

Agenda Item No: 4

Report To: **AUDIT COMMITTEE**

Date: 30th June 2016

Report Title: Fraud Investigations & Debt Recovery - Annual Report 2015/16

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Portfolio Holder:



Summary: This report provides an update on the work of the Fraud team within the Finance Department. For the first time the scope of the report has been extended to cover an element of the work conducted by the Recovery team within the same department which complements the fraud work and also seeks to ensure monies are recovered as appropriate.

The year for the Fraud Team started with minimal staffing entering a period of transition with the migration of benefit fraud to the Single Fraud Investigation Service however, has ended with increased resources with a view to moving forward and providing the authority with a corporate resource.

Key Decision: NO

Affected Wards: All – none specific

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

Note the content of the report

Policy Overview:

Financial Implications:

Risk Assessment NO

Equalities Impact Assessment NO

Background Papers: Fraud landscape review 23 February 2016 – National Audit Office

Fighting Fraud and Corruption Locally the Strategy 2016 – 2019 – supported and published by Chartered Institute of Public Finance and Accountancy (CIPFA)

Fraud and Corruption Tracker Summary Report 2015 –
Chartered Institute of Public Finance and Accountancy
(CIPFA);

Protecting the English Public Purse 2015 – The European
Institute for Countering Corruption and Fraud (TEICCAF);

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Purpose of the Report

1. The report gives details of work within the Finance department over 2015/16 to protect the taxpayer's money primarily through prevention and detection of fraud and recovery of monies owed.

Issue to be Decided

2. The Committee is asked to note the work over the past year.

Background

3. The protection of the taxpayer's pound has never been more essential especially with the austerity measures affecting local government. By way of ensuring this protection the finance team includes officers covering enforcement, compliance and recovery.
4. The department provides the Authority with resources to deal with fraud against the public purse covering areas including tenancy fraud, revenues fraud and any other fraud that may be perpetrated whether from internal or external sources. Additionally, there are resources to ensure the recovery and compliance of council tax and business rates, since not all non-payment of these taxes will be fraud, through visiting officers and recovery officers.
5. Prevention against fraud or non-payment is always the most cost effective method to protect the public purse and officers in higher risk areas such as revenues, housing and customer service receive awareness training to assist with identifying potential fraud and working with customers to ensure payment is received.
6. Where incorrect entitlements or non-payment occurs, officers will work with customers in the majority of cases, take recovery action where necessary and refer to fraud where it is suspected a deception has occurred.

Fraud

7. The Fraud and Investigations team focuses on the provision of a resource available to promote a corporate anti-fraud stance in order to protect the taxpayer and Ashford Borough Council. The team also provides resources in order to facilitate a wider corporate stance for compliance and enforcement.
8. The team reviews anomalies reported through internal or external sources, proactive and data matching exercises. Every referral received is reviewed and assessed. Should a referral be "rejected", further action may still occur by way of ensuring that records are updated or referring the information on to a third party in order to prevent and detect crime for example.
9. Referrals that are "accepted" will mean that following initial assessment further investigation is deemed necessary. No action is only taken where it is

believed there is no risk to the Authority, for example the information is already known to the Authority.

10. At the beginning of the year 2015/16, the team was staffed by one investigations officer and a manager. In the autumn of 2015, a further investigations officer and an assistant were recruited to boost the team. This was mainly due to a successful bid for funding from Kent County Council (KCC).
11. Successful outcomes for fraud are measured by way of guilty convictions at court, cautions, financial penalties, properties recovered, housing applications declined and savings figures attributable to the investigation. This past year has seen a figure of over £350,000 attributed to the team in relation to fraud and error which takes into account the recovery of three social housing properties, applications removed from the waiting list, fraud against council tax and business rates as well as housing benefit.
12. Six successful prosecutions, all for benefit fraud, and associated publicity which further acts as a deterrent to those considering failing to tell the authority of their true circumstances.
13. October and November 2015 saw a great deal of work regarding the handover of benefit investigation work to the Department of Work and Pensions' (DWP) Single Fraud Investigation Service (SFIS). The migration was completed smoothly and an ongoing working relationship with SFIS officers remains.
14. Data matches continue to be obtained from the National Fraud Initiative (NFI) which further assists with prevention and detection of fraud as well as ensuring data remains accurate and up to date.
15. Additionally, the Kent Intelligence Network (KIN) is also due to produce data matches from summer 2016. This follows on from the joint application for funding from DCLG led by KCC signed by all of the Kent authorities committed to looking at fraud and working together cross border.
16. The year has seen the team assisting the Environmental team with enforcement around flytips, continued work with Housing regarding Tenancy fraud, and as ever with the Revenues and Benefits team with a focus on Revenues fraud and a successful prosecution for benefit fraud which resulted in national coverage.

Investigations

Benefit Fraud

17. As mentioned above, investigations for benefit fraud – housing benefit and legacy council tax benefit – were officially migrated to the SFIS on 1 December 2015. The administration and prevention of benefit fraud remain with the local authority therefore the team still provides a service to assist with ensuring fraud and error do not enter the system in the first place. The team also provide the point of contact for the authority for SFIS.

