

TELFORD & WREKIN COUNCIL

AUDIT COMMITTEE – 26 MAY 2022

CORPORATE ANTI-FRAUD & CORRUPTION - 2021/22 ANNUAL REPORT AND POLICY

REPORT OF THE CHIEF FINANCIAL OFFICER

1. PURPOSE

1.1 For the Audit Committee to:

- a) Consider the 2021/22 Annual Report on Corporate Anti-Fraud and Corruption activity; and

2. RECOMMENDATIONS

2.1 That the Audit Committee notes the 2021/22 Annual Report on Corporate Anti-Fraud and Corruption activity.

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. This includes 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.”

4. PREVIOUS MINUTES

4.1 Audit Committee 30 May 2019 - Annual Report 2018/19 and policy update
Audit Committee 14 July 2020 – Annual Report 2019/20 and policy update
Audit Committee 27 May 2021 – Annual Report 2020/21 and policy update

5. INFORMATION – ANNUAL REPORT 2021/22

5.1 The Anti-Fraud and Corruption Policy supports one of the key elements 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.

5.2 Nationally, there are indications that fraud levels are at an all-time high and continue to rise. Criminals are finding new ways to obtain illegal proceeds through fraud and local authorities are often targets of their criminal activity. According to the Government Functional Standard on Fraud, it is estimated that fraud costs the public sector between £31 billion and 53 billion per year and much of this goes undetected. Previous official estimates had put this figure at £7.3 billion.

The threat from fraud is not just a local one; organised criminals are targeting public money on an unprecedented scale. The criminal proceeds from organised crime are not just used to fund criminal lifestyles in the UK but can be diverted abroad to support corrupt regimes and

finance terrorism. Therefore, combatting fraud is not just about saving money, the Council also has a moral duty to prevent/detect fraud.

- 5.3 This report contains information for 2021/22 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 areas where there may be a greater risk of possible fraudulent activity occurring. However, these controls need to be continually reviewed and assessed as the fraud landscape changes. Work undertaken by Council teams in fighting fraud and theft is not just about the savings realised, fraud prevention is equally important.
- 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 referral 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 as shown in the table below.

	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.	The Council does not have social housing and therefore these powers have not been used in the last 12 months.
2	Number (absolute and FTE) of employees undertaking investigations and prosecutions of fraud	<p>Currently there is 1 Senior Investigation Officer and 1 Assistant Investigation Officer working in the Investigation Team. This equates to 2 FTE officers undertaking investigations into fraud, theft and other irregularity along with introducing preventative measures to combat fraud.</p> <p>Other Council services undertake investigations into fraud, for example Public Protection and ICT. These tasks form an ancillary part of an officer's job role and therefore it would be difficult 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 2 Accredited Counter Fraud Specialists work in the Investigation Team.
4	Total amount spent by the authority on the investigation and prosecution of fraud	<p>The cost of the Investigation Team for 2021/22 was £108,936. 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 of the Council undertake</p>

		investigations but it is difficult 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. THE INVESTIGATION TEAM

