



# Northumberland County Council

AUDIT COMMITTEE

25 SEPTEMBER 2019

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## CORPORATE FRAUD TEAM – COUNTER FRAUD ANNUAL REPORT

Report of Neil Bradley, Service Director - Strategic Commissioning and 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 during the year ending 31 March 2019.

### **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 2019, the team consisted 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 years have established areas of work the team now focuses on and has resulted in 2018-19 being another successful year showing gross savings of £2,798,318 (Net £2,610,707).

## **ANNUAL REPORT OF ALL SUSPECTED FRAUD – 1 April 2018 to 31 March 2019**

### **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 all have been the subject of investigations to varying degrees.

Of these referrals, 5 have been rejected with the majority of these being passed to the department's management to deal with. These referrals are usually low level matters that do not warrant a full fraud investigation for example, using a company vehicle for personal use, etc.

The remaining internal fraud referrals have been handled as follows:

- 5 closed no fraud
- 3 closed with sanction action taken (2 cautions accepted and o/p repaid in full & HR warning following disciplinary)
- 1 case successfully prosecuted for an offence of theft which, although it was a case of wages continuing to be received after leaving employment, there was admission of dishonesty which suggested a higher culpability and the fraud simply would have continued had she not been caught.

We still have 4 cases open from these and earlier referrals with 3 cases 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 closed cases, overpayments of £7,720.32 have been identified and either, agreements have been entered into to repay or the amounts have been repaid in full.

## External Fraud

There were a total of 1068 fraud referrals received during the period 1 April 2018 to 31 March 2019 in the following case types:

Council Tax - 388  
Business Rates - 4  
Direct Payments - 2  
Insurance - 5  
Schools - 69  
Single Person Discount - 178  
Tenancy - 230  
Blue Badge/Concessionary Passes - 101  
Other - 91

Of the 1068 referrals, 91 have been forwarded to the DWP due to these also involving Housing Benefit and passported DWP benefits, eg Income Support and Jobseekers Allowance.

Since DWP took over responsibility of investigating Housing Benefit in July 2015, we have issued over 800 referrals to them for their consideration although referrals being sent will now end with the reintroduction of Joint Working from May 19.

During the year, although the Local Authority do not have any remit to investigate Housing Benefit fraud, it is often the case that overpayments of Housing Benefit are identified during investigations into Council Tax Support due to both habitually being claimed at the same time. Overpayments of Housing Benefit during the period 1 April 2018 to 31 March 2019 amounted to £43,311.79.

The Council Tax Support fraudulent overpayments identified during investigations amounted to £44,252.70. Six of these cases were accepted for further sanction action and Administration Penalties to the value of £3,072 were issued to and accepted by the customers.

Alongside Council Tax Support, cases involving Single Person Discounts have resulted in £24,271.46 of additional revenue being identified and also Small Business Rate Relief cases have identified £7,219.92 of recoverable revenue. Overpayments of support and discounts are added to the individuals account and collected through the normal recovery process whilst the Penalties are separately invoiced to customers and repayment agreements made.

## Total Sanctions

	2017-18
Prosecution	2
Formal Caution	10
Admin Penalty	6
<b>Total Sanction</b>	<b>18</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.

Recent press articles include:

- *A woman who used her late father's blue badge to park illegally in an Ashington street has been taken to court. The woman pleaded guilty by post to an offence of misuse of a blue badge. The Court imposed a fine of £80, costs of £100 and a victim surcharge of £30.*
- *A private landlord has been ordered to pay £545 in fines and costs after unlawfully evicting a tenant. The landlord was fined £265, ordered to pay court costs of £250 and a victim surcharge of £30 after he had served a Section 8 notice, the first step in proceedings to bring a tenancy to an end, but had failed to issue possession proceedings or secure any order of the court.*

As the Committee will be aware, the team continues to be extremely successful with verification and anti-money laundering checks on Right to Buy applications in conjunction with Homes for Northumberland. 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 93 Right to Buy applications were scrutinised in detail. From these 93, 43 were withdrawn by the tenants resulting in a total saving of £1,934,155 that would have been allowed as a discount to the property purchase price.

In addition to the savings outlined above, the 43 properties remain as part of our 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 five 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) and laterly The Cabinet Office (NFI Report) the recovery of these properties is worth a minimum of £693,000 to the

Council (4 x £150,000 per property estimated value from PPP & 1 x £93,000 per property estimated from NFI Report).

Our closer working with the Insurance Team is producing positive outcomes. We have received 5 referrals of suspicion from the Insurance Team. Following investigation and enquiries by the Fraud Team, the Council has been able to deny liability resulting in the combined reserve figure for these cases of £34,129 not being paid on these claims.

We also continue to assist with school allocations with the verification of information supplied by parents applying for their children's school place. Having checked data from over 2000 applications with assistance from our datahub, IDIS, to identify any potential false information being supplied, this exercise resulted in 2 school places being withdrawn and savings of £3,850 per child, totalling £7,700.00 along with Single Person Discount and Council Tax Support claims being corrected.

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

Cashable - £129,366

Non-cashable - £2,668,952

## **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. IDIS, our new datahub is now playing a vital role within the team. Since acquiring IDIS in December 18, we have uploaded over 500,000 pieces of data from various departments. With direct access to credit checks through IDIS, since April 19 we have identified overpayments and removed discounts worth over £60,000. Final figures and further details of these savings will be reported on in our future reports.
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 in particular to conduct a review of the housing waiting list with Homefinder utilising IDIS.
3. We continue to provide 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 29 applications to verify and conduct anti money laundering checks which has resulted in 12 applications being withdrawn. A total saving of £485,776 for Karbon Homes that would have been allowed as discount should the sale have completed. This service is chargeable and has generated £8,700 for the council.
4. We are also in discussion with Karbon Homes to provide an investigation service including training within the housing arena. Essentially, Karbon would pay for our services to investigate tenancy matters within their housing stock. Negotiations are at an early stage and we hope to report further on this in future reports.
5. Bernicia Housing have also now requested the assistance from ourselves to conduct the same verification and anti-money laundering checks on their Right to Buy/Acquire applications. Agreements have been signed and the partnership has just commenced.
6. The regional Tenancy Fraud Forum Group for all local authorities and Registered Social Landlords in the area continues to meet on a quarterly basis. The purpose of the forum is 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.

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.**

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

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