

**Eden District Council**  
**Accounts and Governance Committee**  
**25 September 2014**  
**Annual Fraud Report 2013-2014**  
**Report of the Director of Finance**

**1. Purpose of the Report**

- 1.1 This report gives Members an update on how the Council has sought to detect and prevent fraud in 2013-2014.
- 1.2 The report includes information which meets the recommended (but not prescribed) disclosures in relation to fraud as set out on the Local Government Transparency Code 2014.

**2. Recommendation**

The report is noted.
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**3. Background to the Report**

- 3.1 Like any organisation, the Council is potentially vulnerable from fraud, either from its employees, or from members of the public. The Council's approach to protecting itself from fraud is set out in its Anti-Fraud, Theft, Bribery and Corruption Strategy and Response Plan, which is annually updated and approved by this Committee: see elsewhere on this agenda.
- 3.2 The main area where the Council is particularly vulnerable to fraud is that of benefits payments. The Council administers the national scheme for Housing Benefits and the local scheme for Council Tax Reduction (prior to April 2013, this was the national Council Tax Benefits scheme). These are means-tested benefits which assist those on low incomes to meet their Housing and Council Tax costs. Housing Benefit is a direct payment, whilst Council Tax Reduction is a reduction in liability. Because of the complexity of the schemes and the large amounts involved, it is particularly susceptible to fraud. The Council maintains a small Benefits Investigations Team of three staff (1.93 FTE), which focuses on the prevention and detection of benefits fraud. (NB: the Team Leader is a shared post with South Lakeland District Council (SLDC) and is shown as 0.5FTE).
- 3.3 However, there is always the possibility that the Council might suffer from fraud arising in other areas than benefits. This report looks at fraud in benefits and fraud in all other areas.

#### **4. National Fraud Initiative (NFI)**

- 4.1 The Council is obliged to take part in the National Fraud Initiative (NFI). This is the Audit Commission's data matching exercise that tackles a broad range of fraud risks faced by the public sector. The NFI has been embedded in the statutory external audit process for audited and inspected bodies since 1996. The initial focus was on Housing Benefits, but coverage has grown considerably in recent years and now matches records across a range of Council activities. Until this year the NFI was run on a two year cycle, with different data sets being submitted in each year. From 2014, however, Council Tax/ Single Person Discount and Electoral Registration data needs to be submitted annually. The co-ordination of the NFI is undertaken by the Council's Senior Auditor. The detailed review of identified matches is undertaken by the relevant staff in the areas concerned.
- 4.2 Over the years the NFI has improved and participation in it is now an important element in the Council's approach to fraud prevention. In particular, it helps to prove that the lack of identified fraud (outside of benefits) is reflective of no discernible fraud.
- 4.3 With the abolition of the Audit Commission (March 2015), the operation of the NFI will pass to the Cabinet Office.

#### **5. Benefit Fraud**

- 5.1 The Council can apply three types of sanctions: a formal caution, an administrative penalty, or decide to prosecute. The application of a caution requires that a claimant accepts their guilt. The application of sanctions is determined by the Benefit Fraud guidelines, which were approved by Members.
- 5.2 The Council's Benefits Investigation Team is active in identifying claimants who are claiming benefit which they are not entitled to. For 2013-2014, the following is a breakdown of the main activity for the Team:

Number of Fraud Referrals	229
Number of Cautions	14
Number of Administrative Penalties	1
Number of Cases Accepted for Prosecution	5
Number of Successful Prosecutions	5

- 5.3 The Team receives information from a variety of sources and, in 2013-2014, received more than 229 reports of suspected fraud. Around 40% of these cases came from the Housing Benefit Data Matching Service (HBDMS). All local authorities supply data to the Department for Work and Pensions (DWP) on a monthly basis and this is matched to information from both the local authorities and Government agencies. An example is the comparison of benefits data to information provided by HM Revenues and Customs about alleged Capital held. In one case, a customer making a new claim to benefits failed to declare various bank accounts totalling £36,000. She admitted the offence when interviewed by the Investigations Team. This resulted in an overpayment of Benefit of £3,500, which she is required to repay in full. Although the case was suitable for prosecution, it was decided after consideration of mitigating factors that the customer gave, to offer her a caution, which was accepted, in May 2013.

