

PART A

Report to: Audit Committee
Date of meeting: 27 June 2016
Report of: Fraud Manager
Title: Fraud Annual Report

1.0 **SUMMARY**

1.1 This report informs members of the work of the Fraud Section for the financial year 2015/2016 and provides updates on progress and developments for the current financial year.

2.0 **RECOMMENDATIONS**

2.1 To note the contents of this report.

Contact Officer:

For further information on this report please contact: Garry Turner, Fraud Manager
telephone extension:727190 email: garry.turner@threerivers.gov.uk

Report approved by: Bob Watson, Head of Finance (Shared Services)

3.0 **DETAILED PROPOSAL**

3.1 Fraud is a crime that affects all citizens including our tax payers and service users. The latest 2016 Fraud and Corruption Strategy from CIPFA quotes fraud losses in local government of more than £2.1 billion a year. The harm caused by fraud is not just financial: it damages local communities. It is vital therefore that we have a strong anti-fraud culture underpinned with effective counter-fraud policies and good practice procedures.

The CIPFA report can be downloaded from:

<http://www.cipfa.org/services/counter-fraud-centre/fighting-fraud-and-corruption-locally>

3.2 The Council has a responsibility to protect the public purse through proper administration and control of public funds. It is recognised we must have effective core arrangements in order for us to be effective. These include prevention and deterrence, investigation and detection, recovery and redress and openness and transparency. The Team provides support, advice and assistance on all matters of fraud risks.

3.3 The Council is committed therefore to providing a proportionate and efficient value for money anti-fraud service which understands and acknowledges our fraud risks. We must have efficient policies that are reviewed, have sanctions in place for those that offend and that reflect legislative changes and continually strengthen existing and new partnerships. Countering Fraud is the responsibility of everyone.

3.4 The Fraud Section is part of the Finance Shared Service with Watford. The details below apply to both councils unless otherwise stated.

Council Tax Reduction and Housing Benefit

3.5 In respect of Housing Benefit and the Council Tax Reduction Scheme, a complex legal framework is in place to define who is entitled to benefit and to reduce fraud from entering the system at inception. It is an integral part of the administration that everyone is aware and vigilant of the risks. Unfortunately, however good the

administration of benefits is, it is always likely fraud will enter the system by deliberate acts

- 3.6 From December 2015 the investigation of Housing Benefit only transferred to the Department for Work and Pensions (DWP) in accordance with the Single Fraud Investigation Service (SFIS)
- 3.7 The fraud team is co-located in Three Rivers House and in the Watford Town Hall.
- 3.8 During 2015/16 the Fraud Section issued the following sanctions in respect of the more serious fraudulent claims;

Action	Three Rivers DC	Watford BC	Total
Administrative Penalties	14	1	15
Formal Cautions	0	5	5
Successful Prosecutions	9	8	17
Total	23	14	37

- 3.9 In 2015/16 a total of 262 investigations were completed.
- 3.10 Of these investigations where a customer is suspected of committing an offence they are interviewed under caution by officers. These interviews are digitally recorded interviews in accordance with the Police and Criminal Evidence Act 1984. The majority take place in the Council offices with many conducted in Police stations or other organisations with which we collaborate. Generally, those conducted in a Police station are after the customer has been arrested and a search of their premises has been conducted.
- 3.11 In 2015/16, a total of 318 referrals for investigation were made. Of these, 122 were rejected as they failed their risk assessment. Failing a risk assessment can occur for a variety of reasons including something as simple as the person the allegation is made against not being in receipt of benefit. A referral breakdown of the major contributors is shown is shown below;

Information Source	
Internal Council Departments	66
External sources including Police	62
National Fraud Initiative	18
Housing Benefit Matching Service (HBMS) and RTI Real	29

Time Information	
Fraud Hotline and anonymous letters	105
Department for Works and Pensions (DWP)	3
Website referral	12
Housing Providers	23

3.12 The service continues to take part in various data-matching exercises. These include the National Fraud Initiative (NFI) which is now run by the Cabinet office. It is a mandatory exercise that matches data within the councils and between participating bodies to prevent and detect fraud. The key strength of the NFI is that it brings together a wide range of organisations, working together to tackle fraud. Participants of the NFI include 1300 organisations that include for instance other local authorities, police authorities, NHS bodies etc. These matches are not just confined to benefit fraud. Examples of some matches are shown below.

Data Match	Possible fraud/ error
Housing benefit payments to payroll records	Claiming housing benefit by failing to disclose an income
Payroll records to records of failed asylum seekers and records of expired visas	Obtaining employment while not entitled to work in the UK
Council Tax records to electoral register	A council tax payer gets single person's discount and has not declared other persons living in the property
Payroll records to other payroll records	An employee is working for TRDC/WBC but has employment elsewhere that is not declared.

3.13 The Fraud Section continues to work collaboratively with many organisations including the DWP, the Police, Immigrations and Border agencies and other local authorities. It is vital in terms of being efficient to work jointly with other organisations and not in silos.

