

Report To:	AUDIT COMMITTEE	Date:	22 JULY 2019
Heading:	ANTI-FRAUD AND CORRUPTION UPDATE 2019		
Portfolio Holder:	NOT APPLICABLE		
Ward/s:	NOT APPLICABLE		
Key Decision:	NO		
Subject to Call-In:	NO		

Purpose of Report

To provide the Committee with an overview and update in respect of the Council's approach to anti-fraud and corruption and potential improvement actions.

Recommendation(s)

The Committee is asked to note the overview and update in respect of the Council's approach to anti-fraud and corruption contained in the report and support the actions detailed in the report.

Reasons for Recommendation(s)

To ensure the Committee charged with overseeing the Council's approach to anti-fraud and corruption is updated and able to challenge and comment upon the Council's efforts to prevent, detect and investigate fraud and corruption.

Alternative Options Considered

No other options were considered.

Detailed Information

INTRODUCTION

Local Authorities have a duty to safeguard public funds. The fight against fraud is an ongoing and a constantly evolving process. The Council is responsible for protecting public assets, acting in the public interest and making best use of resources to achieve intended outcomes.

The basic principles of any responsible Local Authority should be the following:

- Stop fraudulent cases from entering Council systems;
- Find any fraudulent cases already in the system;
- Stop payments from going to people who are not entitled to it;
- Punish those people who commit fraud;
- Recover any fraudulent overpayments;
- Deter people from trying to commit fraud.

Fraud and Corruption are serious issues which can affect the services the Council provides, undermine the achievement of corporate objectives and impact upon the public's confidence in the integrity of Council Officers and Elected Members.

Ashfield District Council takes its duty to ensure stewardship of public money very seriously. The Council is therefore committed to the prevention, detection and investigation of all forms of fraud and corruption whether these are attempted from within or external to the organisation.

Fraud is the intentional distortion of financial statements or other records by persons internal or external to the Authority, which is carried out to conceal the misappropriation of assets or otherwise for gain. Fraud is a deliberate act by an individual or group of individuals. Fraud is therefore always intentional and dishonest.

Corruption is the offering, giving, soliciting or acceptance of an inducement or reward which may influence the action of any other person.

The Council is committed to creating an environment that is based on the prevention of fraud and corruption. This is achieved by promoting openness and honesty in all Council activities.

The Council requires all individuals and organisations associated in whatever way with the Council to act with integrity and that Elected Members, employees and representatives, at all levels, will lead by example in these matters.

The Council's Elected Members and employees play an important part in creating, maintaining and promoting this culture. They are encouraged to voice any serious concerns about any aspect of the Council's activities.

THE ANTI-FRAUD AND CORRUPTION AUDIT 2018

The Central Midlands Audit Partnership (CMAP) carried out a baseline audit of the Council's Anti-Fraud and Corruption measures particularly in light of changes to the Council's internal audit provision, the housing management function returning to in-house provision, the transfer of the benefit fraud officers to DWP and the introduction of new CIPFA guidance relating to the Code of Corporate Governance.

CMAP finalised their Audit report in January 2018. CMAP was able to provide reasonable assurance as part of the audit as most of the areas reviewed were found to be adequately controlled, however, there were some systems requiring improvements. To this end, thirteen recommendations were made and accepted. Ten recommendations have been completed; these included:

- Reviewing and updating the:
 - Corporate Governance Code;
 - Anti-Fraud Strategy;
 - Anti-Bribery and an Anti-Money Laundering Policy
 - Fraud Response Plan

which were presented and approved by the Audit Committee and Cabinet on 27 November 2017 and 30 November 2017 respectively.