5.4 The remainder of the referrals come from the Council's Benefit Assessment and Visiting Officers, the DWP and the general public (usually anonymously). The Team has an excellent working relationship with colleagues from the DWP and other councils and carry out joint investigations where DWP or other organisations' benefits are involved. In one such instance, the Council commenced a joint investigation with the DWP because of an allegation of a customer's undeclared working partner living in the household. After a lengthy investigation by both the Council's and the DWP's Investigation Teams, enough evidence was gathered to put before the court. The resulting overpayment amounted to over £4,500 Housing/Council Tax Benefit and Income Support. In court the customer pleaded guilty to three charges of failure to report a change in circumstances. She received an 80 hours' community work order and £15 victim surcharge. Joint working also commenced on a case with a council from out of the Cumbria area. This also concerned an allegation of a customer who failed to declare a partner who was working, living in her household. This case resulted in a £6,000 benefit overpayment. In court a guilty plea was entered and the customer was sentenced to an 8 weeks' community order and curfew, with £120 costs on 2 charges of false representation.

5.5 The total amount of fraudulently claimed benefit uncovered from all sources was £115,000.

## **6. Other Fraud Areas**

6.1 The NFI exercise for 2012-2013 involved the submission of data relating to Housing Benefits, Payroll, Creditors' Payments and standing data, Licensing records and Insurance Claims.

6.2 502 matches were returned by the Audit Commission. This related to 388 benefits matches to various data sets, 11 Payroll matches, 102 Creditors' matches and 1 Insurance match. This is a significant reduction in the matches returned from the previous data submission in 2010-2011, when 2,488 matches were returned. This is the result of improved filtering of the Payroll and Creditor data submitted.

6.3 All returned matches have now been investigated and 'closed', apart from one benefits match which is awaiting a response from the DWP. Most of the Creditors' matches investigated were found to be for routine reasons, eg payment of monthly/quarterly standing orders/invoices, or the repayment of failed BACS payments which shows that whilst filtering has improved the standard of matches, improvements could still be made.

6.4 Three cases of fraud totalling £6,682.92 and 45 errors totalling £16,570.11 have been identified from the benefits matches and recovery processes are underway, or have been completed. This compares to the 3 cases of fraud and 27 cases of error totalling £13,593.32 and £2,002.21 respectively, which were identified as a result of the 2010-2011 exercise. Whilst the value of fraud has gone down, therefore, more errors are now being identified.

6.5 In February 2014, Council Tax and Electoral Register data was submitted as part of the NFI cycle, with the main purpose being to identify cases where a single person discount was awarded on Council Tax, but the Electoral Register recorded more than one person at the address, or a 'rising 18'. Reports detailing 292 Council Tax to Electoral Register and 29 Council Tax to 'rising 18' matches were returned by the Audit Commission. 174 of these have been investigated to date, with 9 cases totalling £5,033.99 identified for recovery. This compares to the 269 and 51 matches respectively arising from the 2011-2012 exercise and a recovery amount of £16,923.98.

6.6 October 2014 will see the upload of Benefits, Creditors, Payroll, Insurance and Licensing data for matching, and in December 2014, Council Tax and Electoral Registration data will be uploaded.

6.7 All internal audits consider possible exposure to fraud. The risk is greater in some audit areas, eg creditor payments, than others. Internal audit have identified no issues in relation to fraud during the year. No other instances of fraud were identified from other sources.

## **7. Audit Commission Fraud Survey**

7.1 The Audit Commission conducts an annual National Fraud and Corruption Survey.

7.2 The survey requires data concerning the number and value of identified cases of fraud and corruption across a wide range of areas, including benefits, Council Tax, Business Rates, procurement, insurance claims, grants, pensions, investments, payroll, employee contracts and recruitment, expense claims, abuse of position and parking permits. The survey also asks questions on counter-fraud and corruption activities, such as the existence of fraud investigation teams, an Anti-Fraud Strategy, Anti Money Laundering and Whistle-Blowing Policies etc.

