



# Northumberland County Council

AUDIT COMMITTEE

24 JANUARY 2018

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## CORPORATE FRAUD TEAM – INTERIM FRAUD 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 covering the period April 2018 - September 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.

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

The Corporate Fraud Team was established in April 2014 with the intention of becoming self-funding. As the Committee will be aware from the report dated 26 September 2018, the Corporate Fraud Team produced another extremely successful during 2017-2018 and continue in the same manner for our first 6 months of operation in 2018-2019 achieving gross savings of £1,571,161.68 before staffing costs.

## **ANNUAL REPORT OF ALL SUSPECTED FRAUD – 1 April 2018 to 30 September 2018**

### **Internal Fraud**

All reports of suspected fraud continue to be documented, whether investigated or not, and during the period 1 April 2018 to 30 September 2018 there have been 6 referrals in relation to potential internal fraud of which 3 have been the subject of investigation to varying degrees. The 3 closed referrals did not find sufficient evidence to warrant a fraud investigation.

Together with the 3 closed cases mentioned above, we have also closed a further staff case where the decision was made to only recover the overpaid salary. We currently have, in total, 5 cases ongoing at the following stages:

With Legal to consider proceedings: 2

Case awaiting Managers decision of further action: 2

Under investigation: 1

As all of these cases are still active, updates will be reported on, if appropriate, in the full annual report later this year.

### **External Fraud**

There were a total of 444 new fraud referrals received during the period 1 April 2018 to 30 September 2018. These together with existing fraud referrals, saw 423 cases closed with 114 providing a positive result ranging from overpayments of discounts/council tax support to sanctions being issued.

### **Total Sanctions**

<b>Sanction</b>	<b>2018-19</b>
Prosecution	0
Formal Caution	3
Admin Penalty	3
<b>Totals</b>	<b>6</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.

From our new referrals figure of 444, 161 of these principally concern Council Tax Support claims. Together with referrals already held, 230 Council Tax Support referrals have been closed. 54 of the closed referrals were rejected due to lack of information, changes already declared or no Support being claimed. The remaining 176 referrals resulted in 46 positive outcomes and overpayments identified in these investigations amounted to £20,940.59.

Alongside Council Tax Support, cases involving Single Person Discounts have resulted in £11,471.51 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 66 Right to Buy applications have been scrutinised in detail so far this year with 20 (30%) of these being withdrawn by the tenants resulting in a total saving of £877,720.00 that would have been allowed as a discount to the property purchase price. In addition to the savings outlined above, the 20 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. A new set of guidelines has now been published by the Cabinet Office which, for future recording purposes, calculates the value of a recovered property to now be £93,000.

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. 14 applications have been scrutinised between 1 April 2018 and 30 September 2018 with 4 (28.5%) applications being withdrawn or cancelled saving Karbon Homes £134,100.00 that would have been allowed as a discount to the property purchase price. Again as with HFN, these 4 properties remain as social housing stock for Karbon Homes and continue to generate income. This is a chargeable service by NCC.

The break down of our savings in to cashable and non-cashable figures is as follows:

Cashable - £53,312.08

Non-cashable - £1,517,849.60

## **PROACTIVE COUNTER FRAUD WORK**

Plans for both internal and external pro-active work continue to be 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 regional Tenancy Fraud Forum Group continues to meet on a quarterly basis. The Forum is for all regional 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 group are currently organising publicity for a forthcoming Tenancy Fraud Awareness Campaign in the coming weeks.
2. The Right to Buy initiative will remain a high priority and it is envisaged that this will be expanded to look at other areas of Housing Fraud. To coincide with the Tenancy Fraud Awareness Week, we aim to conduct a full review of our Homefinder waiting list to identify possible fraudulent applications for social housing. We are continuing with our proposal to offer 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. Discussion are still in the early stages at present.
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. At present we have 5 open investigations against private landlords with 2 of these cases with our Legal team awaiting for court papers to be prepared.
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. From our initial cases, we have been able to assist in 2 cases where the Council has denied liability saving in excess of £15,000 set as the insurance reserve

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	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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