- Implementing a Fraud Risk register to identify and mitigate fraud risks which is monitored by the Anti-Fraud and Corruption Working Group.
- Whistleblowing Policy being reported annually to the Audit Committee.
- Utilising Council Tax enforcement powers by approving a policy for the issuing of Civil Penalties.
- Identified a key contact (Service Manager – Revenues and Benefits) who assigns sufficient resources to the investigation of National Fraud Initiative (NFI) matches to ensure that all categories of matches identified by the process are reviewed, prioritised and investigated on a timely basis.
- The purpose and make up of the Anti-Fraud and Corruption Working Group was refreshed and its Terms of Reference documented; the Group meets quarterly and its meetings are minuted.
- Corporate Leadership Team and Audit Committee receive regular reports about fraud.
- A new “Governance” section of the staff intranet has been developed. The launch was publicised to staff and all members of Extended Leadership Team/Aspiring Leadership Team were briefed on 19 March 2018.

Three recommendations remain outstanding:

- Development of training in fraud awareness for relevant officers and Members – this recommendation has been partially implemented with housing officers receiving bespoke training and Members will receive training on 17 July 2019. Bespoke training for revenues and benefits officers is still to be sourced. A generic online training assessment has been developed and will be rolled out to other relevant staff shortly.
- The Council should undertake on-going data matching exercises utilising its internal data – progress in relation to this recommendation has begun and is described later in this report.
- The Council should complete a fraud assessment on an annual basis to ensure its Anti-Fraud arrangements are adequate and robust – this report addresses this recommendation.

ANTI-FRAUD REVIEW 2019

The Council has commenced an exercise to document the checks that are currently undertaken for fraud in key service areas, this was designed as a baseline to assess current measures in place and identify gaps and potential improvements. The types of fraud that can occur, the types of investigations that can be undertaken and what the Council has identified it is doing in that area to combat fraud are summarised below.

To help inform this baseline exercise Derby City Council’s Counter Fraud Team have acted as a critical friend and reviewed the Council’s anti-fraud arrangements. This report incorporates the Counter Fraud Team’s findings and comments. They identified good practice for a number of areas. It should be noted that the review did not involve detailed testing of processes and policies for compliance. The review also considered potential future actions to strengthen anti-fraud arrangements.

Housing Service

1. Tenancy, Lettings & Waiting Lists

Social housing fraud is an example of growing and increasingly widespread fraud nationally. The impact is more than financial: there simply is not enough social housing available, so every fraudulent occupation lengthens waiting lists, and every detection gives a family or individual in temporary accommodation a better life.

Offences can include:

- Unlawful subletting, including subletting the whole property.
- Multiple sublets within one property.
- Non-occupation by tenants as their principal home.
- Falsely claiming succession.
- Fraudulently obtaining a social housing tenancy, by providing false information at the application stage, including misrepresentation of identity.
- “Key selling”, where the tenant leaves the property and passes on the keys in return for a one-off lump sum payment or favour.
- Misrepresentation of circumstances leading to homelessness.

A number of anti-fraud measures are in place within the Housing Services area including checks around Housing Tenancy and Lettings and Waiting Lists. These checks are supported by policy and procedural guidance in some cases. A number of these checks include onward referral to another section, however, it is not documented what these sections did with the information received which is something that could be improved to ensure the Council is able to evidence/quantify the impact of the anti-fraud measures it has in place.

The team conduct verification checks when an applicant first joins the Housing Register and more in-depth checks when a provisional offer of accommodation is made. The checks relate to the applicant’s identification, household composition, income, capital and the reason for their rehousing. All prospective tenants are expected to attend a pre-tenancy interview when any issues can be raised. An offer of accommodation can be withdrawn if the applicant fails to provide the information requested or there is a discrepancy in what they have submitted.

The Tenancy Services Team take a pro-active approach to fraud in undertaking occupancy checks (at various stages of the Tenancy), responding to and investigating any reports of fraud and works in partnership with the Revenues and Benefits Service and other agencies e.g. DWP to report any suspected benefit fraud.

Where tenancy changes are requested during a tenancy, identification and verification checks are undertaken before any changes can be considered/approved. Prompt action to terminate tenancies will be taken where tenancies have been obtained by the making of a false or misleading statement or have been wholly sub-let.

2. Right to Buy

Right to Buy fraud is widely acknowledged to be a rapidly growing area of fraud and abuse of the taxpayers purse. With the large amounts of potential financial remuneration by fraudsters there is an increased incentive to take advantage of this scheme for personal gain.

