

Agenda Item No: 5
Report To: Audit Committee



Date of Meeting:

Report Title: Investigations Service and Enforcement Support Team
Annual Report 2017/18

Report Author & Job Title: Debbie Dansey
Investigation & Enforcement Support Manager

Portfolio Holder: Cllr. Shorter

Portfolio Holder for: Finance and IT

Summary: This report reviews the past financial year results for the Investigation & Enforcement Support Service within the Finance Department. It also follows previous reports regarding the re-direction of the Investigation Service and requests committee approval to employ an additional Investigations and Enforcement Support Officer.

Key Decision: NO

Significantly Affected Wards: All – none specific

Recommendations: **The Audit Committee is asked to**

- I. Note the contents of the report regarding the last financial year.**
- II. Note the Fraud risk assessment**
- III. Note the current year pilot exercises.**

Policy Overview: The report gives details of work within the Investigation Service of the last financial year.

Financial Implications: Over the last year the team has cost the council £130,000. The team identified financial savings of £607,876. This does not take into consideration the deterrent factor the team activities have, or projected future savings.

Legal Implications: None Specifically

Equalities Impact Assessment: Not Required

Other Material Implications: None

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Report Title:

Introduction and Background

1. This report provides an update on the work of the Investigations and Enforcement Support Team within the Finance Department.
2. The Investigation Team have 5 full time equivalent staff consisting of 1 Manager, 2 Investigators, 1 Intelligence Officer and 1 Investigation Assistant. This report outlines the refocused work of the team since April 2017.
3. Our 5 year plan states Ashford must be effective, efficient and sustainable in terms of finance, resources, service delivery and enforcement and that we must take new approaches to deliver a new emphasis on compliance, making clear what is permitted and enforcing what is not. Therefore the work of the Team is an important part of the delivery of this agenda.

Current Position

4. The Council's expenditure supporting the Investigation and Enforcement Support team has been relatively modest with the team's budget broken down in the table below:

	£
Direct costs (i.e. wages)	171,729
External grants and contributions	(42,036)
Total cost	129,693

5. Over the last year the team has conducted a number of reactive investigations. The values of Tax Evasion, Avoidance and Fraud identified is detailed below;
6. **Council Tax Related Savings = £170,761**

This includes the identification and removal of fraudulently claimed Single Person Discounts, Increased Liability, Council Tax Fines and Overpayments.
7. **Housing Benefit Overpayments and CTRS Related Savings = £178,348**

The team continues to investigate cases where Council Tax Reduction is claimed incorrectly, this can also lead to the identification of housing benefit fraud.
8. **Social Housing Fraud = £216,000**

The team investigated tenancy fraud which resulted in 8 properties being returned to the Housing Revenue Account following investigation.

9. **Housing Duty Discharged = £18,000**

The service reviewed a number of Homeless applications which resulted in our Housing duty being discharged following Investigation.

10. **Business Rates Related Savings = £24,767**

The service conducted a data matching exercise via the Kent Information Network (KIN) and identified a number of ineligible Small Business Rate Relief discounts.

Grand Total Return = £607,876

11. **Enforcement Support**

The team support the Environment and Land Management Department ensuring that enforcement powers are effectively used to strengthen the corporate approach to enforcement and to take a tougher line on compliance. They have undertaken a number of joint investigations dealing with Fly Tips and Environmental crime resulting in two successful prosecutions.

The team have co-ordinated a number of cross departmental investigations and developed a successful relationship with KCC and their Intelligence Analyst working within Public Protection & Business Development Team.

12. **Kent Information Network (KIN) - KCC**

The team are working closely with KCC assisting the KIN project, with the collation of data and specific data matching exercises. We are looking to develop KIN into a data hub for the whole county and have undertaken Small Business Rate Relief & Charity Relief exercise.

During the year the KIN reviewed its work to date and decided to use a different system and to appoint a project officer to run the project and inject a new focus and energy into the project, this post is currently out to recruitment.

