



Northumberland County Council

AUDIT COMMITTEE

23 MARCH 2022

CORPORATE FRAUD TEAM – COUNTER FRAUD INTERIM REPORT

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

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 - 30 September 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 September 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 September 2021, the team consisted of the Corporate Fraud Manager, 3 Corporate Fraud Investigators and an Administration Assistant and achieved gross savings of £1,313,097.73 (£76,027.73 cashable) for the Council plus total savings of £291,020 for our local housing partners Bernicia and Karbon.

ANNUAL REPORT OF ALL SUSPECTED FRAUD – 1 April 2021 to 30 September 2021

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 restrictions since March 2020.

We still have 3 cases open from earlier referrals which are being considered for legal action – one case involves allegations of theft, abuse of position and false representation. The other 2 cases involve allegations of theft.

An update on these cases will be given upon their conclusion in future reports.

External Fraud

There was a total of 436 fraud referrals received during the period 1 April 2021 to 30 September 2021 in the following case types:

Council Tax - 129

Business Rates – 6

Covid-19 Self Isolation payments- 56

Insurance - 7

Schools - 5

Single Person Discount - 32

Tenancy - 164

Blue Badge/Concessionary Passes - 7

Other (inclusive of DWP information requests) – 30

As the figures above show, most referrals received from 1st April 2021 to 30th September 2021 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.

There was an upturn in the number of Covid-19 Self Isolation payment referrals for the period 1st April 2021 – 30th September 2021. In the same period, 39 were found to be recoverable, amounting to £19,500.

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 2021 to 30 September 2021 amounted to £21,812.68. 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 £7,866.53. This figure is lower than previous years, again due to the pandemic, the drop in referrals and the restrictions we are now working within. Single Person Discount cases and recoverable amounts for this period amounted to £14,442.52. This exercise will restart in time, but options are being looked at 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 work 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 80 Right to Buy applications were scrutinised in detail. In the same period, 19 were withdrawn by the tenants resulting in a total saving of £865,070 that would have been allowed as a discount to the property purchase price.

In addition to the savings outlined above, the 19 properties remain as part of our housing stock and continue to generate rental income.

There have been 4 properties recovered during this period. 3 of the properties where they had been abandoned and the tenancy was terminated and 1 where a false application for succession was successfully investigated and the property was re-let. Under the guidelines issued by The Cabinet Office (NFI Report) the recovery of properties is worth a minimum of £93,000 per property to the Council amounting to £372,000 for this period. 3 of 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 worthwhile exercise. We have closed 8 referrals of suspicion from the Insurance Team and following investigation and enquiries being made by the team, resulting in 2 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 £12,406.00

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 and a formal caution was issued in that instance.

Total Sanctions

	2020-2021
Prosecution	0
Formal Caution	1
Admin Penalty	0
Total Sanction	0

Due to Covid-19 there has only been one case to consider for sanction action which was a formal caution, and none to 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 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 1,100 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 and it is envisaged that this will be expanded to look at other areas of Housing Fraud.
3. We continue to provide a Right to Buy/Acquire verification process for Karbon Homes. For this period, we concluded 8 applications. In the same period, 1 application was withdrawn saving £9,000 that would have been allowed as a discount. This service is chargeable and has generated £2,400 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 38 applications. In the same period, 10 applications were withdrawn saving £282,020 that would have been allowed as a discount. This is the same chargeable service as Karbon Homes and has generated £11,400 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

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	Section 151 of the Local Government Act 1972 requires local authorities to make arrangements 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.

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

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