

AUDIT COMMITTEE

27 SEPTEMBER 2017

CORPORATE FRAUD TEAM – COUNTER FRAUD ANNUAL REPORT

Report of the Director of Corporate Resources

Cabinet Member: Councillor Nicholas Oliver, Portfolio Holder for Corporate Services

Purpose of report

The purpose of this report is to update the Audit Committee on work undertaken by the Corporate Fraud Team within the Council during the year ended 31 March 2017.

Recommendations

It is recommended that the Audit Committee

1. Notes the progress in work undertaken by the Corporate Fraud Team since the last report and the steps being taken to recover any monies owed to the Council.

Link to Corporate Plan

This report is relevant to the Economic Growth and Developing the Organisation priorities included in the NCC Corporate Plan 2013-2017

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INTRODUCTION

The Corporate Fraud Team was established 1 April 2014 combining the previous work of the Audit Service and the Anti Fraud Consultant with the Revenues and Benefits Fraud Investigation Team.

The Council is committed to providing an effective Anti-Fraud Service which is supported by efficient policies and sanctions for those that offend. Counter fraud is the responsibility of everyone in the Council and by ensuring that effective measures are in place to prevent, detect, investigate and report fraud we can ensure that public money is spent where it should be, on services for the community.

Failure to investigate fraud will see money leaving the Council by way of fraud or error and failure to tackle this effectively could lead to qualified subsidy claims and loss of revenue for the Council.

It is therefore important to demonstrate that resources are focused on fraud reduction and to identify, investigate and rectify administrative weaknesses in order to assure Members of the quality and integrity of investigations.

At the end of March 2017, the contract for the Anti Fraud Consultant was not renewed and the team now consists of the Corporate Fraud Manager, 3 Corporate Fraud Investigators and an Administration Assistant.

As the Committee will be aware the Corporate Fraud Team was established with the intention of becoming self-funding over a three year trial period and as reported previously the gross savings generated by the Corporate Fraud Team in the first year of operation amounted to £1,491,470 (Net £1,124,120 after staff costs of £367,350)

When this is combined with the gross savings for 2015–2016 of £2,314,807 (Net £1,996,995 after staff costs of £317,812) that brought the total savings for the Council to £3,806,277 (Net £3,121,115) after year two.

The results of the 3rd year since inception shows an improvement year on year with the gross savings for 2016-2017 of £2,512,500 (Net £2,270,645 after staff costs of £241,855) bringing a total saving for the Council over our first three years to £6,318,777 (Net £5,391,760).

ANNUAL REPORT OF ALL SUSPECTED FRAUD – 1 April 2015 to 31 March 2016

Internal Fraud

All reports of suspected fraud continue to be documented, whether investigated or not, and during the course of the year there have been 15 referrals in relation to potential internal fraud of which 6 have been the subject of investigations to varying degrees.

Most of these investigations did not find any evidence of fraud and with two exceptions. both of these cases involved theft of monies by staff.

The first case resulted in the employee admitting the theft during interview, resigning from her post and repaying monies - no further action was considered due to the low quality of evidence.

The second case again resulted in the employee resigning, but refused to be interviewed therefore there was no alternative to proceed with this case to court. The magistrates found that there were aggravating features, they agreed there was a breach of trust and allowed her colleagues to look for money which was already secreted in her pocket. She carried on the deceitful act pretending to work with her colleagues to find the money.

The Court, having considered the report imposed a 12 month community order with 60 hours unpaid work, they also imposed a victim surcharge of £60 and contribution to prosecution costs of £40.

External Fraud

There were a total of 1,722 fraud referrals involving 1,112 investigations during the period 1 April 2016 to 31 March 2017.

Of these 1,112 investigations, 329 were FERIS (Fraud & Error Reduction Incentive Scheme) review visits resulting in the following overpayments on benefit claims:

Housing Benefit	£52,853.76
Council Tax Support	£21,872.20

Also from these 1,112 investigations, were 315 Blue Badge data matches through National Fraud Initiative highlighting the badge holders had passed away some time ago but the badges had remained live. All next of kin's have been delicately contacted, and so far, 191 badges have been cancelled.

Total Sanctions

Sanction	2016-17
Prosecution	3
Formal Caution	1
Admin Penalty	13
Totals	17

Wherever possible press articles are released via the communications team which is integral to enhancing the reputation of the council and hopefully discouraging those individuals who may consider committing fraud. It also reinforces the perception of the honest majority of Northumberland residents that we are committed to protecting the public purse.

