

AUDIT COMMITTEE – 20TH JULY 2016

CORPORATE ANTI-FRAUD TEAM PROGRESS REPORT

1. Purpose of the Report

1.1 This report provides the Audit Committee with an account of the work of the Corporate Anti-Fraud Team from 1st April 2016 to 30th June 2016.

2. Recommendations

2.1 It is recommended that:-

- i. The Audit Committee notes the progress made in the development of effective arrangements and measures to minimise the risk of fraud and corruption.**
- ii. The Audit Committee continues to receive regular progress reports on internal and external fraud investigated by the Corporate Anti-Fraud Team.**

3. Background Information

3.1 The Audit Committee received details of progress in the Annual Fraud Report presented at the June meeting. This report highlights the work undertaken and progress in respect of fraud management in the first quarter of 2016/2017.

4. Council Tax Support Investigations

4.1 On 1st April 2013 Council Tax Benefit (CTB) was replaced by Council Tax Support (CTS). Council tax Benefit was a Social Security benefit and was administered under Social Security legislation whilst CTS is a Council Tax discount administered under the Local Government Finance Act.

4.2 As CTS has only been in legislation for two financial years the levels of fraud identified nationally are still relatively low. CAFT have accepted six referrals for further follow-up and the outcomes of these investigations will be reported to the Audit Committee in due course.

4.3 A summary of the Council Tax Support workload of CAFT for the period 1st April 2016 to 30th June 2016 is shown below.

Referrals	60
Accepted for investigation	6

4.4 A summary of referrals not pursued for investigation is shown in the table below.

Details	Numbers
Change in circumstance already known - no issue	1
Poor intelligence – not enough evidence to pursue	7
Referred to DWP for investigation	28
Overpayment less than £500	5
No benefit in payment – no issue	1
No evidence of fraud	12
Total	54

4.5 It should be noted that the majority of fraud referrals are received from members of the public via the fraud hotline or the online fraud referral forms. Many of these allegations of fraud provide limited, poor or even incorrect information e.g. names of additional household members or previous addresses are not known, the 'suspect' has already declared a change in circumstance or does not receive a reduction in council tax. In other cases CAFT checks to council records have identified housing benefit implications. Responsibility for investigating housing benefit fraud now lies with the DWP and these referrals are subsequently forwarded to the DWP for them to investigate.

5. Council Tax

5.1 CAFT has identified fraudulent council tax liability claims of £6,952 since April 2016.

5.2 A summary of the Council Tax workload of CAFT for the period 1 April 2016 to 30th June 2016 is shown in the table below.

Total referrals	93
Overpayment only	23
Currently under investigation	7

5.3 A summary of referrals not pursued for investigation is shown in the table below.

Details	Numbers
Change in circumstance already known - no issue	3
Poor intelligence – not enough evidence to pursue	4
No discount present	1
Referred to DWP	8
No evidence of fraud	47
Total	63

5.4 As referred to in paragraph 4.5 above, the majority of fraud referrals are received from members of the public with most alleging that a taxpayer is receiving a discount to which they're not entitled. Preliminary checks made by CAFT into allegations of council tax fraud have not identified any evidence of fraud in the majority of referrals.

- 5.5 CAFT investigations have resulted in two successful prosecutions of council tax single person discount fraud. These are the first council tax prosecutions pursued by BMBC and demonstrate the Council's commitment to identifying and dealing with instances of fraud.
- 5.6 Both individuals were made the subject of a conditional discharge for 12 months and ordered to pay costs of £300 and £150 respectively. Press releases were issued following each prosecution.

Review of Single Person Discounts

- 5.7 A pro-active data matching exercise to identify council tax payers fraudulently claiming a single person discount commenced in October 2015 as previously reported to Audit committee.
- 5.8 The cancellations to date (1,182 accounts) have resulted in an additional £321,947 Council Tax income being raised across the identified Council Tax accounts.
- 5.9 The review is not yet complete and additional outcomes will continue over the next few months. A further update report will be included in the CAFT Annual Report to the Audit Committee in September.

6 Right to Buys (RTB)

- 6.1 The number of RTB applications has continued to rise from 40 in 2011/12 to 148 in 2015/16 following the increased discount (up to a maximum of £77K). This rise increases the risk of fraud and CAFT are assisting the Right to Buy Team to ensure that all new applications are subject to appropriate scrutiny and challenge.
- 6.2 CAFT has undertaken checks against 62 Right to Buy applications during the period April to June 2016.
- 6.3 Nine of these applications have been referred to the DWP for further investigation due to tenant being in receipt of DWP benefits. A further two applications were stopped during the right to buy application process.

