

Cheltenham Borough Council
Audit Committee – 24 April 2019
Counter Fraud Unit Report

Accountable Member	Cabinet Member Corporate Services, Councillor Alex Hegenbarth
Accountable Officer	Paul Jones Executive Director Finance and Assets Paul.Jones@cheltenham.gov.uk
Report Author	Emma Cathcart Counter Fraud Manager 01285 623356 Emma.Cathcart@cotswold.gov.uk
Ward(s) affected	All indirectly
Key/Significant Decision	No
Executive summary	<p>The purpose of the report is to provide the Audit Committee with assurance over the counter fraud activities of the Council. The Counter Fraud Unit will continue to provide Audit Committee with direct updates biannually.</p> <p>Work plans 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 report also provides the Audit Committee with an update in relation to the Regulation of Investigatory Powers Act (RIPA), the Investigatory Powers Act 2016 and the Council's existing policies and arrangements.</p>
Recommendations	<p>That the Audit Committee:</p> <p style="padding-left: 40px;">a) Notes the report and makes comment as necessary.</p>
Financial implications	<p>The report details financial savings generated by the Counter Fraud Unit.</p> <p>Contact Officer: Paul Jones, Executive Director Finance and Assets Paul.Jones@cheltenham.gov.uk</p>

<p>Legal implications</p>	<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>The Counter Fraud Unit adheres to the appropriate legislation when conducted work on behalf of the Council and other partners.</p> <p>The Council is required to ensure that it complies with the Regulation of Investigatory Powers Act 'RIPA' 2000, the Investigatory Powers Act 2016 and any other relevant/statutory legislation regarding investigations. Any authorisations for directed/covert surveillance or the acquisition of communications data undertaken should be recorded appropriately in the Central Register.</p> <p>Contact officer: Vikki Fennell, One Legal Vikki.Fennell@tewkesbury.gov.uk</p>
<p>HR implications (including learning and organisational development)</p>	<p>The HR team continue to work closely with the Counter Fraud Unit on all internal investigations.</p> <p>The promotion of effective counter fraud controls and a zero tolerance approach to internal misconduct promotes a positive work environment.</p> <p>Contact officer: Deborah Bainbridge, Business Manager People Deborah.Bainbridge@publicagroup.uk 01285 623148</p>
<p>Key risks</p>	<p>The Council is required to proactively tackle fraudulent activity in relation to the abuse of public funds. The Counter Fraud Unit provides assurance in this area.</p> <p>Failure to undertake such activity would accordingly not be compliant and expose the authority to greater risk of fraud and/or corruption.</p> <p>If the Council does not have effective counter fraud and corruption controls it risks both assets and reputation.</p>
<p>Corporate and community plan Implications</p>	<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.</p> <p>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>
<p>Environmental and climate change implications</p>	<p>N/A</p>
<p>Property/Asset Implications</p>	<p>There are no property implications associated with this report.</p> <p>Contact officer: Dominic Stead, Head of Property Services dominic.stead@cheltenham.gov.uk</p>