Although the Local Authority no longer has any remit to investigate Housing Benefit fraud, often is the case that overpayments are created when we deal with Council Tax Support fraud cases. Overpayments of Housing Benefit that have been calculated whilst investigating Council Tax Support during the period 1 April 2016 to 31 March 2017 amounted to £184,477.56.

The Council Tax Support fraudulent overpayments identified in these investigations amounted to £121,117.24

Alongside Council Tax Support, cases involving Single Person Discounts have resulted in £21,928.48 of additional revenue being identified.

As the Committee will be aware the team continues to be extremely successful with a proactive initiative in conjunction with Homes for Northumberland in relation to Right to Buy applications. The enhanced vetting procedures incorporating stringent money laundering checks and home visits to ensure residency and identity.

As a result of this initiative a total of 121 Right to Buy applications were scrutinised in detail following which 30 were withdrawn by the tenants resulting in a total saving of £1,295,657.50 that would have been allowed as a discount to the property purchase price.

In addition to the savings outlined above, the 30 properties remain as part of the housing stock and continue to generate rental income although no evaluation has yet been made of the additional income that this will generate for the Council each year.

A further seven Homes for Northumberland properties have been recovered due to the tenants being non-resident and as a result of the team's intervention the keys were handed back. Under the guidelines issued by the Audit Commission (Protecting the Public Purse – October 2014) the recovery of these properties is worth a minimum of £1,050,000

to the Council.

The distribution and administration of the Blue Badge scheme has now been transferred to Revenues and Benefits and an initiative to cooperate with the Civil Enforcement Officer team has been developed. This involves joint visits and badge inspections in appropriate places throughout the County with potential joint interviews and seizure of badges with appropriate prosecutions for those being fraudulently misused.

In this respect there were 18 investigations in relation to the potential misuse of Blue Badges as a result of which 3 badges were seized saving the Council £1,500.

PROACTIVE COUNTER FRAUD WORK

Plans for both internal and external pro-active work have been developed for the next financial year building on the work undertaken so far and these will continue to concentrate on the following key risk areas:

1. The team has set up a regional Tenancy Fraud Forum Group for all local authorities and Registered Social Landlords in the area to work closer together, share best practices and assist each other with housing fraud matters. The Team are the group organisers alongside Durham County Council's Corporate Fraud team and have recently held our initial 2 meeting where 40+ people attended from our local partners.
2. Due to the continuing success of the Right to Buy initiative this will remain a high priority for further work and it is envisaged that this will be expanded to look at other areas of Housing Fraud - offering a key amnesty, tenancy reviews with Registered Social Landlords and indeed negotiations with ISOS Housing are in progress for joint working in this area.
3. Current joint working with Homes for Northumberland on housing tenancy fraud has already resulted in the recovery of seven properties as outlined above and further investigation work is ongoing.
4. We are part of a consortium bid with Liberata and eleven other partners to address fraud and error within the Council Tax Reduction scheme using sophisticated data matching and analytics to ensure that the rebates are directed at the most vulnerable customers.
5. As part of a successful bid for funding of £53,247 from the DWP under the Fraud & Error Reduction Incentive Scheme last year, the Corporate Fraud Team has agreed to provide a review and investigation service to ISOS Housing in relation to tenancy fraud where it is proposed to target 250 tenancies where Housing Benefit is being paid but there has been no contact with the tenant within the previous 24 months.

During the year members of the team have also attended a number of conferences and seminars to both actively publicise the team and gain additional knowledge and experience.

REGULATION OF INVESTIGATORY POWERS ACT 2000 (RIPA)

Since the last report to the Audit Committee there have been no applications for Directed Surveillance.

As previously advised the next inspection by the Office of the Surveillance Commissioner is due in 2017.

Implications

Policy	None.
Finance and value for money	Investigations into suspected fraud, corruption and theft help identify financial losses incurred by the Council and assist in the process of seeking recovery of such sums. It also supports the governance framework.
Legal	None.
Procurement	None.
Human Resources	None.
Property	None.
Equalities (Impact Assessment attached) Yes <input type="checkbox"/> No <input type="checkbox"/> N/A <input checked="" type="checkbox"/>	None. An impact assessment is not applicable as the report does not require a key decision.
Risk Assessment	Work carried out within the scope of this report reduces the risk of financial loss and adverse publicity to the Authority through fraud.
Crime & Disorder	A programme of pro-active counter fraud work reduces the potential opportunities for fraud and corruption within the Council's activities.
Customer Consideration	None.
Carbon reduction	None.
Wards	All.
Consultation	Section 151 Officer

Report sign off.

Finance Officer	AE
Monitoring Officer / Legal	N/A
Human Resources	N/A
Procurement	N/A
I.T.	N/A
Executive Director	DL