Item

Annual report on prevention of fraud & corruption policy

To:
Civic Affairs Committee [22/09/2021]

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 2020 to 31 March 2021.

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. According to the Annual Fraud Indicator 2017, which provides the last set of government sanctioned estimates, fraud costs the public sector at least £40.3bn annually, with £7.3bn of this total being lost in local government.

3.2 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.

3.3 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, and this is achieved through the annual review of our Policy.

3.4 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. We have made some minor changes to the Policy to reflect updated web links and establishment changes. A copy of the Policy is attached as an Appendix to this report.

3.5 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. We continue to update our policies as new guidance is issued from professional bodies.

4. Counter Fraud capacity and resources

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

Fraud and Enforcement Team

4.2 Following the re-structure in Revenues and Benefits, counter-fraud activities are now undertaken by the newly formed Fraud and Enforcement Team.

4.3 The FaET 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.

4.4 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.

4.5 The counter-fraud resource on this new team consists of 1.0 FTE (a reduction due to the deletion of the Fraud Apprentice post and the Team Leader taking on responsibility for additional service areas).

4.6 Revenues and Benefits set up a temporary 'agile' team to deliver Business Grants as Covid19 priorities, and both the 1.0 FTE investigator and the FaET Team Leader were part of that team for most of the year, drastically reducing available resources to counter-fraud work.

4.7 Some key statistics for 2020/21 include:

i) Investigations were conducted under the Prevention of Social Housing Fraud Act, resulting in 5 Council owned properties and 1

Housing Association property 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 8 inappropriate Council Tax discounts or exemptions being removed, amounting to £7,158 in value.

iii) There were 12 inappropriate HomeLink applications which were either removed or corrected, and 3 inappropriate right-to-buy applications were also identified and declined. This ensures that the Council's resources continue to be provided for those in most genuine need.

Internal Audit

4.8 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.

4.9 During 2020 / 2021 Internal Audit processed three investigations, plus business grant work. In all cases, if appropriate, actions were agreed with management to improve controls which could mitigate risks of fraud and error.

4.10 Internal Audit received two referrals which were covered by Whistleblowing policy. This provides assurance that people are aware of their opportunity to refer concerns via the policy.

4.11 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.

4.12 A significant amount of resource in the year has been focussed on business grant counter fraud work. Updates have been provided to the Civic Affairs Committee through the Internal Audit update reports, and information is also included in the section below.

5. Strategic developments

Fighting fraud and Corruption Locally – a Strategy for the 2020s

5.1 A revised national strategy has been published. Fighting Fraud and Corruption Locally is the updated counter fraud and corruption strategy for local government. It provides a blueprint for a coordinated response to fraud and corruption perpetrated against local authorities with the support of those at the top. It outlines a governance framework for continuing national and regional collaboration on counter fraud under the Fighting Fraud and Corruption Locally umbrella.

5.2 Section four of the strategy outlines a practical programme and checklist for individual councils to follow. We have started a review of our local approach and how it contributes to the national strategy.

Combating Financial Crime

5.3 CIPFA has published a revision of its Combating Financial Crime guide. It updates public authorities on the latest money laundering regulations, draws on current best practices to prevent money laundering, and we will use this to review our processes.

Fraud in emergency situations

5.4 Our previous report to the Committee highlighted the increased potential risk that fraudsters and organised criminals will take advantage at a time of heightened risk arising from Covid-19.

5.5 There are various contributing factors. A crisis leads to urgency in delivery, reducing the time available to build in due-diligence measures. Resources likely to be stretched due to staff illness or redeployment, which in turn may affect the ability to maintain the usual segregation of duties and monitoring of activities. It will also be a potential distraction from other counter fraud activities.

5.6 Fraudsters will take advantage of the fact that people are working alone, under pressure, without their usual peer networks and potentially with less rigorous IT and information security measures.

5.7 Our Internal Audit plan recognises this and aims to detect any fraud risks.

Covid-19 stimulus risk

5.8 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.

5.9 In response to the Coronavirus, the Government announced there would be support for small businesses, and businesses in the retail, hospitality and leisure sectors, plus local discretionary schemes to reflect local need.

5.10 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.

5.11 We have also been completing post assurance activity to help identify any potential cases of fraud and error, and recover funds, by working with the National Anti-Fraud Network, the Government Counter Fraud Function and utilising tools such as Spotlight and the National Fraud Initiative.

5.12 To date we have processed 12,169 grants through our pre and post assurance systems. This identified 6 potential cases of fraud which are being investigated. Ten applications were identified as potentially fraudulent and were rejected. Information is shared with the National Anti-Fraud Network, who is co-ordinating information nationally as per Central Government guidance. This helps us to be agile in the development of controls in response to new threats, share good practice with Officers processing applications, and to minimise the likelihood of successful fraud attempts. Further data matching is also anticipated later in the year, as part of the National Fraud Initiative. Grant payments are taxable, and data is also being shared with HMRC.

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 we share 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.

6.5 We contributed to the latest CIPFA Fraud and Corruption Tracker (CFaCT) survey. CFaCT is the definitive survey of fraud and corruption activity in local government – it tracks the levels of fraud and corruption detected, the number of investigations undertaken and the types of fraud councils have encountered.

6.6 All employees are responsible for being aware of fraud risks. We have migrated our intranet to a new system, and this has provided an opportunity for us to provide awareness of risks, educational material and news in a more engaging way.

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.

7.4 We submitted data sets to the Cabinet Office for processing, and this is publicised on our website. The data matches are then returned for follow-up by the Council. The volume of matches (1,889) is similar to previous years and we have started to review these. A risk-based approach is adopted to prioritise areas which are higher risk of fraud and error.

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) Net Zero Carbon, Climate Change and Environmental Implications

None.

(e) Procurement Implications

None.

(f) Community Safety Implications

None.

10. Consultation and communication considerations

None requried.

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.