



**ST HELENS**  
BOROUGH COUNCIL

## **Audit and Governance Committee**

**November 2020**

### **ANTI-FRAUD, BRIBERY AND CORRUPTION UPDATE**

#### **1.0 Purpose of the Report**

- 1.1 To provide Audit and Governance Committee with an update on the Council's arrangements for the prevention, identification, investigation and reporting of potential or actual fraud, bribery and corruption.

#### **2.0 Introduction**

- 2.1 The Local Government Act 1972 (S151) requires that 'every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs'. The Council's Chief Financial Officer has been assigned those responsibilities.
- 2.2 Financial Procedure Rules, contained within the Council's Constitution, require the Chief Financial Officer to develop and maintain relevant anti-fraud and anti-corruption policies and to monitor the effectiveness of internal control arrangements.
- 2.3 The Council's Financial Procedure Rules include the responsibility for Executive Directors to report all suspected irregularities and financial improprieties to the Chief Financial Officer.
- 2.4 In addition, the Council's Financial Procedure Rules detail the powers provided to Internal Audit, to undertake responsibilities on behalf of the Chief Financial Officer, including investigation into matters which may suggest the involvement of fraud, corruption or irregularities.
- 2.5 The Council has a zero-tolerance approach to fraud, bribery and corruption.
- 2.6 In accordance with the Anti-Fraud, Bribery & Corruption Strategy, an annual report is required to be provided to the Audit & Governance Committee on performance against the Strategy and the effectiveness of the Strategy.

### **3.0 Anti-Fraud Bribery & Corruption Strategy and Policy**

- 3.1 The Audit & Governance Committee was last presented with the Anti-Fraud Bribery & Corruption Strategy and the Anti-Fraud Bribery & Corruption Policy at the meeting on 11<sup>th</sup> November 2019. The reviewed Strategy and Policy were approved by the Committee.
- 3.2 The Anti-Fraud Bribery & Corruption Strategy has been subject to an annual review and is shown at Appendix 1.
- 3.3 The Anti-Fraud Bribery & Corruption Policy will be brought back to the Committee for approval once the ongoing restructure of the Council has been finalised.

### **4.0 Fraud Self-Assessment**

- 4.1 An annual Fraud Self-Assessment based on the Chartered Institute of Public Finance & Accountancy (CIPFA) Code of Practice on Managing the Risk of Fraud & Corruption has been undertaken since September 2015. Where relevant, actions have been identified and all identified actions completed.
- 4.2 For 2020, the Fraud Self-Assessment has been revisited against the current arrangements. No actions have been identified as a result of this refreshed Fraud Self-Assessment.
- 4.3 The completion of the Fraud Self-Assessment should provide adequate assurances that the Council has appropriate arrangements in place to prevent, deter, detect and respond to instances of fraud, bribery and corruption.

### **5.0 Anti-Fraud, Bribery and Corruption Plan**

- 5.1 An annual Anti-Fraud, Bribery and Corruption Plan was developed for 2019/20, and formed part of the annual Internal Audit Plan. This is based upon a Fraud Risk Assessment which covers known risk areas based on Internal Audit knowledge of the Council and fraud reports from fraud benchmarking exercises completed which identify new and emerging risks.
- 5.2 The table at Appendix 2 provides details of the work undertaken against the Anti-Fraud, Bribery and Corruption Plan for 2019/20.
- 5.3 An Anti-Fraud, Bribery and Corruption Plan was drafted for 2020/21. However, following the outbreak of COVID-19, the annual Internal Audit Plan had to be revised to ensure that appropriate provision was allocated to COVID-19 work. As a result, the original days allocated to the Anti-Fraud, Bribery and Corruption Plan have been moved to COVID-19 work. The original work included in the 2020/21 Anti-Fraud, Bribery and Corruption Plan will be carried forward into 2021/22.

### **6.0 Staffing Resources**

- 6.1 Internal Audit has two qualified officers in post, two Senior Auditors are Accredited Counter Fraud Technicians. Internal Audit is both qualified and experienced to conduct such investigations.
- 6.2 In addition, the Council has retained a fraud and error reduction function within Benefits and Local Taxation following the transfer of Benefit Fraud Team to the Department for Work and Pensions (DWP) in November 2015. The team consists of two existing experienced members of staff who are responsible for:

