



'Working in partnership for a sustainable, high quality service'



COUNTER FRAUD REPORT 2014-15
Cheltenham Borough Council

Counter Fraud Report 2014-15

1. Introduction

- 1.1 In 2011 the Local Government Fraud Strategy “Fighting Fraud Locally” was published that sets out the approach to fraud that is now expected of Local Government. The stated vision is that “*by 2015 Local Government will be better able to protect itself from fraud and have in place a more effective fraud response.*” It goes on to indicate three areas of focus as shown in the table below:



- 1.2 The Audit Commission published their document “Protecting the Public Purse 2014” which sets out a series of recommendations that Councils should inter alia “*maintain a capability to investigate non-housing benefit related fraud, proportionate to the risk*” and “*assess the potential benefits and cost savings of greater joint working with other Councils.*”
- 1.3 The Chartered Institute of Public Finance and Accountancy (CIPFA) published a paper “*Delivering good governance in Local Government; Addendum, December 2012*”. In this paper there is a table of elements that are recognised key in an authority’s governance framework. One of these elements is:

“ensuring effective counter-fraud and anti-corruption arrangements are developed and maintained.”

CIPFA also produced in 2014 the Code of Practice on *“Managing the risk of fraud and corruption.”* The code requires the authority to consider the principles set out in the code and determine if the authority has adopted a response that is appropriate for its fraud and corruption risks and commits to maintain its vigilance to tackle fraud.

1.4 This Counter Fraud Report for this authority sets out the counter-fraud and anti-corruption arrangements in this authority and the results of activity for 2014-15 set out in terms of:

- Acknowledgement,
- Prevent and
- Pursue

It also considers the five key principles from the CIPFA code:

- Acknowledge the responsibility of the governing body for countering fraud and corruption
- Identify fraud and corruption risks
- Develop an appropriate counter fraud corruption strategy
- Provide resources to implement the strategy
- Take action in response to fraud and corruption

2. Acknowledgement

2.1 In April 2012 the Government outlined the Fighting Fraud Locally Strategy and with it came the Local Government Fraud Strategy, which recognised that fraud cost the UK in the region of £73 billion per year. The strategy outlined that Local Government needed to “Acknowledge, Prevent and Pursue” fraud which in itself accounted for £2.2 billion.

2.2 Since then the Government has established other initiatives to combat fraud. These included the Department of Work and Pensions (DWP) Single Fraud Investigation Service (SFIS) which would take on the benefit fraud investigation work that was originally done by Local Government. This was formerly announced in February 2013 and would impact directly on the

benefit fraud investigators within this authority. The DWP SIFIS would be 'live' from 1st April 2015 and would have resulted in the transfer of two experienced fraud investigators to the DWP.

- 2.3 However, in February 2015 a report was presented to Cabinet (via Audit Committee in January 2015) that looked at the impact of SFIS and the possible requirements for changes to Cheltenham Borough Council's structure to continue "Acknowledging, Preventing and Pursuing" fraud in all its guises post SIFS. The decision taken by Cabinet was to retain counter fraud expertise and focus on other aspects of fraud and corruption impacting on this authority.
- 2.4 The Cabinet decision in February 2015 was also recognising that in December 2014 the authority (via the Section 151 Officer) had supported a bid to the Department of Communities and Local Government (DCLG) for funding to establish a Gloucestershire-wide Counter Fraud Hub. The bid had been prepared by the Head of Audit Cotswolds on behalf of the region. The bid was successful and £403,000 was awarded to the project.
- 2.5 In preparing the DCLG bid a risk assessment of fraud and corruption was undertaken. This identified that there remained a risk of fraud to the authority even after the transfer of benefit fraud to the DWP SFIS.
- 2.6 Furthermore, the bid recognised the need for appropriate tools to tackle fraud in a more pro-active manner. Therefore the bid focused on the use of data warehousing and matching to generate intelligence to locate possible frauds for investigation. This would supplement the existing data matching exercises, such as the National Fraud Initiative (NFI) that the Audit Services and Consultancy Manager from Audit Cotswolds administers. It would also enhance the referral mechanism e.g. hotline, website link and whistleblowers policy.
- 2.7 The above paragraphs addresses how the authority "*Acknowledges Responsibility and Identifies Fraud Risk*".

3. Prevent

- 3.1 Audit Cotswolds acts as the key contact for NFI, which is a data matching exercise that matches data from multiple sources that may indicate possible fraudulent activity. For example, payroll to data can be matched to indicate if someone is fraudulently claiming benefits.
- 3.2 The key element arising from the PPP14 was the general breadth of fraud issues and that authorities were now having success in tackling these different areas of fraud. Although there are controls in place at this authority to prevent fraud there is always a potential for fraud to occur. The new Counter Fraud Hub is being implemented to help prevent the fraud as well as react to the frauds that are found. For example, the development of the business case for retaining counter fraud staff helped to raise awareness of the risk of fraud but also through the feasibility work conducted in 2014-15 identified the new powers to tackle the fraud.
- 3.3 A key new power is the Prevention of Social Housing Fraud Act 2013 that only Local Authorities have these powers. This legislation is there to help local authorities tackle the tenancy fraud and application fraud within housing.
- 3.4 Furthermore, on successful prosecution of fraud cases and the success of the DCLG funding bid, this authority has publicised the results. This acts as a deterrent to would be fraudsters.
- 3.4 Overall the development of the business case to retain resources at the authority and the bid to DCLG highlights that the authority has a "*strategy*" to counter fraud and corruption in all its forms.

4. Pursue

- 4.1 The focus of 2014-15 activity has been to resource and prepare for a more proactive approach to counter fraud activity in 2014-15. This has included liaison with Human Resources and Legal Services with the aim to be prepared that if more proactive work triggers more reporting of possible frauds then the counter fraud service will pursue.

- 4.2 In terms of pursuing fraud for 2014-15, the benefits fraud continued to be tackled until 31st March 2015.
- 4.3 From the 1st March 2015 former benefit fraud investigators transferred to the new Counter Fraud Officers positions managed by the Head of Audit Cotswolds as approved by Cabinet in February 2015. Their role has now widened to address all types of fraud and corruption potentially impacting on the authority. This has also included continued investigative provision to Cheltenham Borough Homes where, as publicised 11th January 2015, two cases of tenancy related fraud were successfully prosecuted.
- 4.4 This demonstrated that the authority “*provides resources*” and “*takes action*” in relation to fraud and corruption.

5. Conclusion

- 5.1 The successes discussed above will help to ensure that the Gloucestershire-wide Counter Fraud Hub will develop over the next two years. Cheltenham BC is playing an active role in developing this hub.
- 5.2 The activity outlined above demonstrates our compliance with the CIPFA principles for managing the risk of fraud and corruption.

Robert Milford MA PGDip CMgr FCMI CMIIA MMS

Head of Audit Cotswolds (Head of Internal Audit)

AuditCotswolds


Cheltenham Borough Council