

Eden District Council
Accounts and Governance Committee
26 September 2013
Annual Fraud Report 2012-2013
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 2012-2013.

2. Recommendation

The report is noted.

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 and Council Tax benefits. 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 Benefit is a reduction in liability. Because of the complexity of the scheme and the large amounts involved, it is particularly susceptible to fraud. The Council maintains a small Benefits Investigations Team of three staff (2.81 FTE), which focuses entirely on the prevention and detection of benefits fraud.
- 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 and is currently run on a two year cycle, with different data sets being submitted in each year. Its initial focus was on Housing Benefits, but its coverage has grown considerably in recent years. The NFI now matches records across a range of Council activities. 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 (provisionally in 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 2012-2013, the following is a breakdown of the main activity for the Team:

Number of Fraud Referrals	289
Number of Cautions	11
Number of Administrative Penalties	3
Number of Cases Accepted for Prosecution	6
Number of Successful Prosecutions	7

- 5.3 The Team receives information from a variety of sources and, in 2012-2013, received more than 289 reports of suspected fraud. Around 55% 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 £24,000. He admitted the offence when interviewed by the Investigations Team. This resulted in an Overpayment of Benefit of £5,000, which he is required to repay in full. He was prosecuted and pleaded guilty to two charges in court in August 2012 of false representation. He was fined £500 and ordered to repay £200 costs and a £15 victim surcharge.

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 carry out joint investigations where DWP benefits are involved. In one such instance, the Council commenced a joint investigation with the DWP because of an allegation of a customer's partner working as a Taxi Driver. 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 £3,426 Housing/Council Tax Benefit and Income Support. The customer pleaded guilty to three charges of failure to report a change in circumstances in October 2012. He received fines and costs of £175 and the case was fully reported in two local newspapers.

5.5 The total amount of fraudulently claimed benefit uncovered from all sources was £80,000.

6. Other Fraud Areas

6.1 The NFI exercise for 2012-2013 involved the submission of data relating to Housing Benefits, Payroll, Creditor 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 Just over 50% of the returned matches have now been investigated and work is ongoing on the remaining matches; 166 of which are benefit matches and 75 creditor payment matches. Most of the creditors' matches investigated to date 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 No cases of fraud have been identified from the work undertaken to date, but errors have been identified on 25 benefit claims resulting in overpayments totalling £5,698.29, which are now in the process of being recovered. This compares to 3 cases of fraud and 27 cases of error, with amounts identified for recovery of £13,593.32 and £2,002.21 respectively, which were identified as a result of the 2010-2011 exercise.

6.5 In 2011-2012, 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 269 Council Tax to Electoral Register and 51 Council Tax to 'rising 18' matches were returned by the Audit Commission. All matches have now been investigated and £16,923.98 identified for recovery.

6.6 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 2012-2013 was returned in May 2013. 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. Policy Framework

9.1 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.

10. Implications

10.1 Legal

10.1.1 There are no legal implications arising from this report.

10.2 Financial

10.2.1 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.

10.2.2 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.

10.3 **Equality and Diversity**

10.3.1 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.

10.3.2 There are no direct equality and diversity implications arising from this report.

10.4 **Environmental**

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

10.4.2 There are no environmental implications.

10.5 **Crime and Disorder**

10.5.1 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.

10.5.2 There are no crime and disorder implications.

10.6 **Children**

10.6.1 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.

10.6.2 There are no direct children implications.

10.7 **Risk Management Implications**

10.7.1 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.

10.7.2 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:

F40/13 – Internal Audit Annual Report 2012-2013

Internal audit files

Investigations team files

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