



Borough of Telford and Wrekin

Audit Committee

Wednesday 31 May 2023

Anti-Fraud & Corruption Annual Report for 2022/23 and Policy

Cabinet Member:	Cllr Nathan England - Cabinet Member: Finance, Customer Services and Governance	
Lead Director:	Anthea Lowe - Director: Policy & Governance	
Service Area:	Policy & Governance	
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Wards Affected:	All Wards	
Key Decision:	Not Key Decision	
Forward Plan:	Not Applicable	
Report considered by:	SMT – 16 May 2023	
	Audit Committee – 31 May 2023	

1.0 Recommendations for decision/noting:

The Committee is asked to:

- 1.1 Note the 2022/33 Annual Report on Corporate Anti-Fraud and Corruption activity and recommends to Full Council the introduction of the revised Anti-Fraud and Corruption Policy.

2.0 Purpose of Report

2.1 The purpose of the report is for the Audit Committee to:

- a) Consider the 2022/23 Annual Report on Corporate Anti-Fraud and Corruption activity;

- b) Agree the updated policy and to recommend its adoption by the Council.

3.0 Background

- 3.1 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.
- 3.2 The Office for National Statistics reported a 25% increase in fraud offences for the year ending March 2022 and this trend appears to be continuing. The National Audit Office (NAO) recently stated that their estimate (including tax and welfare) is that every year at least £33.2bn of taxpayers' money is subject to fraud and error. According to the NAO between 0.5-5% of public spend is lost to fraud and error. For 2022/23 Telford & Wrekin Council's net spend was approximately £135m so the potential fraud and error losses could be significant.
- 3.3 Local authorities are targets for fraud due to the nature of the organisation. Criminals are finding new ways to obtain illegal proceeds through fraud and local authorities can be targets of their criminal activity. This includes the significant threat that cyber fraud poses.

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 and detect fraud.

- 3.4 This report contains information for 2022/23 on counter fraud and investigation activities within Telford & Wrekin Council, driven by the Investigation Team along with Internal Audit and IDT and the work that Public Protection undertakes in tackling certain types of fraud within our communities.
- 3.5 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.
- 3.6 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).

4. TRANSPARENCY CODE REQUIREMENTS

4.1 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>For part of 2022/23 the Council employed a Business Support Officer within the Investigation Team for 3 days per week to support the anti-fraud activity.</p> <p>Other Council services undertake fraud prevention activity for example Internal Audit, Public Protection and IDT. 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	The cost of the Investigation Team for 2022/23 was £114,485.48. Costs include staff, postage, printing, telephones, mileage, computer software and all other investigation related costs. This cost included the Business

		<p>Support Officer as detailed above who is no longer part of the team.</p> <p>As stated on point 2 above, other areas of the Council undertake investigations but it is difficult to attribute a cost to this as costs are consumed in overall budgets for each service.</p>
5	Total number of fraud cases investigated	See case investigation data in this report.

5. THE INVESTIGATION TEAM

- 5.1 The Investigation Team, within Audit and Governance, has responsibility for investigating fraud, theft, irregularity, bribery 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, maintaining the fraud risk register, training staff, advice and guidance to service areas on all aspects of fraud prevention, issuing of fraud alerts and producing the relevant policies relating to fraud theft and irregularity. The team works closely with Internal Audit to mitigate fraud risks to the Council.
- 5.2 The Investigation 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.
- 5.3 The team also maintain the Speak Up (Whistleblowing) Policy and associated reporting facilities.
- 5.4 The team investigate matters across all service areas. With the focus on prevention being the most effective way of combating fraud, the team look at ways that each service area can reduce their risk of fraud. However, there will always be instances where fraud, theft, irregularity needs to be investigated. 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). However, the team investigate all manner of alleged fraud and theft matters across any service area. The table at 5.13 details all the recorded savings identified from investigations by the Team for 2022/23.
- 5.5 A number of significant investigations have been undertaken in 2022/23. Although not all of these investigations can individually be detailed in this report, it is important to highlight a number of these.
- 5.6 In February 2023, a former School Business Manager (SBM) was prosecuted by Telford & Wrekin Council for fraud by abuse of position, amounting to £15,889. This investigation was undertaken by the Investigation Team following a concern