Right to Buy Fraud refers to any case where:

A tenant has applied for, or completed, the purchase of a socially rented home under the right to buy scheme, and has misrepresented their circumstances to either gain a discount they are not entitled to, or exercised the right to buy when they are not entitled to it.

Examples of Right to Buy fraud can occur when the applicant:

- Provides any false information.
- Have not been using the address as their sole and main residence, or have not been resident at the address.
- Sublet all or part of the property.
- Misrepresented household composition, by submitting a joint Right to Buy application with another person who does not reside at the property, or has not done so for the required period.
- Have entered into an agreement with a third party to buy the property on their behalf for a cash incentive.

As with any type of fraud the best way to combat it is by attempting to prevent it happening in the first place. As the Right to Buy scheme process is mandated by law and existing legislation there are methods that can be used to ensure that the risk element has been reduced. The most effective checks include not only checking identity and residency in un-notified visits to the properties, but also checking household composition and financial capability. This approach enables the Council to address any concerns about the applications prior to completion.

The baseline anti-fraud review identifies that a number of checks are in place. These included checks on identification and residency at application stage and checks by legal services once the Right to Buy is accepted.

Revenues & Benefits

1. Council Tax Reduction Scheme (CTRS)

Whilst Housing Benefit investigations are currently under the purview of the Department for Work and Pensions (DWP), CTRS, is still managed and will continue to be managed, by the local authority. As CTRS is a taxpayer funded discount it is essential that the local authority takes steps to identify instances of fraud and overpaid CTRS.

CTRS Fraud is defined as:

where a person, dishonestly, or not:

- *Falsifies a statement or a document; or*
- *Is involved in a failure to notify a relevant change of circumstance; or*
- *Omits relevant information*

for the purpose of obtaining or increasing entitlement to council tax benefit and CTRS for themselves or another.

The types of fraud in this area include:

- Failure to declare a partner in the household.
- Failure to declare earnings or the correct amount of earnings.
- Failure to declare the correct amount of capital in the household.
- Failure to declare non-dependents in the household.

- The applicant not being resident at the address.

The legislation that allows the Council to investigate CTRS cases is the Council Tax Reduction Schemes (Detection of Fraud and Enforcement) (England) Regulations 2013. Data matching exercises, often in association with National Fraud Initiative (NFI), are key to identifying savings, as well as swift and effective investigation into any referrals for CTRS fraud made by staff, or the general public.

Regular contact with the Department for Work and Pensions is necessary in this area. The Single Fraud Investigation Service (SFIS) investigates Housing Benefit Fraud only.

Housing Benefit referrals are sent to the DWP on a Local Authority Referral Form. If the case is identified for investigation then the SFIS investigator will email a Local Authority Information Exchange Form (LAIEF) to the Council for information on the Housing Benefit claim. This can be a very time intensive process depending on the amount of information requested, and also based on the volume of cases sent to the DWP it can be difficult to keep track of what is being investigated.

Therefore regular liaison with the DWP SFIS is essential to ensure that the cases are being dealt with correctly and, when decision on sanction is made (either in the form of an Administrative Penalty or Prosecution) that the decision is correct, proportionate and in the Council's interests. Often the priorities of the DWP to resolve cases can be counterintuitive to the Council's need to ensure that issues are resolved timeously and unnecessary debt is not created, especially regarding Administrative penalties. To ensure that issues do not become problematic it is necessary for the Council to manage this relationship.

At Ashfield the benefit claimant is required to provide evidence to support the benefit claim. The Council uses a face to face approach to handling benefit claims which is considered to be the most effective way to prevent fraud entering the benefits system.

In addition, Benefit Officers also use tools such as the DWP's Customer Information System (CIS) which provides details of the claimant's other state benefits and tax credit income, and also HMRC's Real Time Information System (RTI) which provides real time earnings information from employment. Currently, the RTI system can only be used for the purposes of Housing Benefit claim processing. The RTI system is not available for use on Council Tax Reduction Scheme claims, therefore, it is imperative that the best administrative procedures are in place to ensure the claim is correct from the start, and this is best achieved through ensuring all of the required evidence has been provided by the customer before awarding the Council Tax reduction.

