trade creditors' payment history and Trade creditors' standing data
- Housing
- Housing benefits
- Council tax
- Electoral register
- Private supported care home residents
- Transport passes and permits (including residents' parking, blue badges and concessionary travel)
- Insurance claimants
- Licences - Market trader/operator, Taxi driver and Personal licences to supply alcohol

### Local Government Transparency Code 2014

The Local Government Transparency Code 2014 requires councils to publish annually the following information, in relation to fraud, from February 2014:

- Number of occasions they use the Prevention of Social Housing Fraud (Power to require information) (England) Regulations 2014, or similar powers.

- Total number (absolute and full-time equivalent) of employees undertaking investigations and prosecutions of fraud.
- Total number (absolute and full-time equivalent) of professionally accredited counter fraud specialists.
- Total amount spent by the authority on the investigation and prosecution of fraud.
- Total number of fraud cases investigated.

These details have been published on the Council's internet site and will be updated in June 2016 for 2015/16.

## Internal Audit

Internal Audit continually reviews its approach to fraud work. Resources have been allocated within the plan to carry out proactive work and a contingency is also included to carry out reactive work such as fraud investigations.

Areas identified within the reports and initiatives mentioned above i.e. housing tenancy, procurement, council tax discounts and housing and council tax benefits, were also reviewed and informed the planning for 2016/17.

The Council's Anti-Fraud and Bribery Strategy is reviewed regularly to ensure that it sets out best practice and complies with relevant legislation. Internal Audit reviewed the Strategy against other relevant Council policies i.e. the Council's Code of Conduct, Disciplinary Policy, Whistleblowing Policy and Fraud Response Plan.

The Internal Audit section is represented on the West of England Chief Internal Auditor's Fraud Sub Group (which consists of all the county and unitary authorities in the West of England and which the Head of Internal Audit is currently Chair). The sub-group identify areas of good practice and exchange experiences on recent frauds within their authorities, as well as having relevant external speakers attending meetings to discuss new and emerging fraud risks.

Internal Audit keep abreast of local and national developments both through the West of England sub-group mentioned above, through regular liaison with other authorities and through the National Anti-Fraud Network (NAFN) of which the Head of Internal Audit is a member of the Executive Board

An on-line fraud awareness module has been made mandatory training for all staff and is available through the Learning Zone.

Internal Audit has also run a number of fraud awareness sessions including ones for school governors, Human Resources and Adult Social Care teams.

The Internal Audit section also produces a Fraud Bulletin which highlights recent frauds that have occurred throughout the country and asks the question 'are our system controls sufficient to prevent these frauds happening in Swindon?' A copy of the latest bulletin is available in the Members Room and is circulated at Audit Committee meetings.

Fraud Alerts are also issued by Internal Audit when they become aware of scams/frauds that need to be alerted to relevant staff i.e. recent fraudulent attempts to change suppliers' bank account details.

### Investigations

Internal Audit carries out a number of investigations each year. Investigations can be as a result of audit work, referrals from management or via the Whistleblowing process. All Whistleblowing cases should be referred to the Director of Law and Democratic Services who will, in liaison with the Chair of Standards (if required) and the Head of Internal Audit agree who is the most appropriate to investigate. The outcomes of all Whistleblowing cases are reported to the Standards Committee.

All alleged cases of fraud or irregularity should be referred to the Head of Internal Audit in accordance with the Fraud response plan. Internal Audit will then consider the most appropriate action to take. This may be in consultation with the Board Director Resources and/or the Monitoring Officer. A contingency is included in the Internal Audit plan to allow for internal investigations.

Internal Audit has concluded six whistleblowing and six other investigations during the year. These investigations have resulted in two prosecutions both of which have been well publicised in the local press i.e.