7.3 The survey questionnaire for 2013-2014 was returned in May 2014. As in previous surveys, the Council was able to record a nil response to fraud (apart from a number of benefits cases) and illustrate compliance with the counter-fraud activities surveyed.

## **8. Register of Interests and Gifts and Hospitality**

8.1 In order to monitor compliance with standards of conduct, a Register of Members' Interests is maintained and published on the Council's website and staff must declare all offers of gifts or hospitality to internal audit. Entries in the Register are reported annually to Management Team.

## **9. Audit Commission Fraud Briefing**

9.1 The Audit Commission produces an annual report on public sector fraud. The report covering 2012-13 was reported to the Committee on 20 March 2014. The report noted, ***'Individual Fraud Briefing - These are to be supplied by the Audit Commission for each council to the external auditor. The intention is that these are then presented to those "responsible for governance". It is understood that these have not yet been provided by the Audit Commission.'***

9.2 The Council's fraud briefing has been received and is attached as an Appendix. This draws on the information submitted in the annual survey (see section 7 above). The main point is that levels of detected benefit fraud at Eden are proportionately higher than at other Cumbrian districts. Whilst some caution needs to be exercised as the classification of fraud may vary, it is felt that this reflects well on the effectiveness of the Council's small Investigations Team.

## **10. Future Fraud Issues**

- 10.1 The main issue relates to how the Council addresses non-benefit fraud once the Single Fraud investigation Service is in place. In the covering report to the Protecting the Public Purse study (this Committee, 20 March 2014), it was noted, *'The report refers to the level of dedicated anti-fraud resource at councils. This is currently the Investigations Team. The Team covers both Housing Benefit and Council Tax Reduction fraud. As part of the implementation of Universal Credit, the Department for Works and Pensions (DWP) is centralising all benefit fraud resources and local authority benefits investigators will transfer to the DWP. At this point the Council will need to re-assess its counter-fraud position. In particular, how will it deal with any Council Tax Reduction fraud (not covered by DWP), or the remaining pensioner Housing Benefit fraud that will remain with local authorities after Universal Credit has been introduced?'*
- 10.2 As part of the annual Internal Audit Plan, an internal audit will be undertaken to look at the Council's anti-fraud recommendations and to make suggestions on how best to counter-fraud following the transfer to SFIS.

## **11. Policy Framework**

- 11.1 The Council has four corporate priorities which are:

Affordable Housing  
Quality Environment  
Economic Vitality  
Quality Council

Council, on 29 September 2011, agreed strategic actions to achieve these priorities.

## **12. Implications**

### **12.1 Legal**

- 12.1.1 There are no legal implications arising from this report.

### **12.2 Financial**

- 12.2.1 Any decision to reduce or increase resources must be made within the context of the Council's stated priorities as set out in its refreshed corporate plan.
- 12.2.2 There are no direct financial implications arising from this report. However, having effective systems in place against fraud is an important protection against financial loss.

### **12.3 Equality and Diversity**

- 12.3.1 The Council has to have regard to the elimination of unlawful discrimination and harassment and the promotion of equality under the Equality Act 2010 and related statutes.
- 12.3.2 There are no direct equality and diversity implications arising from this report.

## 12.4 **Environmental**

12.4.1 The Council has to have due regard to conserving biodiversity under the Natural Environment and Rural Communities Act 2006.

12.4.2 There are no environmental implications.

## 12.5 **Crime and Disorder**

12.5.1 Under the Crime and Disorder Act 1998, the Council has to have regard to the need to reduce crime and disorder in exercising of any of its functions.

12.5.2 There are no crime and disorder implications.

## 12.6 **Children**

12.6.1 Under the Children's Act 2004, the Council has to have regard to the need to safeguard and promote the welfare of children in the exercise of any of its functions.

12.6.2 There are no direct children implications.

## 12.7 **Risk Management Implications**

12.7.1 Risk Management is a process whereby attempts are made to identify, actively control and reduce risk to protect the Council. This covers not only the traditional areas of insurable risk, but also the organisational risk that the Council faces in undertaking all its activities.