raised by a member of staff. The former SBM was found to have diverted funds that were due to the Council, into an old school fund bank account, which they were understood to have closed many years before. This money was then withdrawn by the SBM for personal use. The former SBM received a 10 month custodial sentence suspended for 2 years, a 5 month curfew between 7pm and 7am and was required to undertake 20 rehabilitation activity days. In addition she was directed to pay the authority's investigation and prosecution costs of £1,464. She had already repaid the £15,889 back to the Council prior to sentencing.

- 5.7 A lengthy and complex investigation into a direct payment fraud within Adult Social Care has been undertaken by the Investigation Team, which has resulted in an overpayment of £87,000 and an ongoing saving of in excess of £22,000 per year. The matter is still an active case with Legal Services.
- 5.8 A prosecution was also undertaken against an individual who falsely obtained over £4,000 in Council Tax Support and Single Person Discount. The individual was instructed to undertake 80 hours of unpaid work in the community and ordered to pay the Council's investigation and prosecution costs of £1,128.
- 5.9 A number of investigations were undertaken throughout 2022/23 which resulted in changes to internal processes which has helped protect the authority against the risks of fraud and theft in the future. These were undertaken in IDT and Purchase Ledger.
- 5.10 The Investigation Team have been working closely with the Infrastructure Security Specialist in IDT on the prevention of cyber fraud risks, particularly impersonation and mandate fraud.
- 5.11 The Investigation Team's proactive work in 2022/23 includes:
- Maintaining and updating the fraud risk register which helps identify risks across all service areas and what preventative measures are in place to guard against these risks
 - Providing face to face induction training for new starters
 - Providing regular fraud alerts across the authority and to specific service areas based on current local and national fraud risks and trends
 - Providing fraud training to service areas when requested along with updating the online fraud training modules
 - Providing recommendations to service areas following investigations or instances in their area
 - Working closely with the Internal Audit Team to recognise fraud risks, gaps in processes and understanding in service areas and training needs
 - Providing fraud and theft advice to areas when service areas are implementing new policies and procedures
 - Updating the Fraud Response Plan, the Speak Up (Whistleblowing) Policy and Anti-Fraud and Corruption Policy
 - Offering advice to employees on any aspect of fraud, theft, bribery and corruption.

- Working closely with the Council’s Infrastructure Security Specialist on fraud prevention matters relating to cyber-attacks.

5.12 There is no way of accurately measuring the consequential effects and indirect savings that occur due to the team’s prevention work. If this work was not undertaken then the loss to the authority would potentially increase year on year. In addition, 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.

5.13 Investigation Team Savings 2022/23

Fraud Area	Savings
Council Tax/Revenues Matters	£57,117
Other Corporate Fraud Investigations	£152,656
Housing Benefit as a knock-on effect of CTS investigations	£81,247
TOTAL	£291,020

5.13.1 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 to attach to their employees earnings in order to recover money owed to Telford & Wrekin Council.

5.13.2 The figures in 5.13 only cover part of the team’s role. The preventative work that the team undertake is a significant element of the service.

5.14 National Fraud Initiative (NFI)

5.14.1 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.

5.14.2 The Investigation Team manage the NFI exercise locally and have facilitated the 2022/23 exercise which included uploading of all relevant data and managing the matches produced. The team will continue to manage the NFI throughout the coming months which includes undertaking a number of investigations into sensitive matches.

6. INTERNAL AUDIT

6.1 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.

- 6.2 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. All audit assignments have a standard fraud working paper which is used to measure the auditees understanding of fraud in their area, the findings of this is then forwarded to the Investigation Team to undertake further checks or training.
- 6.3 The Internal Audit Team and the Investigation Team work collaboratively to share information which informs both the audit plan and the work of the Investigation Team.
- 6.4 Internal Audit also provides continuous advice and guidance to managers to assist them in the prevention of fraudulent activity.

