

# Annual Fraud Report

2017 - 18

West Sussex County Council



**Southern Internal  
Audit Partnership**

Assurance through excellence  
and innovation

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## 1. Forward

Leaders of public service organisations have a responsibility to embed effective standards for countering fraud and corruption in their organisations. This supports good governance and demonstrates effective financial stewardship and strong public financial management.

Published in October 2014, the CIPFA Code of Practice on Managing the Risk of Fraud & Corruption sets out the principles that define the governance and operational arrangements necessary for an effective counter fraud response.

It is these principles that underpin the Southern Internal Audit Partnership's approach to support the management of the risk of fraud and corruption within West Sussex County Council.

West Sussex County Council promotes a zero tolerance culture to fraud and corruption:

*'West Sussex County Council is determined that the culture and tone of the organisation is one of honesty, openness and absolute opposition to fraud and corruption. The Council's expectation on propriety and accountability is that members and staff at all levels will observe the highest standards in ensuring adherence to legal requirements, rules, procedures and practices.'* (WSCC - Anti Fraud & Corruption Strategy)

The Council maintains a suite of strategies and policies to support the effective management of the prevention, detection and investigation of fraud and corruption (Anti-Fraud & Corruption Strategy and Response Plan; Whistleblowing Policy and Anti Bribery Policy).

Counter-fraud activity during the year has delivered a programme of proactive and reactive work to complement the internal audit strategy and annual plan focusing resource against assessed fraud risks in addition to new and emerging threats.



## 2. Reactive Fraud Activity

The Southern Internal Audit Partnership work with West Sussex County Council in the effective review and investigation of any reported incidents of fraud and irregularity. All such reviews are undertaken by professionally accredited (CIPFA CCIP) staff, in accordance with the Council's Anti-Fraud & Corruption Policy and Response Plan.

Recent history has demonstrated that given the size and diversity of the organisation, relatively low levels of activity have been required in respect of reactive fraud work in West Sussex County Council.

Analysis is provided (fig. 1) highlighting the fraud types that have been subject to internal audit investigation across West Sussex County Council over the last two years. It should be acknowledged that the figures relate to areas of investigation and not proven fraud.

Many of the 'fraud types' evident in the table are reflective of national trends and as such are not issues unique to West Sussex County Council.

Type	16/17	17/18
Social Care	3	5
School Related	2	4
Procurement	1	1
Pensions	1	3
P-Card	1	1
Family Operations	3	3
Employee/ Recruitment	7	4
Blue Badge	-	6
Mandate	-	5
Others	-	4
<b>Total</b>	<b>18</b>	<b>36</b>

Fig.1

### 3. Proactive Approach

Whilst the established process to reactive fraud assists the Council in responding to notified incidents or suspicions of fraud and irregularity, it is equally important to ensure proactive initiatives are appropriately explored to understand, prevent and detect fraud risks across the organisation. Initiatives and subsequent outcomes during the year included:

**Compliance against the CIPFA Code** – During the year we implemented all necessary actions following a self-assessment of the organisations arrangements against the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption. We are satisfied that in all material respects the organisation operate in accordance with the Code of Practice.

**Schools Fraud Health Check** – A combination of face to face interviews and questionnaires were used to assess fraud awareness and control across maintained schools in West Sussex. The health check was modelled on key areas of risk exposure attained from a national analysis of reported frauds within schools compiled by Mazars coupled with our own understanding and knowledge of fraud risk exposures.

In total 220 schools were contacted from which we received feedback from 127. Generally responses were found to provide a reasonable level of assurance that the framework of controls and governance maintained were working effectively. However, there were a number of areas of commonality identified for improvement including recording and retention of gifts and hospitality; effective review and maintenance of key policies and procedures; secure retention of assets; and poor IT controls (password reviews, sharing of log-on etc.).

Feedback from the survey is being analysed in conjunction with the statutory Schools Financial Value Standard (SFVS) return that schools are required to submit by 31 March each year. The review will conclude with a consolidated report highlighting common areas of weakness and recommendations for improvement which will be disseminated to all schools.