- Car Parking administration – where, following an Internal Audit investigation in liaison with the Police, Lee Halliday (Parking Administration Officer) was dismissed at an internal disciplinary hearing and was subsequently sentenced to a two year custodial sentence having been charged with £41,000 fraud through abuse of position and £25,000 of theft. It is estimated that approximately £100,000 worth of income was lost to the Council through his actions.
- Head teacher – following a parallel Internal Audit and Police investigation Simon Burrell resigned and was subsequently charged with fraud and forgery amounting to £22,000. He pleaded guilty and received a 12 month suspended sentence.
- Other investigations have found significant fraud and irregularity relating to external grants and third party monies.

In all investigations have resulted in four dismissals/resignations and the two prosecutions mentioned above with the value of fraud/irregularities totalling:

- Council funds: £149,211
- External Grants: £294,704
- Third parties: £130,000



These outcomes demonstrate that the Council treats all allegations seriously and will investigate appropriately and will take all appropriate actions regarding holding people to account, prosecuting and where possible recovering monies. The Council takes a zero tolerance approach to fraud.

#### Data Matching:

Internal Audit has started to develop the matching of data from various Council databases to try and identify fraud and error. Findings from these data matches are being passed to the Corporate Fraud team for investigation.

It is pleasing to report that one of the data matching exercises undertaken, of duplicate payments, has identified only £634 worth payments so far in 2015/16. This compares to over £56,000 identified in previous years. This highlights that control weaknesses identified in the process by internal Audit have been acted upon thereby reducing the number and level of duplicate payments.

The section is also looking to increase their current data matching to identify further potential fraud or error.

### Corporate Fraud Team

Internal Audit was successful in bidding for Counter Fraud money from the Department for Communities and Local Government. This funding ran to the end of March 2016 and has been used to set up a Corporate Counter Fraud team. A Corporate Fraud Investigator and a Fraud Investigation Support Officer have been appointed. The Corporate Fraud Team sits within the Internal Audit section and is managed by one of the Principal Auditors.

The team have already developed a close working relationship with Housing and are now included in the vetting process for right to buy applicants. This has already had positive results (see below). The success of the team was such that the Head of Housing Services agreed to fund the two posts for 2016/17.

The team has also made contact with local Housing Associations with a view of working closer together. A Swindon and Wiltshire Housing Fraud Forum has also been set up by the team.

During 2016/17 the team:

- 88 allegations received
- 61 cases closed
- 6 Right to Buy applications stopped (leading to a saving in discount that would have been allowed on the sale of properties of £358,718)

- Council houses recovered with an estimated saving (using a nationally recognised figure of £18,000 per property) of £144,000
- A parking permit fraud (discovered through internal data matching) of £2,825
- A Council Tax fraud of £1,631

Examples of cases of Right to Buy applications being stopped and Housing properties being recovered during the year include:

- Case Ref 4: Right to Buy (RTB) application checks conducted by the Corporate Fraud Team found that prior to the application being made the tenant's brother had submitted a Single Person's Discount (SPD) form and had informed the Council that the tenant had moved out. Enquiries revealed that the tenant had been living in Chippenham since November 2014. The Tenant attended the Council offices where she was interviewed informally. She accepted that she had made a false statement on the RTB application and so this was stopped. The Tenant signed a termination form for the property as she was no longer resident and the property was recovered. Her brother was offered a new one bedroomed property, which he accepted. A warning letter was sent to the tenant regarding her actions.
- Case Ref 13: An anonymous letter was received by the Benefit Fraud Team alleging that the tenant was no longer living at the property and had been living at another Swindon address for the last three months. As there were no benefits in payment Benefit Fraud did not investigate but passed it to the Corporate Fraud Team. Intelligence suggested that the tenant was staying with an ex-partner. Both addresses were receiving SPD. Letters were sent to the partner's address regarding the SPD. Conversation with the partner confirmed that the tenant was resident with him. The Council property was recovered and the partner's SPD was cancelled back to an agreed date of 1/4/15.
- Case Ref 14: The case was referred to the Corporate Fraud Team during a Housing Tenancy team meeting. An application was put forward for succession of a property by the deceased tenant's partner. The individual did not qualify for the succession. Misstatements on applications were found to have been made for housing, benefits and Council Tax Reduction (CTR). This fraudulent act was assisted by the late tenant's daughter. An Interview under caution was conducted with the daughter of the deceased. It was later found that she had assisted with the fraudulent applications her mother made to obtain the property in the first place. The daughter denied all. The case was closed and a warning letter was sent to the daughter following the Interview under caution. The public interest test was taken into consideration. The succession and claims for benefits were stopped and the property recovered into the Council housing stock.
- Case Ref 15: A mutual exchange application was made between a grandmother and granddaughter. This application was stopped following a visit by an Exchange Officer who noted that grandmother's property was empty and not lived in. A second application was made in Feb 2015 and approved. Intelligence gathered found that on 04/11/2014 Adult Social Care was informed that the tenant had moved to her son's address. She had been receiving care from that address since. Given this information, the Corporate Fraud Team had discussions with Housing staff to ascertain whether the mutual exchange could be rescinded, but this was not considered appropriate, given the circumstances. As a result of the information provided by