7. HOUSING BENEFIT AND COUNCIL TAX REDUCTION

- 7.1 The overall Housing Benefit and Council Tax Reduction caseload has decreased over the last 12 months, from 15,068 (live cases) at 31 March 2022 to 14,839 as at 31 March 2023. The government's welfare reforms and the introduction of Full Service Universal Credit 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 a complex area that has an increasing demand on the service.
- 7.2 Telford & Wrekin Council initially signed up to the Department of Work and Pensions (DWP) new Housing Benefit Award Accuracy Initiative from October 2021. From 2022/23 the initiative became mandatory. 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 1,179 reviews and 250 HBMS data matches were completed in 2022/23.
- 7.3 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.
- 7.4 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. Below is a table detailing the intervention work undertaken within the Benefits Service.

7.5 Interventions in the Benefits Service

Number of Verification of Earnings and Pensions Undertaken	1,588
Number of Reviews Undertaken (including those outside of the Housing Benefit Award Accuracy Initiative)	1,198
Projected Annual Council Tax Reduction Saving	£67,051
Overpaid Housing Benefit	£189,545

8. CYBER FRAUD

- 8.1 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.
- 8.2 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.
- 8.3 From the period 1st April 2022 to 1st April 2023 there were 1,358 malicious messages reported by colleagues to IDT as part of 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.
- 8.4 On reviewing these 1,358 messages, it was determined that 1,228 messages were classified as crime ware, messages classified as crime ware contain malicious links or suspicious attachments. In addition, 130 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 to.
- 8.5 IDT security also automatically removed 8,085 messages during this period that it identified as a threat to the authority.

9. FIGHTING FRAUD IN THE COMMUNITY

- 9.1 The Investigation Team has 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 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, some of which will include matters of fraud and theft that fall under the Police's jurisdiction. West Mercia Police have stated that this information sharing facility is invaluable and has saved them thousands of pounds. On occasions, information received from the Police may lead to investigations being conducted by the team which otherwise may have not taken place. In 2022/23, the team undertook over 300 enquiries to support West Mercia Police under this agreement. This is a great example of a joined up approach to tackle crime in the local community.

9.2 Public Protection

9.2.1 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 who its officers may investigate, and are constrained only by the limitations of the statute under which an investigation is being conducted. Public Protection Services actively engage in the Multi Agency Targeted Enforcement (MATES) across a wide variety of settings and support the wider serious and organised crime agenda.

9.2.2 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.

9.3 Health Protection

9.3.1 Fraud can occur in a number of areas that the Food Health & Safety team 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 an online reporting portal.

9.3.2 In 2022/23 the Food Health & Safety Team undertook a project to look at imported foods sold in premises across the borough. The project included inspection of businesses, sampling of imported rice to look for pesticides and developing a web page to inform businesses and members of the public.

9.3.3 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.

9.4 Licensing Service

9.4.1 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 vehicles are correctly insured and licensed and driven by the licensed driver.
- Scrap metal licensing - Joint working with police to detect illegal trading in stolen vehicles, other stolen metal items such as copper cabling, lead and catalytic converters.
- Street Collections, Charity collections - Identification, detection and enforcement of fraudulent collections

9.5 Trading Standards Service

9.5.1 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.
- Fraudulent trading and money laundering.

9.5.2 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.

9.5.3 The service continues to educate, inform and protect our residents of the many forms of financial abuse and scams. We have a dedicated Public Protection Facebook page and twitter feed to ensure we get maximum coverage and allow information to be shared easily and quickly. We have also piloted a project to assist repeat victims of scams and work closely with West Mercia Economic Crime Unit to develop a multi-agency approach to fraud.

9.5.4 Trading Standards prioritise work around illicit tobacco and nicotine inhaling products and works closely with West Mercia Police, other agencies and Local Authorities sharing intelligence, carrying out multi agency targeted enforcement operations focussed on the supply of illicit products.

10. PUBLICITY

- 10.1 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.
- 10.2 When any significant investigation occurs then the relevant Director and Cabinet Member are briefed accordingly. Any lessons learnt are shared within the relevant members of staff and recommendations put forward to help prevent such matters occurring again.
- 10.3 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.

