

**Cheltenham Borough Council**

**Audit Committee – 19 September 2018**

**Counter Fraud Unit Report**

<b>Accountable Member</b>	Cabinet Member Corporate Services, Councillor Alex Hegenbarth
<b>Accountable Officer</b>	Paul Jones Chief Finance Officer <a href="mailto:Paul.Jones@cheltenham.gov.uk">Paul.Jones@cheltenham.gov.uk</a>
<b>Report Author</b>	Emma Cathcart Counter Fraud Manager 01285 623356 <a href="mailto:Emma.Cathcart@cotswold.gov.uk">Emma.Cathcart@cotswold.gov.uk</a>
<b>Ward(s) affected</b>	All indirectly
<b>Key/Significant Decision</b>	No
<b>Executive summary</b>	<p>The purpose of the report is to provide the Audit Committee with assurance over the counter fraud activities of the Council.</p> <p>Work plans for 2018/2019 are presented to the Audit Committee detailing progress and results for consideration and comment as the body charged with governance in this area.</p> <p>The Counter Fraud Unit will continue to provide Audit Committee with direct updates biannually.</p>
<b>Recommendations</b>	<p><b>That the Audit Committee:</b></p> <p style="padding-left: 40px;"><b>a) Notes the report and makes comment as necessary.</b></p>
<b>Financial implications</b>	<p>The report details financial savings generated by the Counter Fraud Unit.</p> <p><b>Contact Officer: Paul Jones, S151 Officer</b>  <a href="mailto:Paul.Jones@cheltenham.gov.uk">Paul.Jones@cheltenham.gov.uk</a></p>

<b>Legal implications</b>	<p>In general terms, the existence and application of an effective fraud risk management regime assists the Council in effective financial governance which is less susceptible to legal challenge.</p> <p><b>Contact officer: Vikki Fennell, One Legal</b>  <a href="mailto:Vikki.Fennell@tewkesbury.gov.uk">Vikki.Fennell@tewkesbury.gov.uk</a></p>
<b>HR implications (including learning and organisational development)</b>	<p>The HR team continue to work closely with the Counter Fraud Unit on all internal investigations.</p> <p><b>Contact officer: Julie McCarthy, HR Manager – Operations, Payroll &amp; Service Centre</b>  <a href="mailto:julie.mccarthy@publicagroup.uk">julie.mccarthy@publicagroup.uk</a> 01242 264355</p>
<b>Key risks</b>	<p>If the Council does not have effective counter fraud and corruption controls it risks both assets and reputation.</p>
<b>Corporate and community plan Implications</b>	<p>In administering its responsibilities; this Council has a duty to prevent fraud and corruption, whether it is attempted by someone outside or within the Council such as another organisation, a resident, an employee or Councillor. The Council is committed to an effective counter fraud and corruption culture, by promoting high ethical standards and encouraging the prevention and detection of fraudulent activities, thus supporting corporate and community plans.</p>
<b>Environmental and climate change implications</b>	<p>N/A</p>
<b>Property/Asset Implications</b>	<p>There are no property implications associated with this report.</p> <p><b>Contact officer: Dominic Stead, Head of Property Services</b>  <a href="mailto:dominic.stead@cheltenham.gov.uk">dominic.stead@cheltenham.gov.uk</a></p>

## 1. COUNTER FRAUD UNIT REPORT 2018/2019

- 1.1. The work plan for 2018/2019 has been developed with focus on the priorities set out in the Home Office UK Anti-Corruption Strategy 2017 – 2022.
- 1.2. Corporately, the team will be concentrating on promoting integrity across the public sector and reducing corruption in public procurement.
- 1.3. Operationally the Unit will continue to add value in areas associated with risk.
- 1.4. The Counter Fraud Unit provides Audit Committee with direct updates biannually. The Audit Committee is the body which oversees the Council's counter fraud arrangements and it is therefore appropriate for the Committee to be updated in relation to such activity.
- 1.5. Attached at Appendix 2 is a copy of the work plan which is provided to Audit Committee with results of work undertaken to date.
- 1.6. More specifically, over the period April 2018 to August 2018, the team have supported the Council in the following areas:
  - Undertaking the investigation of alleged fraud and abuse in relation to the Council Tax Reduction Scheme (Council Tax Support). There are currently 14 active cases. The

team carried over 19 live cases, have opened 13 cases and closed 18 cases since 1 April 2018.

