

Item

## Annual report on prevention of fraud & corruption policy



**To:**

Civic Affairs Committee [24/07/2019]

**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 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 2018 to 31 March 2019.

## **2. Recommendations**

- 2.1 The committee should note the details of fraud / whistle-blowing activity 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 As part of a 'Joint Working' trial, the FPT is now also conducting joint investigations with the DWP's CFCD. The expected impact of this trial is greater efficiency for both organisations by reducing duplication by working collaboratively. Resourcing from within the DWP's CFCD is currently limited, but should increase if this proves successful.
- 3.5 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.
- 3.6 Some key statistics for 2018/19 include:
- i) 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 as it contributes to the wider public purse).
  - ii) Investigations led to 87 inappropriate Council Tax discounts or exemptions being removed, generating an additional council tax revenue of £52,021.
  - iii) There were 4 inappropriate HomeLink applications which were either removed or corrected, and an inappropriate right-to-buy application was also identified and declined. This ensures that the Council's resources continue to be targeted towards those in most genuine need.

#### Internal Audit

- 3.7 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.

- 3.8 During 2018 / 2019 Internal Audit conducted twelve investigations. In all cases, if appropriate, actions were agreed with management to improve controls which could mitigate risks of fraud and error.
- 3.9 Internal Audit received five referrals which were covered by Whistleblowing policy. This provides assurance that people are aware of their opportunity to refer concerns.
- 3.10 Fraud and error risks are considered as part of each Internal Audit review. This helps us to establish a risk profile which can be a determinant in our continuous risk-based audit plan.

#### **4. Serious Organised Crime**

- 4.1 Internal Audit facilitated a Serious Organised Crime review as part of the risk-based internal audit plan.
- 4.2 The Government's Serious and Organised Crime Strategy, published in 2013, reported that serious and organised crime costs the UK more than £24 billion each year. £2.1 billion of this fraud relates to local government.
- 4.3 The 2016 National Strategic Assessment of Serious and Organised Crime notes that the UK is one of the most attractive destinations for laundering the proceeds of grand corruption and that professional enablers and intermediaries play a role in this.
- 4.4 In December 2016 the Home Office published a report, Organised Crime Procurement Pilots, which examined the threat faced by public procurement from Serious Organised Crime.
- 4.5 Public Procurement is considered to be a lucrative target for serious and organised criminals, with procurement fraud accounting for £876 million of the estimated £2.1 billion fraud committed against local government. Organised criminals may use public sector procurement to launder criminal proceeds, operate illegal activities from residential or commercial properties owned by local authorities or use contracts to generate additional income to further their illegal activities.
- 4.6 Joint pilot studies were undertaken by Local Authorities and police forces in seven areas, to further investigate the links between organised criminals and public procurement. The report detailed the results of these pilots and highlighted the attractiveness of public procurement to

serious and organised criminals, the range of opportunities for fraudulent exploitation, the importance of having appropriate controls in place to safeguard public funds and provided a range of tools to help reduce vulnerability to such exploitation. The tools included:

- a self-assessment Serious and Organised Crime Checklist
- a Serious and Organised Crime Audit Framework; and
- a 'non-involvement in serious and organised crime' statement to include in invitations to tender for contracts in higher risk areas.

- 4.7 The Council adopted these tools to assess the risk of organised crime, and to identify further opportunities for improvement.
- 4.8 Serious Organised Crime continues to be a high risk, and features in the latest United Kingdom Anti-Corruption Strategy 2017-2022.
- 4.9 Internal Audit completed the self-assessment checklist. This provided 'significant' assurance, based on the processes and controls examined at the time of the review. An action plan was developed to identify further opportunities for improvement. Overall the internal control system is well designed to meet the objectives, address relevant risks, and key controls are consistently applied.

## **5. Fraud Prevention**

- 5.1 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.
- 5.2 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.
- 5.3 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.
- 5.4 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.

- 5.5 Employees subscribe to the National Anti-Fraud Network, which provides proactive intelligence of potential fraud and error risks.

## **6. Fraud Detection**

- 6.1 The Council participates 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.

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

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

- 6.3 The current NFI 2018/19 exercise is 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 was undertaken by the Cabinet Office to improve the matching process and the quality of matches.

- 6.4 The Council submitted the data sets to the Cabinet Office at the end of the year for processing, and publicised this on our [website](#). The data matches have been returned for follow-up by the Council in 2019/20.

## **7. Conclusions**

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

## **8. 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.

## **9. Consultation and communication considerations**

None.

## **10. Background papers**

Background papers used in the preparation of this report:

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

## **11. Appendices**

- a) Prevention of fraud and corruption policy

## **12. 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).