

Meeting: AUDIT COMMITTEE

Agenda Item: 3

Date: 3th September 2014

ANNUAL ANTI FRAUD REPORT 2013/14

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1. PURPOSE

- 1.1. The purpose of this report is for the Audit Committee to receive and consider the Annual Anti-Fraud Report for 2013/14.

2. RECOMMENDATIONS

- 2.1. That the Annual Anti-Fraud Report for 2013/14 be noted.

3. BACKGROUND

- 3.1. This report provides the Audit Committee with a summary of the anti fraud work undertaken during 2013/14 by the Shared Internal Audit Service (SIAS) and teams in both Stevenage Borough Council and the Shared Benefits Service hosted by East Herts.

4. REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS

- 4.1. The anti fraud activity undertaken by SIAS and District teams during 2013/14 is summarised below.

National Fraud Initiative

- 4.2. Since 1996 the Audit Commission has run the National Fraud Initiative (NFI), a sophisticated data matching exercise which matches electronic data within and between participating bodies to prevent and detect fraud.
- 4.3. The datasets that the Council supplied for the two year period of 2012/13 - 2013/14 NFI data matching exercise related to housing tenants, right to buy (former) tenants, taxi licences, alcohol licenses, market traders, payroll, creditors - suppliers, and creditors - payments. This resulted in approximately 90,000 records being uploaded.

- 4.4. Single Persons Discount was included in the NFI review during 2013/14 and from the sample, a further 616 cases were investigated. Following this investigation Single Person Discount was withdrawn from 145 claims. The investigation also identified 18 cases where the claimant had subsequently left the property. 453 cases required no further investigation.
- 4.5. A summary of Benefit fraud identified as part of the NFI review is shown in table one below:

| Table One: NFI Performance Overview | |
|--|---------|
| Number of cases processed | 1,284 |
| Being investigated | 40 |
| Cleared cases | 1,274 |
| Frauds identified | 8 |
| Errors identified | 2 |
| Total value of overpayments identified | £13,458 |

Whistleblowing

- 4.6. The Council recognises that its staff are often in the best position to know when the interests of the public are being put at risk; however they may fear coming forward. To demonstrate the Council's commitment to being open, honest and accountable, it strongly endorses its whistleblowing policy which takes into account the principles of the Public Interest Disclosure Act 1998. The Act was established to provide protection, and encourage individuals to report any concerns that they may have of improper conduct, malpractice or abuse within the Council or to any of its service users, without the fear of detriment or dismissal. The Whistleblowing policy was reviewed in February 2014 and following consultation with the Unions in April was circulated to staff via the intranet.

Ethics and Probity Training

- 4.7. Responsibility for Ethics and Probity training was transferred to the Borough Solicitor in 2012/13 and during the year training was delivered as required. Formal training planned for 2013/14 has been deferred to Autumn 2014/15 to enable other corporate priorities to be delivered.

Internal Audit Recommendations

- 4.8. The prevention and detection of fraud is included within the risk assessment of individual audit assignments. When weaknesses in the internal control environment are identified through audit work, recommendations are agreed with management for implementation.
- 4.9. In 2013/14, seven medium and 12 merits attention recommendations were made to improve the internal control environment to minimise the risk of fraud. These

included a proactive review in the area of housing tenancy fraud where internal audit reviewed the following key areas:

- **Housing applications** – the allocation policy is thorough however, the team is currently not achieving their service standard of registering applications within ten days of receipt. Applications are currently about 4-5 weeks behind. An action plan is in place to reduce this backlog by the end of September. The backlog has arisen due to staffing issues.
- **Continued monitoring** – there is good practice in terms of the 4-week visit being completed to time; however, the main tenancy audit takes place on a five-year rolling scale which does not provide an adequate safeguard to identifying possible housing fraud. Officers have targeted key groups, such as highly pointed tenants that are likely to move, for tenancy audits.
- **Right to Buy** – procedures and controls are generally robust, although the statutory timetable for notice of purchase had not been complied within any of the samples tested. 2013/14 saw a large increase in RTB application and subsequent sales. Since October 2013 a dedicated member of staff has been employed who is supporting the Sales and Disposals Officer who is dealing with RTB applications and monthly monitoring is now in place to ensure the timetable is met.
- **Housing Tenancy Fraud detection process** – tip-offs from members of the public are followed up in a timely fashion; although policies in respect of this area referred to Stevenage Homes and were dated as last reviewed in 2008 Stevenage Homes. These policies are currently being updated. The detection process is currently being reviewed following a pilot scheme initiated in July 2014 with Housing Partners. 1,000 samples were tested covering housing applications, RTB applications and tenancies. The results of this pilot are currently being investigated and should it prove successful a growth bid will be submitted to extend the detection process further. This will also inform the update to the detection process.