The DWP closely monitor the Housing Benefit service to ensure performance is maintained, particularly on the work we do to prevent fraud and error entering the benefits system. Occasionally, the DWP's Performance Development Team (PDT) work with ADC's Benefits Service to look at best practice and consider any improvements we could make in the administration of Housing Benefit (which then would apply to our handling of Council Tax Reduction claims).

2. Single Persons Discount (SPD) and Council Tax Exemptions

SPD and other council tax discounts and exemptions are open to abuse. The discounts/exemptions include:

- 25% reduction in council tax if there is a single adult in the property over 18 and not in full time education.

- Full exemption if the household contains students registered in full time education at university or at college.
- Full exemption where probate is in progress.
- Care Leaver – Full Charge discount.
- Properties left empty by someone who is in Prison – Full Exemption.
- Properties left empty due to the occupier moving into a Care Home / Hospital – Full Exemption.

In-house review processes and external data matching, for example with the NFI re-check process, are used to identify cases where the exemption or discount is no longer applicable due to a change in the occupiers / owners circumstances. Investigators will identify cases where there is a doubt over the current entitlement to discount or exemptions and will conduct investigations by gathering intelligence and contacting the individuals concerned to ensure that the correct, up-to-date information is retained by the Council.

Significant savings and reduction of risk can be established by actions in this area.

In cases where information has been requested from the owner / occupier is not provided, or where the claimant has failed to advise the Revenues and Benefits Service of a significant change in circumstances, which resulted in them receiving council tax reduction, or discount, they were not entitled to receive, the Council has the right to cancel the discount back to the date of the change and apply a Civil Penalty of £70 to the council tax account.

3. Business Rates (Non-Domestic Rates)

Business Rates are charged on most non-domestic properties such as shops, offices, pubs and industrial units, to contribute towards the cost of local services. Business Rates fraud occurs when a business avoids paying the correct amount of Business Rates by:

- Falsely claiming rate relief or empty property exemptions.
- Failing to declare occupancy of a property.
- Falsely claiming insolvency status to evade payment.
- Not disclosing relevant information to gain rate relief.
- Not declaring a new business premise.
- Not declaring that a property is being used for business purposes.
- Failure to inform the Council that a business has moved into a property.
- Falsely stating that a property is no longer in use when it is.

Proactive investigations into abuses of the Business Rates relief system can prevent financial loss to the Local Authority. The recent changes to the regulations and the ability for the Council to retain the income generated by Business Rates gives this area greater prominence.

The Business Rates service uses several processes to minimise Business Rates losses. These include the use of the service “Analyse Local” which tries to identify new businesses in Ashfield that have failed to notify the Council that they have occupied a premises. In addition to this, the service uses its own Business Rates Inspectors (Visiting Officers) who identify unreported changes of occupation or change of use of a business premises, or where businesses have failed to notify of significant physical changes to the premises which could affect the amount of Business Rates they should be paying. The Visiting Officers also issue “Completion Notices” on new premises which ensures that Business Rates becomes payable from the earliest possible date, thereby preventing loss of income due to the Business failing to notify the Council that they have occupied the new premises.

Data Matching and National Fraud Initiative (NFI) Matches

The NFI is a sophisticated data matching exercise that matches electronic data within and between participating bodies to prevent and detect fraud.

The Council's corporate lead officer is the Services Manager, Revenues and Benefits, and key staff across the authority have been identified to take responsibility for managing the current round of data matching. A sub-group of the Anti-Fraud and Corruption Officer Working Group has been established specifically to consider and improve the Council's corporate approach to NFI exercises and data matching in general.

Every two years the NFI provides local authorities with matches against Council information in areas of risk to the taxpayer. During 2018/19 the Council received **2049** matches across all the NFI datasets.

