



# Northumberland County Council

AUDIT COMMITTEE

30 NOVEMBER 2022

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## CORPORATE FRAUD TEAM – COUNTER FRAUD ANNUAL REPORT 21/22

Report of Jan Willis, Interim Executive Director of Finance and Section 151 Officer

Cabinet Member: Councillor Richard Wearmouth, Portfolio Holder for Corporate Services, and Deputy Leader of the Council

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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 2021 - 31 March 2022.

### **Recommendations**

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

1. Receive this report and note the progress undertaken by the Corporate Fraud Team since the last report in received in March 2022 and the steps being taken to recover any monies owed to the Council.

### **Link to Corporate Plan**

This report is relevant to the Council's 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 to assure Members of the quality and integrity of investigations.

At the end of March 2022, the team consisted of the Interim Corporate Fraud Manager/investigator, 1 Corporate Fraud Investigator, 1 Single Person Discount Project Lead/Investigator, and an Investigations Assistant. This was a temporary structure following the sad loss of their manager Barry Haigh in January 2022.

## **ANNUAL REPORT OF ALL SUSPECTED FRAUD – 1 April 2021 to 31 March 2022**

### **Internal Fraud**

All reports of suspected fraud continue to be documented, whether investigated or not, and during the year there has been 1 referral in relation to potential internal fraud and a further 2 remained under investigation from previous years.

The new referral received related to an allegation of abuse of position, no evidence was found to support the allegation and the case was closed unproven.

One case, which related to an overpayment of wages was closed, the overpayment amounting to £5190.05 has been recovered in full and the member of staff is no longer employed by NCC having taken voluntary redundancy. No criminal charges were

brought as the case was rejected by NCC solicitors due to a lack of evidence to prove dishonesty.

One case remained open, under consideration by NCC solicitors and relates to allegations of theft and abuse of position. An update on this case will be given in future reports.

## **External Fraud**

There was a total of 754 fraud referrals received during the period 1 April 2021 to 31 March 2022 in the following case types:

Revenues (inc Business rates, CTR, SPD) - 283  
Covid-19 Self Isolation payments- 128  
Insurance - 8  
Schools - 7  
Tenancy - 262  
Blue Badge/Concessionary Passes - 10  
Other (inclusive of DWP information requests) – 56

As the figures above show, most referrals received from 1 April 2021 to 31 March 2022 have been in the Revenues and Tenancy arena.

It is natural to link the reduction of referrals with Covid-19 and the national restrictions since March 2020. In the reporting year prior to the pandemic, April 19 to March 20 we recorded 1758 referrals.

The proactive single person discount (SPD) exercise remained suspended throughout the period 1st April 2021 - 31st March 2022 to prevent reputational damage to the authority during the pandemic. This continues to reflect a significant reduction in our previous years results in this area.

At the end of March 2022 a project began to begin the roll out to review all SPD claims, with the aim to review all council tax accounts where single person discount is being claimed on an ongoing basis. Further information, updates and results will be provided in future reports.

The Council Tax Support fraudulent overpayments identified during investigations amounted to £24,619.88. Single Person Discount cases and recoverable amounts for this period amounted to £60,710.30, this figure is mainly a result of reactive investigations. .

Due to the pandemic, all joint working with our counterparts at DWP was suspended and with no clear guidance from DWP as to what would happen with ongoing investigation most were closed due to delay. 1 case remains open due to the amount of evidence which has been gathered however is pending review once DWP investigators return to investigative work.

During the year, although the Council no longer have 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 2021 to 31 March 2022 amounted to £28,917.19. This figure is reducing over time with claimants moving to Universal Credit claims.

There was an upturn in the number of Covid-19 Self Isolation payment referrals for the period 1 April 2021 – 31 March 2022. In the same period, 55 were found to be recoverable, amounting to £27,500.

As documented in previous reports, the team continues in our work providing all verification and anti-money laundering checks on Right to Buy applications received. 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 149 Right to Buy applications were scrutinised in detail. In the same period, 46 were withdrawn by the tenants resulting in a total saving of £1,843,292.00 that would have been allowed as a discount to the property purchase price.

In addition to the savings outlined above, the 46 properties remain as part of our housing stock and continue to generate rental income.

