

## **Report of the Head of Internal Audit**

**AUDIT COMMITTEE – 18<sup>TH</sup> SEPTEMBER 2015**

### **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 1<sup>st</sup> April 2015 to 1<sup>st</sup> September 2015.

#### **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 6 monthly 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 further work undertaken and progress in respect of fraud management over the last few months.

#### **4. Council Tax Support Investigations**

- 4.1 On 1<sup>st</sup> 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 identified fraudulent council tax support claims of £680 with additional savings of £425 identified since April 2015.

NB. The value of the fraud is the total council tax support fraudulently claimed with projected savings upto the end of the current financial year. The savings record the value of the overpayment had the fraud not been identified.

- 4.3 A summary of the Council Tax Support workload of CAFT for the period 1 April 2015 to 31<sup>st</sup> August 2015 is shown below.

Referrals	55
Accepted for investigation	10

- 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	12
Poor intelligence – not enough evidence to pursue	6
Referred to DWP for investigation	14
No benefit in payment – no issue	6
No evidence of fraud	4
Other	3
<b>Total</b>	<b>45</b>

- 4.5 The Department for Work and Pensions (DWP) and HM Revenue and Customs (HMRC) are working together to reduce fraud and error within the benefits system by improving the sharing of data across central and local government and other agencies. This shared approach ensures that the most up-to-date details of people's pension and employment income is held using Real Time Information (RTI) data.
- 4.6 Monthly RTI income data now helps the DWP identify people who have not declared (or have under-declared) income from earnings or pension payments, when claiming benefits such as Housing Benefit. The DWP cross-references benefit claims with earnings data to identify people who are under-reporting their income. Details of potential frauds are then made available for local authorities to investigate.
- 4.7 CAFT is now just starting to receive RTI referrals with council tax support implications and four claimants who appear to have undeclared earnings / pensions have been invited to attend interviews under caution as part of the investigation progress.

## 5. Council Tax

- 5.1 CAFT have identified fraudulent council tax liability claims of £2,357 with additional savings of £528 identified since April 2015.

NB. The value of the fraud is the total council tax discount / liability fraudulently claimed / identified with projected savings up to the end of the current financial year. The savings record the value of the overpayment had the fraud not been identified.

- 5.2 A summary of the Council Tax workload of CAFT for the period 1 April 2015 to 31<sup>st</sup> August 2015 is shown in the table below.

Referrals	43
Accepted for 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	9
Poor intelligence – not enough evidence to pursue	1
No discount present	1
Survey form requested	2
No evidence of fraud	21
Other	2
<b>Total</b>	<b>36</b>

- 5.4 The pro-active data matching exercise to identify council tax payers fraudulently claiming a single person discount is due to take place later this month/early October. A meeting with the preferred supplier and colleagues from Benefits, Taxation and Income finalising timescales is to take place on 16<sup>th</sup> September.
- 5.5 BMBC issue approximately 106,000 annual council tax bills and 37,000 (35%) of these bills attract a single person discount. This is consistent with national figures indicating that SPD claimants represent about one-third of council taxpayers.
- 5.6 An Audit Commission analysis of SPD frauds investigated by councils in 2010 found that fraudulent levels of claims were commonly between 4% and 6% of SPD claims. Using the Audit Commission findings and using 5%, it suggests that in excess of 1,800 SPD claims within the Borough may be fraudulent.
- 5.7 Once the results of the data-matching process have been received work will commence on investigating those with the highest fraud-risk indicators. The Committee will receive further information in due course,

## **6 Right to Buys (RTB)**

- 6.1 The number of RTB applications has continued to rise from 40 in 2011/12 to 130 in 2014/15 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 35 Right to Buy applications as at the end of August.
- 6.3 Liaison with the Right to Buy Team and the Council's Enforcement Unit has resulted in one RTB sale being stopped and additional checks are currently being undertaken on a recently submitted application.

## **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 Since 1 April 2015 work in this area has included:
- Advice to managers undertaking management disciplinary investigations;
  - Review of the recruitment exercise within an Authority's service;

## **8. National Fraud Initiative**

- 8.1 Internal Audit/CAFT co-ordinates the Council's involvement in the National Fraud Initiative (NFI), which is the former Audit Commission's biennial data matching exercise designed to detect fraud and error across the public sector.
- 8.2 The datamatches relating to the 2014-2015 exercise were received at the end of January 2015. Over 3,000 matches have been completed and a further 47 are currently being investigated as at 31<sup>st</sup> August 2015.

8.3 The Authority's data match investigations has identified the following overpayments:

- Personal budgets - £5,247
- Housing Benefit - £884

Note. The Authority is not responsible for investigating possible housing benefit frauds identified through the NFI exercise. CAFT have undertaken a sift of housing benefit datamatches and have referred a number of matches to the DWP's Single Fraud Investigation Service for further investigation.

## **9. Tenancy Fraud**

9.1 Members of CAFT have provided fraud awareness training to officers within Berneslai Homes. As a result of guidance given at the training sessions a number of Berneslai Homes officers have sought advice from CAFT.

9.2 CAFT has subsequently provided 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.

## **10. Financial Implications**

10.1 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.

## **11. Risk Considerations**

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

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

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