- 7.1 The Investigation Team, within Audit and Governance, has responsibility for investigating fraud, theft, irregularity and corruption across the authority. The team are also responsible for introducing measures to help prevent the risk of fraud, irregularity, bribery and corruption. This includes training staff, maintaining risk assessments and producing the relevant policies relating to fraud theft and irregularity. The team work closely with Internal Audit to mitigate fraud risks to the Council as well as providing support, advice and guidance to service areas on fraud prevention matters.
- 7.2 The team also support the Council's Money Laundering Reporting Officer (MLRO) in their role. Initial Suspicious Activity Reports are screened and interrogated by the team before being passed to the MLRO.
- 7.3 The team also maintain the Speak Up (Whistleblowing) Policy and associated reporting facilities.
- 7.4 A high proportion of the team's investigation work comes from investigating matters affecting the Revenues service. This includes Council Tax Support (CTS), Single Person Discount (SPD), council tax liability issues and National Non-Domestic Rates (NNDR). The table at 7.13 details all the recorded savings made by the Investigation Team for 2021/22.
- 7.5 Two internal investigations relating to members of staff have been undertaken during 2021/22. An additional case remains in the court system from a previous year which has been delayed due to the legal arguments and delays in the court system as a legacy from COVID. These internal cases involve sums less than £10,000. The Council are currently awaiting a court date for one of these cases.
- 7.6 The Investigation Team have been jointly working with the National Investigation Service on an external fraud case, this matter will continue into 2022/23. In addition, an unrelated external fraud has been identified, investigated and passed to West Mercia Police for further investigation.
- 7.7 The Investigation Team have undertaken a considerable amount of work on the COVID Grant Support Schemes which continued into 2021/22. Working closely with the Revenues Service, the team were able to assist with the prevention of a significant number of fraudulent grant applications, which within a period of two weeks saved nearly £119,000 of fraudulent grant payments being awarded. These are believed to have been from organised criminals. In addition, the team offered advice on a change of application process that stopped further attempts being blocked at the online application stage. The team have also assisted with the recovery of two fraudulent grant awards which were paid out amounting to £10,400
- 7.8 There is no way of accurately measuring the consequential effects and indirect savings that occur due to the team's work. If potential fraudsters are aware that the authority have an Investigation Team that undertakes work into all aspects of fraud against the authority, then they will be less likely to attempt to commit acts of fraud than they would if there was no team in place. In addition, the preventative measures that the team work on help stop fraud going forward.

- 7.9 The Investigation Team has a close working relationship with West Mercia Police Intelligence Service. A Service Level Agreement (SLA) exists which facilitates the sharing of data for the prevention and detection of crime. The team assist the Police on a regular basis in a variety of matters under this agreement. Although this work can be time consuming, it is an important partnership in helping the fight against crime in the local community; which West Mercia Police have stated is invaluable. On occasions, information received from the Police may lead to investigations being conducted by the team which otherwise may have not taken place. In 2021/22 the team undertook approximately 400 enquiries to support West Mercia Police under this agreement.
- 7.10 The team has developed a fraud risk register through 2021/22 which outlines fraud risks in service areas across the Council and what measures are in place to mitigate each risk. This register is reviewed when Internal Audit undertake work in each service area. This helps ensure that the Council is continually assessing the fraud risks in each service area and in introducing preventative measures to mitigate these risks.
- 7.11 In addition to the maintenance of the fraud risk register, below are details of further preventative work that the Investigation Team undertook in 2021/22:
- Highlighting and assisting with the change in policy for recording conflicts of interests and second positions of employment
 - Providing regular fraud alerts across the authority identifying current fraud risks and trends
 - Providing fraud training to service areas when requested along with updating the online fraud training module
 - Offering advice to be issued to staff in the Customer Contact Centre after an attempted fraud was identified and prevented.
- 7.12 The first addition of the Fraud Insight newsletter was produced by the Investigation Team this year covering all things fraud related for Telford & Wrekin Council.

7.13 Investigation Team Savings 2021/22

Fraud Area	Savings
Council Tax/Revenues Matters	£78,040
Other Corporate Fraud Investigations	£47,109
Housing Benefit as a knock-on effect of CTS investigations	£80,765
COVID grants	£146,187
TOTAL	£352,102

- 7.13.1 In addition to the figures above, the team have investigated matters where employers have failed to comply with Direct Earnings Attachments. The Investigation Teams involvement has resulted in employers complying with their legal requirements.
- 7.13.2 It cannot be overstated that the figures in 7.13 only covers part of the team's role. The preventative work that the team undertake is a significant element of the service.

7.14 National Fraud Initiative (NFI)

- 7.14.1 The Cabinet Office 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 Council has a statutory responsibility to provide data to the Cabinet Office for the prevention and detection of fraud as part of the NFI.