The following table shows the 2018-19 Housing Benefit and Housing Tenancy data matches that were received in February 2019. All data matches are graded for level of risk: High, Medium, Low and Nil risk. Nil risk indicates that during the data match process there was no discrepancy identified therefore the match was assigned a 0% risk score and does not require investigation. Investigating officers have checked all High and Medium risk cases and in addition have also checked a random sample of Low risk cases.

Council Tax Reduction Scheme	Housing Benefit Claimants	Housing Tenants
→ High 73	→ High 59	→ High 10
→ Medium 23	→ Medium 7	→ Medium 74
→ Low 483	→ Low 257	→ Low 6
→ Nil 42	→ Nil 6	→ Nil 6
Total 621	Total 329	Total 96

Payroll	Right to Buy	Waiting List
→ High 1	→ High 1	→ High 31
→ Medium 0	→ Medium 0	→ Medium 193
→ Low 6	→ Low 3	→ Low 0
→ Nil 5	→ Nil 0	→ Nil 1
Total 12	Total 4	Total 225

In addition to the Housing Benefit and Housing Tenancy matches shown above, the NFI data matching also includes an annual Single Person Discount data match exercise. This provided **1810** matches and these are currently being reviewed, as covered later in the report.

As at 12 June 2019:

- 294 cases were processed by the authority.
- 282 cases were found to be correct and therefore required no action.
- 12 error/frauds were identified valued at **£8,261**.

Of the **12** where errors or fraud were identified:

- **1** Housing Benefit case was identified as a possible fraud case. This has been referred to the DWP Single Fraud Investigation Service (SFIS).
- **4** were Housing Benefit claims where the claimant had failed to advise of a change of circumstances which would have affected the amount of Housing Benefit they were entitled to receive. The change of circumstances was therefore applied to the claim from the date of change and this created an amount of overpaid benefit which the claimant will be required to pay back to the Council.
- **7** of these cases were Council Tax Reduction claims, where the claimant had failed to notify of a change of circumstances which would have reduced the amount of Council Tax Reduction they were entitled to receive. The council tax account was amended back to the date of the change and a revised bill was then issued for the correct amount of council tax to be paid for that period.

There were **9** matches relating to housing tenancy on the NFI database. From the 9 cases:

- There were **6** cases with no issues identified following review.
- There were **3** cases where a relationship had broken down and one of the tenants moved out but the leaving tenant had not assigned the tenancy to the remaining tenant. This is a common scenario and none were identified as fraudulent acts. The review does however enable the Council in these cases to update its information.

Derby City Council's Counter Fraud Team is in the process of reviewing the NFI "801 Council Tax Single Person Discount" report on behalf of the Council. The "801 Council Tax Single Person Discount" report is data resulting from matching Council Tax single person discount data against electoral roll records. The latest report consists of **1810** matches. Of those, 605 cases are in receipt of Council Tax Support and are excluded from this exercise.

The process being undertaken is as follows:

- The matches are initially checked to close inaccurate matches, those where changes have been reported since the match was done and duplicate cases.
- A review letter is issued to the customer.
- A second review letter is sent to those who have failed to respond.
- A Civil Penalty (£70) will be applied to all cases that still fail to respond and the SPD will be removed with effect from 1 April 2019.

The process is currently at the second letter stage. Savings identified from responses received to date are detailed below:

Ashfield District Council 801 Results		Notes
Actual Savings	£ 25,620.81	This is the amount billed as a result of information returned on the review form
Ongoing savings	£ 34,965.30	NFI calculate the SPD amount x 2yrs as the expected ongoing saving

This exercise was undertaken to identify whether utilising additional resources to target specific high risk matches would be worthwhile. To date, over £25,000 of savings to the public purse have been identified by utilising the results of data matching. This project is ongoing at the date of this report.

