

**Agenda Item No:** 10  
**Report To:** AUDIT COMMITTEE  
**Date:** 26 JUNE 2014  
**Report Title:** Annual Fraud Report 2013/14  
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**Summary:** This report provides an update on the work of the Investigation team within Revenues and Benefits.

The year has been one where changes to National Non Domestic Rates (NNDR) and the introduction of the Council Tax Reduction Scheme (CTRS) together with new legislation to deal with fraud within Council Tax support and Tenancy Fraud has meant changes to the way the team works.

The team itself has seen changes in personnel. Fraud awareness training was conducted over the year further reiterating the prevention message and the anti-fraud culture for the Council as a whole.

With the Single Fraud Investigation Service (SFIS) currently starting to roll out nationwide and Universal Credit still to come, together with the changes that have already happened this year, there is an opportunity to reflect on the impacts and jointly review the service.

**Key Decision:** No

**Affected Wards:** Not applicable

**Recommendations:** **The Committee be asked to:-**

Note the content of the report

**Policy Overview:** The Council has a policy which promotes a strong anti-fraud and anti-corruption culture. The Council seeks to conduct its business with transparency, integrity and accountability and is committed to the prevention, deterrence, detection and investigation of all forms of fraud and corruption at all levels of its activity. The Council will seek to prosecute or apply other appropriate sanctions to those identified committing fraud and corruption.

**Financial Implications:** None

**Risk Assessment** The team gives the Council an ability to protect the public

purse against the estimated £2 billion of fraud faced by local government each year and thus giving confidence to the taxpayer.

**Equalities Impact Assessment**

None

**Other Material Implications:**

None

**Background Papers:**

Protecting the Public Purse (2013) – The Audit Commission.  
Link <http://www.audit-commission.gov.uk/wp-content/uploads/2013/11/Protecting-the-public-purse-2013-Fighting-fraud-against-local-government.pdf>

Fraud Briefing – Ashford Borough Council – The Audit Commission (2013)

Fighting Fraud in the Future – Local Authority Investigating Officers Group (LAIIOG) (2014)

Prevention of Social Housing Fraud Act 2013  
<http://www.legislation.gov.uk/ukpga/2013/3/contents/enacted>

The Council Tax Reduction Schemes (Detection of Fraud and Enforcement) (England) Regulations 2013  
<http://www.legislation.gov.uk/uksi/2013/501/contents/made>

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## Report Title: Annual Fraud Report 2013/14

### Background:

1. This is a report giving details of the work of the Fraud and Visiting Team over the financial year 2013/14.
2. The primary role of the team is the prevention and detection of fraud within council tax, NNDR, housing tenancies and housing benefit. It is appropriate that the Audit Committee, be aware of both the role and work of this team.

### The Team

3. The Fraud and Visiting Team sits within Revenues and Benefits. Up to and including the first quarter of 2013/14, the team was made up of the following:

Investigation and Visiting Manager  
Senior Investigation Officer  
2 Investigation Officers (one temporary post)  
2 Generic Visiting Officers  
Support officer (part time)

4. In August 2013, the Investigation and Visiting Manager left the team having been successful in obtaining a position elsewhere within the Ashford Borough Council as Assistant Health, Parking and Community Safety Manager. Since then the Senior Investigation Officer has been acting up taking on the responsibilities of the manager.
5. In April 2014, the contract for the temporary investigation officer came to an end and in May 2014 the Visiting Officers moved out of the Fraud and Visiting Team and now come under the newly established Collection Fund Team under the Operations and Support Manager within the Revenues and Benefits Service. Therefore since May 2014 the team now comprises of

Senior Investigation Officer / Acting Investigations Manager  
Investigation Officer  
Support Officer (part time)