- 7.14.2 The Investigation Team manage the NFI exercise locally and have facilitated the 2020/21 exercise which included the uploading of all the data and managing the matches produced. The team supported service areas in undertaking the work during the financial year and reviewed a significant number of matches themselves. The NFI work was concluded in 2021/22.
- 7.14.3 The NFI produced savings of £46,676 and identified one of the employee fraud matters which was referred to in 7.5. These figures are not included in the table 7.13 as they are not direct savings made by the Investigation Team.

8. INTERNAL AUDIT

- 8.1 Internal Audit has a preventative role in ensuring that adequate systems, controls 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.
- 8.2 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.
- 8.3 Internal Audit also provides continuous advice and guidance to managers to assist them in the prevention of fraudulent activity.

9.2 HOUSING BENEFIT AND COUNCIL TAX REDUCTION

- 9.1 The overall Housing Benefit and Council Tax Reduction caseload has decreased over the last 12 months, from 16,006 (live cases) at 31 March 2021 to 15,068 as at 31 March 2022. The government's Welfare Reforms and the introduction of Full Service Universal Credit in the area on 14 November 2018 are the main factors for this. Those entitled to Universal Credit are no longer eligible for Housing Benefit resulting in their claims being cancelled. The Council retains responsibility for Housing Benefit for pensioners and supported accommodation which is an increasing and complex area.
- 9.2 Telford & Wrekin Council initially signed up to the Department of Work and Pensions (DWP) new Housing Benefit Award Accuracy Initiative from October 2021. The Council re-signed up to the initiative for 2021/22. The initiative involves completing Housing Benefit Matching Service (HBMS) matches on cases where DWP data does not match Local Authority data and undertaking full case reviews on customer's circumstances based on a risk list provided by DWP. A total of 1,208 reviews and 383 HBMS data matches were completed in 2021/22. The scheme becomes mandatory from 2022/23.
- 9.3 The Benefits Team continues to review changes in earnings and occupational pensions received from the Department for Work and Pensions via their Verification of Earnings and Pensions (VEP) alerts. These alerts notify us when there may have been a change in the customer's earnings or pension. The Benefits Team have also reviewed cases as part of the government's National Fraud Initiative, which for some matches provides data more regularly than just the main matches every two years.
- 9.4 The DWP continue to provide a wealth of data and the Council obtains the majority of change of circumstances via their daily downloads and data matches. However, it still remains the customer's responsibility to notify us of any changes.

Number of Verification of Earnings and Pensions Undertaken	2,313
Number of Reviews Undertaken (including those outside of the Housing Benefit Award Accuracy Initiative)	1,248
Projected Annual Council Tax Reduction Saving	£109,984
Overpaid Housing Benefit	£272,568

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. Public Protection Service actively engage in the Multi Agency Targeted Enforcement (MATES) across a wide variety of settings and support the wider serious and organised crime agenda.

10.2 Anti-Fraud responsibilities

10.2.1 All teams through the course of their routine work may come across irregularities. 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 the Investigation Team and Revenues and Benefits Service.

10.3 Environmental Health

10.3.1 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. Members of the public can now use the Everyday Telford App to report Food Crime.

10.3.2 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.

10.4 Licensing Service

10.4.1 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 is 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

10.5 Trading Standards Service

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

- Intellectual Property crime – covering Copyright, Trademarks
- Consumer Protection from Unfair Trading legislation -. 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

10.5.2 Trading Standards receives intelligence about rogue trader activities in Telford and Wrekin 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.

10.5.3 The service continues to educate, inform and protect our residents of the many forms of financial abuse and scams. In 2021, the team has keep abreast of numerous Covid related scams and fraud alerts. These were posted on our Public Protection and the Council's social media channels to ensure we get maximum coverage and allowing it to be shared easily and quickly. It has also piloted a project to assist repeat victims of scams and is working closely with West Mercia Economic Crime Unit to develop a multi-agency approach to fraud.

10.5.4 Trading Standards prioritise work around illicit tobacco and works closely with HMRC, West Mercia Police and other Local Authorities sharing intelligence, carrying out joint operations focussed on the supply of illicit products.

