

## **TELFORD & WREKIN COUNCIL**

**AUDIT COMMITTEE – 14 JULY 2020**

### **CORPORATE ANTI-FRAUD & CORRUPTION - 2019/20 ANNUAL REPORT AND POLICY UPDATE**

#### **REPORT OF THE CHIEF FINANCIAL OFFICER**

## **1. PURPOSE**

- 1.1 For the Audit Committee to:
- a) Consider the 2019/20 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 2019/20 Annual Report on Corporate Anti-Fraud and Corruption activity.
- 2.2 That the Committee recommends the adoption by full 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. 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.”*
- 3.3 This report includes Appendix 1 which is an updated policy for members to agree and recommend on for adoption by the Council.

## **4. PREVIOUS MINUTES**

- 4.1 Audit Committee 27<sup>th</sup> June 2017 - Annual Report 2016/17 and Policy update  
Audit Committee 29<sup>th</sup> May 2018 - Annual Report 2017/18 and Policy update  
Audit Committee 30<sup>th</sup> May 2019 - Annual Report 2018/19 and policy update

## **5. INFORMATION – ANNUAL REPORT 2019/20**

- 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.
- 5.2 Nationally there are indications that fraud continues to rise and criminals are finding new ways to obtain criminal proceeds through fraud and local authorities are often targets of their criminal activity. Therefore it is important that the Council continues to be vigilant at all times.
- 5.3 This report contains information for 2019/20 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.

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. TRANSPARANCY 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.	We do 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.</p> <p>Other Council services undertake investigations into fraud, for example Public Protection. 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 2019/20 was £93,717.40. 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 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.

## 7. HOUSING BENEFIT AND COUNCIL TAX SUPPORT

7.1 The Housing Benefit and Council Tax Support caseload has decreased again over the last 12 months, from 16,876 (live cases) at 31 March 2019 to 16,144 at 31 March 2020. 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. Full Service covers people with a wide variety of circumstances including families, those with a disability and those with housing costs with the exception of pensioners and those in supported or temporary accommodation or those with a severe disablement premium. Those entitled to Universal Credit are no longer eligible for Housing Benefit resulting in their claims being cancelled.

- 7.2 The review of claims in 2019/20 mainly concentrated on changes in earnings or occupation pensions received from the Department for Work and Pensions via their Verification of Earnings and Pensions (VEP) alerts. We have also reviewed cases where earnings appeared to show a very low or very high hourly rate based on hours worked when compared to earnings. The Benefits Team have also reviewed cases as part of the government's National Fraud Initiative.
- 7.3 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.
- 7.4 The Benefits Team continues to get a wealth of information from the DWP and 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.

Number of Verification of Earnings and Pensions Undertaken	4,530
Number of additional Proactive Reviews Undertaken	261
Weekly CTS Saving	£3,900
Annual CTS Saving	£207,593
Overpaid HB	£460,952

## 8. THE INVESTIGATION TEAM

- 8.1 The Investigation Team within Audit and Governance has responsibility for investigating fraud error and irregularity across the authority. Their work also includes the screening of reports of money laundering.
- 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 8.7 details all the recorded savings made by the Investigation Team for 2019/20.
- 8.3 A small number of internal investigations that have been undertaken during the year. This includes one case that is currently in the court system and another case that is currently with Legal Services.
- 8.4 There is no way of accurately measuring the consequent effect 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 act fraudulently than would be the case if there was no team.
- 8.5 The 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 assists the Police on a daily basis in a variety of 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. On occasions, information received from the Police may lead to investigations being conducted by the team which otherwise may not have been.

8.6 During 2019/20 a number of policies were updated or rewritten by the team in order to help with the expansion of the Investigation function along with two new training programs.

- Ant-Fraud and Corruption Policy
- Speak Up (Whistleblowing Policy)
- The Anti-Money Laundering Policy and the training course that accompanies it.
- A new 'Ollie' based Fraud Induction for all new starters.

### 8.7 Investigation Team Savings 2019/20

Fraud Area	Savings
Council Tax/Revenues Matters	£83,493
Corporate Fraud Investigations	£6,044
Housing Benefit	£86,415
<b>Total</b>	<b>£175,953</b>
<b>Additional saving NFI</b>	<b>£50,487.33</b>

### 8.8 National Fraud Initiative (NFI)

8.8.1 The Cabinet Office's 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.

8.8.2 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.

8.8.3 The National Fraud Initiative (NFI) 2018/19 matches are still being worked on in some areas as there are further up to date matches that come through. However, by 1<sup>st</sup> April 2020 the NFI had produced savings amounting to **£50,487.33**.

## 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 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 team also works closely with the national scams team, visiting victims of fraud to offer advice and support. The service continues to educate and inform our residents of the many forms of financial abuse and helps to reduce and protect vulnerable adults through media campaigns and attending events.

10.5.4 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.

## **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 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 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 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.

### 13. CHALLENGES FOR 2020/21

- 13.1 One of the main challenges for 2020/21 is to understand how the Covid-19 pandemic has impacted on the fraud risks to the authority. Unfortunately, situations such as these can open the door to those who seek to exploit organisations where they believe money is available and controls may not be as strong as normal due to the exceptional circumstances. This could be most notable in the awarding of business grants where extensive post award checking will be required due to the level of perceived fraud in this area.
- 13.2 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 expansion of the team's function will need to be commensurate with the level of resource currently available within the team.

### 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 30 May 2019. 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.

### 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"><li>• The Fraud Act 2006</li><li>• Bribery Act 2010</li><li>• Section 151 Local Government Act 1972</li><li>• Section 5 Local Government &amp; Housing Act 1989</li><li>• Contracts Regulations 2015</li><li>• Accounts and Audit Regulations 2011</li><li>• The Council Tax Reduction Schemes (Detection and Enforcement) (England) Regulations 2013</li><li>• Local Government Finance Act 1988</li><li>• Regulation of Investigatory Powers Act 2000</li><li>• Terrorism Act 2006</li><li>• Proceeds of Crime Act 2002</li><li>• Police and Criminal Evidence Act 1984</li><li>• Companies Act 2006</li><li>• Localism Act 2011</li></ul>

	<ul style="list-style-type: none"> <li>The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017</li> </ul>
Links with Corporate Priorities	The policy supports all Corporate priorities and good corporate governance demonstrating the Council's desire to ensure sound conduct and ethical procedures for all those associated with the Council and 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.
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  
Speak Up (Whistleblowing) Policy 2020  
Benefits Counter Fraud and Sanctions Policy 2016  
Cabinet Office requirements for the National Fraud Initiative  
Trading Standards & Licensing Legislation

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