13. **Kent TFF - Safeguarding Kent's social Housing**

Kent Tenancy Fraud Forum: Following Ashford BC's successful launch under the Kent Housing Group umbrella, a number of group meetings have taken place to promote best practice, share intelligence and ensure properties are utilised and provided to those in genuine need. Training and networking across our County is a vital way of safeguarding our stock and this is spearheaded by the Investigation Team.

14. **RIPA – Directed Surveillance and Covert Human Intelligence Support(CHIS)**

The team have not used the Regulatory Powers Act 2000(RIPA) as part of their normal functions throughout the year.

Areas of Focus for 2018/19

15. Given that this report has moved to a latter committee date as part of the reorganisation of the Audit committee agenda it is possible to extend the coverage of this report to provide an insight into the work of the team for the year to date.

Managing the Risk of Fraud – Fraud Risk Assessment

16. As advised by CIPFA in the code of practice on managing the risk of fraud and corruption we have conducted a fraud risk assessment. Please see **Appendix A**

Data Matching – Idis – Ashford BC In-House Data Hub

17. In-Line with Ashford's digital objective the team have begun compiling an internal data hub. The data hub is designed to give a simple single view of matched data sets, to highlight areas of risk for investigation. The system will calculate risk scores for each match which helps to prioritise the teams work.
18. The data matching has commenced with in-house data only and will improve data quality and identify fraud. It is nationally recognised that data analytics is the way forward for comprehensive investigations.

Social Housing Fraud

19. The Investigation team is working closely with the Housing Team to safeguard our properties, to ensure that only those with genuine entitlement receive social housing and to proactively review our existing tenant entitlement. The Investigation service safeguard our 'Right to Buy' scheme ensuring that all applicants have genuine entitlement. The first 6mths of verification has reduced successful Right to Buy applications by 13%.
20. Proactive data matching through the data hub will safeguard our properties and allow a programme of Tenancy Audits. The service wish complete Tenancy Audits on a risk based process and investigate areas of Social Housing Fraud including Sub-letting and false succession rights. This work is planned for 2019.
21. The most efficient way to safeguard our housing services is to thoroughly verify all Homeless applications. Demand for this service will increase due to the new Homeless Reduction Act and we hope to work in partnership with our colleagues in Housing.

Council Tax and Business Rates

22. Effective data matching through KIN (Kent information Network) highlighted Small Business Rate Relief (SBRR) as a high risk area. The Investigation Service has conducted a pilot exercise reviewing 200 SBRR. This is to ensure we maximise our income from local tax, by eradicating evasion and avoidance. The results so far have highlighted a 15% return thus indicating the exercise should be carried out across all SBRR applications.

23. Single Person Discount (SPD) Fraud has been a successful area of work for the team. The Intelligence Officer role has been developed to include co-ordination of our SPD data-matching. This will ensure all cases are recorded and handled in accordance with current legislation and any areas of suspected abuse will be investigated.
24. The team are looking to undertake a pilot exercise of NNDR data matching to identify areas of abuse and tax avoidance. This pilot exercise will identify areas of poor data quality, which will assist with data cleansing under GDPR.
25. New Homes Bonus Scheme. The team have conducted a pilot exercise looking into a sample of 22 cases classified as Long Term Empty properties. If these properties are occupied they would qualify for New Homes Bonus under the current scheme from central government. It has been identified that 50% of these properties have been incorrectly classified.
26. The team are now planning to visit 75% of all long term empty classified properties. For each property removed from our long term empty register additional funding of £1500 (per year for four years) is granted under the New Homes Bonus Scheme.

Conclusion

27. 2017/18 has been an amazingly successful year with new processes and procedures focusing on the new direction.
28. The detailed new focus & processes have dramatically increased the teams workload. This will continue throughout the coming year particularly due to the success of the pilot exercises detailed above. This brings with it challenges for existing staff, who have been amazingly supportive of the new focus and who are already dealing with high numbers of referrals.
29. A business case is being developed by the team for employing a further Investigation and Enforcement Support Officer. This role will focus on the data matching exercises to proactively to safeguard our services and finances. It is anticipated that the post will be self-financing due to the savings attributed within the New Homes Bonus Scheme and Small Business Rate Relief exercises.

