

## **Counter Fraud Framework Update**

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### **Summary**

- 1 The council approved a new counter fraud and corruption strategy and associated action plan in 2017. This report represents the third annual review of the strategy. It updates the committee on progress against the actions set out in the strategy over the past three years and adds new actions for the next financial year. In addition the council's counter fraud risk assessment has been updated to reflect fraud risks currently facing the council.

### **Background**

- 2 Fraud is a serious risk to the public sector in the UK. 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 to meet the evolving threat.
- 3 This report documents the annual review of the council's counter fraud framework which includes a 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 developments.

### **National Picture**

- 4 CIPFA's annual Fraud and Corruption Tracker report (annex 1) was recently released. The report details levels of fraud detected by local authorities across the UK in 2018/19. Key findings of the report include the following.

- Adult social care fraud was perceived as one of the three largest areas of concern for local authorities in 2018/19. Whilst the number of cases of fraud in this area declined from the previous financial year, the amount of loss recorded more than doubled. The average value associated with an adult social care fraud investigation nationally is £29k, though CIPFA report that this is in part due to some very large frauds detected.
- Procurement Fraud is another area seen as being a high risk for local authorities. Fraud can take place at any point in the supply chain of goods and services making it difficult to detect. CIPFA reports that 12% of cases detected involved insider fraud and 5% involved serious and organised fraud.
- The largest area of loss for local authorities is in council tax related discounts, e.g. single person discounts and council tax support. The amount of fraud detected has risen by over £5m since 2016/17 to £30.6m.
- 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.

- 5 Procurement fraud, adult social care fraud and council tax 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 (annex 2) and the counter fraud risk assessment (annex 3).
- 6 The most recent Fighting Fraud and Corruption Locally (FFCL) Strategy for local government was 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.
- 7 In 2019, the Department for Work and Pensions (DWP) began joint working with local authorities to tackle fraud relating to both government managed benefits (e.g. housing benefit and universal credit) and council managed benefits (e.g. council tax support). To date, the amount of joint working in York has been modest. There

are nine investigations ongoing at present, but it is not possible at this stage to evaluate the pros and cons of joint working for the council.

### **Local Picture**

- 8 The total amount of fraud detected up to quarter 3 of 2019/20 is £190k. The majority of loss comes from one area, adult social care, which accounts for 66% of all losses detected. A single case of fraud accounted for £86k of loss to the council. The investigation into the offence was successful, the debt was repaid in full and one person was successfully prosecuted. This was the council's first prosecution of an adult social care fraud.
- 9 When ongoing loss due to fraud is stopped or a debt that has arisen in the course of an investigation is repaid then this is recorded as an actual saving for the council. At the end of quarter 3, the counter fraud team helped to produce £235k of actual savings against an annual target of £200k.
- 10 In 2018 the council asked Veritau to oversee management of the council's whistleblowing policy. A review of the current policy and procedures against good practice guidance was completed in 2019 and an updated policy was subsequently drafted. Following consultation, the new policy was approved in January 2020. The promotion of the new policy to employees and managers is an action in the strategy action plan at annex 2.

### **Counter Fraud Framework Review**

- 11 The council's Counter Fraud and Corruption Strategy 2017-19 was approved in February 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 strategy itself, however the associated action plan, in annex 2, has been updated to reflect action taken, and the addition of new objectives for 2020/21.
- 12 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 annex 3.
- 13 A review of the council's Counter Fraud Policy has also been undertaken in January 2019 although no changes are currently required.

## **Consultation**

- 14 Not relevant for the purpose of the report.

## **Options**

- 15 Not relevant for the purpose of the report.

## **Analysis**

- 16 Not relevant for the purpose of the report.

## **Council Plan**

- 17 The work of internal audit and counter fraud supports overall aims and priorities by promoting probity, integrity and honesty and by helping to make the council a more effective organisation.

## **Implications**

- 18 There are no implications to this report in relation to:

- **Finance**
- **Human Resources (HR)**
- **Equalities**
- **Legal**
- **Crime and Disorder**
- **Information Technology (IT)**
- **Property**

## **Risk Management Assessment**

- 19 The council will fail to comply with proper practice if counter fraud and corruption arrangements are not reviewed periodically.

## **Recommendations**

- 20 Members are asked to;
- comment on the updated Counter Fraud and Corruption Strategy Action Plan in annex 2

## Reason

*In accordance with the committee's responsibility for assessing the effectiveness of the Council's counter fraud arrangements.*

- comment on the updated Fraud Risk Assessment and proposed priorities for counter fraud work set out in Annex 3.

Reason

*To ensure that scarce audit and counter fraud resources are used effectively.*

**Contact Details**

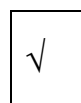
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**Report  
Approved**



**Date** 24 January  
2020

**Specialist Implications Officers**

Not applicable

**Wards Affected:** Not applicable

**All**



**For further information please contact the author of the report**

**Background Papers**

Fighting Fraud & Corruption Locally - The local government counter fraud and corruption strategy 2016 - 2019

**Annexes**

Annex 1 – CIPFA Fraud and Corruption Tracker 2019

Annex 2 – Counter Fraud and Corruption Strategy Action Plan

## Exempt Annex 3 - Counter Fraud Risk Assessment