

## **Update on the Counter Fraud work**

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### **Purpose of the Report**

To update the Audit Committee on key issues in counter fraud work at SSDC.

### **Recommendation:**

That Audit Committee is asked to:

- 1) Note the key issues around the resourcing of counter fraud work in the future
- 2) Note the update on the delivery of the Counter Fraud Action Plan

### **Background**

Since attending the Audit Committee last year, it has been confirmed that from 1<sup>st</sup> June 2015, the investigation of benefit fraud will transfer over to the Single Fraud Investigation Service (SFIS) run by the Department of Work and Pensions (DWP).

From then on, all current and future fraud investigations involving housing benefit (HB) and historical council tax benefit (CTB) will be run by SFIS. At this time, the existing fraud investigation staff (2.6 FTE) will also be transferred to the DWP. Discussions to prepare for the move have started, yet after the transfer, there will be considerable residual counter fraud work remaining at SSDC which will need to be resourced.

The residual counter fraud work includes:

- The investigation of Council Tax support/reduction fraud and error, which will remain under the remit of LA's;
- Managing the National Fraud Initiative (NFI) data matching exercises to sift the results and then take follow up action to identify potential fraud. As well as HB & CTB fraud, NFI covers the whole of the council's business e.g. creditors, payroll etc;
- Evaluating referrals to the Somerset Fraud website and hotline. Set up through the Somerset Fraud Forum, these services provide the means to report any form of fraud throughout Somerset for investigation. Referrals affecting other Local Authorities and Housing Associations are passed to the appropriate organisation.

Importantly, the administration of housing benefit will remain at SSDC until the DWP complete the roll-out of Universal Credit (UC), which will be dealt with by DWP. The date for UC implementation has been delayed, but will be starting from April 2015, albeit for single people only at SSDC. Although DWP will take on fraud investigation this summer, they will still need access to the information provided from our housing benefits' system. This information is currently provided by the Investigation Team, but alternative arrangements will need to be in place once the team transfer over in June.

On another note, the current Fraud Intern is due to leave in April 2015. He has mainly been tasked with drafting a new Counter Fraud Policy, and revising SSDC's Whistleblowing Policy to take account of recent changes in legislation. Both policies are nearing completion, but key decisions need to be taken on the resourcing of fraud work before they

can be finalised and progress to the consultation stage. It is hoped that a further Fraud Intern placement might be approved, but no decision has yet been taken.

Finally, the wider counter fraud work relating to procurement, social housing, grants, and the wrongful claiming of Council Tax discounts and exemptions needs to be resourced; they were identified in the Counter Fraud Strategy as key areas where attention should be focused. The various changes will mean that SSDC needs to reconfigure its own resources to successfully continue counter fraud work, which will now be discussed.

### **Resourcing Counter Fraud Work:**

Last year, the Department of Communities and Local Government (DCLG) pledged to award £80K of 'match' funding to a partnership 'bid' led by Taunton Deane Borough Council, which also included SSDC and West Somerset District Council. The funding will be awarded over the next two years, and SSDC are committed to provide £30K of the £80K required from the partnership. The DCLG will only provide matched funding if certain targets are met, and there will be a considerable 'drag time' before any funds are actually received.

The content of the 'bid' was to explore if a combined counter-fraud investigation service was feasible under the auspices of the South West Audit Partnership (SWAP). It is hoped that if the initiative is successful, other councils may seek to join in the longer term. Admittedly, such a team would need to be recruited from scratch as the skill set of the existing audit staff, although complementary, does not feature the knowledge of criminal law procedure which is necessary for an investigation service.

This initial skills gap, together with the two year limit to the DCLG funding, means that recruiting the adequate skills may not be achievable before the current Investigations Team transfer. The scope and governance arrangements still need to be mapped out, as do the costings. SWAP expect that the partners will meet the costs associated with setting up, governance arrangements and exiting arrangements e.g. redundancies. For this reason, it will be important for the staffing structure to be sustainable when the government funding ends. On the 24<sup>th</sup> February 2015, the Partners are meeting to discuss the next steps in the process, and a verbal update will be given to Audit Committee as to how this progressed.

Lastly, not all counter fraud work will be transferred to SFIS or to any SWAP led initiative. A provision of £35,000 has been made to recruit in-house expertise to carry out the residual work referred to above, such as dealing with the NFI and fraud reporting routes, updating policy and procedures, training and raising awareness, and carrying on the workload specified within the Counter Fraud Action Plan. An updated Action Plan is attached as Appendix A

### **Financial Implications**

A £50,000 provision per annum has been made to support counter fraud work post transfer.

### **Background Papers**

*Counter Fraud, Theft and Bribery Strategy*  
*Counter Fraud Action Plan*