

PART A

Report to: Audit Committee

Date of meeting: 29 June 2017

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 2016/2017 and provides updates on progress and developments for the current financial year.

2.0 **RECOMMENDATIONS**

2.1 To note the contents of this report.

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

3.0 DETAILED PROPOSAL

- 3.1 ***Fraud is a crime that affects everyone***. The latest 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 and recognise the challenges we face. 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, 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 Three Rivers District Council. It is co-located between Three Rivers House and Watford Town Hall. The details below apply to both councils unless otherwise stated.
- 3.5 The Fraud team have an important role in sharing data with appropriate law enforcement agencies and acting as a Single Point of Contact (Spoc). This includes responding to requests for information, providing the necessary evidence and witness statements to prevent and detect crime. There is also an important deterrent element in publicising the work of the team in detecting and preventing fraud.

Council Tax reduction

- 3.6 In respect of Council Tax Reduction, a local legal framework is in place to define who is entitled to the reduction and designed 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 the benefits system is, it is always possible that fraud will enter the system by deliberate acts

3.7 During 2016/17 the Fraud Section issued the following sanctions in respect of the more serious fraudulent claims;

Action	Three Rivers DC	Watford BC	Total
Administrative Penalties	1	2	3
Formal Cautions	8	13	21
Successful Prosecutions	5	9	14
Total	14	24	38

3.8 In 2016/17 a total of 399 investigations were completed.

3.9 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 (PACE 84). The majority take place in the Council offices with others 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.

3.10 In 2016/17, a total of 318 referrals for investigation were made. Each referral is risk assessed based on a number of factors before proceeding to investigation. A referral breakdown of the major contributors is shown below;

Information Source	
Internal Council Departments	66
External sources including Police	35
Fraud Hotline and anonymous letters	76
Website referral	123

3.11 The service continues to take part in various data-matching exercises. These include the National Fraud Initiative (NFI) which is facilitated 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 number some 1,300 organisations that include local authorities, police authorities, NHS bodies etc. These matches are not just confined to fraud but also include erroneous payments in respect of creditors and payroll. Examples of some matches are shown below.

<u>Data Match</u>	<u>Possible fraud/ error</u>
Council Tax payments to payroll records, student loans, taxi drivers	Claiming discounts or reductions 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.
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- 3.12 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.

Other Fraud

- 3.13 Proactive data mining is ongoing dealing with the matches relating to Council Tax Single Persons Discount. Single Persons Discount is available to Council Tax payers who are the only countable adult, over the age of 18, living at their property. People who qualify for the discount have their Council Tax bill reduced by 25%.

The exercise has currently identified incorrect discounts being awarded of £22,500 for Three Rivers DC and £111,000 for Watford BC. The wrongly awarded discounts have to be repaid in full.

- 3.14 Student discount exemptions using fraudulent certificates continue to be identified as emerging risk. An example of publicity following such an investigation and successful prosecution is attached below.:

http://www.watfordobserver.co.uk/news/15082480.Woman_falsely_claimed_to_be_a_student_to_avoid_council_tax/

Work is planned for 2017-18 to fully review discounts granted. We are hopeful of piloting a system being developed that can identify the claims that are most likely to be fraudulent or erroneous. The system automatically correlates known facts about each individual such as the distance between their home postcode and the university; the length and subject of the course being studied, as well as other available lifestyle data. With this information it is then possible using a range of analytic algorithms to help predict which claims are likely to be incorrect.

- 3.15 The team in 2016-17 conducted a criminal investigation into grant fraud specifically a Disabled Facilities Grants (DFG) which are means-tested grants awarded by the Council to help meet the costs of adapting the homes of disabled people so they can continue to live there.

A referral was received to investigate an application for a DFG grant. The outcome following the investigation and interviews was that the customer had failed to disclose a significant rental income, owned six other properties and had two further undeclared bank accounts.

Intelligence and information was also shared with Herts County Council resulting in savings to them attributable to the investigation of £12,000. The grant from the Council of £30,000 was withdrawn.

The matter relating to the DFG was heard at Harrow Crown Court in January 2017. The defendant however is currently on trial for other historical offences by the Police relating to the investigation.

3.16 Work has continued on proactive Blue Badge exercises. The exercises are conducted jointly with Hertfordshire Police. The latest statistical information 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. Some drivers are cautioned and some badges seized. Only the most serious cases are prosecuted. For the period 2016-17, a total of 9 were prosecuted in the magistrate's court.

One such investigation followed a referral from the Parking Shop and as a consequence following a period of surveillance it was established the driver was using a deceased person's badge. See link below for example of publicity:

http://www.watfordobserver.co.uk/news/14931723.Man_used_dead_father_s_blue_badge_to_park_in_disabled_bay/?ref=rl&lp=4

The publicity and comments in the press demonstrates the value of this work.

3.17 The enhanced vetting scheme continues to provide a proportionate response to the 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.

3.18 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.

3.19 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 Regulation of Investigatory 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.

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