12.7.2 The Council's approach to fraud is an important element of its management of risk.

D J Rawsthorn  
Director of Finance

### **Governance Checks:**

Checked by, or on behalf of, the Chief Finance Officer	✓
Checked by, or on behalf of, the Monitoring Officer	✓

### **Background Papers:**

F21/14- 'Protecting the Public Purse' – National Audit Commission Report

F48/14 – Internal Audit Annual Report 2013-2014

Internal audit files

Investigations team files

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# Protecting the Public Purse Fraud Briefing 2013 Eden District Council



# Agenda

- Introduction and purpose of your Fraud Briefing
- *Protecting the Public Purse (PPP) 2013* report – national picture
- Interpreting fraud detection results
- The local picture
- Questions?

## And do not forget

- Checklist for those charged with governance (Appendix 2 of PPP 2013)*
- Questions councillors may want to ask/consider (Appendix 3 of PPP 2013)*



# Introduction

- Fraud costs local government in England over £2 billion per year (*source: National Fraud Authority*)
- Fraud is never a victimless crime
- Councillors have an important role in the fight against fraud

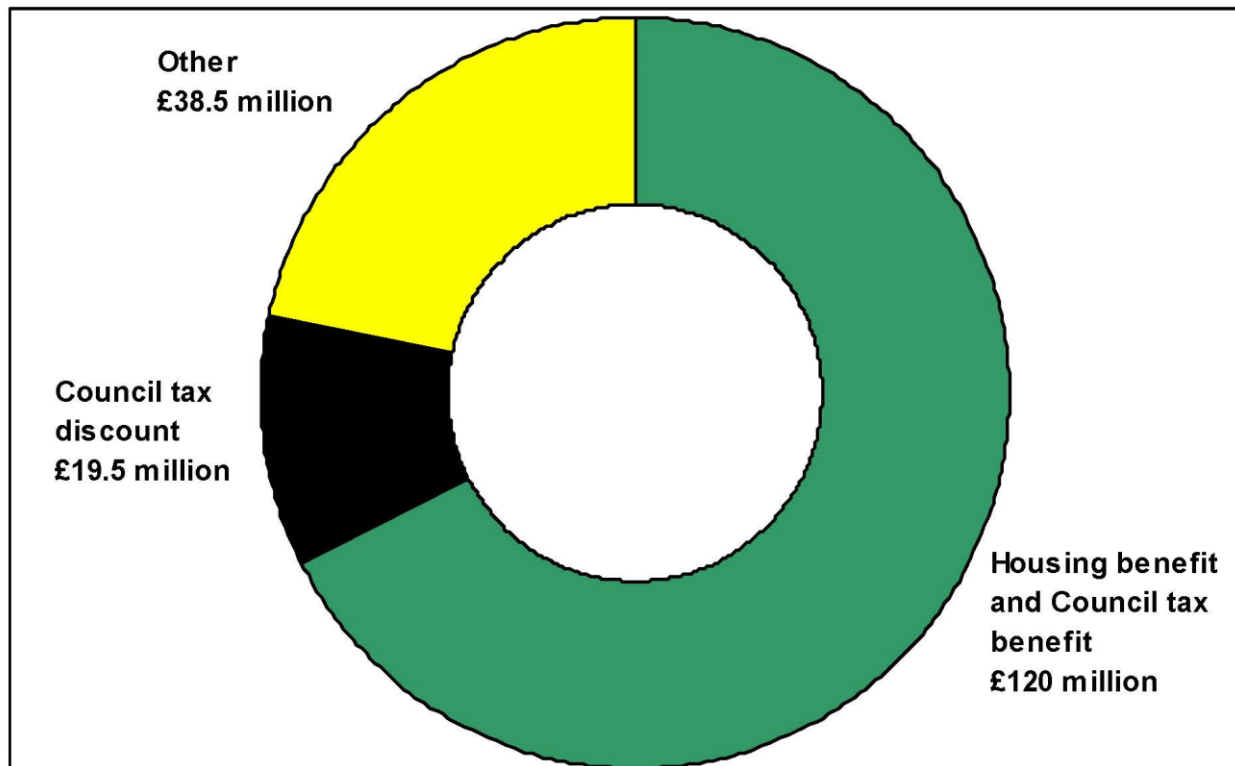


