

BABERGH DISTRICT COUNCIL and MIDSUFFOLK DISTRICT COUNCIL

From: Head of Corporate Organisation	Report Number: JAC26
To: Joint Audit and Standards Committee	Date of Meeting: 30 June 2014

COMMITTEE: AUDIT & GOVERNANCE REF NO:
DATE: 1st July 2014
**SUBJECT: CORPORATE COUNTER FRAUD – ANNUAL REPORT
2013 - 2014**
PORTFOLIO HOLDER: COUNCILLOR MARTIN COOK
HEAD OF SERVICE: Mr DAVID FIELD

Short description of report content and the decision requested:

This report provides a summary of performance of the Corporate Counter Fraud Service during the year ending 31st March 2014.

List of Appendices included in this report:

None

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This report was prepared after consultation with:

Internal consultees

Resources Portfolio Holder

Head of Resources

Chief Operating Officer

External consultees – John Snell Head of Audit Babergh & MSDC

The following policies form a context to this report:

(all relevant policies must also be referred to in the body of the report)

Transforming Ipswich

Finance Strategy

Fraud Prosecution and Sanction Policy

Anti-Fraud & Corruption Strategy

Whistleblowing Policy

LIST OF BACKGROUND PAPERS AS REQUIRED BY LAW

(papers relied on to write the report but which are not published and do not contain exempt information)

- 1. Statistical information collated from the Fraud Investigation Management System (FIMS)**

OTHER HELPFUL PAPERS

(papers which the report author considers might be helpful – this might include published material)

1. Introduction

- 1.1 This report provides a summary of the performance of the Corporate Counter Fraud Service for the period 01st April 2013 to 31st March 2014.
- 1.2 This report informs the Audit and Governance Committee of the Council's work on anti-fraud and corruption and demonstrates the activity which strives to prevent, detect and prosecute fraudulent behaviour.
- 1.3 This report is presented to the Audit and Governance Committee in accordance with its terms of reference to "*...consider the effectiveness of the Council's anti-fraud and anti-corruption arrangements*".

2. Background

2.1 Overview

- 2.1.1 The fraud teams from Babergh District Council (BDC), Ipswich Borough Council (IBC) and Mid Suffolk District Council (MSDC) were amalgamated on 1 April 2011. The newly combined Corporate Counter Fraud Service is based at Grafton House, Ipswich and represents a partnership team providing benefit fraud investigation service to the partnership Authorities and corporate fraud services for IBC.
- 2.1.2 The team operates within the Audit Service and, as such, also has links with fraud teams at Suffolk Coastal District Council (SCDC) and Waveney District Council (WDC); mirroring the Audit Partnership.
- 2.1.3 Throughout the last financial year the team has continued to deliver a successful benefit focused investigative service and has exceeded the overarching target set for the year. This was to identify benefit related fraud and error overpayments that exceeded the budget for the team plus £50,000; so identifying at least £420,000 in benefit related fraud and error overpayments.

- 2.1.4 During 2013 the total budget for the team was £340,000. One investigator transferred to another role and the two part time investigators then took the opportunity for full-time contracts. The team has 8.2 full time equivalent positions. Since December 2013 the team has operated with 7.6 full time equivalent officers.
- 2.1.5 The skills of the team have continued to develop through the new work areas of Housing Tenancy and 'Right to Buy' investigations. One officer completed Financial Confiscation training in June 2013 which permits interventions under the Proceeds of Crime Act and allows action to be taken against identified assets after a court conviction. Currently 15 cases are under separate investigation relating to undeclared properties and capital in this country and abroad. These investigations involve individual cases across the partnership Authorities.
- 2.1.6 Housing Tenancy investigations during this financial year have resulted in 5 properties being returned to Ipswich Borough Council. The indicative saving suggested by the Audit Commission is £18,000 per tenancy so some £90,000 has been 'saved' in not providing emergency accommodation for 5 families.
- 2.1.7 The investigations into 'Right to Buy' has been focused at Ipswich and has directly resulted in 3 applications being refused and 15 applications being withdrawn once the fraud team have become involved. The Audit Commission suggest a saving of £150,000 per property and so some £2,700,000 of housing stock has been 'saved' by the exercise of 'due diligence checks' by the fraud team.
- 2.1.8 The National Fraud Initiative (NFI) data matching referrals were released in February 2013 for all three of the partnership authorities. The sifting of data is complete and investigation work is well developed. This is a 2 year cycle of work and is due to be reported in March 2015.

