

AUDIT COMMITTEE

Counter Fraud Annual Report 2018/19

12 June 2019

Report of the Corporate Fraud Manager

PURPOSE OF REPORT

To inform the Committee of the extent and outcome of counter fraud work during the 2018/19 financial year.

This report is public

RECOMMENDATIONS

1. That the report be noted.

1.0 Introduction

1.1 Local Authorities have a statutory duty under section 151 of the Local Government Finance Act 1972 to make arrangements for the proper administration of their financial affairs. As responsibility for Housing Benefit fraud investigation passed to the Department for Work and Pensions on 1st June 2015, the Council made a decision to form a Corporate Fraud Team, shared between Preston, Lancaster and Fylde Councils. There is a duty to have effective controls and procedures in place to prevent, detect and investigate fraud and error in Council Tax Support, Council Tax and Business Rates. The Corporate Fraud, or Corporate Enquiry Team (CET) as it is also known, also works in partnership with the Housing Department and Social Housing providers to investigate tenancy fraud.

1.2 This report details performance and counter fraud activity undertaken by the Fraud Team/Corporate Enquiry Team during 2018/19 in this specialist area of work.

2.0 Background Information

2.1 Early in 2015, the Council supported a bid by Preston City Council for funding from the Department for Communities and Local Government (DCLG) to set up a shared Corporate Enquiry Team, with the partners being Preston City Council, Lancaster City Council and Fylde Borough Council. The bid was successful and £125,750 was awarded towards the cost. This team effectively replaced the former Benefit Fraud Team hosted by Preston City Council, with six staff from the share service transferred to the Department for Work and Pensions ("DWP") on 1st June 2015.

2.2 At the same time, the Corporate Enquiry Team was established and consists of five staff, including a Manager, two Investigators and two Administrative Officers. The staff continue to be employed by Preston City Council and resources are shared between

the three authorities, giving Lancaster full time equivalent staff (FTE) of Manager (0.4 fte), Investigator (1.0 fte) and Administrative Officer (1.0 fte).

2.3 The objectives of the Corporate Enquiry Team are to:-

- Protect public funds
- Undertake fraud prevention measures
- Detect and stop fraud
- Increase fraud awareness
- Implement sanctions in accordance with Council prosecution policies
- Ensure that investigations comply with the regulatory environment
- Recover properties from fraudsters to enable re-housing of those identified as most in need of social housing
- Encourage a strong culture of good performance in relation to cost
- Promote the principles of fairness, equality of opportunity, social inclusion and poverty reduction through service provision
- Embrace partnership working to enable the delivery of an excellent service, whilst achieving savings based on economies of scale, reductions in duplication and financial savings to the authority

2.4 The Corporate Enquiry Team strives to prevent and detect as much Council Tax Support fraud as possible, working with outside agencies such as the Department for Work and Pensions, HM Revenues & Customs, Police and Immigration when appropriate. The team has signed up to joint working with the DWP on cases involving Council Tax Support and national benefits. The project commenced on 29th April 2019.

2.5 The team acts as Single Point of Contact (SPOC) for providing information on Housing Benefit investigations to DWP.

2.6 The team has an excellent working relationship with Lancashire Police, participating in Operation GENGA, a multi agency project to help tackle serious and organised crime. This demonstrates our commitment to tackle fraud on a larger scale and other related crimes in partnership with external agencies

2.7 The team has an excellent working relationship with Lancashire Police and acts as SPOC for Police Data Protection Act requests.

2.8 The Corporate Enquiry Team are active members of the National Anti Fraud Network (NAFN). NAFN's key services include:

- Acquiring data legally, efficiently and effectively from a wide range of information providers;
- Acting as the hub for the collection, collation and circulation of intelligence alerts;
- Providing best practice examples of process, forms and procedures.

2.9 The team are also members of the Chartered Institute of Public Finance and Accountancy (CIPFA) Counter Fraud Centre in order to share best practice and receive information on new counter fraud initiatives. They work closely with other Lancashire and Greater Manchester Local Authorities, meeting regularly to discuss common problems and best practice.

