

Meeting: AUDIT COMMITTEE

Agenda Item: 3

Date: 1 September 2015

ANNUAL FRAUD REPORT 2014/2015 & PROGRESS REPORT ON THE SHARED ANTI-FRAUD SERVICE (SAFS).

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1. PURPOSE

1.1. To provide Members with:

- Details of counter fraud activity in 2014/2015
- Progress made by the new Shared Anti-Fraud Service (SAFS) since its launch on 1st April 2015

2. RECOMMENDATIONS

2.1. That the Annual Anti-Fraud Report for 2014/15 be noted.

2.2. That progress to deliver the new shared fraud service is noted by the Audit Committee.

3. BACKGROUND

3.1. This report provides the Audit Committee with a summary of the anti-fraud work undertaken during 2014/15 by the Shared Internal Audit Service (SIAS) and fraud teams in both Stevenage Borough Council and the Shared Benefits Service hosted by East Herts.

3.2. Stevenage Borough Council was one of the major sponsors for the Shared Anti-Fraud Service project which was established to look at the risks of fraud once the Housing Benefit Fraud functions within District Councils moved to the DWP in 2015.

3.3. The SAFS Business plan concluded that the District Councils in Hertfordshire were at significant risk of non-benefit fraud post transfer as the staff, and funding for them, would transfer to the DWP, leaving Districts exposed. Areas of fraud highlighted included Council Tax Discount, Blue Badge misuse, Business Rates, and Housing. The Business Plan

recommended that a Shared Anti-Fraud Team across Hertfordshire Councils would deliver a resilient anti-fraud function for all partners.

- 3.4. In April 2015 Stevenage Borough Council, along with Hertsmere Council, East Herts Council, North Herts Council, Broxbourne Council and Hertfordshire County Council signed an agreement to pilot a Shared Anti-Fraud Service based at the Council Council's offices in Stevenage, working as part of HCC's Assurance Service.
- 3.5. In May 2015 Stevenage Borough Councils housing benefit fraud function transferred to the DWP, and since then the anti-fraud function for Stevenage has been provided by SAFS.

4. REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS

- 4.1. The anti fraud activity undertaken by SIAS and District teams during 2014/15 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 2014/2015 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 82,500 records being uploaded.
- 4.4. Single Persons Discount was included in the NFI review during 2014/15 and from the sample, a further 1,272 cases were investigated. Following this investigation Single Person Discount was withdrawn from 332 claims.
- 4.5. A summary of Benefit fraud identified as part of the NFI review was not available to include in the report at the time of writing and a verbal update will be given to the Audit committee.

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.
- 4.8. In 2015 the council's Corporate Governance group discussed this pending action and the most effective means of communicating the importance of ethics and probity to the Council's employees. It was decided that a personal letter from then Strategic Director (Resources) containing guidance and enclosing the revised code of conduct should be issued to all officers. This letter was dated 31st March 2015. In addition a training session was also arranged for all officers holding politically restricted posts (as defined in the Local Government and Housing Act 1989). This training session also took place in March.

Internal Audit Recommendations

- 4.9. 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.
- 4.10. In 2014/15, one high, forty-six medium and eleven merits attention recommendations were made to improve the internal control environment to minimise the risk of fraud. The high priority recommendation related to the audit of ICT Change Control and concerned the restriction of logical access to the Authority's ICT production environment. This recommendation is now considered implemented.

