

TELFORD & WREKIN COUNCIL

AUDIT COMMITTEE 30th May 2019

CORPORATE ANTI-FRAUD & CORRUPTION - 2018/19 ANNUAL REPORT AND POLICY UPDATE

REPORT OF THE CHIEF FINANCIAL OFFICER

1. PURPOSE

- 1.1 For the Audit Committee to:
- a) Consider the 2018/19 Annual Report on Corporate Anti-Fraud and Corruption activity; and
 - b) Agree the updated policy and to recommend its adoption by the Council.

2. RECOMMENDATIONS

- 2.1 That the Audit Committee notes the 2018/19 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 1.

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 2018/19 to enable the Audit Committee to monitor the policies operation. In addition attached as Appendix 1 is an updated policy for members to agree and recommend on for adoption by the Council.

4. PREVIOUS MINUTES

- 4.1 Audit Committee 30th June 2015 – Annual Report 2014/15 and Policy Update
Audit Committee 28th June 2016 – Annual Report 2015/16 and Policy Update
Audit Committee 27th June 2017 – Annual Report 2016/17 and Policy update
Audit Committee 29th May 2018 - Annual Report 2017/18 and Policy update

5. INFORMATION - ANNUAL REPORT 2018/19

- 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 2018/19 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 Senior Investigation Officer and 1 Assistant Investigation Officer working in the Investigation Team. The Assistant post was not filled until 2 July 2018, therefore up until this date the team operated with just 1 officer. This now equates to 2 FTE officers undertaking investigations.</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 2 Accredited Counter Fraud Specialist 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 2018/19 was £90,415. 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 it is impossible to attribute a cost to this as</p>

		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 17,484 (live cases) at 31 March 2018 to 16,876 at 31 March 2019. The government's Welfare Reforms and the introduction of Full Service Universal Credit in the area on 14 November 2018 are the main factors. Universal Credit replaces six working age benefits including Housing Benefit. A very limited version of Universal Credit was introduced by the Department for Work and Pensions (DWP) in the area from June 2015 called Universal Credit live service. The circumstances when someone could apply were very limited (restricted to single people, who were seeking work and had no housing costs). Universal Credit live service was temporarily halted by the government from 1 January 2018. Full Service covers people with all different circumstances including families, those with a disability and those with housing costs with the exception of pensioners and those in supported or temporary accommodation. Any customers who want to make a new claim now need to apply for Universal Credit, in addition if a person has a significant change of circumstance they have to claim 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 2018/19 mainly concentrated on changes in earnings or occupation pensions received from the Department for Work and Pensions via their optional Real Time Information files. From August 2018 the Verification of Earnings and Pensions alerts started to replace the Real Time Information files. We have also reviewed cases where earnings haven't changed for several years, student income and took part in the DWP's initiative to review self-employed 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. Those wishing to make a claim for Housing Benefit or Council Tax Support 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 The Benefits Team continues to get 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 3,090 matches from the Optional Real Time Information downloads were checked, 1,046 Verification of Earnings and Pension Alerts were processed and a further 287 proactive reviews were undertaken including 162 cases identified by the DWP self-employed review exercise. Weekly Council Tax Support savings were made of just over £4,121 which equates to an annual saving of £214,317. Overpaid Housing Benefit totalling £624,758 was also identified from this proactive work.

7.4 Benefits Data Matching

7.4.1 The latest National Fraud Initiative (NFI) 2018/19 matches became available in February 2019. Work has already started to review the higher risk matches and this work will continue in to 2019/20. 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 the 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 optional Real Time Information (earnings and occupational pensions) and their replacement the Verification of Earnings and Pensions Alerts.

7.5 Benefit Fraud Sanction & Prosecution Policy

7.5.1 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. The team had a mini restructure in 2018. The make-up changed to 1 full-time Senior Investigation Officer and 1 full-time Assistant Investigation Officer. However, the Assistant post was not filled until 2nd July 2018. Therefore the team operated with just one officer up until that date. The cost of the Investigation Team for 2018/19 was £90,415.

8.2 A high proportion of the Investigation Team's 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 8.11 details all the recorded savings made by the Investigation Team for 2018/19. 170 investigations were conducted into revenues matters in 2018/19, with 71 being positive. The total value of savings identified in this area were £71,013.27. 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 £130,099.78 in Housing Benefit due to the Investigation Team's involvement.

8.3 During 2018/19 the further investigations were undertaken into other areas of fraud across the Council. This resulted in further savings of £26,623.09. A high proportion of this (£17,251.17) came from the recovery of an old Housing Benefit and Council Tax Benefit debt through the Proceeds of Crime Act 2002. The debt related to a lengthy investigation undertaken some years previous but the application to recover the money involved extensive ongoing work over proceedings years into 2018/19, by the Investigation Team which led to the money being recovered.