1. COUNTER FRAUD UNIT REPORT

- 1.1.** 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.
- 1.2.** The work plan for 2018/2019 was developed with focus on the priorities set out in the Home Office UK Anti-Corruption Strategy 2017 – 2022. Corporately, the team have focussed on promoting integrity across the public sector through awareness training and by raising the profile of the Counter Fraud Unit.
- 1.3.** Work has commenced on the Home Office Bribery and Corruption Assessment. The template takes the organisation through a number of key questions to consider and better understand the threat and how the Council can mitigate the risks. Completion of the assessment is also being informed by the work SWAP are conducting in relation to Gifts and Hospitality and Declarations of Interest.
- 1.4.** In 2019/2020, focus will also move to reducing corruption in public procurement and the team will be working with the Procurement Team to review risks.
- 1.5.** Attached at Appendix 2 is a copy of the work plan which is provided to Audit Committee with results of work undertaken during 2018/2019.
- 1.6.** More specifically, over the period October 2018 to March 2019, the team have supported the Council in the following areas:
 - Single Point of Contact for Department for Work and Pensions (DWP) referrals. As at 31 March 2019, 192 Local Authority Information Exchange Forms have been received or referred to DWP for action.
 - Undertaking the investigation of alleged fraud and abuse in relation to the Council Tax Reduction Scheme (Council Tax Support). 32 cases have been opened since 1 April 2018 and the team carried over 19 live cases from 2017/2018. 29 cases have been closed.
This has resulted in 6 sanctions (penalties), 4 Civil Penalties and an amount exceeding £15,000 of recoverable Council Tax Support and fines being calculated. In addition overpayments of Housing Benefit exceeding £8,000 have been generated.
In October 2018 we commenced the Joint Working pilot with the DWP to enable a joined-up approach to investigation and sanction of cases involving Housing Benefit and Council Tax Reduction.
 - Review of the NNDR empty void premises – rolling review of premises rated as empty recommenced in January 2019. 52 visits completed in January 2019 - 6 were identified as occupied. A further 8 had anomalies or account amendments referred to the team. A batch of a further 54 visits have been commenced. This exercise is 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.
 - Proactive review of CTAX properties with a single person discount. 78 cases were referred for data matching and intelligence checks. The CFU would not recommend expanding the test exercise to further SPD account checks. The format in which the results are provided made the task of reviewing quite laborious and time-consuming, and the data is not sufficiently detailed to provide conclusive indicators of fraud or irregularity.
 - National Fraud Initiative - Student matches. 39 matches of Student Loan receipt and Housing Benefit receipt were reviewed. 2 were identified as potential fraud cases and

referred to the DWP. Of these, 1 case is now an open joint working case between DWP and CBC for Housing Benefit and Council Tax Support fraud investigation. The other case was opened for joint working but is now closed as there is no effect to benefit payments or Council Tax Support.

- Disciplinary – 2 internal cases have been referred to the CFU for investigation since April 2018. 1 was closed, the allegation was not proved and 1 resulted in the issue of a written warning.
- Work with Cheltenham Borough Homes:
 - 140 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.
 - A number of Housing Benefit overpayments and Council Tax liability amendments have been created due to work the CFU undertake for CBH which has a direct impact on Revenues and Benefits accounts. This includes providing new addresses for debtors, removal of Single Occupier Discounts and Housing Benefit overpayments (for example where customers have gone abroad in excess of the permitted length of time). To date an underpayment of Council Tax in the region of £1,255 has been invoiced; Housing Benefit overpayments of £1,600 have been calculated; a non-dependant deduction of £11.90 per week has been added to a claim.
 - The successful prosecution of a tenant for unlawful subletting. The defendant pleaded guilty and received a £300 Fine and £150 costs were awarded.

2. REGULATION OF INVESTIGATORY POWERS ACT 2000 (RIPA) / INVESTIGATORY POWERS ACT 2016

- 2.1.** The Council's own RIPA Policies are based on the requirements of The Regulation of Investigatory Powers Act 2000 (RIPA), the Investigatory Powers Act 2016 and the Codes of Practice relating to directed surveillance and the acquisition of communications data.
- 2.2.** The Policies have been reviewed and the redrafts are to be presented to the Council's Governance Group, with a suggested staff awareness and training plan. Following this, the Policies will be presented to Audit Committee for review and approval.
- 2.3.** The arrangements relating to officers involved in the authorisation of the RIPA process remain the same as last year. The Senior Responsible Officer is the Chief Executive, Pat Pratley and the Authorising Officers are the Executive Director Finance and Assets, Paul Jones and the Director of Environment, Mike Redman.
- 2.4.** The Council takes responsibility for ensuring its procedures relating to surveillance and the acquisition of communications data are continuously improved and all activity is recorded.
- 2.5.** There have been no RIPA applications made by the Council during 2018. There have been four Non-RIPA applications made during 2018. Three related to overt activity and one related to an internal investigation.