Regulation of Investigatory Powers Act 2000 (RIPA)

- 4.11. 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

- 4.12. The Council's Anti-Fraud Service consisted of a shared service with East Herts District Council. There was a Anti-Fraud Manager and two full time Investigators and the resource was shared equally between the two authorities, with in excess of 75% of the time being devoted to benefit fraud.
- 4.13. During 2014/15 fraudulent claims with a financial value of £409,302 were identified

Table 2: Fraudulent claims identified in 2014/15	Value identified
Housing benefit Overpayments	£339,126
Council Tax Benefit underpayment	£56,282
Council Tax Support underpayment	£ 13,894
DWP benefit (such as income support, job seekers allowance)	£0.00

- 4.14. Of the cases identified above there were 8 successful prosecutions, 18 administration penalties and 10 cautions. (During 2013/14 fraudulent claims with a financial value of £501,127 were identified with six successful prosecutions.)
- 4.15. The number of cases and value of fraud identified was in a planned decline in 2014/2015 as the team in place prepared to transfer staff and work to the DWP in May 2015.
- 4.16. 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 excess award of benefit/support the Council Tax section add the amount owing to the following years bill or raise an invoice for the outstanding amount.

Corporate Review of Fraudulent Events

- 4.17. Details of all known fraudulent and uninsured events are logged corporately. There were no additional cases of fraud identified during the year.
- 4.18. 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.

Single Fraud Investigation Service

- 4.19. 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.
- 4.20. 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, have been delivered by DWP.
- 4.21. Fraud investigations for Stevenage BC and East Herts DC were transferred to the SFIS in May 2015 and all investigations being undertaken by the Revenues and Benefits Shared Services, DWP and HMRC have transferred to SFIS.

SHARED ANTI-FRAUD SERVICE

- 4.22. As mentioned previously with the transition of the benefit fraud work to the DWP a new counter fraud provision was put in place to investigate non-benefit fraud for the partner councils. This part of the report deals with the progress on delivery of this new service The Shared Anti-Fraud Service (SAFS).
- 4.23. SAFS is a contracted service providing end to end anti-fraud activities across all council services for each of the six partner councils (Stevenage, Broxbourne, Hertsmere, North Herts, East Herts and County Council).
- 4.24. The SAFS Team is composed of nine FTE staff based at the County Councils offices in Stevenage and structured as follows:

Role	No. of Posts
Counter Fraud Manager	1
Counter Fraud Assistant Manager	1
Counter Fraud Officers	5
Counter Fraud Assistants	2

The Team will also receive support from HCC Head of Assurance (SIAS Partnership lead), a Business Support Manager and a Data Analyst.

- 4.25. Recruitment commenced in December 2014 with the Manager being appointed in March 2015, and the last team member joining SAFS in June 2015.
- 4.26. It is the intention that each SAFS Partner receives the dedicated support and response from the Team in a transparent way. At present the most effective way to do this is by allocating one SAFS Team officer to each Partner. This officer will then be first point of contact for that Partners services and will assist in developing a co-operative relationship with responsibility for building relationships at a service level, delivering training and working on local pilot projects.

Fraud/SAFS Awareness

- 4.27. One of the key elements of a successful service is for SAFS to ensure that fraud can be reported by both staff and the public. All SAFS members have been asked to update their fraud reporting procedures, both internally and externally. Work has progressed very well with Stevenage Borough Council to develop reporting lines and relationships with services including Benefits, Revenues, Housing Needs, Housing Management and Legal Services.

- 4.28. SAFS has its own webpage – www.hertsdirect.org/reportfraud which has an online reporting tool. A hotline has been operational since 1st April (0300 123 4033) along with a shared secure email for reporting fraud – fraud.team@hertscgcsx.gov.uk. These contact details have been added to Stevenage Borough Council s own website to capture all fraud reported to the Council.
- 4.29. In June 2015 SAFS was officially launched at an event in Stevenage attended by senior officers and members from the SAFS Partners including those from Stevenage Borough. The event was chaired by the Chief Executive of Stevenage Borough Council, Scott Crudgington.
- 4.30. Since April SAFS has received the referrals in the table below. These need to be treated with some care at present as there has been a mixed transfer to SFIS and we have yet to meet with many of the service leads within each council to raise awareness of fraud reporting to SAFS.