8.4 A number of internal investigations have been undertaken. This includes two matters that have been referred to the Police. This work has been time consuming but has resulted in beneficial outcomes to the authority.

8.5 The team have a close working relationship with West Mercia Police Intelligence Team. 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 daily basis in a variety matters under this agreement. Although this work can be time consuming, it is an extremely important facility

in helping the fight against crime in the local community and helps keep local residents safer and at less risk of being the victims of crime.

8.6 During 2018/19 a number of policies were updated or rewritten by the team in order to help with the expansion of the Investigation function. These policies are detailed below.

- Fraud Response Plan
- Ant-Fraud and Corruption Policy
- Whistleblowing Policy
- The Anti-Money Laundering Policy (yet to go to SMT)
- Corporate Prosecution Policy (yet to go to SMT)

8.7 To assist with the development of the investigation function the Council's website was updated. The previous site was no longer relevant and only provided details relevant to revenues and benefits. The site now provides the general public with information relating to all aspects of fraud and irregularity that can affect Telford and Wrekin Council and encourages the reporting of suspected fraudulent activity across these areas.

8.8 The previous internet pages also contained 4 different fraud reporting forms in different parts of the site. Each of the forms related to potential fraud in revenues related matters. A new single form is now available that allows the reporting of any type of potential fraud that the Council can become of victim of. It also allows the online reporting of whistleblowing referrals.

8.9 The Council's intranet has also redesigned by the team making it more relevant to the team's role. The site also gives staff access to the online fraud and whistleblowing reporting form.

8.10 A new 'Ollie' based fraud induction training package has been written. This details the various ways in which Telford and Wrekin Council can be affected by fraud and irregularity. It details how to raise a concern with the Investigation Team. The training course is now part of the induction package for all new starters.

8.11

Investigation Team Savings 2018/19

Fraud Area	Savings
Council Tax/Revenues Matters	£71,013.27
Adult Social Care	£9,371.70
Proceeds of crime	£17,251.17
Housing Benefit	£130,099.78
Total	£227,735.92

8.12 National Fraud Initiative (NFI)

8.12.1 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.

8.12.2 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.

8.12.3 The team manage the National Fraud Initiative (NFI) and have facilitated the 2018/19 exercise. This is a lengthy and demanding piece of work which requires a considerable amount of officer time. Despite this, all the data was obtained from across the authority, loaded onto the NFI site, matched and returned without incident. The NFI will continue to be managed throughout 2019/20.

8.12.4 In 2018/19 the authority took part in the NFI Business Rates Pilot. The match produced a significant number of false positives. However, a total saving of £15,280.92 was recorded with the identification of business claiming exemptions discounts that they were not entitled to.

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. 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. The team act upon intelligence and complaints from members of the public. 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 and that documents/certificates supplied for the purposes are compliance with gas and electrical safety regulations are appropriately verified.

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 19/20.

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 continues to educate and inform our residents of the many forms of financial abuse and help to reduce and protect vulnerable adults through media campaigns and attending events.

10.7.4 Trading Standards have prioritised 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.

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 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.

11.3 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 A new online fraud training package has been written and is provided to all 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.

12.3 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.

12.4 Specific targeted training is provided to relevant officers when required. In 2018, anti-money laundering training was provided to a number of relevant officers within the authority.

12.5 For officers there is the Code of Conduct for Employees which is included as part of induction is available on the intranet. The Code of Conduct has aspects built in to help with fraud prevention.

13. CHALLENGES FOR 2019/20

13.1 One of the main challenges for 2019/20 is to continue to expand the corporate fraud function. Currently the majority of work that the Investigation Team undertake relates to potential fraud within the Revenues Service area. Significant progress has been made within Adult Social Care. However, in order to assist with the identification of potential matters that require investigation, the reviewing process within Direct Payments needs to be addressed.

13.2 With greater publicity internally, it is hoped that officers within the authority may recognise and refer matters to the Investigation Team from service areas where fraud has largely been undetected.

13.3 Closer joint working with outside organisations such as the Police and possibly the Department for Work and Pensions as well as internally, with the various enforcement teams will help to combat fraud. However, the Investigation Team have very limited resources (currently two officers) therefore, manpower could be the greatest challenge as the team's function expands.

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 29 May 2018. 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. There are very few changes to this year's policy. Changes in the policy largely relate to the role of the Investigation Team and the new online Fraud Reporting and Whistleblowing procedure.

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> <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

	<ul style="list-style-type: none"> • 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 • The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017
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 2019

Whistleblowing Policy 2018

Benefits Counter Fraud and Sanctions Policy 2016

Cabinet Office requirements for the National Fraud Initiative

Trading Standards & Licensing Legislation

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