the Corporate Fraud Team, the tenant was visited at her son's address and she completed a termination form and handed the keys to the property back. Further action was not considered against the grandmother as she is a vulnerable person. Additional details established during the investigation around concerns about her welfare have been forwarded to ASC.

The Focus for 2016/17 will continue on Housing Tenancy fraud but will also look at Council Tax discounts and investigating anomalies raised through data matching and emerging area of fraud risk. As stated above, the DCLG grant funding ran out at the end of 2015/16 and funding has been received via Housing for the current year. However, funding for subsequent years has yet to be secured.

### Housing Benefit Fraud Team

The Council's Housing Benefits Fraud Team was one of the last to transfer across to the DWP under the Single Fraud Investigation Service. All three staff members transferred across to the DWP in February 2016. Up until that time they dealt with all Housing Benefit related fraud.

During 2015/16 the team:

- 44 cases of fraud detected
- 21 prosecutions, 10 cautions and 13 other sanctions with a fraud value of:
  - £179,980 Housing Benefits
  - £10,946 Council Tax Benefit
  - £20,697 Council Tax Reduction

### Conclusion

This update demonstrates the Council's continued commitment to the prevention and detection of fraud. Any allegations of fraud will be taken seriously and appropriately investigated.

There are actions to be taken during 2016/17 to ensure that both Internal Audit and the Corporate Fraud Team meet best practice including an assessment against the Fighting Fraud Strategy that will be reported back to a future Audit Committee.

Funding for the Corporate Fraud Team beyond 2016/17 needs to be confirmed.

## Summary

<h2>Internal Audit</h2>	<ul style="list-style-type: none"> <li>• 6 Whistleblowing cases concluded</li> <li>• 6 Internal investigations concluded</li> <li>• 2 Prosecutions (1 x 2 year custodial sentence; 1 x 12mths suspended)</li> <li>• 4 Dismissals / Resignations</li> <li>• Fraud and irregularities: <ul style="list-style-type: none"> <li>▪ Council funds: £149,211</li> <li>▪ External grants: £294,705</li> <li>▪ Third parties: £130,000</li> </ul> </li> <li>• £634.10 worth of duplicate payments</li> </ul>
<h2>Corporate Fraud Team</h2>	<ul style="list-style-type: none"> <li>• 88 allegations received</li> <li>• 61 cases closed</li> <li>• 6 Right to Buy applications stopped (discount saving: £358,718)</li> <li>• 8 Council Houses recovered (estimated savings: £144,000)</li> <li>• Parking permit fraud: £2,825</li> <li>• Council Tax fraud: £1,631</li> </ul>
<h2>Housing Benefit Fraud Team</h2>	<ul style="list-style-type: none"> <li>• 44 cases of fraud detected</li> <li>• 21 prosecutions, 10 cautions and 13 other sanctions</li> <li>• Fraud value <ul style="list-style-type: none"> <li>▪ Housing Benefit: £179,980</li> <li>▪ Council Tax Benefit: £10,946</li> <li>▪ Council Tax Reduction: £20,697</li> </ul> </li> </ul>