2.2 Performance

- 2.2.1 A number of Housing Tenancy Fraud investigations have taken place in Ipswich and these have directly resulted in 5 properties being returned to housing stock by the tenants rather than face sanction. A notional saving of £18,000 per property is used to measure performance in this area as that is the general amount for 1 year placement in emergency accommodation costs. Thus the team have made a total notional saving of £90,000 in this area of work. Support in this area has been offered to both Babergh and Mid-Suffolk Authorities.

- 2.2.2 The 79 'Right to Buy' investigations that have taken place in Ipswich this last financial year have resulted in the sale of 3 properties being declined as the finances to be used were too dubious in nature and 15 further applications being withdrawn by prospective purchasers on being asked to attend a 'due diligence' interview. Support in this area has been offered to both Babergh and Mid-Suffolk Authorities.
- 2.2.3 A notional saving of £150,000 for each property is suggested for this work, in accordance with the general cost of an additional new build property. This is aligned to the notational saving suggested by the Audit Commission in the publication entitled 'Protecting the Public Purse 2013', page 21 paragraph 53. Thus representing an overall 'saving' of £2,700,000 (18 x £150,000) in total of Ipswich housing stock.
- 2.2.4 Benefit fraud referrals for the Babergh and Ipswich areas have decreased when compared to the previous year however Mid-Suffolk has shown an increase. Work on identifying reasons for these disparities is being undertaken by the Fraud Team Leader.
- 2.2.5 A useful source of work for the fraud team is the Housing Benefit Matching Service (HBMS) data matches. The supply of data matches has again been very intermittent during this year and this has certainly been felt across all the partnership authorities.
- 2.2.6 A change of emphasis has been introduced resulting in an increase in prosecutions and a focus on higher value cases; rather than pursuing minor sanctions. This has mirrored the approach within the Department for Works and Pensions (DWP).
- 2.2.7 Punitive action was taken against a total of 97 fraudsters; this includes 46 people who were prosecuted, 31 people who were cautioned and 20 people who received a financial penalty.
- 2.2.8 Over £684,000 in benefit related overpayments through fraud or error was discovered through these cases. This compares to £574,000 last year and the current break down between the three Authorities of identified fraud and error is:-

Ipswich	–	£423,489.23	(£269,438.43 last year)
Babergh	–	£133,801.10	(£112,656.37 last year)
Mid Suffolk	-	£127,064.51	(£191,880.20 last year)

2.2.9 The contributions made by each partner to fund the fraud team in the 2013 -2014 financial year were:-

Ipswich	59.14%	£201,076
Babergh	26.32%	£89,488
Mid-Suffolk	14.54%	£49,436

2.2.10 The recovery of fraudulent and error overpayments is administered and actively pursued by the Recovery Team which is within the responsibility of the Head of the Shared Revenues Partnership.

2.2.11 All 'Right to Buy' applications are now reviewed within the Fraud Team and the applicant is interviewed. The separate Financial Investigation work has been reported at 2.1.7 above and several larger fraud cases are moving towards court hearings.

2.2.12 Investigative performance for the Fraud Partnership:

	Year ending 31/03/14	Year ending 31/03/13
No. Fraud referrals	889	897
No. Cases investigated	284	406
No. Cautions	31	42
No. Penalties	20	35
No. Prosecutions	46	45
Value of overpayments identified	£684,354.84	£573,975.00

2.2.13 Ipswich Borough Council Performance Comparison

	Year ending 31/03/14	Year ending 31/03/13
No. Fraud referrals	556	642
No. Cases investigated	189	279
No. Cautions	22	27
No. Penalties	13	18
No. Prosecutions	24	23

2.2.14 Babergh District Council Performance Comparison

	Year ending 31/03/14	Year ending 31/03/13
No. Fraud referrals	155	160
No. Cases investigated	57	73
No. Cautions	8	9
No. Penalties	6	6
No. Prosecutions	13	14

2.2.15 Mid Suffolk District Council Performance Comparison

	Year ending 31/03/14	Year ending 31/03/13
No. Fraud referrals	178	95
No. Cases investigated	38	54
No. Cautions	1	6
No. Penalties	2	11
No. Prosecutions	9	8

2.2.16 In total the quantifiable savings as a direct result of Corporate Fraud Service investigations during the last financial year can be summarised as:

£ 90,000 for tenancy fraud
£2,700,000 for right to buy fraud
£ 684,000 for benefit fraud and error
£3,474,000

2.3. Process, Policy and People Developments in 2013/14

2.3.1 The fraud team has forged stronger links with the Ipswich Housing Department and has secured funding for 2014 onwards to pursue tenancy related fraud investigations.

