



Report Reference Number: A/19/18

To:	Audit & Governance Committee
Date:	29 January 2020
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APPENDIX C IS NOT FOR PUBLICATION. This Report contains exempt information under paragraph 3 of schedule 12A to the Local Government Act 1972 as amended.

Title: Counter Fraud Framework Update

Summary:

A new counter fraud and corruption strategy, with associated action plan, was approved by the council in 2017. This report provides an update to the committee on progress against the actions set out in the strategy. An updated counter fraud risk assessment is also included which reflects the current fraud risks facing the council.

Recommendation:

It is recommended that the committee approve the revised counter fraud and corruption strategy action plan. In addition the committee is asked to comment on and note the updated counter fraud risk assessment.

Reasons for recommendation

To help ensure the council maintains robust counter fraud arrangements.

1 Introduction

- 1.1 The safeguarding of taxpayers money is a responsibility of all councils and their employees. Councils undertake a range of roles to support and provide services to their communities as well as helping residents in moments of need. When fraud against the public sector is committed and seen to not be addressed the effects are twofold; there is less money to support local services and the trust the public has in its local council can erode. A strong deterrent is required to prevent

fraud from being committed in the first place and reassure the public of the council's stewardship of their money.

- 1.2 This report documents the annual review of the council's counter fraud framework which includes the counter fraud strategy and action plan, counter fraud policy, and fraud risk assessment. In addition it informs the committee of national and local counter fraud trends and developments.

2 National Picture

- 2.1 The council participates in CIPFA's Fraud and Corruption Tracker survey, which gathers data on fraud from councils across the UK. The findings are published in an annual report. Fraud data from 2018/19 for Selby District Council was provided in June 2019. The annual report was published in November 2019 and is included at appendix A for information.
- 2.2 Key trends highlighted by the report include the following.
- Levels of housing fraud detected nationally (in terms of both subletting and fraudulent right to buy applications) has fallen. However the average loss per case remains high at £32k. Councils nationally built the most new council homes since 1990 in 2018/19 and this investment in social housing continues to be at risk from false applications, illegal subletting and fraudulent right to buys.
 - The highest volume of fraud reported in the survey relates to council tax fraud, which includes claims for council tax support as well as single person discounts. The number of cases reported and the average loss from council tax support frauds has steadily increased since its inception in 2013. The current average loss is £802 per fraudulent claim.
 - Procurement Fraud is still seen as the highest area of risk for local authorities. Fraud can take place at any point in the supply chain of services making it difficult to detect. CIPFA reports that 12% of cases detected involved insider fraud and 5% involved serious and organised fraud.
- 2.3 Procurement, housing and council tax related frauds are all areas of focus for the counter fraud team in 2020/21 and specific actions are contained within the counter fraud strategy action plan at appendix B.
- 2.4 The last Fighting Fraud and Corruption Locally (FFCL) Strategy for local government was last published in 2016 and runs until 2019. A new strategy is expected to be published in 2020 by the FFCL board which is hosted by CIFAS and made up of volunteers from relevant local and national bodies. Veritau participated in a regional meeting in October to help shape the strategy. Once published the new FFCL strategy will inform the council's own strategy. An action to revise the

council's current strategy is also contained in the counter fraud strategy action plan.

- 2.5 In 2019, the Department for Work and Pensions (DWP) began joint working with local authorities to tackle fraud relating to government managed benefits (e.g. housing benefit and universal credit) where they interact with council managed benefits (e.g. council tax support). To date, the amount of joint working in North Yorkshire has been minimal. There have been no joint working cases for Selby District Council. At present it is not possible to evaluate the positive or negative effects of joint working for the council.

3 Local Trends

- 3.1 The number of referrals for potential fraud received by the counter fraud team has continued to rise. Compared to the same point last year the team have experienced an 18% increase in referrals received. This is the second year of double digit percentage increases in referrals received (last year at the end of quarter 3 the team had experienced a 20% increase). Analysis has shown the increase this year is due to more referrals from both the public and members of staff.
- 3.2 Over the last year, the counter fraud team has worked closely with officers in housing services to raise awareness of fraud issues and ensure that potential fraud cases are referred for investigation. This has led to an increase in levels of fraud being reported. In 2018/19 four referrals for housing fraud were received. In 2019/20 this has increased to six referrals for the year to date. The closer working relationship between the teams has also resulted in better outcomes from fraud cases. In December, the council (working with the counter fraud team) successfully prosecuted a former tenant for illegally subletting a council property in Tadcaster over a two year period. The offender was ordered to repay the council over £1400 in fines and court costs. The counter fraud team have also worked closely with the legal and housing departments to provide additional checks on right to buy applications to ensure that they have been made correctly. It is hoped that this action will provide a deterrent to others contemplating housing fraud and encourage the public to report the fact should they become aware of similar situations.
- 3.3 There has been a 50% decrease in statutory requests from the DWP in relation to housing benefit investigations in 2019/20 – 60 to the end of the third quarter compared to 118 at the same point last year. This is unexpected given that there are still large numbers of people claiming housing benefit from the council.

4 Review of Counter Fraud Strategy and Risk Assessment

- 4.1 The council's Counter Fraud and Corruption Strategy 2017-19 was approved by the committee in January 2017. 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 main body of the strategy, however the associated action plan, in appendix B, has been updated to indicate progress on tasks as well as new objectives for 2020/21.

- 4.2 It is recognised good practice for councils to assess their risk of fraud on a regular basis. A counter fraud risk assessment was first produced for the council in September 2016 and has been updated annually since then. The risk assessment included in restricted appendix C is the latest update of that document. A number of specific actions are included in the risk assessment. These include work to be undertaken by both the internal audit and the counter fraud teams as part of their 2019/20 and 2020/21 plan of work for the council.
- 4.3 As part of this review the council's Counter Fraud Policy has also been reviewed but no changes are required.

5 Legal/Financial Controls and other Policy matters

5.1 Legal issues

- 5.1.1 Appendix C to the report is exempt from disclosure under the provisions of paragraph 3 of Schedule 12A to the Local Government Act 1972 as it contains information relating to the financial or business affairs of any person including the authority itself. The appendix contains detailed information relating to the systems and processes that the Council has in place to manage fraud risk. The information, if published, could put the Council at increased risk of fraud. Councillors will need to resolve to meet in private session if they wish to discuss any issues arising from Appendix C.

5.2 Financial Issues

- 5.2.1 There are no financial implications as a result of this report.

6 Conclusion

- 6.1 This report updates the committee on national and local developments within counter fraud. It also presents the outcomes of the annual review of counter fraud arrangements which helps to ensure that the Council maintains a robust counter fraud policy framework and has an up to date fraud risk assessment in place.

7 Background Documents/Contacts

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Appendices:

- Appendix A: CIPFA Fraud and Corruption Tracker 2019
- Appendix B: Counter Fraud and Corruption Strategy Action Plan
- Appendix C: Fraud Risk Assessment (NOT FOR PUBLICATION. This Appendix contains exempt information under paragraph 3 of schedule 12A to the Local Government Act 1972 as amended)