

Cheltenham Borough Council
Audit, Compliance and Governance Committee – 22 September 2021
Counter Fraud Unit Report

Accountable Member	Cabinet Member Finance and Assets, Councillor Peter Jeffries
Accountable Officer	Paul Jones Executive Director Finance and Assets Paul.Jones@cheltenham.gov.uk
Ward(s) affected	All indirectly
Key/Significant Decision	No
Executive summary	The purpose of the report is to provide the Audit, Compliance and Governance Committee with assurance over the counter fraud activities of the Council. The Counter Fraud Unit will continue to provide Audit, Compliance and Governance Committee with direct updates biannually. Work plans are presented detailing progress and results for consideration and comment as the body charged with governance in this area.
Recommendations	That the Audit, Compliance and Governance Committee: a) Notes the report and the work plan at Appendix 2 and makes comment as necessary.
Financial implications	The report details financial savings generated by the Counter Fraud Unit. Contact Officer: Paul Jones, Executive Director Finance and Assets Paul.Jones@cheltenham.gov.uk
Legal implications	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. Contact officer: One Legal Legalservices@tewkesbury.gov.uk
HR implications (including learning and organisational development)	The HR team continue to work closely with the Counter Fraud Unit on all internal investigations. The promotion of effective counter fraud controls and a zero tolerance approach to internal misconduct promotes a positive work environment. Contact officer: Clare Jones, , HR Business Partner Clare.Jones@publicagroup.uk 01242 264355

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	N/A
Property/Asset Implications	<p>There are no property implications associated with this report.</p> <p>Contact officer: Gemma Bell, Head of Finance and Property</p> <p>Gemma.Bell@cheltenham.gov.uk</p>

1. COUNTER FRAUD UNIT REPORT

- 1.1. The Audit, Compliance and Governance Committee 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. Work plans have been agreed with the Executive Director Finance and Assets and the Council's Management. The Audit, Compliance and Governance Committee, as the body charged with governance in this area, is presented with a copy of the work plan for information.
- 1.3. Attached at Appendix 2 is a copy of the work plan for 2021/2022.
- 1.4. The Counter Fraud Unit (CFU) has been supporting work streams created as a consequence of the pandemic by providing advice relating to fraud risk and abuse, most significantly in relation to the Business Grant Schemes. The CFU have assisted with the application and verification processes of all schemes to date, the team has received 75 referrals to review resulting in the following:
 - 28 cases that were confirmed as eligible and the grants were paid.
 - 18 cases of loss prevention, in that the grant monies were not paid, totalling £205,668 (2 classed as fraudulent attempt).
 - 12 cases of post payment recovery totalling £96,098 (5 classed as fraud) have been identified and invoices have been raised. Of this £96,098, £69,764 has been repaid.
 - 17 cases have been referred back to the team with recommendations for service area decisions.
 - In addition, 4 cases have been opened as active fraud investigations.
- 1.5. All Local Authorities participate in the Cabinet Office's National Fraud Initiative, which is a data matching exercise to help prevent and detect fraud nationwide. The use of data by the Cabinet Office in a data matching exercise is carried out with statutory authority under Part 6 of the Local

Audit and Accountability Act 2014. It does not require the consent of the individuals concerned under Data Protection Legislation.

- 69 matches have been received via the Cabinet Office’s National Fraud Initiative which has collated and compared business grant data nationwide in relation to the original schemes paid during the first lockdown. These matches have been reviewed by the CFU: 55 required no further action and 14 cases relating to duplicate payment anomalies require further investigation.
- The team have reviewed 1,621 matches relating to single person discount anomalies. 310 accounts have been identified as requiring further enquiries.
- The team have reviewed 191 matches relating to the Council Tax Reduction Scheme and Housing Benefit claims.

1.6. In addition to the work carried out under the annual work plan attached at 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.

1.7. Since 1 April 2021:

- The team has received 12 referrals from across the Council and closed 8 cases. This excludes any Council Tax Reduction Scheme referrals.
- Single Point of Contact for Department for Work and Pensions (DWP) referrals - 8 Local Authority Information Exchange Forms have been received and 6 cases have been referred to DWP for action.
- Undertaking the investigation of alleged fraud and abuse in relation to the Council Tax Reduction Scheme (Council Tax Support). 16 cases have been referred and 8 cases were closed. This resulted in 1 Criminal Sanction (Penalty £482) and £2,201 of recoverable Council Tax Support being calculated.
- 2 disciplinary investigations were referred by the HR Team, in both cases, the employees resigned prior to the conclusion of the investigation.
- Work with Cheltenham Borough Homes 2021/2022:
 - 77 referrals received 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.
 - 17 referrals have been made relating to housing and tenancy fraud such as abandonment, illegal succession, subletting, false housing applications, right to buy fraud.
 - One case of Housing Application Fraud was successfully prosecuted in absence. The defendant received a Fine of £180 and was ordered to pay costs of £30. In addition, a Caution was issued to a member of the family for assisting with the fraudulent.
 - 1 case resulting in the termination of tenancy and return of the property, 1 case resulting in the withdrawal of a right to buy application and 1 case resulting in the withdrawal of a housing application. Loss avoidance figure £223,000.

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Appendices	1. Risk Assessment 2. Work Plan 2021/2022

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
Governance	Delivery of two reports for Audit, Compliance and Governance Committee
Governance	Fighting Fraud & Corruption Locally - Checklist Compliance
Governance	Government Functional Standard 013: Counter Fraud - Compliance
Policy	Counter Fraud and Anti-Corruption Policy
Policy	Corporate Enforcement Policy
Policy	CTAX, CTRS & HB Penalty and Prosecution Policy
Policy	Proceeds of Crime & Anti-Money Laundering Policy
Policy	Whistle-Blowing Policy
Policy	RIPA (Surveillance & CHIS)
Policy	IPA (Acquisition of Communications Data)
Policy	Use of the Internet and Social Media in Investigations and Enforcement
Bribery and Corruption	Assessment Template Review
Bribery and Corruption	Policy and Procedure: Staff Declarations of Interest / Conflicts of Interest
Bribery and Corruption	Review of the Gifts and Hospitality Policy and Procedure
Serious and Organised Crime	Checklist Review
Serious and Organised Crime	Proactive Fraud Drive - transient / cash businesses
Statutory / Regulatory	Collation and Publication of Fraud Transparency Data
Statutory / Regulatory	RIPA / IPA - Annual Report to Members / Advisory / Inspection SPoC
Strategy : Detection	Housing Waiting List review
Strategy : Detection	National Fraud Initiative Match Reviews - Revenues / Benefits
Strategy : Detection	Procurement - Supplier Payment Review

Department / Contact	Task
Strategy : Detection	Business Grants - Assurance and Enforcement Activities
Strategy : Detection	NNDR Empty Premises / CTAX LTE Property Visits
Strategy : Detection	SMI Review (sample 20)
Strategy : Detection	Holiday / Airbnb Review
Strategy : Prevention	Development / Review of Fraud Response Plan
Strategy : Prevention	Development of Fraud Awareness Literature (staff)
Strategy : Prevention	Development of Right to Buy Debt Recovery Process
Strategy : Prevention	Development of Service Specific Fraud Risk Register
Strategy : Prevention	Training Members / Staff - Fraud Awareness / RIPA & IPA / CPIA, PACE, Disclosure Training
Strategy : Prevention	Review of HR Recruitment and Vetting Policy and Procedures

RIPA = Regulation of Investigatory Powers Act 2000

IPA = Investigatory Powers Act 2016

CPIA = Criminal Procedure and Investigations Act 1996

PACE = Police and Criminal Evidence Act 1984