

Report of the Director of Finance & IT to the meeting of the Governance & Audit Committee to be held on 17th September 2020

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Subject:

Corporate Investigations Unit – annual performance information

Summary statement:

The purpose of this report is to:
Present the annual performance information, as required by the Committee and to provide assurance that the Council's counter fraud arrangements are effective.

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1. SUMMARY

The purpose of this report is to present the annual performance information, as required by the Committee and to provide assurance that the Council's counter fraud arrangements are effective.

2. BACKGROUND

In common with other public bodies the Council has a duty to protect the public purse and this report details the role of the Corporate Investigation Unit (CIU) in the prevention and detection of fraud. The work of the CIU underpins the Council's commitment to a zero tolerance approach to fraud, theft, corruption (including bribery), or any other financial irregularity committed against the Council.

This report represents performance information for the financial year 1st April 2019 to 31st March 2020.

3. OTHER CONSIDERATIONS

3.1

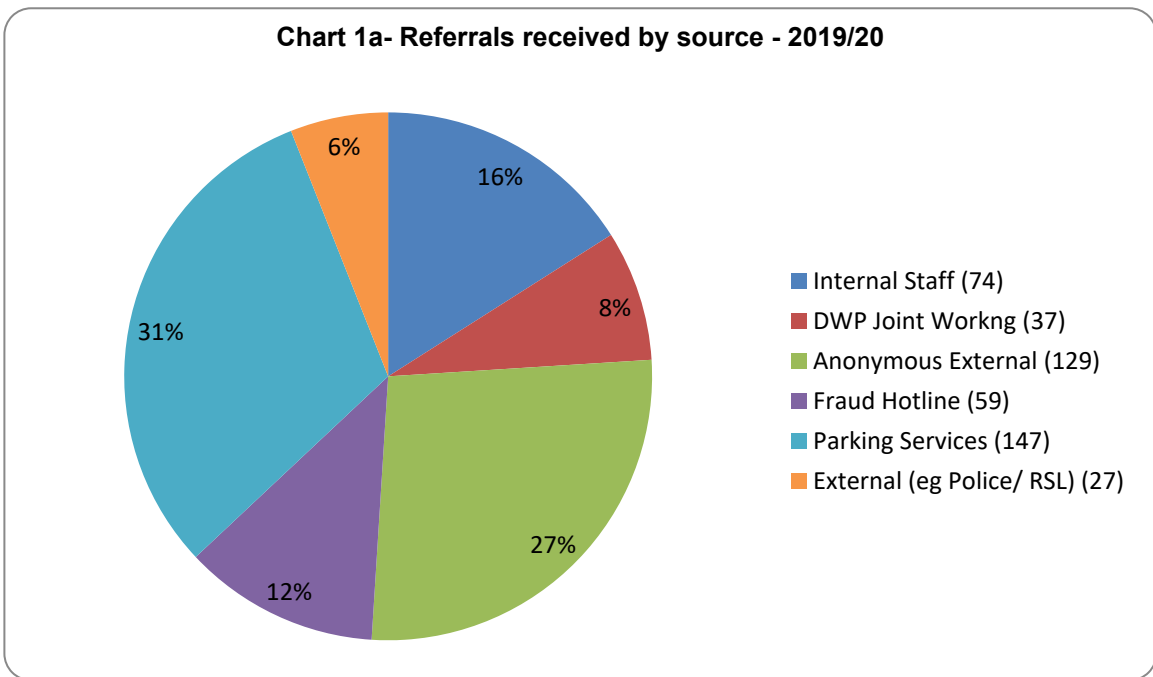
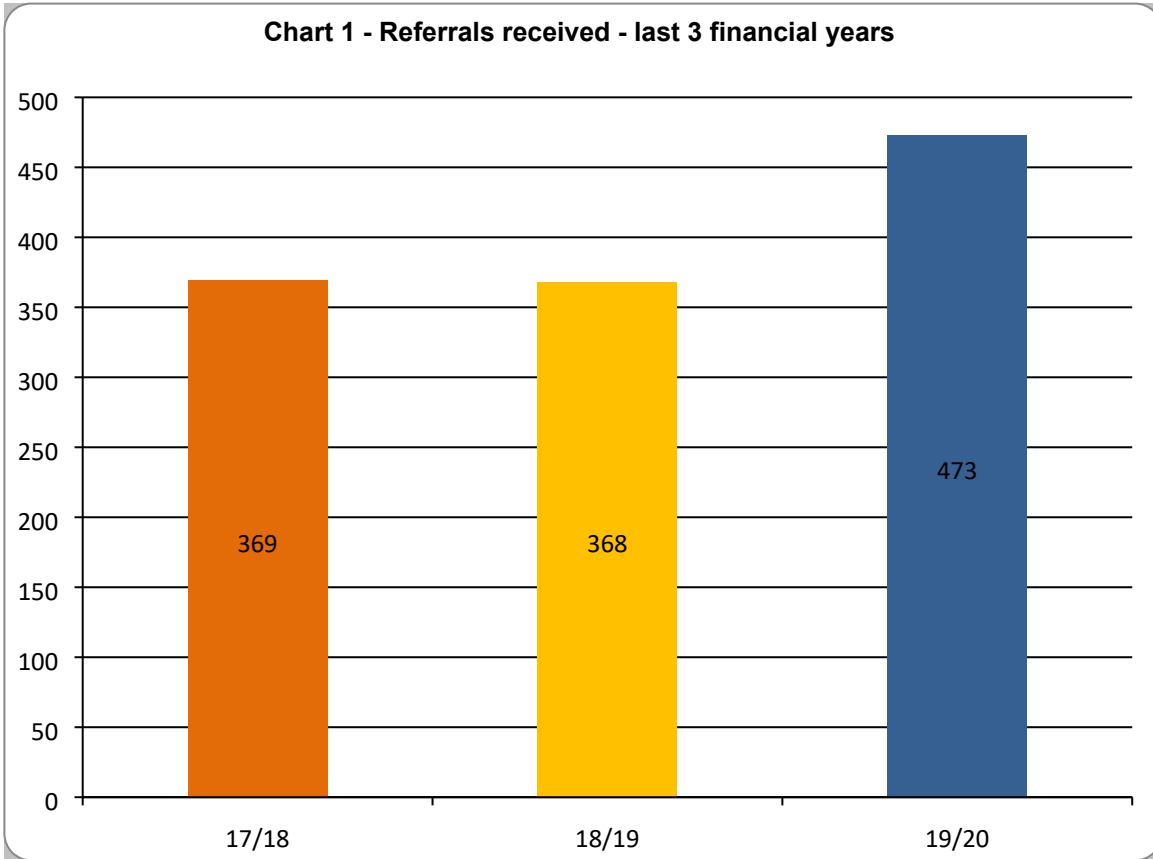
Fraud is the most commonly experienced crime in the UK. The latest fraud and corruption tracker summary report 2019 from the Chartered Institute of Public Finance & Accountancy (CIPFA) contains the most recent government sanctioned estimates, suggesting that fraud costs the public sector at least £40.3bn annually, of which £7.8bn is specifically in local government. Therefore fraud remains a constant financial threat to Local Authorities.