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	Executive Director Finance and Assets	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	Executive Director Finance and Assets	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	
<p>Explanatory notes</p> <p>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)</p> <p>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)</p> <p>Control - Either: Reduce / Accept / Transfer to 3rd party / Close</p>											

Appendix 2

Cheltenham Borough Council

Department / Area	Task	Member Update
Corporate / Strategy	Delivery of two reports for Audit (and Risk) Committee	April / September
Corporate / Strategy	RIPA Coordinator Role - Review of Policies / annual report to Members / advisory role for staff	Update April 2018
Corporate / Strategy	Serious and Organised Crime: Coordination of the provision of work for Gloucestershire Constabulary	SOC Strategic Partnership Board attended by CFU on behalf of CBC
Corporate / Strategy	Completion and follow up of Home Office Serious and Organised Crime Checklist	Work commenced with SWAP - to 2019/2020 work plan
Corporate / Strategy	Completion of Home Office Bribery and Corruption Assessment Template	Work commenced with SWAP - to 2019/2020 work plan
Corporate / Strategy	Staff Fraud Awareness Sessions	Completed
Housing	Review of supported living services / care in rented accommodation	Work to be undertaken by Housing / Benefit Managers County wide
HR	Drafting / consultation / implementation of HR / CFU Internal Investigation Protocol	Work commenced with HR - to 2019/2020 work plan
HR	Review of Policy and Procedure: Staff Declarations of Interest / Conflicts of Interest	Work commenced with SWAP and Governance Officer - to 2019/2020 work plan
HR	Review of HR Recruitment and Vetting Policy and Procedures	2019/2020 work plan
ICT / Revenues and Benefits	Earthlight / GIS Support: Rate Avoidance / CTAX Evasion	Ongoing as required
Policy	Drafting / consultation / adoption of Corporate Enforcement Policy	Draft issued, consultation period, forward plan May 2019
Policy	Drafting / consultation / adoption of Money Laundering Policy	2019/2020 work plan
Policy	Drafting / consultation / adoption of Debt Recovery Policy	Pending
Revenues and Benefits	Coordination of joint working initiative with DWP for future joint investigation of HB and CTRS	Complete November 2018
Revenues and Benefits	NFI - students / benefits	Complete - 2 cases referred to DWP for joint investigation
Revenues and Benefits	C1 Empties	390 properties visited. 48 confirmed occupied. 120 updates / anomalies identified.
Revenues and Benefits	NNDR Empties	372 premises visited. 16 liabilities amended. 199 confirmed empty.
Revenues and Benefits	Absent for Care / Absent to provide Care Review	Not commissioned

SWAP	Review of the Gifts and Hospitality Policy and Procedure	Work commenced with SWAP and Governance Officer - to 2019/2020 work plan
------	----------------------------------------------------------	--------------------------------------------------------------------------

Department	Member Update
Extraordinary Cases: Investigation / Sanction / Prosecution	Q1 - 1 case referred Q2 - 0 Q3 - 0 Q4 - 0
Revenues and Benefits: CTRS Investigation / Sanction / Prosecution	Q1 - £3281.84 / 1 Reg 11 Penalty Q2 - £17,933.61 / 3 Reg 11 Penalties and 2 Civil Penalties Q3 - £527.68 / 2 Reg 11 Penalties and 1 Civil Penalty Q4 - 0
Revenues and Benefits: Investigation Cases - Rate Avoidance / CTAX Evasion	Q1 - 17 cases referred Q2 - 0 Q3 - 3 cases referred Q4 - 1 case referred
CTAX SPD Review and Enforcement	Q1 - 0 Q2 - 78 accounts reviewed Q3 - 0 Q4 - 0
Housing / Tenancy Fraud : Work delivered via CBH	Q1 - 6 cases referred / 1 property recovered Q2 - 7 cases referred Q3 - 11 cases referred / notice served on 2 properties Q4 - 10 cases referred / 1 prosecution unlawful sublet; Fine £300 Costs £150
HR - Internal investigation relating to serious and / or gross misconduct	Q1 - 1 Q2 - 1 Q3 - 0 Q4 - 1

Debt: Tracing and Recovery Support / Summons

Q1 - 4
Q2 - 0
Q3 - 10 / £9,000 served
Q4 - 5 / £8,000 served