This has resulted in 4 sanctions (penalties), 2 Civil Penalties and an amount exceeding £15,000 of recoverable Council Tax Support and fines being calculated. In addition overpayments of Housing Benefit exceeding £6,000 have been generated.

The team have undertaken 6 visits to business premises to undertake enquiries on behalf of the Revenues Team.

- Undertaking anomalies or allegations of abuse in relation to Business Rates. There are currently 9 premises under review.
- Review of the NNDR empty void premises – 372 business premises visited. 16 liabilities were changed and 199 were confirmed empty. The remainder were adjustments that had already been undertaken due to occupant declarations or business processes. This exercise is more of a record keeping one. Due to the fact that there is no liability for three months on empty premises and when occupied other reliefs are likely to be applied – mandatory relief for Charities or Small Business Rate Relief.
- Review of CTAX properties with a single person discount. A sample of 78 cases has been referred for intelligence checks.

Review of the empty residential properties not yet classified as long term (C1 Empties) – 71 properties were visited prior to 1 April 2018. Between 1 April 2018 and 31 August 2018 a further 390 have been referred and visited (there is duplication / revisits). 26 properties are no longer classed as empty. The work supports the Council's Revenues Team to manage empty properties and maximise the tax base and new homes bonus.

- Review of 41 properties listed as Holiday Lets. Only 2 anomalies were identified and required a change from business rate status to main place of residence. One occupant was billed £334.15 for the retrospective period and both now have a Council Tax liability totalling £2,242.20.
- Disciplinary – Two internal cases were referred to the CFU for investigation. One was closed, the allegation was not proved. One is ongoing.
- Work with Cheltenham Borough Homes:
  - 132 referrals have been made requesting checks for homelessness, right to buy, succession or housing applications. In relation to right to buy applications, additional checks have been introduced to ensure that any resultant benefit issues are addressed.
  - Three offers of housing have been withdrawn due to CFU intervention.
  - Two homeless cases were refused due to CFU intervention.
  - An unlawful subletting case is listed for prosecution in October – this is the first prosecution of this type of offence.

<b>Appendices</b>	<ol style="list-style-type: none"><li>1. Risk Assessment</li><li>2. Member Work Plan 2018/2019</li></ol>
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## Risk Assessment

## Appendix 1

The risk				Original risk score (impact x likelihood)			Managing risk				
Risk ref.	Risk description	Risk Owner	Date raised	Impact 1-5	Likelihood 1-6	Score	Control	Action	Deadline	Responsible officer	Transferred to risk register
1	The authority suffers material loss and reputational damage due to fraud	Chief Finance Officer	December 2014	3	3	9	Reduce	Maintain a Counter Fraud Team to reduce the likelihood of the risk materialising and also to help recover losses, thus reducing the impact.	Ongoing	Chief Finance Officer	
2	Without dedicated specialist staff in place, the Council may be unable to take effective and efficient measures to counter fraud, potentially resulting in authority suffering material losses due to fraud and error	Chief Finance Officer	September 2016	3	4	12		Retain a specialist Counter Fraud Unit to tackle the misuse of public funds on behalf of the Council.	Ongoing	Chief Financial Officer	

**Explanatory notes**

**Impact** – an assessment of the impact if the risk occurs on a scale of 1-5 (1 being least impact and 5 being major or critical)

**Likelihood** – how likely is it that the risk will occur on a scale of 1-6  
(1 being almost impossible, 2 is very low, 3 is low, 4 significant, 5 high and 6 a very high probability)

**Control** - Either: Reduce / Accept / Transfer to 3rd party / Close