The Council's Corporate Investigation Unit is responsible for the investigation of allegations of fraud, theft, corruption or any other allegations of a financial nature, perpetrated against the Council, whether by citizens of the district, Council employees or other third parties.

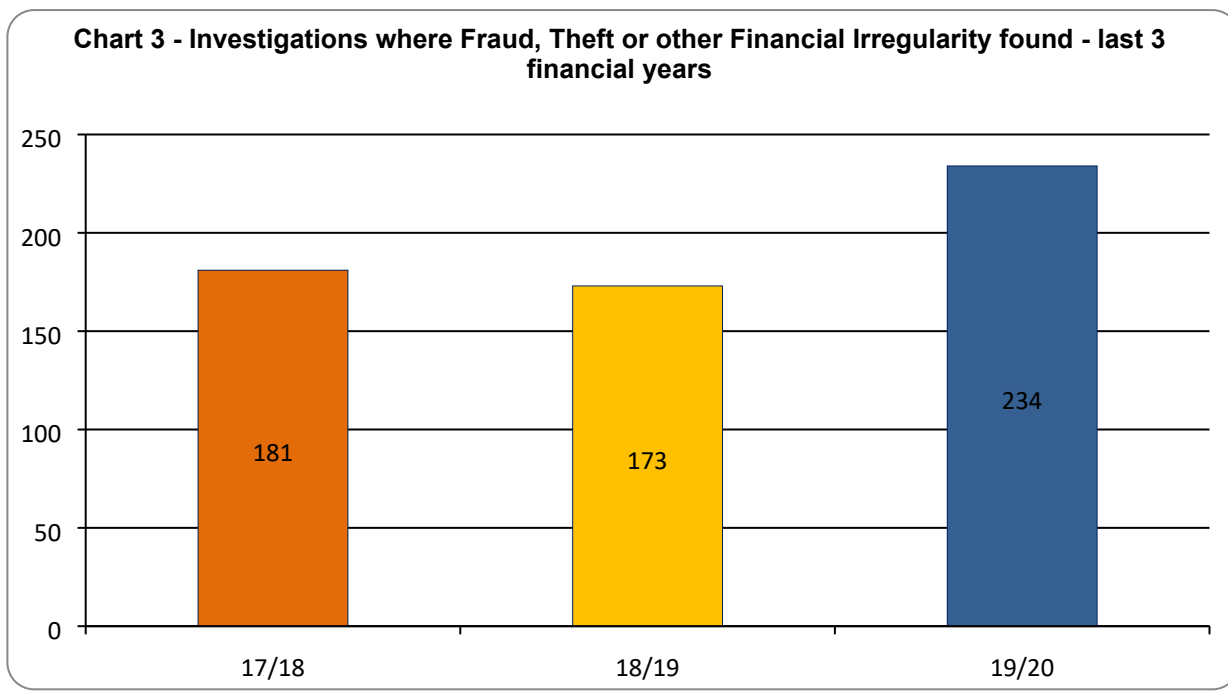
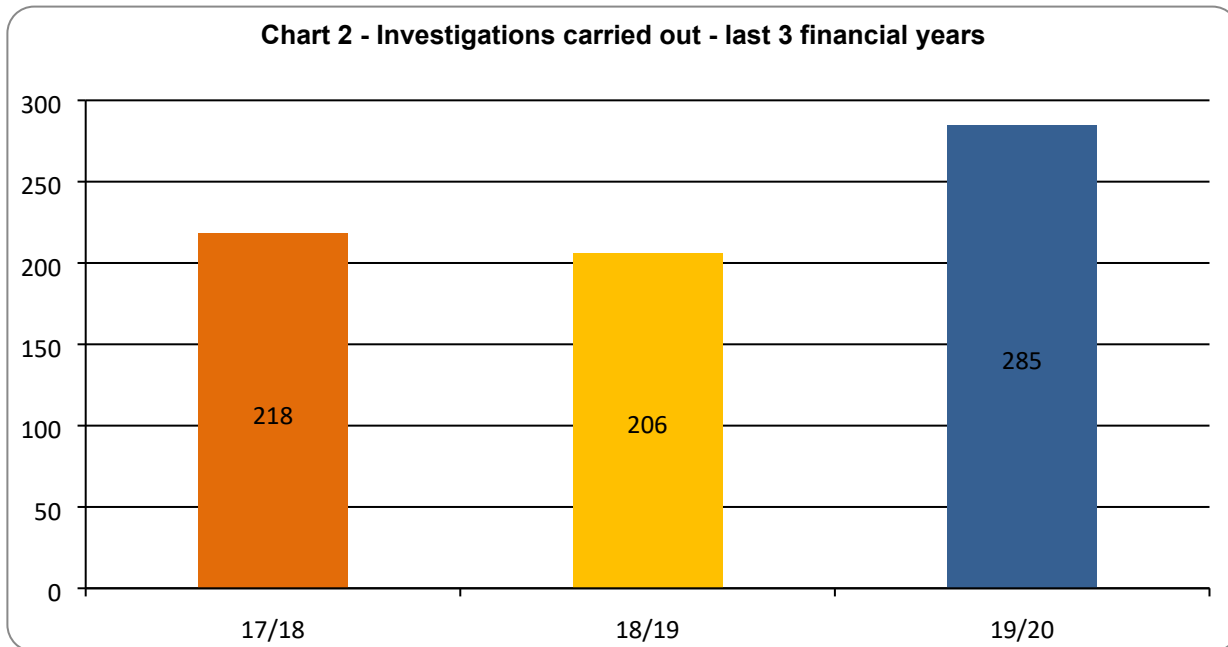
The CIU comprises of 7 staff who are accredited with a Counter Fraud Specialist qualification and who ensure that all investigations carried out are in accordance with the relevant legislation and, where evidence of fraud, theft, corruption or any other financial irregularity is found, that the appropriate sanction is applied, in accordance with the Council's Sanctions Policy which has been previously approved by this Committee.

The CIU is responsible for leading on any preventative work including fraud awareness training for all Council employees, a mandatory e-learning delivered as part of the induction for new employees and bi-annually for existing employees. The Council's internal and external website pages provide additional information on how to report suspicions of fraud.

3.2 Referral to the CIU for investigation



3.3 Investigation



A survey of Local Authorities, referred to in the latest CIPFA fraud and corruption tracker - Summary Report 2019 suggests that the 4 main areas of fraud (by volume) local authorities are tackling are Council Tax, Disabled Parking (Blue Badge), Social Housing Tenancy Fraud and Business Rates.

Appendix 1 contains charts (2a and 3a), broken down by fraud type, which demonstrate that the areas of fraud Bradford CIU are tackling follow a similar national pattern.

For the 3rd year in a row procurement fraud was highlighted in the CIPFA report as the highest fraud risk area to councils as services are constantly being procured. Fraud can take place at any point in the procurement chain, making it difficult to both detect and measure especially once a contract has been awarded. Some large value infrastructure and regeneration projects, often outsourced, mean that when procurement fraud does occur the sums can be significant.