# Purpose of Fraud Briefing at your council

- Opportunity for councillors to consider fraud detection performance, compared to similar local authorities
- Reviews current counter fraud strategy and priorities
- Discuss local and national fraud risks
- Reflect local priorities in a proportionate response to those risks

## National Picture 2012/13

**Total cases detected 107,000, with a value of £178 million (excluding social housing fraud)**



***Nationally, the number of detected frauds has fallen by 14% since 2011/12 and the value by less than 1%***

# Interpreting fraud detection results

- Contextual and comparative information needed to interpret results
- Detected fraud is indicative, not definitive, of counter fraud performance (Prevention and deterrence should not be overlooked)
- No fraud detected does not mean no fraud committed (Fraud will always be attempted and even with the best prevention measures some will succeed)
- Councils who look for fraud, and look in the right way, will find fraud (There is no such thing as a small fraud, just a fraud that has been detected early)

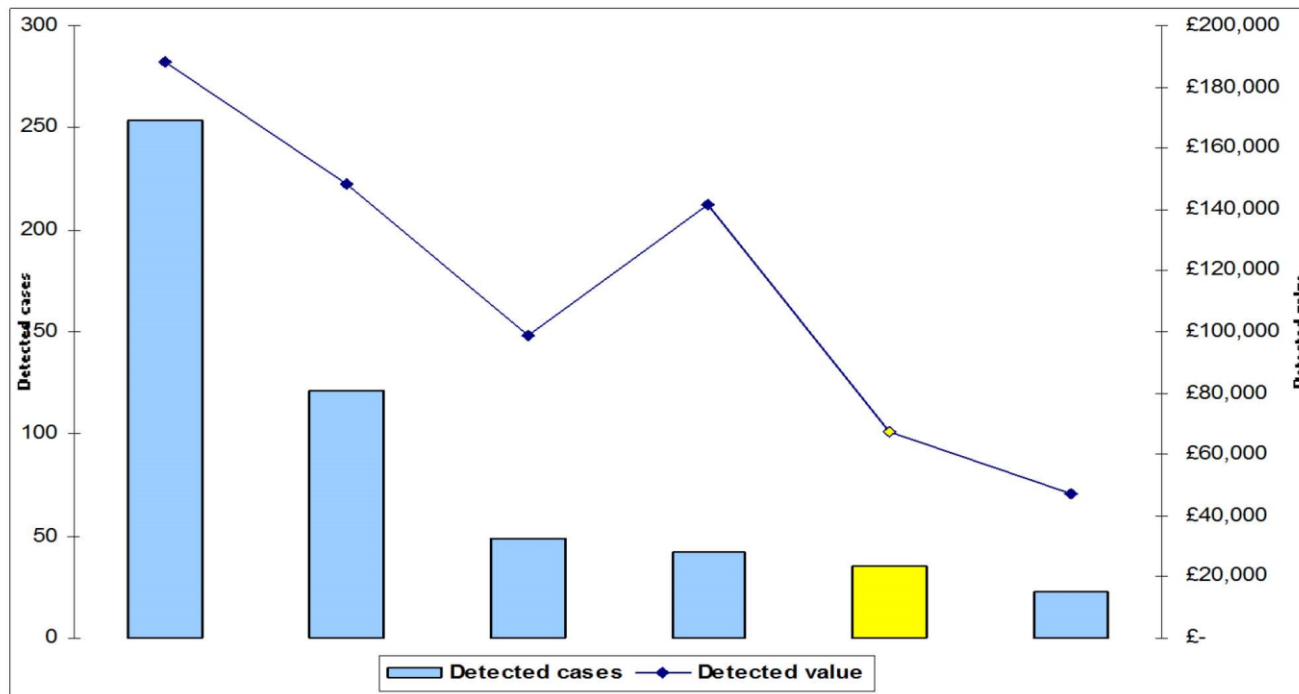
*Your council is highlighted in yellow in the graphs that follow*



