

REPORT FROM: AUDIT MANAGER

TO: ACCOUNTS AND AUDIT COMMITTEE

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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 activity.

RECOMMENDATION

2. The Accounts and Audit Committee is recommended to note a summary of activity undertaken.

REASONS FOR RECOMMENDATIONS

3. To keep the Committee up to date with information concerning the Council's counter fraud arrangements and activity.

Introduction

4. Pendle Borough Council does not tolerate fraud, theft and corruption within its overall governance arrangements and has a range of counter fraud policies in place.
5. The arrangement takes two strands; one, 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 (NFI) matches and, the second, an internal element that is provided by the Internal Audit Unit.
6. In April 2015, the 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.

7. 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.
8. Although SFIS don't advise whether referrals are accepted or rejected, we liaise on a daily basis with local SFIS officers regarding cases where they have accepted the referral and starting an investigation. So far in 2018-19 there have been 26 Housing Benefit referrals. We also review the outstanding cases every 6 months to ensure that if any of the rejected cases have not been passed to DWP Compliance for review, then we have looked or are looking into the original referral in order to establish the correct amount of Housing Benefit/Council Tax Support is in payment.
9. The Council is currently undergoing a transfer of Housing Benefit cases to Universal Credit. This will act to reduce the impact of Housing Benefit Fraud.

Housing Benefit Fraud/Overpayment recovery

10. Attached at [Appendix A](#) and [B](#) is a breakdown of the 2017-18 and 2018-19 Housing Benefit fraud cases which have been investigated by SFIS and the results reported. Details are provided of the amount recovered up to 18th January 2019, the recovery rate and the number of cases involved.
11. There are various avenues available to recover the fraudulent overpayments. Recovery action varies dependant on the individual circumstances of the case.
12. Attached at [Appendix C](#) is the year on year comparison of recovery of overpayments from 2008 – 09 to the current date. As previously reported it is worth noting that the reduction in reported sanctions is clearly evident since SFIS took responsibility for the investigation of Benefit Fraud from April 2015.

National Fraud Initiative/Data Matching Update

13. The Council participates in the National Fraud Initiative which is now managed by the Cabinet Office.
14. The initiative 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/Council Tax Support Claimants, Payroll, Insurance Claims, Elections, Markets, Taxi Licensing etc.
15. 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.
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17. The current NFI exercise has now commenced with 707 matches received at the end of January 2019. These matches are currently undergoing initial sifting to determine the

appropriate action to be taken, i.e. refer potentially fraudulent HB cases to DWP Fraud and investigate potentially fraudulent CTR only cases locally.

Council Tax - Single Person Discount (SPD) reviews

18. In August 2018, a Council Tax SPD review was carried out in partnership with Call-credit. A data matching exercise on the full SPD caseload was performed to establish whether a council taxpayers' SPD was a valid claim or if there was reason to doubt their entitlement. Taxpayers were only canvassed where there was reason to doubt their eligibility using data matching and analysis to ensure the accuracy of our records in a cost effective way.
19. In total, of the 8862 taxpayers claiming a SPD, 858 accounts were canvassed. Of those the SPD discount was removed in 72 accounts as a result of updated circumstances and a further 108 accounts identified as non- responders had their claim removed. The total value of SPD removed was approximately £65,177.83.

Business Rates

20. An exercise to review of businesses in receipt of small business rates relief was undertaken between December 2017 and July 2018. In total, 1959 review forms were issued resulting in 211 amendments being made to the accounts. Whilst a monetary value from the exercise wasn't available the review proved to have a positive impact and will be repeated every 2 years. Furthermore, empty business properties are examined on a rota-based system or on request of the Business Rates Officer and entitlement to the charitable rate relief and discretionary relief can only be approved by the Chief Finance Officer.

Internal Fraud and Investigations

21. Counter fraud policies have been shared and all staff reminded of their obligations when accepting items of gifts and hospitality.
22. There was one internal incident investigated by Internal Audit Unit which resulted in an Informal Reprimand.

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.

SFIS - HB Fraud Overpayments & Recovery 2017/18 - at 08/03/19**Q1 - April to June 2017**

Sanction	HB Overpayment	Recovered as at 08/03/19	Recovery Rate	No. of Cases
Administrative Penalty	£4,263.88	£2,416.94	57%	1
Prosecution	£3,078.15	£1,928.33	63%	2
Q1 Totals	£7,342.03	£4,345.27	59%	3

Q2 - July to September 2017

Sanction	HB Overpayment	Recovered as at 08/03/19	Recovery rate	No. of Cases
Administrative Penalty	£4,336.04	£219.09	5%	1
Prosecution	£0.00	£0.00	0%	0
Q2 Totals	£4,336.04	£219.09	5%	1

Q3 - October to December 2017

Sanction	HB Overpayment	Recovered as at 08/03/19	Recovery Rate	No. of Cases
Administrative Penalty	£3,660.05	£1,946.64	53%	2
Prosecution	£44,890.64	£2,830.71	6%	4
Q3 Totals	£48,550.69	£4,777.35	10%	6