- Investigating allegations of fraud and error within Business Rates, Council Tax and locally administered benefits or awards.
  - Acting as a single point of contact for DWP investigators.
  - Reviewing relevant data matches from the National Fraud Initiative and Housing Benefit Matching Service.
  - Assisting with implementing fraud and error reduction initiatives.
  - Undertaking proactive reviews.
  - Working with teams to promote referrals and reduce incidents of fraud and error within the system.
- 6.3 A Fraud Hotline and Online Reporting Form was introduced in November 2015. All reports that are Suspected or alleged Housing Benefit fraud should be reported to the Single Fraud Investigation Service (SFIS) via the National Benefit Fraud Hotline.
- 6.4 Reports relating to Council Tax and Business Rates are dealt with by the Fraud Team based in the Revenues & Benefits Section. All other reports are dealt with by Internal Audit.
- 7.0 Referrals and Investigations by Council Tax and Business Rates**
- 7.1 The function receives referrals from a wide range of sources, including: the public; employees; other organisations; and data matching services. It also operates a programme of reviews to verify ongoing entitlement to awards and prompt the timely reporting of changes in circumstances.
- 7.2 The team conduct both criminal and compliance investigations. Criminal investigations are conducted in accordance with relevant legislation with a view to applying a criminal sanction. Compliance investigations involve contacting and interviewing customers to verify information and ensure that discounts and awards are correct.
- 7.3 At the conclusion of an investigation a decision is made as to the most appropriate disposal of a case. The Criminal Sanction and Civil Penalty Policy defines the tests that will be applied before recommending a case for:
- i. criminal action– prosecution, local authority caution or administrative penalty;  
or
  - ii. civil action – civil penalty, warning letter.
- 7.4 The Council has signed up to a joint working initiative with the DWP to enable fraud allegations concerning DWP administered benefits, Housing Benefit and Council Tax Reduction to be jointly investigated to reduce duplication and ensure that the overall level of fraud is considered when determining the correct disposal of a case. Joint investigations that are recommended for prosecution are referred to the Crown Prosecution Service.
- 7.5 Four joint investigations have commenced during 2019/20 however, due to the Covid-19 response, DWP investigators have been temporarily seconded to support new claims processing for Universal Credit. It is anticipated that joint working will recommence shortly.

7.6 Savings identified to 30<sup>th</sup> September this year and full year savings from last year:

| Type / Outcome  | 1 Apr 2019 to<br>31 Mar 2020 |        | 1 Apr 2020 to<br>30 Sep 2020 |        |
|---|------------------------------|--------|------------------------------|--------|
|   | No                           | £(000) | No                           | £(000) |
| Blue Badge misuse:  |                              |        |                              |        |
| - Warning letters   | 16                           | -      | 2                            | -      |
| Business Rates:   |                              |        |                              |        |
| Additional revenue identified   | 10                           | 61.7   | 2                            | 7.7    |
| Council Tax Reduction:  |                              |        |                              |        |
| - Civil Penalty   | 8                            | 9.4    | -                            | -      |
| - Warning Letter  | 5                            | 6.6    | 1                            | 0.1    |
| - Other savings   | 184                          | 73.0   | 41                           | 28.5   |
| Other Council Tax Savings:  |                              |        |                              |        |
| - Single Occupancy Discount   | 124                          | 36.9   | 13                           | 2.5    |
| - Other discounts / exemptions  | 7                            | 6.3    | 1                            | 0.2    |
| Housing Benefit: savings from proactive reviews, CTR investigations and DWP fraud and error reduction initiatives | 38                           | 72.1   | 10                           | 50.0   |
| Covid-19 Business Grants:<br>(funded by central government)   |                              |        |                              |        |
| - Attempted frauds  | N/A                          | N/A    | 16                           | 360.0  |
| - Fraud & error identified (paid)   |                              |        | 5                            | 65.0   |
| - Fraud & error recovered (to date)   |                              |        | 3                            | 30.0   |

## 8 Referrals and Investigations by Internal Audit

8.1 The following table provides a breakdown of the reports received by Internal Audit through the Hotline and Online Reporting Form:

| Year    | Total Received | Housing Benefit | Council Tax | Blue Badge | Insurance | Social Care | Other |
|---------|----------------|-----------------|-------------|------------|-----------|-------------|-------|
| 2015/16 | 14             | 6               | 5           | 1          | 1         | 0           | 1     |
| 2016/17 | 67             | 29              | 17          | 11         | 3         | 1           | 6     |
| 2017/18 | 41             | 21              | 4           | 4          | 0         | 4           | 8     |
| 2018/19 | 47             | 16              | 3           | 17         | 1         | 1           | 9     |
| 2019/20 | 53             | 19              | 8           | 17         | 0         | 4           | 5     |

8.2 In addition, suspicions of irregularity have continued to be reported internally and via confidential reporting. Internal Audit have been involved in 18 investigations during 2019/20, including:

- Social Care Fraud – one
- Direct Payments Misuse – seven
- Employee Theft of Time – three
- Misappropriation of Council assets – five
- Procurement – two

8.3 Outcomes of investigations held by Internal Audit, include one referred to police due to abuse of a vulnerable adult, one case being investigated by the DWP, two employees dismissed, two employees resigning from the Council during the disciplinary process, one being dismissed pending the result of a tribunal following an unsuccessful appeal, and others being dealt with by management action or improved internal controls.