## The local picture

How your council compares to other district councils  
in your county area

Total detected cases and value 2012/13

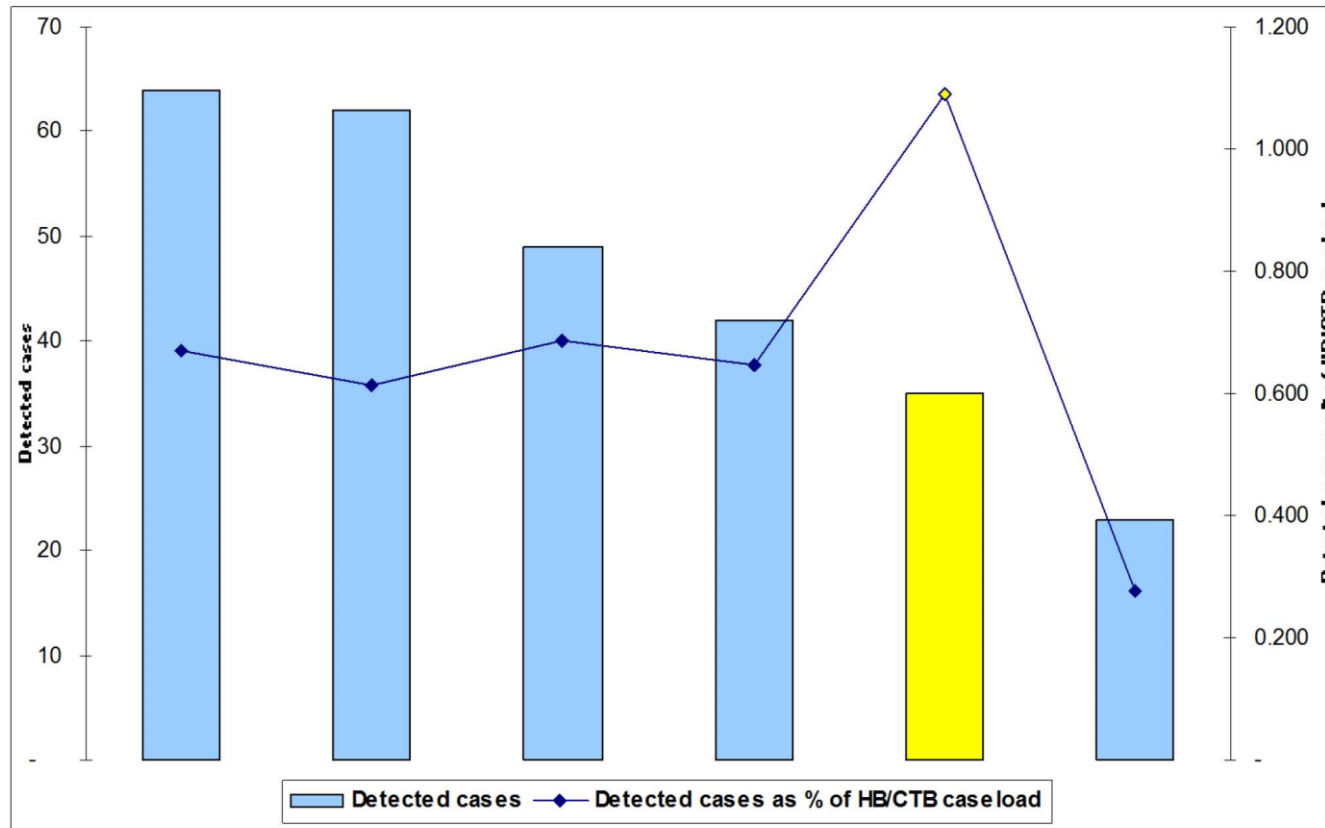


Eden detected: 35 cases, valued at £67,600

DC average for your county area: 87 cases, valued at £115,383



**District councils in your county area 2012/13**  
**Housing benefit (HB) and Council tax benefit (CTB) fraud**  
**Detected cases and detected cases as a percentage of HB/CTB caseload**