Portfolio Holder's Views

30. To be given at the meeting.

Contact and Email

31. Debbie Dansey
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Appendix A - Fraud Risk Assessment.

Fraud Risk Assessment is where all the inherent risks in an organisation are identified without any controls in place. (This would mean identifying every fraud risk in each Department) and identifying mitigates to risk.

Whilst this is an academic exercise, it suggests the potential level of fraud and error that the Council could be exposed to. This can then be used to target the work of the Investigations Service and Enforcement Support Team and understand the effectiveness of the work that the team undertakes.

The Fraud Costs Measurement Committee (Crowe Clark Whitehill, Experian and the Centre for Counter Fraud Studies @ Portsmouth University) have helped to develop a benchmark by which year-on-year sector specific fraud analysis can be made.

The table below is extracted from this research and shows types of expenditure and the underlying levels of fraud for the sector as a whole. Ultimately this does not include tenancy fraud or benefits fraud, but it suggests that the underlying level of fraud that Local Authorities could be exposed to is between 3%-5%

Local Government Fraud Table

Fraud Type	Income/ Expenditure	Fraud £ Million	Fraud %
Procurement Fraud	93,258	4,436	4.76%
Blue Badge Misuse	1,165	46	3.96%
Grant Fraud	3,121	94	3.02%
Pension Fraud	10,785	326	3.02%
Payroll Fraud	63,255	1,075	1.70%

Using this research a fraud risk measurement has been completed for the Council estimating the amount of loss to fraud, this can be established per department or as a whole to the Authority. The simplest method is to take service net expenditure and calculate potential fraud loss calculated at 1%, 3% and 5% loss per service area.

Over time and as risks are refined, the actual fraud loss can be established alongside the estimated loss. This means that both the Fraud Risk Assessment and the Fraud Risk Measurement can become 'living documents'.

2017/18 Fraud Risk Measurement:

Tax Collection & Exemptions	£	£	£	£
Council Tax Exemptions	936,329	9,363	28,089	46,816
Council Tax Discounts	6,073,764	60,737	182,212	303,688
NNDR Exemptions	1,316,826	13,168	39,504	65,841
NNDR Reliefs	4,153,730	41,537	124,611	207,686
Sub Total (*%age possible loss)	12,480,649	124,805*	374,416*	624,031*

Housing Stock	Ave. No. of Props	Misused Stock	Misused Stock	Misused Stock
Properties	6000	60	180	300

	£	£	£	£
Housing Rent Account (income)	25,463,220	254,632	763,896	1,273,161
Housing Repairs	3,328,470	33,284	99,854	166,423

Service Area Expenditure	Expenditure(net)	£	£	£
Corporate & Strategy	743,630	7,436	22,308	37,180
Legal & Democratic	1,792,520	17,925	53,775	89,626
Planning & Development	1,456,130	14,561	43,683	72,806
Financial Services	3,217,080	32,170	96,512	160,854
HR, Comms & Technology	1,809,680	18,096	54,290	90,484
Health, Parking & Community Safety	175,590	1,755	5,267	8,779
Environment & Customer Services	5,201,810	52,018	156,054	260,090
Corporate Property & Projects	835,260	8,352	25,057	41,763
Cultural Services	1,467,510	14,675	44,025	73,375
Sub Total	16,699,210	166,988	500,971	834,957

Grand Total (£)	57,971,549	579,709	1,739,137	2,898,572
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It must be stressed that this assessment has been completed using estimated of levels of fraud and error at national levels and local circumstances will vary. However the assessment shows that the fraud team is currently operating at a level that identifies fraud and error at a level of 1% of the Councils expenditure, if it is considered that there is a higher level of inherent fraud then we will need to consider what actions need to be taken to identify this and what level of resource is needed to identify those fraudulent transactions.

The assessment is supporting the team working more smartly, it is developing its skills in data matching and analysis that allows for the processing of large volumes of

data to refine that to a smaller number of transactions that present high risks of fraud.

The assessment is also helping the team target its resources which are shown in the report with the nature of the campaigns that the team is undertaking.

The assessment is useful in assessing the resource level of the team and making a cost benefit argument for its expansion.