Additionally, a report with the findings of a review into the risks of fraud and corruption in local government procurement, carried out by the Ministry of Housing, Communities and Local Government was released in June 2020*. The report made a number of recommendations including improving the understanding of risks in procurement, Council departments working together to take action against perpetrators, to build an anti-fraud and corruption culture and to ensure data quality and record keeping is secure but readily accessible.

*Link to the full report is provided at section 12 of this document.

As it is recognised that very few referrals are received in relation to procurement fraud and, in order to minimise any risk to the Council, the CIU has responded to the recommendations in the report by organising “procurement fraud awareness” workshops for all procurement professionals across the Council and ensuring that open lines of communication are available for any procurement fraud concerns to be reported. In addition, in conjunction with Internal Audit the CIU aims to ensure that robust procedures are in place to minimise any risk.

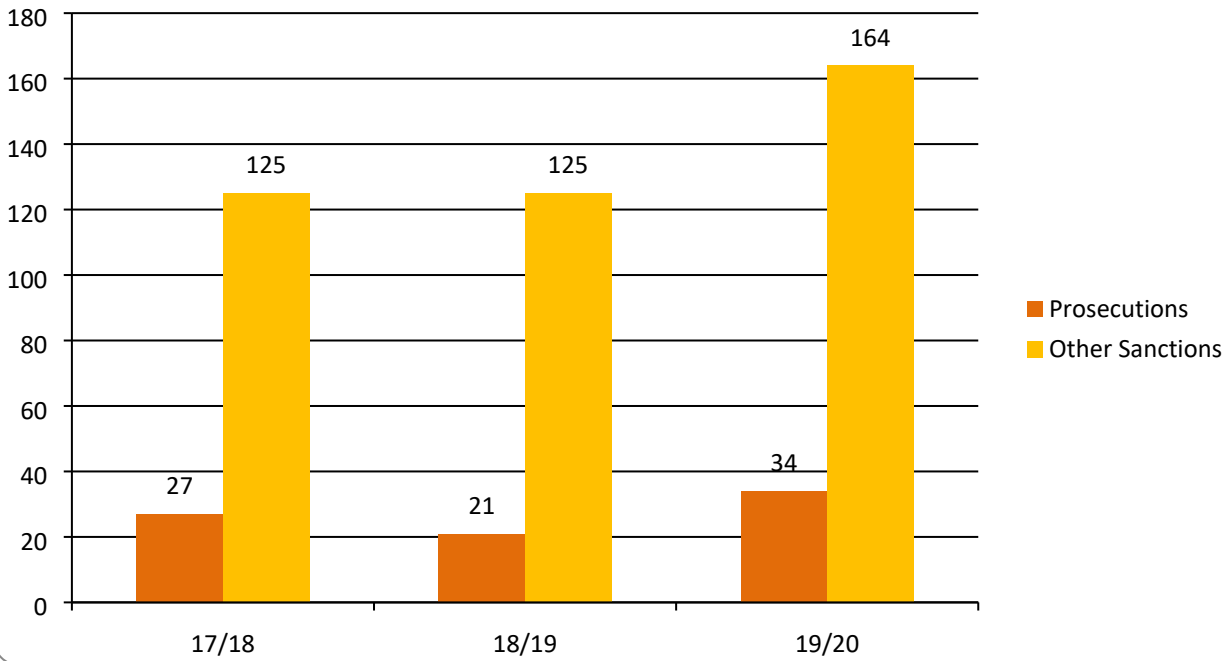
3.3.1 Summary of investigation outcomes

A concluded investigation will normally result in one of two outcomes – either evidence has or has not been found to support a finding of fraud, theft, corruption and /or other financial irregularity.

Where evidence has been found then, in accordance with the Committee approved Council’s Sanctions policy, the appropriate sanction will normally be applied and attempts made to recover any financial loss.