The estimated savings from the SPD work (and any other discount/ exemption review work) will be reflected in the total council tax amount to be collected. However, ADC will only retain a share of the additional income. The council tax that Ashfield District Council collects includes amounts for Nottinghamshire County Council, Nottinghamshire Police and Crime Commissioner, Nottinghamshire Fire & Rescue Service and local parish Councils (known as Preceptors). The total council tax collected is therefore divided up as follows-

Preceptor	% Share
Nottinghamshire County Council	67.1%
NCC - Adult Social Care	5.1%
Ashfield District Council	9.1%
Nottinghamshire Police	10.7%
Nottinghamshire Fire & Rescue	3.9%
Parish Councils	4.0%

NEXT STEPS

1. **Policies/Processes** – the suite of Anti-Fraud and Corruption policies are due for review later this year to ensure they remain fit for purpose and in line with current best practice. It is planned to prepare updated policies for the Audit Committee scheduled to take place on 2 December 2019.
2. **Training** – Arrangements for training need to be finalised as set out above in relation to bespoke revenues and benefits training and the roll out of the generic electronic training tool.
3. **Data Matching and NFI Matches** – Internal Data Matching is an essential tool in the fight against fraud. Data matching between datasets held by housing records and the revenues system is particularly useful to identify potential fraud. It is essential to target particular high risk areas. Existing Council databases can be matched against each other or with external sources of information to ensure that the fraud risk is reduced. Data matching can be performed as regularly as can be resourced or continual data matching can be built into ongoing systems. Based on the review work undertaken by Derby City Council’s Counter Fraud Team, CMAP has made recommendations that will help the Council to ensure that a clear corporate approach to NFI and data matching is developed with the lead officer monitoring and managing output to ensure that resources are utilised as effectively as possible. Processing of the NFI matches will also continue.
4. **Referrals System** – As part of the recent review, Derby City Council’s Counter Fraud Team has recommended the creation of a referrals system for the Council to refer allegations of fraud for investigation that could form an offence. This would enable all potential fraud cases to be tracked and recorded. To this end, the potential to introduce a referrals system will be investigated and options will be considered.

5. **Anti-Fraud Portal** – the Counter Fraud Team has also recommended developing an online Anti-fraud Portal. The Portal should include:

- An online referral tool and guidance.
- Information in fraud trends and any changes in legislation.
- Publicity on any cases prosecuted by the Council.
- Useful contact information for fraud related enquiries.

The potential to develop the existing fraud element of the Governance hub on the intranet/internet to become an Anti-Fraud Portal as described will be investigated.

Implications

Corporate Plan:

Transparent and Accountable

We will be open and transparent in our decision making. We will be trustworthy and honest in how we deal with our residents and be accountable to them for our actions. We will promote positive and respectful behaviour, treating people fairly and respectfully.

The Council has committed to ensuring effective community leadership, through good governance, transparency, accountability and appropriate behaviours.

Legal:

There are no significant legal issues regarding the content of the report or the recommendations.

Finance:

Budget Area	Implication
General Fund – Revenue Budget	No direct financial implications arising from this report. The investigation of potential system changes (Governance Hub) may give rise to future costs.
General Fund – Capital Programme	
Housing Revenue Account – Revenue Budget	
Housing Revenue Account – Capital Programme	

Risk:

Risk	Mitigation
Failing to have robust anti-fraud and corruption policies and processes in place would place the Council at risk of not being able to effectively deter or detect fraudulent activity taking place.	Policies are in place and will be reviewed later this year. Baseline Audit has been carried out to identify systems weakness.

<p>This would undermine the Council's duty to safeguard public funds. The Council is responsible for protecting public assets, acting in the public interest and making best use of resources to achieve intended outcomes.</p>	<p>Anti-Fraud and Corruption Working Group has been established to oversee the work carried out in this area.</p> <p>Fraud Risk Assessment exercise has been carried out and continues to be reviewed on a regular basis by the officer group.</p> <p>Further improvement work as outlined above will strengthen the Council's position to ensure available resources are effectively used.</p>
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Human Resources:

There are no direct HR implications contained within the report other than training of employees which once provided can be recorded on the employees training file.

Equalities:

Any equalities issues will be identified as part of the implementation of the next steps identified above. Individual fraud investigations would take account of equalities issues on a case by case basis.

Other Implications:

None.

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