
Meeting: Audit Committee
Date: 29 June 2015
Subject: ANNUAL COUNTER BENEFIT FRAUD UPDATE
Report of: Charles Warboys, Chief Finance Officer
Summary: This report provides the Committee with an update on the work of the recently formed Corporate Fraud Investigation Team.

Advising Officer: Charles Warboys, Chief Finance Officer
Contact Officer: Gary Muskett, Head of Revenues & Benefits
Public/Exempt: Public
Wards Affected: All
Function of: Not applicable

CORPORATE IMPLICATIONS

Council Priorities:

Financial:

1. The costs of the Corporate Fraud Investigation Team (CFIT) are met from the DWP Administration Grant and DCLG Localised Council Tax Support Administration Grant (currently £1,050,192 in total). These grants are used to offset the costs of assessing Housing Benefit and Local Council Tax Support, which are approximately £2m. The elements of the grants for fraud administration are not separately identifiable. The grants are likely to reduce as Universal Credit claims increase and Housing Benefit is phased out. The staffing costs of the CFIT amount to approximately £150k.

Legal:

2. No implications arising from this report

Risk Management:

3. Reductions in the grant funding mentioned above will place some pressure on the current levels of staffing but early indications of the success of the team mean that compensating savings will be found. This will enable the Council to maintain its ability to detect and investigate suspected fraud. The Council will also have assurance that it is fully meeting its statutory responsibility to protect the public purse.

Staffing (including Trades Unions):

4. No implications arising from this report

Equalities/Human Rights:

5. No implications arising from this report

Public Health:

6. No implications arising from this report

Community Safety:

7. No implications arising from this report

Sustainability:

8. No implications arising from this report

Procurement:

9. No implications arising from this report

RECOMMENDATION(S):**The Committee is asked to:**

1. Consider and comment on the implications of the issues raised in this report.

Background

10. As previously reported to this committee in March 2014, the DWP were to announce a time table in May 2014 for the transfer of local authority housing benefit investigators to the DWP. Within this timetable Central Bedfordshire Council was given a transfer date of 1st May 2015.
11. Council officers worked with DWP staff to facilitate the transfer and ensure that both human resource and operational aspects of the transfer were properly managed.
12. The transfer took place on 1st May 2015 as planned, which resulted in two members of staff transferring to the DWP. Four staff have been retained as part of the newly formed Corporate Fraud Investigation Team (CFIT).
13. The CFIT is based within the Revenues and Benefits service and the officers appointed to this team are all from the pre-existing Benefits Fraud Investigation Team.
14. The team is already working closely with our Housing Department on both fraud awareness and investigations, particularly in relation to tenancy fraud and Right To Buy fraud. Statistics produced by the Audit Commission in 2013 indicate that 2% of council tenancies outside of London maybe fraudulent. If this is true it would apply to about 100 tenancies in Central Bedfordshire. Tenancy fraud will therefore remain a priority for the team.

15. An annual work programme for the team has been developed. Work includes:
- Updating policies and procedures to ensure they remain relevant and reflect current best practice
 - Raising fraud awareness across the Council, including maintained schools
 - Continuing to investigate Council Tax and other fraud areas not transferred to the SFIS
 - Targeted pro active anti fraud reviews, such as Council Tax Single Person Discounts
 - Reactive work where potential fraud has been identified
 - Data matching exercises, such as the National Fraud Initiative (NFI)
 - Advice and Liaison

As reported to the Audit Committee in March this year, the work programme will be jointly delivered by the Corporate Fraud Investigation Team and Internal Audit, with work assigned to staff with relevant skills.

16. An annual report on the outcome of the work programme will be prepared for senior management and the Audit Committee. The conclusions reached will be reflected in the Annual Governance Statement, as appropriate.

Emerging Frauds

17. There are a number of areas where nationally fraud risks have been identified but this Council has not yet identified any losses or received significant allegations. These include:-

- **Personal Budgets (Direct Payments) Fraud** - Abuse of this system can occur as an overstatement of needs, by multiple claims across authorities and from third party abuse, for example posthumously - where the service user has died and payments continue to be fraudulently collected. Counter fraud arrangements in this area are particularly important as this type of fraud may directly impact on vulnerable members of the community. Internal Audit are currently undertaking an audit of this area of work.

- **Business Rates** - This area has been identified as an emerging risk and the CFIT have started to receive referrals of this nature particularly relating to fake tenancies. Business Rates retention arrangements mean that any fraud losses now have a direct impact on this Council's finances.

- **Right to Buy** - The Right to Buy discount was increased to £75,000 from 1st April 2012 creating a significant financial incentive to purchase a council property. The Corporate Fraud Team have received a small number of referrals of this nature since it was set up and are currently investigating two potential frauds.

- **Schools** – Individual schools may have multi-million pound budgets and a great deal of local autonomy. Although most schools have good financial governance nationally some schools have suffered losses running into hundreds of thousands of pounds. As part of the rolling programme of audits carried out by our Internal Audit Team, schools will be routinely audited.

Proactive Counter Fraud Work

18. There is currently an ongoing Council Tax Single Person Discount review with a third party supplier, using data matching which compares our data against Credit Reference Agency data. Full details of this review are explained in the slide presentation attached to this report at Appendix 1.
19. Registered Landlords within Central Bedfordshire have expressed an interest in joint working on housing tenancy fraud and these discussions are ongoing.
20. The work of the CFIT will be widely publicised across the Council later this year.
21. The Council continues to be a member of the Housing Benefit Matching Service (HBMS), which cross checks our benefit claims against data held by other government agencies. Its aim is to show duplicate claims and any source of undeclared income. The council is also a member of the National Fraud Initiative (NFI) administered by the Cabinet Office, which allows comparison of housing benefit data against many other data sources such as pensions and payroll data.

Appendices:

Appendix A – Single Person Discount Review - Slide presentation

Background Papers: None

Location of papers: Watling House, Dunstable, Bedfordshire

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