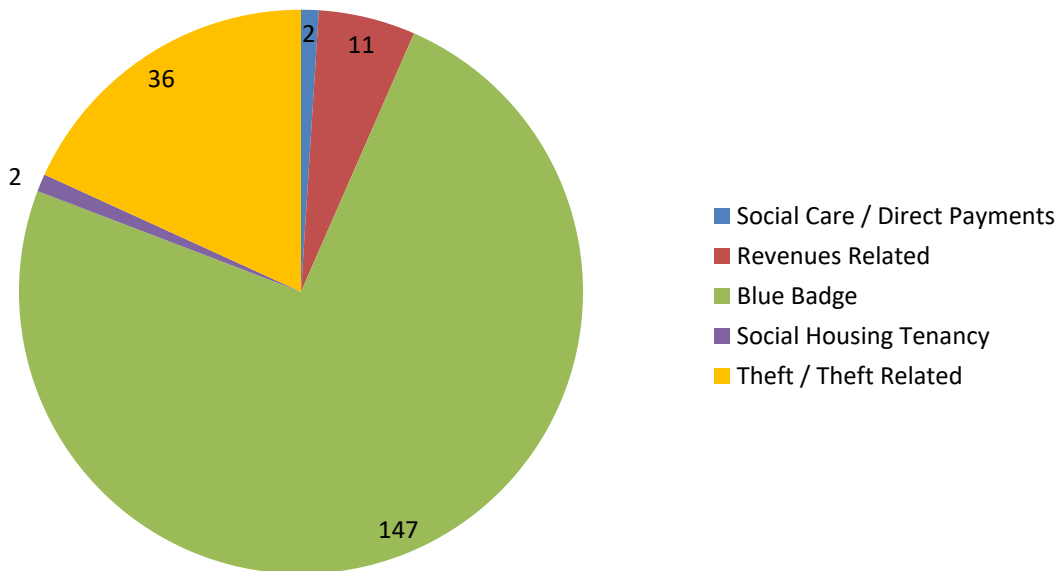
In 2019/20 82% of cases investigated uncovered evidence to support a finding of fraud, theft, corruption and /or other financial irregularity and this is comparable to the previous two financial years.

Chart 4 – Investigations resulting in a prosecution or other sanction - last 3 financial years



In 2019/20 of those 234 cases where evidence was found to support a finding of fraud, theft, corruption and /or other financial irregularity 84% (198 cases) resulted in a prosecution or another sanction. This represents an increase of 26% over the two previous years and the majority of this increase is, as demonstrated in chart 4a below, due to an increased number of proactive Blue Badge “action days” carried out in 2019/20.

Chart 4a - Prosecutions and Sanctions by type 2019/20



3.4 Working in partnership

3.4.1 Internal partners

- **Neighbourhood and Customer Services**

In addition to carrying out reactive investigations in response to referrals received the CIU also carry out investigations proactively, for example, the CIU work with Parking Services Officers on Disabled Persons Blue Badge “action days”. These action days are to ensure that badges are being used correctly and are a tool to obtain intelligence on persistent misuse, for responding to citizen complaints of misuse and targeting of hotspots where misuse/abuse is known to take place.

During 2019/20, 16 “action days” took place, where up to 800 badges on display were examined and verified and 30 CIU investigations into misuse/abuse were launched.

- **The Council’s Legal Services team** - a key partner in the Council’s counter fraud approach providing specialist advice, support and services to the CIU, ensuring compliance with all relevant legislation pertaining to the prevention, detection and investigation of fraud, corruption and theft (for example the Police and Criminal Evidence Act 1984, Criminal Procedures and Investigations Act 1996, Regulation of Investigatory Powers Act 2000, Data Protection Act 2018 the General Data Protection Regulations, Proceeds of Crime Act 2002 and Fraud Act 2006)

3.4.2 External partners

- **The Department for Work and Pensions (Counter Fraud, Compliance & Debt Service)** – The CIU work with the DWP to jointly combat fraud in Housing Benefit and Bradford Council’s Council Tax Reduction scheme (CTR).

In 2019/20 – 33 cases were investigated jointly, resulting in 2 “alternative to prosecution” sanctions and 9 prosecutions where the sentences imposed by the Courts included fines, curfews, unpaid work orders, community supervision orders and a suspended imprisonment. There are a further 6 cases where prosecution action has been agreed and the cases are awaiting a court hearing date.

- **West Yorkshire Joint Services on Financial Investigation (POCA) cases** - Financial investigation is an investigative discipline concerned with forensically analysing the finances that relate to criminal activity. It is an important tool for the disruption of serious and organised crime. The Proceeds of Crime Act 2002 (POCA) is the primary legislation used in financial investigation and was created with the aim of removing assets from criminals, recovering the proceeds of crime and deterring and disrupting criminality. It confers a range of investigative powers as well as powers to restrain and confiscate criminal assets, via criminal confiscation, civil recovery, cash forfeiture and criminal taxation.

Where an investigation into fraud, corruption, theft or other financial irregularity is considered to be likely to result in a conviction, the CIU will refer all suitable cases to West Yorkshire Joint Services for financial investigation (normally, but not limited to, those cases where the estimated loss is £5,000 or more) with a view to recovering monies, or property, obtained as a result of criminal activity or criminal lifestyle.

