

Cheltenham Borough Council
Audit Committee – 18 September 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>
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>
Legal implications	<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>Contact officer: Vikki Fennell, One Legal Vikki.Fennell@tewkesbury.gov.uk</p>

HR implications (including learning and organisational development)	<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>
Key risks	<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>
Corporate and community plan Implications	<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>
Environmental and climate change implications	<p>N/A</p>
Property/Asset Implications	<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.** Attached at Appendix 2 is a copy of the work plan for 2019/20.
- 1.3.** In addition to Appendix 2, as a dedicated investigatory support service, the CFU undertakes a wide range of enforcement work according to the requirements of each Council. This includes criminal investigation and prosecution support for enforcement teams, investigations into staff/member fraud and corruption, or tenancy and housing fraud investigation work. As at the beginning of the year, the CFU had 21 open cases. Since 1 April 2019:
- Single Point of Contact for Department for Work and Pensions (DWP) referrals. 44 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). 12 cases have been referred for investigation and 11 cases have been closed or rejected. This has resulted in 1 criminal sanction (penalty), 1 Civil Penalty and an amount exceeding £1,491 of recoverable Council Tax Support and fines being calculated. In addition overpayments of Housing Benefit exceeding £1,056 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 and 15 joint working cases have been received or referred.

- Review of the NNDR empty void premises – rolling review of premises rated as empty. Since 1 April 2019 141 visits have been completed – 12 were identified as potentially occupied with a rateable value of £141,075 (subject to Small Business Rate Relief). A further 38 had anomalies or account amendments referred to the team. 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.
- Review of the empty residential properties not yet classified as long term (C1 Empties) or those classified as long term empty. 446 properties have been referred and visited. 41 properties have been referred as occupied / furnished with a request to review liability. The work supports the Council's Revenues Team to manage empty properties and maximise the tax base and new homes bonus.
- National Fraud Initiative - Student Loan, Market Trader and Housing Benefit match review commenced.
- A further 3 cases have been referred from Parking Services, Environmental Health and Revenues. The Revenues case is complete and resulted in the removal of a single person discount and increased liability of £664.
- Work with Cheltenham Borough Homes:
 - 135 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.
 - Full review of the Housing List. Verification of applications within Emergency Band (61 applications), Gold Band (55 applications) and Silver Band (601 applications). 157 applications have been referred for removal or review, results are pending but 5 applications have been removed to date being £16,200 in loss avoidance.

Whilst undertaking the review, the CFU also processed the related National Fraud Initiative anomalies – this is ongoing.

Each cancelled application represents a property which can be reallocated to another eligible family. In line with NFI reporting, for each reallocation, a figure of £3,240 per case can be identified as a loss avoidance figure because there is no need for temporary accommodation to be utilised. In addition the result of the band reprioritisation is that those families who are correctly banded have a greater chance of being housed and more speedily.
 - 2 cases resulting in the termination of tenancy and return of the property resulting in £192,000 loss avoidance.

The NFI annual report estimated the figure to be £93,000 per property recovered based on average four year fraudulent tenancy – this includes temporary accommodation for genuine applicants, legal costs to recover the property, re-let costs and rent foregone during the void period between tenancies.

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>											

Department / Contact	Task	Dates / Notes
Corporate / Strategy	Delivery of two reports for Audit (and Risk) Committee	April, September and March
Corporate / Strategy	RIPA Coordinator Role - Review of Policies / annual report to Members / advisory role for staff	Annual update provided April Policy drafts and training plan to Governance Group for approval prior to Audit Committee in March
Corporate / Strategy	Home Office Serious and Organised Crime Checklist and accompanying work plan	Draft issued to Governance Group; July and ELT; August. To be cascaded to Service Managers and Team Leaders
Corporate / Strategy	Home Office Bribery and Corruption Assessment Template and accompanying work plan	Draft commenced
Corporate / Strategy	Staff and Members Fraud Awareness Sessions	No Member provision required / Staff only
Corporate / Strategy	Development / Review of Fraud Response Plan	SOC consideration
Corporate / Strategy	Review Corporate Risk Register	SWAP recommendation Fighting Fraud & Corruption 1.1.1.a
Corporate / Strategy	Development of Fraud awareness literature for staff and members	Draft to be produced September for consultation
Corporate / Strategy	Development of RTB / debt recovery process	
Corporate / Strategy	Enforcement Officer training	
Corporate / Strategy	Collation and Publication of Fraud Transparency Data	Complete; Published August
Procurement	Assist with review of Procurement and Contract Strategy	Q3: SOC consideration / SWAP recommendation Fighting Fraud & Corruption 1.1.2a
Procurement	Supplier payment review	Q3

SOC = Serious and Organised Crime

Department / Contact	Task	Dates / Notes
SWAP	Policy and Procedure: Staff Declarations of Interest / Conflicts of Interest	SOC consideration / SWAP recommendation Members' and Officers' Gifts, Hospitality and Declarations 1.1
SWAP	Review of the Gifts and Hospitality Policy and Procedure	SOC consideration
HR	Review of HR Recruitment and Vetting Policy and Procedures	Q3: SOC consideration
Policy	Drafting / consultation / adoption of Money Laundering Policy	Q4
Revenues and Benefits	NNDR (Business Rates) empties on a rolling review	As at 31.8.2019 141 visited / 12 potentially occupied with rateable value of £141,075 / 38 further anomalies
Revenues and Benefits	Council Tax Long Term Empties / Short Term Empties reviews	446 properties visited. 41 properties have been referred as occupied / furnished with a request to review liability.
Revenues and Benefits	Holiday Let review	Q4
Revenues and Benefits	National Fraud Initiative Match Review – (2 matches only)	Commenced August
CBH / CBC	Review of Housing List	Commenced June – initial results relating to Emergency and Gold = 5 removed £16,200 loss avoidance

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