

ANGUS COUNCIL

SCRUTINY AND AUDIT COMMITTEE – 22 JUNE 2017

CORPORATE COUNTER FRAUD REVIEW 2016/17

**REPORT BY SHAN COOMBS, ACTING SERVICE MANAGER–GOVERNANCE AND
CONSULTANCY**

ABSTRACT

This report provides background to the work of the Corporate Fraud Team (CFT) and summarises the activity undertaken by them in the year to 31 March 2017.

1. RECOMMENDATIONS

It is recommended that the Scrutiny and Audit Committee:

- (i) review and scrutinise the contents of this report;
- (ii) consider the amended Counter-Fraud and Corruption Strategy (Appendix 1) and provide any comment;
- (iii) note that the Counter-Fraud and Corruption Strategy was submitted to the Policy and Resources Committee on 20 June for approval

2. ALIGNMENT TO THE ANGUS COMMUNITY PLAN/SINGLE OUTCOME AGREEMENT/CORPORATE PLAN

This report supports the council's zero tolerance approach to fraud and corruption, which in turn supports services in the delivery of local outcomes contained within the Angus Community Plan and Single Outcome Agreement 2013-2016.

3. BACKGROUND

The Council has a zero tolerance approach to fraud and corruption and the existence of a professional Corporate Fraud Team (CFT) demonstrates the Council's commitment to its objectives.

The CFT is a specialist investigative team which operates within the Governance & Consultancy Service in the Chief Executive's Unit and consists of 2.3 full time equivalent members of staff. Staff resources were reduced in year 2016/17 by 0.25 FTE due to staff secondment.

In 2015 the responsibility for investigating allegations of Housing Benefit fraud in Angus transferred to the Single Fraud Investigation Service (SFIS). All other corporate fraud work remains the responsibility of the Council. The key fraud risks facing the Council include:

- Council Tax reduction / exemptions and discounts
- Housing tenancy
- Procurement
- Internal / employee

The work of the CFT in identifying fraud is invaluable in ensuring that resources are protected.

4. 2016/17 OVERVIEW

4.1 Counter Fraud Policies

Angus Council is committed to minimising the risk of loss due to fraud or corruption and to taking appropriate action against those who attempt to defraud the Council, whether from within the authority or from outside.

A review of the Counter-Fraud and Corruption Strategy and the framework in place to support this strategy was undertaken to demonstrate this commitment. As a result the following policies were submitted to the Scrutiny & Audit Committee on 23 August 2016 and subsequently approved by the Policy & Resources Committee on 30 August 2016. (Report 308/16 refers)

- Counter-Fraud and Corruption Strategy
- Fraud Response Plan
- Whistleblowing Policy

In an effort to promote and enforce the Counter-Fraud Strategy and framework, all of these policies have been posted on the Council's intranet and have been publicised in the weekly mini matters staff update. The Council's web page on 'fraud' has also been developed and any type of fraud against the council can now be reported online.

A further amendment has been made to the Counter-Fraud and Corruption Strategy to clarify the procedure and the authorisation required prior to submitting a case to the Procurator Fiscal. The revised Counter-Fraud and Corruption Strategy, with tracked changes, is attached at Appendix 1 for consideration. It was submitted to the Policy and Resources committee for approval on 20 June 2017. (Report 199/17 refers.)

4.2 Council Tax

Council Tax is an area where the Council is exposed to loss. This is largely where false information is provided to obtain reductions and / or discounts and exemptions. The Audit Commission estimated that 4 – 6% of all Single Person Discount claims are fraudulent.

The CFT use data matching techniques in order to identify Council Tax fraud and incorrectness and also to improve the integrity of the Council's records.

In 2016/17, data matching initiatives have resulted in the removal of discounts as follows:

Council Tax / Education Records	£25,701
Council Tax / Students in Further Education	£32,630

In addition to data matching the CFT continue to examine any allegations of Council Tax fraud. The CFT works in collaboration with colleagues in Revenues, and with their continued professional support have identified non benefit savings of £14,739.

4.3 Benefit Fraud

Although the responsibility for the investigation of Housing Benefit fraud transferred to SFIS in 2015, the CFT continue to identify benefit overpayments. These overpayments, which are recoverable, have arisen from the investigation of other case types such as tenancy fraud and Council Tax allegations and also from referrals received from the Housing Benefit Matching Service. The overpaid benefits identified during the year to 31 March 2017 amount to £49,714.

In addition to the above overpayments being identified, one Angus Council employee involved in benefit fraud was subject to disciplinary action.

4.4 Tenancy Fraud

Tenancy fraud is now recognised as one of the most significant areas of fraud committed against local authorities. Examples of tenancy fraud include unlawful subletting, wrongful tenancy assignment and succession, failure to use a property as the principal home and use of false information in a housing application to gain a tenancy. The effective investigation of these allegations will ensure that more properties are available for those in genuine need.

A joint approach to the investigation of tenancy fraud allegations by counter fraud staff and housing colleagues has led to the successful recovery of five council properties. One fraudulent homeless application has also been denied.

4.5 Employee Investigation

A further risk to the Council is employee fraud. Types of employee fraud are wide ranging and can include misuse of resources, fraudulent claims for allowances and expenses and abuses of flexible working time. The CFT play a role in policing adherence to the Employee Code of Conduct and Financial Regulations.

CFT staff has been working in areas such as abuses of flexible working time systems, petty cash irregularity and misuse of purchasing systems and council assets.

4.6 National Fraud Initiative

The National Fraud Initiative (NFI) is a biennial counter fraud initiative, led in Scotland by Audit Scotland. NFI matches electronic data about individuals within and between public and private sector bodies to prevent and detect fraud. Participation in NFI is an integral part of the council's corporate approach to the prevention and detection of fraud and error. NFI matches were received in the early part of 2017. An overall approach to reviewing these cases has been agreed with the Section 95 Officer and investigations are underway. A progress report on NFI will be submitted to this committee after the recess.

5. **FUTURE PLANS**

In 2017/18 the CFT will continue to be proactive in developing and promoting a counter fraud culture within Angus Council. The focus of the CFT in the coming year will be as follows:

- Review and investigate, where appropriate, matches received from the NFI.
- Use data matching techniques to validate data and identify fraud and incorrectness.
- Work collaboratively with IT colleagues to automate fraud detection, where possible.
- Work with Human Resources staff to further develop procedures for dealing with employee investigations.
- Undertake self-assessment against best practice, to review and assess counter fraud arrangements within the council.
- Work in partnership with Housing colleagues to combat tenancy fraud.

6. **CONCLUSION**

The CFT has had a successful year, revising existing counter-fraud policies to strengthen the council's counter-fraud framework; publicising and promoting counter fraud on the council's website and internal intranet and working collaboratively throughout the Council to raise awareness and to provide a specialist investigation service.

Five council properties were recovered and savings in excess of £122,000 were identified. CFT staff have investigated allegations of employee fraud and in doing so have managed the risk of financial and reputational loss associated with employee misconduct.

The CFT will continue to work to manage resources to counter fraud and ensure the ongoing safeguarding of public resources. This will play a significant role in protecting public assets.

7. **FINANCIAL IMPLICATIONS**

Action is taken by the Council to recover overpayments identified in investigations.

8. **EQUALITIES IMPLICATIONS**

The issues contained in the report fall within an approved category that has been confirmed as exempt from an equalities perspective.

NOTE: No background papers, as detailed by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) were relied on to a material extent in preparing the above report.

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List of Appendices: Counter-Fraud and Corruption Strategy