

Item

## Annual report on prevention of fraud & corruption policy



**To:**

Civic Affairs Committee [25/07/2018]

**Report by:**

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**Wards affected:**

All

### 1. Introduction / Executive Summary

- 1.1 This report communicates the annual review of the Councils counter fraud arrangements, for consideration by the Civic Affairs Committee.
- 1.2 The Council introduced the Prevention of Fraud and Corruption (PFC) Policy in 1998, and in line with good practice the Policy is reviewed and reported annually to this Committee.
- 1.3 The Policy was updated in 2013 to reflect the implementation of the Bribery Act 2010. One of the recommendations by the Ministry of Justice was that organisations need to monitor and review the effectiveness of their anti-bribery policy and procedures. This is also achieved through the annual review of the Policy.
- 1.4 The Policy establishes the culture of the organisation in terms of not tolerating any act of fraud or corruption, and a commitment that all concerns raised will be properly investigated. The Policy also sets out the reporting and investigation arrangements for different types of allegation. Minor presentational changes have been made to the policy as part of the review. A copy of the Policy is attached as an Appendix to this report.

- 1.5 CIPFA produced a Code of Practice for Managing the Risk of Fraud and Corruption in 2015. This voluntary code is a statement of high level principles which sets out good practice for managing counter fraud arrangements across the public sector. Internal Audit assessed the Council's compliance with the Code and produced a separate Anti-Fraud and Corruption Strategy in 2016 which remains current.
- 1.6 This report also provides Members of Civic Affairs with a summary of fraud / whistle-blowing activity for the period 1 April 2017 to 31 March 2018.

## **2. Recommendations**

- 2.1 The committee should note the details of fraud / whistle-blowing activity provided for the period 1 April 2016 – 31 March 2017 in section 3 of this report.

## **3. Fraud investigation**

- 3.1 Dependant on their nature, fraud investigations are carried out by either the Fraud Prevention Team (FPT); within Revenue & Benefits; or by Internal Audit.

### Fraud Prevention Team

- 3.2 The FPT prevents detects and pursues those who commit a number of potential frauds against Cambridge City Council, including:
  - Social housing fraud (including other registered social landlords),
  - Local taxation fraud,
  - Discount and exemption fraud,
  - Local support scheme fraud,
  - Right-to-buy fraud.
- 3.3 Additionally, the team are the single point of contact for the Department for Work and Pensions (DWP) 'Counter Fraud and Compliance Directorate' (CFCD) in relation to welfare benefit fraud, principally Housing Benefit paid within the city of Cambridge. This involves:
  - Receipt and dispatch of local allegations received through multiple sources,
  - Selection and preparation of evidence to support investigation and prosecution by that agency,

- Preparation of documentation and witness statements for court.

3.4 The team consists of 3.0 FTE, of which 1.0 FTE is an apprentice. This successful apprenticeship has been running since April 2015 and has led to both young people moving into full time employment. The team has also received a nomination for the 'Mentor of the Year' award in the Apprentice and Employer Apprenticeship Awards event.

3.5 Some key statistics for 2017/18 include:

- Investigations led to 248 inappropriate Council Tax discounts or exemptions being removed, generating an additional council tax revenue of £176,659.
- Investigations were conducted under the Prevention of Social Housing Fraud Act, resulting in 14 Council owned properties being made available for genuine tenants. These were generally cases where an individual had either illegally sub-let or abandoned the property. The Ministry of Housing, Communities and Local Government calculates the cost of social housing fraud at £18,000 per property (this is a non-cashable saving).
- There were 5 people sanctioned for Council Tax Reduction, Discount or Social Housing fraud.
- There were 2 right-to-buy applications rejected.
- There were 8 HomeLink applications either corrected or removed.

