



REPORT TO: OVERVIEW AND SCRUTINY COMMITTEE

DATE: 19 JULY 2019

REPORT OF THE: SECTION 151 OFFICER (ANTON HODGE)

TITLE OF REPORT: COUNTER FRAUD FRAMEWORK UPDATE

WARDS AFFECTED: ALL

EXECUTIVE SUMMARY

1.0 PURPOSE OF REPORT

- 1.1 The council approved a counter fraud and corruption policy and strategy (with associated action plan) in July 2016. This report updates the committee on progress against the actions set out in the strategy and adds new actions for the current financial year.
- 1.2 The report also updates the council's annual fraud risk assessment for review by the committee.

2.0 RECOMMENDATION(S)

- 2.1 Members are asked to
- a) approve the updated counter fraud and corruption strategy action plan; and
 - b) comment on and note the analysis of current fraud risks faced by the council.

3.0 REASON FOR RECOMMENDATION(S)

- 3.1 To help ensure the council maintains robust counter fraud arrangements.

4.0 SIGNIFICANT RISKS

- 4.1 The risk of fraud against public bodies is growing. It is essential that the council maintains up to date counter fraud arrangements to minimise financial losses and safeguard public money.

5.0 POLICY CONTEXT AND CONSULTATION

- 5.1 Seeking to minimise losses to fraud helps to ensure that resources are directed to delivering services and supports the achievement of overall council aims.

6.0 BACKGROUND

- 6.1 Fraud continues to be seen as a significant risk to public sector finances. When fraud is committed against the public sector, money is diverted from vital public services into the hands of criminals. Fraudsters are constantly refining their tactics and techniques in order to circumvent the checks and controls put in place to prevent fraud from occurring. In order

to protect income and assets public sector bodies must continuously develop their counter fraud activity.

6.2 The most recent estimate available of annual losses to the public sector is £40.4 billion¹.

7.0 NATIONAL PICTURE

7.1 The council participates annually in CIPFA's Fraud and Corruption Tracker survey. The results of this survey are compiled in an annual summary report, contained in Appendix 1, which details national counter fraud activity in 2017/18 which is the latest data available. Key findings of the report include the following.

- Procurement fraud remains the highest perceived area of threat to local authorities. While only 142 cases were reported nationally the average loss per case exceeded £36k. Of these cases, 25% related to insider fraud and a further 20% to serious and organised crime.
- The fastest area of growth in fraud detected was in business rates with a 142% increase nationally (£4.3m in 2016/17 increased to £10.4m in 2017/18). The rise in the value of fraud detected could be as a result of more authorities participating in business rates data matching activities, uncovering more cases of fraud that had previously gone unnoticed.
- The largest volume of fraud reported nationally relates to council tax, including discounts like Single Person Discount (SPD) and benefits like Council Tax Reduction (CTR). There was a drop in the number of false SPDs detected nationally however the number of reports of CTR fraud increased by 38% (6,325 in 2016/17 to 8,759 in 2017/18).

7.2 Procurement, business rates, and council tax related fraud are all areas of focus for the counter fraud team in 2019/20 and specific actions are contained within the counter fraud strategy action plan (Appendix 2) and the counter fraud risk assessment (Appendix 3).

7.3 The Department of Work and Pensions (DWP) wrote to local authorities in October 2017 to propose joint working between local authority counter fraud officers investigating council tax reduction fraud and DWP officers investigating housing benefit fraud and other national benefits. Joint working may provide some benefits to the council - providing additional support to investigate some cases, and giving access to the Crown Prosecution Service to undertake prosecutions in those cases. The Council expressed an interest in exploring joint working and this has just begun within the Yorkshire and Humber region in June 2019. It is important that there are tangible benefits to the Council through joint working and this will be assessed during the course of 2019/20. Evaluation of the benefits of joint working is an action in the updated counter fraud strategy action plan, contained in Appendix 2.

7.4 The Investigatory Powers Act 2016 granted new powers for the intelligence service and law enforcement to obtain communications data in relation to the investigation and detection of serious crimes. These powers became available to local authority investigation officers in June 2019. Use of these powers by local authorities are subject to internal and external approval. The Investigatory Powers Commissioner provides independent oversight of use of these powers nationally. Considering establishing a process for use of these powers is also an action in the counter fraud strategy action plan.

7.5 Central government is increasingly concerned about levels of fraud within the public sector. In October 2018 they launched the Government Counter Fraud Profession (GCFP) which is a framework for counter fraud activity across government departments and related

¹ Annual Fraud Indicator 2017, Identifying the cost of fraud to the UK economy, Crowe Clark Whitehill, University of Portsmouth, Experian.

organisations. The government is investing in over 10,000 counter fraud specialists to tackle fraud within central government. The GCFP does not currently involve local authorities, but it will likely be expanded in the future.

8.0 LOCAL TRENDS

- 8.1 The counter fraud team continues to receive substantial numbers of referrals (63 in 2018/19) of potential fraud from the public (39%), members of staff (43%), data matching exercises (16% - local and national), and external agencies (2%).
- 8.2 The majority of the referrals are for council tax and business rates (53%) and council tax support fraud (44%). In addition, one internal fraud referral was received this year and one referral relating to external parties.
- 8.3 The counter fraud team produced £24,659 of actual savings for the Council in 2018/19 meeting the team's annual target of £20,000. Fifteen investigations were completed last year.

9.0 COUNTER FRAUD FRAMEWORK

- 9.1 The Council's Counter Fraud and Corruption Strategy 2016-19 was approved in July 2016. The strategy takes into account the national collaborative counter fraud strategy for local government in the UK (Fighting Fraud & Corruption Locally). No changes are required to the strategy itself, however the associated action plan, in Appendix 2, has been updated to reflect action taken, and the addition of new objectives for 2019/20. A new national counter fraud strategy for local government is expected to be released in 2020. This will be used as the basis for a renewal of the council's counter fraud strategy.
- 9.2 It is recognised good practice for councils to assess their risk of fraud on a regular basis. The overall counter fraud risk assessment for the council is updated annually - the latest update is included in restricted Appendix 3.
- 9.3 As part of this review the Council's Counter Fraud Policy has also been reviewed but no changes are required.

10.0 IMPLICATIONS

- 10.1 The following implications have been identified:
 - a) Financial
None
 - b) Legal
None
 - c) Other (Equalities, Staffing, Planning, Health & Safety, Environmental and Climate Change, Crime & Disorder)
None

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Background Papers:

- None

Appendices:

Appendix 1: Cipfa CFaCT 2018 (Counter Fraud and Corruption Tracker) survey

Appendix 2: Counter Fraud and Corruption Strategy Action Plan

Appendix 3: Fraud Risk Assessment 2019 (Restricted)