



# Northumberland County Council

AUDIT COMMITTEE

24 MARCH 2021

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## CORPORATE FRAUD TEAM – COUNTER FRAUD INTERIM REPORT

Report of Jan Willis, 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 2020 - 30 September 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 September 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 September 2020, the team consisted of the Corporate Fraud Manager, 3 Corporate Fraud Investigators and an Administration Assistant and achieved gross savings of £956,612.86 for the Council plus total savings of £329,580 for our local housing partners, Bernicia and Karbon.

## **ANNUAL REPORT OF ALL SUSPECTED FRAUD – 1 April 2020 to 30 September 2020**

### **Internal Fraud**

All reports of suspected fraud continue to be documented, whether investigated or not, and during the first 6 months of the year there have been zero referrals in relation to potential internal fraud.

It is natural to link the lack of referrals with Covid-19 and the national lockdown since March 2020.

We still have 1 case open from 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 this case will be given upon its conclusion.

### **External Fraud**

There was a total of 244 fraud referrals received during the period 1 April 2020 to 30 September 2020 in the following case types:

Council Tax - 90

Business Rates - 7

Insurance - 6

Schools - 5

Single Person Discount - 35

Tenancy - 84

Blue Badge/Concessionary Passes - 2

Other - 15

The reintroduction of joint working with the Department for Work and Pensions (DWP) in May 2019 initially raised several cases that we would be investigating with our counterparts at DWP. Due to the pandemic, all this work was suspended and will be reviewed to establish if we can still proceed with any of the cases when restrictions are lifted. If not, these cases will be looked at being concluded via a telephone interview, but this will negate any chance of the cases being progressed by the Crown Prosecution Service through DWP if offences are admitted to.

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 2020 to 30 September 2020 amounted to £20,577.97. This figure is reducing over time with customers moving to Universal Credit claims.

The Council Tax Support fraudulent overpayments identified during investigations amounted to just £10,767.55. This figure is lower than previous years, again due to the pandemic, the drop in referrals and the restrictions we are now working within. We have still managed to continue with a review of Single Person Discount cases and savings for this period amounted to £111,469.84. This is an ongoing exercise with an aim to review all council tax accounts where single person discount is being claimed.

The team continues to be 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 would usually include home visits to ensure residency and identity, but these are having to be conducted virtually at present.

As a result of this initiative, a total of 31 Right to Buy applications were scrutinised in detail. From these 31, 8 were withdrawn by the tenants resulting in a total saving of £629,367.50 that would have been allowed as a discount to the property purchase price. The number of applications has dropped when comparing to previous years, 19/20 - 50 applications & 18/19, 46 applications but this is completely understandable in the current climate.

In addition to the savings outlined above, the 8 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.

There have not been any Homes for Northumberland properties recovered during this period.

Our collaboration with the Insurance Team is continuing to develop into a very worthwhile exercise. We have closed 9 referrals of suspicion from the Insurance Team and following investigation and enquiries being made by the team, resulting in 4 cases being denied liability. The value of our reserve figures not being paid in these cases totalled £166,450.00.

Two of these insurance cases are of particular interest and make up for most of the reserve figure above:

1. The first case involves Northumberland resident that claims to have tripped on uneven paving stones but didn't report the alleged accident until 4 months after its occurrence. The claim stated the female suffered injuries that required her hip to be

replaced and the only witness to the incident was her husband. Enquiries conducted show there was in fact another witness who gave a different account of the events. Our insurance company, Zurich, initially placed a reserve of over £41,000 on the case based on the alleged seriousness of the injuries but have refused the claim and £0.00 has been paid to the claimant.

2. The second case of interest relates to a claim received from another Northumberland resident stating she fell from her bicycle while competing in a Triathlon due to hitting a pothole. The claim stated she suffered injuries to her head, neck, ribs and legs and is now suffering with short term memory loss together with an impaired sense of direction. The claimant stated she was given medical advice to wear a neck brace for the following 5 months. Due to the extent of these alleged injuries, a reserve of £109,000 was placed on this case. Through information received from an anonymous source, enquires were made which revealed evidence that the claimant had altered her online athletic profile in an attempt to hide the fact she was still competing and had actually competed in a race only 6 days after the alleged accident. In fact, she competed in over 25 other races including the local Woodhorn Museum Triathlon. These events were all during the time she was supposed to be recovering and wearing the neck brace as instructed by medical professionals due to the injuries she claims to have had. The claim was denied and £0.00 was paid to the claimant.

We also continue to assist with school allocations and have been asked to investigate 5 individual referrals to identify any potential false information being supplied. These cases are all now closed resulting in 1 school place being withdrawn, saving £4,000 in education costs.

### **Total Sanctions**

	<b>2020-2021</b>
Prosecution	0
Formal Caution	0
Admin Penalty	0
<b>Total Sanction</b>	<b>0</b>

During the pandemic, we have not requested any press articles to be released but normally we, wherever possible, release articles 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 have slowed due to the current climate we are working within, but we will continue to build on the work undertaken so far and 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 1300 cases for investigation from data input into the hub. This has produced savings of over £260,000 up to 30 September 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, 7 applications have been verified and anti money laundering checks completed which resulted in 3 applications being withdrawn. A total saving of £97,290 for Karbon Homes that would have been allowed as a discount should the sale have completed. This service is chargeable and has generated £2,100 for the Council.
4. Discussions, although slow, 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. The Council also conducts the same verification and anti money laundering checks for Bernicia on their Right to Buy/Acquire applications. This partnership commenced mid 2019 and for the period from 1 April 2020 to 30 September 2020 we concluded 18 applications with 8 of these being withdrawn saving £232,290 that would have been allowed as a discount. This is the same chargeable service as Karbon Homes and has generated £5,400 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 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>	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.**

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

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