SAFS Partner	Hotline	Webpage	Partner	Other
Stevenage	1	2	8	0
Hertsmere	1	1	3	1
East Herts	2	7	0	1
North Herts	1	6	13	4
HCC	1	3	13	15
Broxbourne	0	3	30	0
Other	7	1	1	1
Total	13	23	68	22

Work at Stevenage Borough Council

- 4.31. The Counter Fraud Officer, Paul Taylor, allocated to work exclusively with Stevenage Borough Council has already developed positive working relationships with the Housing Department, delivering Fraud Awareness training to staff at three sessions, and to elected members on 3rd September 2015.
- 4.32. The result of this new relationship and training has already delivered dividends in an increased number of reported tenancy frauds, which are now subject to investigation by SAFS. No tenancy fraud matters had been reported in 2014/2015.

Pilot Projects

- 4.33. SAFS Board has made a decision to support pilot projects within the partners and this will be built into future business plans. The intention of pilots is to evaluate whether there is a business need for the work and if so how this can be delivered to those Partners who would benefit from it as normal.
- 4.34. SAFS are currently working with Stevenage Borough Council to deliver a new Housing Management System which includes a data-matching option to identify potential tenancy fraud. This system would be funded by SAFS and is being reviewed by Housing Management and Legal Services at present.

Shared Fraud Strategy

- 4.35. At the SAFS Team meeting on 1st April 2015 it was agreed that a shared Anti-Fraud Strategy would be developed for all partners to review and adopt. This strategy would indicate the high level of intention of the SAFS Partners and lay the foundation for further policies to be designed and adopted across the County.
- 4.36. A draft Strategy for this purpose was presented to the SAFS Board on 18th June 2015 and is awaiting approval from all partners. The document will meet each Partners requirements to have in place a Fraud Strategy and can be reviewed annually to ensure that it is fit for purpose and publicised effectively.

Countywide Fraud Awareness Campaign

- 4.37. To raise the profile of SAFS and its role across Hertfordshire it is important that it receives maximum public exposure. This could be delivered through a simple visual campaign using various media but using a single recognisable message.
- 4.38. A media campaign was presented to the SAFS Board on 18th June.2015 for review and comment, and is now being consulted on with respective portfolio holders. If agreed this campaign will be rolled out from October 2015 across the whole county.

Proposed Format of Future Reports

- 4.39. It is proposed that reports to Audit Committee will include the following data relevant to Stevenage Borough Council:
- Number of reported frauds

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- Fraud Types
 - Number of cases selected for investigation and reasons for those cases rejected.
 - Outcomes of all cases where an investigation has been concluded.
 - Result of cases where fraud/error established including financial values
 - Number of cases where a fine/penalty/caution/prosecution has resulted.
 - Number of cases where Stevenage Borough Council staff have been investigated and the details/outcomes of these.
 - Number of cases where social housing has been recovered and the value of these.
 - Details of a high value/risk/profile cases that are ongoing and specific to Hertsmere council.
 - Specific activity and pilot projects in Stevenage Borough Councils geographic area, including updates on these as they progress.

In line with the partnership agreement, reports to the Audit Committee will be delivered on a twice-yearly basis; once with report on previous year's activity, and once with a Business Plan for the following year.

5. IMPLICATIONS

Financial Implications

- 5.1. Based on the SAFS Business Case 2014, estimated fraud losses at Stevenage Borough Council and its five partners in SAFS exceeded £12m, excluding housing benefit fraud but including fraud in areas such as Single Person Discounts, Housing, Staff and Procurement. Councils in Hertfordshire have worked in the fight against fraud historically and the being partnered in the SAFS project will continue to provide protection to public funds.
- 5.2. Stevenage Borough Councils contribution to SAFS is £60,000 as a fixed fee, with an additional £20,000 flexible charging.

Legal Implications

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

6. BACKGROUND DOCUMENTS

- Audit Commissions '*Protecting the Public Purse 2014*'
- The European Institute for Combatting Corruption and Fraud '*Protecting the English Public Purse 2015*'
- CIPFA 2015 '*Code of practice on managing the risk of fraud and corruption*'
- Fighting Fraud Locally Board 2012. '*Fighting Fraud Locally Strategy*'

7. APPENDICES

- None