

REPORT FROM: AUDIT AND PERFORMANCE MANAGER

TO: ACCOUNTS AND AUDIT COMMITTEE

DATES: 28th JULY 2016

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MANAGING THE RISK OF FRAUD, THEFT AND CORRUPTION

1. The purpose of this report is to update the Committee on the Council's anti-fraud, theft and corruption arrangements.

RECOMMENDATIONS

2. The Accounts and Audit Committee is recommended to note the activity which has been undertaken to manage and mitigate the risk of fraud, theft and corruption within the Council's activities.

REASONS FOR RECOMMENDATIONS

3. To keep the Committee up to date with information concerning the Council's Anti-Fraud Theft and Corruption arrangements.

Introduction

4. Pendle Borough Council does not tolerate fraud, theft and corruption within its overall governance arrangements. There are two elements within its strategy; reporting benefit fraud to the (Department of Work & Pensions) DWP's Single Fraud Investigation Service (SFIS) and investigating and reporting on all instances of fraud and corruption within its local service arrangements. Liberata now refer suspected Housing Benefit fraud cases to the SFIS, whilst continuing to investigate Council Tax Reduction Fraud and completing the National Fraud Initiative (N.F.I.) matches and the second internal element is provided by the services of the Internal Audit Unit.

Benefit Fraud

5. In April 2015, a new Single Fraud Investigation Service (SFIS) took responsibility for the investigation of Benefit Fraud for Pendle. This is operated by the Department of Work & Pensions (DWP) and entailed the TUPE transfer of a member of the investigation staff from the Council to the DWP.
6. Two part-time members of staff remain with Liberata to deal with Council Tax Support claims and liaise with DWP in all benefit fraud related matters.
7. Since HB fraud transferred to SFIS on 1st April 2015 we have sent 187 fraud referrals, 37 of which were from NFI matches. We previously included referrals from the public received either by anonymous letter or by phone but these are now sent directly to the DWP.
8. SFIS doesn't advise whether referrals are accepted or rejected but we have liaised with local SFIS officers regarding 79 cases, 20 of these were migrated over on transfer of the service.
9. Our local Lancashire DWP FIS has been put into "special measures" with 100% checks being carried out on cases to ensure compliance with the "blueprint" and this is adding to delays with cases.
10. The LAIEF form used to request/exchange information between SFIS and LA's is being reviewed on a National level as it is causing major problems and large volumes of additional work for LA's that was not previously anticipated – especially for those LA's that did not retain any "fraud" staff to deal with this new process.
11. The DWP's RER Team who handle all referrals from LA's, the public and DWP staff are currently undergoing a full restructure as they cannot handle the referrals received and there are still thousands of referrals stuck or lost in the DWP systems – a "training need" has been identified and a recovery plan is being put in place to clear this backlog.
12. The main issue reported by LA's was the lack of communication of results of cases that do not make it to SFIS investigators, but are either dealt with by DWP Compliance or cases where the HB referral is not accepted for investigation. The only results we can rely on receiving are for the cases that make it to the local SFIS Officers for criminal investigation, as we have established a good relationship with these local officers through previous joint working.
13. Please find attached at **Appendix D**, press coverage of a successful prosecution of a fraudulent Housing Benefit claim.

Overpayments

14. Attached at **Appendix A** is a breakdown of the 2015-16 Housing Benefit fraud cases which have been investigated by SFIS and the results reported. Details are provided of the amount recovered up to 31st March 2016, the recovery rate and the number of cases involved.
15. **Appendix B** shows the equivalent breakdown for 2016-17.

16. There are various avenues available to recover the fraudulent overpayments. Recovery action varies dependant on the individual circumstances of the case.
17. Attached at **Appendix C** is the year on year comparison of recovery of overpayments from 2008 – 09 to the current date. It's worth noting that the reduction in reported sanctions is clearly evident since SFIS took responsibility for the investigation of Benefit Fraud from April 2015.

Joint Working

18. Requests for personal information associated with data protection issues can be received from the Police. Often these requests involve providing witness statements and attending court as a witness to support the Crown Prosecution Service. A number of the proceedings are related to the Proceeds of Crime Act 2002. The Police rely heavily on the support provided by the Team to obtain successful prosecutions.

National Fraud Initiative/Data Matching

19. As previously reported, the Council participates in the National Fraud Initiative which is now managed by the Cabinet Office.
20. The NFI is undertaken on a bi-annual basis and is a process by which the Council provides a range of datasets to the Cabinet Office, who then undertake an in-depth data matching exercise. The datasets come from a variety of sources such as Housing Benefit Claimants, Payroll, Insurance Claims, Elections, Markets, Taxi Licensing etc.
21. Details of the data matches are returned to the Council via the NFI website and the Council is required to systematically investigate each of the matches to determine whether there are any instances of fraud. The matches are risk assessed – high, medium, low – according to the likelihood of a fraud which allows resources to be directed appropriately.
22. During last year's NFI initiative, we have reviewed 504 cases, of which 37 have been referred to SFIS for investigation.
23. In addition to the initiative, information is regularly received by the Benefits Service (every 2 months) via the Housing Benefits Data Matching Service (HBDMS) and all queries are thoroughly investigated.

Internal Fraud and Investigations

24. There have been no reported incidents of fraud investigated by Internal Audit Unit during the period.

IMPLICATIONS

Policy: There are no policy implications arising from this report.

Financial: There are no financial implications arising directly from the contents of this report.

Legal: There are no legal implications arising from the contents of this report.

Risk Management: The risk of fraud in relation to Council activities is taken into consideration both as part of the Council's general approach to risk management and also in the development of the Internal Audit Plan from year to year.

Health and Safety: There are no Health and Safety implications arising directly from the contents of this report.

Climate Change: There are no climate change implications arising directly from this report.

Community Safety: There are no community safety issues arising directly from the contents of this report.

Equality and Diversity: There are no equality and diversity issues arising from the contents of this report.

APPENDICES

Appendix A – Breakdown of Overpayments 2015-16

Appendix B – Breakdown of Overpayments 2016-17

Appendix C - H.B. Fraud & Overpayments Recovery by Year

Appendix D – Press Coverage of a successful prosecution