2.3.2 Money from penalty fines is being brought back into the fraud budget to finance new initiatives and training. For example a member of the Fraud Partnership has trained as an Accredited Financial Investigator and in June 2013 received training in confiscation processes. This will permit the seizing of assets in cases involving large fraudulent overpayments and also will assist colleagues in other service areas.

2.3.3 The integration of Local Authority investigators with those of the DWP is planned to be implemented from 1 May 2015. DWP processes and policies have generally been introduced across the fraud service to standardised investigation processes.

2.3.4 Specifically at Ipswich funding has been agreed to provide investigators to assist the Housing Tenancy Team to prevent, detect and prosecute tenancy fraud in the coming years.

2.4 National Fraud Initiative

2.4.1 The National Fraud Initiative (NFI) began in 1993. The NFI was incorporated into the Audit Commission Act 1998 and is a compulsory exercise. Over 1,500 bodies participate in the exercise. Data sets matched across all these bodies is varied and IBC and its partners provided data to the secure matching site currently hosted by the remaining arm of the Audit Commission in the following areas: Housing Benefits, Council Tax, Payroll, Licences, Creditors and Insurance claims.

2.4.2 The 2012-13 NFI exercise released in January 2013 revealed over 2,000 matches which continue to be investigated. An additional Council Tax exercise, matching single person discounts and rising 18's to the Electoral Register resulted in a further 1,000 matches being identified. All matches are being checked for any irregularities and the concluding results will be provided to the Audit and Governance Committee in due course.

2.5 A Summary of Whistleblowing Investigations

2.5.1 No instances of Whistleblowing have been reported to the Head of Internal Audit in 2013-14. Promotion of the refreshed Whistleblowing Policy (2013) occurred during the year.

2.6 News Worthy Items During 2013/14

2.6.1 One case made that made the national press headlines during 2013 was the first Proceeds of Crime Act case pursued by our Financial Investigator. This resulted in the offenders being forced to sell their French property to repay their Housing Benefit debt to Mid-Suffolk. £23,000 was recovered as a result.

2.6.2 Another case was reported in the Ipswich local press relating to a £17,000 benefit fraud and a successful prosecution for failing to declare a partner in household since 2006.

2.6.3 A third case involved partnership working with staff of the DWP. £37,000 was identified as benefit fraud, again with the claimant living with an undeclared partner.

2.6.4 Promoting the results of the Corporate Fraud Service is an essential part of the Councils anti-fraud and corruption strategy and all forms of media outlet are considered across the partnership, with the direct aim to prevent/deter fraudulent behaviour.

2.7 The Future

2.7.1 The Local Authority use of Financial Investigators, and their powers, is to be explained at meetings across Authorities in the fraud partnership to grow corporate understanding of the tools/assets available.

2.7.2 An investigator is to work with the relevant IBC HR Manager in order to provide better recruitment security through conducting appropriate personal checks prior to any staff appointment.

2.7.3 Changes in DWP policy, i.e. the operation of a new Risk Based Verification Scheme within the Shared Revenues Partnership (which aims to reduce fraudulent claims before payment is made); the new Universal Credit Scheme; a bedroom restriction on households and benefit levels being restricted to £26,000 per household all have an impact upon the fraud strategy. In light of all of these changes the target for the fraud team remains to identify at least £420,000 in fraud and error during the 2014/15 financial year. In light of these changes this target is considered to be challenging.

2.8 The Single Fraud Investigation Service (SFIS)

2.8.1 Preparation for the SFIS (a branch of the DWP) across England involves the Team preparing itself to work within the policies and procedures of a SFIS when conducting Benefit Fraud enquires during 2014-15.

2.8.2 The DWP announced on 2nd May 2014 that IBC (and associated partner Councils) staff whose role is 51% or more benefit fraud related will transfer to the DWP on 1st May 2015. IBC will no longer be responsible for delivering housing benefit fraud work. All other corporate fraud work will be retained by the Council. The Council will need to maintain Corporate Fraud investigation capacity.

2.8.3 Central Government have promised over £16m in grant funding to be made available to local councils in relation to corporate fraud work and IBC will bid for a share of this funding once details are published.