Q4 - January to March 2018

Sanction	HB Overpayment	Recovered as at 08/03/19	Recovery Rate	No. of Cases
Administrative Penalty	£1,603.30	£235.51	15%	1
Prosecution	£0.00	n/a	n/a	0
Q4 Totals to date	£1,603.30	£235.51	15%	1

Totals to date for year 2017/18

Sanction	HB Overpayment	Recovered as at 08/03/19	Recovery Rate	No. of Cases
Administrative Penalty	£13,863.27	£4,818.18	35%	5
Prosecution	£47,968.79	£4,759.04	10%	6
Totals	£61,832.06	£9,577.22	15%	11

See next page for breakdown of o/p's created & recovery action taken

SFIS - HB Fraud Overpayments & Recovery 2018/19 - at 08/03/19**Q1 - April to June 2018**

Sanction	HB Overpayment	Recovered as at 08/03/19	Recovery Rate	No. of Cases
Administrative Penalty	£7,180.82	£2,280.82	32%	1
Prosecution	£31,721.46	£695.32	2%	2
Q1 Totals	£38,902.28	£2,976.14	8%	3

Q2 - July to September 2018

Sanction	HB Overpayment	Recovered as at 08/03/19	Recovery rate	No. of Cases
Administrative Penalty				
Prosecution				
Q2 Totals	£0.00	£0.00		

Q3 - October to December 2018

Sanction	HB Overpayment	Recovered as at 08/03/19	Recovery Rate	No. of Cases
Administrative Penalty				
Prosecution				
Q3 Totals	£0.00	£0.00		

Q4 - January to March 2019

Sanction	HB Overpayment	Recovered as at 08/03/19	Recovery Rate	No. of Cases
Administrative Penalty				
Prosecution				
Q4 Totals to date	£0.00	£0.00		

Totals to date for year 2018/19

Sanction	HB Overpayment	Recovered as at 08/03/19	Recovery Rate	No. of Cases
Administrative Penalty	£7,180.82	£2,280.82	32%	1
Prosecution	£31,721.46	£695.32	2%	2
Totals	£38,902.28	£2,976.14	8%	3

See next page for breakdown of o/p's created & recovery action taken

HB Fraud Overpayments & Recovery by Year

		overpayment created	amount recovered in year	recovery rate in year	no of cases
<u>Formal Cautions</u>	2008/09	£11,965.05	£5,567.32	47%	16
	2009/10	£33,938.30	£10,495.16	31%	25
	2010/11	£46,987.75	£14,361.48	31%	26
	2011/12	£91,850.85	£19,991.78	22%	32
	2012/13	£54,841.70	£9,211.16	17%	22
	2013/14	£41,328.76	£10,006.63	24%	18
	2014/15	£18,954.66	£2,633.41	14%	6
	2015/16	(SFIS/DWP do not administer Formal Cautions)			
<u>Administrative Penalties</u>	2008/09	£4,382.47	£2,366.90	53%	6
	2009/10	£3,873.48	£1,001.18	26%	5
	2010/11	£3,406.09	£3,406.09	100%	1
	2011/12	£5,223.73	£5,120.59	98%	2
	2012/13	£1,091.18	£726.30	67%	2
	2013/14	£29.94	£0.00	0%	1
	2014/15	£0.00	£0.00	n/a	0
	2015/16	£4,258.71	£1,451.46	34%	5
	2016/17	£17,409.61	£4,396.21	25%	7
	2017/18	£13,863.27	£4,818.18	35%	5
(to 08/03/19)	2018/19	£7,180.82	£2,280.82	32%	1
<u>Prosecutions</u>	2008/09	£47,086.02	£3,795.74	8%	11
	2009/10	£17,394.16	£1,789.93	10%	7
	2010/11	£51,846.20	£6,823.34	13%	12
	2011/12	£43,992.44	£2,604.25	6%	11
	2012/13	£50,282.49	£6,467.39	12%	13
	2013/14	£75,469.08	£13,322.79	18%	17
	2014/15	£43,733.74	£14,957.88	34%	11
	2015/16	£56,170.44	£4,814.63	9%	5
	2016/17	£29,978.42	£92.44	0%	4
	2017/18	£47,968.79	£4,759.04	10%	6
(to 08/03/19)	2018/19	£31,721.46	£695.32	2%	2
<u>Total Sanctions</u>	2008/09	£63,433.54	£11,729.96	18%	33
	2009/10	£55,205.94	£13,286.27	24%	37
	2010/11	£102,240.04	£24,590.91	24%	39
	2011/12	£141,067.02	£27,713.62	20%	45
	2012/13	£106,215.37	£16,404.85	15%	37
	2013/14	£116,827.78	£23,329.42	20%	36
	2014/15	£62,688.40	£17,591.29	28%	17
	2015/16	£60,429.15	£6,266.09	10%	10
	2016/17	£47,388.03	£4,488.65	9%	11
	2017/18	£61,832.06	£9,577.22	15%	11
(to 08/03/19)	2018/19	£38,902.28	£2,976.14	8%	3