7. Corporate Investigations

- 7.1 Corporate investigations are defined as fraud cases which relate to employee fraud or other third party fraud which does not fall within a specific service area such as council tax or tenancy fraud.
- 7.2 CAFT has provided advice to managers undertaking management disciplinary investigations during the first quarter of 2016/17.

8. National Fraud Initiative (NFI)

- 8.1 The NFI is the Cabinet Office's national data matching exercise and is designed to help participating bodies detect fraudulent and erroneous payments from the

public purse. The Council has routinely participated in this initiative from its inception in 1996-1997.

- 8.2 The Council is required to provide information relating to 12 mandatory sets of data. These datasets consist of information from Payroll, Housing Rents, Creditors, Private Residential Care Homes, Blue Badges, Residential Parking Permits, Licensing, Market Traders, Insurance, Personal Budgets, Council Tax and Electoral Registration.
- 8.3 CAFT co-ordinates the Council's involvement in the National Fraud Initiative (NFI), takes an active role in pursuing data provided through this means, and advises improvements in the Council's systems in order to minimise future losses.
- 8.4 CAFT's approach to NFI is based upon the guidelines issued by the former Audit Commission, which recognises a number of key elements that participating organisations must have in place to ensure that the resources invested into the NFI are used as efficiently and effectively as possible. These are:
- Key contact role;
 - Co-ordination of the data submissions;
 - Overseeing data subject notification;
 - Follow-up approach;
 - Initial review;
 - Equipping staff with the NFI application and appropriate knowledge;
 - Allocating work appropriately; and
 - Tracking progress.
- 8.5 The resultant data matches received from the NFI are prioritised. Data filters, recommended and supplied by the former Audit Commission, are used to sort the matches based on the quality of the data in the match. There is no requirement for the Authority to review 100% of the matches, as long as an effective system of sampling is used to manage the risk of identifying frauds and errors.
- 8.6 Investigations into the 2014-2015 datamatches have identified overpayments totalling £135,879. (A breakdown of these overpayments has previously been reported).
- 8.7 Instructions relating to the 2016-2017 exercise have now been received. CAFT will be liaising with officers responsible for extracting and uploading BMBC datasets to the NFI website over the next few months. This will help to ensure that datasets are up-to-date and accurate prior to their due submission in October 2016.

9. Tenancy Fraud

- 9.1 CAFT currently provides a basic investigative support to Berneslai Homes to help identify potential fraudulent tenancies. This support has enabled Berneslai Homes to recover a property which was not being used by the tenant as their main home.

9.2 A summary of alleged tenancy fraud referrals received for investigation during the period April to June 2016 is shown in the table below.

Details	No.
Alleged non-residency – not pursued no evidence of fraud	2
Alleged breach of tenancy agreement – not pursued no evidence of fraud	1
Allegation of sub-letting - not pursued no evidence of fraud	3
Total	6

10. Pro-active Work

10.1 The Council's fraud related policies are currently being reviewed and revised. These revised policies will be presented to the Audit Committee in September 2016.

10.2 The suite of e-learning fraud awareness material (BOLD) is currently being reviewed. This E-Learning will raise the profile of counter fraud and will reinforce messages about the standards of behaviour expected from BMBC employees, ways to consider fraud risks and how and when to report suspicions of fraud. The training is due to be launched in September to coincide with the revised counter fraud policy framework.

11. Financial Implications

11.1 Whilst there are no direct financial implications arising from this report there are inherent financial issues concerning anti-fraud and corruption. An increase in controls may have cost implications, both in terms of additional checks, potentially slowing down service delivery, and computer system changes. Those costs have to be balanced against the risk of loss, whether because of fraud or general inefficiency. Any cost implications arising from the need to introduce additional controls and mitigations will be discussed with management. The emphasis at all times will be to improve controls without increasing costs or jeopardising efficient and compliant service delivery.

12. Risk Considerations

12.1 Somewhat obviously, the process prompted by this work is focussed entirely on the effective assessment of fraud risk.

12.2 The loss of assets and resources as a result of fraud is included within the Strategic Risk Register.

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