Eden detected: 35 cases, valued at £67,600

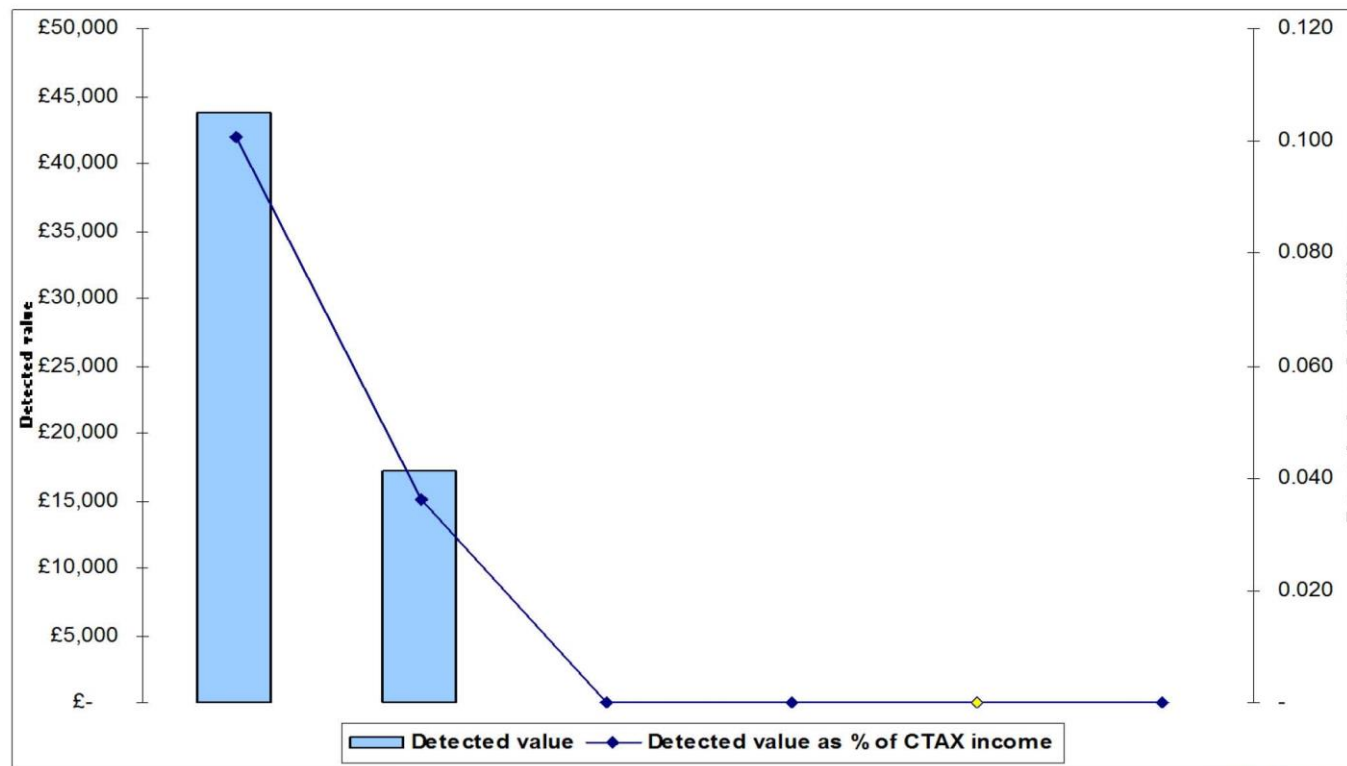
DC average for your county area: 46 cases, valued at £105,237



