

REPORT TO: Business Efficiency Board
DATE: 26 September 2012
REPORTING OFFICER: Strategic Director – Policy & Resources
SUBJECT: Counter Fraud Measures – Update
WARD(S): Borough-wide

1.0 PURPOSE OF REPORT

1.1 The purpose of this report is to update the Board with details of developments in respect of the Council's counter fraud and corruption arrangements.

2.0 RECOMMENDATION: That the Business Efficiency Board is asked to note the update on the Council's counter fraud activity.

3.0 THE COUNCIL'S COUNTER FRAUD FRAMEWORK

3.1 The Council has a well-established framework of policies, procedures and functions that collectively help to manage the risk of fraud and corruption. Key elements of this framework include:

- The Anti-Fraud and Anti-Corruption Strategy;
- The Fraud Response Plan;
- The Confidential Reporting Code (Whistleblowing Policy);
- Standing Orders relating to Finance and Procurement;
- The Scheme of Delegation;
- Members' Code of Conduct;
- Employees' Code of Conduct;
- Registers of Interests;
- Registers of Gifts & Hospitality;
- The work of Internal Audit;
- The work of the Benefits Investigation Unit;
- Participation in the National Fraud Initiative;
- Communication systems to raise awareness of the risk of fraud.

3.2 The Council routinely benchmarks its counter fraud framework against best practice. Work is currently underway assessing the Council's arrangements against the recommendations set out in the recent publication, 'Fighting Fraud Locally: The Local Government Fraud Strategy'. The document is intended to provide a blueprint for a tougher response to tackle fraud across local government. The key

message is to adopt a tougher approach to tackling fraud organised around three themes:

- Knowledge – acknowledging and understanding fraud risk
- Prevent – Preventing and detecting more fraud
- Pursue – being stronger in punishing fraud and recovering losses

3.3 The report identifies the key fraud risks faced by local authorities as being:

- Housing Tenancy Fraud
- Council Tax (Single Person Discounts, Student exemptions, non-occupancy)
- Procurement
- Grant Fraud
- Employee Fraud
- Schools
- Personal Budgets

3.4 Once the self-assessment is completed any proposed actions to strengthen the Council's existing counter fraud arrangements will be reported to the Board.

4.0 BENEFITS INVESTIGATION UNIT (BIU)

4.1 Nationally, the biggest risk of fraud facing local authorities continues to be in respect of claims for Housing Benefit and Council Tax Benefit. The Council's BIU therefore has an important role to play in the Council's overall counter fraud arrangements.

4.2 The BIU has continued to work closely with the Department of Work and Pensions (DWP) Fraud Investigation Service and has successfully prosecuted 21 joint working cases together since April 2011, nine more than the previous year. Council officers also attended five arrest/seize operations with Cheshire Police and the DWP during 2011/12 and led an arrest/seize and search operation with the police.

4.3 During 2011/12, the focus of the team's work has moved away from investigating smaller scale fraud and concentrated on cases more likely to identify serious fraud. This approach has been a success resulting in an increase in the number of prosecutions and administrative penalties and a reduction in the number of formal cautions.

4.4 The BIU received 593 referrals in 2011/12, of which 503 cases have been investigated and closed. These investigations have led to:

- 74 formal cautions being issued;
- 35 administrative penalties being issued;
- 44 cases referred to court / court summonses issued;

- 47 successful prosecutions;
- Fraudulent overpayments (including DWP overpayments) totaling over £632,500 being identified. The Council attempts to recover all overpayments.

5.0 SINGLE FRAUD INVESTIGATION SERVICE (SFIS)

- 5.1 A letter was sent to the Chief Executive in April 2012 detailing the government's commitment to combine the fraud investigation staff from the local authorities, DWP and HMRC into a Single Fraud Investigation Service (SFIS) from April 2013.
- 5.2 All local authority and DWP investigation staff, including fraud managers and support staff predominately involved in the investigation of welfare benefits at the time SFIS goes live in 2013, will become part of SFIS.
- 5.3 The Council's Benefit Fraud Investigators will remain employed by the Council but will gradually be moved over to the SFIS by April 2015, but this timescale could be extended. There will be a pilot exercise undertaken in the next phase of the project, which will evaluate different options for combining the investigation services into a Single Fraud Investigation Service, including the funding implications for councils.
- 5.4 The Government intends to complete a more detailed plan over the next six months, which includes setting up a SFIS user group made up of representatives from the respective agencies, including local authorities.

5.0 NATIONAL FRAUD INITIATIVE

- 5.1 The Council participates in the Audit Commission's National Fraud Initiative (NFI). This is a data matching exercise which takes place every year with different data sets being submitted. The exercise is designed to assist participating bodies in detecting fraud, overpayments and errors.
- 5.2 In 2011/12, the Council submitted data in relation to Council Tax, which was then matched to the electoral roll. The results of the data matching exercise are still under investigation. However, to date 169 Single Persons Discounts (total value approximately £40K) have been cancelled.
- 5.3 The datasets submitted as part of NFI are:
- Payroll
 - Pensions (provided by Pensions Authority)
 - Trade creditors' payment history and standing data
 - Housing Benefits (provided by DWP)
 - Council Tax
 - Electoral Register
 - Students eligible for a loan (provided by Student Loan Company)
 - Private supported care home residents

- Blue Badges/Concessionary Travel
- Insurance claimants
- Licences – market traders/operator, taxi driver and personal licences to supply alcohol

5.4 The results of the data matching exercise for 2012/13 will be released in January 2013. These will then be investigated and the results will be reported to the Board next year.

5.5 A specialist section of the Audit Commission will continue to have responsibility for running the NFI to ensure the experience and expertise built up over the years is not lost in the transition to local auditing arrangements.

6.0 Regulation of Investigatory Powers (Directed Surveillance and Covert Human Intelligence Sources) (Amendment) Order 2012

6.1 A recent change in legislation means that from 1 November 2012, local authorities will only be able to use authorised directed surveillance to prevent or detect crime that is punishable by a maximum term of at least six months of imprisonment, and in relation to offences involving the sale of tobacco and alcohol to underage children.

6.2 In terms of the investigation of fraud, this change will only have a minimal impact on the Council. Surveillance is currently only used where it is not deemed possible to secure evidence by any other way. As such, it is only used by the Benefits Investigation Unit in cases where an estimated overpayment is high enough to allow prosecution under The Fraud Act or The Theft Act.

6.3 In 2011/12, the Benefit Investigation Unit made just two RIPA applications. A further eight applications for joint investigations were made through the DWP.

7.0 POLICY, FINANCIAL AND OTHER IMPLICATIONS

7.1 There are no specific policy implications arising from this report.

7.2 There are no direct financial implications arising from this report. Further development of the Council's counter fraud arrangements will be met from within existing resources.

8.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

8.1 The maintenance of an effective framework to minimise the risk of fraud and corruption contributes to the achievement of all the Council's priorities.

9.0 RISK ANALYSIS

- 9.1 This report highlights specific actions that the Council has already taken, and continues to take, to minimise the risk of fraud. Failure to maintain effective counter fraud measures would result in the Council being susceptible to an increased risk of financial loss.
- 9.2 The Council needs to review its policies and procedures and respond appropriately to changes to the RIPA Act.

10.0 EQUALITY AND DIVERSITY ISSUES

None identified

11.0 LIST OF BACKGROUND PAPERS UNDER SECTION 100D OF THE LOCAL GOVERNMENT ACT 1972

None