## **9.0 Fraud Training and Awareness**

- 9.1 In acknowledging the value of fraud awareness as the most inexpensive and effective way to tackle fraud, the Council has focused on pro-active means of fraud deterrence and prevention.
- 9.2 The Council takes a co-ordinated approach to raising fraud awareness with staff and the public, during International Fraud Week, a campaign supported by Local Authorities across the region. The next International Fraud Week is scheduled for 15 to 21 November 2020. During this week the Council will seek to promote awareness of fraud and the methods of referring such concerns to the Council. Ordinarily the Council would display electronic posters in Libraries and other public areas of the Council, however this will not be possible this year due to COVID-19. The Council will aim to reach out to members of staff via a message in their payslips and to members of the public via the Council's Social Media platforms, the Intranet, and a Press Release.
- 9.4 The Guidance available for reporting any suspicion of fraud, bribery or corruption has been reviewed and is available to all staff on the Council's Intranet. This is subject to annual review.
- 9.5 In 2018/19, a new fraud awareness e-learning module was written and developed for all staff. This was launched for all staff with access to the Council's network on 25<sup>th</sup> February 2019 and provides an understanding of fraud, bribery and corruption, providing examples relevant to the Council and the importance of raising concerns. The e-learning was supported by the distribution of briefing notes for staff without network access, to reach all members of Council staff.
- 9.6 Uptake currently stands at:

|             |       |     |
|-------------|-------|-----|
| Completed   | 1,959 | 82% |
| In Progress | 127   | 5%  |
| Not Started | 302   | 13% |

- 9.7 Tailored sessions were planned to be held with key risk areas following the launch of the fraud awareness e-learning module, to ensure that staff are aware of their responsibilities, with the aim of reducing/identifying fraud committed against the Council. However, due to current circumstances, this has been rolled forward and will start to commence once the Council moves into the new way of working, post COVID-19.

## **10.0 National Fraud Initiative**

- 10.1 The Council receives and reviews data that has been matched by the National Fraud Initiative (NFI) for the purpose of detection of fraud and error.
- 10.2 For the most part, relevant services are responsible for reviewing matches identified in their areas. Internal Audit conducted an audit review to ensure that services are reviewing their matches as expected.
- 10.3 Internal Audit reviewed matches that did not sit with a service area, such as those with a potential conflict of interest implication.

## **11 Covid-19 Response**

- 11.1 Since April 2020, the Council, in addition to fraud and error work, has been responsible for processing £26.6m of Covid-19 Business Grants to businesses in receipt of Small Business Rates Relief (SBRR) and Retail, Hospitality and Leisure Relief (RHRL). These grants are fully funded by central government. The table in paragraph 7.6 above includes a number of fraud and error cases identified (paid) and recovered to date, the remainder of which will be pursued.
- 11.2 Due to the government's requirement to process claims promptly, the Revenue and Benefits Team, in conjunction with Internal Audit, will be undertaking post-assurance checks. A plan has been drawn up including undertaking a SBRR audit and other data matching exercises including the National Fraud Initiative to verify eligibility of payments made.

## **12.0 Collaborative Working**

- 12.1 Internal Audit continues to meet with the Mersey Region Fraud Group on a quarterly basis to share recent cases and lessons learnt, and to look at the potential for collaborative working. The sharing of cases and lessons learnt helps to inform targeted work as part of the Anti-Fraud, Bribery and Corruption Plan.
- 12.2 The outcome of the Fraud Standards work has been the development of the Government Counter Fraud Profession (GCFP). St Helens Council is involved in a north-west pilot group for GCFP, which aims to achieve this standard before it becomes an expectation for all local authorities, which is anticipated in 2021.
- 12.3 The Fighting Fraud & Corruption Locally (FFCL) Strategy (A Strategy for the 2020s) was published in March 2020, and the Council was involved in the workshops which were used to inform the Strategy.
- 12.4 The Council has been invited to sit on the FFCL Regional Operational Group, as a North West representative. The Group was set up in response to a number of recommendations made in the FFCL Strategy, calling for local authorities to work together to illustrate the benefits that can accrue from fighting fraud more effectively. The group will meet three times a year and held its inaugural meeting in September 2020.

## **13.0 Appendices**

- Appendix 1 - Anti-Fraud, Bribery & Corruption Strategy
- Appendix 2 - work undertaken against the Internal Audit Anti-Fraud, Bribery and Corruption Plan for 2019/20

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