In 2019/20 the CIU referred 4 new investigations to West Yorkshire Joint Services. The allegations of fraud being investigated are estimated to have caused a combined total loss of £82,000 and are allegations in relation to Adult Social Care direct payments, Council grant fraud and theft. The CIU aim to finalise the investigations during the 2020/21 financial year and outcomes will be reported in the next annual Committee report.

- **Registered Social Landlords** - To protect valuable housing stock the CIU has developed professional relationships with a number of Bradford's registered social landlords where the CIU provide specialist investigative resource in relation to allegations of tenancy fraud including subletting, succession or any other forms of tenancy breaches.

In 2019/20 24 cases of tenancy related frauds were investigated and 2 properties were recovered and returned for rightful occupation.

4. FINANCIAL & RESOURCE APPRAISAL

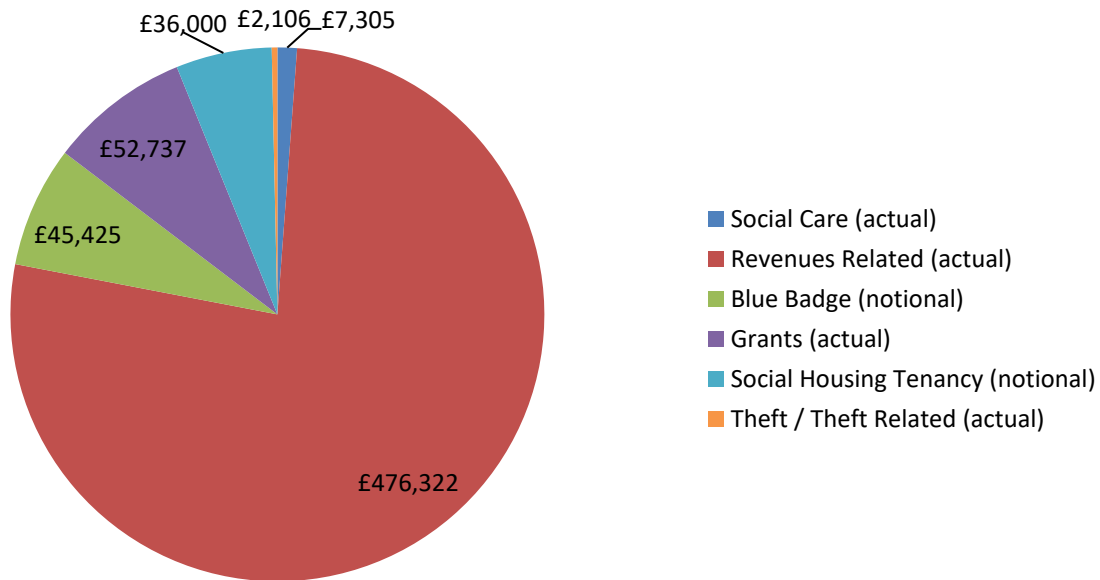
According to the latest CIPFA Fraud and Corruption tracker survey, the estimated value of fraud detected and prevented by Local Authorities is £253m per year, an average of £3,600 per case detected or prevented.

During 2019/20, the value of fraud detected and prevented by the CIU amounted to in excess of £619,000 and this equates to an average of £2,645 per case detected or prevented (i.e. lower than the average for all Local Authorities). This demonstrates that the effective action the CIU take to detect or prevent instances of fraud, theft, corruption or other financial irregularity, minimises the loss to both the public purse and/or the Council.

Of the total £619,000 fraud detected and prevented £538,000 was actual recoverable financial loss and the remaining a notional loss* from recovering properties, subject to tenancy fraud and preventing the misuse and abuse of Disabled Persons Parking (Blue Badge).

*National Fraud Authority notional loss £18,000 per annum per property relating to Social Housing Tenancy Fraud and National Fraud Authority notional loss £575 relating to Disabled Persons Parking Misuse

Chart 5 - Financial loss identified by type - 2019/20



***See appendix 2 for loss identified in two previous financial years*

Additionally in 2019/20 the Council received;-

- £105,784 as part of the confiscation and compensation orders, awarded under the Proceeds of Crime Act 2002, relating to 4 financial investigations carried out by the CIU and West Yorkshire Joint Services, into benefit, council tax and mortgage fraud; money laundering and fraudulent misuse of funds. This constitutes full and final payment for 2 of the investigations and further payments, relating to the remaining 2 investigations, are still being actively pursued with the aim of recouping in full in 2020/21.
- Reimbursement of investigation and/or legal costs, awarded to the Council by the Courts in prosecution cases, totalling £8,920.

5. RISK MANAGEMENT AND GOVERNANCE ISSUES

There are no significant risks arising.

6. LEGAL APPRAISAL

There are no legal issues arising from the contents of this Report.