11. TRAINING AND AWARENESS

- 11.1 The Council ensures that both members and officers are aware of their responsibilities in respect to the Council's Anti-Fraud and Corruption Policy. This is achieved through a variety of measures including:
- New starters receiving a face to face induction program which includes training from the Investigation Team.
 - Online training courses being available for all staff on fraud, theft, bribery, cyber security/fraud and corruption along with money laundering developed by the Investigation Team and IDT.
 - The Investigation Team attending service area team meetings when a need is identified or when requested, to discuss prevention and detection of fraud, theft, bribery and corruption.
 - The Investigation Team providing specific training to services areas when the need arises.
 - Regular fraud awareness being provided through corporate communication and staff news by the Investigation Team.
 - Regular fraud/theft alerts being sent to affected service areas which helps increase staff awareness.
 - Copies of this policy and other relevant policies, such as the Fraud Response Plan the Whistleblowing Policy and any other relevant policy being available on the intranet.
 - Specialist training for certain employees being provided by their service area due to their specific roles when requested.
 - Guidance being provided by Internal Audit when work is undertaken in a service area.
 - Regular cyber threat alerts being issued by IDT.
- 11.2 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.

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

12. CHALLENGES FOR 2023/24

- 12.1 Fraud continues to grow. As detailed earlier in this report, the ONS estimated that fraud had recently increased by 25%. It is not just the increase in numbers that is a concern, it is the evolution of fraud and the continued need to review procedures to help protect Telford & Wrekin Council from this threat. This is particularly true with regard to cyber fraud. 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. It is important for the Council as a whole to increase the awareness of fraud risks across service areas and make sure there are mitigations in place to guard against these risks. This is not just the responsibility of the Investigation Team and Internal Audit but all employees of the Council.
- 12.2 A significant challenge for the Investigation Team is to expand its preventative work, training, policy development and risk assessment as well as undertaking and fulfilling investigation responsibilities within current resource.
- 12.3 The cost of living crisis could also have a profound impact on the fraud landscape with individuals being drawn to fraud as a way of coping with the shortage of income.

13. ANTI-FRAUD & CORRUPTION POLICY UPDATE

- 13.1 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 it was not amended last year. The policy has been updated and is presented for approval this year.

14.0 Summary of main proposals

- 14.1 It is proposed that the Audit Committee note the contents of this report and approve the Anti-Fraud and Corruption Policy.

15.0 Alternative Options

- 15.1 There are no alternative options.

16.0 Key Risks

- 16.1 All aspects of the Investigation Teams work supports managers and the Council to identify and manage their information risks and opportunities.

17.0 Council Priorities

- 17.1 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.

18.0 Financial Implications

- 18.1 Costs associated with the anti-fraud and corruption work outlined in this report are met from the Council's base budget.

19.0 Legal and HR Implications

- 19.1 The Accounts and Audit Regulations 2015 require the Council to ensure it has "a sound system of control which facilitates the effective exercise of its functions..., ensures that the financial and operational management of the authority is effective and includes effective arrangements for the management of risk." The proposed policy assist in fulfilling these requirements.

Additionally, the Council will have full regard to any other legislative requirements and officers from across the Council are encouraged to seek legal advice at the earliest opportunity when needed.

20.0 Ward Implications

- 20.1 Borough wide implications.

21.0 Health, Social and Economic Implications

- 21.1 There are no Health, Social and Economic Implications arising from this report.

22.0 Equality and Diversity Implications

- 22.1 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.

23.0 Climate Change and Environmental Implications

- 23.1 All members of the Investigation Team are environmentally aware and if any issues were identified they would be notified to the appropriate manager.

24.0 Background Papers

- 1 Corporate Anti-Fraud & Corruption Policy 23/24
- 2 Cabinet Office requirements for the NFI
- 3 Trading Standards and Licensing Legislation

25.0 Appendices

A Anti-Fraud & Corruption Policy

26.0 Report Sign Off

Signed off by	Date sent	Date signed off	Initials
Finance	14/04/2023	26/04/2023	AEM
Legal	14/04/2023	12/05/2023	EH