### Partnership Working

6. Throughout 2013/14, the team continued to work closely with both other departments within Ashford Borough Council and outside agencies. The team has historically conducted benefit fraud investigations however over the past two years investigations have spanned much more including council tax, non-domestic rates, electoral and most successfully, tenancy fraud. The team has also been sought for advice by other departments including electoral services, licensing, planning and personnel.
7. The joint working with the Housing Department has continued and the success built on. With the introduction of the Prevention of Social Housing Fraud Act in 2013, subletting of a social housing property is now a criminal offence. This Act was championed by the fact that the public realise how important social housing is and that with 1000's of genuine people in need of

subsidised housing that fraudsters who make a profit out of illegally subletting their home is socially unacceptable. Links are strong with both the Housing Area Managers as well as the Options team. There is also growing liaison with some Housing Associations.

### **What was investigated in 2013/14**

8. For the financial year 2013/14, 471 referrals were received including from the following sources:

Source	Number of referrals
Anonymous	90
Hotline	12
Benefits Team	96
Revenues Team	6
Housing Team	56
Customer Contact Centre	52
Visits	10
Police	18
NFI	9
HBMS	3
DWP	28

9. Of the referrals received for 2013/14, 312 were rejected and 159 were accepted for investigation.
10. Where a referral is rejected, further action may be taken on the information which may include referring the information to the DWP, conducting a compliance or review visit or requesting further checks be conducted in any future contact. No further action will only be deemed appropriate if it is believed there is no risk to the Authority, for example, the information is already known to the Authority.
11. Successful outcomes are measured in a number of ways
- Guilty convictions
  - Cautions
  - Fines – through administration penalties for benefit fraud, civil financial penalty for council tax support or fines under the Local Government Finance Act for Council Tax fraud.
  - Value of overpayment of benefit resulting from investigation and recovery of such
  - Recovery of Council properties
  - Housing applications declined
  - Revenues discount stopped and / or cancelled back
  - Value of any future benefit or discount that has been stopped due to investigation
12. Overpayment of benefit that is not caused by local authority error is recoverable and affects the level of subsidy the Authority receives from Central Government in relation to benefits. If a benefit fraud is detected resulting in an overpayment, 60% of the amount recovered must be paid back to Central Government. The remaining 40% or part thereof is retained by the Authority to assist with costs.

13. With regard to Tenancy Fraud, it is accepted that the figure of £18,000 as determined by the Audit Commission, is attributed as the value of a Social Housing property that is recovered.
14. There is a strong emphasis within the team that prevention is better than cure. Where this makes measuring any "success" difficult it is nonetheless a very important part of the team's work. By working with the homeless team within housing, applications can be reviewed and turned down if it is found incorrect information has been supplied which ensures a social housing property is not provided and potentially saves costs later when seeking to recover the property through possession hearings.
15. Obviously where a fraudster is determined, deterrents should be in place by way of seeking prosecution, recovering costs and publicising where appropriate.
16. The team seek to publicise cases where possible. Consideration has to be given to such legislation as the Data Protection Act during investigations. This consequently means much of the information gathered remains confidential until such time as a matter reaches the public domain. This will normally only be if a case is deemed suitable for court action.
17. Results for 2013/14
 

Number of cautions	5
Number of Administration Penalties	3
Number of successful prosecutions	11
Value of benefit overpayments	£179,620.44
Value of Administration Penalties	£3,553.98
Number of social housing properties recovered	4
Number of housing application rejected	3
Number of Council Tax fines	1
18. There is value in the excess reduction of Council Tax Support but this has not been recorded to date. Council Tax Benefit ceased in March 2013 to be replaced by Council Tax Support.
19. Similarly any value of Council Tax discount has not been recorded to date. For example, where a Single Person Discount has been cancelled following an investigation.

### **Single Fraud Investigation Service**

20. The team has a continued good working relationship with the Department for Work and Pensions (DWP) when investigating benefit fraud. This joint working has ensured that when investigating benefit fraud the totality of the fraud is considered.
21. In 2010, the government announced that from April 2013, the Single Fraud Investigation Service (SFIS) would be established and would look at all welfare benefit investigations including DWP, HMRC and Local Authority.
22. Despite a delay, the timetable for the migration of benefit investigations and investigators into SFIS has now been published. In December 2015, the majority of the benefit investigations regarding housing benefit administered by Ashford Borough Council will be the responsibility of SFIS. It is possible

there will be some investigations / referrals that will not come under the remit of SFIS and it will be for the Local Authorities to determine how they wish for these investigations to be handled.