In addition to its specific enforcement powers under numerous statutory provisions the Council has a general power under section 222 Local Government Act 1972 to bring legal proceedings before the Court where the “Local Authority considers it expedient for the promotion or protection of the interests of the inhabitants of their area.

Prosecution proceedings will only be issued after having due regard to the CPS Code of

Practice and the Council's Sanctions policy. As such prosecution proceedings will only be issued where there is sufficient and admissible evidence to provide a realistic prospect of conviction and where the prosecution is in the public interest.

The Code of Practice requires the decision to prosecute to be kept under continuous review, so that any new facts or circumstances, in support of or undermining the Council's case, are taken into account in the Council's decision to continue or terminate the proceedings.

7. OTHER IMPLICATIONS

7.1 EQUALITY & DIVERSITY

There are no equality and diversity implications

7.2 SUSTAINABILITY IMPLICATIONS

There are no sustainability implications

7.3 GREENHOUSE GAS EMISSIONS IMPACTS

None

7.4 COMMUNITY SAFETY IMPLICATIONS

The reduction of all crime, including fraud, corruption and /or theft, contributes to improving community safety.

7.5 HUMAN RIGHTS ACT

The Council's current counter fraud approach complies with the Human Rights Act, in particular in relation to surveillance and the right to privacy. All surveillance operations are required to be formally approved in compliance with the Regulation of Investigatory Powers Act 2000 and Council protocols. However, there were no surveillance applications requested during 2019/20.

7.6 TRADE UNION

There are no trade union issues arising from the contents of this Report.

7.7 WARD IMPLICATIONS

Counter fraud information is available by ward area, excluding employee investigations, if required.

7.8 AREA COMMITTEE ACTION PLAN IMPLICATIONS (for reports to Area Committees only)

N/A

7.9 IMPLICATIONS FOR CORPORATE PARENTING

N/A

7.10 ISSUES ARISING FROM PRIVACY IMPACT ASSESSMENT

None

8. NOT FOR PUBLICATION DOCUMENTS

None

9. OPTIONS

N/A

10. RECOMMENDATIONS

That the Committee notes the performance information contained within this report.

11. APPENDICES

1. Additional charts - breakdown of investigations by type
2. Additional charts - breakdown of financial loss in 2017/18 and 2018/19

12. BACKGROUND DOCUMENTS

[CIPFA fraud and corruption tracker](#)

[MHCLG – Local Government procurement fraud and corruption risk review](#)