#### Internal Audit

3.6 Part of Internal Audits remit is to investigate other types of fraud, whistleblowing allegations or theft. Internal Audit look to ensure that employees follow the various policies, procedures and Codes of Conduct established to protect the public purse, as well as the integrity of officers. Matters referred to Internal Audit can be received as a direct request from management or via the whistleblowing route. Under the Council's Whistleblowing Policy, employees are encouraged to report any genuine, serious concerns about any aspect of the Council's work to the Head of Shared Internal Audit, who will investigate those concerns.

3.7 During 2017 / 2018 Internal Audit conducted seven investigations at the request of management. In all cases, if appropriate, actions were agreed with management to improve controls which could mitigate risks of fraud and error.

- 3.8 Internal Audit also received four referrals which were covered by Whistleblowing policy. In each case there was no evidence to support the referrals, however this provides some assurance that people are aware of their opportunity to refer concerns.
- 3.9 Fraud and error risks are being considered as part of each Internal Audit review. This is helping to establish a risk profile which can be a determinant in our continuous risk based audit plan.

#### **4. Fraud Prevention**

- 4.1 The Council continues to give out a strong deterrent message about fraud in both publicly issued and internal documents, for example, on Council Tax leaflets and Housing Benefit claim forms.
- 4.2 Fair Processing Notices, which inform the public that we will use their data for the prevention and detection of crime, have been updated as part of the General Data Protection Regulations.
- 4.3 Revenues and Benefits follows appropriate DWP 'Security Guidance' and has adopted a Risk Based Verification process. It has a Fraud Referral Procedure for staff to refer cases of suspected fraud through to the Fraud Prevention Team. Regular reminders are sent to people claiming benefit of their responsibilities in respect of overpayments; the aim being to prevent overpayments building up which can make repayment difficult and can encourage concealment and therefore fraud.
- 4.4 The National Fraud Hotline Scheme continues to be publicised in the Council Tax leaflet and publicity is sought for successful benefit prosecutions through the local papers and via the Council's website as this is seen to have a deterrent effect.
- 4.5 Employees, in the Internal Audit team, have subscribed to the National Anti-Fraud Network, which provides proactive intelligence of potential fraud and error risks.

#### **5. Fraud Detection**

- 5.1 The Council is required to participate in the National Fraud Initiative (NFI), a national data-matching exercise organised by the Cabinet Office that matches data within and between audited bodies to prevent and detect fraud. This includes police authorities, fire & rescue authorities as well as other councils and Housing Associations.

5.2 The NFI is a wide-ranging exercise and has used the following datasets:

- Housing Benefits
- Payroll
- Housing Rents
- Insurance claims
- Creditors
- Market Trader licences
- Taxi-Driver licences
- Personal licences to supply alcohol
- Housing Waiting List
- Council Tax Reduction Scheme

5.3 The NFI 2018/19 exercise will be undertaken under the Cabinet Office's data matching powers set out in Part 6 of the Local Audit and Accountability Act 2014. In preparation for the exercise, an initial review of data specifications has been undertaken by the Cabinet Office to improve the matching process and the quality of matches. The 18/19 NFI Work Programme consultation proposes that the Insurance dataset will not be required for the next exercise, and this will be confirmed in the final specification published in July.

## **6. Conclusions**

6.1 The Council remains committed to providing services carried out in accordance with the highest ethical standards and takes steps to investigate all concerns arising.

## **7. Implications**

### **(a) Financial Implications**

None.

### **(b) Staffing Implications**

None.

### **(c) Equality and Poverty Implications**

None.

**(d) Environmental Implications**

None.

**(e) Procurement Implications**

None.

**(f) Community Safety Implications**

None.

**8. Consultation and communication considerations**

None.

**9. Background papers**

Background papers used in the preparation of this report:

- [Anti-fraud and Corruption Strategy](#)

**10. Appendices**

- a) Prevention of fraud and corruption policy

**11. Inspection of papers**

To inspect the background papers or if you have a query on the report please contact Jonathan Tully, Head of Shared Internal Audit Service, tel: 01223 - 458180, email: [jonathan.tully@cambridge.gov.uk](mailto:jonathan.tully@cambridge.gov.uk).