Specific feedback will be provided to schools to whom physical visits have been made or where survey responses indicate a particularly poor control environment. Those schools who failed to respond to the survey will be considered for individual site visits during 2018-19.

**National Fraud Initiative (NFI)** - The NFI is a statutory exercise facilitated by the Cabinet Office that matches electronic data within and between public and private sector bodies to prevent and detect fraud. Public sector bodies are required to submit data to the National Fraud Initiative on a regular basis (every two years). The last NFI data upload was carried out in October 2016. Match reports were received and disseminated to key contacts in January 2017. The outcomes of NFI work across West Sussex County Council is summarised below:

Dataset	Recommended Matches	Matches Reviewed	Fraud/irregularities Identified	Value (£)	Recovered (£)
Pensions	255	528	10	54,612.34	On-going
Payroll	7	124	1	100.00	100.00
Blue Badges	1,091	1102	12	0	0
Concessionary Travel	5,509	6098	4,892*	117,408.00*	n/a
Residential Parking Permits	9	10	0	0	0
Private Residential Care Homes	79	172	4	44,117.55	44,117.55
Insurance Claimants	0	4	0	0	0
Personal Budgets	61	142	0	0	0
Creditors	866	1631	6	6,271.56	On-going
VAT	256	355	0	0	0
<b>Total</b>	<b>8,133</b>	<b>9,076</b>	<b>4,913</b>	<b>222,509.45</b>	<b>44,217.55</b>

\* As a result of the NFI 4,892 concessionary travel passes were cancelled from the database. Although no fraud was identified, the Cabinet Office assigns a notional value of £24 per pass saved to the public purse based on the cost of reimbursement to bus operators for journeys made under the concessionary pass scheme.

A further NFI data upload will be carried out in October 2018 and new match reports will be available for review in January / February 2019. Service areas will continue to work on existing matches received from the 2017 match reports that have yet to be reviewed.

**Joint Working Initiatives** - Following a joint correspondence from the DCLG and DWP in October 2017 West Sussex County Council completed an expressions of interest to take up the opportunity of working with Government to more efficiently and effectively fight local fraud and corruption.

The initiative builds on DWP's work with council fraud teams, on joint criminal fraud investigations of the Council Tax Reduction Scheme (CTRS) and Social Security benefit fraud.

DWP's Joint Working project team continue to develop the principles of including other types of local authority (incl. county council payments) within joint criminal fraud investigations and work is underway to establish the extent of data sharing and disclosure allowed under existing legislation in order to expand the scope further.

We look forward to working with colleagues across Government throughout 2018/19 as initiatives and opportunities present.

Additionally we continue to engage with and currently Chair the South East Fraud Hub which comprises fraud leads for County Councils across the South East.

**Blue Badge Initiative** - The County Council is responsible for awarding blue badges, which provide a range of parking concessions for people with severe mobility problems, or who have difficulty using public transport.

Fraudsters exploit the scheme by forging badges or stealing badges from cars. Abuse also occurs when badges remain in use, or are renewed by someone, after a badge holder has died.

West Sussex County Council has a number of processes in place to help reduce Blue Badge fraud and react to reported cases of misuse. However, there was no proactive pursuit of those who misuse Blue Badges in the streets and car parks in the county, nor was prosecution used as a sanction and consequent disincentive.

During 2017-18 an initiative (led by Highways & Transport) was launched to work with Brighton & Hove City Council (one of the Department for Transport’s Blue Badge Centres of Excellence) to use their team of experts to conduct fortnightly enforcement activity across the West Sussex area.

B&HCC Blue Badge investigators were subsequently deployed on-street to inspect Blue Badges in parked vehicles. They liaised by telephone with an office-based member of staff who called the badge holder at their home to attempt to ascertain their whereabouts. The inspectors often wait for the driver and passengers of the vehicle to return and so find out if the Badge Holder is present. Where possible, the inspectors seize misused badges.