Appendix 1 – Additional charts and breakdown of investigations

Chart 2a - Investigations carried out by type - last 3 financial years

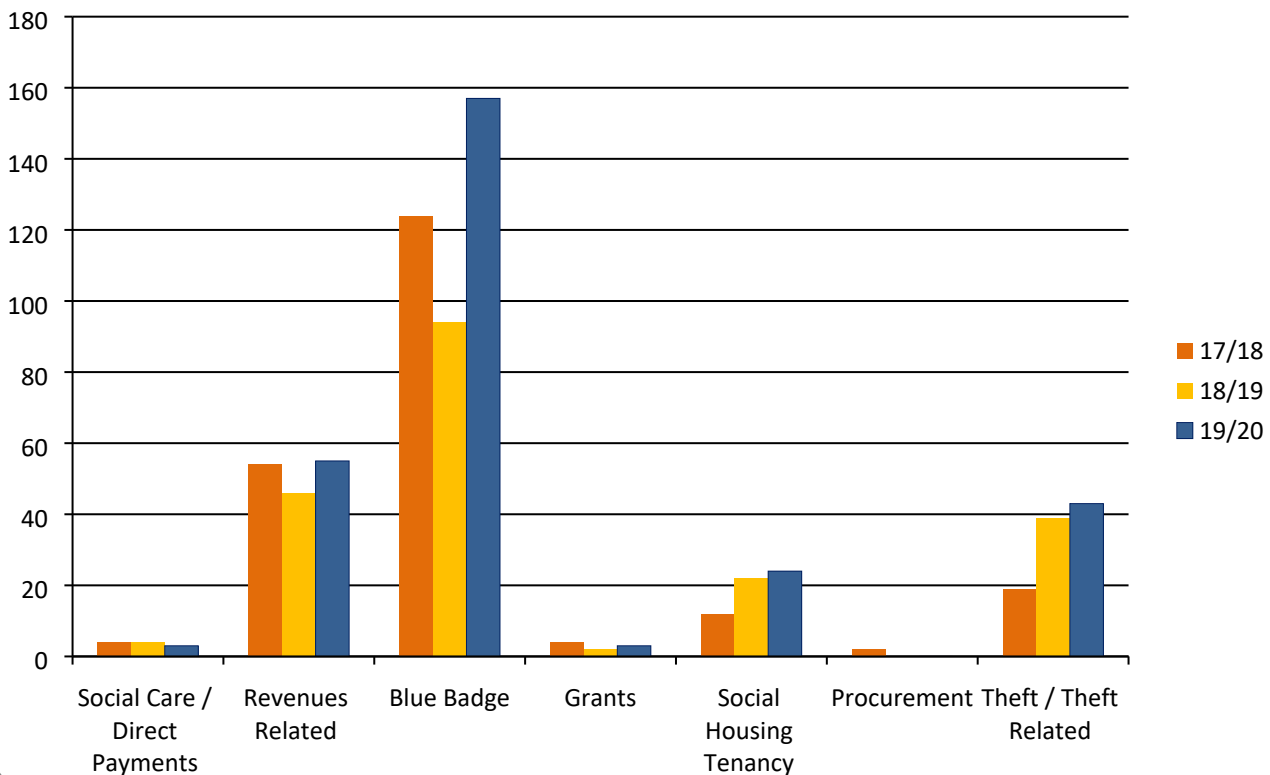
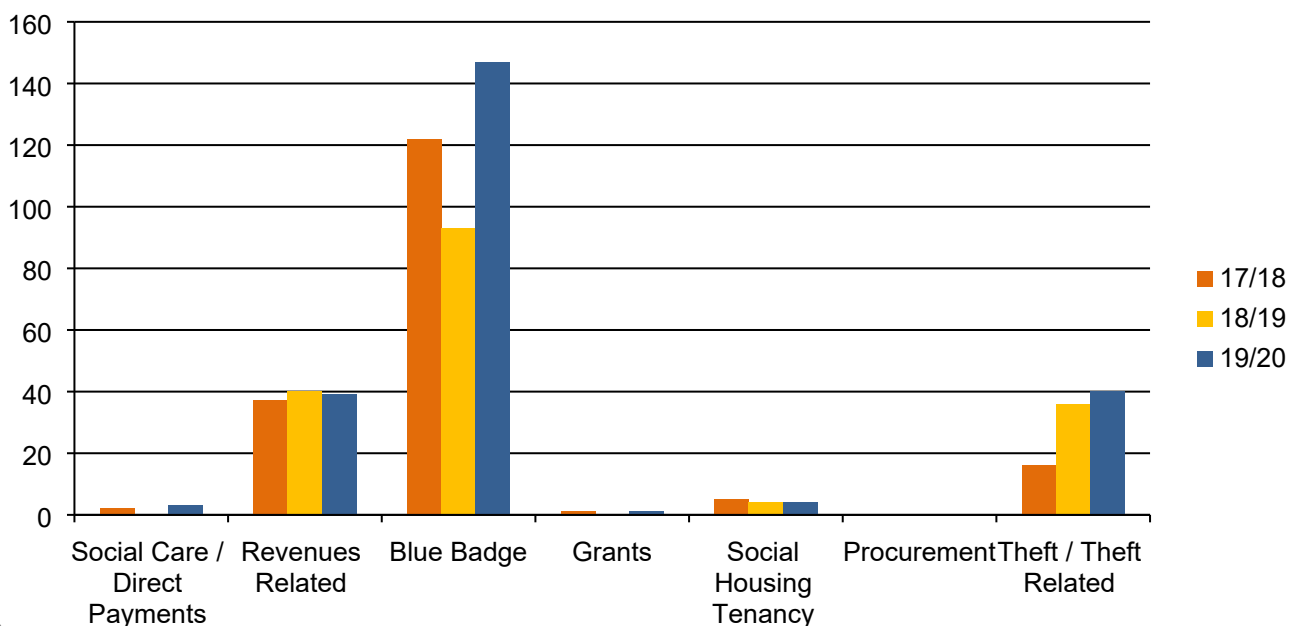


Chart 3a – Investigations by type where Fraud, Theft or Financial Irregularity found - last 3 financial years



Definitions of the different types of fraud

- *Social Care / Direct Payments - misappropriation of funds or financial irregularity in relation to care packages provided by the Council*
- *Revenues Related – failure to declare correct circumstances to claim Single Person Discount (25% reduction on Council Tax liability), failure to provide correct details in relation to Council Tax Support scheme or any other benefits, discounts or reliefs*
- *Blue Badge – Abuse/misuse of disabled persons blue badge; using lost or stolen badges, counterfeit badges, badge holder absent or deceased.*
- *Grants – False applications or misappropriation of funds in relation to grant funding paid by Council*
- *Social Housing Tenancy Fraud – Illegal subletting or succession frauds, right to buy applications or key selling*
- *Procurement – Failure to follow procedure, distorting fair and open competition, collusion between bidders or collusion with contractors*
- *Theft or theft related – Theft of cash or Council property or assets for resale or personal use*

Appendix 2

