

Meeting: **Audit Committee**

Portfolio Area: Resources

Date: **27th September 2007**

TITLE **ANTI-FRAUD TEAM – ANNUAL REPORT AND
PERFORMANCE REVIEW**

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1 **PURPOSE**

1.1 This report summarises the Anti-Fraud Team's performance during the financial year 2006/07, the Team's contribution to the Council's Statement of Internal Control and its work on the National Fraud Initiative (NFI).

2 **RECOMMENDATIONS**

2.1 The Committee considers this report and notes the performance of the Anti-Fraud Team.

3 **BACKGROUND**

3.1 **The Anti-Fraud Team**

3.1.1 The operation of partnership arrangements between Stevenage and Hertsmere Borough Councils for the provision of Anti-Fraud Services was set up in April 2004. The basis of the partnership was that a Partnership Anti-Fraud Manager (hosted by Stevenage) would be responsible for the Anti-Fraud Teams at both sites. Recruited jointly by Stevenage and Hertsmere, the Anti-Fraud Manager took up her post in January 2005.

3.1.2 The Anti-Fraud Team has a statutory duty under the Social Security Act 112v and the Fraud Act 1997 to ensure that the Authority tackles fraud by putting measures in place to prevent, detect and deter fraud.

3.1.3 The Anti-Fraud Team plays an important role in ensuring probity throughout the Council, particularly in Benefits and Housing-related matters. Predominately, the Team focuses its resources to investigate Benefit fraud, although its remit allows for involvement in any type fraud or corruption being committed against this Authority and to ensure that any investigation conducted remains within current legislation.

3.1.4 The service is also responsible for the prevention of fraud by raising employee awareness of the issues throughout the Council.

3.1.5 The Anti-Fraud Team has four main objectives:-

- (a) To prevent instances of fraud, corruption and theft committed against Hertsmere Borough Council whether by members of the public, employees and contractors
 - (b) To detect and investigate acts of fraud, corruption and theft committed against Hertsmere Borough Council by members of the public, employees and contractors
 - (c) To prosecute, or take appropriate sanctions, against individuals who the Council believe have committed acts of fraud, corruption and theft against them
 - (d) Development of the Anti Fraud Service Partnership with Hertsmere Borough Council, establishing a blueprint for good practice and procedure.
- 3.1.6 The Anti-Fraud Team has performed to a high level, over the past 12 months Achieving both the Government's fraud incentive targets and Best Value Performance Indicators (BVPI) targets – with Stevenage BVPI's in two of the top quartiles nationally.
- 3.1.7 The Council scored level 3 out of 4 in the Use of Resources (UoR) Internal Control Section; the Anti-Fraud Team's activities contribute directly to this element of the Assessment.
- 3.1.8 The Anti-Fraud Partnership has had two successful financial years of operations. The following activities have been undertaken at Stevenage:-
- 976 Investigations
 - 91 fraudulent cases identified
 - 22 Formal Cautions issued
 - 7 Admin Penalties
 - 6 Summons issued
 - 7 Successful prosecutions
 - Identified £137,788 in fraudulent overpayments
- 3.1.9 The Anti-Fraud Team's achievements are of significant benefit to the taxpayer, the more money the Council can save by better detecting benefit fraud, the more money that is available for areas such as reducing council tax.
- 3.1.10 Officers in conjunction with Housing Benefits have also recently completed a self-assessment with a score of "at standard" being submitted to the Department of Works and Pensions.
- 3.2 The Team's Structure**
- 3.2.1 The Anti-Fraud Partnership Manager, who reports to the Head of Finance, is responsible for:-
- 1 x Deputy Manager / Investigations Officer
 - 3 x Investigations Officer
- 3.2.2 Initial calculations identified that the Partnership arrangements would generate Savings in the order of £10k pa for each of the Councils – this level of saving has been achieved.
- 3.2.3 Officers consider that the Partnership arrangements have been mutually beneficial to both Councils and are committed to ongoing continuous improvement.

3.3 Raising Awareness

- 3.3.1 Fraud Awareness Training has been conducted, Anti-Fraud publicity campaigns have been continued and successful staff training has been completed.
- 3.3.2 The fraud team have a dedicated area within the intranet to inform key staff of the Anti-Fraud Team's remit and performance, this is available to all staff to further raise awareness.
- 3.3.3 This year lunchtime learning sessions on Fraud Awareness workshops were introduced – these will be for all staff, in conjunction with the starter programme run by Human Resources.
- 3.3.4 This level of activity in preventing, investigating, detecting and prosecuting Benefit Fraud reflects a very successful year for the Partnership.

3.4 National Fraud Initiative (NFI)

- 3.4.1 The Audit Commission's National Fraud Initiative (NFI) is now firmly established as the UK's premier public sector fraud detection exercise. The NFI brings together data from NHS bodies, local authorities, government departments and other agencies to detect a wide range of fraud against the public sector.
- 3.4.2 Since 1998, the NFI, which is run every two years, has been part of the statutory external audit process at councils, police and fire authorities in England and Wales. The level of fraud and overpayment detected in the NFI 2000/01 amounted to £50m and increased, in the NFI 2002/03, to £83m.
- 3.4.3 The data supplied to the NFI is used for cross matching between systems to identify possible incidences of fraud or overpayment. Examples of such matches are council tenants with a council property in more than one authority or a public sector employee claiming housing benefit but failing to declare an income that would preclude or reduce entitlement to that benefit.
- 3.4.4 The use of data for NFI purposes continues to be subject to strict protocols to ensure compliance with data protection, freedom of information and human rights legislation.
- 3.4.5 The Council's Anti-Fraud and Corruption Strategy:-

“The Council is committed to working and co-operating with other organisations to prevent organised fraud and corruption, eg, the National Fraud Initiative (Data Matching Exercise). Wherever possible, the Council will be prepared to help and exchange information with other Councils and organisations to deal with fraud.”
- 3.4.6 This Council is legally obliged to provide the relevant data, which includes details relating to all staff's salary or wage, being matched to data held on different computer systems, eg, Housing / Council Tax Benefits. The object of the exercise is to help prevent and detect fraud but the appearance of an employee's name on a list of matches will not be viewed as evidence of fraud. It is fully understood that certain circumstances make it perfectly legitimate to work whilst being in receipt of Housing / Council Tax Benefits.
- 3.4.7 The Council received 5227 data matches for 2006/07:-

- 5203 high risk matches
- 24 medium risk matches
- Fraudulent overpayment of £11,243.71, (the Council is able to recover 40% of this amount)

NB: The Risk identifier is assessed by the Audit Commission.

3.4.8 Of these matches, the results of the work of the Anti-Fraud Team are as follows:-

- 567 matches were initially investigated but, as the matches were valid and/or the information had been declared, further investigations were not warranted,
- 13 matches are currently under investigation.

3.4.9 Members should note that the Anti-Fraud Team receive monthly reports from the Housing Benefits Matching Service (HBMS) and the outcome for the financial year 06/07 is as follows:-

- 572 referrals received
- £85,400.08 identified in fraudulent housing benefit and council tax benefit overpayments

4 REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS

4.2.1 Not applicable.

5 IMPLICATIONS

5.1 Financial Implications

5.1.1 None identified.

5.2 Legal Implications

5.2.1 None identified.

5.3 Other Implications

5.3.1 Risk Assessment

Due to the actual controls in operation, the risks are assessed as “low”, ie, (severity – serious and likelihood – unlikely).

5.3.2 No Policy, Planning, Environmental, Staffing and Accommodation, Human Rights, Equal Opportunities, Service Delivery, Community Safety, Information Technology or other Corporate Implications.

APPENDICES

None