



# Northumberland County Council

AUDIT COMMITTEE

26 SEPTEMBER 2018

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## CORPORATE FRAUD TEAM – COUNTER FRAUD ANNUAL REPORT

Report of Barry Scarr, the Executive Director of Finance & Deputy Chief Executive

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 during the year ended 31 March 2018.

### **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 'we want to be efficient, open and work for everyone' priority in the Corporate Plan 2018-2021 by ensuring we protect public money through an effective counter fraud service.

## **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.

At the end of March 2018, the team 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 in 2014 with the intention of becoming self-funding. Our previous 3 years have established areas of work the team now focuses on and has resulted in 2017-18 being another successful year showing gross savings of £1,944,115 (Net £1,753,867).

## **ANNUAL REPORT OF ALL SUSPECTED FRAUD – 1 April 2017 to 31 March 2018**

### **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 18 referrals in relation to potential internal fraud of which all have been the subject of investigations to varying degrees.

Most of these investigations have been closed with no formal action taken apart from 4 cases that are being considered for legal action - these cases involve allegations of theft, abuse of position and false representation.

An update on the outcome of these cases will be given upon their conclusion.

From the cases where formal action was not taken, we have successfully recovered, in full, an overpaid salary amount of £4,348.76 and also, following referrals made to Corporate Fraud, agreements have been entered into totalling £6,623.02 again of overpaid salary.

### **External Fraud**

There were a total of 868 fraud referrals received during the period 1 April 2017 to 31 March 2018 in the following case types:

Council Tax - 514  
Business Rates - 9  
Direct Payments - 5  
Employee - 18  
Insurance - 7  
Schools - 10  
Single Person Discount - 78  
Tenancy - 204  
Blue Badge/Concessionary Passes - 19  
Other - 4

Of the 868 referrals, 166 have been forwarded to the DWP due to these also involving Housing Benefit and passported benefits. In addition to the above and following on from the previous years Blue Badge investigation exercise where the badge holders had passed away some time ago but the badges had remained live, a further 129 badges have been cancelled.

## Total Sanctions

	<b>2017-18</b>
Prosecution	4
Formal Caution	2
Admin Penalty	11
<b>Total Sanction</b>	<b>17</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 31 March 2018 amounted to £58,221.54.

The Council Tax Support fraudulent overpayments identified in these investigations amounted to £44,694.18

Alongside Council Tax Support, cases involving Single Person Discounts have resulted in £6,967.36 of additional revenue being identified and also Small Business Rate Relief cases have identified £13,092.99 of recoverable revenue.

As the Committee will be aware the team continues to be extremely successful with an 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 71 Right to Buy applications were scrutinised in detail. From these 71, 23 were withdrawn by the tenants resulting in a total saving of £899,462 that would have been allowed as a discount to the property purchase price.

In addition to the savings outlined above, the 23 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 provide for the Council each year.

A further six 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 returned for the property to be re-let. Under the guidelines issued by the Audit

Commission (Protecting the Public Purse – October 2014) the recovery of these properties is worth a minimum of £900,000 to the Council (£150,000 per property).

## **PROACTIVE COUNTER FRAUD WORK**

Plans for proactive work continue to be developed for the next financial year building on the work undertaken so far and these will concentrate on the following key risk areas:

1. The 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 continues to meet on a quarterly basis. The Team are the group organisers alongside Durham County Council's Corporate Fraud team .
2. In association with the Tenancy Fraud Forum Group, we conducted a Fraud Awareness Campaign which ran in conjunction with the International Fraud Awareness week during November 2017. Ourselves and other group members organised publicity on all aspects of Tenancy Fraud - this included press releases, displaying posters in public areas, social media, etc. Reports from group members show the exercise to be a success and reported an increase in referrals from internal and external sources being received during the campaign.
3. 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 in particular to conduct a review of the housing waiting list with Homefinder.
4. We are providing a Right to Buy/Acquire verification process for Karbon Homes which mirrors the work we currently conducted with Homes For Northumberland. During this year, we have received 31 applications to verify and conduct anti money laundering checks which has resulted in 12 applications being withdrawn. A total saving of £414,610 for Karbon Homes that would have be allowed as discount should the sale have complete. This service is chargeable and has generated £9,300 for the council.
5. We are also looking to provide an investigation service to Karbon Homes where they would pay for our services to investigate tenancy matters within their housing stock. Negotiations are at an early stage and we would hope to report further on this in the next annual report.
6. Following on from a school allocation exercise in 16/17, there were also over 2700 secondary school allocation applications checked to identify false information being supplied. The initial exercise on a popular Primary School resulted in 3 school places being withdrawn and savings of £2,807 per child, totalling £8,421.00.

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.**

Executive Director of Finance	BS
Monitoring Officer / Legal	N/A
Human Resources	N/A
Procurement	N/A
I.T.	N/A
Chief Executive	N/A

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