Internal audit made recommendations to address the weaknesses found and all have been agreed by management with the majority having been implemented.

Regulation of Investigatory Powers Act 2000 (RIPA)

- 4.10. The Council has the authority to use RIPA to undertake directed surveillance for the prevention and detection of crime or of disorder when authorised by magistrate. However, there were no applications in the year.

Housing and Council Tax Benefits

- 4.11. The Council's Anti-Fraud Service consists of a shared service with East Herts District Council. There is an Anti-Fraud Manager and two full time Investigators and the resource is shared equally between the two authorities, with in excess of 75% of the time being devoted to benefit fraud.

4.13 During 2013/14 fraudulent claims with a financial value of £501,125 were identified.

| Table 2: Fraudulent claims identified in 2013/14 | Value identified |
|---|------------------|
| Housing benefit Overpayments | £401,900 |
| Council Tax Benefit underpayment | £66,934 |
| Council Tax Support underpayment | £4,334 |
| DWP benefit (such as income support, job seekers allowance) | £27,957 |

4.14 Of the cases identified above there were 6 successful prosecutions, 20 administration penalties and 17 cautions. (During 2012/13 fraudulent claims with a financial value of £168,599 were identified with four successful prosecutions.)

4.12. When housing benefit overpayments are identified the benefits section are notified and an invoice is sent to the claimant to recover the sums due. Where no arrangement has been made with the claimant sums are recovered through the magistrate courts. Where Council tax has been underpaid due to an overclaim of benefit/support the Council Tax section add the amount owing to the following years bill or raise an invoice for the outstanding amount.

4.14 Due to the unpredictable nature of investigations there is likely to be fluctuations year on year.

Corporate Review of Fraudulent Events

4.15 Details of all known fraudulent and uninsured events are logged corporately. There were no additional cases of fraud identified, although there were three thefts during the year: two thefts from car park ticket machines where CCTV footage led to the arrest of three people and one theft of grounds maintenance equipment from an unattended vehicle. The total value of thefts in year was £2,466. Since the log was introduced in July 2011 the total value of uninsured losses has been £7,280.

4.16 The Council choses to self assure as this is more cost effective than the purchase of insurance premium plus claims excess. In addition Officers have put in place mitigation measures to reduce the risk of fraudulent insurance claims.

5. Single Fraud Investigation Service

5.1 The formation of a Single Fraud Investigation Service (SFIS), covering all welfare benefit fraud, was announced in the Autumn Statement by the Chancellor of the Exchequer on 5 December 2013.

5.2 The announcement confirmed that SFIS will be launched within DWP as a single organisation and implementation will commence in October 2014 through to March 2016. Implementation plans, including the rollout schedule, are being developed by DWP.

5.3 Fraud investigations for Stevenage BC and East Herts DC are due to be transferred to the SFIS in May 2004 when all investigations currently undertaken by

the Revenues and Benefits Shared Services DWP, and HMRC will be undertaken by the SFIS.

- 5.4 In response to these changes the Herts Chief Financial Officers are considering the establishment of a shared anti-fraud service as part of the Shared Internal Audit Service. A business case is currently in development and Members will be updated in due course.

6. IMPLICATIONS

6.1. Financial Implications

- 6.1.1 This report details the identification of housing benefit overpayments of £501,125 as a result of the Anti Fraud benefits investigations.

6.2. Legal Implications

- 6.2.1 There are no direct legal implications within the recommendations of this report.

7. BACKGROUND DOCUMENTS

- None

8. APPENDICES

- None