Revenues Fraud

18. There has been a more directed focus on Revenues fraud following the migration of benefit fraud. The focus being more on the Council Tax Reduction scheme, Council Tax discounts (including single person discount), and Business Rates. This has been primarily helped by the funding from Kent County Council.
19. Through data matching as part of the National Fraud Initiative (NFI), work with revenues officers found nearly £60,000 recoverable overpayments where Single Person Discounts (SPD) have been cancelled through matches following matches in February 2015 and December 2015. (This is in addition to the aforementioned £350,000).
20. An updated enforcement policy for Revenues and Benefits has also been drafted and will be forwarded to Cabinet for review and endorsement. This policy takes into account new legislation and the changes from Council Tax Benefit to Council Tax Support for example.

Tenancy Fraud

21. The fraud team continue to work with the Housing department to ensure our properties are being let correctly and to people in genuine need. Should fraud be found efforts will be made to recover the property and where necessary further action taken which could include the recovery of financial gain in, for example, a matter where the property has been sublet.
22. Investigation and advice is also available with regard to applications for social housing which has resulted in people being taken off the waiting list.

Recovery

23. The Councils Revenues and Benefits team is responsible for the collection of Council tax and Business rates. During 2015/16 in year collection levels were 98.34% for Council Tax debt and 99.49% for Business Rates, efforts to collect the outstanding debt will continue and it is expected the actual collection level will continue to rise over the next year as the recovery team work to collect the remaining balance. However sometimes it does get to a point where debt is un-economical to collect or the debtor cannot be found or is unable to pay, and ultimately the debt will then be written off and reported to Members in the quarterly reports. The Council is about to start working with a company to see whether they are able to collect any of our old outstanding debt to see whether it is possible to pursue some of the older debt that would otherwise have been written off.
24. In cases where an overpayment has been calculated for welfare benefit whether through fraud or error or there has been non-payment of council tax or business rates, officers within the recovery team work to ensure monies owed are obtained. Whilst a lot of the time communication with the customer is all that is needed to ensure payment, there are occasions when more robust measures are needed to ensure monies are received.
25. Where communication with the customer has been unsuccessful, officers are able to apply to the Magistrates court for a liability order which will enable further recovery action to be taken.

26. This could be by using the services of Enforcement Agents (previously known as bailiffs). This is applicable for both council tax and business rate debts. Over 1200 court orders have been referred to an Enforcement Agent since 1 April 2015 with a cumulative value of £1,509,043.90.

27. The team are very proactive with the setting up of attachments to either earnings or benefits when we know where the customer is employed or in receipt of certain benefits. The figures for new attachment to benefits set up over the last 4 years are:

2012/2013: 541

2013/2014: 705

2014/2015: 774

2015/2016: 892

There are just under 500 accounts where there is a current Attachment to earnings.

28. Other actions action may be taken by way of committal proceedings at a Magistrates Court which looks at whether the non-payment is through the customers inability, refusal or neglect to pay. Examples of cases of the latter two have resulted in a number of hearings where application is made for imposition of a custodial sentence. Recent cases involve a prosecution of an ex-landlord of a public house that owed £6,501.25 in unpaid business rates and another other case where the director of a print company owed £4,496.71 in council tax arrears. In both matters the Magistrates imposed a significant prison sentence but suspended it provided regular payments are made.

29. There is also an option to place a legal charge on assets such as property. In the past 2 years the caseload has considerably increased. The total amount that has been secured by a charging order to date is £223,121.66, of which over £78,000 has been paid.

30. Once a final charging order has been granted, an order for sale can be applied for. This is a court order which forces the debtor to sell the property and pay what is owed out of the proceeds. Reasonableness is normally applied in most cases whereby the charge remains until such time as the property is sold at some point in the future. However in some cases action has been commenced by applying for an Order for Sale.

31. To date, several of these cases have resulted in full payment being made to avoid possession proceedings. However, very recently two matters were heard at Canterbury County Court in respect of separate applications due to unpaid Council Tax and both cases had an Order for Sale granted. In one of these matters where the council tax debt is £11954.11 the was Order whilst granted was postponed provided the debtor pays £500 every month commencing 15 July 2016 and has also been ordered to pay the legal costs which are likely to exceed £2500. In the second case, the council tax debt is £5466.89. The Judge issued an Order for Sale giving the debtor either 28 days to pay in full including the legal costs which are likely to exceed £1900 or to forward the keys to the property to our solicitor within this timescale.

Should they fail to do either then a warrant for eviction of the property will be issued.

32. Cases are also considered for bankruptcy, again carrying out extensive research before commencing this course of action. Since 2013 10 cases have been selected as appropriate. To highlight the success of these specialised cases, last year we received full payment from one debtor that owed £16,814.55 in council tax and business rates and in another case £15,197.20 was paid to avoid our insolvency application in the County Court. What is interesting is that in both these cases both paid the day before their hearing.
33. On occasion where debts cannot be recovered, they are written off in line with the Write Off policy for the Authority.

Handling

34. Members are asked to note the report.

Conclusion

35. The report has highlighted the breadth of work undertaken by both the Fraud and Recovery team, seeking to protect the public purse and collect all monies outstanding.
36. Whilst the last year has seen the transfer of work to the SFIS the team has been active in a number of other areas and continues to be successful in identifying and prosecuting incidences of Fraud.
37. The Recovery team has been proactive in its work to collect monies outstanding, using all avenues available to collect debts. The collection levels for Business Rates and Council Tax has continued to be strong.

Portfolio Holder's Views

To be given at the meeting.

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