3.0 Performance

3.1 Performance data is detailed as below:

	Year	Target	Achieved
Overpayments	2018/19	£110,000	£156,687.11

Financial Source	Overpayments	Weekly Savings
Council Tax Support	£14,792.80	£438.57
Housing Benefit	£38,881.97	£1,463.81
Council Tax	£37,812.00	£1,017.37
Business Rates	£65,200.34	£560.08
Totals	£156,687.11	£3,479.83 (X52 = £180,951.16)

- 2.10 From 1st April 2018 to 31st March 2019 the Corporate Enquiry Team identified overpayments of £156,687.11.
- 2.11 From 1st April 2017 the team has introduced an additional methodology to identify counter fraud performance. When a claim for an allowance, discount, reduction or exemption ends or reduces as a result of an intervention by the Corporate Enquiry Team the value of the intervention is not just the amount of any overpayment that has occurred. It is recognised that there is also a “future” saving made by preventing further incorrect payments being made. In these cases the weekly amount of reduced entitlement to an allowance, discount, reduction or exemption that is applied following fraud intervention should be multiplied by 52. It is reasonable to believe that the award would have continued unchanged for an average of a full year had no intervention taken place. This was agreed as an appropriate performance measure by the Lancashire and Greater Manchester Fraud Investigators Group. The weekly figure identified for Lancaster City Council is £3,479.83, multiplied by 52 gives total “future” savings for 2017/18 of £180,951.16.
- 2.12 The Corporate Enquiry Team has participated in the annual National Fraud Initiative (NFI) data matching exercise, including investigating Council Tax data matches where single person discount is in place, but more than one adult is listed on the electoral register for the property. In February 2019 the team commenced work on the biennial NFI exercise, including other datasets such as benefits, payroll, pension, student loan and licencing.
- 2.13 The team now review 100% of all “right to buy” applications for Council Housing properties made to the Council.
- 2.14 A management checking regime is in place, structured to monitor performance and compliance with legislation. This process includes:-
- 1-2-1’s with staff to discuss the officer’s full caseload, giving advice and direction, identifying any inactive cases, together with any training needs;
 - A review of all “Interviews Under Caution” before prosecution is considered;
 - A full management check on all sanction cases; and regular checks are undertaken of fraud officer’s pocket notebooks.
- 2.15 Surveillance is only authorised in appropriate cases where considered necessary and proportionate, in line with the Regulation of Investigatory Powers Act (RIPA). No surveillance took place during 2018/19. From 10th June 2019 the legislation governing surveillance changes to the Investigatory Powers Act (IPA).
- 2.16 The team undertook a pro-active drive relating to false claims for Small Business Rate Relief (SBRR). This involved working with a Preston based company, Destin Solutions, to use open

source data to identify false claims for relief, where the business also occupied undeclared premises elsewhere. These drives contributed to an increase in Business Rates overpayments from £1,722.23 in 2017/18 to £65,200.34 in 2018/19. The CET is now recognised nationally as being at the forefront of business rates fraud investigation and was highly commended for this work in the “Prevent” category of the Fighting Fraud and Corruption Locally Awards in March 2019. The team also successfully prosecuted a Lancaster Business Rates fraud case, which is believed to have been only the second Business Rates fraud prosecution undertaken in the country.

- 2.17 A new fraud case management system was introduced in June 2018, resulting in lower costs in this area of approximately £7,000 per year.

3.0 Details of Consultation

- 3.1 No specific consultation has been undertaken in compiling this report.

4.0 Options and Options Analysis (including risk assessment)

- 4.1 None – the report is for noting.

<p>CONCLUSION OF IMPACT ASSESSMENT (including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)</p>
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<p>The Benefits Service has a major impact upon the wellbeing of the poorer members of the local community. The Council is committed to protecting the gateway to Benefits and Council Tax Support with a service that is accessible to everyone in the community, ensuring that customers receive all the allowances to which they are entitled. As an essential part of this service provision, the prevention and detection of fraud remains high on the Council's agenda.</p>

<p>FINANCIAL IMPLICATIONS</p>

<p>There are no direct financial implications arising from this report. However, the Corporate Enquiry Team has generated savings for the Council from their Corporate Fraud Shared Service work, and delivers value for money.</p>

<p>SECTION 151 OFFICER'S COMMENTS</p>
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<p>The Section 151 Officer has been consulted and has no further comments.</p>
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<p>LEGAL IMPLICATIONS</p>

<p>None arising from this report</p>

<p>MONITORING OFFICER'S COMMENTS</p>

<p>The Monitoring Officer has been consulted and has no further comments.</p>

<p>BACKGROUND PAPERS</p>	<p>Contact Officer: Andrew Taylor Telephone: 01772 906013 E-mail: a.taylor@preston.gov.uk Ref:</p>
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