

# **TELFORD & WREKIN COUNCIL**

**AUDIT COMMITTEE – 27 May 2021**

## **CORPORATE ANTI-FRAUD & CORRUPTION - 2020/21 ANNUAL REPORT AND POLICY UPDATE**

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

#### **1. PURPOSE**

1.1 For the Audit Committee to:

- a) Consider the 2020/21 Annual Report on Corporate Anti-Fraud and Corruption activity; and
- b) Agree the updated Anti-Fraud & Corruption Policy and to recommend its adoption by the Council.

#### **2. RECOMMENDATIONS**

- 2.1 That the Audit Committee notes the 2020/21 Annual Report on Corporate Anti-Fraud and Corruption activity.
- 2.2 That the Committee recommends the adoption by the Council of the updated Anti-Fraud & Corruption 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 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
- Audit Committee 14<sup>th</sup> July 2020 – Annual Report 2019/20 and policy update

#### **5. INFORMATION – ANNUAL REPORT 2020/21**

- 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 illegal 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 2020/21 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 2020/21 is £93,621.51. 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. THE INVESTIGATION TEAM**

- 7.1 The Investigation Team within Audit and Governance has responsibility for investigating fraud irregularity and corruption across the authority. The team are also responsible for putting additional measures in place to help prevent the risk of fraud, irregularity, bribery and corruption. Along with helping to ensure that additional safeguards are put in place in order to reduce the risk posed to the authority from organised crime. The team work closely with Internal Audit to mitigate the risks to the Council as well as providing support, advice and assistance 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 have also assisted in securing the finances of adults who are suspected of being victims of financial abuse.
- 7.4 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 (NDR). The table at 7.11 details all the recorded savings made by the Investigation Team for 2020/21.
- 7.5 A small number of internal investigations have been undertaken during the year. This includes one case that is currently in the court system and one case that continued from 2019/20 which resulted in prosecution in January 2021. Both these cases involved sums less than £10,000.
- 7.6 The team have undertaken a considerable amount of work on the COVID Grant Support Schemes. They have helped in the development of preventative procedures, risk assessments and post assurance checking alongside the Revenues Service as well as undertaking investigations into potential cases of fraud within the grant system.
- 7.7 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 will help stop fraud going forward.
- 7.8 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. On occasions, information received from the Police may lead to investigations being conducted by the team which otherwise may have not taken place. This agreement has been revised and renewed this year.
- 7.9 The team is in the process of developing a fraud risk assessment which will be fully rolled out in 2021/22 which will link into Internal Audit work. This will help ensure that the Council is doing all that it can to prevent fraud occurring. In addition, work has commenced on additional preventative measures to guard the authority against the risks posed by organised crime from entering the council's systems and subjecting them to fraud and irregularity.
- 7.10 During 2020/21 the Investigation Team were involved in various aspects of support during the pandemic. This meant that for the early part of the financial year very little investigation work was undertaken as the Council supported its residents during the pandemic.

## 7.11 Investigation Team Savings 2020/21

<b>Fraud Area</b>	<b>Savings</b>
Council Tax/Revenues Matters	£70,392
Other Corporate Fraud Investigations (including COVID Grant awards)	£146,357
Housing Benefit as a knock-on effect of CTS investigations	£79,453
<b>Total</b>	<b>£296,203</b>

7.11.1 In addition to the figures above, the team investigated a matter where residency had been falsified in order to attempt to obtain admission into a school. This led to the placement being withdrawn. The team also assisted in the recovery of a debt owed to the Council as part of a police investigation.

7.11.2 The figures in 7.11 only cover part of the team's role as prevention is an important but immeasurable facet of the work that the team undertake.

## 7.12 National Fraud Initiative (NFI)

7.12.1 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.

7.12.2 The Investigation Team manage the NFI and are facilitating the 2020/21 exercise which included the uploading of all the data and managing the matches produced. The team will continue to support service areas in undertaking the work on this through next financial year and becoming involved in any potential matters of fraud that arise from the matches.

## 8. INTERNAL AUDIT

8.1 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.

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 again over the last 12 months, from 16,144 (live cases) at 31 March 2020 to 16,006 at 31 March 2021. 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 and up to 27 January 2021 those with a severe disablement premium. Those entitled to Universal Credit are no longer eligible for Housing Benefit resulting in their claims being cancelled. Certain changes of circumstance can trigger the need for customers to apply for Universal Credit, the Covid-19 pandemic has seen a dramatic increase in Universal Credit customers both locally and nationally. Whilst the overall caseload has decreased due to the factors mentioned the Council Tax Reduction caseload has seen an increase in caseload from 14,298 at the end of March 2020 to 14,374 at the end of March 2021. Changes in financial circumstances due to the pandemic is the main reason for this increase.

- 9.2 In 2020/21 we signed up to the Department of Work and Pensions (DWP) Housing Benefit Award Accuracy Initiative. Due to the Covid-19 Pandemic the scheme was delayed for six months until October 2021. The initiative involves completing Housing Benefit Matching Service (HBMS) matches on cases where DWP data doesn't match Local Authority data and undertaking full case reviews on customer's circumstances based on a risk list provided by DWP. A total of 223 reviews and 233 HBMS data matches were completed in the first six months. We have signed up to the initiative again for 2021/22.
- 9.3 We continue 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 match every two years.
- 9.4 The DWP continue to provide a wealth of data and we obtain 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	2,999
Number of Reviews Undertaken (including those outside of the Housing Benefit Award Accuracy Initiative)	258
Projected Annual Council Tax Reduction Saving	£82,134
Overpaid Housing Benefit	£263,860

## 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 2020, 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.

- 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 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. There is also an anti-money laundering course available on line.
- 12.3 The Investigation Team are available to all employees of the Council to discuss any aspect of fraud and irregularity. They will also attend team meetings when required to promote anti-fraud.
- 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 There is going to be continued work regarding the COVID Support Grants with significant post assurance checking undertaken.
- 13.2 The NFI will continue to be managed through 2021/22. This year's match includes COVID Support Grants. This will provide a significant challenge in time and resources.
- 13.3 The expanding of preventative work, such as the Fraud Risk Register is an exciting and extremely beneficial area of work for the team to develop. However, it will provide significant challenges moving forward.

13.4 The impact of COVID on the fraud environment has been significant. Criminals have embraced the opportunity to exploit the situation. At the same time more people could be placed in a situation where they believe that fraud is a solution to financial problems as a result of the pandemic. This could provide a significant challenge to the authority moving forward.

#### 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 14 July 2020. 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> <li>• The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017</li> </ul> <p>AL – 18/05/2021</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. TAS 18.05.21
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 2020  
Speak Up (Whistleblowing) Policy 2020  
Benefits Counter Fraud and Sanctions Policy 2016  
Cabinet Office requirements for the National Fraud Initiative  
Trading Standards & Licensing Legislation

**Report prepared by Andrew Hollis – Senior Investigations Officer – 01952 383899**

**With input from;**

**Tracey Drummond – Principal Auditor – 01952 383105; Rebecca Owen-Jones-Benefit Assessment Group Manager – 01952 383881; Anita Hunt – Public Protection Manager (Trading Standards and Licensing) – 01952 381998.**