

Report on Counter Fraud Work

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Purpose of the Report

To update the Audit Committee on counter fraud work and progress on the Annual Counter Fraud Action Plan

Public Interest

The prevention and detection of fraud and corruption is a vital part of protecting the public's investment in local authority goods and services to ensure its value is maximised.

Recommendations

The Audit Committee is asked to note the progress on counter fraud work and the revised Annual Counter Fraud Action Plan.

Background

The past year has seen significant changes to the resourcing and focus of counter fraud work at SSDC with the transfer of responsibility, and staff, for investigating Housing Benefit Fraud (HBF), to the Department of Work and Pensions (DWP). This change led to SSDC (and Taunton Deane Borough and West Somerset Councils) contracting with the South West Audit Partnership (SWAP) to provide a counter fraud staff resource to replace that lost through the transfer.

SWAP's new investigative arm, the South West Counter Fraud Partnership (SWCFP) is led by Nick Hammacott, the Investigations' Manager, and is being part-funded, for 2 years, by the Department of Communities and Local Government (DCLG). The SSDC investment is £15K per annum for which it receives 120 days' resource from SWCFP. An annual Investigation Plan, agreed with the Fraud and Data Manager, sets out how these days are to be used to target the key fraud risk areas.

This report below includes an update of the work by SWCFP and other counter fraud work carried out by the new Fraud and Data Intern, Jack Chant, who started in November 2015, and others: all these measures contribute to the robust counter fraud approach in place at SSDC. An updated Annual Counter Fraud Plan is attached for reference.

Progress against the Annual Counter Fraud Plan

The key contributions from SWCFP in the action plan have been in undertaking proactive reviews of key risk areas as shown in Table 1 below. Some of the work has been through

using enhanced, more in-depth type reviews; some through data matching and some through identifying counter fraud recommendations from earlier audits to ensure these measures are implemented.

To date there have been no specific allegations of fraud that have been appropriate for SWCFP to investigate. Most have been linked to HBF and therefore must be referred to the DWP for investigation. Although Council Tax Reduction (CTR) is commonly claimed alongside HB, and all Council Tax fraud remains our responsibility, it would not be a good use of resources to investigate the CTR aspect, separately: the courts would certainly frown on such an approach. We are, therefore, reliant upon receiving the DWP's investigation outcome to guide our action concerning the CTR fraud and ensure housing benefit payments are accurate.

Unfortunately, we have received no feedback on cases referred to DWP since the transfer in June 2015. We met with the local DWP manager, shortly before Christmas, to discuss this matter but were advised that the local office cannot agree any local departure from the national procedure. They did say that if we provided a list of cases, quarterly, they would try to see if they could provide an update of where they were in their system. It should be noted, however, that their response is unlikely to cover all the referrals made because of the way the internal processes at DWP are structured.

These delays also impact on ensuring correct benefit and council tax payments. There is, apparently a joint working group, at a national level, tasked with making the HBF/CTR fraud crossover work but we have been unable to find details of what it has discussed or when any solutions to this issue might be forthcoming. This issue is one which we aim to take forward in the coming months.

SWCFP have delivered Fraud Awareness Sessions both to staff at SSDC and the Somerset Tenancy Fraud Forum. It is planned to roll out such sessions to Members and others in the forthcoming year. Through these events SWCFP publicise the routes for reporting fraud and the Council's new Whistleblowing Policy (which was revised by the former Fraud and Data Intern (Tom Chown)).

Table 1: Key pieces of work by status

Investigative work	Status
Social Housing Fraud (Verification on applications)	Draft
Outstanding fraud and corruption recommendations from past audits	Draft
Contract Management – high use contractors	In progress
Duplicate payments	Draft
Fraud Awareness Sessions for staff	In progress
ICT non-standard Expenditure	In progress
Council Tax Discounts and Exemptions	In progress

In addition, there have been 120 fraud referrals from the public and others made through the county wide Somerset Fraud website and fraud hotline since April 2015 which have mainly been for having an undeclared person living in the property or for having undeclared income. Of those 120 referrals, 14 had no substance and 90 were referred on to DWP, which combined with other reasons leaves very few to be dealt with by SWCFP.

The Fraud and Data Intern has also been making progress on the revised policy and will shortly be starting to consult on the draft document.

SSDC has also received funding, under the DWP Fraud and Error Reduction Incentive Scheme (FERIS), which covers Housing Benefit (HB), to undertake additional targeted case reviews to identify unreported changes of circumstances. The exercise has identified HB entitlement reductions amounting to £15,500 a week (annualised £0.8 million p.a.). Where the non-reporting might be fraudulent the case is sent to the DWP.

Some start-up funding was given in 2014/15 (13k); some maintenance funding for 2015/16 (£19k); and a further application for more maintenance funding has been made for 2016/17. There will be another application process next Feb/March for 2017/18.

Since most HB recipients also receive Council Tax Support (CTS) there has been a corresponding reduction in the CTS Scheme. Although DWP do not require data on the CTS reduction, we intend to start collecting this information for 2016/17.

In addition, the Somerset Benefit Managers were successful in securing funding from the major precepting authorities so some additional work in identifying “error” in Council Tax discounts and exemptions (and CTS) could start. The term “error” here means where the discount/exemption recipient’s circumstances have changed but s/he has failed to notify the council of that change.

The Audit Commission estimated that between 3% and 11% of any discounts, reductions and exemptions claimed are either fraudulent or incorrect. We estimate that we can find around 5% error in discounts/exemptions currently awarded. Where error is found it will be removed and if we believe the non-reporting might be fraudulent the case will be passed for investigation. This work is a two year programme, with quarterly progress reports being sent to the major preceptors.

Finally, in the forthcoming year, the Action Plan focus will address the remaining key fraud risk areas, streamline the internal processes for flagging up possible fraud and seek to pick up on the equalities and data management issues around fraud.

Financial Implications

None

Council Plan Implications

The counter fraud work supports the aims of the Council Plan, particularly in relation to Focus Three: Homes and Focus Four: Health and Communities, which can be linked to crime reduction.

Equality and Diversity Implications

None

Background Papers: *None*