23. £16.6 million has been put aside by DCLG for Local Authorities with regards to corporate fraud. The allocation or bidding process for this money is yet to be determined / released.

### **Visiting**

24. Since April 2013, 50% of the Non Domestic Rates income collected is retained for distribution between the administering authority and main precepting authorities. Therefore the risk is higher to the authority and collection is given a greater emphasis. With this and the changes under the Welfare Reform Act, as mentioned, the Visiting officers have since moved to under the Operations and Support Manager within Revenues and Benefits.
25. Any applications for discounts or exemptions that are believed to be suspicious or fraudulent will be investigated and dealt with appropriately.

### **Fraud Awareness**

26. In 2013/14, fraud awareness training was provided to staff within Revenues and Benefits, Housing and Customer Services. The training this time included a much wider review of potential fraud against the Authority to heighten awareness beyond benefit fraud. The training included case studies to assist with practical learning.
27. In the last Fraud Report, it was proposed to offer training to all managers on the Fraud Risks to the Council. This being a joint approach from both Audit and Fraud teams.

### **Data Matching**

28. National Fraud Initiative (NFI) – this is a bi annual exercise run by the Audit Commission which is mandatory for all local authorities to participate in. It matches electronic data within and between audited bodies to prevent and detect fraud. A strategy for investigating those matches passed to the investigation team is submitted to internal audit at the beginning of the exercise and a report of outcomes at the end.
29. Housing Benefit Matching Service (HBMS) – this is a monthly data matching exercise provided by the DWP that matches Housing Benefit data with DWP benefit data highlighting discrepancies that may affect Housing Benefit. These matches are dealt with by the Benefit processing team and any large anomalies referred for investigation.
30. Experian Tenancy Match – this was an exercise matching Ashford Borough Council tenants with credit data to establish any discrepancies with tenancies and / or benefit claim or council tax discounts. No frauds have been established to date from this exercise although has been useful from a data cleansing perspective and has been the basis for prioritising tenancy audits.

### **Retention of records**

31. Investigation records are retained and destroyed in line with the criminal Procedures Investigatory Act 1996 (CPIA). Records are retained for a minimum of 18 months for audit purposes.

### **Regulation of Investigatory Powers Act (RIPA)**

32. Surveillance is considered in cases where the loss to the public purse makes it financially viable and where all other options have been covered or deemed not possible. Surveillance is essential in many cases where the fraudster is determined in their pursuit of criminality and theft from the taxpayer. RIPA ensures that the surveillance is conducted in line with the Human Rights Act Article 8 – right to privacy. In addition since October 2013, the Protection of Freedoms Act 2012 means that any application to conduct surveillance under RIPA by a local authority is reviewed and authorised by a magistrate. The Office of the Surveillance Commissioner reviews RIPA applications made by this local authority.
33. An updated surveillance policy was adopted in 2013 taking into account the new legislation.

### **The Future**

34. As mentioned, the historical workload of benefit investigations as has been handled by the team is likely to decrease as the majority is migrated to SFIS. There will still be some referrals that would remain with the local authority although the quantity and quality is not known. As SFIS is rolled, out this workload will become apparent. The Authority will still have the responsibility of administering Housing Benefit and of recovering any fraudulent overpayments. It is understood that SFIS will only investigate high value fraud with remaining referrals being passed for compliance action or referred back to the Authority.
35. A business plan is currently being reviewed with regard to establishing a Corporate Investigations Team to act as a corporate resource. The remit of this team is being discussed. The principle of such a team has been endorsed by the Audit Committee and senior management of this Council.

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