

# NORTHUMBERLAND

Northumberland County Council

AUDIT COMMITTEE

24 JANUARY 2018

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## CORPORATE FRAUD TEAM – INTERIM FRAUD REPORT

Report of the Director of Finance

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

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### **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.

### **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

### **Author and Contact Details:**

Report Authors: Barry Haigh – Corporate Fraud Manager  
Phone: (01670) 624273  
Email: [barry.haigh@northumberland.gov.uk](mailto:barry.haigh@northumberland.gov.uk)

## **INTRODUCTION**

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.

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 team now consists of the Corporate Fraud Manager, 3 Corporate Fraud Investigators and an Administration Assistant.

The Corporate Fraud Team was established with the intention of becoming self-funding over a three year trial period. As the Committee will be aware from the report dated 27 September 2017, the Corporate Fraud Team was extremely successful in the first three years of operation achieving gross savings of £6,318,777 with staffing cost being £927,017 for this period.

## **ANNUAL REPORT OF ALL SUSPECTED FRAUD – 1 April 2017 to 30 September 2017**

### **Internal Fraud**

All reports of suspected fraud continue to be documented, whether investigated or not, and during the period 1 April 2017 to 30 September 2017 there have been 14 referrals in relation to potential internal fraud of which 4 have been the subject of investigations to varying degrees.

Most of these referrals did not find sufficient evidence to warrant a fraud investigation and a number of cases have been dealt with by straight forward recovery action of overpaid wages. Of the 4 investigations being undertaken, all of these are still active and will hopefully be reported on in the full annual report later this year.

### **External Fraud**

There were a total of 481 new fraud referrals received during the period 1 April 2017 to 30 September 2017. These together with existing fraud referrals, saw 536 cases closed with 245 (45%) providing a positive result ranging from overpayments of discounts/support to sanctions being issued.

### **Total Sanctions**

<b>Sanction</b>	<b>2017-18</b>
Prosecution	
Formal Caution	2
Admin Penalty	10
<b>Totals</b>	<b>12</b>

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 2017 to 30 September 2017 amounted to £13,404.96.

The Council Tax Support fraudulent overpayments identified in these investigations amounted to £26,164.89

Alongside Council Tax Support, cases involving Single Person Discounts have resulted in £2,825.90 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 40 Right to Buy applications have been scrutinised in detail so far this year with 11 of these being withdrawn by the tenants resulting in a total saving of £564,252.00 that would have been allowed as a discount to the property purchase price. In addition to the savings outlined above, the 11 properties remain as part of the housing stock and continue to generate rental income although no evaluation has been made of the additional income that this will create for the Council each year.

A further two 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 £300,000 to the Council.

We also continue to work with our partners, Karbon Homes (formerly ISOS Housing, Cestria Housing & Derwentside Housing), providing a vetting and checking service on their Right to Buy/Acquire applications. 19 applications have been scrutinised between 1 April 2017 and 30 Sept 2017 with 5 applications being withdrawn or cancelled saving Karbon Homes £240,260 that would have been allowed as a discount to the property purchase price. Again as with HFN, these 5 properties remain as social housing stock for Karbon Homes and continue to generate income. This is a chargeable service by NCC.

## **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 meetings continue to be held on a quarterly basis.
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, etc. We are also considering offering a chargeable monthly investigation service for RSL's which will very likely be offered to Karbon Homes initially building on an already solid working relationship.
3. Current joint working with Homes for Northumberland on housing tenancy fraud has already resulted in the recovery of two properties as outlined above and further investigation work is ongoing. We are working closely with the Homelessness Team on false allegations of homelessness and illegal evictions.
4. We are in communication with the Councils Insurance Team and are discussing jointly working together on injury/compensation claims made against the Council following concerns as to how robust our insurer, Zurich, investigates suspicious claims. With the Council having an excess on our policy of over £120,000, any savings made will be real money for the Council

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.

## Implications

<b>Policy</b>	None.
<b>Finance and value for money</b>	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.
<b>Legal</b>	None.
<b>Procurement</b>	None.
<b>Human Resources</b>	None.
<b>Property</b>	None.
<b>Equalities</b> (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.
<b>Risk Assessment</b>	Work carried out within the scope of this report reduces the risk of financial loss and adverse publicity to the Authority through fraud.
<b>Crime &amp; Disorder</b>	A programme of pro-active counter fraud work reduces the potential opportunities for fraud and corruption within the Council's activities.
<b>Customer Consideration</b>	None.
<b>Carbon reduction</b>	None.
<b>Wards</b>	All.
<b>Consultation</b>	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