There have been 8 properties recovered during this period, 5 of which were NCC properties and 3 social housing properties with Karbon/Bernicia. The recovery of these homes have allowed us to offer secure and affordable homes to applicants registered on Homefinder reducing the waiting list as well as temporary accommodation costs.

Under the guidelines issued by The Cabinet Office (NFI Report) the recovery of properties is worth a minimum of £93,000 (NCC properties) or £3,240 (Social Housing Providers) per property to the Council amounting to £474,720 for this period.

We have closed 17 referrals of suspicion from the Insurance Team, with investigation and enquiries being made by the team, resulting in 3 cases being fully denied liability and 1 case where the settlement figure was reduced. The value of our reserve figures not being paid in these cases totalled £12,564.00

We also continue to assist with school allocations and have been asked to investigate 7 individual referrals to identify any potential false information being supplied on application for school places. These cases are all now closed resulting in 1 school place being withdrawn and a formal caution was issued in that instance.

The Corporate Fraud Team also investigate reports of illegal evictions and harrassment by private landlords. Between 1 April 2021 and 31 March 2022 we have investigated 12 allegations of illegal eviction and harrassment received from tenants of private landlords. As well as working with our homeless team to help prevent homelessness and work with the private landlords to explain their responsibilities our investigations have resulted in 1 landlord receiving a formal caution and 1 landlord being prosecuted.

### **Total Sanctions Accross all areas Investigated**

	<b>2021-2022</b>	<b>Investigation Category</b>
Prosecution	1	Illegal Eviction
Formal Caution	2	Illegal Eviction, School Application
Admin Penalty	0	
<b>Total Sanctions</b>	<b>3</b>	

The Covid-19 pandemic has had a significant effect on the way in which we have been able to carry out our work and investigate fraud and error. This has specifically affected our ability to conduct face to face evidence gathering and interviews which in turn has impacted on our sanction results. Due to the restrictions enforced by the pandemic, not having a Covid secure interview room and considering the courts and the pressure they were under with cases waiting to be heard, that cases would not be considered for sanctions or prosecution during this period. However the flexibility in our team and commitment to continue to protect the public purse and the reputation of NCC has meant that we have found alternative ways of working, meaning that we are still able to

report significant financial results. As we return to a new normal, which will incorporate some of the old and new ways of working, we anticipate the number of sanctions will increase again.

## **PROACTIVE COUNTER FRAUD WORK**

Plans for proactive work were postponed during this period due to the pandemic, but we are committed to build on the work undertaken so far and will concentrate on the following key risk areas:

- IDIS, our in house data matching system, is proving to be an essential tool within the team. Since April 2019, we have raised over 1,100 cases for investigation from data input into the hub. This has produced savings of over £294,188.92 up to 31 March 2022. IDIS will continue to be used as a tool for identifying fraud and error.
- 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.
- We continue to provide a Right to Buy/Acquire verification process for Karbon Homes. For this period, we concluded 18 applications. In the same period, 3 applications were withdrawn saving £62,900 that would have been allowed as a discount. This service is chargeable and has generated £5,400 for the Council.
- Bernicia Housing also benefit from partnership working with the Corporate Fraud Team with the Council conducting the same verification and anti-money laundering checks on their Right to Buy/Acquire applications. For the period of this annual report, we concluded 57 applications. In the same period, 25 applications were withdrawn saving £615,707.80 that would have been allowed as a discount. This is the same chargeable service as Karbon Homes and has generated £17,100 for the Council.
- The regional Tenancy Fraud Forum Group for all local authorities and Registered Social Landlords in the area continues to meet on a regular basis. The purpose of the forum is to work closer together, share best practices and assist each other with housing fraud matters. NCC's Corporate Fraud members chair and organise this forum.

During the year members of the team have also attended several 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 by the Corporate Fraud Team.

### **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>	Section 151 of the Local Government Act 1972 requires local authorities to plan for the proper administration of their financial affairs and appoint a S151 Officer, also known as a Chief Financial Officer (CFO), to have responsibility for those arrangements.
<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**

	<b>Full Name</b>
Interim Monitoring Officer/Legal	Suki Binjal
Interim Executive Director of Finance & Section 151 Officer	Jan Willis
Executive Director	Jan Willis
Chief Executive	Rick O'Farrell
Portfolio Holder(s)	Richard Wearmouth

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