## District councils in your county area 2012/13

### Council tax (CTAX) discount fraud

#### Detected value and detected value as a percentage of council tax income



Eden detected: no cases

DC average for your county area: 42 cases, valued at £10,146





# Eden District Council

## Other frauds

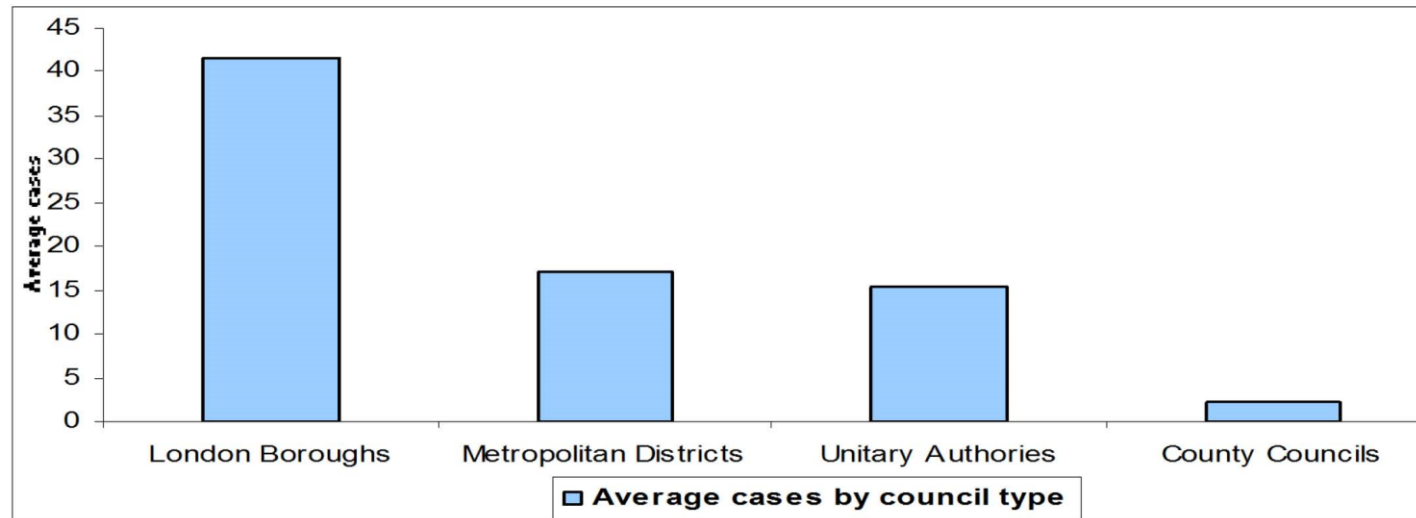
- **Procurement:** no cases  
(Ave per DC in your county area: no cases)  
Total for all local government bodies in your region: 20 cases, valued at £411,783)
- **Insurance:** no cases  
(Ave per DC in your county area: no cases)  
Total for all local government bodies in your region: 6 cases, valued at £276,008)
- **Economic & Third sector:** no cases  
(Ave per DC in your county area: no cases)  
Total for all local government bodies in your region: 11 cases, valued at £18,400)
- **Internal fraud:** no cases  
(Ave per DC in your county area: no cases)  
Total for all local government bodies in your region: 168 cases, valued at £1,522,016)

Correctly recording fraud levels is a central element in assessing fraud risk  
It is best practice to record the financial value of each detected case





## Disabled parking (Blue Badge) fraud Detected cases by issuing council type



In two-tier areas:

- county councils have administrative responsibility for issuing blue badges
- district councils face reduced car parking income as a result of the fraudulent abuse of blue badges.

# District councils without housing stock 2012/13

## Social housing fraud

It is estimated that:

- 2 per cent of social housing stock outside London is subject to tenancy fraud;
- tenancy fraud represents the second largest financial loss to fraud in local government, costing £845 million in 2013; and
- when combined with the loss to tenancy fraud suffered by housing associations, the total value in England is £1.8 billion – making tenancy fraud five times greater than the annual loss due to housing benefit fraud.

The Prevention of Social Housing Fraud Act 2013 criminalises tenancy fraud

The legislation gives councils investigation powers and the ability to prosecute tenancy fraudsters on behalf of housing associations

Should you be using this legislation to work in partnership with local housing associations?



# Any questions?

