

## **Counter Fraud Framework Update**

### **Summary**

- 1 The council approved a new counter fraud and corruption strategy and associated action plan in 2017. This report represents the second annual review of the strategy. It updates the committee on progress against the actions set out in the strategy over the past two 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.
- 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 2017/18. 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.
- Housing fraud is still seen as a significant area of potential loss for local authorities due to the value of housing stock held. The number of illegally sublet properties detected fell but the number of fraudulent right to buy (RTB) applications increased by 18%. CIPFA found that the average discount in fraudulent RTB applications was in excess of £60k.
- The number of Adult Social Care (ASC) fraud cases detected nationally increased by 65% between 2016/17 and 2017/8. Although the average value of losses in these cases is relatively low (the average loss per case fell from £12.5k to £9k between 2016/17 and 2017/18). This is somewhat different to the experience of social care fraud at York which tend to be some of the higher value cases investigated (average value £31.8k in 2018/19).

- 5 Procurement fraud, business rates fraud, adult social care fraud and right to buy applications 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 (annex 2) and the counter fraud risk assessment (annex 3).
- 6 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 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 may be expanded in the future.
- 7 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 support (CTS) fraud and DWP officers investigating housing benefit (HB) 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. However it is unknown how this will work in practice. City of York Council expressed their interest in exploring joint working following the request from the DWP in 2017. A national rollout began in September 2018 and is due to begin in the Yorkshire and Humber region in May 2019.

### **Local Trends**

- 8 In York, total levels of fraud detected by the counter fraud team have increased over the last year. Around £245k of losses were identified by the counter fraud team in the first three quarters of the current financial year - compared to £238k in the whole of 2017/18. Comparing fraud losses at 31 December 2017 (£245k) and 2018 (£150k) the increase is 63%. It is not possible to say whether this is indicative of increased fraud activity generally, or due to improved reporting and detection of fraud.
- 9 The increase in losses detected within Council Tax and Business Rate fraud is significant, and reflects the trend nationally (see paragraph 4). In 2017/18 £26k in loss was recorded for the year compared to £91k at quarter 3 in the current year. The year on year comparison at quarter 3 shows a 469% increase (£16k to £91k). This has been an area of focus for the counter fraud team over a number of years, including activities such as fraud awareness training and data matching. The council is believed to have become the first local authority nationally to prosecute someone for Small Business Rate Relief fraud in May 2018.
- 10 Where losses due to fraud are stopped or repaid this results in actual savings for the council. While losses have increased this year, there has also been a corresponding increase in savings. At the end of quarter 3, actual savings were £288k - a year on year increase of 72% compared to the same point in 2017/18. The team is on track to exceed the savings of £298k recorded in 2017/18.

### **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 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 review of the council's counter fraud strategy.

- 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. New legislation (the Investigatory Powers Act 2018) and joint working with the DWP may necessitate an update to the policy in 2019/20.

### **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**

**Author:**

Max Thomas  
Head of Internal Audit  
Veritau Limited  
Telephone: 01904  
552940

**Chief Officer Responsible for the report:**

Ian Floyd  
Deputy Chief Executive  
Customer and Corporate Services  
Telephone: 01904 551100

**Report  
Approved**



**Date** 25 January  
2018

### **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 2018

Annex 2 – Counter Fraud and Corruption Strategy Action Plan

Exempt Annex 3 - Counter Fraud Risk Assessment (This information is classed as exempt under paragraph 7 Schedule 12A to Section 100A of the Local Government Act 1972 (as revised by the Local Government (Access to Information) (Variation) Order 2006).)