

Item

Annual report on prevention of fraud & corruption policy



To:

Civic Affairs Committee [08/07/2020]

Report by:

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Wards affected:

All

1. Introduction / Executive Summary

- 1.1 Fraud is a diverse and evolving crime, the scale of which continues to increase as new fraud areas and more sophisticated mechanisms to commit fraud are sought. It is therefore important that counter fraud activity and initiatives evolve at a similar rate to ensure they continue to be effective.
- 1.2 This report communicates the annual review of the Councils counter fraud arrangements and provides Members of Civic Affairs with a summary of fraud / whistle-blowing activity for the period 1 April 2019 to 31 March 2020.
- 1.3 The Council maintains a Prevention of Fraud and Corruption (PFC) Policy, and in line with good practice it is reported annually to this Committee.

2. Recommendations

- 2.1 The committee should note the contents of the report.

3. Background and Policy review

- 3.1 The National Crime Agency highlights fraud as the most commonly experienced crime, with 3.8 million instances reported in the National Crime Survey of England and Wales in 2019. In the public sector it is estimated that fraud and error costs the government an estimated £31 to £53 billion every year.
- 3.2 Fraud is a diverse and evolving crime, the scale of which continues to increase as new fraud areas and more sophisticated mechanisms to commit fraud are sought. It is therefore important that counter fraud activity and initiatives evolve at a similar rate to ensure they continue to be effective.
- 3.3 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.
- 3.4 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, and this is achieved through the annual review of our Policy.
- 3.5 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. We have not made any changes to the Policy this year. A copy of the Policy is attached as an Appendix to this report.
- 3.6 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.

4. Counter Fraud capacity and resources

4.1 Dependant on their nature, counter fraud work is carried out by either the Fraud Prevention Team (FPT) within Revenue & Benefits; or by Internal Audit.

Fraud Prevention Team

4.2 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.

4.3 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.

4.4 As part of a 'Joint Working' trial, the FPT also conducted joint investigations with the DWP's CFCD. Following a review, the DWP have now introduced this nationally, so it is now included in the team's core tasks.

4.5 The team consists of 3.0 FTE, of which 1.0 FTE is an apprentice (end date 19th July 2020). This successful apprenticeship has been running since April 2015 and has brought three young people into full-time employment. The team also received a nomination for the 'Mentor of the Year' award in the Apprentice and Employer Apprenticeship Awards event.

4.6 Some key statistics for 2019/20 include:

- i) Investigations were conducted under the Prevention of Social Housing Fraud Act, resulting in 10 Council owned properties and 2

Housing Association 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 an estimated non-cashable saving as it contributes to the wider public purse).

- ii) Investigations led to 280 inappropriate Council Tax discounts or exemptions being removed, amounting to £189,924 in value.
- iii) There were 8 inappropriate HomeLink applications which were either removed or corrected, and 2 inappropriate right-to-buy application were also identified and declined. This ensures that the Council's resources continue to be provided for those in most genuine need.

Internal Audit

- 4.7 Internal Audit will 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.
- 4.8 During 2019 / 2020 Internal Audit conducted six investigations. In all cases, if appropriate, actions were agreed with management to improve controls which could mitigate risks of fraud and error.
- 4.9 Internal Audit received three referrals which were covered by Whistleblowing policy. This provides assurance that people are aware of their opportunity to refer concerns via the policy.
- 4.10 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.

5. Strategic developments

Risks of fraud and corruption in procurement

- 5.1 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.
- 5.2 Public Procurement is considered to be a lucrative target for serious and organised criminals, with procurement fraud currently estimated between £275 million and £2.75 billion per year. 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.
- 5.3 As part of the UK Anti-Corruption Strategy 2017-2022, the MHCLG committed to a further review of Local Government specific risks as part of a wider agenda to strengthen the UK's response to corruption. The Internal Audit Team contributed to workshops in December 2018 to help develop knowledge and awareness of procurement risks plus good practice in mitigation.
- 5.4 MHCLG have just published, in June 2020, summary reports from this work plus supporting toolkits and case studies. Looking forwards, we will utilise these to review our existing controls and identify any opportunities for improvement.

Covid-19 stimulus risk

- 5.5 In times of emergency or disaster recovery situations, it is important that government can get funding to where it is needed as quickly as possible. This includes providing support and services to those in need and rebuilding communities and infrastructure. Fraud can undermine those efforts if not controlled, and previous experience of natural events and world-wide disasters has highlighted how criminals may take advantage.
- 5.6 In response to the Coronavirus, the Government announced there would be support for small businesses, and businesses in the retail, hospitality and leisure sectors, delivered through the Small Business Grant Fund and the Retail, Leisure and Hospitality Grant Fund. An additional fund aimed at small businesses who were not eligible for the scheme, or other forms of support, called the Local Authority Discretionary Grants Fund, was also launched.

- 5.7 Central Government emphasised the importance on speed of payment and their guidance stated that Local Authorities should make the payments as quickly as possible. In response, we focussed our resources on developing low-friction control measures to reduce our fraud risk and have been promoting good practice in grant administration.
- 5.8 Further post assurance activity is planned to help identify any potential cases of fraud and error, and recover funds, by working with the Government Counter Fraud Function and utilising tools such as Spotlight and the National Fraud Initiative.

6. Fraud Prevention

- 6.1 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.
- 6.2 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.
- 6.3 The National Fraud Hotline Scheme is promoted, 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.
- 6.4 The Council subscribes to the National Anti-Fraud Network, which provides proactive intelligence of potential fraud and error risks, and shares good practice internally. For example, as highlighted above, we have been actively communicating potential fraud risks relating to Covid-19 stimulus schemes and developing proportionate controls.

7. Fraud Detection

- 7.1 The Council participates in the National Fraud Initiative (NFI), a national data-matching exercise co-ordinated 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.

7.2 The NFI is a wide-ranging exercise and uses datasets such as:

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

7.3 The NFI 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 is undertaken by the Cabinet Office to improve the matching process and the quality of matches. This includes a 'pilot pipeline' to identify ideas for potential new data matching pilots. Current pilots being researched include using data matching to target school admissions fraud, housing tenancy illegal succession and procurement fraud.

7.4 The Council will submit data sets to the Cabinet Office at the end of the year for processing, and this is publicised on our [website](#). The data matches are then returned for follow-up by the Council.

8. Conclusions

8.1 The Council remains committed to providing services carried out in accordance with the highest ethical standards and takes steps to proactively prevent fraud and investigates concerns arising.

8.2 The fraud and corruption risks to Councils have potentially increased in the current landscape, and the Council is proactively working with Central Government to manage this as demonstrated in the report.

9. 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.

10. Consultation and communication considerations

None.

11. Background papers

Background papers used in the preparation of this report:

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

12. Appendices

- a) Prevention of fraud and corruption policy

13. 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.