Tenancy Fraud

3.14 Tenancy Fraud is continuing to be identified as an emerging risk and is reported to be a major category of fraud loss by value in local government. It was estimated that tenancy fraud losses amounted to £845m. Housing is an essential commodity and demand far exceeds supply. This figure included those properties owned and

managed by Social Landlord providers. Making best use of available housing stock is paramount. Furthermore, the social value of housing to communities is considerable as families in temporary accommodation can often lead more transient lives which can lead to families unable to integrate into communities easily and can lead to less stable educational environments for their children. This has implications for social cohesion. It is estimated in our geographical location that a conservative estimate of 2% of properties are occupied illegally. This equates to 300 properties.

- 3.15 The tenancy fraud sponsored project recovered 18 properties for providers in 2015/16 and in 2014/15 recovered 17 properties that have been occupied illegally.
- 3.16 The National Fraud Authority previously calculated the average cost of placing a family in temporary accommodation amounted to £18,000.
- 3.17 As well as identifying properties occupied illegally, we developed strategies and training that will hopefully provide a legacy of good practice for this initiative.
- 3.18 Tenancy Fraud workshops were provided to registered housing providers. At these workshops specialist advice and case support was given to relevant front-line staff and neighbourhood officers.
- 3.19 Specialist tenancy fraud training was also provided to housing providers.
- 3.20 Desktop intelligence checks were conducted when there was a request for any change in tenancy, for example, right to buy applications, mutual exchanges and joint to sole tenancy applications. These desk-top checks utilise the range of information and intelligence to which we have legal access. This follows the introduction of the Prevention of Social Housing Fraud Act 2013. This legislation provides local authorities only with specific powers to investigate and prosecute tenancy fraud.

Other Fraud

- 3.21 Blue Badge Fraud exercises continue to be held. Proactive exercises are normally conducted on a weekend, generally around Watford town centre which is identified as being the most affected. The exercises are conducted jointly with Hertfordshire Police. The latest statistical information from protecting the Public Purse 2015 estimates that 20% of badges issued are misused. Whilst the loss in parking revenue

may be assessed as quite small, the individual harm caused is significant. Fraudulent use of Blue Badges causes inconvenience and direct detriment by depriving an individual in genuine need and entitlement to disabled parking facilities. It may also have a reputational damage to the Council. The penalty if prosecuted for blue badge abuse generally is a level 3 fine for which the maximum penalty is £1,000. On each occasion this exercise has been conducted, blue badge misuse has been identified. Some drivers are cautioned and some badges seized. Only the most serious cases are prosecuted. For the period 2015-16 a total of 8 cases received a sanction of which 7 were prosecuted in the magistrate's court and 1 receiving a caution. The publicity and comments in the press demonstrates the value of this work. The articles can be viewed at ;

http://www.watfordobserver.co.uk/news/14021698.Motorists_fined_for_blue_badge_fraud_in_council_crackdown/#comments-anchor

- 3.22 In 2013 as previously reported the enhanced vetting scheme was introduced. The scheme introduced a more stringent vetting process for all new staff. As a local authority with a large number of employees, we have a responsibility to prevent and eliminate fraud within the Council. One of the ways we can achieve this is by undertaking a more robust vetting of direct recruits and agency staff before they are appointed. In order for the Council to successfully prevent fraud, we must have effective policies and procedures that minimise the risk of appointing individuals with unsuitable backgrounds.
- 3.23 We work with all departments in both Councils to enhance their capability to carry out thorough intelligence checks when investigating areas of regulatory functions and assist in intelligence gathering and ID verification through the use of ID scan, a device which identifies fraudulent documents.
- 3.24 The section continues to investigate other matters including money laundering allegations primarily to do with council tax payments. We facilitate the lawful obtaining of communications data under the Regulatory Powers Act 2000 (Ripa). We have also conducted a variety of enquiries and provide advice on evidence gathering. We have conducted various enquiries/investigations internally.

Action to Date

- 3.25 In December 2015 following consultation 18 housing benefit cases were transferred to the DWP in accordance with the requirements of the SFIS.
- 3.26 Two vacant posts were also deleted from the establishment list creating further efficiency savings.
- 3.27 Funding for the fraud tenancy officer ceased on 1/4/16. We are continuing to discuss and work with providers but a designated post is not now being provided.
- 3.28 We are currently running an exercise to match data sources against Single Persons Discounts claims and exemptions by using technology more effectively and collaboratively.

4.0 IMPLICATIONS

4.1 Financial

- 4.1.1 The Head of Finance comments that there are no financial implications in this report as expenditure is contained within existing budgets.

4.2 Legal Issues (Monitoring Officer)

- 4.2.1 The Head of Democracy and Governance comments that there are no specific legal issues contained in this report.

4.3 Equalities

- 4.3.1 This is not a new policy.

4.4 Potential Risks

- 4.4.1 There are no risks associated with Members noting this report

4.5 Staffing

- 4.5.1 No Implications

4.6 Accommodation

- 4.6.1 No Implications

4.7 **Community Safety**

4.7.1 No Implications

4.8 **Sustainability**

4.8.1 No Implications

Appendices

None

Background Papers

The following background papers were used in the preparation of this report. If you wish to inspect or take copies of the background papers, please contact the officer named on the front page of the report.”

2016-19 Fighting Fraud Locally.

File Reference

None