



Northumberland County Council

AUDIT COMMITTEE

22 SEPTEMBER 2021

CORPORATE FRAUD TEAM – COUNTER FRAUD ANNUAL REPORT

Report of Jan Willis, Executive Director of Finance

Cabinet Member: Councillor Nicholas Oliver, Portfolio Holder for Corporate Services

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 - 31 March 2021.

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 2021 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 2021, the team consisted of the Corporate Fraud Manager, 3 Corporate Fraud Investigators and an Administration Assistant.

ANNUAL REPORT OF ALL SUSPECTED FRAUD – 1 April 2020 to 31 March 2021

Internal Fraud

All reports of suspected fraud continue to be documented, whether investigated or not, and during the year there have been 2 referrals in relation to potential internal fraud of which both have been the subject of investigation to varying degrees.

Both referrals were relating to payroll issues where wages were being paid incorrectly. One case is now with our Legal Team for consideration of further action and the other is waiting to be interviewed.

We also still have 1 previous 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 the outcome of the outstanding cases will be given upon their conclusion.

External Fraud

There has been an obvious impact on the number of referrals received due to Covid-19 but there was still a total of 825 fraud referrals received during the period 1 April 2020 to 31 March 2021 in the following case types:

Council Tax - 195
Business Rates - 9
Insurance - 17
Schools - 8
Single Person Discount - 349
Tenancy - 205
Blue Badge/Concessionary Passes – 3
Covid-19 Grant – 18
DWP Joint Working - 1
Other - 20

As the figures above show, most referrals received during the past 12 months have been in the Revenues and Tenancy arena. Proactive single person discount exercises were temporarily suspended to prevent any reputational damage to the authority during the pandemic.

The Covid-19 Grant referrals detailed above are relatively low, this is due to extensive checks being carried out pre & post payment in other departments and only a small number of applications requiring our attention. As further grant schemes became available during the pandemic, central government pre-payment counter fraud checks through Spotlight also vastly reduced the number of applications being referred to the team. Post payment work is continuing, and this work will be reported on in the future.

With the reintroduction of joint working with the Department for Work and Pensions (DWP) in 2019, we now have 17 cases that are being investigated with our counterparts at DWP, 16 of these cases involve Council Tax Support together with a variety of DWP benefits. Unfortunately, during the pandemic, these cases have not been progressed due to DWP suspending all criminal investigations so these will be picked up when the DWP Officers resume their normal duties. 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, 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 31 March 2021 amounted to £28,843.78. This figure has dropped over 50% from our previous annual report and is expected to reduce further over time with more customers moving to Universal Credit claims.

The Council Tax Support fraudulent overpayments identified during investigations amounted to just £20,771.50. This figure is lower than previous years due to the pandemic, the drop in referrals and the restrictions we are now working within. We have concluded cases that were part of the ongoing review of Single Person Discount and savings for this report period amounted to £152,844.70. This exercise will restart in time, but options are being looked at to see if this can be conducted by an external body with the aim to review all council tax accounts where single person discount is being claimed on an ongoing basis.

As documented in previous reports, the team continues 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 78 Right to Buy applications were scrutinised in detail. From these 78, 35 were withdrawn by the tenants resulting in a total saving of £1,438,845 that would have been allowed as a discount to the property purchase price.

In addition to the savings outlined above, the 35 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 Homes for Northumberland property has also 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 properties is worth a minimum of £93,000 to the Council. This home has 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 16 referrals of suspicion from the Insurance Team and following investigation and enquiries being made by the team, resulting in 5 being denied liability and the value of our reserve figures not being paid in these cases totalled £166,766.

We also continue to assist with school allocations and have been asked to investigate 9 individual referrals to identify any potential false information being supplied. These cases are all now closed resulting in 2 school places being withdrawn, saving £9,000 in education costs.

Total Sanctions

	2020-2021
Prosecution	0
Formal Caution	0
Admin Penalty	0
Total Sanction	0

Due to Covid-19 there has not been any cases to consider for sanction action or consider for submission to Legal with a view to prosecute. Decisions were made that due to the restrictions enforced by the pandemic, not having a Covid secure interview room and also 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.

PROACTIVE COUNTER FRAUD WORK

Plans for proactive work over the past year have not developed due to Covid-19. For the next financial year, we hope to return to some, if not all the following areas building on the work previously undertaken:

1. IDIS, our datahub is proving to be an essential tool within the team. Since April 2019, we have raised over 1100 cases for investigation from data input into the hub. This has produced savings of over £280,000 up to 31 March 2021. 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 with Homes for Northumberland. and it is envisaged that this will be expanded to look at other areas of Housing Fraud.
3. We will 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, 13 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 £3,300 for the Council.
4. It is envisaged that discussions will recommence with Karbon Homes to look into expanding our partnership work and hopefully provide a tenancy 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 also benefit from partnership working with the Corporate Fraud Team again with the Council to 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 45 applications with 17 of these being withdrawn saving £469,440 that would have been allowed as a discount. This is the same chargeable service as Karbon Homes and has generated £13,500 for the council.
6. The regional Tenancy Fraud Forum Group for all local authorities and Registered Social Landlords is still active and is hoping to return quarterly meetings as soon as it's practical to do so. The purpose of the forum is to work closer together, share best practices and assist each other with housing fraud matters. Our Corporate Fraud 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 online 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

Policy	None.
Finance and value for money	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.
Legal	None.
Procurement	None.
Human Resources	None.
Property	None.
Equalities (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.
Risk Assessment	Work carried out within the scope of this report reduces the risk of financial loss and adverse publicity to the Authority through fraud.
Crime & Disorder	A programme of pro-active counter fraud work reduces the potential opportunities for fraud and corruption within the Council's activities.
Customer Consideration	None.
Carbon reduction	None.
Wards	All.
Consultation	Section 151 Officer

Report sign off.

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

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