



# Northumberland County Council

AUDIT COMMITTEE

30 SEPTEMBER 2020

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## CORPORATE FRAUD TEAM – COUNTER FRAUD ANNUAL REPORT

Report of Chris Hand, Executive 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 covering the period 1 April 2019 - 31 March 2020.

### **Recommendations**

#### **It is recommended that the Audit Committee**

1. Note the progress in work undertaken by the Corporate Fraud Team since the last report in March 2020 and the steps being taken to recover any monies owed to the Council.

### **Link to Corporate Plan**

This report is relevant to the Councils Corporate Plan by delivering a service that has a positive outcome for the community by stopping or preventing losses from 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 2020, the team consisted of the Corporate Fraud Manager, 3 Corporate Fraud Investigators and an Administration Assistant.

## **ANNUAL REPORT OF ALL SUSPECTED FRAUD – 1 April 2019 to 31 March 2020**

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

Of these referrals, 7 were relating to the same person and were a repeat of a much earlier allegation which was resolved following discussions with the team manager and no action was needed.

We still have 1 case open from these and earlier referrals with this case being considered for legal action - this case involves allegations of theft, abuse of position and false representation.

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

### **External Fraud**

There were a total of 1,758 fraud referrals received during the period 1 April 2019 to 31 March 2020 in the following case types:

Council Tax - 375  
Business Rates - 9  
Direct Payments - 2  
Insurance - 28  
Schools - 4  
Single Person Discount - 978  
Tenancy - 280  
Blue Badge/Concessionary Passes - 43  
Other - 39

With the reintroduction of joint working with the Department for Work and Pensions (DWP) on 28 May 2019, we now have 21 cases that are being investigated with our counterparts at DWP, 19 of these cases involve Council Tax Support together with a variety of DWP benefits. Where sufficient evidence is gathered to substantiate the allegation, these cases will hopefully be progressed by the Crown Prosecution Service through DWP.

During the year, although the Council does not have any remit to investigate Housing Benefit fraud, often it 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 2019 to 31 March 2020 amounted to £68,284.74. This figure is expected to reduce over time with customers moving to Universal Credit claims.

The Council Tax Support fraudulent overpayments identified during investigations amounted to just £22,104.71. This figure is lower than previous years as the focus has been placed on Single Person Discounts cases. Since May 2019, a proactive exercise was carried out using our datahub, IDIS. During the year, we have raised 882 cases from IDIS where evidence was obtained to suggest an undeclared adult was also living in the property. This exercise yielded results of £175,888.24 of discount being identified from the closure of 426 of these cases. This savings figure is a combination of actual discount for previous years being removed and then recovered from the customer and also, the discount figure for a future period to quantify the amount the council would have lost had we not intervened.

This exercise is to be continued with a review of all Single Person Discount over the next 2 years, this is approximately 50,000 accounts and the results will be documented in future reports.

The team continues to be extremely successful in our partnership working with Homes for Northumberland providing all verification and anti money laundering checks on Right to Buy applications. The enhanced vetting procedures incorporate stringent money laundering checks and home visits to ensure residency and identity.

As a result of this initiative, a total of 95 Right to Buy applications were scrutinised in detail. From these 95, 32 were withdrawn by the tenants resulting in a total saving of £1,171,454 that would have been allowed as a discount to the property purchase price.

In addition to the savings outlined above, the 32 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 11 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 Cabinet Office (NFI Report) the recovery of these properties is worth a minimum of £1,023,000 to the Council (£93,000 per property). These homes have now been allocated new tenants which also reduces the housing waiting list.

Our collaboration with the Insurance Team is continuing to develop into a very worthwhile exercise. We have closed 22 referrals of suspicion from the Insurance Team and following investigation and enquiries being made by the team, resulting in 3 being denied liability and 1 sanction being issued for a further matter arising from the Insurance claim. The value of our reserve figures not being paid in these cases totalled £35,376.12.

We also continue to assist with school allocations and have been asked to investigate 4 individual referrals to identify any potential false information being supplied. These cases are all now closed resulting in 1 school place being withdrawn, saving £3,850 in education costs.

### **Total Sanctions**

	<b>2019-2020</b>
Prosecution	1
Formal Caution	1
Admin Penalty	3
<b>Total Sanction</b>	<b>5</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.

### **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 datahub is proving to be an essential tool within the team. Since April 2019, we have raised over 800 cases for investigation from data input into the hub. This has produced savings of over £175,000 up to 31 March 2020. IDIS will continue to be used as a tool for identifying possible fraud and error.
2. The Right to Buy verification and money laundering checks will remain a top priority for future 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 period, 39 applications have been verified and anti money laundering checks completed which resulted in 14 applications being withdrawn. A total saving of £536,100 for Karbon Homes that would have been allowed as a discount should the sale have completed. This service is chargeable and has generated £11,700 for the Council.
4. Discussions are still ongoing 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. We hope to report further on this in future reports.

5. Bernicia Housing have also signed agreements with the Council to conduct the same verification and anti money laundering checks on their Right to Buy/Acquire applications. This partnership commenced mid August 2019 and for the period until 31 March 2020 we concluded 32 applications with 13 of these being withdrawn saving £349,300 that would have been allowed as a discount. This is the same chargeable service as Karbon Homes and has generated £9,600 for the council.
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>	None.

(Impact Assessment attached) Yes <input type="checkbox"/> No <input type="checkbox"/> N/A <input checked="" type="checkbox"/>	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.**

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

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