2.8.4 The existing budget for 2014-15 is secure for the year and largely provided by the DWP, but this will cease in May 2015. There is expected to be some funding provided by the DWP in relation to their expectation that a single point of contact will be made available at each authority to support anti-housing benefit fraud work since the administration of benefit will still reside with local authorities. Precise funding is yet to be announced.

2.8.5 The Head of Internal Audit will advise the Audit and Governance Committee of emerging issues going forward and aims to ensure strategic resilience is maintained over corporate fraud resourcing.

3. Relevant Policies

- 3.1. Building a Better Ipswich underlying principle – Value for Money. The primary concern of the Corporate Counter Fraud Service is to protect the public purse and to reduce the risk of loss to the Authority from fraud and error; monies that could usefully be spent elsewhere within our community
- 3.2. The Benefit Fraud Prosecution & Sanction Policy ensures a fair and consistent approach to the disposal process in cases of proven fraud.
- 3.3. The Anti-Fraud & Corruption Strategy, the Whistle-Blowing Policy and the Bribery Policy provide guidance and a reporting process for staff to follow when cases of fraud or corruption are suspected.

4. Options Considered / Under Consideration

- 4.1. The Corporate Counter Fraud Service is currently working through the IBC Transformation Programme.

5. Consultations

- 5.1. The Shared Revenues Partnership is informed of the fraud work performed and strategies going forward in line with the contractual arrangements in place. In addition the Head of Internal Audit at BDC and MSDC is advised on anti-fraud activity and results, in order to report appropriately to those charged with governance.

6. Risk Management

Risk Description	Consequence of risk	Risk Controls	Probability of risk occurring taking account of controls (scale A-F) A – very likely F – almost impossible	Impact of risk, if it occurred taking account of actions (scale 1 – 4 – catastrophic; – negligible)	Actions to mitigate risk
1. Loss to the public purse	Reduction in the money that can be spent in other areas	Using trained staff to prevent and detect fraud	D - E	3	Utilising a professionally trained and Skilled investigation team. Raising fraud awareness throughout the authority. Working with partners to counter criminal activity Promoting a zero tolerance to fraud within the authority and the public at large. Prosecuting offenders and publicising results in the press.
2 .Loss of trained staff to the DWP.	Fraud not identified and prosecuted leading to a loss to the public purse.	Maintain appropriate Corporate Fraud Service. Secure funding for the service.	E	3	Revised corporate fraud strategy in line with responsibilities. Win bid for central government funding. Secure funding from the Housing Portfolio.

7. Environmental Impact Assessment

7.1 Not applicable in the context of this report.

8. Equalities and Diversity Implications

- 8.1 The services of an interpreter are used in all cases when an interview is conducted with a person whose first language is not English. Code C of the Police and Criminal Evidence Act 1984 (PACE) makes it a requirement to provide an interpreter for people who are deaf or do not understand English
- 8.2 All investigation staff have successfully completed a course on working with interpreters
- 8.3 An appropriate adult is invited to attend in cases where the person being interviewed is deemed to be vulnerable
- 8.4 Data on Protected Characteristics is now recorded on the Fraud Management IT System when this is reported or evident for documents submitted to aid the investigation. When the sample is statistically significant it will be used to formulate different approaches for different social groups.

9. Financial Considerations

- 9.1. The fraud budget is currently dependent upon contributions from the SRP and Housing Services and going forward from successful bids to Central Government grants. The cost of the service relates to staffing and these are aligned to available financial resources. In the future a notional return on anti-fraud investment will form the basis of service funding.

10. Legal Considerations

- 10.1 The fraud unit conducts lawful investigations in accordance with the Criminal Procedures and Investigations Act, Data Protection Act, Human Rights Act and Regulation of Investigatory Powers Act.

11. Performance Monitoring

- 11.1 The Head of Internal Audit monitors the overall performance of the Corporate Counter Fraud Service. The day-to-day management of the team falls to the Corporate Counter Fraud Manager.
- 11.2 A team target for the identification of £420,000 in recoverable overpayments has been set for the forthcoming year. Monthly fraud team performance data is discussed at the Audit/Fraud management meetings.

12. Conclusions

- 12.1 The Corporate Counter Fraud Service will continue to work towards achieving the highest level of standards of investigatory practices to meet government and local targets and to ensure ongoing safeguarding of the public purse.

13. Recommendations

- 13.1. That the relevant 'Audit Committee' of the partnership Authorities comments upon the performance of the Corporate Counter Fraud Service for the financial year ending 31 March 2014.

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