11. PUBLICITY

11.1 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 When any significant intervention or prosecution occurs then the relevant Director and Cabinet Member are briefed accordingly. Any lessons learnt are shared within the relevant team meetings.

11.3 Where allegations of internal frauds have been investigated and procedures and controls are changed the lessons learnt are shared across the Council through the staff news, 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 An online fraud training package is provided to new starters within the authority. This covers all aspects of fraud and irregularity that can affect Telford and Wrekin Council and how officers can help prevent it and report any concerns. This is being updated for 2022/23. There is also an anti-money laundering course available online.
- 12.3 The Investigation Team provide training to individual service areas when requested or when the need is identified. The team are also available to all employees of the Council to discuss any aspect of fraud and irregularity. They will also attend team meetings when required to discuss any fraud and theft related matters.
- 12.3 As previously mentioned, a Fraud Insight newsletter is produced by the Investigation Team available to all staff and provides information on all things fraud related.
- 12.4 Staff within Revenues & Benefits 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.
- 12.5 For officers there is the Code of Conduct for Employees which is included as part of induction and is available on the intranet. The Code of Conduct has aspects built in to help with fraud prevention.
- 12.6 National intelligence bulletins are shared with the relevant service areas when they are received to help keep service areas up to date with growing fraud trends.

13. CYBER FRAUD

- 13.1 As a Council we have numerous technical controls in place to counter or prevent cyber fraud such as email security gateways and antivirus products. These help to prevent or mitigate malicious activity from 'actors' such as crime groups who use techniques such as phishing or ransomware to conduct criminal activity in an attempt to encrypt, disrupt or steal and leak data with the intent of getting a payment.
- 13.2 Distributed Denial of Service attempts are also used as a way to disrupt government and academic networks, the Council also have capability in this space that mitigates this activity.
- 13.3 From the period 1st January 2021 to 1st January 2022 there were 333 malicious messages reported by colleagues to ICT as part of new phishing defence and reporting capability. Staff are asked to report suspicious emails for further analysis, this is in conjunction with automated processes that block and quarantined malicious activity using threat intelligence.
- 13.4 On reviewing these 333 messages it was determined that 257 messages were classified as crime ware, messages classified as crime ware contain malicious links or suspicious attachments. In addition, 76 messages were classified as advanced threats, these are messages that contain no attachments or links, however, may contain further dialogue or instruction for the email recipient to respond.

14. CHALLENGES FOR 2022/23

- 14.1 The growth of fraud has been significant and has accelerated during the pandemic and the public purse reportedly lost unprecedented amounts during this period. Organised crime is seeing fraud as extremely lucrative and public authorities will continue to see fraud attempts from all over the globe in addition to localised fraud attempts. Therefore, the Council needs to continue to develop its preventative measures and the Investigation Team is at the forefront of this work. However all service areas need to play their part in the fight against fraud.

14.2 This creates a significant challenge for the Investigation Team to expand its preventative work, training, policy development and risk assessment as well as undertaking fulfilling investigation responsibilities with finite resources.

15. ANTI-FRAUD & CORRUPTION POLICY UPDATE

15.1 The current Anti-Fraud and Corruption Policy was reviewed, updated and agreed by the Audit Committee on 27 May 2021. The Anti-Fraud & Corruption Policy is reviewed every two years and therefore the policy will be presented to committee for approval in 2023.

16. 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> <p>The Council will have full regard to relevant legislative requirements, including without limitation:</p> <ul style="list-style-type: none"> • The Fraud Act 2006 • 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 Schemes (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 • The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 <p>5/5/22 RP</p>
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 its 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. AEM 5/5/22
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.

17. BACKGROUND PAPERS

Anti-Money Laundering Policy 2020
 Corporate Anti-Fraud and Corruption Policy 2021
 Speak Up (Whistleblowing) Policy 2020
 Corporate Prosecution Policy Fraud and Theft 2020
 Benefits Counter Fraud and Sanctions Policy 2016
 Cabinet Office requirements for the National Fraud Initiative
 Trading Standards & Licensing Legislation

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