Since the blue badge enforcement exercises commenced in August 2017, there have been:

Sanction	Cases	Description
Prosecution	4	Criminal prosecution and a fine of up to £1,000
Community Resolutions	42	Administered by Sussex Police - keeps low level anti-social behaviour out of the courts and does not criminalise people unnecessarily. People who take a community resolution pay £40 to attend an educational session on how their behaviour affects disabled people
Warning Letters	30	Reminds the badge holder of the requirements of use of the badge and warns that if further misuse is found their badge will be withdrawn and prosecution considered.
Blue Badges Retained	86	Seized by inspector(s) at point of challenge
Blue Badges Destroyed	24	Badge has expired or already been cancelled, so removed from circulation.

There are a further 20 cases where action is still to be determined.



**No Recourse to Public Funds (NRPF)** – presents a significant fraud risk to local authorities through falsification of documentation to obtain benefits.

NRPF refers to those subject to immigration controls and whom are not eligible for public funds (welfare benefits, public housing or financial support from the home office), but may still be eligible for local authority assistance under Section 17 of the Children Act 1989, or Section 21 of the National Assistance Act 1948. Assistance under these acts is not defined as ‘a public fund’; hence individuals with NRPF are not excluded from these provisions. Local authorities have a duty to provide assistance to individuals under these acts if they meet certain criteria.

There were only a minimal number of cases (16) administered by West Sussex County Council at the time of this review for which NRPF was applicable. All cases reviewed arose from the obligation to support a child or children (and by association their parent(s)) under Section 17 of the Children’s Act.

Our review found that case records were generally sound; however, there were instances where copies of documents relevant to the NRPF status, such as evidence to confirm identity, immigration status and communication with other parties acting on their behalf, such as solicitors were not evident. A lack of supporting evidence can indicate an individual is either not who they purport to be, or not having disclosed a true representation of their situation.

Whilst pleasingly our review did not identify any fraudulent activity in this area a number of recommendations have been made to enhance the control framework to further prevent / detect the potential of future exposure.

**Direct Payments** – Nationally there has been a rise in the number of fraud cases identified in adult social care and the value of loss has started to increase.

A personal budget is a sum of money that the council allocates to an adult/ child (user) to meet their assessed needs for care and support. The user can choose how their budget is paid and how money is used. Personal budgets can be managed by the council, which commissions services for the user, or given to the applicant or the carer as a direct payment so they can buy their own care and support services.

The value and volume of personal budgets in West Sussex is significant, as at the time of our analysis there were 2,166 personal budgets (1,611 adults and 555 children's) with a weekly value of £530k.

Fraud can be perpetrated through direct payments not being used to pay for the care of the vulnerable adult / child; or care workers claiming money for time they had not worked or were spending the allocated budget inappropriately. A recent national survey by the CIPFA Counter Fraud Centre highlighted nationally greater links between adult social care fraud and insider fraud.

A review of direct payments is currently underway and testing of individual cases is progressing. The review has a specific focus on controls and systems in place to prevent and detect fraud and a report and subsequent management actions will be produced on conclusion. There are also changes to the manner in which direct payments are made and advice has also been given on this.

#### **4. Ongoing initiatives**

We have maintained a number of initiatives throughout the year to ensure internal audit remains responsive to the fraud needs of the County Council and maintains consistently high standards:

- Facilitate a 'Fraud Hotline' (telephone and email) for members of staff or the public to report instances of suspected fraud
- Fraud Awareness Bulletin's, providing oversight of emerging fraud risk threats and advice;
- Completion and receipt of outcomes from the CIPFA Fraud Survey;
- Compliance with the Public Sector Internal Audit Standards;
- Compliance with the CIPFA Code of Practice on Managing the Risk of Fraud & Corruption;
- Responsible Authority within the Council Whistle blowing policy (Confidential Reporting Policy)

## 5. Acknowledgement

I would like to take this opportunity to thank all those staff throughout West Sussex County Council with whom we have made contact in the year. Our relationship has been positive and management were responsive to the comments we made both informally and through our formal reporting.

Neil Pitman  
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June 2018