

Report of the Head of Internal Audit

AUDIT COMMITTEE – 20TH APRIL 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 October 2015 to 31st March 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 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 report presented at the September 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 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 three financial years the levels of fraud identified nationally are still relatively low. CAFT have identified fraudulent council tax support claims of £4,304.61 with additional savings of £2,100.60 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 1st October 2015 to 31st March 2016 is shown below.

Referrals	102
Accepted for investigation	10

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

Details	No.
Change in circumstance already known - no issue	6
Poor intelligence – not enough evidence to pursue	19
Referred to DWP for investigation	30
No benefit in payment – no issue	2
No evidence of fraud	30
Uneconomical to pursue - CTS adjustment less than £500	5
Total	92

5. Council Tax

- 5.1 CAFT have identified fraudulent council tax liability claims of £12,181.74 with additional savings of £951.46 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 Checks undertaken following receipt of an alleged single person discount fraud also suggested that the named individual had not informed the Council of liability for non-domestic rates. Further investigations established that the individual should be made liable for non-domestic rates and an account totalling £1,050.49 was subsequently raised.

- 5.3 A summary of the Council Tax workload of CAFT for the period 1st October 2015 to 31st March 2016 is shown in the table below.

Referrals	67
Accepted for investigation	16

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

Details	No.
Change in circumstance already known - no issue	5
Poor intelligence – not enough evidence to pursue	14
No evidence of fraud	32
Total	51

Review of Single Persons Discount

- 5.5 A pro-active data matching exercise to identify council tax payers fraudulently claiming a single person discount commenced in October 2015. A report providing an update on the review was presented to the Audit Committee in January 2015.

5.6 A total of 6,942 single person discount review letters were issued in respect of discounts which required follow-up. As at 7th April, a total of 5,249 taxpayers have completed and returned the review form.

5.7 Of the returned forms:

- 4,317 taxpayers have indicated that they are still entitled to a single person discount;
- 75 responses referred from Datatank for amendment/follow-up are waiting to be processed by the Council;
- 613 single person discounts have been removed following a declaration of a change in household circumstances by the customer;
- 244 accounts have been completed without any effect on the discount e.g. change of name, taxpayer vacated property.

5.8 A number of taxpayers who responded to the review indicated that:

- a second person had 'only just' moved in to the property; and/or
- The previous address of the second person wasn't known.

CAFT have challenged these responses (104) and seventy taxpayers have subsequently confirmed that their declared date of change was incorrect. This has resulted in the discounts being removed from earlier dates and an increase of £20,699 Council Tax income being raised across the identified Council Tax accounts.

5.9 On 11th February 2016 the Council's Single Person Discount database was verified against the original 6,942 records identified for follow up. This second verification exercise established that a number of taxpayers had contacted the Council directly to cancel their single person discounts and that other accounts no longer required follow up due to financial records held by the third party credit reference agency being updated.

5.10 The results of the above verification identified that 1,367 taxpayers had neither completed and return the review form or contacted the Council direct. Of these, 658 have CTS implications and these are being dealt with by officers within the Benefits, Taxation and Income Section. The remaining 709 accounts were all cancelled back to 1st April 2015.

5.11 Of the 709 discounts cancelled there have been 136 disputes (19%). These have been investigated by CAFT and 105 discounts have been reinstated. The remaining 31 disputes challenged by CAFT have resulted in the discount remaining cancelled.

5.12 The cancellations to date (1,177 accounts) have resulted in an additional £321,947 Council Tax income being raised across the identified Council Tax accounts.

5.13 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 June.

6 Right to Buy (RTB)

- 6.1 The number of council properties sold through the RTB scheme has risen from 40 in 2011/12 to 130 in 2014/15 following the increased discount (up to a maximum of £77K).
- 6.2 These figures have continued to increase throughout 2015/16 with a total of 319 RTB applications being received, to date, with 148 progressing to completion. 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.
- 6.3 CAFT has undertaken checks against 131 RTB applications as at 24th March 2016.
- 6.4 Liaison with the RTB Team and the Council's Enforcement Unit has resulted in two RTB sales being stopped and the properties being recovered due to non-occupancy. One sale was stopped prior to a valuation being carried out and the second resulted in a saving of £27,360 i.e. the value of the discount which would have been applied.

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 investigations and disciplinary proceedings;
 - Review of the recruitment exercise within an Authority's service;
- 7.3 Work is also continuing on the review and revision of the suite of corporate anti-fraud, corruption and bribery policies, procedures and guidance. This work includes consultation with Human Resources and Legal Services to ensure compatibility with other policies and the statutory provisions around fraud sanctions etc. The Audit Committee will also be consulted on the draft revised documents in due course.

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 3,300 matches have been completed and a further 41 are currently being investigated as at 31st March 2016.

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.

8.4 The exercise identified potentially 10,225 duplicate creditor payments. CAFT interrogation of these matches identified that 29 payments had been duplicated, totalling £129,748.

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.

9.3 A summary of alleged tenancy fraud referrals received for investigation in shown in the table below.

Details	No.
Alleged non-residency – not pursued no evidence of fraud	3
Alleged breach of tenancy agreement – not pursued no evidence of fraud	1
Alleged breach of tenancy agreement – referred to Berneslai Homes for investigation	1
Allegation of sub-letting - not pursued no evidence of fraud	1
Total	6

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. The work of the CAFT is considered in the periodic review of the strategic fraud risk.

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